UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 26, 2019

Commission file number: 001-33296

NATIONAL CINEMEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5665602**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
6300 S. Syracuse Way, Suite 300 Centennial, Colorado	**80111**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (303) 792-3600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**NCMI**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	x
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

As of November 1, 2019, 79,241,224 shares of the registrant's common stock (including unvested restricted shares), par value of $0.01 per share, were outstanding.

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NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)
(UNAUDITED)

PART I

Item 1. Financial Statements

	September 26, 2019	December 27, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 46.3	$ 41.4
Short-term marketable securities	8.1	24.0
Receivables, net of allowance of $5.7 and $6.0, respectively	121.6	149.9
Income tax receivable	0.2	0.3
Amounts due from founding members, net	3.7	5.8
Current portion of notes receivable - founding members (including receivables from related parties of $2.8 and $4.2, respectively)	4.2	5.6
Prepaid expenses and other current assets	3.5	3.9
Total current assets	187.6	230.9
NON-CURRENT ASSETS:		
Property and equipment, net of accumulated depreciation of $70.0 and $62.5, respectively	32.1	33.6
Intangible assets, net of accumulated amortization of $193.0 and $172.7, respectively	658.3	684.5
Deferred tax assets, net of valuation allowance of $78.9 and $80.1, respectively	167.9	173.9
Other investments	1.1	3.0
Long-term marketable securities	8.5	10.2
Debt issuance costs, net	4.2	5.0
Other assets	24.4	0.7
Total non-current assets	896.5	910.9
TOTAL ASSETS	$ 1,084.1	$ 1,141.8
LIABILITIES AND EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members, net	$ 24.8	$ 30.0
Payable to founding members under tax receivable agreement (including payables to related parties of $11.1 and $11.2, respectively)	15.3	15.5
Accrued expenses	21.6	21.7
Accrued payroll and related expenses	11.7	15.3
Accounts payable	16.5	18.0
Deferred revenue	10.4	7.3
Short-term debt	2.7	2.7
Other current liabilities	1.5	—
Total current liabilities	104.5	110.5
NON-CURRENT LIABILITIES:		
Long-term debt, net of debt issuance costs of $6.6 and $7.8, respectively	894.0	920.9
Payable to founding members under tax receivable agreement (including payables to related parties of $133.2 and $141.1, respectively)	183.4	195.6
Other liabilities	24.5	4.0
Total non-current liabilities	1,101.9	1,120.5
Total liabilities	1,206.4	1,231.0
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
EQUITY/(DEFICIT):		
NCM, Inc. Stockholders' Equity/(Deficit):		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding, respectively	—	—
Common stock, $0.01 par value; 175,000,000 shares authorized, 77,362,387 and 76,976,398 issued and outstanding, respectively	0.8	0.8
Additional paid in capital/(deficit)	(210.8)	(215.2)
Retained earnings (distributions in excess of earnings)	(176.9)	(153.6)
Total NCM, Inc. stockholders' equity/(deficit)	(386.9)	(368.0)
Noncontrolling interests	264.6	278.8
Total equity/(deficit)	(122.3)	(89.2)
TOTAL LIABILITIES AND EQUITY/(DEFICIT)	$ 1,084.1	$ 1,141.8

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In millions, except share and per share data)
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
REVENUE (including revenue from related parties of $5.7, $5.8, $17.5 and $21.8, respectively)	$ 110.5	$ 110.1	$ 297.6	$ 304.0
OPERATING EXPENSES:				
Advertising operating costs	9.6	10.3	26.8	26.5
Network costs	3.2	3.2	10.1	10.0
Theater access fees—founding members (including fees to related parties of $13.5, $13.4, $40.9 and $55.5, respectively)	20.1	19.7	60.8	61.8
Selling and marketing costs	17.0	15.3	48.4	48.0
Administrative and other costs	10.4	9.3	32.2	34.7
Depreciation expense	3.4	3.1	10.0	9.0
Amortization expense	—	6.9	—	20.5
Amortization of intangibles recorded for network theater screen leases	6.8	—	20.7	—
Total	70.5	67.8	209.0	210.5
OPERATING INCOME	40.0	42.3	88.6	93.5
NON-OPERATING EXPENSES:				
Interest on borrowings	13.8	14.4	42.4	42.3
Interest income	(0.4)	(0.3)	(1.4)	(1.0)
(Gain) loss on early retirement of debt, net	—	(0.3)	(0.3)	0.9
(Gain) loss on re-measurement of the payable to founding members under the tax receivable agreement	(0.5)	3.2	1.0	(4.6)
Other non-operating income	—	(0.1)	(0.3)	(0.1)
Total	12.9	16.9	41.4	37.5
INCOME BEFORE INCOME TAXES	27.1	25.4	47.2	56.0
Income tax expense (benefit)	4.3	(0.3)	6.0	16.7
CONSOLIDATED NET INCOME	22.8	25.7	41.2	39.3
Less: Net income attributable to noncontrolling interests	13.6	14.5	24.2	25.8
NET INCOME ATTRIBUTABLE TO NCM, INC.	$ 9.2	$ 11.2	$ 17.0	$ 13.5
COMPREHENSIVE INCOME ATTRIBUTABLE TO NCM, INC.	$ 9.2	$ 11.2	$ 17.0	$ 13.5
NET INCOME PER NCM, INC. COMMON SHARE:				
Basic	$ 0.12	$ 0.15	$ 0.22	$ 0.18
Diluted	$ 0.12	$ 0.14	$ 0.22	$ 0.16
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	77,356,833	76,924,983	77,293,234	76,825,828
Diluted	77,883,571	77,485,561	77,687,393	156,987,736

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions) (UNAUDITED)

	Nine Months Ended	
	September 26, 2019	**September 27, 2018**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$ 41.2	$ 39.3
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Deferred income tax expense	6.0	16.6
Depreciation expense	10.0	9.0
Amortization expense	—	20.5
Amortization of intangibles recorded for network theater screen leases	20.7	—
Non-cash share-based compensation	4.2	6.2
Impairment on investment	2.0	0.4
Amortization of debt issuance costs	1.9	2.0
(Gain) loss on early retirement of debt, net	(0.3)	0.9
Non-cash loss (gain) on re-measurement of the payable to founding members under the tax receivable agreement	1.0	(4.6)
Other	(0.9)	(0.9)
Payments to third parties for extension of intangible assets	(0.6)	—
Proceeds from disposition of intangible assets by network affiliates	0.5	—
Founding member integration and other encumbered theater payments (including payments from related parties of $0.8 in 2019)	16.3	—
Changes in operating assets and liabilities:		
Receivables, net	28.3	46.5
Accounts payable and accrued expenses	(3.0)	(0.4)
Amounts due to/from founding members, net	(0.2)	(0.5)
Payment to the founding members under tax receivable agreement (including payments to related parties of $9.8 and $17.6, respectively)	(14.0)	(17.6)
Deferred revenue	3.1	(0.6)
Other, net	(2.6)	2.0
Net cash provided by operating activities	113.6	118.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9.8)	(10.0)
Purchases of marketable securities	(9.9)	(30.9)
Proceeds from sale and maturities of marketable securities	28.3	20.9
Proceeds from notes receivable - founding members	1.4	—
Net cash provided by (used in) investing activities	10.0	(20.0)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(40.4)	(41.2)
Proceeds from revolving credit facility	100.0	139.2
Repayments of revolving credit facility	(121.0)	(137.2)
Repayments of Notes due 2026	(4.6)	(7.2)
Proceeds from term loan facility	—	270.0
Repayment of term loan facility	(2.0)	(270.7)
Payment of debt issuance costs	—	(6.6)
Founding member integration and other encumbered theater payments (including payments from related parties of $12.1 in 2018)	—	17.2
Distributions to founding members	(49.4)	(63.0)
Repurchase of stock for restricted stock tax withholding	(1.3)	(2.2)
Net cash used in financing activities	(118.7)	(101.7)
CHANGE IN CASH AND CASH EQUIVALENTS:	4.9	(2.9)
Cash and cash equivalents at beginning of period	41.4	30.2
Cash and cash equivalents at end of period	$ 46.3	$ 27.3

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In millions)
(UNAUDITED)

	Nine Months Ended	
	September 26, 2019	**September 27, 2018**
Supplemental disclosure of non-cash financing and investing activity:		
Purchase of an intangible asset with NCM LLC equity	$ 7.6	$ 15.9
Accrued distributions to founding members (including accrued distributions to related parties of $22.4 and $19.1, respectively)	$ 22.5	$ 19.1
Accrued integration and other encumbered theater payments due from founding members (including accrued payments due from related parties of $0.0 and $0.3, respectively)	$ 5.2	$ 5.1
Accrued purchases of property and equipment	$ —	$ 1.0
Increase (decrease) in dividend equivalent accrual not requiring cash in the period	$ 0.8	$ (1.3)
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 37.1	$ 38.2
Cash paid for income taxes, net of refunds	$ 0.3	$ 0.3

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

NATIONAL CINEMEDIA, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY/(DEFICIT)
(In millions, except share and per share data)
(UNAUDITED)

	Three Months Ended					
		Common Stock		Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
	Consolidated	Shares	Amount			
Balance—June 28, 2018	$ (95.1)	76,915,532	$ 0.8	$ (227.1)	$ (154.9)	$ 286.1
Distributions to founding members	(19.1)	—	—	—	—	(19.1)
Income tax and other impacts of NCM LLC ownership changes	9.9	—	—	10.0	—	(0.1)
Comprehensive income, net of tax	25.7	—	—	—	11.2	14.5
Share-based compensation issued	—	16,962	—	—	—	—
Share-based compensation expense/capitalized	1.3	—	—	0.9	—	0.4
Cash dividends declared $0.17 per share	(13.1)	—	—	—	(13.1)	—
Balance—September 27, 2018	$ (90.4)	76,932,494	$ 0.8	$ (216.2)	$ (156.8)	$ 281.8
Balance—June 27, 2019	$ (110.5)	77,349,628	$ 0.8	$ (211.9)	$ (172.6)	$ 273.2
Distributions to founding members	(22.5)	—	—	—	—	(22.5)
Income tax and other impacts of NCM LLC ownership changes	—	—	—	0.1	—	(0.1)
Comprehensive income, net of tax	22.8	—	—	—	9.2	13.6
Share-based compensation issued	—	12,759	—	—	—	—
Share-based compensation expense/capitalized	1.4	—	—	1.0	—	0.4
Cash dividends declared $0.17 per share	(13.5)	—	—	—	(13.5)	—
Balance—September 26, 2019	$ (122.3)	77,362,387	$ 0.8	$ (210.8)	$ (176.9)	$ 264.6

	Nine Months Ended					
		Common Stock		Additional Paid in Capital (Deficit)	Retained Earnings (Distribution in Excess of Earnings)	Noncontrolling Interest
	Consolidated	Shares	Amount			
Balance—December 28, 2017	$ (74.8)	76,242,222	$ 0.8	$ (233.1)	$ (130.2)	$ 287.7
Cumulative-effect adjustment for adoption of ASU 2014-09	(0.2)	—	—	—	(0.2)	—
Distributions to founding members	(44.5)	—	—	—	—	(44.5)
NCM LLC equity issued for purchase of intangible asset	15.9	—	—	7.7	—	8.2
Income tax and other impacts of NCM LLC ownership changes	9.6	—	—	6.9	—	2.7
Comprehensive income, net of tax	39.3	—	—	—	13.5	25.8
Share-based compensation issued	(2.1)	690,272	—	(2.1)	—	—
Share-based compensation expense/capitalized	6.3	—	—	4.4	—	1.9
Cash dividends declared $0.51 per share	(39.9)	—	—	—	(39.9)	—
Balance—September 27, 2018	$ (90.4)	76,932,494	$ 0.8	$ (216.2)	$ (156.8)	$ 281.8
Balance—December 27, 2018	$ (89.2)	76,976,398	$ 0.8	$ (215.2)	$ (153.6)	$ 278.8
Distributions to founding members	(44.0)	—	—	—	—	(44.0)
NCM LLC equity issued for purchase of intangible asset	7.6	—	—	3.7	—	3.9
Income tax and other impacts of NCM LLC ownership changes	(0.6)	—	—	(1.2)	—	0.6
Comprehensive income, net of tax	41.2	—	—	—	17.0	24.2
Share-based compensation issued	(1.3)	385,989	—	(1.3)	—	—
Share-based compensation expense/capitalized	4.3	—	—	3.2	—	1.1
Cash dividends declared $0.51 per share	(40.3)	—	—	—	(40.3)	—
Balance—September 26, 2019	$ (122.3)	77,362,387	$ 0.8	$ (210.8)	$ (176.9)	$ 264.6

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

1. THE COMPANY

Description of Business

National CineMedia, Inc. ("NCM, Inc.") was incorporated in Delaware as a holding company with the sole purpose of becoming a member and sole manager of National CineMedia, LLC ("NCM LLC"), a limited liability company. NCM LLC is currently owned by NCM, Inc., Regal Cinemas, Inc. and Regal CineMedia Corporation, wholly owned subsidiaries of Cineworld Group plc and Regal Entertainment Group ("Regal"), Cinemark Media, Inc. and Cinemark USA, Inc., wholly owned subsidiaries of Cinemark Holdings, Inc. ("Cinemark") and American Multi-Cinema, Inc., a wholly owned subsidiary of AMC Entertainment, Inc. ("AMC"). The terms "NCM", "the Company" or "we" shall, unless the context otherwise requires, be deemed to include the consolidated entity. AMC, Regal, Cinemark and their affiliates are referred to in this document as "founding members".

NCM LLC operates the largest cinema advertising network reaching movie audiences in North America, allowing NCM LLC to sell advertising under long-term exhibitor services agreements ("ESAs") with the founding members and certain third-party theater circuits, referred to in this document as "network affiliates" under long-term network affiliate agreements. On September 17, 2019, NCM LLC entered into amendments to the ESAs with Cinemark and Regal (collectively, the "2019 ESA Amendments"). The 2019 ESA Amendments extended the contract life of the ESAs with Cinemark and Regal by four years resulting in a weighted average remaining term of the ESAs with the founding members (based on attendance) of approximately 20.0 years as of September 26, 2019. The network affiliate agreements expire at various dates between December 2019 and July 2031. The weighted average remaining term (based on attendance) of the ESAs and the network affiliate agreements together is 17.4 years as of September 26, 2019.

As of September 26, 2019, NCM LLC had 159,067,874 common membership units outstanding, of which 77,362,387 (48.6%) were owned by NCM, Inc., 41,770,669 (26.3%) were owned by Regal, 39,737,700 (25.0%) were owned by Cinemark and 197,118 (0.1%) were owned by AMC. The membership units held by the founding members are exchangeable into NCM, Inc. common stock on a one-for-one basis.

Basis of Presentation

The Company has prepared the unaudited Condensed Consolidated Financial Statements and related notes of NCM, Inc. in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain reclassifications have been made to the prior year's financial statements to conform to the current presentation (refer to the Condensed Consolidated Statements of Income and Condensed Consolidated Statement of Cash Flows, whereby the Company presented depreciation expense and amortization expense as two separate lines and refer to the Condensed Consolidated Statements of Income, whereby the Company presented loss (gain) on retirement of debt, net as a separate line). Certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. The balance sheet as of December 27, 2018 is derived from the audited financial statements of NCM, Inc. Therefore, the unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company's annual report on Form 10-K filed for the fiscal year ended December 27, 2018.

In the opinion of management, all adjustments necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have been made. The Company's business is seasonal and for this and other reasons operating results for interim periods may not be indicative of the Company's full year results or future performance. As a result of the various related party agreements discussed in Note 5—*Related Party Transactions*, the operating results as presented are not necessarily indicative of the results that might have occurred if all agreements were with non-related third parties. The Company manages its business under one reportable segment of advertising.

Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those related to the reserve for uncollectible accounts receivable, share-based compensation and income taxes. Actual results could differ from those estimates.

Significant Accounting Policies

The Company's annual financial statements included in its Form 10-K filed for the fiscal year ended December 27, 2018 contain a complete discussion of the Company's significant accounting policies. Following is additional information related to the Company's accounting policies.

Revenue Recognition—The Company derives revenue principally from the advertising business, which includes on-screen and lobby network (LEN) advertising and lobby promotions and advertising on websites and mobile applications owned by NCM LLC and other companies. Revenue is recognized over time as the customer receives the benefits provided by NCM LLC's advertising services and the Company has the right to payment for performance to date. The Company considers the terms of each arrangement to determine the appropriate accounting treatment.

Concentration of Credit Risk and Significant Customers—Bad debts are provided for using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding receivables at the end of the period. Receivables are written off when management determines amounts are uncollectible. Trade accounts receivable are uncollateralized and represent a large number of geographically dispersed debtors. The collectability risk with respect to national and regional advertising is reduced by transacting with founding members or large, national advertising agencies that have strong reputations in the advertising industry and clients with stable financial positions. The Company has smaller contracts with thousands of local clients that are not individually significant. As of September 26, 2019 and December 27, 2018, there were no advertising agency groups or individual customers through which the Company sources national advertising revenue representing more than 10% of the Company's outstanding gross receivable balance. During the three and nine months ended September 26, 2019 and September 27, 2018, the Company had no customers that accounted for more than 10% of revenue.

Share-Based Compensation—The Company has issued stock options and restricted stock to certain employees and restricted stock units to its independent directors. In 2018 and 2019, the restricted stock grants for Company management vest upon the achievement of Company performance measures and/or service conditions, while non-management grants vest only upon the achievement of service conditions. Compensation expense of restricted stock that vests upon the achievement of Company performance measures is based on management's financial projections and the probability of achieving the projections, which require considerable judgment. A cumulative adjustment is recorded to share-based compensation expense in periods that management changes its estimate of the number of shares of restricted stock expected to vest. Ultimately, the Company adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. Dividends are accrued when declared on unvested restricted stock that is expected to vest and are only paid with respect to shares that actually vest. During the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, 18,889, 21,807, 568,584 and 997,403 shares of restricted stock and restricted stock units vested, respectively.

Consolidation—NCM, Inc. consolidates the accounts of NCM LLC under the provisions of ASC 810, *Consolidation* ("ASC 810"). The following table presents the changes in NCM, Inc.'s equity resulting from net income attributable to NCM, Inc. and transfers to or from noncontrolling interests (in millions):

	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Net income attributable to NCM, Inc.	$ 9.2	$ 11.2	$ 17.0	$ 13.5
NCM LLC equity issued for purchase of intangible asset	—	—	3.7	7.7
Income tax and other impacts of subsidiary ownership changes	0.1	10.0	(1.2)	6.9
Change from net income attributable to NCM, Inc. and transfers from noncontrolling interests	$ 9.3	$ 21.2	$ 19.5	$ 28.1

Recently Adopted Accounting Pronouncements

During the first quarter of 2019, the Company adopted Accounting Standards Update 2016-2 and subsequent amendments, *Leases (Topic 842)* (together "ASC 842") utilizing the Comparatives Under 840 option where only the current period financial statements and related disclosures are presented in accordance with the new standard. As of the adoption date of December 28, 2018 the Company recognized the following on the unaudited Condensed Consolidated Balance Sheets: a right-of-use ("ROU") asset of $21.7 million within 'Other assets', a short-term lease liability of $1.4 million within Other current liabilities', a long-term lease liability of $24.5 million within 'Other liabilities' and reversed the related deferred rent liability balance of $4.2 million for all leases with terms longer than twelve months related to its building operating leases. The Company elected to utilize the following practical expedients: (i) not being required to separate lease and non-lease components

when accounting for the lease for all asset classes; and (ii) not accounting for short-term leases under the new standard. The Company also determined that the ESAs and affiliate agreements are considered leases under ASC 842. However, the identification of the asset and determination of the period of control is dependent upon the scheduling of the showtimes by the exhibitors. As the schedules are typically not determined until one week in advance of the showtime, on average, the leases are considered short term in nature, specifically less than one month. As such, no ROU assets or lease liabilities were recognized for these agreements. The issuance of NCM LLC membership units to the founding members in accordance with NCM LLC's Common Unit Adjustment Agreement and upfront cash payments to affiliates for the contractual rights to provide services within their theaters will continue to be classified as intangible assets. However, the amortization of these intangible assets is now considered lease expense and has been reclassified within the current period from 'Depreciation and amortization expense' to 'Amortization of intangibles recorded for network theater screen leases' on the unaudited Condensed Consolidated Statement of Income. Additionally, these upfront cash payments to affiliates and receipt of integration payments from the founding members, as defined within Note 4 - *Intangible Assets*, will be considered cash flows from operating activities on the unaudited Condensed Consolidated Statement of Cash Flows when incurred as they are related to operating leases and will be reclassified from cash flows from investing and financing activities, respectively. The Company has also incorporated additional disclosures in Note 8 - *Commitments and Contingencies* to comply with ASC 842.

During the first quarter of 2019, the Company adopted Accounting Standards Update 2018-7, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-7"), which amends Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The adoption of ASU 2018-7 had no impact on the unaudited Condensed Consolidated Financial statements or notes thereto.

During the first quarter of 2019, the Company adopted a final rule issued by the SEC in March 2019 simplifying certain Regulation S-K requirements. The rule eliminated the following requirements in certain circumstances: (1) to disclose discussion of the earliest year of three years of audited financial statements presented within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Form 10-K, (2) to request permission from the SEC to redact confidential information from exhibits in the event the information is not material to the agreement and would cause competitive harm, (3) to disclose immaterial physical property and (4) to disclose schedules and attachments to exhibits which do not contain material information. The rule also adds the requirement to disclose the registrant's trading symbol on the cover page of certain SEC forms. The applicable amended disclosure requirements have been incorporated within this Quarterly Report on Form 10-Q.

During the fourth quarter of 2018, the Company adopted a final rule issued by the SEC amending certain disclosure requirements deemed by the SEC to be redundant, duplicative, overlapping, outdated or superseded. The rule also added requirements to disclose (1) the changes in each caption of stockholders' equity and non-controlling interests for the current and comparative year-to-date periods, with subtotals for each interim period and (2) the amount of dividends per share for each class of shares. The Company's adoption of the guidance resulted in changes to the presentation of the unaudited Consolidated Statement of Equity as a quarter to date equity rollforward is now also required for the current and comparable period. The Company implemented the amended disclosure requirements in the first quarter of 2019. The codification was updated to reflect the aforementioned SEC changes within Accounting Standards Update 2019-7, Codification Updates to SEC Sections ("ASU 2019-7") issued and effective during the third quarter of 2019.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements* ("ASU 2016-13"), which requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted and is to be adopted on a modified retrospective basis. The Company is currently evaluating the impact that adopting this guidance will have on the unaudited Condensed Consolidated Financial Statements or notes thereto.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with partial early adoption permitted for eliminated disclosures. The method of adoption varies by the disclosure. The Company does not expect the adoption of ASU 2018-13 to have a material impact on the unaudited Condensed Consolidated Financial Statements or notes thereto.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its unaudited Condensed Consolidated Financial Statements or notes thereto.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition

The Company derives revenue principally from the sale of advertising to national, regional and local businesses in *Noovie*, the Company's cinema advertising and entertainment pre-show. The Company also sells advertising through the LEN, a series of strategically-placed screens located in movie theater lobbies, as well as other forms of advertising and promotions in theater lobbies. In addition, the Company sells online and mobile advertising through *Cinema Accelerator* and NCM's digital gaming products including *Noovie ARcade, Fantasy Movie League, Name That Movie* and *Noovie Shuffle,* which can be played on the mobile apps or at *Noovie.com*. The Company also has a long-term agreement to exhibit the advertising of the founding members' beverage suppliers.

The Company makes contractual guarantees to deliver a specified number of impressions to view the customers' advertising. If the contracted number of impressions are not delivered, the Company will run additional advertising to deliver the contracted impressions at a later date. The deferred portion of the revenue associated with undelivered impressions is referred to as a make-good provision. The Company defers the revenue associated with the make-good until the advertising airs to the theater attendance specified in the advertising contract. The make-good provision is recorded within accrued expenses in the Condensed Consolidated Balance Sheet. As of September 26, 2019 and December 27, 2018, the Company had a make-good provision of $4.8 million and $8.0 million, respectively.

The Company has certain contracts with two-year terms that are noncancelable following a specified date within the contract period. The estimated revenue expected to be recognized in the future related to these contracted performance obligations that are unsatisfied (or partially unsatisfied) as of September 26, 2019, was $25.5 million, which is expected to be recognized in 2019. Agreements with a duration less than one year are not included within this disclosure as the Company elected to use the practical expedient in ASC 606-10-50-14 for those contracts. In addition, other of the Company's contracts longer than one year that are cancelable are not included within this disclosure.

Disaggregation of Revenue

The Company disaggregates revenue based upon the type of customer: national, local, regional and beverage concessionaire. This method of disaggregation is in alignment with how revenue is reviewed by management and discussed with and historically disclosed to investors.

The following table summarizes revenue from contracts with customers for the three and nine months ended September 26, 2019 and September 27, 2018 (in millions):

	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
National advertising revenue	$ 82.3	$ 80.8	$ 213.9	$ 214.4
Local advertising revenue	16.8	17.4	47.3	49.0
Regional advertising revenue	4.1	4.5	14.2	16.6
Founding member advertising revenue from beverage concessionaire agreements	7.3	7.4	22.2	24.0
Total revenue	$ 110.5	$ 110.1	$ 297.6	$ 304.0

Deferred Revenue and Unbilled Accounts Receivable

The changes in deferred revenue for the nine months ended September 26, 2019 were as follows (in millions):

	Nine Months Ended
	September 26, 2019
Balance at beginning of period	$ 7.3
Performance obligations satisfied	(7.3)
New contract liabilities	10.4
Balance at end of period	$ 10.4

As of September 26, 2019 and December 27, 2018, the Company had $11.6 million and $6.0 million in unbilled accounts receivable, respectively.

3. EARNINGS PER SHARE

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of potentially dilutive common stock options, restricted stock and restricted stock units using the treasury stock method. The components of basic and diluted income per NCM, Inc. share are as follows:

	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Net income attributable to NCM, Inc. (in millions)	$ 9.2	$ 11.2	$ 17.0	$ 13.5
Net income attributable to NCM, Inc. following conversion of dilutive membership units (net of estimated taxes of $0.0, $0.0, $0.0 and $14.7)(in millions)	$ 9.2	$ 11.2	$ 17.0	$ 24.6
Weighted average shares outstanding:				
Basic	77,356,833	76,924,983	77,293,234	76,825,828
Add: Dilutive effect of stock options, restricted stock and exchangeable membership units	526,738	560,578	394,159	80,161,908
Diluted	77,883,571	77,485,561	77,687,393	156,987,736
Earnings per NCM, Inc. share:				
Basic	$ 0.12	$ 0.15	$ 0.22	$ 0.18
Diluted	$ 0.12	$ 0.14	$ 0.22	$ 0.16

The effect of 81,705,487, 80,660,822 and 81,410,838 weighted average exchangeable NCM LLC common units held by the founding members for the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019, respectively, have been excluded from the calculation of diluted weighted average shares and loss per NCM, Inc. share as they were anti-dilutive. The diluted weighted average shares outstanding for the nine months ended September 27, 2018 assumes the conversion of all founding member common units to NCM, Inc. shares as they were dilutive. Upon the conversion of all common units, all of the consolidated NCM LLC net income would be attributable to NCM, Inc. and thus has been utilized as the numerator of the diluted earnings per share calculation for the nine months ended September 27, 2018. Consolidated NCM LLC net income for the nine months ended September 27, 2018 has been tax effected utilizing NCM, Inc.'s effective tax rate of 55.3% for the respective period. NCM LLC common units do not participate in dividends paid on NCM, Inc.'s common stock. In addition, there were 2,553,449, 2,016,709, 2,593,231 and 2,223,440 stock options and non-vested (restricted) shares for the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, respectively, excluded from the calculation as they were anti-dilutive. The Company's non-vested (restricted) shares do not meet the definition of a participating security as the dividends will not be paid if the shares do not vest.

4. INTANGIBLE ASSETS

Intangible assets consist of contractual rights to provide the Company's services within the theaters of the founding members and network affiliates and are stated at cost, net of accumulated amortization. The Company's intangible assets with its founding members are recorded at fair market value of NCM, Inc.'s publicly traded stock as of the date on which the

common membership units were issued. The NCM LLC common membership units are fully convertible into NCM, Inc.'s common stock. In addition, the Company records intangible assets for up-front fees paid to network affiliates upon commencement of a network affiliate agreement. The Company's intangible assets have a finite useful life and the Company amortizes the assets over the remaining useful life corresponding with the ESAs or the term of the network affiliate agreement. The Company extended the useful life of the intangible asset for Cinemark and Regal following the extension of the ESA term in conjunction with the 2019 ESA Amendments. The Company has adopted an accounting policy to capitalize extension costs on its intangible assets and thus capitalized the legal and professional costs incurred in conjunction with the ESA amendments. During the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, the Company capitalized $1.1 million, $0.0 million, $1.1 million, and $0.0 million within the intangible asset balance. There was no impact to the Payable to founding members under tax receivable agreement as the useful life of the intangible assets were not deemed to be extended for tax purposes and there were no changes made to the tax receivable agreements.

Common Unit Adjustments—In accordance with NCM LLC's Common Unit Adjustment Agreement with its founding members, on an annual basis NCM LLC determines the amount of common membership units to be issued to or returned by the founding members based on theater additions or dispositions during the previous year. In addition, NCM LLC's Common Unit Adjustment Agreement requires that a Common Unit Adjustment occur for a specific founding member if its acquisition or disposition of theaters, in a single transaction or cumulatively since the most recent Common Unit Adjustment, results in an attendance increase or decrease in excess of two percent of the annual total attendance at the prior adjustment date.

During the first quarter of 2019, NCM LLC issued 1,044,665 common membership units to its founding members for the rights to exclusive access to the theater screens and attendees added, net of dispositions by the founding members to NCM LLC's network during the 2018 fiscal year and NCM LLC recorded a net intangible asset of $7.6 million during the first quarter of 2019 as a result of the Common Unit Adjustment.

