

National CineMedia, Inc.
Form DEF 14A
March 20, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

NATIONAL CINEMEDIA, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

9110 E. Nichols Ave., Suite 200

Centennial, Colorado 80112-3405

Notice of Annual Meeting of Stockholders to be held on May 1, 2012

You are cordially invited to attend the Annual Meeting of Stockholders of National CineMedia, Inc., which will be held at United Artists Theatre Meadows 12, 9355 Park Meadows Drive, Littleton, Colorado 80124 on May 1, 2012 at 9:00 a.m., Mountain Time, for the following purposes:

1. To elect four directors to serve until the 2015 Annual Meeting of Stockholders, and until their respective successors are elected and qualified;
2. To approve the National CineMedia, Inc. 2012 Performance Bonus Plan;
3. Advisory approval of the Company's executive compensation;
4. To ratify the appointment of Deloitte & Touche LLP as our independent auditors for our 2012 fiscal year ending December 27, 2012; and
5. To transact such other business as may properly come before the meeting.

The close of business on March 12, 2012 has been set as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any and all adjournments.

Consistent with prior years, we are electronically disseminating our Annual Meeting materials by using the "Notice and Access" method approved by the Securities and Exchange Commission. We believe this process should continue to provide a convenient way to access your proxy materials and vote. The Notice of Internet Availability of Proxy Materials contains specific instructions on how to access Annual Meeting materials via the internet as well as instructions on how to receive paper copies if preferred. The Proxy Statement and Annual Report for the fiscal year ended December 29, 2011 are available at www.edocumentview.com/ncmi.

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

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

Ralph E. Hardy

Executive Vice President, General Counsel

and Secretary

Centennial, Colorado

March 20, 2012

Table of Contents

TABLE OF CONTENTS

<u>Shares Outstanding and Voting Rights</u>	1
<u>Costs of Solicitation</u>	
<u>Annual Report</u>	
<u>Voting Securities and Principal Holders</u>	2
<u>Beneficial Ownership</u>	
<u>Proposal 1 Election of Directors</u>	5
<u>Business Experience of the Nominees</u>	
<u>Board Composition</u>	
<u>Company Leadership Structure</u>	
<u>Board's Role in Risk Oversight</u>	
<u>Compensation Risk Assessment</u>	
<u>Meetings of the Board of Directors and Standing Committees</u>	
<u>Stockholder Communications</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Proposal 2 Approval of the National CineMedia, Inc. 2012 Performance Bonus Plan</u>	14
<u>General</u>	
<u>Summary of the Performance Bonus Plan</u>	
<u>Federal Income Tax Consequences</u>	
<u>New Plan Benefits</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Equity Incentive Plan Information</u>	18
<u>Proposal 3 Advisory Approval of the Company's Executive Compensation</u>	19
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Proposal 4 Ratification of Independent Auditors</u>	20
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	
<u>Fees Paid to Independent Auditors</u>	
<u>Pre-Approval Policies and Procedures</u>	
<u>Vote Required</u>	
<u>Recommendation</u>	
<u>Audit Committee Report</u>	21
<u>Compensation Committee Report</u>	22
<u>Compensation of Executive Officers</u>	22
<u>Compensation Committee Interlocks and Insider Participation</u>	
<u>Compensation Discussion and Analysis</u>	23
<u>Executive Summary</u>	
<u>Compensation Philosophy</u>	
<u>Role of Compensation Consultant and Chief Executive Officer in Determining Executive Compensation</u>	
<u>Elements of Compensation</u>	
<u>Compensation Decisions for 2012</u>	
<u>Fiscal 2011 Summary Compensation Table</u>	
<u>Fiscal 2011 Grants of Plan Based Awards</u>	
<u>Non-Equity Incentive Plan Awards</u>	
<u>Equity Incentive Plan Awards</u>	
<u>Outstanding Equity Awards at December 29, 2011</u>	
<u>Option Exercises and Stock Vested at December 29, 2011</u>	
<u>Potential Payments Upon Termination or Change in Control</u>	
<u>Employment Agreements</u>	
<u>Director Compensation</u>	