During the first quarter of 2018, NCM LLC issued 2,821,710 (3,736,860 issued, net of 915,150 returned) common membership units to its founding members for the rights to exclusive access to the theater screens and attendees added, net of dispositions by the founding members to NCM LLC's network during the 2017 fiscal year and NCM LLC recorded a net intangible asset of $15.9 million during the first quarter of 2018 as a result of the Common Unit Adjustment.

Integration Payments and Other Encumbered Theater Payments—If an existing on-screen advertising agreement with an alternative provider is in place with respect to any acquired theaters ("encumbered theaters"), the founding members may elect to receive common membership units related to those encumbered theaters in connection with the Common Unit Adjustment. If the founding members make this election, then they are required to make payments on a quarterly basis in arrears in accordance with certain run-out provisions pursuant to the ESAs ("integration payments"). Because the Carmike Cinemas, Inc. ("Carmike") theaters acquired by AMC are subject to an existing on-screen advertising agreement with an alternative provider, AMC will make integration payments to NCM LLC. The integration payments will continue until the earlier of (i) the date the theaters are transferred to NCM LLC's network or (ii) the expiration of the ESA. Integration payments are calculated based upon the advertising cash flow that the Company would have generated if it had exclusive access to sell advertising in the theaters with pre-existing advertising agreements. The ESAs additionally entitle NCM LLC to payments related to the founding members' on-screen advertising commitments under their beverage concessionaire agreements for encumbered theaters. These payments are also accounted for as a reduction to the intangible asset. During the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, the Company recorded a reduction to net intangible assets of $5.6 million, $5.5 million, $13.7 million and $13.3 million, respectively, related to integration and other encumbered theater payments. These payments received from AMC related to its acquisitions of theaters from Carmike and Rave Cinemas and from Cinemark related primarily to its acquisition of theaters from Rave Cinemas. During the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, AMC and Cinemark paid a total of $5.7 million, $5.6 million, $16.3 million and $17.2 million, respectively, in integration and other encumbered theater payments (as payments are made one quarter and one month in arrears, respectively). If common membership units are issued to a founding member for newly acquired theaters that are subject to an existing on-screen advertising agreement with an alternative provider, the amortization of the intangible asset commences after the existing agreement expires and NCM LLC can utilize the theaters for all of its services.

5. RELATED PARTY TRANSACTIONS

Founding Member Transactions—In connection with NCM, Inc.'s IPO, the Company entered into several agreements to define and regulate the relationships among NCM, Inc., NCM LLC and the founding members which are outlined below. As AMC owns less than 5% of NCM LLC as of September 26, 2019, AMC is no longer a related party. AMC remains a party to

the ESA, Common Unit Adjustment Agreement, Tax Receivable Agreement ("TRA") and certain other original agreements and is a member under the terms of the NCM LLC Operating Agreement, subject to fulfilling the requirements of Section 3.1 of the NCM LLC Operating Agreement. AMC will continue to participate in the annual Common Unit Adjustment and receive available cash distributions or allocation of earnings and losses in NCM LLC (as long as its ownership is greater than zero), TRA payments and theater access fees. Further, AMC will continue to pay beverage revenue, among other things. AMC's ownership percentage does not impact future integration payments and other encumbered theater payments owed to NCM LLC by AMC. AMC is considered a related party through the date its ownership fell below the 5% threshold (July 5, 2018) and related party transactions with AMC through this period are included within the disclosures below (specifically the first quarter and first six months of 2018).

The material agreements with the founding members are as follows:

- **ESAs.** Under the ESAs, NCM LLC is the exclusive provider within the United States of advertising services in the founding members' theaters (subject to pre-existing contractual obligations and other limited exceptions for the benefit of the founding members). The advertising services include the use of the digital content network ("DCN") equipment required to deliver the on-screen advertising and other content included in the *Noovie* pre-show, use of the LEN and rights to sell and display certain lobby promotions. Further, 30 to 60 seconds of advertising included in the *Noovie* pre-show is sold to NCM LLC's founding members to satisfy the founding members' on-screen advertising commitments under their beverage concessionaire agreements. In consideration for access to the founding members' theaters, theater patrons, the network equipment required to display on-screen and LEN video advertising and the use of theaters for lobby promotions, the founding members receive a monthly theater access fee. In conjunction with the 2019 ESA Amendments, NCM LLC agreed to pay Cinemark and Regal incremental monthly theater access fees and, subject to NCM LLC's use of specified inventory, a revenue share in consideration for NCM LLC's access to certain on-screen advertising inventory after the advertised showtime of a feature film beginning November 1, 2019 and the underlying term of the ESAs were extended until 2041. The ESAs and 2019 ESA Amendments with Cinemark and Regal are considered leases with related parties under ASC 842.

- **Common Unit Adjustment Agreement.** The Common Unit Adjustment Agreement provides a mechanism for increasing or decreasing the membership units held by the founding members based on the acquisition or construction of new theaters or sale or closure of theaters that are operated by each founding member and included in NCM LLC's network.

- **Tax Receivable Agreement.** The TRA provides for the effective payment by NCM, Inc. 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 is actually realized as a result of certain increases in NCM, Inc.'s proportionate share of tax basis in NCM LLC's tangible and intangible assets resulting from the IPO and related transactions.

- **Software License Agreement.** At the date of the Company's IPO, NCM LLC was granted a perpetual, royalty-free license from NCM LLC's founding members to use certain proprietary software that existed at the time for the delivery of digital advertising and other content through the DCN to screens in the U.S. NCM LLC has made improvements to this software since the IPO date and NCM LLC owns those improvements, except for improvements that were developed jointly by NCM LLC and NCM LLC's founding members, if any.

The following tables provide summaries of the transactions between the Company and the founding members (in millions):

Included in the unaudited Condensed Consolidated Statements of Income: (1)	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Revenue:				
Beverage concessionaire revenue (included in advertising revenue) *(2)*	$ 5.7	$ 5.8	$ 17.5	$ 21.8
Operating expenses:				
Theater access fee *(3)*	13.5	13.4	40.9	55.5
Purchase of movie tickets and concession products and rental of theater space (included in selling and marketing costs) *(4)*	0.1	0.2	0.3	0.9
Purchase of movie tickets and concession products and rental of theater space (included in advertising operating costs) *(4)*	0.1	0.1	0.1	0.1
Non-operating expenses:				
Interest income from notes receivable (included in interest income) *(5)*	0.1	0.1	0.2	0.3

(1) AMC is no longer considered a related party as of July 5, 2018, as described further above. As such, the figures within the table above only include related party activity with AMC for the six months ended June 28, 2018.

(2) For the three and nine months ended September 26, 2019 and September 27, 2018, two of the founding members purchased 60 seconds of on-screen advertising time and one founding member purchased 30 seconds (with all three founding members having a right to purchase up to 90 seconds) from NCM LLC to satisfy their obligations under their beverage concessionaire agreements at a 30 seconds equivalent CPM rate specified by the ESA.

(3) Comprised of payments per theater attendee and payments per digital screen with respect to the founding member theaters included in the Company's network, including payments for access to higher quality digital cinema equipment.

(4) Used primarily for marketing to NCM LLC's advertising clients.

(5) On December 26, 2013, NCM LLC sold its Fathom Events business to a newly formed limited liability company (AC JV, LLC) owned 32% by each of the founding members and 4% by NCM LLC. In consideration for the sale, NCM LLC received a total of $25.0 million in promissory notes from its founding members (one-third or approximately $8.3 million from each founding member). The notes bear interest at a fixed rate of 5.0% per annum, compounded annually. Interest and principal payments are due annually in six equal installments commencing on the first anniversary of the closing.

Included in the unaudited Condensed Consolidated Balance Sheets:	As of	
	September 26, 2019	December 27, 2018
Current portion of notes receivable - related parties *(1) (2)*	2.8	4.2
Interest receivable on notes receivable (included in other current assets) *(1) (2)*	0.2	0.1
Common unit adjustments, net of amortization and integration payments (included in intangible assets) *(3)*	633.2	657.6
Current payable to founding members under tax receivable agreement *(1)(4)*	11.1	11.2
Long-term payable to founding members under tax receivable agreement *(1)(4)*	133.2	141.1

(1) AMC is no longer considered a related party as of July 5, 2018, as described further above. As such, the figures as of September 26, 2019 and December 27, 2018 do not include AMC.

(2) Refer to the discussion of notes receivable from the founding members above.

(3) Refer to Note 4—*Intangible Assets* for further information on common unit adjustments and integration payments. This balance includes common unit adjustments issued to all of the founding members (including AMC) as the Company's intangible balance is considered one asset inclusive of all common unit adjustment activity.

(4) The Company paid Cinemark and Regal $3.5 million and $6.3 million, respectively, in payments pursuant to the TRA during 2019 which was for the 2018 tax year. The Company paid AMC, Cinemark and Regal $5.4 million, $4.6 million and $8.4 million, respectively, in payments pursuant to the TRA during 2018 which was for the 2017 tax year. As AMC is no longer considered a related party as of July 5, 2018, the AMC TRA payment includes only related party activity with AMC for the six months ended June 28, 2018.

Pursuant to the terms of the NCM LLC Operating Agreement in place since the completion of the Company's IPO, NCM LLC is required to make mandatory distributions on a proportionate basis to its members of available cash, as defined in the NCM LLC Operating Agreement, on a quarterly basis in arrears. Mandatory distributions of available cash for the three and nine months ended September 26, 2019 and September 27, 2018 were as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
AMC	$ —	$ —	$ —	$ 2.2
Cinemark	10.9	9.4	21.4	20.7
Regal	11.5	9.7	22.5	21.5
Total distributions to related parties	22.4	19.1	43.9	44.4
NCM, Inc.	21.3	18.2	41.7	42.5
Total	$ 43.7	$ 37.3	$ 85.6	$ 86.9

The mandatory distributions of available cash by NCM LLC to Regal and Cinemark for the three months ended September 26, 2019 of $22.4 million are included in amounts due to founding members, net on the unaudited Condensed Consolidated Balance Sheets as of September 26, 2019 and will be made in the fourth quarter of 2019. AMC's distribution for the three months ended June 28, 2018 was split equally between Cinemark and Regal because NCM LLC used a record date of July 6, 2018 (following the sale of AMC's membership units to Cinemark and Regal) to accommodate an agreement between each of AMC and Cinemark and AMC and Regal. These agreements entitled AMC to half of the second quarter of 2018 available cash distribution, or approximately $2.2 million, of which Cinemark and Regal each independently paid AMC approximately $1.1 million. The mandatory distributions to NCM, Inc. are eliminated in consolidation.

Amounts due to founding members, net as of September 26, 2019 were comprised of the following (in millions):

	Cinemark	Regal	Total
Theater access fees, net of beverage revenues and other encumbered theater payments	$ 1.0	$ 1.4	$ 2.4
Distributions payable to founding members	10.9	11.5	22.4
Total amounts due to founding members, net	$ 11.9	$ 12.9	$ 24.8

Amounts due to founding members, net as of December 27, 2018 were comprised of the following (in millions):

	Cinemark	Regal	Total
Theater access fees, net of beverage revenues and other encumbered theater payments	$ 1.0	$ 1.5	$ 2.5
Distributions payable to founding members	13.7	14.2	27.9
Integration payments due from founding members	(0.4)	—	(0.4)
Total amounts due to founding members, net	$ 14.3	$ 15.7	$ 30.0

The Amounts due from founding members, net balance as of September 26, 2019 and December 27, 2018 per the Condensed Consolidated Balance Sheets relates to payments due from AMC to NCM LLC. Given that AMC ceased being a related party as of July 5, 2018, the detail of that balance has not been included within the tables above.

During the three and nine months ended September 27, 2018, AMC received cash dividends of approximately $0.1 million and $0.4 million, respectively, on its shares of NCM, Inc. common stock held at that time.

AC JV, LLC Transactions—In December 2013, NCM LLC sold its Fathom Events business to a newly formed limited liability company, AC JV, LLC, owned 32% by each of the founding members and 4% by NCM LLC. The Company accounts for its investment in AC JV, LLC under the equity method of accounting in accordance with ASC 323-30, *Investments—Equity Method and Joint Ventures* ("ASC 323-30") because AC JV, LLC is a limited liability company with the characteristics of a limited partnership and ASC 323-30 requires the use of equity method accounting unless the Company's interest is so minor that it would have virtually no influence over partnership operating and financial policies. Although NCM LLC does not have a representative on AC JV, LLC's Board of Directors or any voting, consent or blocking rights with respect to the governance or

operations of AC JV, LLC, the Company concluded that its interest was more than minor under the accounting guidance. The Company's investment in AC JV, LLC was $1.0 million and $0.9 million as of September 26, 2019 and December 27, 2018, respectively. During the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, NCM LLC received cash distributions from AC JV, LLC of $0.1 million, $0.0 million, $0.2 million and $0.0 million, respectively. Equity in earnings from AC JV, LLC for the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, were $0.0 million, $0.0 million, $0.3 million and $0.1 million, respectively, and is included in non-operating expenses in the unaudited Condensed Consolidated Statements of Income. NCM LLC also received fees from AC JV, LLC of $0.1 million, $0.1 million, $0.1 million, and $0.2 million in the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, respectively, related to the transition services agreement with AC JV, LLC whereby the Company provides certain corporate overhead or creative services or use of facilities in exchange for a fee. These fees received by NCM LLC are included as an offset to network costs in the unaudited Condensed Consolidated Statements of Income.

6. BORROWINGS

The following table summarizes NCM LLC's total outstanding debt as of September 26, 2019 and December 27, 2018 and the significant terms of its borrowing arrangements (in millions):

	Outstanding Balance as of			
Borrowings	September 26, 2019	December 27, 2018	Maturity Date	Interest Rate
Senior secured notes due 2022	$ 400.0	$ 400.0	April 15, 2022	6.000%
Revolving credit facility	6.0	27.0	June 20, 2023	*(1)*
Term loan	267.3	269.4	June 20, 2025	*(1)*
Senior unsecured notes due 2026	230.0	235.0	August 15, 2026	5.750%
Total borrowings	903.3	931.4		
Less: debt issuance costs related to term loan and senior notes	(6.6)	(7.8)		
Total borrowings, net	896.7	923.6		
Less: current portion of debt	(2.7)	(2.7)		
Carrying value of long-term debt	$ 894.0	$ 920.9		

(1) The interest rates on the revolving credit facility and term loan are described below.

Senior Secured Credit Facility—On June 20, 2018, NCM LLC entered into a credit agreement to replace NCM LLC's senior secured credit facility, dated as of February 13, 2007, as amended (the "previous facility"). Consistent with the structure of the previous facility, the agreement consists of a term loan facility and a revolving credit facility. As of September 26, 2019, NCM LLC's senior secured credit facility consisted of a $175.0 million revolving credit facility and a $267.3 million term loan. The obligations under the senior secured credit facility are secured by a lien on substantially all of the assets of NCM LLC.

Revolving Credit Facility—The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. As of September 26, 2019, NCM LLC's total availability under the $175.0 million revolving credit facility was $164.2 million, net of $6.0 million outstanding and $4.8 million in letters of credit. The unused line fee is 0.50% per annum which is consistent with the previous facility. Borrowings under the revolving credit facility bear interest at NCM LLC's option of either the LIBOR index plus an applicable margin ranging from 1.75% to 2.25% or the base rate plus an applicable margin ranging from 0.75% to 1.25%. The applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a consolidated net senior secured leverage ratio for NCM LLC (the ratio of secured funded debt less unrestricted cash and cash equivalents of up to $100.0 million, divided by Adjusted EBITDA for debt purposes, defined as NCM LLC's net income before depreciation and amortization expense adjusted to also exclude non-cash share based compensation costs for NCM LLC plus integration payments received). The revolving credit facility will mature on June 20, 2023. The weighted-average interest rate on the revolving credit facility as of September 26, 2019 was 6.00%.

Term Loan—The interest rate on the term loan is a rate chosen at NCM LLC's option of either the LIBOR index plus 3.00% or the base rate plus 2.00%. The interest rate on the term loan as of September 26, 2019 was 5.19%. The term loan amortizes at a rate equal to 1.00% annually, to be paid in equal quarterly installments. As of September 26, 2019, NCM LLC has paid principal of $2.7 million, reducing the outstanding balance to $267.3 million. The term loan will mature on June 20, 2025.

The senior secured credit facility contains a number of covenants and various financial ratio requirements, including, (i) a consolidated net total leverage ratio covenant of 6.25 times for each quarterly period and (ii) with respect to the revolving credit facility, maintaining a consolidated net senior secured leverage ratio of equal to or less than 4.50 times on a quarterly basis for each quarterly period in which a balance is outstanding on the revolving credit facility. In addition, NCM LLC is permitted to make quarterly dividend payments and other restricted payments with its available cash as long as NCM LLC's consolidated net senior secured leverage ratio (after giving effect to any such payment) is below 5.50 times and no default or event of default has occurred and continues to occur under the senior secured credit facility. As of September 26, 2019, NCM LLC's consolidated net senior secured leverage ratio was 3.11 times (versus the dividend payment restriction of 5.50 times and the covenant of 4.50 times) and NCM LLC's consolidated net total leverage ratio was 4.17 times (versus the covenant of 6.25 times).

Senior Secured Notes due 2022—On April 27, 2012, NCM LLC completed a private placement of $400.0 million in aggregate principal amount of 6.000% Senior Secured Notes (the "Notes due 2022") for which the registered exchange offering was completed on November 26, 2012. The Notes due 2022 pay interest semi-annually in arrears on April 15 and October 15 of each year, which commenced on October 15, 2012. The Notes due 2022 share in the same collateral that secures NCM LLC's obligations under the senior secured credit facility.

Senior Unsecured Notes due 2026—On August 19, 2016, NCM LLC completed a private placement of $250.0 million in aggregate principal amount of 5.750% Senior Unsecured Notes (the "Notes due 2026") for which the registered exchange offering was completed on November 8, 2016. The Notes due 2026 pay interest semi-annually in arrears on February 15 and August 15 of each year, which commenced on February 15, 2017. The Notes due 2026 were issued at 100% of the face amount thereof and are the senior unsecured obligations of NCM LLC. NCM LLC repurchased and canceled a total of $5.0 million and $15.0 million of the Notes due 2026 during 2019 and 2018, respectively, reducing the principal amount to $230.0 million as of September 26, 2019. These repurchases were treated as partial debt extinguishments and resulted in the realization of a non-operating gain, net of written off debt issuance costs, of $0.3 million and $0.3 million during the nine months ended September 26, 2019 and September 27, 2018, respectively.

7. INCOME TAXES

Changes in the Company's Effective Tax Rate—The Company's effective tax rate increased from (2.8)% for the three months ended September 27, 2018 to 33.4% for the three months ended September 26, 2019 primarily due to lower deferred tax expense for the three months ended September 27, 2018 from the Company's remeasurement of its deferred tax assets as a result of revised state tax apportionment rates. The Company's effective tax rate decreased from 55.3% for the nine months ended September 27, 2018 to 26.9% for the nine months ended September 26, 2019 primarily due to a decrease in tax expense recorded for the change in the state effective tax rate. The decrease in income tax expense was primarily due to a decrease in deferred tax expense for the nine months ended September 26, 2019, compared to the nine months ended September 27, 2018 related to the Company's remeasurement of its deferred taxes as a result of a 2018 state tax law change. The Company's current blended state and federal rate is 24.3% as of September 26, 2019 as compared to 25.6% as of September 27, 2018.

8. COMMITMENTS AND CONTINGENCIES

Legal Actions—The Company is subject to claims and legal actions in the ordinary course of business. The Company believes such claims will not have a material effect individually or in the aggregate on its financial position, results of operations or cash flows.

Operating Commitments - Facilities - The Company has entered into operating lease agreements for its corporate headquarters and other regional offices. The Company has right-of-use ("ROU") assets of $21.9 million and short-term and long-term lease liabilities of $1.5 million and $24.5 million, respectively, on the balance sheet as of September 26, 2019 for all material leases with terms longer than twelve months. These balances are included within 'Other assets', 'Other current liabilities' and 'Other liabilities', respectively, on the unaudited Condensed Consolidated Balance Sheets. The Company has options on certain of these facilities to extend the lease or to terminate part or all of the leased space prior to the lease end date. Certain termination fees would be due upon exercise of the early termination options as outlined within the underlying agreements. None of these options were considered reasonably certain of exercise and thus have not been recognized as part of

the ROU assets and lease liabilities. As of September 26, 2019, the Company had a weighted average remaining lease term of 10.25 years on these leases.

The Company has also entered into certain short-term leases with a term of less than one year. These leases are not included within the Company's ROU assets or lease liabilities due to the Company's election of the practical expedient in ASC 842-20-25-2 for short-term leases.

During the three and nine months ended September 26, 2019, the Company recognized the following components of total lease cost (in millions). These costs are presented within selling and marketing costs and administrative and other costs within the unaudited Condensed Consolidated Statements of Income depending upon the nature of the use of the facility.

	Three Months Ended	Nine Months Ended
	September 26, 2019	September 26, 2019
Operating lease cost	$ 0.7	$ 2.3
Short-term lease cost	0.1	0.2
Variable lease cost	0.1	0.4
Total lease cost	$ 0.9	$ 2.9

The Company made total lease payments of $0.9 million and $2.5 million during the three and nine months ended September 26, 2019. These payments are included within cash flows from operating activities within the unaudited Condensed Consolidated Statement of Cash Flows. The minimum lease payments under noncancelable operating leases as of December 27, 2018 were as follows (in millions).

Year	Minimum Lease Payments
2019	$ 3.5
2020	3.3
2021	3.4
2022	3.4
2023	3.4
Thereafter	22.1
Total	$ 39.1

The future lease payments under noncancelable operating leases as of September 26, 2019 were as follows (in millions).

Year	Future Lease Payments
2019 (September 27, 2019 - December 26, 2019)	$ 0.8
2020	3.5
2021	3.5
2022	3.7
2023	3.7
2024	3.7
Thereafter	18.6
Total	37.5
Less: Imputed interest on future lease payments	(11.5)
Total lease liability as of September 26, 2019 per the Condensed Consolidated Balance Sheet	$ 26.0

When measuring the ROU assets and lease liabilities recorded, the Company utilized its incremental borrowing rate in order to determine the present value of the lease payments as the leases do not provide an implicit rate. The Company used the rate of interest that it would have paid to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. As of September 26, 2019, the Company's weighted average annual discount rate used to establish the ROU assets and lease liabilities was 7.35%.

Operating Commitments - ESAs and Affiliate Agreements - The Company has entered into long-term ESAs with the founding members and multi-year agreements with certain network affiliates, or third-party theater circuits. The ESAs and network affiliate agreements grant NCM LLC exclusive rights in their theaters to sell advertising, subject to limited exceptions. The Company recognizes intangible assets upon issuance of membership units to the founding members in accordance with NCM LLC's Common Unit Adjustment Agreement and upfront cash payments to the affiliates for the contractual rights to provide the Company's services within their theaters as further discussed within Note 4 - *Intangible Assets*. These ESAs and network affiliate agreements are considered leases under ASC 842 once the asset is identified and the period of control is determined upon the scheduling of the showtimes by the exhibitors, typically one week prior to the showtime. As such, the leases are considered short-term in nature, specifically less than one month. Within ASC 842, leases with terms of less than one month are exempt from the majority of the accounting and disclosure requirements, including disclosure of short-term lease expense. No ROU assets or lease liabilities were recognized for these agreements and no change to the balance sheet presentation of the intangible assets was necessary. However, the amortization of these intangible assets is considered lease expense and was therefore, reclassified in the current period from 'Depreciation and amortization expense' to 'Amortization of intangibles recorded for network theater screen leases' within the unaudited Condensed Consolidated Statement of Income.

In consideration for NCM LLC's access to the founding members' theater attendees for on-screen advertising and use of lobbies and other space within the founding members' theaters for the LEN and lobby promotions, the founding members receive a monthly theater access fee under the ESAs. The theater access fee is composed of a fixed payment per patron, a fixed payment per digital screen (connected to the DCN) and a fee for access to higher quality digital cinema equipment. The payment per theater patron increases by 8% every five years, with this next increase occurring in fiscal year 2022, and the payment per digital screen and for digital cinema equipment increases annually by 5%. The theater 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. As of September 26, 2019 and December 27, 2018, the Company had no liabilities recorded for the minimum payment, as the theater access fee was in excess of the minimum.

Following the 2019 ESA Amendments, Cinemark and Regal will receive an additional monthly theater access fee beginning November 1, 2019 in consideration for NCM LLC's access to certain on-screen advertising inventory after the advertised showtime of a feature film. These fees are also based upon a fixed payment per patron beginning at $0.025 per patron on November 1, 2019, (ii) $0.0375 per patron beginning on November 1, 2020, (iii) $0.05 per patron beginning on November 1, 2021, (iv) $0.052 per patron beginning on November 1, 2022 and (v) increase 8% every five years beginning November 1, 2027. Additionally, following the 2019 ESA Amendments, beginning on November 1, 2019, NCM LLC will be entitled to display an additional single unit that is either 30 or 60 seconds of the *Noovie* pre-show in the trailer position directly prior to the "attached" trailers preceding the feature film (the "Platinum Spot"). The "attached" trailers are those provided by studios to Cinemark and Regal that are with the feature film, which is at least one trailer, but sometimes two trailers. In consideration for the utilization of the theaters for the Platinum Spots, Cinemark and Regal will be entitled to receive 25% of all revenue generated for the actual display of Platinum Spots in their applicable theaters, subject to a specified minimum. If NCM LLC runs advertising in more than one concurrent advertisers' Platinum Spot for any portion of the network over a period of time, then NCM LLC will be required to satisfy a minimum average CPM for that period of time.

The network affiliates compensation is considered variable lease expense and varies by circuit depending upon the agreed upon terms of the network affiliate agreement. The majority of agreements are centered around a revenue share where an agreed upon percentage of the advertising revenue received from a theater's attendance is paid to the circuit. As part of the network affiliate agreements entered into in the ordinary course of business under which the Company sells advertising for display in various network affiliate theater chains, the Company has agreed to certain minimum revenue guarantees on a per attendee basis. If a network affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. As of September 26, 2019, the maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is $83.6 million over the remaining terms of the network affiliate agreements. These minimum guarantees relate to various affiliate agreements ranging in term from one to twenty years, prior to any renewal periods of which some are at the option of the Company. During the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018,
the Company paid $0.3 million, $0.7 million, $0.3 million and $0.7 million related to these minimum guarantees. Additionally, the Company accrued $0.4 million and $0.1 million related to affiliate agreements with guaranteed minimums in excess of the revenue share agreement as of September 26, 2019 and December 27, 2018, respectively.

9. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Non-Recurring Measurements—Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. These assets include long-lived assets, intangible assets, other investments, notes receivable and borrowings.

Long-Lived Assets, Intangible Assets, Other Investments and Notes Receivable—The Company regularly reviews long-lived assets (primarily property, plant and equipment), intangible assets, investments accounted for under the cost or equity method and notes receivable for impairment whenever certain qualitative factors, events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. When the estimated fair value is determined to be lower than the carrying value of the asset, an impairment charge is recorded to write the asset down to its estimated fair value.

Other investments consisted of the following (in millions):

	As of	
	September 26, 2019	December 27, 2018
Investment in AC JV, LLC *(1)*	$ 1.0	$ 0.9
Other investments *(2)*	0.1	2.1
Total	$ 1.1	$ 3.0

(1) Refer to Note 5—*Related Party Transactions*. This investment is accounted for utilizing the equity method.

(2) The Company received equity securities in privately held companies as consideration for a portion of advertising contracts. The equity securities are accounted for at adjusted cost in accordance with the practicability exception under Accounting Standards Update 2016-1, *Recognition and Measurement of Financial Assets and Financial Liabilities*, and represent an ownership of less than 20%. The Company does not exert significant influence on these companies' operating or financial activities.

During the three months ended September 26, 2019 and September 27, 2018 and the nine months ended September 26, 2019 and September 27, 2018, the Company recorded impairment charges of $2.0 million, $0.0 million, $2.0 million and $0.4 million, respectively, on certain of its investments due to a significant deterioration in the business prospects of the investee or new information regarding the fair value of the investee, which brought the total remaining value of the respective impaired investments to $0.0 million as of September 26, 2019 and September 27, 2018. As of September 26, 2019, no other observable price changes or impairments have been recorded as a result of the Company's qualitative assessment of identified events or changes in the circumstances of the remaining investments. The investment in AC JV, LLC was initially valued using comparative market multiples. The other investments were recorded based upon the fair value of the services provided in exchange for the investment. As the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs, they have been classified as Level 3 in the fair value hierarchy.

As of September 26, 2019 and December 27, 2018, the Company had notes receivable totaling $4.2 million and $5.6 million, respectively, from its founding members related to the sale of Fathom Events, as described in Note 5—*Related Party Transactions*. These notes were initially valued using comparative market multiples. There were no identified events or changes in circumstances that had a significant adverse effect on the fair value of the notes receivable. The notes are classified as Level 3 in the fair value hierarchy as the inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs.

Borrowings—The carrying amount of the revolving credit facility is considered a reasonable estimate of fair value due to its floating-rate terms. The estimated fair values of the Company's financial instruments where carrying values do not approximate fair value were as follows (in millions):

	As of September 26, 2019		As of December 27, 2018	
	Carrying Value	Fair Value (1)	Carrying Value	Fair Value *(1)*
Term loan	$ 267.3	$ 267.5	$ 269.4	$ 261.2
Notes due 2022	400.0	406.0	400.0	401.8
Notes due 2026	230.0	224.4	235.0	211.0

(1) If the Company were to measure the borrowings in the above table at fair value on the balance sheet they would be classified as Level 2 based upon the inputs utilized.

Recurring Measurements—The fair values of the Company's assets and liabilities measured on a recurring basis pursuant to ASC 820-10, *Fair Value Measurements and Disclosures* are as follows (in millions):

		Fair Value Measurements at Reporting Date Using		
	Fair Value as of September 26, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents *(1)*	$ 36.9	$ 15.2	$ 21.7	$ —
Short-term marketable securities *(2)*	8.1	—	8.1	—
Long-term marketable securities *(2)*	8.5	—	8.5	—
Total assets	$ 53.5	$ 15.2	$ 38.3	$ —

		Fair Value Measurements at Reporting Date Using		
	Fair Value as of December 27, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Cash equivalents *(1)*	$ 18.2	$ 11.2	$ 7.0	$ —
Short-term marketable securities *(2)*	24.0	—	24.0	—
Long-term marketable securities *(2)*	10.2	—	10.2	—
Total assets	$ 52.4	$ 11.2	$ 41.2	$ —

(1) *Cash Equivalents*—The Company's cash equivalents are carried at estimated fair value. Cash equivalents consist of money market accounts which the Company has classified as Level 1 given the active market for these accounts and commercial paper with original maturities of three months or less, which are classified as Level 2 and are valued as described below.

(2) *Short-Term and Long-Term Marketable Securities*—The carrying amount and fair value of the marketable securities are equivalent since the Company accounts for these instruments at fair value. The Company's government agency bonds, commercial paper and certificates of deposit are valued using third party broker quotes. The value of the Company's government agency bonds is derived from quoted market information. The inputs in the valuation are classified as Level 1 if there is an active market for these securities; however, if an active market does not exist, the inputs are recorded at a lower level in the fair value hierarchy. The value of commercial paper and certificates of deposit is derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy. For the three and nine months ended September 26, 2019 and September 27, 2018, there was an inconsequential amount of net realized gains (losses) recognized in interest income and an inconsequential amount of net unrealized holding gains (losses) included in interest income. Original cost of short-term marketable securities is based on the specific identification method. As of September 26, 2019 and

December 27, 2018, there was an inconsequential amount and $0.2 million, respectively, of gross unrealized losses related to individual securities of $6.5 million and $11.8 million, respectively, that had been in a continuous loss position for 12 months or longer. The Company has not recorded an impairment because it has the intention and ability to hold these securities to maturity.

The amortized cost basis, aggregate fair value and maturities of the marketable securities the Company held as of September 26, 2019 and December 27, 2018 were as follows:

	As of September 26, 2019		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities *(1)* (in years)
MARKETABLE SECURITIES:			
Short-term U.S. government agency bonds	$ 3.0	$ 3.0	0.6
Short-term commercial paper:			
Industrial	2.0	2.0	0.2
Short-term municipal bonds	1.2	1.2	0.8
Short-term certificates of deposit	1.9	1.9	0.1
Total short-term marketable securities	8.1	8.1	
Long-term U.S. government agency bonds	5.9	6.0	3.0
Long-term certificates of deposit	2.5	2.5	2.5
Total long-term marketable securities	8.4	8.5	
Total marketable securities	$ 16.5	$ 16.6	

	As of December 27, 2018		
	Amortized Cost Basis (in millions)	Aggregate Fair Value (in millions)	Maturities *(1)* (in years)
MARKETABLE SECURITIES:			
Short-term U.S. government agency bonds	$ 3.9	$ 3.9	0.5
Short-term U.S. government treasury bonds	0.3	0.3	0.5
Short-term certificates of deposit	3.6	3.6	0.6
Short-term municipal bonds	0.5	0.5	0.1
Short-term commercial paper:			
Financial	3.8	3.8	0.1
Industrial	12.0	11.9	0.1
Total short-term marketable securities	24.1	24.0	
Long-term municipal bonds	1.2	1.3	1.5
Long-term U.S. government agency bonds	6.9	6.8	2.1
Long-term certificates of deposit	2.4	2.1	2.9
Total long-term marketable securities	10.5	10.2	
Total marketable securities	$ 34.6	$ 34.2	

(1) Maturities—Securities available for sale include obligations with various contractual maturity dates some of which are greater than one year. The Company considers the securities to be liquid and convertible to cash within 30 days.

10. SUBSEQUENT EVENTS

On October 8, 2019, NCM LLC completed a private offering of $400.0 million aggregate principal amount of 5.875% senior secured notes due 2028 (the "Notes due 2028") to eligible purchasers. The Notes due 2028 will mature on April 15

, 2028. Interest on the Notes due 2028 accrues at a rate of 5.875% per annum and is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2020. Also, on October 8, 2019, NCM LLC called for redemption the entire $400.0 million aggregate principal amount of NCM LLC's existing Notes due 2022. The redemption price for the Notes due 2022 is 101.000% of the principal amount thereof plus accrued and unpaid interest thereon, to but not including the redemption date. The redemption date will be November 7, 2019. Following the delivery of the redemption notice for the Notes due 2022, NCM LLC deposited funds with the trustee for the Notes due 2022 in an amount that is sufficient for the trustee to pay the full redemption price (including accrued and unpaid interest) to the holders of the Notes due 2022 on the redemption date.

On November 4, 2019, the Company declared a cash dividend of $0.17 per share (approximately $13.2 million) on each share of the Company's common stock (not including outstanding restricted stock which will accrue dividends until the shares vest) to stockholders of record on November 14, 2019 to be paid on November 29, 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Some of the information in this Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute forward-looking statements. In some cases, you can identify these "forward-looking statements" by the specific words, including but not limited to "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading "Risk Factors" below and in our annual report on Form 10-K for the Company's fiscal year ended December 27, 2018. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herein and the audited financial statements and other disclosure included in our annual report on Form 10-K for the Company's fiscal year ended December 27, 2018. In the following discussion and analysis, the term net income refers to net income attributable to NCM, Inc.

Overview

We are America's Movie Network. As the #1 weekend network for Millennials (age 18-34) in the U.S., we are the connector between brands and movie audiences. We currently derive revenue principally from the sale of advertising to national, regional and local businesses in *Noovie*, our cinema advertising and entertainment pre-show seen on movie screens across the U.S. We also sell advertising on our LEN, a series of strategically-placed screens located in movie theater lobbies, as well as other forms of advertising and promotions in theater lobbies. In addition, we sell online and mobile advertising through our *Cinema Accelerator* and our other digital gaming products including *Noovie ARcade, Fantasy Movie League, Name That Movie* and *Noovie Shuffle* which can be played on the mobile apps or at *Noovie.com*. As of September 26, 2019, over 3.5 million movie goers have downloaded our mobile apps. These downloads and the acquisition of second party data have resulted in first and second party data sets of over 75 million. We have long-term ESAs (approximately 20.0 weighted average years remaining as of September 26, 2019) with the founding members and multi-year agreements with our network affiliates, which expire at various dates between December 2019 and July 2031. The weighted average remaining term (based on attendance) of the ESAs and the network affiliate agreements is 17.4 years as of September 26, 2019. The ESAs and network affiliate agreements grant NCM LLC exclusive rights in their theaters to sell advertising, subject to limited exceptions. Our *Noovie* pre-show and LEN programming are distributed predominantly via satellite through our proprietary DCN. Approximately 98% of the aggregate founding member and network affiliate theater attendance is generated by theaters connected to our DCN (the remaining screens receive advertisements on USB drives) and 100% of the *Noovie* pre-show is projected on digital projectors (95% digital cinema projectors and 5% LCD projectors) as of September 26, 2019.

Management focuses on several measurements that we believe provide us with the necessary ratios and key performance indicators to manage our business, determine how we are performing versus our internal goals and targets, and against the performance of our competitors and other benchmarks in the marketplace in which we operate. Senior executives hold meetings at least once per quarter with members of management to discuss and analyze operating results and address significant variances to budget and prior year in an effort to identify trends and changes in our business. We focus on operating metrics including changes in revenue, Adjusted OIBDA and Adjusted OIBDA margin, as defined and discussed below, as some of our primary measurement metrics. In addition, we monitor our monthly advertising performance measurements, including advertising inventory utilization, national and regional advertising pricing (CPM), local advertising rate per screen per week, national and local and regional and total advertising revenue per attendee. We also monitor free cash flow, the dividend coverage ratio, financial leverage ratio (net debt divided by Adjusted OIBDA plus integration payments and other encumbered theater payments), cash balances and revolving credit facility availability to ensure financial debt covenant compliance and that there is adequate cash availability to fund our working capital needs and debt obligations and current and future dividends declared by our Board of Directors. Financial results, including the metrics outlined above, are presented to the Board of Directors on a monthly basis.

Our operating results may be affected by a variety of internal and external factors and trends described more fully in the section entitled "Risk Factors" below and in our Form 10-K filed with the SEC on February 22, 2019 for our fiscal year ended December 27, 2018.

Recent Developments

Amendment to Cinemark and Regal ESAs

On September 17, 2019, NCM LLC entered into the 2019 ESA Amendments with affiliates of each of Cinemark and Regal. The 2019 ESA Amendments extended the terms of the ESAs with Cinemark and Regal from February 13, 2037 to February 13, 2041 and modified the *Noovie* pre-show in Cinemark and Regal theaters.

Beginning on November 1, 2019, NCM LLC will be entitled to display up to five minutes of the *Noovie* pre-show after the advertised showtime of a feature film in Cinemark and Regal theaters. The amount of time included in the *Noovie* pre-show displayed prior to showtime will be reduced by the sum of five minutes plus the aggregate length of time of any Platinum Spot.

In consideration for utilization of the theaters post-showtime, Cinemark and Regal will be entitled to receive post-showtime theater access fees. These fees are based upon Cinemark's or Regal's attendance and a post-showtime theater access fee per patron. NCM LLC will pay a post-showtime theater access fee to Cinemark and Regal as follows: (i) beginning on November 1, 2019, $0.025 per patron, (ii) beginning on November 1, 2020, $0.0375 per patron, (iii) beginning on November 1, 2021, $0.05 per patron, (iv) beginning on November 1, 2022, $0.052 per patron, and (v) beginning on November 1, 2027 and every five years thereafter on November 1, the post-showtime theater access fee per patron will increase by 8%.

In addition, beginning on November 1, 2019, NCM LLC will be entitled to display a Platinum Spot, an additional single unit that is either 30 or 60 seconds of the *Noovie* pre-show in the trailer position directly prior to the "attached" trailers preceding the feature film. The "attached" trailers are those provided by studios to Cinemark and Regal that are with the feature film, which is at least one trailer, but sometimes two trailers.

In consideration for the utilization of the theaters post-showtime for Platinum Spots, Cinemark and Regal will be entitled to receive 25% of all revenue generated for the actual display of Platinum Spots in their applicable theaters, subject to a specified minimum. If NCM LLC runs advertising in more than one concurrent advertisers' Platinum Spot for any portion of the network over a period of time, then NCM LLC will be required to satisfy a minimum average CPM for that period of time.

Refinancing of Notes due 2022

On October 8, 2019, NCM LLC completed a private offering of $400.0 million aggregate principal amount of 5.875% senior secured notes due 2028 to eligible purchasers. The Notes due 2028 will mature on April 15, 2028. Interest on the Notes due 2028 accrues at a rate of 5.875% per annum and is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2020. Also, on October 8, 2019, NCM LLC called for redemption the entire $400.0 million aggregate principal amount of NCM LLC's existing Notes due 2022. The redemption price for the Notes due 2022 is 101.000% of the principal amount thereof plus accrued and unpaid interest thereon, to but not including the redemption date. The redemption date will be November 7, 2019. Following the delivery of the redemption notice for the Notes due 2022, NCM LLC deposited funds with the trustee for the Notes due 2022 in an amount that is sufficient for the trustee to pay the full redemption price (including accrued and unpaid interest) to the holders of the Notes due 2022 on the redemption date.

Summary Historical and Operating Data

You should read this information with the other information contained in this document, and our unaudited historical financial statements and the notes thereto included elsewhere in this document.

Our Operating Data—The following table presents operating data and Adjusted OIBDA (dollars in millions, except share and margin data):

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	% Change Q3 2019 to Q3 2018	% Change YTD 2019 to YTD 2018
Revenue	$ 110.5	$ 110.1	$ 297.6	$ 304.0	0.4 %	(2.1)%
Operating expenses:						
Advertising	44.3	44.2	130.8	133.4	0.2 %	(1.9)%
Network, administrative and unallocated costs	26.2	23.6	78.2	77.1	11.0 %	1.4 %
Total operating expenses	70.5	67.8	209.0	210.5	4.0 %	(0.7)%
Operating income	40.0	42.3	88.6	93.5	(5.4)%	(5.2)%
Non-operating expenses	12.9	16.9	41.4	37.5	(23.7)%	10.4 %
Income tax expense (benefit)	4.3	(0.3)	6.0	16.7	NM	(64.1)%
Net income attributable to noncontrolling interests	13.6	14.5	24.2	25.8	(6.2)%	(6.2)%
Net income attributable to NCM, Inc.	$ 9.2	$ 11.2	$ 17.0	$ 13.5	(17.9)%	25.9 %
Net income per NCM, Inc. basic share	$ 0.12	$ 0.15	$ 0.22	$ 0.18	(20.0)%	22.2 %
Net income per NCM, Inc. diluted share	$ 0.12	$ 0.14	$ 0.22	$ 0.16	(14.3)%	37.5 %
Adjusted OIBDA	$ 51.7	$ 53.6	$ 124.0	$ 129.2	(3.5)%	(4.0)%
Adjusted OIBDA margin	46.8%	48.7%	41.7%	42.5%	(1.9)%	(0.8)%
Total theater attendance (in millions) *(1)*	163.4	164.7	497.4	535.8	(0.8)%	(7.2)%

NM = Not Meaningful

(1) Represents the total attendance within our advertising network, excluding screens and attendance associated with certain AMC Carmike, AMC Rave and Cinemark Rave theaters that were part of another cinema advertising network for certain periods presented. Refer to Note 4 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document.

Non-GAAP Financial Measures

Adjusted Operating Income Before Depreciation and Amortization ("Adjusted OIBDA") and Adjusted OIBDA margin are not financial measures calculated in accordance with GAAP in the United States. Adjusted OIBDA represents operating income before depreciation and amortization expense adjusted to also exclude amortization of intangibles recorded for network theater screen leases, non-cash share-based compensation costs and Chief Executive Officer transition costs. Adjusted OIBDA margin is calculated by dividing Adjusted OIBDA by total revenue. Our management uses these non-GAAP financial measures to evaluate operating performance, to forecast future results and as a basis for compensation. The Company believes these are important supplemental measures of operating performance because they eliminate items that have less bearing on the Company's operating performance and so highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. The Company believes the presentation of these measures is relevant and useful for investors because it enables them to view performance in a manner similar to the method used by the Company's management, helps improve their ability to understand the Company's operating performance and makes it easier to compare the Company's results with other companies that may have different depreciation and amortization policies, amortization of intangibles recorded for network theater screen leases, non-cash share based compensation programs, CEO turnover, interest rates, debt levels or income tax rates. A limitation of these measures, however, is that they exclude depreciation and amortization, which represent a proxy for the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of the Company's amortization of intangibles recorded for network theater screen leases, share based payment costs or costs associated with the resignation of the Company's former Chief Executive Officer. Adjusted OIBDA should not be regarded as an alternative to operating income, net income or as an indicator of operating performance, nor should it be considered in isolation of, or as a substitute for, financial measures prepared in accordance with GAAP. The Company believes that operating income is the most directly comparable GAAP financial measure to Adjusted OIBDA. Because not all companies use identical calculations, these non-GAAP presentations may not be comparable to other similarly titled measures of other companies, or calculations in the Company's debt agreement.

The following table reconciles operating income to Adjusted OIBDA for the periods presented (dollars in millions):

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Operating income	$ 40.0	$ 42.3	$ 88.6	$ 93.5
Depreciation expense	3.4	3.1	10.0	9.0
Amortization expense *(1)*	—	6.9	—	20.5
Amortization of intangibles recorded for network theater screen leases *(1)*	6.8	—	20.7	—
Share-based compensation costs *(2)*	1.4	1.3	4.3	6.2
CEO transition costs	0.1	—	0.4	—
Adjusted OIBDA	$ 51.7	$ 53.6	$ 124.0	$ 129.2
Total revenue	$ 110.5	$ 110.1	$ 297.6	$ 304.0
Adjusted OIBDA margin	46.8%	48.7%	41.7%	42.5%

(1) Following the adoption of ASC 842, as discussed within Note 1 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document, amortization of the ESA and affiliate intangible balances is considered a form of lease expense and has been reclassified to this account as of the adoption date, December 28, 2018. The Company adopted ASC 842 prospectively and thus, prior period balances remain within amortization expense.

(2) Share-based compensation costs are included in network operations, selling and marketing and administrative expense in the accompanying unaudited Condensed Consolidated Financial Statements.

Our Network—The change in the number of screens in our network by the founding members and network affiliates during the nine months ended September 26, 2019 was as follows.

	Number of screens		
	Founding Members	Network Affiliates	Total
Balance as of December 27, 2018	16,768	4,404	21,172
Lost affiliates, net of new affiliates *(1)*	—	(246)	(246)
Openings, net of closures	84	63	147
Balance as of September 26, 2019	16,852	4,221	21,073

(1) Represents the loss of three of our affiliates that did not renew their contracts resulting in a reduction of 250 affiliate screens to our network, offset by the addition of one new affiliate which added 4 new screens to our network during the nine months ended September 26, 2019.

Our founding member and network affiliate agreements allow us to sell cinema advertising across the largest network of digitally equipped theaters in the U.S. We believe that our market coverage strengthens our selling proposition and competitive positioning against other national, regional and local video advertising platforms, including television, online and mobile video platforms and other out of home video advertising platforms by allowing advertisers the broad reach and national scale that they need to effectively reach their target audiences.

Basis of Presentation

The results of operations data for the three months ended September 26, 2019 (third quarter of 2019) and September 27, 2018 (third quarter of 2018) and the nine months ended September 26, 2019 and September 27, 2018 was derived from the unaudited Condensed Consolidated Financial Statements and accounting records of NCM, Inc. and should be read in conjunction with the notes thereto.

Results of Operations

Third Quarter of 2019 and Third Quarter of 2018

Revenue. Total revenue increased 0.4%, from $110.1 million for the third quarter of 2018 to $110.5 million for the third quarter of 2019. The following is a summary of revenue by category (in millions):

	Q3 2019	Q3 2018	$ Change Q3 2019 to Q3 2018	% Change Q3 2019 to Q3 2018
National advertising revenue	$ 82.3	$ 80.8	$ 1.5	1.9 %
Local advertising revenue	16.8	17.4	(0.6)	(3.4)%
Regional advertising revenue	4.1	4.5	(0.4)	(8.9)%
Founding member advertising revenue from beverage concessionaire agreements	7.3	7.4	(0.1)	(1.4)%
Total revenue	$ 110.5	$ 110.1	$ 0.4	0.4 %

The following table shows data on theater attendance and revenue per attendee for the third quarter of 2019 and the third quarter of 2018:

	Q3 2019	Q3 2018	% Change Q3 2019 to Q3 2018
National advertising revenue per attendee	$ 0.504	$ 0.491	2.6 %
Local advertising revenue per attendee	$ 0.103	$ 0.106	(2.8)%
Regional advertising revenue per attendee	$ 0.025	$ 0.027	(7.4)%
Total advertising revenue (excluding founding member beverage revenue) per attendee	$ 0.632	$ 0.624	1.3 %
Total advertising revenue per attendee	$ 0.676	$ 0.668	1.2 %
Total theater attendance (in millions) *(1)*	163.4	164.7	(0.8)%

(1) Represents the total attendance within our advertising network, excluding screens and attendance associated with certain AMC Carmike, AMC Rave and Cinemark Rave theaters that were part of another cinema advertising network for certain periods presented.

National advertising revenue. The $1.5 million, or 1.9%, increase in national advertising revenue (excluding beverage revenue from founding members) was primarily due to a $7.4 million increase in other revenue not included in the inventory measured by impressions sold and CPMs. The increase in other revenue was primarily driven by higher sales of advertiser branded content segments within our *Noovie* pre-show, lobby promotions, and national digital advertisements. This increase was partially offset by a 9.0% decrease in national advertising CPMs (excluding beverage) driven by a decrease in scatter market demand in the third quarter of 2019, compared to the third quarter of 2018. The scatter market represents inventory not included within an upfront or content partner commitment sold closer to the advertisement air date for typically higher CPMs. Impressions sold remained relatively flat with a 0.4% increase primarily related to an increase in national advertising utilization from 133.2% in third quarter of 2018 to 134.8% in the third quarter of 2019 due in part to the placement of more of the make good balance that existed at the end of the second quarter of 2019, compared to the same period in 2018. The increase was partially offset by a 0.8% decrease in network attendance. Inventory utilization is calculated as utilized impressions divided by total advertising impressions, which is based on eleven 30-second salable national advertising units in our *Noovie* pre-show, which can be expanded, should market demand dictate.

Local advertising revenue. The $0.6 million, or 3.4%, decrease in local advertising revenue was primarily due to a 6.8% decrease in the volume of local contracts for the third quarter of 2019, compared to the third quarter of 2018, partially offset by an increase in local digital sales revenue driven by an increase in the number of integrated on-screen and digital sales.

Regional advertising revenue. The $0.4 million, or 8.9%, decrease in regional advertising revenue was primarily due to a decrease in average contract value driven by a reduction in spend of a few large customers during the third quarter of 2019, compared to the third quarter of 2018.

Founding member beverage revenue. The $0.1 million, or 1.4%, decrease in national advertising revenue from the founding members' beverage concessionaire agreements was primarily due to a 0.3% decrease in founding member attendance, partially offset by a 0.7% increase in beverage revenue CPMs in the third quarter of 2019, compared to the

third quarter of 2018. The 2019 beverage revenue CPM is based on the change in CPM during segment one of our pre-show from 2017 to 2018, which increased 0.7%.

Operating expenses. Total operating expenses increased $2.7 million, or 4.0%, from $67.8 million for the third quarter of 2018 to $70.5 million for the third quarter of 2019. The following table shows the changes in operating expense for the third quarter of 2019 and the third quarter of 2018 (in millions):

	Q3 2019	Q3 2018	$ Change Q3 2019 to Q3 2018	% Change Q3 2019 to Q3 2018
Advertising operating costs	$ 9.6	$ 10.3	$ (0.7)	(6.8)%
Network costs	3.2	3.2	—	— %
Theater access fees—founding members	20.1	19.7	0.4	2.0 %
Selling and marketing costs	17.0	15.3	1.7	11.1 %
Administrative and other costs	10.4	9.3	1.1	11.8 %
Depreciation expense	3.4	3.1	0.3	9.7 %
Amortization expense	—	6.9	(6.9)	(100.0)%
Amortization of intangibles recorded for network theater screen leases	6.8	—	6.8	100.0 %
Total operating expenses	$ 70.5	$ 67.8	$ 2.7	4.0 %

Advertising operating costs. Advertising operating costs decreased $0.7 million, or 6.8%, from $10.3 million for the third quarter of 2018 to $9.6 million for the third quarter of 2019. The decrease was primarily related to a $0.9 million decrease in affiliate advertising payments driven by a 3.6%, or 156 screens, decrease in the number of average affiliate screens as of the third quarter of 2019, compared to the third quarter of 2018 and a decrease in minimum guarantee payments to affiliates. This was partially offset by a $0.2 million increase in production costs associated with content produced for national advertisers.

Network costs. Network costs remained consistent at $3.2 million for the third quarter of 2018 and the third quarter of 2019.

Theater access fees—founding members. Theater access fees increased $0.4 million, or 2.0%, from $19.7 million in the third quarter of 2018 to $20.1 million in the third quarter of 2019. The increase was due to a $0.4 million increase in the expense associated with the founding member digital screens that are connected to the DCN (nearly 100% of our founding member screens as of September 26, 2019), due to the annual 5% increase specified in the ESAs. The expense associated with founding member attendance remained approximately flat due to a 0.3% decrease in attendance at founding members' theaters during the third quarter of 2019, compared to the third quarter of 2018.

Selling and marketing costs. Selling and marketing costs increased $1.7 million, or 11.1%, from $15.3 million for the third quarter of 2018 to $17.0 million for the third quarter of 2019. This increase was primarily related to $2.0 million of non-cash impairment expense realized in the third quarter of 2019 related to investments obtained in prior years in exchange for advertising services and a $0.6 million increase in digital advertising expense driven by the increase in digital advertising sales in the third quarter of 2019, compared to the third quarter of 2018. These increases were partially offset by a $0.5 million decrease in expenses related to sales meetings, including related travel expenses, due to the timing of meetings.

Administrative and other costs. Administrative and other costs increased $1.1 million, or 11.8%, from $9.3 million in the third quarter of 2018 to $10.4 million in the third quarter of 2019. Administrative and other costs increased primarily due to a $1.4 million increase in personnel related expenses driven by an increase in bonus expense due to performance-based compensation expense accrued.

Depreciation expense. Depreciation expense increased $0.3 million, or 9.7%, from $3.1 million for the third quarter of 2018 to $3.4 million for the third quarter of 2019, primarily due to new fixed assets being placed into service during the fourth quarter of 2018.

Amortization expense and Amortization of intangibles recorded for network theater screen leases. Amortization of our ESA and affiliate intangibles was at $6.9 million for the third quarter of 2018, consistent with the $6.8 million of amortization of intangibles recorded for network theater screen leases for the third quarter of 2019. Following the adoption of ASC 842, as discussed within Note 1 to the unaudited Condensed Consolidated Financial Statements

included elsewhere in this document, amortization of the ESA and affiliate intangible balances is considered a form of lease expense and has been reclassified from amortization expense to amortization of intangibles recorded for network theater screen leases as of the adoption date, December 28, 2018. The Company adopted ASC 842 prospectively and thus, prior period balances remain within amortization expense.

Non-operating expenses. Total non-operating expenses decreased $4.0 million, or 23.7%, from $16.9 million for the third quarter of 2018 to $12.9 million for the third quarter of 2019. The following table shows the changes in non-operating expense for the third quarter of 2019 and the third quarter of 2018 (in millions):

	Q3 2019	Q3 2018	$ Change Q3 2019 to Q3 2018	% Change Q3 2019 to Q3 2018
Interest on borrowings	$ 13.8	$ 14.4	$ (0.6)	(4.2)%
Interest income	(0.4)	(0.3)	(0.1)	33.3 %
Gain on extinguishment of debt	—	(0.3)	0.3	(100.0)%
(Gain) loss on the re-measurement of the payable to founding members under the tax receivable agreement	(0.5)	3.2	(3.7)	(115.6)%
Other non-operating income (expense)	—	(0.1)	0.1	(100.0)%
Total non-operating expenses	$ 12.9	$ 16.9	$ (4.0)	(23.7)%

The decrease in non-operating expense was primarily due to a $3.2 million loss on the re-measurement of the payable to founding members under the tax receivable agreement for the third quarter of 2018 as compared to a $0.5 million gain on the re-measurement of the payable for the third quarter of 2019 primarily due to a change in the state tax rates in 2018. The decrease was also due to a $0.6 million decrease in interest on borrowings due to a decrease in the amount of debt outstanding for the third quarter of 2019, compared to the third quarter of 2018. These decreases were partially offset by the absence of a $0.3 million gain on the extinguishment of debt related to the repurchase of some of our Notes due 2026 during the third quarter of 2018.

Income Tax Expense (Benefit). Income tax expense (benefit) increased $4.6 million from $0.3 million of income tax benefit in the third quarter of 2018 to $4.3 million of income tax expense in the third quarter of 2019. The increase was due primarily to an increase in the deferred tax rate in the third quarter of 2018 related to revised state tax apportionment rates following the completion of the 2017 tax return.

Net Income. Net income decreased $2.0 million from $11.2 million for the third quarter of 2018 to $9.2 million for the third quarter of 2019. The decrease in net income was due to a $4.6 million increase in income tax expense and a $2.3 million decrease in operating income. These decreases were partially offset by a decrease of $4.0 million in non-operating expenses and a $0.9 million decrease in net income attributable to noncontrolling interests.

Nine months ended September 26, 2019 and September 27, 2018

Revenue. Total revenue decreased 2.1%, from $304.0 million for the nine months ended September 27, 2018 to $297.6 million for the nine months ended September 26, 2019. The following is a summary of revenue by category (in millions):

	Nine Months Ended		$ Change YTD 2019 to YTD 2018	% Change YTD 2019 to YTD 2018
	September 26, 2019	September 27, 2018		
National advertising revenue	$ 213.9	$ 214.4	$ (0.5)	(0.2)%
Local advertising revenue	47.3	49.0	(1.7)	(3.5)%
Regional advertising revenue	14.2	16.6	(2.4)	(14.5)%
Founding member advertising revenue from beverage concessionaire agreements	22.2	24.0	(1.8)	(7.5)%
Total revenue	$ 297.6	$ 304.0	$ (6.4)	(2.1)%

The following table shows data on theater attendance and revenue per attendee for the nine months ended September 26, 2019 and September 27, 2018:

	Nine Months Ended		% Change
	September 26, 2019	September 27, 2018	YTD 2019 to YTD 2018
National advertising revenue per attendee	$ 0.430	$ 0.400	7.5 %
Local advertising revenue per attendee	$ 0.095	$ 0.091	4.4 %
Regional advertising revenue per attendee	$ 0.029	$ 0.031	(6.5)%
Total advertising revenue (excluding founding member beverage revenue) per attendee	$ 0.554	$ 0.523	5.9 %
Total advertising revenue per attendee	$ 0.598	$ 0.567	5.5 %
Total theater attendance (in millions) *(1)*	497.4	535.8	(7.2)%

(1) Represents the total attendance within our advertising network, excluding screens and attendance associated with certain AMC Carmike, AMC Rave and Cinemark Rave theaters that are currently part of another cinema advertising network for all periods presented.