Table of Contents

TABLE OF CONTENTS

<u>Fiscal 2011 Director Compensation</u>	
<u>Certain Relationships and Related Party Transactions</u>	48
<u>General</u>	
<u>Transactions with Founding Members</u>	
<u>Other Transactions</u>	
<u>Transactions with NCM LLC</u>	
<u>Review, Approval or Ratification of Transactions with Related Persons</u>	
<u>Corporate Code of Conduct</u>	65
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	65
<u>Householding</u>	65
<u>Proposals of Stockholders</u>	65
<u>Other Business</u>	66
<u>Appendix A</u>	A-1
<u>National CineMedia, Inc. 2012 Performance Bonus Plan</u>	

Table of Contents

NATIONAL CINEMEDIA, INC.

PROXY STATEMENT FOR THE 2012

ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited by the board of directors of National CineMedia, Inc., a Delaware corporation ("NCM, Inc.," or the Company), for use at the 2012 Annual Meeting of Stockholders to be held at United Artists Theatre Meadows 12, located at 9355 Park Meadows Drive, Littleton, Colorado 80124, on May 1, 2012, at 9:00 a.m., Mountain Time, and at any and all adjournments and postponements thereof (the Annual Meeting). Unless the context otherwise requires, the references to we , us or our refer to the Company and its consolidated subsidiary National CineMedia, LLC ("NCM LLC"). The proxy may be revoked at any time before it is voted. If no contrary instruction is received, signed proxies returned by stockholders will be voted in accordance with the board of directors' recommendations.

This proxy statement and accompanying proxy are first being made available to stockholders on or about March 20, 2012.

SHARES OUTSTANDING AND VOTING RIGHTS

Our board of directors has fixed the close of business on March 12, 2012 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Our only outstanding voting stock is our common stock, \$0.01 par value per share, of which 56,066,909 shares were outstanding as of the close of business on the record date, which includes 1,658,673 shares of unvested restricted stock with voting rights. Each outstanding share of common stock is entitled to one vote.

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

At the Annual Meeting, stockholders will vote on four proposals: to elect four directors to serve until the 2015 Annual Meeting of Stockholders, and until their respective successors are elected and qualified (Proposal 1); to approve the National CineMedia, Inc. 2012 Performance Bonus Plan (Proposal 2); advisory approval of the Company's executive compensation (Proposal 3); and to ratify the appointment of Deloitte & Touche LLP as our independent auditors for our 2012 fiscal year ending December 27, 2012 (Proposal 4).

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

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

The independent tabulator appointed for the Annual Meeting will tabulate votes cast by proxy or in person at the Annual Meeting. For the purposes of determining whether a proposal has received the requisite vote of the holders of the common stock in instances where brokers are prohibited from exercising or choose not to exercise

Table of Contents

discretionary authority for beneficial owners who have not provided voting instructions (so-called broker non-votes), those shares of common stock will not be included in the vote totals and, therefore, will have no effect on the vote on any of such proposals. Pursuant to the FINRA Conduct Rules, brokers who hold shares in street name have the authority, in limited circumstances, to vote on certain items when they have not received instructions from beneficial owners. A broker will only have such authority if:

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

the broker is acting pursuant to the rules of any national securities exchange of which the broker is also a member. Prior to 2010, the election of directors was considered a routine matter for which brokers were permitted to vote shares without customer direction, however brokers are no longer permitted to vote shares for the election of directors in this manner. Brokers also will not be permitted to vote shares with respect to the advisory approval of the Company's executive compensation without customer direction. ***Therefore, we urge you to give voting instructions to your broker on all four proposals.*** Shares that are not voted by a broker given the absence of customer direction are called broker non-votes. Broker non-votes are not considered votes for or against a proposal and therefore will have no direct impact on any proposal. Under these rules, absent authority or directions described above, brokers will not be able to vote on Proposals 1 through 3, which are considered non-routine matters. Proposal 4 is a routine proposal on which a broker or other nominee is generally empowered to vote. Accordingly, no broker non-votes will likely result from Proposal 4.