National advertising revenue. The $0.5 million, or 0.2%, decrease in national advertising revenue (excluding beverage revenue from the founding members) was due primarily to a 4.8% decrease in national advertising CPMs (excluding beverage), partially offset by a $9.4 million increase in other revenue not included in the inventory measured by impressions sold and CPMs. The decrease in national advertising CPMs (excluding beverage) was driven by a decrease in scatter market demand in the first nine months of 2019, compared to the first nine months of 2018. The scatter market represents inventory not included within an upfront or content partner commitment sold closer to the advertisement air date for typically higher CPMs. The increase in other revenue was primarily driven by higher sales of advertiser branded content segments within our *Noovie* pre-show, lobby promotions, and online and mobile advertisements. Impressions sold remained relatively flat with a 0.8% decrease related to a 7.2% decrease in network attendance, partially offset by an increase in national advertising utilization from 109.1% in the first nine months of 2018 to 116.7% in the first nine months of 2019 due in part to the placement of more of the make good balance that existed at the end of 2018, compared to the same period in 2018. Inventory utilization is calculated as utilized impressions divided by total advertising impressions, which is based on eleven 30-second salable national advertising units in our *Noovie* pre-show, which can be expanded, should market demand dictate.

Local advertising revenue. The $1.7 million, or 3.5%, decrease in local advertising revenue was primarily due to a 10.4% decrease in the volume of contracts. This decrease was partially offset by an increase in local digital sales revenue driven by an increase in the number of integrated on-screen and digital sales and a 4.1% increase in the average on-screen contract value driven by contracts under $100,000 in the first nine months of 2019, compared to the first nine months of 2018.

Regional advertising revenue. The $2.4 million, or 14.5%, decrease in regional advertising revenue was primarily due to the shift of a handful of clients from regional advertising to national advertising during the first nine months of 2019, compared to the first nine months of 2018, partially offset by an increase in the volume of contracts under $100,000 in the first nine months of 2019, compared to the first nine months of 2018.

Founding member beverage revenue. The $1.8 million, or 7.5%, decrease in national advertising revenue from the founding members' beverage concessionaire agreements was primarily due to a 6.7% decrease in founding member attendance, partially offset by a 0.7% increase in beverage revenue CPMs, in the first nine months of 2019, compared to the first nine months of 2018. The 2019 beverage revenue CPM is based on the change in CPM during segment one of our pre-show from 2017 to 2018, which increased 0.7%.

Operating expenses. Total operating expenses decreased $1.5 million, or 0.7%, from $210.5 million for the nine months ended September 27, 2018 to $209.0 million for the nine months ended September 26, 2019. The following table shows the changes in operating expense for the nine months ended September 26, 2019 and September 27, 2018 (in millions):

	Nine Months Ended		$ Change	% Change
	September 26, 2019	September 27, 2018	YTD 2019 to YTD 2018	YTD 2019 to YTD 2018
Advertising operating costs	$ 26.8	$ 26.5	$ 0.3	1.1 %
Network costs	10.1	10.0	0.1	1.0 %
Theater access fees—founding members	60.8	61.8	(1.0)	(1.6)%
Selling and marketing costs	48.4	48.0	0.4	0.8 %
Administrative and other costs	32.2	34.7	(2.5)	(7.2)%
Depreciation expense	10.0	9.0	1.0	11.1 %
Amortization expense	—	20.5	(20.5)	(100.0)%
Amortization of intangibles recorded for network theater screen leases	20.7	—	20.7	100.0 %
Total operating expenses	$ 209.0	$ 210.5	$ (1.5)	(0.7)%

Advertising operating costs. Advertising operating costs increased $0.3 million, or 1.1%, from $26.5 million for the nine months ended September 27, 2018 to $26.8 million for the nine months ended September 26, 2019. The increase was primarily related to a $0.3 million increase in production costs associated with content produced for national advertisers.

Network costs. Network costs remained relatively consistent and increased $0.1 million, or 1.0%, from $10.0 million for the nine months ended September 27, 2018 to $10.1 million for the nine months ended September 26, 2019.

Theater access fees—founding members. Theater access fees decreased $1.0 million, or 1.6%, from $61.8 million in the nine months ended September 27, 2018 to $60.8 million for the nine months ended September 26, 2019. The decrease was due to a $2.4 million decrease in the expense associated with founding member attendance due to a 6.7% decrease in attendance at founding members' theaters. The decrease was partially offset by a $1.4 million increase in the expense associated with the founding member digital screens that are connected to the DCN (nearly 100% of our screens as of September 26, 2019), including higher quality digital cinema projectors and related equipment, due to the annual 5% rate increase specified in the ESAs.

Selling and marketing costs. Selling and marketing costs increased $0.4 million, or 0.8%, from $48.0 million for the nine months ended September 27, 2018 to $48.4 million for the nine months ended September 26, 2019. The increase was due to 1) a $2.0 million non-cash impairment charge realized in the first nine months of 2019, compared to $0.4 million realized in the first nine months of 2018 related to investments obtained in prior years in exchange for advertising services, 2) a $0.8 million increase in digital advertising expense driven partly by the increase in digital advertising sales and 3) a $0.6 million increase in company advertising expense associated with online and social media platforms to promote our *Noovie* products in the first nine months of 2019, compared to the first nine months of 2018. These increases were partially offset by a $2.6 million decrease in personnel related expenses driven by lower salaries and commissions due to a reduction in sales force in late 2018 and lower non-cash share-based compensation expense due to a decrease in the volume of awards granted in 2019, compared to 2018.

Administrative and other costs. Administrative and other costs decreased $2.5 million, or 7.2%, from $34.7 million for the nine months ended September 27, 2018 to $32.2 million for the nine months ended September 26, 2019. This decrease was primarily related to a $1.6 million decrease in personnel related expenses primarily due to 1) a $1.5 million increase in capitalized personnel costs driven by the nature of the work being performed by our information technology department in 2019, compared to 2018 and 2) a $1.8 million decrease in compensation expense due to the absence of a CEO during a portion of 2019. These decreases were partially offset by a $1.6 million increase in personnel related costs for our digital service offerings. Administrative and other costs also decreased due to a $2.1 million decrease in legal and professional services partially due to the absence of professional fees incurred related to the negotiation of the settlement agreement with a large shareholder during the second quarter of 2018. These decreases were partially offset by a $0.7 million increase in consulting services and a $0.4 million increase in CEO transition fees related to costs incurred in the first nine months of 2019.

Depreciation expense. Depreciation expense increased $1.0 million, or 11.1%, from $9.0 million for the nine months ended September 27, 2018 to $10.0 million for the nine months ended September 26, 2019, primarily due to new fixed assets placed into service during the fourth quarter of 2018.

Amortization expense and Amortization of intangibles recorded for network theater screen leases. Amortization of the ESA and affiliate intangibles was $20.7 million for the nine months ended September 26, 2019 up from the $20.5 million of amortization expense for the nine months ended September 27, 2018. Following the adoption of ASC 842, as discussed within Note 1 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document, amortization of the ESA and affiliate intangible balances is considered a form of lease expense and has been reclassified from amortization expense to amortization of intangibles recorded for network theater screen leases as of the adoption date, December 28, 2018. The Company adopted ASC 842 prospectively and thus, prior period balances remain within amortization expense. The $0.2 million increase was due to an increase in the underlying intangible asset balances following our annual common unit adjustment.

Non-operating expenses. Total non-operating expenses increased $3.9 million, or 10.4%, from $37.5 million for the nine months ended September 27, 2018 to $41.4 million for the nine months ended September 26, 2019. The following table shows the changes in non-operating expense for the nine months ended September 26, 2019 and September 27, 2018 (in millions):

	Nine Months Ended		$ Change	% Change
	September 26, 2019	September 27, 2018	YTD 2019 to YTD 2018	YTD 2019 to YTD 2018
Interest on borrowings	$ 42.4	$ 42.3	$ 0.1	0.2 %
Interest income	(1.4)	(1.0)	(0.4)	40.0 %
(Gain) loss on early retirement of debt, net	(0.3)	0.9	(1.2)	(133.3)%
Loss (gain) on re-measurement of the payable to founding members under the tax receivable agreement	1.0	(4.6)	5.6	(121.7)%
Other non-operating income	(0.3)	(0.1)	(0.2)	NM
Total non-operating expenses	$ 41.4	$ 37.5	$ 3.9	10.4 %

The increase in non-operating expense was primarily due to a $4.6 million gain on the re-measurement of the payable to founding members under the tax receivable agreement for the nine months ended September 27, 2018 as compared to a $1.0 million loss on the re-measurement of the payable for the nine months ended September 26, 2019 due to a change in the deferred tax rate related to a change in state tax law regarding sales sourcing during the first nine months of 2018. This increase was partially offset by a $0.3 million gain on early retirement of our debt during the first nine months of 2019 as compared to a $0.9 million loss on the extinguishment of debt related to the refinancing of the senior secured credit facility in the second quarter of 2018.

Income Tax Expense. Income tax expense decreased $10.7 million from $16.7 million for the nine months ended September 27, 2018 to $6.0 million for the nine months ended September 26, 2019. The decrease was primarily due to a decrease in deferred tax expense for the first nine months of 2019, compared to the first nine months of 2018 related to the Company's re-measurement of its deferred tax assets as a result of a 2018 state tax law change. The remaining decrease was primarily due to lower income before income taxes for the first nine months of 2019, compared to the first nine months of 2018.

Net Income. Net income increased $3.5 million from $13.5 million for the nine months ended September 27, 2018 to $17.0 million for the nine months ended September 26, 2019. The increase in net income was due to a $10.7 million decrease in income tax expense and a $1.6 million decrease in net income attributable to noncontrolling interests, partially offset by a $4.9 million decrease in operating income related to lower revenue and a $3.9 million increase in non-operating expenses.

Known Trends and Uncertainties

Beverage Revenue—Under the ESAs, up to 90 seconds of the *Noovie* pre-show program can be sold to the founding members to satisfy their on-screen advertising commitments under their beverage concessionaire agreements. For the first three and nine months of 2019 and 2018, two of the founding members purchased 60 seconds of on-screen advertising time and one founding member purchased 30 seconds to satisfy their obligations under their beverage concessionaire agreements. The founding members' current long-term contracts with their beverage suppliers require the 30 or 60 seconds of beverage advertising, although such commitments could change in the future. Should the amount of time required as part of these beverage concessionaire agreements decline, this premium time will be available for sale to other clients. Historically, the time sold to the founding member beverage supplier has been priced equal to the advertising CPM for the previous year charged by NCM LLC to unaffiliated third parties during segment one (closest to showtime) of the *Noovie* pre-show, limited to the highest advertising CPM being then-charged by NCM LLC pursuant to the ESAs. Due to a 0.7% increase in segment one CPMs in

2018, the CPM on our beverage concessionaire revenue increased during the first three and nine months of 2019 by 0.7% and the remainder of 2019 will increase by an equivalent percentage.

Beginning in 2020 and in accordance with the 2019 ESA Amendments, the price for the time sold to Cinemark and Regal's beverage suppliers will instead increase 2% each year. The time sold to AMC's beverage supplier will continue to be priced based upon the annual increase in CPMs as outlined above to be calculated at the end of 2019.

Theater Access Fees—In consideration for NCM LLC's access to the founding members' theater attendees for on-screen advertising and use of lobbies and other space within the founding members' theaters for the LEN and lobby promotions, the founding members receive a monthly theater access fee under the ESAs. The theater access fee is composed of a fixed payment per patron and a fixed payment per digital screen (connected to the DCN). The payment per theater patron increases by 8% every five years, with the next increase occurring in fiscal year 2022. Pursuant to the ESAs, the payment per digital screen increases annually by 5%. Pursuant to the 2019 ESA Amendments, Cinemark and Regal will each receive an additional monthly theater access fee beginning November 1, 2019 in consideration for NCM LLC's access to certain on-screen advertising inventory after the advertised showtime of a feature film. These fees are also based upon a fixed payment per patron beginning at $0.025 per patron on November 1, 2019, (ii) $0.0375 per patron beginning on November 1, 2020, (iii) $0.05 per patron beginning on November 1, 2021, (iv) $0.052 per patron beginning on November 1, 2022 and (v) increasing 8% every five years beginning November 1, 2027.

Platinum Spot—In consideration for the utilization of the theaters post-showtime for Platinum Spots, Cinemark and Regal will be entitled to receive 25% of all revenue generated for the actual display of Platinum Spots in their applicable theaters, subject to a specified minimum. If NCM LLC runs advertising in more than one concurrent advertisers' Platinum Spot for any portion of the network over a period of time, then NCM LLC will be required to satisfy a minimum average CPM for that period of time.

Financial Condition and Liquidity

Liquidity and Capital Resources

Our cash balances can fluctuate due to the seasonality of our business and related timing of collections of accounts receivable balances and operating expenditure payments, as well as available cash payments (as defined in the NCM LLC Operating Agreement) to NCM LLC's founding members, interest or principal payments on our term loan and the Notes due 2022 and Notes due 2026, income tax payments, TRA payments to NCM LLC's founding members and amount of quarterly dividends to NCM, Inc.'s common stockholders.

A summary of our financial liquidity is as follows (in millions):

	As of			$ Change	$ Change
	September 26, 2019	December 27, 2018	September 27, 2018	Q3 2019 to YE 2018	Q3 2019 to Q3 2018
Cash, cash equivalents and marketable securities *(1)*	$ 62.9	$ 75.6	$ 66.7	$ (12.7)	$ (3.8)
NCM LLC revolver availability *(2)*	164.2	143.2	156.2	21.0	8.0
Total liquidity	$ 227.1	$ 218.8	$ 222.9	$ 8.3	$ 4.2

(1) Included in cash, cash equivalents and marketable securities as of September 26, 2019, December 27, 2018 and September 27, 2018, was $2.0 million, $7.2 million and $4.4 million, respectively, of cash and marketable securities held by NCM LLC that is not available to satisfy NCM, Inc.'s dividend, income tax, tax receivable payments to NCM LLC's founding members and other obligations.

(2) The revolving credit facility portion of NCM LLC's total borrowings is available, subject to certain conditions, for general corporate purposes of NCM LLC in the ordinary course of business and for other transactions permitted under the senior secured credit facility, and a portion is available for letters of credit. NCM LLC's total capacity under the revolving credit facility was $175.0 million as of September 26, 2019, December 27, 2018 and September 27, 2018. As of September 26, 2019, December 27, 2018 and September 27, 2018, the amount available under the NCM LLC revolving credit facility in the table above, was net of amount outstanding under the revolving credit facility of $6.0 million, $27.0 million and $14.0 million, respectively, and net letters of credit of $4.8 million in each respective period.

As of September 26, 2019, the weighted average remaining maturity of our debt was 4.6 years. As of September 26, 2019, approximately 70% of our total borrowings bear interest at fixed rates. The remaining 30% of our borrowings bear interest at variable rates and as such, our net income and earnings per share could fluctuate with market interest rate

fluctuations that could increase or decrease the interest paid on our borrowings. See "Recent Developments—Refinancing of Notes due 2022" for discussion surrounding the refinancing of the Notes due 2022 subsequent to the end of the third quarter of 2019.

We have generated and used cash as follows (in millions):

	Nine Months Ended	
	September 26, 2019	September 27, 2018
Operating cash flow	$ 113.6	$ 118.8
Investing cash flow	10.0	(20.0)
Financing cash flow	(118.7)	(101.7)

- ***Operating Activities.*** The $5.2 million decrease in cash provided by operating activities for the first nine months of 2019 compared to the first nine months of 2018 was due primarily to a decrease in the change in accounts receivable of $18.2 million related to timing of collections in the first nine months of 2019, compared to the first nine months of 2018 and a $5.0 million decrease in deferred income tax expense net of the increase in the loss on re-measurement of the payable to founding members under the TRA due to a change in the deferred tax rate related to a change in state tax law regarding sales sourcing during the first nine months of 2018. These decreases were partially offset by a $16.3 million increase in cash provided by operating activities due to the reclassification in the current period of founding member integration and other encumbered theater payments from cash flows from financing activities upon adoption of ASC 842, as further discussed within Note 1 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document and a $2.0 million non-cash impairment charge realized in the first nine months of 2019, compared to $0.4 million realized in the first nine months of 2018 related to investments obtained in prior years in exchange for advertising services,

- ***Investing Activities.*** The $30.0 million increase in cash provided by investing activities for the first nine months of 2019, compared to the first nine months of 2018 was due primarily to a decrease in purchases of marketable securities, net of proceeds, of $28.4 million, and a $1.4 million increase in the proceeds from the notes receivable from the founding members for the first nine months of 2019, compared to the first nine months of 2018.

- ***Financing Activities.*** The $17.0 million increase in cash used in financing activities during the first nine months of 2019, compared to the first nine months 2018 was due primarily to a $21.7 million decrease in proceeds from borrowings, net of repayments, and a $17.2 million decrease in cash inflows from financing activities due to the reclassification in the current period of founding member integration and other encumbered theater payments from cash flows from financing activities upon adoption of ASC 842, as further discussed within Note 1 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document. These increases in cash used were partially offset by a $13.6 million decrease in distributions to founding members, period over period, and a decrease of $6.6 million in the payment of debt issuance costs related to the refinancing of the senior secured credit facility in the second quarter of 2018.

Sources of Capital and Capital Requirements.

NCM, Inc.'s primary source of liquidity and capital resources is the quarterly available cash distributions from NCM LLC as well as its existing cash balances and marketable securities, which as of September 26, 2019 were $60.9 million (excluding NCM LLC). NCM LLC's primary sources of liquidity and capital resources are its cash provided by operating activities, availability under its revolving credit facility and cash on hand.

Management believes that future funds generated from NCM LLC's operations and cash on hand should be sufficient to fund working capital requirements, NCM LLC's debt service requirements, opportunistic debt repurchases, and capital expenditures, through the next twelve months. Cash flows generated by NCM LLC's distributions to NCM, Inc. and the founding members can be impacted by the seasonality of advertising sales, interest and repayments on borrowings under our credit agreements and to a lesser extent theater attendance. NCM LLC is required pursuant to the terms of the NCM LLC Operating Agreement to distribute its available cash, as defined in the operating agreement, quarterly to its members (Regal, Cinemark, AMC and NCM, Inc.). The available cash distribution to the members of NCM LLC for the three months ended September 26, 2019 was approximately $43.7 million, of which approximately $21.3 million was distributed to NCM, Inc. NCM, Inc. expects to use cash received from future available cash distributions and its cash balances to fund income taxes, payments associated with the TRA with the founding members, and current and future dividends as declared by the Board of Directors, including a dividend declared on November 4, 2019 of $0.17 per share (approximately $13.2 million) on

each share of the Company's common stock (not including outstanding restricted stock) to stockholders of record on November 14, 2019 to be paid on November 29, 2019. NCM LLC will also continue to evaluate discretionary use of cash based on future expected leverage levels, NCM LLC investment opportunities and NCM, Inc. dividend policy. Distributions from NCM LLC and NCM, Inc. cash balances should be sufficient to fund payments associated with the TRA with NCM LLC's founding members, income taxes and regular dividends for the foreseeable future at the discretion of the Board of Directors. The declaration, payment, timing and amount of any future dividends payable will be at the sole discretion of the Board of Directors who will take into account general economic and advertising market business conditions, NCM, Inc.'s financial condition, available cash, current and anticipated cash needs, and any other factors that the Board of Directors considers relevant. The Company intends to pay a regular quarterly dividend for the foreseeable future at the discretion of the Board of Directors consistent with the Company's intention to distribute over time a substantial portion of its free cash flow.

Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and understanding of our results of operations, and that affect the more significant judgments and estimates used in the preparation of our unaudited Condensed Consolidated Financial Statements, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" contained in our annual report on Form 10-K filed for the fiscal year ended December 27, 2018 and incorporated by reference herein. As of September 26, 2019, there were no significant changes in those critical accounting policies except for the change in leases upon the adoption of ASC 842 in the first quarter of 2019 and discussed further within Note 8—*Commitments and Contingencies*, to the unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see the information provided under Note 1—*The Company* to the unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its unaudited Condensed Consolidated Financial Statements.

Related Party Transactions

For a discussion of related party transactions, see the information provided under Note 5—*Related Party Transactions* to the unaudited Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Off-Balance Sheet Arrangements

We do not believe the Company has any off-balance sheet arrangements that are material to our current or future financial condition, results of operations, liquidity, capital resources or capital expenditures.

Contractual and Other Obligations

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual and Other Obligations" contained in our annual report on Form 10-K for the fiscal year ended December 27, 2018 and incorporated by reference herein. There were no material changes to our contractual obligations during the nine months ended September 26, 2019.

Seasonality

Our revenue and operating results are seasonal in nature, coinciding with the timing of marketing expenditures by our advertising clients and to a lesser extent the attendance patterns within the film exhibition industry. Both advertising expenditures and theater attendance tend to be higher during the second, third, and fourth fiscal quarters. Advertising revenue is primarily correlated with advertising clients' new product releases, advertising client marketing priorities and economic cycles and to a lesser extent theater attendance levels. Seasonal demand during the summer is driven by the absence of alternative attractive advertising mediums and during the winter holiday season due to high client demand across all advertising mediums. The actual quarterly results for each quarter could differ materially depending on these factors or other risks and uncertainties. Based on our historical experience, our first quarter typically has less revenue than the other quarters of a given year due primarily to lower advertising client demand and increased inventory availability in competitive advertising mediums. Accordingly, there can be no assurances that seasonal variations will not materially affect our results of operations in the future.

The following table reflects the quarterly percentage of total revenue for the fiscal years ended 2016, 2017 and 2018.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 2016	17.0%	25.8%	25.4%	31.8%
FY 2017	16.9%	22.8%	27.3%	33.0%
FY 2018	18.2%	25.8%	24.9%	31.1%

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risk to which we are exposed is interest rate risk. The Notes due 2022, the Notes due 2026 and the Notes due 2028 are at fixed rates, and therefore are not subject to market risk. As of September 26, 2019, the only interest rate risk that we are exposed to is related to our $175.0 million revolving credit facility and our term loan. A 100-basis point fluctuation in market interest rates underlying our term loan and revolving credit facility would have the effect of increasing or decreasing our cash interest expense by approximately $2.7 million for an annual period on the $6.0 million revolving credit balance and $267.3 million term loan outstanding as of September 26, 2019. For a discussion of market risks, see Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” contained in our annual report on Form 10-K for the fiscal year ended December 27, 2018 and incorporated by reference herein.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer), as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company’s disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of September 26, 2019, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures as of September 26, 2019 were effective.

In designing and evaluating our disclosure controls and procedures, management recognizes that any control, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended September 26, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are sometimes involved in legal proceedings arising in the ordinary course of business. We are not aware of any other litigation currently pending that would have a material adverse effect on our operating results or financial condition.

Item 1A. Risk Factors

The following description of risk factors includes any material changes to, and supersedes the description of, risk factors associated with the Company’s business previously disclosed in our annual report on Form 10-K filed with the SEC on February 22, 2019 for the fiscal year ended December 27, 2018.

Ownership of the common stock and other securities of the Company involves certain risks. Holders of the Company’s securities and prospective investors should consider carefully the following material risks and other information in this document, including our historical financial statements and related notes included herein. The material risks and uncertainties described in this document are not the only ones facing us. Additional risks and uncertainties that we do not presently know about or that we currently believe are not material may also adversely affect our business. If any of the risks and uncertainties described in this document actually occur, our business, financial condition and results of operations could be adversely

affected in a material way. This could cause the trading price of our common stock to decline, perhaps significantly, and you may lose part or all of your investment.

Risks related to our business and industry

Significant declines in theater attendance could reduce the attractiveness of cinema advertising and could reduce our revenue.

Our business is affected by the level of attendance at the founding members' theaters and to a lesser extent our network affiliates, who operate in a highly competitive industry and whose attendance is reliant on the presence of motion pictures that attract audiences. Over the last 20 years, theater attendance has fluctuated from year to year but on average has remained relatively flat. The value of our advertising business could be adversely affected by a decline in theater attendance or even the perception by media buyers that our network is no longer relevant to their marketing plan due to the decreases in attendance and geographic coverage. Factors that could reduce attendance at our network theaters include the following:

- if NCM LLC's network theater circuits cannot compete with other out-of-home entertainment due to an increase in the use of alternative film delivery methods (and the shortening of the "release window" between the release of major motion pictures to the alternative delivery methods), including network, syndicated cable and satellite television and DVDs, as well as video-on-demand, pay-per-view services, video streaming and downloads via the Internet;
- theater circuits in NCM LLC's network continue to renovate auditoriums in certain of their theaters to install new larger, more comfortable seating, which reduces the number of seats in a theater auditorium. This renovation has been viewed favorably by patrons and many theater circuits have noted an intent to continue such renovations;
- changes in theater operating policies, including the number and length of trailers for upcoming films that are played prior to the start of the feature film, which if the length of trailers increases, may result in most or all of the *Noovie* pre-show starting further out from the actual start of the feature film;
- any reduction in consumer confidence or disposable income in general that reduces the demand for motion pictures or adversely affects the motion picture production industry;
- the success of first-run motion pictures, which depends upon the production and marketing efforts of the major studios and the attractiveness and value proposition of the movies to consumers compared to other forms of entertainment;
- if the theaters in our network fail to maintain their theaters and provide amenities that consumers prefer;
- if studios begin to reduce the number of feature films produced and their investments in those films or reduce the investments made to market those films;
- if future theater attendance declines significantly over an extended time period, one or more of the founding members or network affiliates may face financial difficulties and could be forced to sell or close theaters or reduce the number of screens it builds or upgrades or increase ticket prices; and
- NCM LLC's network theater circuits also may not successfully compete for licenses to exhibit quality films and are not assured a consistent supply of motion pictures since they do not have long-term arrangements with major film distributors.

Any of these circumstances could reduce our revenue because our national and regional advertising revenue, and local advertising to a lesser extent, depends on the number of theater patrons who attend movies. Additionally, if attendance declines significantly, the Company will be required to provide additional advertising time (makegoods) to national advertisers to reach agreed-on audience delivery thresholds. Certain of these circumstances can also lead to volatility within our utilization. We have also experienced volatility in our utilization over the years, with annual national inventory utilization ranging from 113.5% to 128.3% from 2014 through 2018. We experience even more substantial volatility quarter-to-quarter.

Changes in theater patron behavior could result in declines in the viewership of our Noovie preshow which could reduce the attractiveness of cinema advertising and our revenues.

The value of our national and regional on-screen advertising and to a lesser extent our local advertising is based on the number of theater patrons that are in their seats and thus have the opportunity to view the *Noovie* pre-show. Trends in patron behavior that could reduce viewership of our *Noovie* pre-show include the following:

- theater patrons are increasingly purchasing tickets ahead of time via on-line ticketing mediums and when available reserving a seat in the theater (offered in approximately 54.2% of our network as of December 27, 2018), which could affect how early patrons arrive to the theater and reduce the number of patrons that are in a theater seat to view most or all of the *Noovie* pre-show; and
- changes in theater patron amenities, including, online ticketing, bars and entertainment within exhibitor lobbies causing increased dwell time of patrons.

National advertising sales and rates are dependent on the methodology used to measure audience impressions. If a change is made to this methodology that reflects fewer audience impressions available during the pre-show, this could adversely affect the Company's revenue and results of operations.

We may not realize the anticipated benefits of the 2019 ESA Amendments.

On September 17, 2019, NCM LLC entered into the 2019 ESA Amendments with affiliates of each of Cinemark and Regal. Among other things, the 2019 ESA Amendments provide that, beginning November 1, 2019, NCM LLC is entitled to display up to five minutes of the *Noovie* pre-show after the scheduled showtime of a feature film and a Platinum Spot that is either 30 or 60 seconds of the *Noovie* pre-show in the trailer position directly prior to the "attached" trailers preceding the feature film.

We expect the 2019 ESA Amendments to result in an increase in average CPM, revenues and Adjusted OIBDA, however we may not realize any or all such benefits. Potential difficulties and uncertainties that may impair the full realization of the anticipated benefits include, among others:

- the behavior of theater patrons may change in response to the display of a portion of the *Noovie* pre-show after the advertised showtime, resulting in a reduction to the number of patrons that are in a theater seat to view most or all of the *Noovie* pre-show;
- exhibitors may encounter issues in displaying a portion of the *Noovie* pre-show after the advertised showtime because of technical issues, access issues with their content providers, or other issues that may arise in the future;
- potential advertisers may not view the Platinum Spot or Post-Showtime Inventory as a premium advertising opportunity and the average CPMs for the *Noovie* pre-show may not increase as much as anticipated, or at all;
- NCM LLC may not satisfy the minimum average CPM which is required by the 2019 ESA Amendments for it to have the right to display the Platinum Spot for more than one concurrent advertiser;
- the extended length of time between the advertised showtime and the beginning of the feature film may decrease the average CPM for that portion of the *Noovie* pre-show appearing before the advertised showtime, which may partially or fully offset any increase in average CPM for the Platinum Spot or Post-Showtime Inventory; and
- the increased theater access fees payable to Cinemark and Regal in connection with the Post-Showtime Inventory and revenue share applicable to the Platinum Spot may exceed the increase, if any, in revenue resulting from the 2019 ESA Amendments.

The anticipated benefits we expect to receive as a result of the 2019 ESA Amendments are subject to factors that we do not and cannot control. Failure to realize the anticipated benefits could result in decreases in revenue and Adjusted OIBDA and diversion of management's time and energy, and could adversely affect our business, financial condition and operating results.

We may not be successful in increasing the number of theaters in which NCM LLC has the right to display Post-Showtime Inventory or a Platinum Spot.

As a result of the 2019 ESA Amendments, NCM LLC is entitled to display up to five minutes of the *Noovie* pre-show after the scheduled showtime of a feature film and a Platinum Spot that is either 30 or 60 seconds of the *Noovie* pre-show in the trailer position directly prior to the "attached" trailers preceding the feature film. However, at this time NCM LLC only has the right to display Post-Showtime Inventory and a Platinum Spot in Cinemark and Regal theaters, which constituted approximately 54% of the attendance in our network during the first half of 2019. While we intend to seek to enter into agreements that provide similar access to inventory as the 2019 ESA Amendments with our other network affiliates, there can be no assurance that we will be successful in increasing the number of theaters in which NCM LLC has the right to display Post-Showtime Inventory or a Platinum Spot. AMC, which constituted approximately 29% of the attendance in our network during the first half of 2019, has recently announced that it has no plans to introduce commercial advertising close to the start of a feature film's commencement. In addition, any agreements with other network affiliates may be on terms less favorable to us than the 2019 ESA Amendments. If we are unable to expand the number of theaters displaying a portion of the *Noovie* pre-show after the advertised showtime, we will only experience the benefits of post-showtime advertising, if any, in Cinemark and Regal theaters.