Costs of Solicitation

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

Annual Report

Our 2011 Annual Report on Form 10-K, including consolidated financial statements as of and for the year ended December 29, 2011, is available to all stockholders entitled to vote at the Annual Meeting together with this proxy statement, in satisfaction of the requirements of the Securities and Exchange Commission (the SEC). Additional copies of the Annual Report are available at no charge upon request. To obtain additional copies of the Annual Report, please contact us at 9110 E. Nichols Ave., Suite 200, Centennial, Colorado 80112-3405, Attention: Secretary, or at telephone number (303) 792-3600 or (800) 828-2828. You may also view the Annual Report at <http://www.NCM.com> at the Investor Relations link. The Annual Report does not form any part of the materials for the solicitation of proxies.

VOTING SECURITIES AND PRINCIPAL HOLDERS

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power over securities. Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder. As of March 12, 2012, the percentage of beneficial ownership for NCM, Inc. is based on 54,408,236 shares of common stock outstanding (excluding unvested restricted stock) and 111,288,200 membership units outstanding for NCM LLC, of which

Table of Contents

54,408,236 are owned by NCM, Inc. Unless indicated below, the address of each individual listed below is 9110 E. Nichols Ave., Suite 200, Centennial, Colorado 80112-3405. The following table sets forth information regarding the beneficial ownership of our common stock as of March 12, 2012, by:

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

each of our executive officers;

each of our directors and nominees for director; and

all directors and executive officers as a group.

BENEFICIAL OWNERSHIP

Name of Beneficial Owner	Shares of NCM, Inc. Common Stock	NCM LLC Common Membership Units (1)	Percent of Class
Five Percent Stockholders			
American Multi-Cinema, Inc. and Affiliates (2)		17,323,782	24.2%
Cinemark Holdings, Inc. (3)		17,495,920	24.3%
Regal Entertainment Group and Affiliates (4)		22,060,262	28.8%
Janus Capital Management LLC (5)	5,213,088		9.6%
Janus Triton Fund (5)	2,971,930		5.5%
BlackRock, Inc. (6)	4,365,728		8.0%
AllianceBernstein LP (7)	4,122,667		7.6%
Ameriprise Financial, Inc. and Related (8)	3,419,446		6.3%
Baron Capital Group, Inc. and Affiliates (9)	2,900,000		5.3%
TimesSquare Capital Management, LLC (10)	2,825,600		5.2%
Directors and Executive Officers			
Kurt C. Hall (11)	1,268,573		2.3%
Clifford E. Marks (12)	335,819		*
Gary W. Ferrera (13)	320,772		*
Ralph E. Hardy (14)	165,435		*
Earl B. Weihe (15)	88,066		*
Gerardo I. Lopez	0		0%
Amy E. Miles	0		0%
Lee Roy Mitchell	0		0%
Lawrence A. Goodman	9,007		*
David R. Haas	25,587		*
James R. Holland, Jr.	19,587		*
Stephen L. Lanning	11,126		*
Edward H. Meyer	13,126		*
Scott N. Schneider	19,587		*
All directors, nominees for director and executive officers as a group (14 persons)	2,276,685		4.2%

* Less than one percent.

(1)

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

NCM LLC common membership units are redeemable at any time at the option of the holder. Upon any redemption, we may choose whether to redeem the units for shares of our common stock on a one-for-one basis or for a cash payment equal to the market price of shares of NCM, Inc. common stock. If each member of NCM LLC chose to redeem all of its NCM LLC common membership units and we elected to issue shares of NCM, Inc. common stock in redemption of all of the units, AMC would receive 17,323,782 shares

Table of Contents

of NCM, Inc. common stock, Cinemark would receive 17,495,920 shares of NCM, Inc. common stock and Regal would receive 22,060,262 shares of NCM, Inc. common stock. These share amounts would represent 15.6%, 15.8% and 19.9%, respectively, of our outstanding common stock, assuming that all of the NCM LLC units are converted into our common stock.

- (2) Includes American Multi-Cinema, Inc., AMC Entertainment Inc., Marquee Holdings Inc. and AMC Entertainment Holdings, Inc. The address of these stockholders is 920 Main Street, Kansas City, Missouri 64105. Represents beneficial ownership as of March 17, 2011 based on the Statement of Changes in Beneficial Ownership of Securities on Form 4 filed on March 23, 2011.
- (3) Includes Cinemark Holdings, Inc., Cinemark USA Inc and Cinemark Media, Inc. The address of these stockholders is 3900 Dallas Parkway, Suite 500, Plano, Texas 75093. Represents beneficial ownership as of March 17, 2011 based on the Statement of Changes in Beneficial Ownership of Securities on Form 4 filed on March 21, 2011.
- (4) Includes Regal Entertainment Group, Regal Entertainment Holdings, Inc., Regal Cinemas Corp and Regal Cinemas Inc. at 7132 Regal Lane, Knoxville, Tennessee 37918 and Anschutz Company and Phillip F. Anschutz at 555 Seventeenth Street, Suite 2400, Denver, Colorado 80202. Represents beneficial ownership as of March 17, 2011 based on the Statement of Changes in Beneficial Ownership of Securities on Form 4 filed on March 21, 2011.
- (5) The address of these stockholders is 151 Detroit Street, Denver, Colorado 80206. Represents beneficial ownership as of December 31, 2011 based on the Statement of Beneficial Ownership filed on Schedule 13G on February 14, 2012.
- (6) The address of this stockholder is 40 East 52nd Street, New York, New York 10022. Represents beneficial ownership as of December 30, 2011 based on the Statement of Beneficial Ownership filed on Schedule 13G on February 9, 2012.
- (7) The address of this stockholder is 1345 Avenue of the Americas, New York, New York 10105. Represents beneficial ownership as of December 31, 2011 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 13, 2012.
- (8) Includes Ameriprise Financial, Inc. and Columbia Management Investment Advisers, LLC. The address of these stockholders is 145 Ameriprise Financial Center, Minneapolis, Minnesota 55474 and 225 Franklin Street, Boston, Massachusetts 02110, respectively. Represents beneficial ownership as of December 31, 2011 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 13, 2012.
- (9) Includes Baron Capital Group, Inc., BAMCO Inc, Ronald Baron and Baron Small Cap Fund. The address of these stockholders is 767 Fifth Avenue, 49th floor, New York, New York 10153. Represents beneficial ownership as of December 31, 2011 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 14, 2012.
- (10) The address of this stockholder is 1177 Avenue of the Americas, 39th Floor, New York, New York 10036. Represents beneficial ownership as of December 31, 2011 based on the Statement of Beneficial Ownership filed on Schedule 13G/A on February 8, 2012.
- (11) Includes 965,973 stock options that were vested and exercisable within 60 days of March 12, 2012.
- (12) Includes 298,542 stock options that were vested and exercisable within 60 days of March 12, 2012.
- (13) Includes 287,919 stock options that were vested and exercisable within 60 days of March 12, 2012.
- (14) Includes 148,805 stock options that were vested and exercisable within 60 days of March 12, 2012.
- (15) Includes 83,443 stock options that were vested and exercisable within 60 days of March 12, 2012.

To our knowledge, none of our officers or directors has pledged any of his shares.