Our plans for developing additional revenue opportunities may not be implemented and may not be achieved.

We have invested significant resources in pursuing potential opportunities for revenue growth, which we describe in our annual report on Form 10-K under "Business-Our strategy." The development of our online and mobile advertising network and mobile apps and our ability to collect and leverage our first party movie audience data from these products remains at an early stage, is under increasing competitive pressure and may not deliver the future benefits that we are expecting. If we are unable to execute on products relevant to the marketplace or integrate these digital marketing products with our core on-screen and theater lobby products, and if these offerings do not continue to provide relevant first party data or to grow in importance to

advertising clients and agencies, they may not provide a way to help expand our cinema advertising business as it matures and begins to compete with new or improved advertising platforms including online and mobile video services. As such, there can be no assurance that we will recoup our investments made pursuing additional revenue opportunities.

The markets for advertising are competitive and we may be unable to compete successfully.

The market for advertising is very competitive. Cinema advertising is a small component of video advertising in the U.S. and thus, we must compete with established, larger and better known national and local media platforms such as cable, broadcast and satellite television networks and other video media platforms including those distributed on the internet and mobile networks. In addition to these video advertising platforms, we compete for advertising directly with several additional media platforms, including radio, various local print media and billboards. We also compete with several other local and national cinema advertising companies. We expect all of these competitors to devote significant effort to maintaining and growing their business at our expense. We also expect existing competitors and new entrants to the advertising business, most notably the online and mobile advertising companies, to constantly revise and improve their business models to meet expectations of advertising clients. In addition, the pricing and volume of advertising may be affected by shifts in spending toward online and mobile offerings from more traditional media, or toward new ways of purchasing advertising, such as through automated purchasing, dynamic advertising insertion, third parties selling local advertising posts and advertising exchanges, some or all of which may not be as advantageous to the Company as current advertising methods. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. If we cannot respond effectively to changes in the media marketplace in response to new entrants or advances by our existing competitors, our business may be adversely affected.

Additionally, the mix of film ratings of the available motion pictures, such as a higher proportion of G and PG rated films, could cause advertisers to reduce their spending with us as the theater patrons for these films do not represent those advertisers' target markets.

Advertising demand also impacts the price (CPM) we are able to charge our customers. Due to increased competition from other national video networks, including online and mobile advertising platforms, television networks and other out-of-home video, combined with seasonal marketplace supply and demand characteristics, we have experienced volatility in our pricing (CPMs) over the years, with annual national CPM increases (decreases) ranging from (16.4%) to 9.6% from 2014 to 2018.

If we do not continue to upgrade our technology, our business could fail to grow and revenue and operating margins could decline.

Failure to successfully or cost-effectively implement upgrades to our in-theater advertising network and proposal and inventory control, audience targeting and other management systems could limit our ability to offer our clients innovative unique, integrated and targeted marketing products, which could limit our future revenue growth. New advertising platforms such as online and mobile networks, and traditional mediums including television networks are beginning to use new digital technology to reach a broader audience with more targeted marketing products, and failure by us to upgrade our technology could hurt our ability to compete with those companies. Under the ESAs, the founding members are required to provide technology that is consistent with that in place at the signing of the ESA. We may request that the founding members upgrade the equipment or software installed in their theaters, but we must negotiate with the founding members as to the terms of such upgrade, including cost sharing terms, if any. If we are not able to come to an agreement on a future upgrade request, we may elect to pay for the upgrades requested which could result in our incurring significant capital expenditures, which could adversely affect our results.

We also have many internally developed systems which support our operations due to the unique nature of our business model. The failure to continue to develop or the failure of the system to meet our needs may require us to make significant additional investments in our infrastructure or seek alternative technology which may impact our costs and prevent our growth. The failure or delay in implementation of the system or problems with the integration with our other systems and software could cause operational difficulties and slow or prevent the growth of our business in the future. In addition, the failure or delay in implementation of such upgrades or problems with the integration of our systems and software could slow or prevent the growth of our business.

Economic uncertainty or deterioration in economic conditions may adversely impact our business, operating results or financial condition.

The financial markets have experienced extreme disruption and volatility at times. A decline in consumer confidence in the U.S. may lead to decreased demand for our services or delay in payments by our advertising customers. As a result, our results of operations and financial condition could be adversely affected. These challenging economic conditions also may result in:

- increased competition for fewer advertising and entertainment programming dollars;
- pricing pressure that may adversely affect revenue and gross margin;
- declining attendance and thus a decline in the impressions available for our pre-show;
- reduced credit availability and/or access to capital markets;
- difficulty forecasting, budgeting and planning due to limited visibility into the spending plans of current or prospective customers; or
- customer financial difficulty and increased risk of uncollectible accounts.

Our Adjusted OIBDA is derived from high margin advertising revenue. The reduction in spending by or loss of a national or group of local advertisers or failure to grow our advertising revenue in line with the growth of our contractual costs could have a meaningful adverse effect on our business.

We generated all of our Adjusted OIBDA from our high margin advertising business. A substantial portion of our advertising revenue relates to contracts with terms of a month or less. Advertisers will not continue to do business with us if they believe our advertising medium is ineffective or overly expensive. In addition, large advertisers generally have set advertising budgets, most of which are focused on traditional media platforms like television and, increasingly, online and mobile networks. Reductions in the size of advertisers' budgets due to local or national economic trends, a shift in spending to new advertising mediums like the internet and mobile platforms or other factors could result in lower spending on cinema advertising. Because of the high incremental margins on our individual advertising contracts, if we are unable to remain competitive and provide value to our advertising clients, they may reduce their advertising purchases or stop placing advertisements with us. Even the loss of a small number of clients on large contracts would negatively affect our Adjusted OIBDA. In addition, the ESAs and certain of our network affiliate agreements include automatic annual cost or fee increases, and if we are unable to grow our high margin advertising revenue at a similar rate, our Adjusted OIBDA could be negatively affected.

The loss of any major content partner or advertising customer could significantly reduce our revenue.

We derive a significant portion of our revenue from our contracts with our content partners, public service announcement ("PSAs") and NCM LLC's founding members' agreements to purchase on-screen advertising for their beverage concessionaires. We are not direct parties to the agreements between the founding members' and their beverage concessionaires but do not expect these agreements to expire in the foreseeable future. None of these companies individually accounted for over 10% of our total revenue during the year ended December 27, 2018. However, the agreements with the content partners, PSAs and beverage advertising with the founding members in aggregate accounted for approximately 26%, 30% and 30% of our total revenue during the years ended December 27, 2018, December 28, 2017 and December 29, 2016, respectively. Because we derive a significant percentage of our total revenue from a relatively small number of large companies, the loss of one or more of them as a customer could decrease our revenue and adversely affect current and future operating results.

We depend upon our senior management and our business may be adversely affected if we cannot retain or replace them.

Our success depends in part upon the retention of our experienced senior management with specialized industry, sales and technical knowledge and/or industry relationships. In November 2017, our former General Counsel resigned and a new General Counsel was appointed in February 2018. In November 2018, our Chief Executive Officer stepped down and a new Chief Executive Officer was appointed in August 2019. If we are not able to find qualified internal or external replacements for critical members of our senior management team, the loss of these key employees could have a material adverse effect on our ability to effectively pursue our business strategy and our relationships with advertisers and content partners. We do not have key-man life insurance covering any of our employees.

Changes in the ESAs with, or lack of support by, the founding members could adversely affect our revenue, growth and profitability.

The ESAs with the founding members are critical to our business. The ESA with AMC has an initial term of 30 years and the ESAs with each of Cinemark and Regal (as amended by the 2019 ESA Amendments) have an initial term of 34 years, each

such term beginning February 13, 2007. Each ESA provides NCM LLC with a five-year right of first refusal for the services that it provides to the founding members, which begins one year prior to the end of the term of each respective ESA. The founding members' theaters represent approximately 79.2% of the screens and approximately 82.4% of the attendance in our network as of December 27, 2018 and approximately 80.0% of the screens and approximately 83.0% of the attendance in our network as of September 26, 2019. If any one of the ESAs was terminated, not renewed at its expiration or found to be unenforceable, it would have a material adverse effect on our revenue, profitability and financial condition.

The ESAs require the continuing cooperation, investment and support of the founding members, the absence of which could adversely affect us. Pursuant to the ESAs, the founding members must make investments to replace digital network equipment within their theaters and equip newly constructed theaters with digital network equipment. If the founding members do not have adequate financial resources or operational strength, and if they do not replace equipment or equip new theaters to maintain the level of operating functionality that we have today, or if such equipment becomes obsolete, we may have to make additional capital expenditures or our advertising revenue and operating margins may decline. In addition, the ESAs give the founding members the right to object to certain content in our *Noovie* pre-show, including content that competes with us or the applicable founding member. If the founding members do not agree with our decisions on what content is permitted under the ESAs, we may lose clients and the resulting revenue, which would harm our business. In March 2018, Regal was acquired by a U.K.-based cinema operator and we are uncertain how this new ownership of Regal may affect its financial resources or its cooperation with us under the ESA or otherwise. In July 2018 AMC closed on the sale of all of the NCM LLC membership units held by AMC at the time to Cinemark and Regal. On October 24, 2019, AMC redeemed 197,118 membership units, which were issued to AMC in accordance with the terms of the common unit adjustment agreement with the founding members, in exchange for shares of our common stock. AMC is eligible to be issued additional shares pursuant to the terms of the common unit adjustment agreement. We are uncertain how AMC's significantly reduced ownership interest in NCM LLC may affect its cooperation with us under its ESA or otherwise going forward.

If the non-competition provisions of the ESAs are deemed unenforceable, the founding members could compete against us and our business could be adversely affected.

With certain limited exceptions, each of the ESAs prohibits the applicable founding member from engaging in any of the business activities that we provide in the founding member's theaters under the amended ESAs, and from owning interests in other entities that compete with us. These provisions are intended to prevent the founding members from harming our business by providing cinema advertising services directly to their theaters or by entering into agreements with third-party cinema advertising providers. However, under state and federal law, a court may determine that a non-competition covenant is unenforceable, in whole or in part, for reasons including, but not limited to, the court's determination that the covenant:

- is not necessary to protect a legitimate business interest of the party seeking enforcement;
- unreasonably restrains the party against whom enforcement is sought; or
- is contrary to the public interest.

Enforceability of a non-competition covenant is determined by a court based on all of the facts and circumstances of the specific case at the time enforcement is sought. For this reason, it is not possible for us to predict whether, or to what extent, a court would enforce the non-competition provisions contained in the ESAs. If a court were to determine that the non-competition provisions are unenforceable, the founding members could compete directly against us or enter into an agreement with another cinema advertising provider that competes against us. Any inability to enforce the non-competition provisions, in whole or in part, could cause our revenue to decline.

If one of the founding members declared bankruptcy, the ESA with that founding member may be rejected, renegotiated or deemed unenforceable.

Each of the founding members currently has a significant amount of indebtedness. In 2000 and 2001, several major motion picture exhibition companies filed for bankruptcy including United Artists, Edwards Theatres and Regal Cinemas (which are predecessor companies to Regal), and General Cinemas and Loews Cineplex (which are predecessor companies to AMC). The industry-wide construction of larger, more expensive megaplexes featuring stadium seating in the late 1990s that rendered existing, smaller, sloped-floor theaters under long-term leases obsolete and unprofitable, were significant contributing factors to these bankruptcies. If a bankruptcy case were commenced by or against a founding member, it is possible that all or part of the ESA with that founding member could be rejected by a trustee in the bankruptcy case pursuant to Section 365 or Section 1123 of the United States Bankruptcy Code, or by the founding member, and thus not be enforceable. Alternatively, the founding member could seek to renegotiate the ESA in a manner less favorable to us than the existing agreement. Should the founding member seek to sell or otherwise dispose of theaters or remove theaters from our network through bankruptcy or for other business reasons, if the acquirer did not agree to continue to allow us to sell advertising in the acquired theaters the number of theaters in our advertising networks would be reduced which in turn would reduce the number of advertising impressions available to us and thus could reduce our advertising revenue.

The ESAs allow the founding members to engage in activities that might compete with certain elements of our business, which could reduce our revenue and growth potential.

The ESAs contain certain limited exceptions to our exclusive right to use the founding members' theaters for our advertising business. The founding members have the right to enter into a limited number of strategic cross-marketing relationships with third-party, unaffiliated businesses for the purpose of generating increased attendance or revenue (other than revenue from the sale of advertising). These strategic marketing relationships can include the use of one minute on the lobby network ("LEN") per 30 minute cycle and certain types of lobby promotions and can be provided at no cost, but only for the purpose of promoting the products or services of those businesses while at the same time promoting the theater circuit or the movie-going experience. The use of LEN or lobby promotions by the founding members for these advertisements and programs could result in the founding members creating relationships with advertisers that could adversely affect our current LEN and lobby promotions advertising revenue and profitability, as well as the potential we have to grow that advertising revenue in the future. The LEN and lobby promotions represented approximately 4% of our total advertising revenue for the year ended December 27, 2018. The founding members do not have the right to use their movie screens (including the *Noovie* pre-show or otherwise) for promoting these cross-marketing relationships, and thus we will have the exclusive rights to advertise on the movie screens, except for limited advertising related to theater operations.

The founding members also have the right to install a second network of video monitors in the theater lobbies in excess of those required to be installed for the LEN, and the founding members have exercised this right to install a significant number of video monitors in their theater lobbies. This additional lobby video network, which we refer to as the founding members' lobby network, may be used by the founding members to promote products or services related to operating the theaters, such as concessions, bars and dining operations, online ticketing partner promotions, gift card and loyalty programs, and special events. The presence of the founding members' lobby network within the lobby areas could reduce the effectiveness of our LEN, thereby reducing our current LEN advertising revenue and profitability and adversely affecting future revenue potential associated with that marketing platform.

The founding members and our network affiliates are subject to substantial government regulation, which could slow their future growth of locations and screens and in turn slow our growth prospects.

The founding members and our network affiliates are subject to various federal, state and local laws, regulations and administrative practices affecting their movie theater business, including provisions regulating antitrust, health and sanitation standards, access for those with disabilities, environmental, and licensing. Some of these laws and regulations also apply directly to us and NCM LLC. Changes in existing laws or implementation of new laws, regulations and practices could have a significant impact on the founding members, our network affiliates' and our respective businesses. For example, to the extent that antitrust laws, regulation and enforcement policy restrict the ability of the founding members or the network affiliates to acquire additional theaters, it may slow the future growth of those founding members or network affiliates and in turn the growth of our network.

We may be unable to effectively manage changes to our business strategy to continue the growth of our advertising inventory and network.

If we do not effectively implement the changes within our strategy, we may not be able to continue our historical growth. To effectively execute on our strategy to expand our digital offerings and continue to grow our inventory, we will need to develop additional products. These enhancements and improvements could require an additional allocation of financial and management resources and acquisition of talent. High turnover, loss of specialized talent or insufficient capital could also place significant demands on management, the success of the organization, and our strategic outlook.

The amount of inventory we have to sell is limited by the length of the *Noovie* pre-show. In order to maintain in-theater growth we will need to expand the number of theaters and screens in our network. Considering our current market share, we may not be able to continue to expand our network which could negatively affect our ability to add new advertising clients. If we are unable to maintain the size of our network, or grow our network, our revenue and operating results could be adversely impacted.

Our business relies heavily on our technology systems, and any failures or disruptions may materially and adversely affect our operations.

In order to conduct our business, we rely on information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information and manage and support a variety of business processes and activities. The temporary or permanent loss of our computer equipment and software systems through cyber and other security threats, operating malfunction, software virus, human error, natural disaster, power loss, terrorist attacks or other catastrophic

events could disrupt our operations and cause a material adverse impact. These problems may arise in both internally developed systems and the systems of third-party service providers. We devote significant resources to maintaining a disaster recovery location separate from our operations, network security and other measures to protect our network from unauthorized access and misuse. However, depending on the nature and scope of a disruption, if our technology systems were to fail and we were unable to recover in a timely way through our disaster recovery site, we would be unable to fulfill critical business functions, which could lead to a loss of customers and could harm our reputation. Technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements.

Our business, services, or technology may infringe on intellectual property rights owned by others, which may interfere with our ability to provide services or expose us to increased liability or expense.

Intellectual property rights of our business include the copyrights, trademarks, trade secrets and patents of our in-theater, online, and mobile services, including the websites we operate at ncm.com and *Noovie.com*, our digital gaming products including *Noovie Arcade*, *Fantasy Movie League*, *Name That Movie* and *Noovie Shuffle*, and the features and functionality, content, and software we make available through those websites and apps. We rely on our own intellectual property rights as well as intellectual property rights obtained from third parties to conduct our business and provide our in-theater, online, and mobile services. We may discover that our business or the technology we use to provide our in-theater, online, or mobile services infringes patent, copyright, or other intellectual property rights owned by others. In addition, our competitors or others may claim rights in patents, copyrights, or other intellectual property rights that will prevent, limit or interfere with our ability to provide our in-theater, online, or mobile services either in the U.S. or in international markets. Further, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as do the laws of the U.S.

The content we distribute through our in-theater, online or mobile services may expose us to liability.

Our in-theater, online, and mobile services facilitate the distribution of content. This content includes advertising-related content, as well as movie, television, music, gaming and other media content, much of which is obtained from third parties. Our websites and social media channels also include features enabling users to upload or add their own content to the websites and modify certain content on the websites. As a distributor of content, we face potential liability for negligence, copyright, patent or trademark infringement, or other claims based on the content that we distribute. We or entities that we license content from may not be adequately insured or indemnified to cover claims of these types or liability that may be imposed on us.

The user information we collect and maintain through our online and mobile services may expose us to liability.

In order to take advantage of some of the online and mobile services we provide, users may, now or in the future, be required to establish an account on one of our websites. As a result, we may collect and maintain personal identifying information about those users. We also may, now or in the future, collect and maintain information about users who view certain advertising displayed through our online and mobile services and users who enter the theaters in our network. The collection and use of this information is governed by applicable privacy, information security and consumer protection-related laws and regulations. These laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase our operating costs and adversely impact our ability to interact with users of our online and mobile services. Our collection and use of information, including personal identifying information, regarding users of our online and mobile services could result in legal liability. For example, the failure, or perceived failure, to comply with applicable privacy information security or consumer protection-related laws or regulations or our posted privacy policies could result in actions against us by governmental entities or others. If an actual or perceived breach of our data occurs, the market perception of the effectiveness of our security measures could be harmed, and we could lose users of these services and the associated benefits from gathering such user data.

Changes in regulations relating to the Internet or other areas of our online or mobile services may result in the need to alter our business practices or incur greater operating expenses.

A number of regulations, including those referenced below, may impact our business as a result of our online or mobile services. The Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, liability for posting, or linking to third-party websites that include materials that infringe copyrights or other rights. Portions of the Communications Decency Act are intended to provide statutory protections to online service providers who distribute third-party content. The Child Online Protection Act and the Children's Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. The costs of compliance with these regulations, and other regulations relating to our online and mobile services or other areas of our business, may be significant. The manner in which these and other regulations may be interpreted or enforced may subject us to potential liability, which in turn could have an adverse effect on our business, results of operations, or financial condition. Changes to these and other regulations may impose additional burdens on us or otherwise

adversely affect our business and financial results because of, for example, increased costs relating to legal compliance, defense against adverse claims or damages, or the reduction or elimination of features, functionality or content from our online or mobile services. Likewise, any failure on our part to comply with these and other regulations may subject us to additional liabilities.

Our revenue and Adjusted OIBDA fluctuate from quarter to quarter and may be unpredictable, which could increase the volatility of our stock price.

A weak advertising market or the shift in spending of a major client from one quarter to another, the performance of films released in a given quarter, a disruption in the release schedule of films or changes in the television scatter market could significantly affect quarter-to-quarter results or even affect results for the entire fiscal year. In addition, our revenue and operating results are seasonal in nature, coinciding with the timing of marketing expenditures by our advertising clients and, to a lesser extent, the attendance patterns within the film exhibition industry. Advertising expenditures tend be higher during the second, third, and fourth fiscal quarters. Because our results may vary from quarter to quarter and may be unpredictable, our financial results for one quarter cannot necessarily be compared to another quarter or the same quarter in prior years and may not be indicative of our financial performance in subsequent quarters. These variations in our financial results could contribute to volatility in our stock price.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud, and as a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required controls, or difficulties encountered in implementing new or improved controls, could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Risks related to our corporate structure

We are a holding company with no operations of our own, and we depend on distributions and payments under the NCM LLC operating and management services agreements from NCM LLC to meet our ongoing obligations and to pay cash dividends on our common stock.

We are a holding company with no operations of our own and have no independent ability to generate cash flow other than interest income on cash balances. Consequently, our ability to obtain operating funds primarily depends upon distributions from NCM LLC. The distribution of cash flows and other transfers of funds by NCM LLC to us are subject to statutory and contractual restrictions based upon NCM LLC's financial performance, including NCM LLC's compliance with the covenants in its senior secured credit facility and indentures, and the NCM LLC operating agreement. The NCM LLC senior secured credit facility and indentures limit NCM LLC's ability to distribute cash to its members, including us, based upon certain leverage tests, with exceptions for, among other things, payment of our income taxes and a management fee to NCM, Inc. pursuant to the terms of the management services agreement (incorporated in the ESA). Refer to the information provided under Note 6 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document for leverage discussion. The declaration of future dividends on our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including NCM LLC's results of operations, financial condition, earnings, capital requirements, limitations in NCM LLC's debt agreements and legal requirements. In the event NCM LLC fails to comply with these covenants and is unable to distribute cash to us quarterly, once NCM, Inc. cash balances and investments are extinguished, we will be unable to pay dividends to our stockholders or pay other expenses outside the ordinary course of business.

Pursuant to the management services agreement between us and NCM LLC, NCM LLC makes payments to us to fund our day-to-day operating expenses, such as payroll. However, if NCM LLC has insufficient cash flow to make the payments pursuant to the management services agreement, we may be unable to cover these expenses.

As a member of NCM LLC, we incur income taxes on our proportionate share of any net taxable income of NCM LLC. We have structured the NCM LLC senior secured credit facility and indentures to allow NCM LLC to distribute cash to its members (including us and NCM LLC's other members) in amounts sufficient to cover their tax liabilities and management

fees, if any. To the extent that NCM LLC has insufficient cash flow to make such payments, it could have a material adverse effect on our business, financial condition, results of operations or prospects.

NCM LLC's substantial debt obligations could impair our financial condition or prevent us from achieving our business goals.

NCM LLC is party to substantial debt obligations. The senior secured credit facility and indentures contain restrictive covenants that limit NCM LLC's ability to take specified actions and prescribe minimum financial maintenance requirements that NCM LLC must meet. Because NCM LLC is our only operating subsidiary, complying with these restrictions may prevent NCM LLC from taking actions that we believe would help us to grow our business. For example, NCM LLC may be unable to make acquisitions, investments or capital expenditures as a result of such covenants. Moreover, if NCM LLC violates those restrictive covenants or fails to meet the minimum financial requirements, it would be in default, which could, in turn, result in defaults under other obligations of NCM LLC. Any such defaults could materially impair our financial condition and liquidity. For further information, refer to Note 6 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document.

If NCM LLC is unable to meet its debt service obligations, it could be forced to restructure or refinance the obligations, seek additional equity financing or sell assets. NCM LLC may be unable to restructure or refinance these obligations, obtain additional equity financing, sell assets on satisfactory terms or at all or make cash distributions. In addition, NCM LLC's indebtedness could have other negative consequences for us, including without limitation:

- limiting NCM LLC's ability to obtain financing in the future;
- requiring much of our cash flow to be dedicated to interest obligations and making it unavailable for other purposes, including payments to its members (including NCM, Inc.);
- limiting NCM LLC's liquidity and operational flexibility in changing economic, business and competitive conditions which could require NCM LLC to consider deferring planned capital expenditures, reducing discretionary spending, selling assets, restructuring existing debt or deferring acquisitions or other strategic opportunities; and
- making NCM LLC more vulnerable to an increase in interest rates, a downturn in operating performance or decline in general economic conditions.

Despite NCM LLC's current levels of debt, it or NCM, Inc. may still incur substantially more debt, including secured debt, which would increase the risks associated with NCM LLC's level of debt

The agreements relating to NCM LLC's debt, including the Notes due 2022, Notes due 2026, Notes due 2028 and the senior secured credit facility, limit but do not prohibit NCM LLC's ability to incur additional debt, and do not place any restrictions on NCM, Inc.'s ability to incur debt. Accordingly, NCM, Inc. or NCM LLC could incur additional debt in the future, including additional debt under the senior secured credit facility, additional senior or senior subordinated notes and additional secured debt. If new debt is added to current debt levels, the related risks that we now face, including those described above under "—NCM LLC's substantial debt obligations could impair our financial condition or prevent us from achieving our business goals," could intensify.

NCM LLC's other founding members or their affiliates may have interests that differ from those of our public stockholders and they may be able to influence our affairs.

So long as either Cinemark or Regal owns at least 5% of NCM LLC's issued and outstanding common membership units, if the two directors appointed by Cinemark or the two directors appointed by Regal to our Board of Directors (except that if either Cinemark or Regal has only appointed one director, and such director qualifies as an "independent director" under the applicable rules of the Nasdaq Stock Market LLC, then such director) vote against any of the corporate actions listed below, we and NCM, LLC. will be prohibited from taking any such actions:

- assign, transfer, sell or pledge all or a portion of the membership units of NCM LLC beneficially owned by NCM, Inc.;
- acquire, dispose, lease or license assets with an aggregate value exceeding 20% of the fair market value of the business of NCM LLC operating as a going concern;
- merge, reorganize, recapitalize, reclassify, consolidate, dissolve, liquidate or enter into a similar transaction;
- incur any funded indebtedness or repay, before due, any funded indebtedness with a fixed term in an aggregate amount in excess of $15.0 million per year;

- issue, grant or sell shares of NCM, Inc. common stock, preferred stock or rights with respect to common or preferred stock, or NCM LLC membership units or rights with respect to membership units, except under specified circumstances;
- amend, modify, restate or repeal any provision of NCM, Inc.'s certificate of incorporation or bylaws or the NCM LLC operating agreement;
- enter into, modify or terminate certain material contracts not in the ordinary course of business as defined under applicable securities laws;
- except as specifically set forth in the NCM LLC operating agreement, declare, set aside or pay any redemption of, or dividends with respect to membership interests;
- amend any material terms or provisions (as defined in the Nasdaq rules) of NCM, Inc.'s equity incentive plan or enter into any new equity incentive compensation plan;
- make any change in the current business purpose of NCM, Inc. to serve solely as the manager of NCM LLC or any change in the current business purpose of NCM LLC to provide the services as set forth in the ESAs; and
- approve any actions relating to NCM LLC that could reasonably be expected to have a material adverse tax effect on NCM LLC's founding members.

Pursuant to a director designation agreement, so long as Cinemark or Regal owns at least 5% of NCM LLC's issued and outstanding common membership units, such NCM LLC founding member will have the right to designate a total of two nominees to our Board of Directors who will be voted upon by our stockholders. One such designee by each of Cinemark and Regal must meet the independence requirements of the stock exchange on which our common stock is listed. If, at any time, Cinemark or Regal owns less than 5% of NCM LLC's then issued and outstanding common membership units, then such NCM LLC founding member shall cease to have any rights of designation. AMC no longer has seats on our Board of Directors or the right to nominate any person to serve on our Board of Directors.

If any director designee to our board designated by Cinemark or Regal is not appointed to our board, nominated by us or elected by our stockholders, as applicable, then Cinemark and Regal (so long as such they each continue to own at least 5% of NCM LLC's issued and outstanding common membership units) will be entitled to approve specified actions of NCM LLC.

For purposes of calculating the 5% ownership threshold for the director veto rights and director designation agreement provisions 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. Common membership units issued to NCM, Inc. in connection with the redemption of common membership units by an NCM LLC founding member will be excluded, so long as such NCM LLC founding member continues to hold the common stock acquired through such redemption or such NCM LLC founding member has disposed of such shares of common stock to another NCM LLC founding member. Shares of our common stock otherwise acquired by NCM LLC's 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 NCM LLC founding member upon redemption of NCM LLC common membership units.

Under these circumstances, our corporate governance documents allow NCM LLC's other members and their affiliates to exercise a greater degree of influence in the operation of our business and that of NCM LLC and the management of our affairs and those of NCM LLC than is typically available to stockholders of a publicly-traded company. Even if NCM LLC's other members or their affiliates own a minority economic interest (but not less than 5%) in NCM LLC, they may be able to continue exerting such degree of influence over us and NCM LLC.

Different interests among the founding members or between the founding members and us could prevent us from achieving our business goals.

For the foreseeable future, we expect that our Board of Directors will include directors and certain executive officers of Cinemark and Regal and other directors who may have commercial or other relationships with Cinemark and Regal. The majority of NCM LLC's outstanding membership interests also are owned by Cinemark and Regal. Such members compete with each other in the operation of their respective businesses and could have individual business interests that may conflict. Their differing interests could make it difficult for us to pursue strategic initiatives that require consensus among NCM LLC's current members. In addition, to the extent the founding members sell some or all their NCM LLC membership units, such as was the case for AMC during 2017 and 2018, the founding members could have increasingly different interests because they no longer mutually benefit from an increase in NCM LLC's revenues or the value of the NCM, Inc. common stock into which the NCM LLC membership units are convertible.

In addition, the structural relationship we have with NCM LLC's founding members could create conflicts of interest among NCM LLC's founding members, or between NCM LLC's founding members and us, in a number of areas relating to our past and ongoing relationships. These conflicts of interests could also increase upon the sale of NCM LLC membership

units by a founding member because the founding member would have little incentive to agree to changes that may result in higher revenue for NCM LLC or a higher price for our common stock. There is not any formal dispute resolution procedure in place to resolve conflicts between us and an NCM LLC founding member or between NCM LLC founding members. We may not be able to resolve any potential conflicts between us and an NCM LLC founding member and, even if we do, the resolution may be less favorable to us than if we were negotiating with an unaffiliated party.