Table of Contents

PROPOSAL 1

ELECTION OF DIRECTORS

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

Our bylaws provide that directors are divided into three classes, designated as Class I, Class II and Class III. The members of each class serve for staggered three-year terms. The Class I directors were re-elected in 2011, the Class II directors were re-elected in 2009 and the Class III directors were re-elected in 2010, in each case, for a three-year term, respectively. In 2012, the Class II directors are up for re-election. At the Annual Meeting, the stockholders will elect four Class II directors to serve until the 2015 Annual Meeting of Stockholders, and until their respective successors are duly elected and qualified. Stockholders are not entitled to cumulate votes in the election of directors and may not vote for a greater number of persons than the number of nominees named.

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

Business Experience of the Nominees

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

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

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

James R. Holland, Jr. Mr. Holland has served as lead director of NCM, Inc. since February 2007. He has been the President and Chief Executive Officer of Unity Hunt, Inc., a diversified holding company, since September 1991, and is currently Chairman of the Board and also serves on its executive committee. He also

Table of Contents

serves as Chairman of the Board of Texas Capital Bancshares, Inc., serves as director of Placid Holding Co. and serves as Chairman of the Board of directors and on the audit and compensation committees of Hunt Midwest Enterprises, Inc.

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

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

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

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

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

Board Composition

Shown below are the names and ages, as of March 12, 2012, of the ten members of our current board of directors.

Name	Age	Position
Kurt C. Hall	52	President, Chief Executive Officer and Chairman (Class I)
Lawrence A. Goodman	57	Director (Class I)
David R. Haas	70	Director (Class II)
James R. Holland, Jr.	68	Director (Class II)
Stephen L. Lanning	58	Director (Class II)
Gerardo I. Lopez	52	Director (Class III)
Edward H. Meyer	85	Director (Class II)
Amy E. Miles	45	Director (Class III)
Lee Roy Mitchell	75	Director (Class III)
Scott N. Schneider	54	Director (Class I)

Set forth below is a brief description of the business experience of each of the individuals who, in addition to the nominees whose business experience is set forth above, currently serve on our board, including their directorships at public companies held at any time during the past five years, if applicable and their involvement

Table of Contents

in certain legal proceedings during the past 10 years, if applicable. In addition, we have included information about each director's specific experience, qualifications, attributes or skills that led the board to conclude that the director should serve as a director of the Company at the time we are filing this proxy statement, in light of our business and corporate structure.

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

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

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

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

Gerardo I. Lopez. Mr. Lopez has served as a director of NCM, Inc. since April 2009. Mr. Lopez is Chief Executive Officer and President of AMC Entertainment Holdings, Inc., Marquee Holdings Inc., and AMC Entertainment Inc. He has served as Chief Executive Officer and President since March 2009, when he was also elected to AMC's board of directors. Prior to joining AMC, Mr. Lopez served as executive vice president of Starbucks Coffee Company and president of its Global Consumer Products, Seattle's Best Coffee and Foodservice divisions from September 2004 to March 2009. Prior thereto, Mr. Lopez served as president at Handleman Entertainment Resources from November 2001 to September 2004. Mr. Lopez serves on the boards of AMC, National Association of Theatre Owners, Digital Cinema Implementation Partners, LLC and REI, Inc.; and previously served on the boards of TXU Corporation and Safeco Insurance.

Mr. Lopez's education and experience in business and finance allows him to provide the board significant strategic, managerial and operational expertise. Mr. Lopez has held positions at the most senior level of public companies and is able to draw upon over 25 years of business experience, allowing him to bring a variety of perspectives to the Company. Since Mr. Lopez is a board designee for one of our founding members, he brings to the board the perspective of a major stakeholder.

Amy E. Miles. Ms. Miles has served as a director of NCM Inc. since June 2011. Ms. Miles has served as a director and Chief Executive Officer of Regal since June 2009. Ms. Miles previously served as Regal's Executive Vice President, Chief Financial Officer and Treasurer from March 2002 through June 2009 and in various

Table of Contents

executive roles at Regal Cinemas, Inc., Regal's wholly owned subsidiary. Ms. Miles was a Senior Manager with Deloitte & Touche from 1998 to 1999 and was with PricewaterhouseCoopers, LLP from 1989 to 1998.

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

Lee Roy Mitchell. Mr. Mitchell has served as a director of NCM, Inc. since October 2006. Mr. Mitchell has served as Chairman of the board of Cinemark USA, Inc. since March 1996 and as a Director since its inception in 1987 and Chief Executive Officer of Cinemark USA, Inc. until December 2006. Mr. Mitchell serves on the boards of Cinemark Holdings, Inc. and National Association of Theatre Owners. In addition, Mr. Mitchell serves as a director and member of the compensation committee of Texas Capital Bancshares, Inc.

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

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

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

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

Company Leadership Structure

The position of Board Chairman is filled by our Chief Executive Officer. We believe this combined leadership structure promotes unified leadership and direction for the board and executive management and it conveys a singular, cohesive message to our stockholders, employees, founding members and the investment community. Our board has a very qualified lead director with many years of experience on other boards as lead director. Our lead director leads executive sessions of non-management directors at every quarterly board meeting and will preside over meetings of the entire board in the absence of the chairman. Our lead director is James R. Holland, Jr., a member of our Audit Committee.

Table of Contents

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

Board's Role in Risk Oversight

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

The Company has appointed Gary Ferrera, Executive Vice President and Chief Financial Officer, as the Chief Risk Officer. Mr. Ferrera provides quarterly updates to the board on the strategic, operational, financial, compliance and reputational risks facing the Company, which serves to ensure that risk management is a priority within the organization and the Company's risk oversight is aligned with its strategies.

Compensation Risk Assessment

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

Meetings of the Board of Directors and Standing Committees

The board of directors held seven meetings during the fiscal year ended December 29, 2011. During our 2011 fiscal year, no director then in office attended fewer than 75% of the aggregate total number of meetings of the board of directors held during the period in which he was a director and of the total number of meetings held by all of the committees of the board of directors on which he served. The Company does not have a policy regarding attendance by members of the board of directors at the Company's Annual Meeting, but encourages its directors to attend. All of our directors attended our Annual Meeting of Stockholders held on April 26, 2011 except for Mr. Meyer. The three standing committees of the board of directors are the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. We have also established a Fathom special independent committee of the board in 2010 to work with the Company's management and the founding members that considered the restructuring of the Fathom business, consisting of Messrs. Goodman, Haas and Schneider. There were 22 meetings of the special committee during our 2011 fiscal year.

Table of Contents

The following table shows the current membership and number of meetings held by the board and each standing committee during our 2011 fiscal year:

DIRECTOR COMMITTEE MEMBERSHIP AND MEETINGS

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee	Board of Directors Chair
Kurt C. Hall				X
Lawrence A. Goodman		Chair	X	X
David R. Haas	Chair			X
James R. Holland, Jr.	X			X
Stephen L. Lanning		X	Chair	X
Gerardo I. Lopez				X
Edward H. Meyer		X	X	X
Amy E. Miles				X
Lee Roy Mitchell				X
Scott N. Schneider	X			X
2011 Fiscal Year Meetings and Consents	10	9	5	7

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

Audit Committee

For our 2011 fiscal year, the Audit Committee consisted of David R. Haas (chairman), James R. Holland, Jr. and Scott N. Schneider. Each of the committee members was independent as required by the rules promulgated by the SEC under the Exchange Act, and by the Nasdaq. Each of them also meets the financial literacy requirements of the Nasdaq. Our board of directors has determined that Mr. Haas qualifies as an audit committee financial expert as defined in the federal securities laws and regulations.

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

- (1) maintaining the reliability and integrity of our accounting policies, financial reporting practices and financial statements;
- (2) the independent auditor's qualifications and independence;
- (3) the performance of our internal audit function and independent auditor; and
- (4) confirming compliance with laws and regulations, and the requirements of any stock exchange or quotation system on which our securities may be listed.