The corporate opportunity provisions in our certificate of incorporation could enable NCM LLC's members to benefit from corporate opportunities that might otherwise be available to us.

Our certificate of incorporation contains provisions related to corporate opportunities that may be of interest to NCM LLC's other members and us. It provides that if a corporate opportunity is offered to us, NCM LLC or one or more of the officers, directors or stockholders (both direct and indirect) of NCM, Inc. or a member of NCM LLC that relates to the provision of services to motion picture theaters, use of theaters for any purpose, sale of advertising and promotional services in and around theaters and any other business related to the motion picture theater business (except services as provided in the ESAs as from time to time amended and except as may be offered to one of our officers in his capacity as an officer), no such person shall be liable to us or any of our stockholders (or any affiliate thereof) for breach of any fiduciary or other duty by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to us. This provision applies even if the business opportunity is one that we might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so.

In addition, our certificate of incorporation and the NCM LLC operating agreement expressly provide that NCM LLC's founding members may have other business interests and may engage in any other businesses not specifically prohibited by the terms of the certificate of incorporation, including the exclusivity provisions of the ESAs. The parent companies of NCM LLC's founding members could develop new media platforms that could compete for advertising dollars with our services. Further, we may also compete with NCM LLC's founding members or their affiliates in the area of employee recruiting and retention. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations or prospects if attractive corporate opportunities are allocated by NCM LLC's founding members to themselves or their other affiliates or we lose key personnel to them.

The agreements between us and NCM LLC's founding members were made in the context of an affiliated relationship and may contain different terms than comparable agreements with unaffiliated third parties.

The ESAs and the other contractual agreements that we have with NCM LLC's founding members were originally negotiated in the context of an affiliated relationship in which representatives of NCM LLC's founding members and their affiliates comprised our entire Board of Directors. As a result, the financial provisions and the other terms of these agreements, such as covenants, contractual obligations on our part and on the part of NCM LLC's founding members and termination and default provisions may be less favorable to us than terms that we might have obtained in negotiations with unaffiliated third parties in similar circumstances.

Our certificate of incorporation and bylaws contain anti-takeover protections that may discourage or prevent strategic transactions, including a takeover of our company, even if such a transaction would be beneficial to our stockholders.

Provisions contained in our certificate of incorporation and bylaws, the NCM LLC operating agreement, and provisions of the Delaware General Corporation Law ("DGCL"), could delay or prevent a third party from entering into a strategic transaction with us, even if such a transaction would benefit our stockholders. For example, our certificate of incorporation and bylaws:

- provide veto rights to the directors designated by Cinemark and Regal over certain actions specified in our certificate of incorporation;
- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares, making a takeover more difficult and expensive;
- prohibit stockholder action by written consent; and
- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates.

NCM LLC's operating agreement also provides that NCM LLC's other members will be able to exercise a greater degree of influence over the operations of NCM LLC, which may discourage other nominations to our Board of Directors, if any director nominee designated by NCM LLC's other members is not elected by our stockholders. In addition, we entered into a

letter agreement with Standard General L.P., our largest stockholder, on June 1, 2018, that contains customary standstill provisions that may discourage a third party from seeking to enter into a strategic transaction with us.

These restrictions could keep us from pursuing relationships with strategic partners and from raising additional capital, which could impede our ability to expand our business and strengthen our competitive position. These restrictions could also limit stockholder value by impeding a sale of us or NCM LLC. Further, these restrictions could restrict or limit certain investors from owning our stock.

Any future issuance of membership units by NCM LLC and subsequent redemption of such units for common stock could dilute the voting power of our existing common stockholders and adversely affect the market value of our common stock.

The common unit adjustment agreement and the ESAs provide that NCM LLC will issue common membership units to account for changes in the number of theater screens NCM LLC's founding members operate and which are made part of our advertising network. Historically, in most years each of NCM LLC's founding members has increased the number of screens it operates. If this trend continues, NCM LLC may issue additional common membership units to NCM LLC's founding members to reflect their increase in net screen count. Each common membership unit may be redeemed in exchange for, at our option, shares of our common stock on a one-for-one basis or a cash payment equal to the market price of one share of our common stock. If a significant number of common membership units were issued to NCM LLC's founding members, NCM LLC's founding members elected to redeem such units, and we elected to issue common stock rather than cash upon redemption, the voting power of our common stockholders could be diluted. Other than the maximum number of authorized shares of common stock in our certificate of incorporation, there is no limit on the number of shares of our common stock that we may issue upon redemption of an NCM LLC founding member's common membership units in NCM LLC. For further information, refer to Note 4 to the unaudited Condensed Consolidated Financial Statements included elsewhere in this document.

Our future issuance of preferred stock could dilute the voting power of our common stockholders and adversely affect the market value of our common stock.

The future issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock, either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock.

The future issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price causing economic dilution to the holders of common stock.

If we or NCM LLC's founding members are determined to be an investment company, we would become subject to burdensome regulatory requirements and our business activities could be restricted.

We do not believe that we are an "investment company" under the Investment Company Act of 1940, as amended. As sole manager of NCM LLC, we control NCM LLC, and our interest in NCM LLC is not an "investment security" as that term is used in the Investment Company Act of 1940. If we were to stop participating in the management of NCM LLC, our interest in NCM LLC could be deemed an "investment security" for purposes of the Investment Company Act of 1940. Generally, a company is an "investment company" if it owns investment securities having a value exceeding 40% of the value of its total assets (excluding U.S. government securities and cash items). Our sole material asset is our equity interest in NCM LLC. A determination that such asset was an investment security could result in our being considered an investment company under the Investment Company Act of 1940. As a result, we would become subject to registration and other burdensome requirements of the Investment Company Act. In addition, the requirements of the Investment Company Act of 1940 could restrict our business activities, including our ability to issue securities.

We and NCM LLC intend to conduct our operations so that we are not deemed an investment company under the Investment Company Act. However, if anything were to occur that would cause us to be deemed an investment company, we would become subject to restrictions imposed by the Investment Company Act of 1940. These restrictions, including limitations on our capital structure and our ability to enter into transactions with our affiliates, could make it impractical for us

to continue our business as currently conducted and could have a material adverse effect on our financial performance and operations.

We also rely on representations of NCM LLC's founding members that they are not investment companies under the Investment Company Act. If any NCM LLC founding member were deemed an investment company, the restrictions placed upon that NCM LLC founding member might inhibit its ability to fulfill its obligations under its ESA or restrict NCM LLC's ability to borrow funds.

Our TRA with NCM LLC's founding members is expected to reduce the amount of overall cash flow that would otherwise be available to us and will increase our potential exposure to the financial condition of NCM LLC's founding members.

Our initial public offering and related transactions have the effect of reducing the amounts NCM, Inc. would otherwise pay in the future to various tax authorities as a result of an increase in its proportionate share of tax basis in NCM LLC's tangible and intangible assets. We have agreed in our TRA with NCM LLC's founding members to pay to NCM LLC's founding members 90% of the amount by which NCM, Inc.'s tax payments to various tax authorities are reduced as a result of the increase in tax basis. After paying these reduced amounts to tax authorities, if it is determined as a result of an income tax audit or examination that any amount of NCM, Inc.'s claimed tax benefits should not have been available, NCM, Inc. may be required to pay additional taxes and possibly penalties and interest to one or more tax authorities. If this were to occur and if one or more of NCM LLC's founding members was insolvent or bankrupt or otherwise unable to make payment under its indemnification obligation under the TRA, then NCM, Inc.'s financial condition could be negatively impacted.

The substantial number of shares that are eligible for sale could cause the market price for our common stock to decline or make it difficult for us to sell equity securities in the future.

We cannot predict the effect, if any, that market sales of shares of common stock by Regal, Cinemark, or Standard General will have on the market price of our common stock from time to time. Sales of substantial amounts of shares of our common stock in the public market, or the perception that those sales will occur, could cause the market price of our common stock to decline or make future offerings of our equity securities more difficult. If we are unable to sell equity securities at times and prices that we deem appropriate, we may be unable to fund growth. Cinemark and Regal may receive up to 80.7 million shares of common stock as of September 26, 2019 upon redemption of their outstanding common membership units of NCM LLC. The resale of these shares of common stock has been registered as required by the terms of the registration rights agreement between NCM, Inc. and the founding members. Standard General also owns 15.8 million shares that it may sell at any time. Additionally, once options and restricted stock held by our employees become vested and/or exercisable, as applicable, to the extent that they are not held by one of our affiliates, the shares acquired upon vesting or exercise are freely tradable. Refer to Note 11 to the audited Consolidated Financial Statements included in our annual report on Form 10-K.

The interests of our largest stockholder and NCM LLC's other members may be different from or conflict with those of our other stockholders.

Standard General beneficially owns 15.8 million shares of our common stock, and as of September 26, 2019, Cinemark and Regal held NCM LLC membership interests that are convertible into another 80.7 million shares of our common stock. As a result, each of Regal, Cinemark and Standard General is in a position to influence or control to some degree the outcome of matters requiring stockholder approval, including the adoption of amendments to our certificate of incorporation or bylaws and the approval of mergers and other significant corporate transactions. Their influence or control of our company and NCM LLC may have the effect of delaying or promoting a change of control of our company and may adversely affect the voting and other rights of other stockholders. In addition, each of Regal, Cinemark and Standard General has the right to designate directors to our Board. These directors have the authority, subject to applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions.

It is possible that the interests of Regal, Cinemark and Standard General may in some circumstances conflict with our interests and the interests of our other stockholders. For example, Cinemark and Regal may have different tax positions from us, especially in light of the TRA we entered into with founding members that provides for the payment by us to the founding members of 90% of the amount of any tax benefits that we actually realize, or in some cases are deemed to realize. This could influence their decisions regarding whether and when we should dispose of assets, and whether and when we or NCM LLC should incur indebtedness. As another example, Standard General is in the business of making investments in companies and may hold, and may from time to time in the future acquire, interests in or provide advice to businesses that directly or indirectly compete with us.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below provides information about shares delivered to the Company from restricted stock held by Company employees upon vesting for purpose of funding the recipient's tax withholding obligations.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
June 28, 2019 through July 25, 2019	—	$ —	—	N/A
July 26, 2019 through August 29, 2019	6,130	$ 7.19	—	N/A
August 30, 2019 through September 26, 2019	—	$ —	—	N/A

The Company's Second Amended and Restated Certificate of Incorporation and NCM LLC's Third Amended and Restated Limited Liability Company Operating Agreement, as amended, provide a redemption right to certain of NCM LLC's members to exchange common membership units of NCM LLC for shares of the Company's common stock on a one-for-one basis, or at the Company's option, a cash payment equal to the market price of one share of the Company's Common Stock.

On October 24, 2019, in response to a notice of redemption delivered by AMC to NCM LLC, the Company contributed 197,118 shares of Common Stock to NCM LLC in exchange for an equal number of common membership units of NCM LLC, which represents all of AMC's interest in NCM LLC. NCM LLC in turn transferred the shares of Common Stock to AMC.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	Reference	Description
3.1	*	The Bylaws, as amended August 1, 2019.
4.1	*(1)*	Indenture, dated as of October 8, 2019, by and between NCM LLC and Wells Fargo Bank, National Association, as trustee.
4.2	*(2)*	Form of 5.875% Senior Secured Notes due 2028 (included in Exhibit 4.1).
10.1	*(3)*	First Amendment to the Amended and Restated Exhibitor Services Agreement dated as of September 17, 2019, by and between National CineMedia, LLC and Cinemark USA, Inc.
10.2	*(4)*	Second Amendment to the Amended and Restated Exhibitor Services Agreement dated as of September 17, 2019, by and between National CineMedia, LLC and Regal Cinemas, Inc.
10.3	*	Employment Agreement dated as of August 1, 2019, by and between National CineMedia, Inc. and Thomas F. Lesinski.
10.4	*	Form of 2019 Stock Option Agreement.
31.1	*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	*	XBRL Instance Document
101.SCH	*	XBRL Taxonomy Extension Schema Document
101.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith.

** Furnished herewith.

(1) Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on October 8, 2019.

(2) Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on October 8, 2019.

(3) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on September 17, 2019.

(4) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-33296) filed on September 17, 2019.

SIGNATURES

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

NATIONAL CINEMEDIA, INC.
(Registrant)

Date: November 4, 2019

/s/ Thomas F. Lesinski
Thomas F. Lesinski
Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 4, 2019

/s/ Katherine L. Scherping
Katherine L. Scherping
Chief Financial Officer
(Principal Financial and Accounting Officer)

AMENDED AND RESTATED

BYLAWS

OF

NATIONAL CINEMEDIA, INC.

As amended August 1, 2019

INDEX TO AMENDED AND RESTATED BYLAWS
OF
NATIONAL CINEMEDIA, INC.

AMENDED AND RESTATED BYLAWS
OF
NATIONAL CINEMEDIA, INC.

ARTICLE I
Offices

Section 1.01 Business Offices. National CineMedia, Inc. (the "Corporation") may have such offices, either within or outside Delaware, as the board of directors of the Corporation (the "Board") may from time to time determine or as the business of the Corporation may require.

Section 1.02 Registered Office. The registered office of the Corporation required by the General Corporation Law of the State of Delaware (the "DGCL") to be maintained in Delaware shall be as set forth in the certificate of incorporation of the Corporation (the "Certificate of Incorporation"), unless changed as provided by law.

ARTICLE II
Stockholders

Section 2.01 Annual Meeting. An annual meeting of the stockholders of the Corporation shall be held on such date as may be determined by the Board, for the purpose of electing directors and for the transaction of such other business as may come before such meeting. If the election of directors of the Corporation shall not be held on the day designated for any such meeting, or at any adjournment thereof, the Board shall cause the election to be held at a meeting of the stockholders of the Corporation as soon thereafter as conveniently may be held. Failure to hold an annual meeting of the stockholders of the Corporation as required by these Bylaws shall not invalidate any action taken by the Board or by the officers of the Corporation.

Section 2.02 Special Meetings. Special meetings of the stockholders of the Corporation, for any purpose or purposes, unless otherwise prescribed by law or the Certificate of Incorporation, may be called only by the Board pursuant to a resolution approved by the affirmative vote of a majority of the directors of the Corporation then in office. Such resolution of the Board shall state the purpose or purposes of such proposed meeting. Business transacted at any special meetings of the stockholders shall be limited to the purpose or purposes stated in the notice.

Section 2.03 Place of Meeting. Each meeting of the stockholders of the Corporation shall be held at such place, either within or outside Delaware, as may be designated in the notice of such meeting, or, if no place is designated in such notice, at the principal office of the Corporation. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any time, but may instead be held solely by means of remote communications in accordance with the DGCL.

Section 2.04 Notice of Meetings. Except as otherwise required herein, by the Certificate of Incorporation or by law and whenever stockholders are required or permitted to take any action at a meeting, notice in writing or by electronic transmission of each meeting of the stockholders of the Corporation stating the place, if any, day and hour of such meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting and, in the case of a special meeting of the stockholders of the Corporation, the purpose or purposes for which such meeting is called, shall be given, either personally (including delivery by private courier) or by first class, certified or registered mail, or by electronic transmission, to each stockholder of record entitled to notice of such meeting, not less than 10 nor more than 60 days before the date of such meeting. Such notice shall be deemed to be given, if personally delivered, when delivered to the stockholder, and, if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation, and if by electronic transmission, when posted on an electronic network or directed to the stockholder at an electronic mail address at which the stockholder has consented to receive notice. An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or any other agent of the Corporation that the notice has been given by personal delivery, by mail or

by a form of electronic transmission, as applicable, shall, in the absence of fraud, be prima facie evidence of the facts stated therein. If notice of two consecutive annual meetings of the stockholders of the Corporation and all notices of other meetings of the stockholders of the Corporation to any stockholder during the period between such two consecutive annual meetings, or all, and at least two, payments (if sent by first class mail) of dividends or interest on securities of the Corporation during a 12 month period, have been mailed to such person at his address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required until another address for such person is delivered to the Corporation. When a meeting of the stockholders of the Corporation is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At such adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting of the stockholders of the Corporation. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for such adjourned meeting, notice of such adjourned meeting shall be given to each stockholder of record of the Corporation entitled to vote at the meeting in accordance with the foregoing provisions of this Section 2.04.

Section 2.05 Fixing Date for Determination of Stockholders of Record. For the purpose of determining the stockholders of the Corporation entitled to notice of or to vote at any meeting of the stockholders of the Corporation or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of capital stock of the Corporation or for any other lawful action, the Board may fix, in advance, a date as the record date for any such determination of stockholders, which date shall not precede the date upon which the record date is adopted by the Board, and which shall not be more than 60 nor less than 10 days before the date of such meeting, and not more than 60 days prior to any other action. If no record date is fixed then the record date shall be, for determining the stockholders of the Corporation entitled to notice of or to vote at a meeting of such stockholders, the close of business on the day next preceding the day on which notice is given, or, if notice is waived, the close of business on the day next preceding the day on which such meeting is held, or, for determining stockholders of the Corporation for any other purpose, the close of business on the day on which the Board adopts the resolution relating thereto. A determination of the stockholders of record of the Corporation entitled to notice of or to vote at a meeting of such stockholders shall apply to any adjournment of such meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting.

Section 2.06 Voting List. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare, or cause to be prepared, at least 10 days before every meeting of the stockholders of the Corporation, a complete list of such stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each such stockholder and the number of shares of capital stock of the Corporation registered in the name of each such stockholder. Nothing contained in this Section 2.06 shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder of the Corporation, for any purpose germane to such meeting, for a period of at least 10 days prior to such meeting, either (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of such meeting, or (b) during ordinary business hours, at the principal place of business of the corporation. If the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If such meeting is to be held at a place, the list shall also be produced and kept at the time and place of such meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present. If such meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder of the Corporation during the whole time of such meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of such meeting. Except as otherwise provided by law, the list of stockholders shall be the only evidence as to which stockholders are entitled to examine to determine the stockholders entitled to vote in person or by proxy at any meeting of the stockholders.

Section 2.07 Proxies. Each stockholder of the Corporation entitled to vote at a meeting of stockholders of the Corporation may authorize another person or persons to act for him, her or it by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Except as

otherwise provided by law, a proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the secretary of the Corporation a revocation of the proxy or a new proxy bearing a later date.

Section 2.08 Quorum and Manner of Acting. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, at a meeting of stockholders of the Corporation, a majority of the combined voting power of the outstanding shares of capital stock of the Corporation entitled to vote at such meeting, represented in person or by proxy, shall constitute a quorum. If a quorum is present, at all meetings of stockholders for the election of directors, the directors of the Corporation will be elected by the plurality of the votes cast by the holders of shares of Common Stock (as defined in the Certificate of Incorporation). Unless otherwise provided by the Certificate of Incorporation, these Bylaws, the rules or regulations of any stock exchange applicable to the Corporation or applicable law or pursuant to any regulation applicable to the Corporation or its securities, if a quorum is present, the affirmative vote of a majority of the votes held by such shares represented at such meeting at which a quorum is present and entitled to vote on the subject matter shall be the act of such stockholders. In the absence of a quorum, a majority of the shares of capital stock of the Corporation so represented may adjourn such meeting from time to time in accordance with Section 2.04, until a quorum shall be present or represented.

Section 2.09 Nominations for the Election of Directors. Except as otherwise provided in the Certificate of Incorporation, nominations for election to the Board must be made by the Board or by a committee appointed by the Board for such purpose or by any stockholder of any outstanding shares of capital stock of the Corporation entitled to vote for the election of directors of the Corporation. Except as otherwise provided in the Certificate of Incorporation, nominations by the stockholders of the Corporation must be preceded by timely notice in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of the stockholders of the Corporation; *provided, however*, 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 the stockholders of the Corporation, 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 by the Corporation. For purposes of the first annual meeting of stockholders of the Corporation held following the date of these Bylaws, the first anniversary of such annual meeting shall be deemed to be the third Wednesday of May of the following year. Such stockholder's notice shall set forth:

(a) as to each person whom the stockholder proposes to nominate as a director:

  (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and

  (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and

(b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made:

  (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner,

  (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner,

(iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose nomination, and

(iv) a representation regarding whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee and/or (B) otherwise to solicit proxies from stockholders in support of such nomination.

The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed director nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

The presiding officer of the annual meeting of the stockholders of the Corporation shall have the authority to determine and declare to such meeting that a nomination not preceded by notification made in accordance with the foregoing procedure shall be disregarded.

Section 2.10 Other Stockholder Proposals. For business other than the nomination for election of directors to the Board to be properly brought before any meeting by a stockholder of the Corporation, such stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of the stockholders of the Corporation; *provided*, *however*, 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 the stockholders of the Corporation, 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 by the Corporation. For purposes of the first annual meeting of stockholders of the Corporation held following the date of these Bylaws, the first anniversary of such annual meeting shall be deemed to be the third Wednesday of May of the following year. Such stockholder's notice shall set forth:

(a) as to any business that the stockholder proposes to bring before the meeting:

(i) a brief description of the business desired to be brought before the meeting,

(ii) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), and

(iii) the reasons for conducting such business at the meeting; and

(b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made:

(i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner,

(ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner,

(iii) any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made as to each matter such stockholder proposes to bring before such meeting,

(iv) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and

(v) a representation regarding whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (B) otherwise to solicit proxies from stockholders in support of such proposal.

Section 2.11 Stockholder Action by Written Consent Without a Meeting. Except as provided in any preferred stock designation adopted in accordance with the Certificate of Incorporation and the DGCL (a "Preferred Stock Designation"), after the Corporation first has a class of securities registered under Section 12(g) of the Exchange Act or its equivalent, any action required or permitted to be taken by the stockholders of the Corporation must be taken at a duly called annual or special meeting of the stockholders and may not be taken by consent in writing or otherwise.

Section 2.12 Conduct of Business. The chairman of each annual and special meeting of stockholders shall be the chairman of the Board or, in the absence (or inability or refusal to act) of the chairman of the Board, the chief executive officer (if he or she shall be a director) or, in the absence (or inability or refusal to act of the chief executive officer or if the chief executive officer is not a director, the president (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the president or if the president is not a director, such other person as shall be appointed by the Board. The secretary of each annual and special meeting of stockholders shall be the secretary or, in the absence (or inability or refusal to act) of the secretary, an assistant secretary so appointed to act by the chairman of the meeting. In the absence (or inability or refusal to act) of the secretary and all assistant secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the presiding officer of the meeting. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with these Bylaws or such rules and regulations as adopted by the Board, the presiding officer of the meeting of stockholders shall have the right and authority to convene the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding officer, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding officer of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer of the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding officer should so determine, such presiding officer shall so declare to the meeting, and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the presiding officer of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.13 Inspector of Elections. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation or otherwise serve the Corporation in other capacities, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering

upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting in person or by proxy and the validity of proxies and ballots, (iii) count all votes and ballots and report the results, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE III
Board of Directors

Section 3.01 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided in the DGCL or the Certificate of Incorporation.

Section 3.02 Number, Tenure and Qualifications. The number of directors of the Corporation, other than those who may be elected by the holders of one or more series of preferred stock of the Corporation ("Preferred Stock") voting separately by class or series, shall be nine (9). However, in the event that either an Investor Nominee (as such term is defined in the letter agreement, dated June 1, 2018, by and between the Corporation and Standard General L.P. (the "Settlement Agreement")) is not nominated, appointed or elected to the Board under circumstances in which the Corporation is required to nominate or appoint such individual in accordance with the terms of the Settlement Agreement, then the number of directors of the Corporation may be increased only by that number necessary to permit the Investor Nominee(s) to be appointed as directors, and may not be increased to more than nine (9) directors for any other purpose, but in no event shall the number of directors be increased to more than eleven (11). Each director of the Corporation shall hold office until his or her successor shall be qualified and elected, subject, however, to such director's earlier death, resignation, retirement or removal. Any newly created directorship or vacancy shall be filled as set forth in the Certificate of Incorporation. Directors of the Corporation need not be residents of Delaware or stockholders of the Corporation. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director, except as may be provided for in a Preferred Stock Designation with respect to any additional director elected by the holders of the applicable series of Preferred Stock.

Section 3.03 Resignation. Any director of the Corporation may resign at any time by giving notice to the Corporation in writing or by electronic transmission. A director's resignation shall take effect upon receipt or, if a different time of effectiveness is specified therein, at the time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.04 Regular Meetings. Regular meetings of the Board may be held at such time and at such place, if any (either within or outside Delaware), as shall from time to time be determined by the Board.

Section 3.05 Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the chairman of the Board, by the chief executive officer or by a majority of the directors of the Corporation. Any such special meeting may take place at any place either within or outside Delaware.

Section 3.06 Meetings by Telephone. Unless otherwise restricted by the Certificate of Incorporation, the directors of the Corporation may participate in a meeting of the Board by means of conference telephone or other communications equipment by means of which all persons participating in such meeting can hear each other, and such participation in such meeting in such manner shall constitute presence in person at such meeting.

Section 3.07 Notice of Meetings. Notice of each meeting of the Board (except those regular meetings for which notice is not required) stating the place, if any, day and hour of such meeting shall be given to each director of the Corporation at least two days prior thereto by the mailing of written notice by first class, certified or registered mail, or at least one day prior thereto by personal delivery (including delivery by private courier) of written notice or by telephone, telegram, telex, cablegram, electronic transmission (including email) or other similar method, except that in the case of a meeting of the Board to be held pursuant to Section 3.06 notice may be given by telephone at any time prior thereto. The method of notice need not be the same to each director of the Corporation. Notice shall be deemed to be given when deposited in the United States mail, with postage thereon prepaid, addressed to such director at his business or residence address, when delivered or communicated to such director or when the telegram, telex, cablegram, electronic transmission (including email) or other form of notice is personally delivered to such director or delivered to the last address of such director furnished by him to the Corporation for such purpose. Notice may be waived pursuant to Section 7.02 hereof. Neither the business to be transacted at, nor the purpose of, any meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 3.08 Quorum and Manner of Acting. Except as otherwise may be required by law, the Certificate of Incorporation or these Bylaws, a majority of the number of directors of the Corporation fixed in accordance with these Bylaws, present at the meeting, shall constitute a quorum for the transaction of business at any meeting of the Board, and the vote of a majority of the directors of the Corporation present at a meeting of the Board at which a quorum is present shall be the act of the Board. If less than a quorum is present at a meeting of the Board, the directors of the Corporation present may adjourn such meeting from time to time without further notice other than announcement at such meeting, until a quorum shall be present. Subject to the terms of the Certificate of Incorporation, a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 3.09 Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, without prior notice and without a vote, if all members of the Board or committee thereof entitled to vote thereon, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of the Board or committee thereof, as the case may be.

Section 3.10 Executive and Other Committees. The Board may designate by resolution one or more committees of the Board, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of such committee, and may dissolve any such committee. In the absence or disqualification of a member of a committee of the Board, the member or members present at any meeting of such committee of the Board and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Except as otherwise provided in the charter of such committee or as otherwise required by the corporation governance rules and listing standards of any national securities exchange or automated quotation system upon which the Corporation's securities are then listed, any such committee shall present its findings and recommendations to the Board, as set forth in the applicable Board resolution. The Board shall delegate certain of its powers and authority to any such committee as set forth in the charters of such committee or by resolution of the Board in the Board's discretion or as otherwise required by the corporation governance rules and listing standards of any national securities exchange or automated quotation system upon which the Corporation's securities are then listed. To the extent the Board does not establish other procedures, and subject to the immediately preceding sentence, each such committee shall be governed by the procedures set forth in Sections 3.04 (except as they relate to an annual meeting), 3.05 through 3.09, 7.01 and 7.02 as if such committee were the Board. Each such committee shall keep regular minutes of its meetings, which shall be reported to the Board when required and submitted to the secretary of the Corporation for inclusion in the corporate records of the Corporation.

Section 3.11 Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board shall have the authority to fix the compensation of directors of the Corporation. Such directors may be paid their expenses, if any, of attendance at each meeting of the Board and each meeting of any committee of the Board of which he or she is a member and may be paid a fixed sum for attendance at each such meeting or a stated salary or both a fixed sum and a stated salary. No such payment shall preclude any such director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.12 Removal of Directors; Vacancies. The removal of directors of the Corporation and the filling of vacancies on the Board shall be as provided in the Certificate of Incorporation.

ARTICLE IV
Officers

Section 4.01 Number and Qualifications. The officers of the Corporation shall consist of a chairman of the Board, a chief executive officer, a president, a chief operating officer, a chief financial officer, a secretary and such other officers, including a vice-chairman or vice-chairmen of the Board, one or more vice-presidents, a treasurer and a controller, as may from time to time be elected or appointed by the Board. In addition, the Board or the chief executive officer of the Corporation may elect or appoint such assistant and other subordinate officers, including assistant vice-presidents, assistant secretaries and assistant treasurers, as it or he shall deem necessary or appropriate. Any number of offices of the Corporation may be held by the same person, except that no person may simultaneously hold the offices of president and secretary of the Corporation.

Section 4.02 Election and Term of Office. Except as provided in the Certificate of Incorporation and Sections 4.01 and 4.06 of these Bylaws, the officers of the Corporation shall be elected by the Board. If such election shall not be held as provided herein, such election shall be held as soon thereafter as may be convenient. Each officer of the Corporation shall hold office until his or her successor shall be elected and shall qualify or until the expiration of his or her term in office if elected or appointed for a specified period of time, subject, however, to prior death, resignation, retirement or removal.

Section 4.03 Compensation. Officers of the Corporation shall receive such compensation for their services as may be authorized or ratified by the Board or a compensation committee of the Board, and no such officer shall be prevented from receiving compensation by reason of the fact that he or she is also a director of the Corporation. Election or appointment as an officer of the Corporation shall not of itself create a contract or other right to compensation for services performed by such officer.