Table of Contents

The Audit Committee also is responsible for establishing procedures for the receipt of complaints regarding our accounting, internal accounting controls or audit matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee's responsibilities are set forth in its current charter, which was approved by the board of directors on January 8, 2008 and was most recently reviewed by the Committee in January 2012. A copy of the charter is available on our website at *NCM.com* at the Investor Relations link. There were ten meetings of the Audit Committee during our 2011 fiscal year.

Compensation Committee

For our 2011 fiscal year, the Compensation Committee consisted of Lawrence A. Goodman (chairman), Stephen L. Lanning and Edward H. Meyer. Each of them was independent as defined in the rules promulgated by the SEC under the Exchange Act and by the Nasdaq and each also qualifies as an outside director within the meaning of Section 162(m) of the Internal Revenue Code and a non-employee director for purposes of Rule 16b-3 under the Exchange Act. Only members of the Compensation Committee who qualify as outside directors participate in discussions regarding awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code.

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

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

The Compensation Committee's responsibilities are set forth in its charter, which is reviewed at least annually. The current Compensation Committee charter was approved by the board of directors on January 8, 2008 and was most recently reviewed by the Committee in January 2012. A copy of the charter is available on our website at *NCM.com* at the Investor Relations link. There were nine meetings of the Compensation Committee during our 2011 fiscal year.

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

The Compensation Committee engaged Pay Governance LLC in 2011 to assess the competitiveness of pay to our named executive officers. Pay Governance LLC made its recommendations to the Compensation Committee and board of directors in January 2012, which are described further below in Compensation Discussion and Analysis.

Nominating and Governance Committee

Stephen L. Lanning (chairman), Lawrence A. Goodman and Edward H. Meyer are the current members of the Nominating and Governance Committee. All of the members of our Nominating and Governance Committee are independent as determined in accordance with Nasdaq rules and relevant federal securities laws and regulations.

Table of Contents

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

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

The Nominating and Governance Committee's responsibilities are set forth in its charter, which was approved by the board of directors on January 8, 2008 and was most recently reviewed by the Committee in January 2012. A copy of the charter as well as our Corporate Governance Guidelines is available on our website at *NCM.com* at the Investor Relations link. There were five meetings of the Nominating and Governance Committee during our 2011 fiscal year.

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

Nomination of Directors. The nominees for re-election to our board of directors at the 2012 Annual Meeting were formally nominated by the Nominating and Governance Committee and were approved by the board of directors on January 12, 2012. Messrs. Haas, Holland, Lanning and Meyer participated in the vote of the board of directors approving the director nominees.

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

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

- (a) the highest level of personal and professional ethics, integrity, and values;
- (b) expertise that is useful to us and is complementary to the background and expertise of the other members of the board of directors;
- (c) a willingness and ability to devote the time necessary to carry out the duties and responsibilities of membership on the board of directors;

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

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

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

Table of Contents

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

Stockholder Communications

The office of the Secretary of NCM, Inc. serves as the point of contact between the board of directors and our stockholders. The office of the Secretary shall promptly forward to the intended recipient all communications from stockholders to the board of directors generally, to members of a committee of the board of directors or to one or more directors individually, as applicable.

Vote Required

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

Recommendation

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

Table of Contents

PROPOSAL 2

APPROVAL OF THE NATIONAL CINEMEDIA, INC.

2012 PERFORMANCE BONUS PLAN

General

The Compensation Committee of our board of directors adopted the National CineMedia, Inc. 2012 Performance Bonus Plan (the Performance Bonus Plan) for our executive officers on January 11, 2012, and the board approved and directed that the Performance Bonus Plan be submitted to a vote of stockholders at the Annual Meeting. We are asking stockholders to approve the Performance Bonus Plan to preserve the Company's federal income tax deduction for performance-based compensation paid to certain of our executive officers.

Section 162(m) of the Internal Revenue Code limits the deduction that a corporation may claim for compensation paid to covered employees (the chief executive officer and certain other named executive officers). Section 162(m) generally provides that amounts paid to a covered employee in excess of \$1 million are not deductible.