Section 4.04 Resignation. Any officer of the Corporation may resign at any time, subject to any rights or obligations under any existing contracts between such officer and the Corporation, by giving notice to the Corporation in writing or by electronic transmission. Such officer's resignation shall take effect upon receipt or, if a different time of effectiveness is specified therein, at the time stated therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.05 Removal. Unless otherwise provided in the Certificate of Incorporation, any officer of the Corporation may be removed with or without cause at any time by the Board, or, in the case of assistant and other subordinate officers of the Corporation, by the chief executive officer of the Corporation, whenever in its, his or her judgment, as the case may be, the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer of the Corporation shall not in itself create contract rights.

Section 4.06 Vacancies. Except as otherwise provided in the Certificate of Incorporation, a vacancy occurring in any office of the Corporation by death, resignation, retirement, removal or otherwise may be filled by the Board.

Section 4.07 Authority and Duties. The officers of the Corporation shall have the authority and shall exercise the powers and perform the duties specified below and as may be additionally specified by the chief executive officer of the Corporation, the Board or these Bylaws (and in all cases where the duties of any officer of the

Corporation are not prescribed by these Bylaws or the Board, such officer shall follow the orders and instructions of the chief executive officer of the Corporation), except that in any event each such officer shall exercise such powers and perform such duties as may be required by law:

(a) Chairman of the Board. The chairman of the Board of the Corporation, who shall be elected from among the directors of the Corporation, shall preside, when present, at all meetings of the Corporation's stockholders and the Board and perform such other duties as may be assigned to him or her from time to time by the Board.

(b) Chief Executive Officer. The chief executive officer of the Corporation shall, subject to the direction and supervision of the Board, (i) have general and active control of the affairs of the Corporation and general supervision of its officers, agents and employees; (ii) in the absence of the chairman of the Board of the Corporation, preside, when present, at all meetings of the Corporation's stockholders and the Board; (iii) see that all orders and resolutions of the Board are carried into effect; and (iv) perform all other duties incident to the office of chief executive officer and as from time to time may be assigned to him or her by the Board.

(c) President. The president of the Corporation shall, subject to the direction and supervision of the Board, perform all duties incident to the office of president and as from time to time may be assigned to him by the Board. At the request of the chief executive officer of the Corporation or in his or her absence or in the event of his or her inability or refusal to act, the president of the Corporation shall perform the duties of the chief executive officer of the Corporation, and when so acting shall have all the powers and be subject to all the restrictions of the chief executive officer of the Corporation.

(d) Chief Operating Officer. The chief operating officer of the Corporation shall, subject to the direction and supervision of the Board, supervise the day to day operations of the Corporation and perform all other duties incident to the office of chief operating officer as from time to time may be assigned to him or her by the chairman of the Board of the Corporation, the Board or the chief executive officer of the Corporation. At the request of the president of the Corporation, or in his or her absence or inability or refusal to act, the chief operating officer of the Corporation shall perform the duties of the president of the Corporation, and when so acting shall have all the power of and be subject to all the restrictions upon the president of the Corporation.

(e) Chief Financial Officer. The chief financial officer of the Corporation shall: (i) be the principal financial officer and treasurer of the Corporation and have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Corporation and deposit the same in accordance with the instructions of the Board; (ii) receive and give receipts and acquittances for moneys paid in on account of the Corporation, and pay out of the funds on hand all bills, payrolls and other just debts of the Corporation of whatever nature upon maturity; (iii) unless there is a controller of the Corporation, be the principal accounting officer of the Corporation and as such prescribe and maintain the methods and systems of accounting to be followed, keep complete books and records of account, prepare and file all local, state and federal tax returns, prescribe and maintain an adequate system of internal audit and prepare and furnish to the chief executive officer of the Corporation and the Board statements of account showing the financial position of the Corporation and the results of its operations; (iv) upon request of the Board, make such reports to it as may be required at any time; and (v) perform all other duties incident to the office of chief financial officer and treasurer and such other duties as from time to time may be assigned to him or her by the Board or by the chief executive officer of the Corporation. Assistant treasurers of the Corporation, if any, shall have the same powers and duties, subject to the supervision by the chief financial officer of the Corporation. If there is no chief financial officer of the Corporation, these duties shall be performed by the secretary or chief executive officer of the Corporation or other person appointed by the Board.

(f) Vice-Presidents. The vice-president of the Corporation, if any (or if there is more than one then each such vice-president), shall assist the chief executive officer of the Corporation and shall perform such duties as may be assigned to him or her by the chief executive officer of the Corporation or the Board. Assistant vice-presidents of the Corporation, if any, shall have such powers and perform such duties as may be assigned to them by the chief executive officer of the Corporation or by the Board.

(g) Secretary. The secretary of the Corporation shall: (i) keep the minutes of the proceedings of the stockholders of the Corporation, the Board and any committees of the Board; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be custodian of the corporate records and seal of the Corporation; (iv) keep at the Corporation's registered office or principal place of business within or outside Delaware a record containing the names and addresses of all stockholders of the Corporation and the number and class of shares held by each, unless such a record shall be kept at the office of the Corporation's transfer agent or registrar; (v) have general charge of the stock books of the Corporation, unless the Corporation has a transfer agent; and (vi) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the chief executive officer of the Corporation or the Board. Assistant secretaries of the Corporation, if any, shall have the same duties and powers, subject to supervision by the secretary of the Corporation.

Section 4.08 Surety Bonds. The Board may require any officer or agent of the Corporation to execute to the Corporation a bond in such sums and with such sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of his or her duties and for the restoration to the Corporation of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

ARTICLE V
Stock

Section 5.01 Issuance of Shares. Except as otherwise may be provided by law or in the Certificate of Incorporation, the issuance or sale by the Corporation of any shares of its authorized capital stock of any class, including treasury shares, shall be made only upon authorization by the Board. Every issuance of shares of authorized capital stock of the Corporation shall be recorded on the books of the Corporation maintained for such purpose by or on behalf of the Corporation.

Section 5.02 Transfer of Shares. Upon presentation and surrender to the Corporation or to a transfer agent of the Corporation of a certificate of stock of the Corporation duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, payment of all transfer taxes, if any, and the satisfaction of any other requirements of law, including inquiry into and discharge of any adverse claims of which the Corporation has notice, the Corporation or its transfer agent shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction on the books maintained for such purpose by or on behalf of the Corporation. No transfer of shares of authorized capital stock of the Corporation shall be effective until it has been entered on such books. The Corporation or its transfer agent may require a signature guaranty or other reasonable evidence that any signature is genuine and effective before making any transfer. Transfers of uncertificated shares of authorized capital stock of the Corporation shall be made in accordance with applicable provisions of law.

Section 5.03 Registered Holders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares of authorized capital stock of the Corporation to inspect for any proper purpose the stock ledger and the other books and records, to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of such shares, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by applicable law.

Section 5.04 Transfer Agents, Registrars and Paying Agents. The Board may at its discretion appoint one or more transfer agents, registrars and agents for making payment upon any class of stock, bond, debenture or other security of the Corporation. Such agents and registrars may be located either within or outside Delaware. They shall have such rights and duties and shall be entitled to such compensation as may be agreed.

Section 5.05 Lost, Stolen or Destroyed Certificates. Except as provided in this Section 5.05, no new certificate representing shares of the Corporation's authorized capital stock shall be issued to replace a previously issued certificate representing such shares unless the previously issued certificate is surrendered to the Corporation and immediately cancelled. The Corporation may issue a new certificate representing shares of its authorized capital

stock or uncertificated shares in the place of any certificate theretofore issued by it that is alleged by a stockholder to have been lost, stolen or destroyed, and the Corporation may require such stockholder, or such stockholder's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

ARTICLE VI
Indemnification

Section 6.01 Right to Indemnification. The Corporation shall indemnify and pay the expenses of directors, officers and individuals who have agreed to serve as directors or officers of the Corporation as provided in the Certificate of Incorporation and, if applicable, in any indemnification agreement between the Corporation and such individuals. The Corporation has the right, but not the obligation, to indemnify and pay the expenses of other persons authorized by a majority of the Board as provided in the Certificate of Incorporation.

Section 6.02 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of any of its affiliates or another corporation, partnership, limited liability company, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

ARTICLE VII
Miscellaneous

Section 7.01 Notice by Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the Certificate of Incorporation or these Bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom such notice is given. Any such consent shall be revocable by such stockholder by written notice to the Corporation.

(a) Any such consent shall be deemed revoked if:

(i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent of the Corporation, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting of the stockholders of the Corporation or other action by the Corporation.

(b) Any notice given pursuant to this Section 7.01 shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder of the Corporation has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder of the Corporation has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of the Corporation of such specific posting, upon the later of such posting and the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder of the Corporation.

An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(d) Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

Section 7.02 Waivers of Notice. Whenever notice is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a written waiver thereof, signed by the person entitled to such notice or a waiver by electronic transmission by the person entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting or (in the case of a stockholder of the Corporation) by proxy shall constitute a waiver of notice of such meeting, except when the person attends such meeting for the express purpose of objecting, at the beginning of such meeting, to the transaction of any business because such meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting need be specified in any written waiver of notice or waiver of notice by electronic transmission unless required by these Bylaws to be included in the notice of such meeting.

Section 7.03 Presumption of Assent. A director or stockholder of the Corporation who is present at a meeting of the Board or stockholders of the Corporation at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of such meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of such meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Corporation immediately after the adjournment of such meeting. Such right to dissent shall not apply to a director or stockholder of the Corporation who voted in favor of such action.

Section 7.04 Voting of Securities by the Corporation. Unless otherwise provided by resolution of the Board, on behalf of the Corporation the chairman of the Board, chief executive officer, chief operating officer, chief financial officer, president, secretary, treasurer or any vice-president of the Corporation shall attend in person or by substitute appointed by him or her, or shall execute written instruments appointing a proxy or proxies to represent the Corporation at, all meetings of the stockholders of any other corporation, association or other entity in which the Corporation holds any stock or other securities, and may execute written waivers of notice with respect to any such meetings. At all such meetings and otherwise, the chairman of the Board, chief executive officer, chief operating officer, chief financial officer, president, secretary, treasurer or any vice-president of the Corporation, in person or by substitute or proxy as aforesaid, may vote the stock or other securities so held by the Corporation and may execute written consents and any other instruments with respect to such stock or securities and may exercise any and all rights and powers incident to the ownership of said stock or securities, subject, however, to the instructions, if any, of the Board.

Section 7.05 Authorized Signatories. The Board may authorize any officer or officers of the Corporation, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or restricted to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer of the Corporation, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or to pledge its credit or to render it liable for any purpose or for any amount

Section 7.06 Seal. The corporate seal of the Corporation shall be in such form as adopted by the Board, and any officer of the Corporation may, when and as required, affix or impress the seal, or a facsimile thereof, to or on any instrument or document of the Corporation.

Section 7.07 Fiscal Year. The fiscal year of the Corporation shall be as established by resolution of the Board.

Section 7.08 Amendments. These Bylaws may be amended or repealed only in the manner set forth in the Certificate of Incorporation.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") by and between National CineMedia, Inc. (the "Company or Employer"), and Thomas F. Lesinski ("Executive", and together with the Company or Employer, the "Parties"), is entered into as of August 1, 2019 (the "Execution Date"). In consideration of the covenants and agreements contained herein, the Parties agree as follows:

1. Employment. The Employer agrees to employ Executive and Executive agrees to be employed by the Employer, beginning as of August 2, 2019 (the "Effective Date"), and Executive's employment under this Agreement shall terminate on the earlier of (i) the third anniversary of the Effective Date, or (ii) the termination of Executive's employment under this Agreement. The period from the Effective Date until the termination of Executive's employment under this Agreement is referred to as the "Employment Period." Employer will provide notice to Executive at least ninety (90) days prior to the third anniversary of the Effective Date (unless the Agreement is terminated earlier) of its intent to either extend the term of this Agreement, enter into a new employment agreement or allow the Agreement to expire; provided that this provision shall not operate to increase the amount of severance benefits payable under this Agreement or otherwise limit the Company's ability to terminate the Executive without "Cause" without notice. To the extent Executive remains employed by the Company after the expiration of the Employment Period, such employment will be subject to the terms and conditions to which the Company and Executive at that time will agree.

2. Positions and Authority. Executive shall serve in the position of Chief Executive Officer of the Employer, reporting to the Board of Directors of the Company (the "Board"), or in such other positions as the Parties may agree. Executive's primary place of business shall be at Company headquarters in the Denver, Colorado metropolitan area, or such other location as the Parties may hereafter agree.

Executive agrees to serve in the position referred to in this Section 2 and to perform diligently and to the best of his abilities the duties and services as are normally associated with the office of Chief Executive Officer, and shall have other duties, responsibilities, power and authority as reasonably may be designated from time to time by the Board and that are consistent with Executive's position as Chief Executive Officer of the Employer.

During the Employment Period, Executive shall devote his full business time and efforts to the business and affairs of the Company and its subsidiaries, provided that Executive shall be entitled to manage Executive's personal and family finances and investments, serve as a member of the board of directors of a reasonable number of other companies, to serve on civic, charitable, educational, religious, public interest or public service boards, in each case, to the extent such activities do not materially interfere with the performance of Executive's duties and responsibilities hereunder and do not conflict with Executive's obligations under Section 6. Executive shall not become a director of any entity without first obtaining the approval of the Board, which shall not be unreasonably withheld.

3. Compensation and Benefits.

(a) Initial Equity Grant. In consideration of the commencement of Executive's employment hereunder, Executive shall receive (i) a time-based restricted share award granted effective on the commencement of employment, with the number of shares to be determined by dividing $125,000 by the average closing share price of the Company's common stock as reported on the NASDAQ for the 30 days immediately prior to the Execution Date, with vesting to occur in three equal installments on each of the first three anniversaries of the grant date, subject to Executive's continued employment through each applicable vesting date, (ii) a performance-based restricted share award granted effective on the commencement of employment, with the number of shares to be determined by dividing $375,000 by the average closing share price of the Company's common stock as reported on the NASDAQ for the 30 days immediately prior to the Execution Date, with vesting to be subject to the satisfaction of pre-established performance criteria, and (iii) a time-based stock option award granted effective on the commencement of employment, with a grant date fair value of $500,000 and an exercise price equal to $8.00, with vesting to occur in three equal installments on each of the first through third anniversaries of the grant date, subject to Executive's continued employment through each applicable vesting date (each of (i), (ii) and (iii), the "Initial Equity"). The Initial Equity shall (i) be issued under the Company's current Incentive Compensation Plan (the "Current Plan") and (ii) be subject to the Company's standard form of time-based and performance-based restricted share and option award agreements.

(b) Base Salary. As compensation for Executive's performance of Executive's duties hereunder, Company shall pay to Executive an initial Base Salary of $750,000 per year, payable in accordance with the normal payroll practices of the Company (but not less frequently than monthly), less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. The Base Salary shall be reviewed by the Board not less often than annually and shall be subject to increase, but not decrease, based on such annual review. The term "Base Salary" shall refer to the Base Salary as may be in effect from time to time.

(c) Annual Incentive Compensation. During the Employment Period, Executive shall be eligible to participate in an annual cash bonus program maintained for senior executive officers of the Company (the "Annual Incentive Program" or the "Plan"), with a target and maximum annual bonus equal to 100% of Base Salary (the "Target Bonus"); provided, however, that any bonus related to fiscal year 2019 shall be prorated for the period between the Effective Date and December 26, 2019. The actual amount of the annual bonus earned by and payable to Executive for any year or portion of a year, as applicable, shall be determined upon the satisfaction of goals and objectives established by the Compensation Committee pursuant to the Plan, and shall be subject to such other terms and conditions of the Annual Incentive Program as in effect from time to time. Subject to Section 4(b), Executive must be employed by the Company on the day that the bonus is scheduled to be paid in order to earn and receive the bonus. Each bonus paid under the Annual Incentive Program shall be paid no later than March 15th of the calendar year following the bonus fiscal year.

(d) Long-Term Incentive Grants. The Company shall provide to Executive, on an annual basis during the Employment Period, the opportunity to receive a long-term incentive award with grant date fair market value of at least $1,000,0000 per annum, in such amount and pursuant to such terms as may be determined in the sole discretion of the Board, provided that a minimum of 50% of such amount shall be granted in the form of restricted share awards or restricted share unit awards and no more than 50% of such amount shall be granted in the form of stock options and any such stock options will be granted with an exercise price that is not greater than 120% of the Fair Market Value as defined in the Current Plan, or any successor thereto, of a share of the Company's common stock on the date of grant.

(e) Other Benefits.

(i) Savings and Retirement Plans. Except as otherwise limited by applicable law, Executive shall be entitled to participate in all qualified and non-qualified savings and retirement plans applicable generally to other senior executive officers of the Company, in accordance with the terms of the plans, as may be amended from time to time.

(ii) Welfare Benefit Plans. Except as otherwise limited by applicable law, Executive and/or his eligible dependents shall be eligible to participate in and shall receive all benefits under the Company's welfare benefit plans and programs applicable generally to other senior executive officers of the Company in accordance with the terms of the plans, as may be amended from time to time. For the period commencing on the Effective Date until such time as Executive becomes eligible to participate in the Company's applicable welfare benefit programs, the Company shall reimburse Executive for the monthly cost of Executive's (and his spouse and eligible dependents) medical, dental and vision benefit coverage under COBRA provided by Executive's prior employer, plus an additional amount, payable at least monthly, to make Executive whole with respect to any tax liabilities related to such COBRA reimbursement payments.

(iii) Business Expenses. Subject to Section 15, Executive shall be reimbursed for reasonable travel and other expenses incurred in the performance of Executive's duties on behalf of the Company in a manner consistent with the Company's policies regarding such reimbursements, as may be in effect from time to time.

(iv) Other Expenses. Subject to Section 15, Executive shall be reimbursed for (i) reasonable, documented temporary living and moving expenses, and automobile expenses incurred during the Employment Period as follows: (1) up to $25,000 for calendar year 2019, (2) up to $50,000 for calendar year 2020, (3) up to $50,000 for calendar year 2021, and (4) up to $25,000 for calendar year 2022, provided that the gross amounts paid to Executive shall be in such an amount that, after taxation, the payments equal the amounts set forth in this section.

(v) Advisor Fees. Subject to Section 15, Executive shall be reimbursed for all documented attorneys' and tax advisors' fees associated with the Executive's review and negotiation of the terms of this Agreement and the Initial Equity documents, in an amount not to exceed $25,000 in the aggregate.

(vi) Other Benefits. Executive shall receive such other benefits as are then customarily provided generally to the other senior officers of the Company and of its subsidiaries, as determined from time to time by the Board, including, without limitation, 4 weeks paid vacation in accordance with, and subject to increase under, the Company's practices as in effect from time to time.

4. Termination of Employment.

(a) The Executive's employment and this Agreement may be terminated as set forth in this Section 4. Any reference to the date of the Executive's Disability or death, as applicable, or the date of delivery of a notice of termination or resignation by either the Company or the Executive in this Section 4, shall constitute the "Date of Termination" unless otherwise set forth herein. Upon the termination of Executive's employment with the Company for any reason, Executive shall be deemed to have resigned from the Board if a member at such time and all other positions with the Employer or any of its Affiliates (defined below) held by Executive as of the date immediately preceding his termination of employment.

(b) If Executive's employment ends for any reason, except as otherwise contemplated in this Section 4, Executive shall cease to have any rights to salary, bonus (if any) or other benefits, other than (i) the earned but unpaid portion of Executive's Base Salary through the date of termination or resignation, (ii) any annual, long-term, or other incentive award that relates to a completed fiscal year or performance period, as applicable, and is payable (but not yet paid) on or before the date of termination or resignation, which shall be paid in accordance with the terms of such award, (iii) a lump-sum payment in respect of accrued but unused vacation days at Executive's per-business-day Base Salary rate, (iv) any unpaid expense or other reimbursements due to Executive, and (v) any other amounts or benefits required to be paid or provided by law or under any plan, program, policy or practice of the Company, provided that Executive shall not be entitled to any payment or benefit under any Company severance plan, or any replacement or successor plan (subsections 4(b)(i)-(v), the "Accrued Benefits"). The Accrued Benefits shall be paid as soon as administratively practicable following the Date of Termination, in accordance with Employer's policy and applicable law, subject to all required payroll deductions and withholdings.

(c) Termination by Death. In the event that Executive's employment is terminated by death, then in addition to the Accrued Benefits and subject to Section 15:

(i) Executive's beneficiaries shall be entitled to: (x) Executive's Base Salary, at the rate in effect on the date of Executive's death, through the end of the month in which his death occurs (excluding any amounts payable as part of the Accrued Benefits), payable within thirty (30) days after the date of Executive's death, and (y) other benefits (other than the payment of severance) to which Executive would be entitled, that are made available to employees of the Company in general upon termination of employment under similar circumstances in accordance with applicable plans and programs of the Company; and

(ii) if Executive's spouse and eligible dependents, as applicable, were covered under the Employer's medical plan or plans immediately prior to the termination of Executive's employment, and timely elect continued coverage under such medical plan or plans pursuant to COBRA, Employer will pay Executive's spouse monthly an amount equal to 100% of the monthly premium paid by the Executive for COBRA coverage for Executive's spouse and dependents under the Company's group health and dental plans until the first anniversary of the date of Executive's death.

Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or of a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed to refer to his beneficiary, and if Executive shall not have designated a beneficiary, his estate or legal representative (as the case may be).

(d) Termination due to Disability. In the event that Executive's employment is terminated by the Employer or Executive due to Executive's Disability, such termination to be effective 30 days after delivery of written notice thereof, then in addition to the Accrued Benefits and subject to Section 15 and Executive's continuing compliance with Section 6 of this Agreement:

(i) if, and only if, Executive is not eligible to receive benefits following the Date of Termination under the Company's long-term disability plan and any supplement thereto the Company shall pay Executive an amount equal to 50% of Base Salary, payable in a lump sum on the first payroll date that occurs after the 55th day following the effective date of his termination; and

(ii) Until the Executive receives equivalent coverage in benefits, for a period up to twelve months, the Company (or its successor-in-interest) shall pay Executive monthly an amount equal to 100% of the monthly premium paid by the Executive for COBRA coverage elected by Executive (as may be applicable to Executive, Executive's spouse and dependents) under the Company's group health and dental plans.

(e) Termination by the Company for Cause. In the event that Executive's employment is terminated by the Employer for Cause, Executive will be entitled to the Accrued Benefits.

(f) Involuntary Termination. If Executive's employment hereunder shall be terminated in a manner constituting an Involuntary Termination, then in addition to the Accrued Benefits and subject to Section 15 and Executive's continuing compliance with Section 6 of this Agreement:

(i) the Company shall pay Executive the Severance Amount (defined below); and

(ii) Until the Executive receives equivalent coverage in benefits, for a period up to twelve (12) months, the Company (or its successor-in-interest) shall pay Executive monthly an amount such that, after taxation, the payment is sufficient to cover COBRA premiums for COBRA coverage elected by Executive (as may be applicable to Executive, Executive's spouse and dependents) under the Company's group health and dental plans.

(g) Voluntary Resignation by Executive. Executive may voluntarily terminate his employment with the Company at any time with or without notice and with or without reason. Such voluntary termination by Executive shall include, without limitation, Executive's decision not to renew this Agreement upon expiration of the Employment Period if the Company offers to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year. In the event Executive voluntarily terminates his employment, Executive's salary shall cease on the termination date and Executive will not be entitled to severance pay, pay in lieu of notice, or any other compensation other than payment of the Accrued Benefits.

(h) No Excise Tax Gross-Up; Possible Reduction in Payments. Executive is not entitled to any gross-up or other payment for golden parachute excise taxes Executive may owe pursuant to Section 4999 of the Code. In the event that any amounts payable pursuant to this Agreement or other payments or benefits otherwise payable to Executive (a) constitute "parachute payments" within the meaning of Section 280G of the Code, and (b) but for this Section 4 would be subject to the excise tax imposed by Section 4999 of the Code, then such amounts payable under this Agreement and under such other plans, programs and agreements shall be either (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Section 4999 of the Code (and any equivalent state or local excise taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Any reduction in payments and/or benefits required by this Section 4 shall occur in the following order: (1) reduction of amounts payable under Section 4(b) or other cash payments, beginning with payments scheduled to occur soonest; (2) reduction of vesting acceleration of equity awards (in reverse order of the date of the grant); and (3) reduction of other benefits paid or provided to Executive.

(i) No Mitigation; No Offset. In the event of any termination of employment under this Section 4, Executive shall be under no obligation to seek other employment, and except as provided in Section 4(d)(ii) or Section 4(f)(ii), he shall have no obligation to offset or repay any payments he receives under this Agreement by any payments he receives from a subsequent employer; provided, however, that (without limiting any rights of the Company for any breach of this Agreement under law, equity or otherwise), if Executive violates any provision of Section 6, any obligation of Employer to make payments to Executive under Section 4 of this Agreement (other than the Accrued Benefits) shall immediately cease.

(j) Release. Executive's execution of a complete and general release of any and all of his potential claims (other than for benefits and payments described in this Agreement or any other vested benefits from the Employer and/or their Affiliates) against the Employer, any of its affiliated companies, and their respective successors and any officers, employees, agents, directors, attorneys, insurers, underwriters, and assigns of the Employer or its affiliates and/or successors, in a form provided by Employer (which form shall be generally consistent with the form of severance agreement and general release then used by Employer for senior executives), and any legally required revocation period applicable to such release having expired without Executive revoking such release, is an express condition of Executive's right to receive termination payments, severance, vesting, and other benefits pursuant to Section 4 of this Agreement. Executive shall be required to execute within 45 days after Executive's termination of employment a general waiver and release agreement which documents the release required under this Section 4(j).

5. Definitions.

(a) " Cause " shall mean the occurrence of any one of the following, as determined by an express resolution of the independent members of the Board:

(i) gross negligence or willful misconduct in the performance of the material duties and services required for Executive's position with the Company, which neglect or misconduct, if remediable, remains unremedied for thirty (30) days following written notice of such by the Company to Executive;

(ii) Executive's conviction or plea of nolo contendere for any crime involving moral turpitude or a felony;

(iii) Executive's commission of an act of deceit or fraud intended to result in personal and unauthorized enrichment of Executive at the expense of the Company or any of its affiliates; or

(iv) Executive's willful and material violation of the written policies of the Company or any of its affiliates as in effect from time to time, Executive's willful breach of a material obligation of Executive to the Company pursuant to Executive's duties and obligations under the Company's Bylaws, or Executive's willful and material breach of a material obligation of Executive to the Company or any of its affiliates pursuant to this Agreement or any written award or other written agreement between Executive and the Company or any of its affiliates.

With respect to Section 5(a)(iv), no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission

was in the best interests of the Employer; and provided further that no act or omission by the Executive shall constitute Cause hereunder unless the Employer has given written notice thereof to the Executive, and the Executive has failed to remedy such act or omission for thirty (30) days following written notice. By way of clarification, but not limitation, for purposes of this definition of the term Cause, materiality shall be determined relative to this Agreement and Executive's employment, rather than the financial status of the Company as a whole.

(b) "Change in Control" 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 Securities Exchange Act of 1934, as amended (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 in 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 (as defined in the National CineMedia, LLC Third Amended and Restated Limited Liability Operating Agreement, dated as of February 13, 2007); 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;

(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, 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.

(c) "Covered Period" shall mean the period beginning on the date of a Change in Control and ending twelve (12) months after the Change in Control.

(d) "Disability" shall mean the illness or other mental or physical disability of Executive, resulting in his failure to perform substantially his duties under this Agreement for a period of six or more consecutive months.

(e) "Good Reason" shall mean the Executive's voluntary resignation of employment for one or more of the following reasons occurring without Executive's consent:

(i) a material adverse change in the nature, scope or status of the Executive's position, authorities or duties (specifically including, but not limited to, not being the Chief Executive Officer of the Company;

(ii) a material reduction in the Executive's annual salary or Target Bonus;

(iii) relocation of the Executive's primary place of employment of more than thirty-five (35) miles from the Executive's primary place of employment immediately following the Effective Date;

(iv) failure by an acquirer to assume this Agreement at the time of the Change of Control; or

(v) a material breach by the Company, or its successor, of this Agreement.

Notwithstanding the foregoing, prior to the Executive's voluntary resignation for Good Reason, the Executive must give the Company written notice of the existence of any condition set forth in clause (i) - (v) above within 30 days of such initial existence and the Company shall have 30 days from the date of such notice in which to cure the condition giving rise to Good Reason, if curable. If, during such 30-day period, the Company cures the condition giving rise to Good Reason, no benefits shall be due under Section 4 of this Agreement with respect to such occurrence. If, during such 30-day period, the Company fails or refuses to cure the condition giving rise to Good Reason and it is determined such Good Reason does exist, the Executive shall be entitled to benefits under Section 4 of this Agreement upon such Termination; provided such Termination occurs within one hundred eighty (180) days of such initial existence of the applicable condition, but not later than the end of the Employment Period.

(f) "Involuntary Termination" shall mean a termination during the Employment Period either:

(i) By the Company, its Affiliates or successors, other than a termination for Cause;

(ii) By Executive for Good Reason; or

(iii) By reason of the Company's refusal to renew this Agreement on economic terms and conditions at least equal to this Agreement and for a term at least equal to one year at the end of the Employment Period.

(g) "Severance Amount" shall mean:

(i) for an Involuntary Termination occurring during the Employment Period and not during a Covered Period, an amount equal to 100% of Base Salary, plus 100% of Target Bonus (which amount shall be 150% of Base Salary, plus 150% of Target Bonus if such Involuntary Termination is on or within 12 months of the Effective Date), payable in equal installments within a 12-month period starting on the date of Involuntary Termination, commencing on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination; or

(ii) for an Involuntary Termination occurring during a Covered Period, an amount equal to 200% of Base Salary, plus 200% of Target Bonus, payable in equal installments within a 12-month period starting on the date of Involuntary Termination, commencing on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination, provided, however, that if the Covered Period is as a result of a Change in Control that is also a "Change in Control Event" as defined in Section 409A of the Code and the regulations thereunder, payment shall be made in a lump sum on the first payroll date that occurs after the 55th day following the date of the Involuntary Termination.

6. Restrictive Covenants. Executive acknowledges that the Company is engaged in a highly competitive business and that the preservation of its Proprietary or Confidential Information (as defined in Section 6(a) below) to which Executive has been exposed or acquired, and will continue to be exposed to and acquire, is critical to the Company's continued business success. Executive also acknowledges that the Company's relationships with its business partners hereinafter "Business Partners" which means NCM LLC, AMC, Cinemark and Regal and all their respective Affiliates together with any chain, circuit or group (of any nature of description) of movie theaters or like venues which now or hereafter enter into business relations with the Company), are extremely valuable and that, by virtue of Executive's employment with the Company, he may have contact with such Business Partners on behalf of and for the benefit of the Company. As a result, Executive's engaging in or working for or with any business which is directly or indirectly competitive with the Company's business, given Executive's knowledge of the Company's Proprietary or Confidential Information, would cause the Company great and irreparable harm if not done in strict compliance with the provisions of this Section 6. Therefore, Executive acknowledges and agrees that in consideration of all of the above and in exchange for access to the Company's Proprietary or Confidential Information Executive will be bound by, and comply in all respects with, the provisions of this Section 6. For purposes of this Section 6, any references to the time period of Executive's employment with the Company shall date back to Executive's original hire date with the Company.

(a) Confidentiality. Executive shall at all times hold in strict confidence any Proprietary or Confidential Information related to the Company or any of its affiliates (which shall mean any entity that, directly or indirectly, is controlled by, controls or is under common control with the Company and/or any entity in which the Company has a significant equity interest, in either case as determined by the Board, hereinafter "Affiliates") (including without limitation AMC, Cinemark, Regal and NCM, LLC), except that Executive may disclose such information as required by law, court order, regulation, or similar order provided Executive shall first have notified the Company of the pendency of such proceeding and afforded the Company an opportunity to intervene

and defend against disclosure. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all non-public information relating to the Company or any of its Affiliates (including but not limited to all marketing, alliance, social media, advertising, and sales plans and strategies; pricing information; financial, advertising, and product development plans and strategies; compensation and incentive programs for employees; alliance agreements, plans, and processes; plans, strategies, and agreements related to the sale of assets; third party provider agreements, relationships, and strategies; business methods and processes used by the Company and its employees; all personally identifiable information regarding Company employees, contractors, and applicants; lists of actual or potential Business Partners; and all other business plans, trade secrets, or financial information of strategic importance to the Company or its Affiliates) that is not generally known in the Company's industry, that was learned, discovered, developed, conceived, originated, or prepared during Executive's employment with the Company, and the competitive use or disclosure of which would be harmful to the business prospects, financial status, or reputation of the Company or its Affiliates at the time of any disclosure by Executive.

The relationship between Executive and the Company and its Affiliates is and shall continue to be one in which the Company and its Affiliates repose special trust and confidence in Executive, and one in which Executive has and shall have a fiduciary relationship to the Company and its Affiliates. As a result, the Company and its Affiliates shall, in the course of Executive's duties to the Company, entrust Executive with, and disclose to Executive, Proprietary or Confidential Information. Executive recognizes that Proprietary or Confidential Information has been developed or acquired, or will be developed or acquired, by the Company and its Affiliates at great expense, is proprietary to the Company and its Affiliates, and is and shall remain the property of the Company and its Affiliates. Executive acknowledges the confidentiality of Proprietary or Confidential Information and further acknowledges that Executive could not competently perform Executive's duties and responsibilities in Executive's position with the Company and/or its Affiliates without access to such information. Executive acknowledges that any use of Proprietary or Confidential Information by persons not in the employ of the Company and its Affiliates would provide such persons with an unfair competitive advantage which they would not have without the knowledge and/or use of the Proprietary or Confidential Information and that this would cause the Company and its Affiliates irreparable harm. Executive further acknowledges that because of this unfair competitive advantage, and the Company's and its Affiliates' legitimate business interests, which include their need to protect their goodwill and the Proprietary or Confidential Information, Executive has agreed to the post-employment restrictions set forth in this Section 6. Nothing in this Section 6(a) is intended, or shall be construed, (i) to limit the protection of any applicable law or policy of the Company or its Affiliates that relates to the protection of trade secrets or confidential or proprietary information or (ii) to limit Executive's ability to initiate communications directly with, or to respond to any inquiry from, or provide testimony before, the SEC, FINRA, any other self-regulatory organization or any other state or federal regulatory authority.

(b) Non-Solicitation of Employees. During Executive's employment and for the one-year period following termination of Executive's employment for any reason (the "Coverage Period"), Executive hereby agrees not to, directly or indirectly, solicit, hire, seek to hire, or assist any other person or entity (on his own behalf or on behalf of such other person or entity) in soliciting or hiring any person who is at that time an employee, consultant, independent contractor, representative, or other agent of the Company or any of its Affiliates to perform services for any entity (other than the Company or its Affiliates), or attempt to induce or encourage any such employee to leave the employ of the Company or its Affiliates.

(c) Non-Competition.

(i) In return for, among other things, all of the above and the Company's promise to provide the Proprietary or Confidential Information described herein, Executive agrees that during Executive's employment and the Coverage Period, Executive shall not compete with the Company by providing work, services or any other form of assistance (whether or not for compensation) in any capacity, whether as an employee, consultant, partner, or otherwise, to any Competitor that (1) is the same or similar to the services Executive provided to the Company or (2) creates the reasonable risk that Executive will (willfully, inadvertently or inevitably) use or disclose the Company's Proprietary or Confidential Information. "Competitor" includes any business that operates or does business similar in nature to that of the Company during the Employment Period in any State, territory, or protectorate of the United States in which the Company or an Affiliate does business and/or in any foreign country in which the Company or an Affiliate has or maintains any place of business, venue, facility, or otherwise conducts business, as of the date of Executive's termination of employment with the Company. Executive further acknowledges and agrees that the restrictions imposed in this subparagraph (i) will not prevent Executive from earning a livelihood and that they are reasonable.

(ii) Notwithstanding the foregoing, should Executive consider working for or with any actually, arguably, or potentially competing business following the termination of Executive's employment with the Company or any of its Affiliates and during the Coverage Period, then Executive agrees to provide the Company with two (2) weeks advance written notice of Executive's intent to do so, and also to provide the Company with accurate information concerning the nature of Executive's anticipated job responsibilities in sufficient detail to allow the Company to meaningfully exercise its rights under this Section 6. After receipt of such notice, the Company may then agree, in its sole, absolute, and unreviewable discretion, to waive, modify, or condition its rights under this Section 6. In particular, the Company may agree to modify Section 6(c)(i) if the Company concludes

that the work Executive will be performing for a Competitor is different from the work Executive was performing during Executive's employment with the Company or any of its Affiliates and/or (2) there is no reasonable risk that Executive will (willfully, inadvertently or inevitably) use or disclose the Company's Proprietary or Confidential Information.

(d) Non-Solicitation of Business Partners. Executive acknowledges that, by virtue of his employment by the Company or its Affiliates, Executive has gained or will gain knowledge of the identity, characteristics, and preferences of the Company's Business Partners, among other Proprietary or Confidential Information, and that Executive would inevitably have to draw on such information if he were to solicit or service the Company's Business Partners on behalf of a Competitor. Accordingly, during the Employment Period and the Coverage Period, Executive agrees not to, directly or indirectly, solicit the business of or perform any services of the type he performed or sell any products of the type he sold during his employment with the Company for or to actual or prospective Business Partners of the Company (i) as to which Executive performed services, sold products or as to which employees or persons under Executive's supervision or authority performed such services, or had direct contact, or (ii) as to which Executive had accessed Proprietary or Confidential Information during the course of Executive's employment by the Company, or in any manner encourage or induce any such actual or prospective Business Partner to cease doing business with or in any way interfere with the relationship between the Company and its Affiliates and such actual or prospective Business Partner. Executive further agrees that during the Employment Period and the Coverage Period, Executive will not encourage or assist any Competitor to solicit or service any actual or prospective Business Partners or otherwise seek to encourage or induce any Business Partners to cease doing business with, or reduce the extent of its business dealings with the Company.

(e) Non-Interference. During Executive's Employment Period and the Coverage Period, Executive agrees that Executive shall not, directly or indirectly, induce or encourage any Business Partner or other third party, including any provider of goods or services to the Company, to terminate or diminish its business relationship with the Company; nor will Executive take any other action that could, directly or indirectly, be detrimental to the Company's relationships with its Business Partners and providers of goods or services or other business affiliates or that could otherwise interfere with the Company's business.

(f) Non-Disparagement. The Executive agrees during and following the Employment Period, and the Company agrees, during and following the Employment Period to direct its executive officers and members of the Board, not to make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written, directly or indirectly) that (i) accuses or implies that the other Party or its Affiliates, as may be applicable, engaged in any wrongful, unlawful or improper conduct, whether relating to Executive's employment (or the termination thereof), the business, management, or operations of the Company or its Affiliates, as may be applicable, or otherwise, or (ii) disparages, impugns, or in any way reflects adversely upon the business or reputation of the other Party or its subsidiaries or affiliates, as may be applicable. Nothing herein, however, will be deemed to preclude either Party from providing truthful testimony or information pursuant to subpoena, court order, or similar legal process, instituting and pursuing legal action, or engaging in other legally protected speech or activities or to prevent either Party from making any disclosure required by the Exchange Act or other applicable law (including without limitation Company disclosure deemed advisable under the federal securities laws or the rules of any stock exchange).

(g) Breach. Executive acknowledges that the restrictions contained in this Agreement are fair, reasonable, and necessary for the protection of the legitimate business interests of the Company, that the Company will suffer irreparable harm in the event of any actual or threatened breach by Executive, and that it is difficult to measure in money the damages which will accrue to the Company by reason of a failure by Executive to perform any of Executive's obligations under this Section 6. Accordingly, if the Company or any of its subsidiaries or Affiliates institutes any action or proceeding to enforce their rights under this Section 6, to the extent permitted by applicable law, Executive hereby waives the claim or defense that the Company or its Affiliates has an adequate remedy at law, Executive shall not claim that any such remedy at law exists, and Executive consents to the entry of a restraining order, preliminary injunction, or other preliminary, provisional, or permanent court order to enforce this Agreement, and expressly waives any security that might otherwise be required in connection with such relief. Executive also agrees that any request for such relief by the Company shall be in addition and without prejudice to any claim for monetary damages and/or other relief which the Company might elect to assert. In the event Executive violates any provision of this Section 6, and the Company is the completely prevailing party in such action, the Company shall be entitled to recover all costs and expenses of enforcement, including reasonable attorneys' fees, and the time periods set forth above shall be extended for the period of time Executive remains in violation of the provisions. Conversely, in the event that Executive is the completely prevailing party in any action brought by the Company with respect to this Section 6, then Executive shall be entitled to recover all costs and expenses of defense, including reasonable attorneys' fees and shall thereafter be relieved of all restrictions contained in this Section 6. The Parties further agree that, in the event that any provision of Section 6 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. The length of time for which the covenants in Section 6 shall be in force shall be extended by an amount of time equal to the period of time during which a violation of such covenant is deemed by a court of competent jurisdiction to have occurred (including any period required for litigation during which the Company seeks to enforce such covenant). If, notwithstanding such provision, a court in any judicial

proceeding refuses to enforce any of the separate covenants included herein, the unenforceable covenant will be considered eliminated from these provisions for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants to be enforced.

(h) Notice. U.S. federal law (18 U.S.C. § 1833(b)) states that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. That law further states that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (Y) files any document containing the trade secret under seal; and (Z) does not disclose the trade secret, except pursuant to court order. For the avoidance of doubt, nothing in this Agreement is intended to, nor shall be construed to, conflict with 18 U.S.C. § 1833(b). Executive understands that nothing in this Agreement or any other agreement that Executive may have with the Company or any of its Subsidiaries restricts or prohibits Executive from initiating communications directly with, responding to any inquiries from, providing testimony before, reporting possible violations of law or regulation to, filing a claim with or assisting with an investigation by a self-regulatory authority or a government agency or entity, including but not limited to the U.S. Securities and Exchange Commission and the federal Occupational Safety and Health Administration (collectively, "Government Agencies"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, and the Executive does not need the Company's prior authorization to engage in such conduct.

7. Survival. Sections 6, 7, 9, 10 and 18, and such other provisions hereof as may so indicate shall survive and continue in full force and effect in accordance with their respective terms, notwithstanding any termination of the Employment Period.

8. Notices. Any notice provided for in this Agreement shall be in writing and shall be delivered (i) personally, (ii) by certified mail, postage prepaid, (iii) by UPS, Federal Express or other reputable courier service regularly providing evidence of delivery (with charges paid by the party sending the notice), or (iv) by facsimile or a PDF or similar attachment to an email, provided that such telecopy or email attachment shall be followed within one (1) business day by delivery of such notice pursuant to clause (i), (ii) or (iii) above. Any such notice to a party shall be addressed at the address set forth below (subject to the right of a party to designate a different address for itself by notice similarly given):

If to the Company:
Senior Vice President, General Counsel and Secretary
National CineMedia, Inc.
6300 S. Syracuse Way
Suite 300
Centennial, Colorado 80111

If to Executive:

To the most recent address on file with the Company

9. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the Parties, written or oral, which may have related in any manner to the subject matter hereof.

10. No Conflict. Executive represents and warrants that Executive is not bound by any employment contract, restrictive covenant, or other restriction preventing Executive from carrying out Executive's responsibilities for the Employer, or which is in any way inconsistent with the terms of this Agreement. Executive further represents and warrants that Executive shall not disclose to the Employer or induce the Employer to use any confidential or proprietary information or material belonging to any previous employer or others.

11. Successors and Assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and his heirs, executors and personal representatives, and the Company and its successors and assigns. Any successor or assignee of the Company shall assume the liabilities of the Company hereunder, and for the avoidance of doubt, no such assignment shall be treated as a termination of Executive's employment with the assignor for purposes of this Agreement.

12. Governing Law; Alternative Dispute Resolution. This Agreement shall be governed by the internal laws (as opposed to the conflicts of law provisions) of the State of Colorado. The Parties agree that any and all disputes, claims or controversies arising

out of or relating to this Agreement or Executive's employment, other than with respect to disputes arising out of Section 6 herein, shall be submitted to arbitration in accordance with and under the auspices and the Employment Arbitration Rules of JAMS, (Denver Colorado office) or its successor. The arbitration shall take place in Denver, Colorado, unless the parties mutually agree to conduct he arbitration in a different location. The arbitrator shall be selected by the mutual agreement of the Parties. The arbitrator shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to any claim that all or any part of this Agreement is void or voidable. The arbitrator shall apply the applicable statute of limitations to any claim. The arbitrator shall issue a written opinion and award, which shall be signed and dated. The arbitrator shall be permitted to award those remedies that are available under applicable law. The arbitrator's decision regarding the claims shall be final and binding upon the Parties. The arbitrator's award shall be enforceable in any court having jurisdiction thereof.

13. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

14. Withholding. All payments and benefits under this Agreement are subject to being reported as taxable income, if so required, and the withholding of all applicable taxes.

15. Code Section 409A. This Agreement is intended to be exempt from, or comply with, the requirements of Section 409A of the Internal Revenue Code, as amended (the "Code"), and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). For purposes of Section 409A of the Code, Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Company and Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible. To the extent required to avoid the imposition of additional taxes and penalties under Section 409A of the Code, any amounts under this Agreement are payable by reference to Executive's "termination of employment" such term and similar terms shall be deemed to refer to Executive's "separation from service," within the meaning of Section 409A of the Code; provided, however, that a "separation from service" means a separation from service with the Company and all other persons or entities with whom the Company would be considered a single employer under Section 414(b) or 414(c) of the Code, applying the 80% threshold used in such Code sections and the Treasury Regulations thereunder, all within the meaning of Section 409A of the Code. Executive hereby agrees to be bound by the Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) provided such determination is in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code. Notwithstanding any other provision in this Agreement, to the extent any payments made or contemplated hereunder constitute nonqualified deferred compensation, within the meaning of Section 409A of the Code, then (i) each such payment which is conditioned upon Executive's execution of a release and which is to be paid or provided during a designated period that begins in one taxable year and ends in a second taxable year, shall be paid or provided in the later of the two taxable years and (ii) if Executive is a specified employee (within the meaning of Section 409A of the Code) as of the date of Executive's separation from service, each such payment that constitutes deferred compensation under Section 409A of the Code and is payable upon Executive's separation from service and would have been paid prior to the six-month anniversary of Executive's separation from service, shall be delayed until the earlier to occur of (A) the first day of the seventh month following Executive's separation from service or (B) the date of Executive's death. Any reimbursement payable to Executive pursuant to this Agreement shall be conditioned on the submission by Executive of all expense reports reasonably required by Employer under any applicable expense reimbursement policy, and shall be paid to Executive within 30 days following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit. In no event will Employer be liable for any additional tax, interest or penalties that may be imposed on Executive under Section 409A of the Code or for any damages for failing to comply with Section 409A of the Code

16. Clawbacks. The payments to Executive pursuant to this Agreement are subject to forfeiture or recovery by the Company or other action pursuant to any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy or provision that the Company has included in any of its existing compensation programs or plans or that it may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

17. Company Policies. Executive shall be subject to additional Company policies as they may exist from time-to-time, including policies with regard to stock ownership by senior executives and policies regarding trading of securities.

18. Indemnification. The Company agrees to indemnify Executive to the fullest extent permitted by applicable law consistent with the Certificate of Incorporation and By-Laws of the Company as in effect on the effective date of this Agreement, or as the Certificate of Incorporation and By-Laws may be amended from time to time to provide greater indemnification, with respect to any acts or non-acts he may have committed while he was an officer, director and/or employee (i) of the Company or any subsidiary thereof, or (ii) of any other entity if his service with such entity was at the request of the Company.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the Execution Date.

NATIONAL CINEMEDIA, INC.

By: /s/ Clifford Marks
Name: Clifford Marks
Title: Interim Chief Executive Officer and President

THOMAS F. LESINKSI

/s/ Thomas F. Lesinski

NATIONAL CINEMEDIA, INC.

2016 EQUITY INCENTIVE PLAN

2019 STOCK OPTION AGREEMENT

The Compensation Committee of the Board of Directors of National CineMedia, Inc., a Delaware corporation (the **"Company"**), granted an option under the National CineMedia, Inc. 2016 Equity Incentive Plan, as amended (the **"Plan"**) to purchase shares of common stock, $0.01 par value per share, of the Company (**"Stock"**) to the Optionee named below. This Stock Option Agreement (the **"Agreement"**) evidences the terms of the Company's grant of an Option to Optionee. Any capitalized term in this Agreement shall have the meaning ascribed to it in this Agreement or the Plan, as applicable.

A. NOTICE OF GRANT

Name of Optionee:

Number of Shares of Stock Covered by the Option:

Exercise Price per Share:

Grant Date:

Expiration Date:

Type of Option: Non-Qualified Stock Option

Vesting Schedule: Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 14.2 of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), and subject to Optionee's continuous Service, Optionee's right to purchase shares of Stock under this Option vests, as set forth below:

Service Vesting Date	Percentage of Shares that Vest	Number of Shares that Vest

B. STOCK OPTION AGREEMENT

1. **Grant of Option.** Subject to the terms and conditions of this Agreement and the Plan, the Company granted to Optionee, an Option to purchase the number of shares of Stock, at the Exercise Price (each as set forth on the cover page of this Agreement), and subject to the terms and conditions

of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall govern. Optionee hereby acknowledges and agrees that this Agreement (including without limitation the number of Shares of stock covered by the Option set forth in the Notice of Grant) and the Plan set forth the entirety of Optionee's entitlement to the time-based stock option award referenced in Section 3(a) of the Employment Agreement by and between the Company and Optionee, dated as of August 1, 2019.

2. **Type of Option.** This Option is a Non-Qualified Stock Option.

3. **Vesting.** The Option is only exercisable, in whole or in part, before it expires and then only with respect to the vested portion of the Option. Subject to the preceding sentence, Optionee may exercise this Option, by following the procedures set forth in this Agreement.

Except as provided otherwise in this Agreement and the Plan (including but not limited to Section 14.2 of the Plan which provides for accelerated vesting upon certain terminations in connection with a Change of Control), Optionee's right to purchase shares of Stock under this Option vests as set forth on the Vesting Schedule in the Notice of Grant. No additional shares will vest after Optionee's termination of Service for any reason.

4. **Option Term; Expiration Date.** This Option shall have a maximum term of ten (10) years measured from the original Grant Date (as set forth in the table on the cover sheet of this Agreement) and shall accordingly expire at the close of business at Company headquarters on the tenth anniversary of the Grant Date, unless sooner terminated in accordance with Section 5 of this Agreement (the **"Expiration Date"**).

5. **Termination of Service; Expiration of Option.** If Optionee terminates Service with the Company and its Affiliates prior to the Expiration Date, the following shall apply:

(a) **By the Company Without Cause or By Optionee.** If Optionee's Service is terminated by the Company or its Affiliate without Cause or Optionee terminates Service, then the vested portion of the Option will expire at the close of business at Company headquarters on the 90th day after Optionee terminates Service, but in no event after the Expiration Date. The unvested portion of the Option automatically expires on the date of termination of Service. Section 14.2 of the Plan provides for accelerated vesting upon certain conditions in connection with a Change of Control.

(b) **Termination for Cause.** If Optionee's Service is terminated by the Company or an Affiliate for Cause, then Optionee shall immediately forfeit all rights to the Option (whether or not vested) and the Option shall immediately expire on the date of termination of Service.

(c) **Disability.** If Optionee terminates Service because of Optionee's Disability, then the vested portion of the Option will expire at the close of business at Company headquarters on the date twelve (12) months after Optionee's termination of Service, but in no event after the Expiration Date. The unvested portion of the Option automatically expires on the date of termination of Service.

(d) **Death.** If Optionee terminates Service because of Optionee's death, then the vested portion of the Option will expire at the close of business at Company headquarters on the date twelve (12) months after the date of death, but in no event after the Expiration Date. During that twelve (12) month period, Optionee's estate or heirs may exercise the vested portion of the Option. The unvested portion of the Option automatically expires on the date of termination of Service. In addition, if Optionee dies during the 90-day period described in subsection 5(a), and a vested portion of the Option has not yet been exercised, then the vested portion of the Option will instead expire on the date twelve (12) months after Optionee's termination of Service, but in no event after the Expiration Date. In such a case, during the period following Optionee's death up to the date twelve (12) months after termination of Service, Optionee's estate or heirs may exercise the vested portion of the Option.

6. **Leave of Absence.** For purposes of the Option, Service does not terminate when Optionee goes on a *bona fide* employee leave of absence that was approved by the Company or an Affiliate in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, Service will be treated as terminating 90 days after Optionee went on the approved leave, unless Optionee's right to return to active work is guaranteed by law or by a contract.

Service terminates in any event when the approved leave ends unless Optionee immediately returns to active Service. The Committee determines, in its sole discretion, which leaves of absence count for this purpose, and when Service terminates for all purposes under the Plan.

7. **Option Exercise.**

(a) **Right to Exercise.** The Option shall be exercisable on or before the Expiration Date in accordance with the vesting schedule set forth in Section 3.

(b) **Notice of Exercise.** The Option shall be exercised by delivery of written notice to the Committee (or an officer of the Company designated by the Committee) on any business day, at the Company's principal office, on the form specified by the Company. The notice shall specify the number of shares of Stock to be purchased, accompanied by full payment of the Exercise Price for the shares being purchased. The notice must also specify how the shares should be registered (in the name of Optionee or in both the names of Optionee and Optionee's spouse as joint tenants with right of survivorship). The notice of exercise will be effective when it is received by the Company. Anyone exercising the Option after the death of Optionee must provide appropriate documentation to the satisfaction of the Company that the individual is entitled to exercise the Option.

(c) **Payment of Exercise Price.** Payment of the Exercise Price for the number of shares of Stock being purchased in full shall be made in one (or a combination) of the following forms:

(i) Cash or cash equivalents acceptable to the Company.

(ii) Shares of Stock which have already been owned by Optionee (purchased on the open market or owned for at least six months or such other period designated by the Committee) which are surrendered to the Company. The Fair Market Value of the shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price.

(iii) To the extent a public market for the shares of Stock exists as determined by the Company, by delivery (on a form prescribed by the Company) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price and any withholding taxes.

8. **Tax Withholding.** The Company or any Affiliate shall have the right to deduct from payments of any kind otherwise due to Optionee, any federal, state, local or foreign taxes of any kind required by law to be withheld upon the issuance of any shares of Stock or payment of any kind upon the exercise of this Option. By accepting this Agreement, Optionee hereby authorizes the Company to withhold from fully vested shares of Stock otherwise deliverable to Optionee a number of whole shares of Stock necessary to satisfy the Company's required tax withholding with respect to the Option and to deduct any remaining amount due from any payments due to Optionee.

Notwithstanding the foregoing, in lieu of share withholding, Optionee may irrevocably elect to satisfy the required tax withholding obligation by delivering: (a) a cashier's check or other check acceptable to the Company; or (b) whole shares of Stock already owned by Optionee, in the amount determined by the Company to satisfy the required tax withholding obligation. Any election to deliver a check or shares shall be indicated within Solium (https://shareworks.solium.com) or any vendor replacement for Solium as designated by the Company and communicated to the Financial Reporting team prior to the exercise of the Option and shall be subject to any restrictions or limitations that the Company, in its sole discretion, deems appropriate.

Any shares delivered or withheld shall have an aggregate Fair Market Value not in excess of the minimum statutory total tax withholding obligation. The Fair Market Value of the shares used to satisfy the withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. Shares used to satisfy any tax withholding obligation must be vested and cannot be subject to any repurchase, forfeiture, or other similar requirements.

9. **Transfer of Option.** During Optionee's lifetime, only Optionee (or, in the event of Optionee's legal incapacity or incompetency, Optionee's guardian or legal representative) may

exercise the Option. Optionee cannot transfer or assign the Option. Upon any attempt to transfer or assign the Option, the Option will immediately become invalid. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from Optionee's spouse, nor is the Company obligated to recognize Optionee's spouse's interest in the Option in any other way.

10. **Investment Representations.** The Committee may require Optionee (or Optionee's estate or heirs) to represent and warrant in writing that the individual is acquiring the shares of Stock for investment and without any present intention to sell or distribute such shares and to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

11. **Continued Service.** Neither the grant of the Option nor this Agreement gives Optionee the right to continue Service with the Company or its Affiliates in any capacity. The Company and its Affiliates reserve the right to terminate Optionee's Service at any time and for any reason not prohibited by law.

12. **Stockholder Rights.** Optionee and Optionee's estate or heirs shall not have any rights as a stockholder of the Company until Optionee becomes the holder of record of such shares of Stock, and no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date prior to the date Optionee becomes the holder of record of such shares, except as provided in Section 14 of the Plan**.**

13. **Adjustments.** The number of shares of Stock outstanding under this Option 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 the Option shall not increase the aggregate Exercise Price payable with respect to shares that are subject to the unexercised portion of the outstanding Option 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. In the event of any distribution to the Company's stockholders of an extraordinary cash dividend or securities of any other entity or other assets (other than ordinary dividends payable in cash or shares of Stock) without receipt of consideration by the Company, the Company shall proportionately adjust (a) the number and kind of shares subject to this Option and/or (b) the Exercise Price of this Option to reflect such distribution.

14. **Additional Requirements.** Optionee acknowledges that shares of Stock acquired upon exercise of the Option may bear such legends, as the Company deems appropriate to comply with applicable federal, state or foreign securities laws. In connection therewith and prior to the issuance of the shares, Optionee may be required to deliver to the Company such other documents as may be reasonably necessary to ensure compliance with applicable laws.

15. **Governing Law.** The validity and construction of this Agreement and the Plan 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 the Plan and this Agreement to the substantive laws of any other jurisdiction.

16. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Company and Optionee and their respective heirs, executors, administrators, legal representatives, successors and assigns.

17. **Tax Treatment; Section 409A.** Optionee may incur tax liability as a result of the exercise of the Option or the disposition of shares of Stock. Optionee should consult his or her own tax adviser before exercising the Option or disposing of the shares.

Optionee acknowledges that the Committee, in the exercise of its sole discretion and without Optionee's consent, may amend or modify the Option and this Agreement in any manner and delay the payment of any amounts payable pursuant to this Agreement to the minimum extent necessary to satisfy the requirements of Section 409A of the Code. The Company will provide Optionee with notice of any such amendment or modification.

18. **Amendment.** The terms and conditions set forth in this Agreement may only be amended by the written consent of the Company and Optionee, except to the extent set forth in Section 16 of the Plan regarding Section 409A of the Code and any other provision set forth in the Plan.

19. **2016 Equity Incentive Plan.** The Option and shares of Stock acquired upon exercise of the Option granted hereunder shall be subject to such additional terms and conditions as may be imposed under the terms of the Plan, a copy of which has been provided to Optionee. A copy of the Prospectus for the 2016 Equity Incentive Plan shall also be provided to Optionee.

NATIONAL CINEMEDIA, INC.

By: /s/ Sarah Kinnick Hilty
Sarah Kinnick Hilty
Senior Vice President, General Counsel and Secretary

Exhibit 31.1

CERTIFICATIONS

I, Thomas F. Lesinski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National CineMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2019

/s/ Thomas F. Lesinski

Thomas F. Lesinski

Chief Executive Officer and Director

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Katherine L. Scherping, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National CineMedia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2019

/s/ Katherine L. Scherping

Katherine L. Scherping

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ending September 26, 2019 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, Thomas F. Lesinski, the Chief Executive Officer and Director of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 4, 2019

/s/ Thomas F. Lesinski

Thomas F. Lesinski
Chief Executive Officer and Director
(Principal Executive Officer)

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ending September 26, 2019 (the "Report") of National CineMedia, Inc. (the "Registrant") as filed with the Securities and Exchange Commission on the date hereof, I, Katherine L. Scherping, the Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 4, 2019

/s/ Katherine L. Scherping

Katherine L. Scherping
Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.