The deduction limit of Section 162(m) does not apply to qualifying performance-based compensation. Compensation can qualify as performance-based only if the material terms of the performance goals are disclosed to and approved by the Company's stockholders and other requirements are satisfied. The material terms include: (1) the employees eligible to receive compensation; (2) the business criteria on which the performance goal is based; and (3) the maximum amount of compensation that could be paid to an employee if the performance goal is achieved.

Summary of the Performance Bonus Plan

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

Objective; Financial Performance Criteria. The purpose of the Performance Bonus Plan is to create a financial incentive for executives of NCM, Inc. to meet or exceed certain key internal financial performance metric targets (or budgets), including:

annual Adjusted OIBDA (Operating Income before Depreciation and Amortization, as adjusted);

adjusted advertising revenue; and

network operations division annual operating and capital expenditures.

Adjusted OIBDA is a non-GAAP financial measure that adds back the make-good liability that is added to the fiscal 2013 budget, non-cash share-based compensation costs and other costs. While Adjusted OIBDA is a measure we use to measure the financial performance for purposes of our performance and stretch bonus awards, you should not consider Adjusted OIBDA in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as operating income (loss). Because other companies may calculate Adjusted OIBDA differently than we do, this measure may not be comparable to similarly-titled measures reported by other companies.

Eligibility. Our five executive officers are eligible to receive awards under the Performance Bonus Plan. To be eligible for payment of an award, the executive generally must be employed by us on the date the awards are paid unless otherwise approved by the Compensation Committee.

Awards; Maximum Amount of Compensation. The Performance Bonus Plan includes a potential performance bonus award based on a specified percentage of each executive's annual base salary with the calculation determined at the end of our 2012 fiscal year based on our audited financial statements. In the case of

Table of Contents

an executive hired during the fiscal year, the amount of any bonus award will be prorated for the length of time the executive is employed during the fiscal year. The maximum award payable under the Performance Bonus Plan to any executive subject to the limitations of Section 162(m) shall not exceed 250% of each such executive's base salary in effect on January 11, 2012.

Performance Targets. The financial performance criteria and performance targets used in determining potential performance bonus awards vary depending upon an executive's title, business unit and level of responsibility. The financial performance criteria for a potential performance bonus award is generally based upon our actual Adjusted OIBDA (as defined), or for sales executives, actual adjusted advertising revenue, compared to our 2012 fiscal year operating budget approved by our board of directors. The specific performance targets for each executive shall be established in writing by the Compensation Committee within the first 90 days of the 2012 fiscal year, provided that the annual performance outcome is substantially uncertain at the time the Compensation Committee actually establishes the targets.

Under the Performance Bonus Plan, the potential performance bonus awards, financial performance criteria and applicable weights for financial performance criteria for our executives for the 2012 fiscal year are as follows:

	President and Chief Executive Officer and Chairman	President of Sales	Executive Vice President and Chief Financial Officer	Executive Vice President and General Counsel	Executive Vice President and Chief Operations Officer
Performance Bonus Potential	100%	100%	75%	75%	75%
Performance Bonus Measures:					
Adjusted OIBDA (1)	100%		100%	100%	75%
Adjusted advertising revenue (2)		100%			
Technology and Operations operating and capital expenditures budgets (3)					25%

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

Percentage of Adjusted OIBDA Target Achieved	% of 2012 Base Salary
<i>Performance Bonus</i>	
Less than or equal to 80%	0%
Greater than 80% to 100%	>0% to 100%

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

Percentage of Advertising Revenue Target Achieved	% of 2012 Base Salary
<i>Performance Bonus</i>	
Less than 80%	0%
Greater than or equal to 80% to 90%	50% to 70%
Greater than 90% to 100%	>70% to 100%

Any actual expenditures in excess of the general and administrative, marketing and research expense budgets on an aggregate basis will be deducted from the actual adjusted advertising revenue for purposes of the comparison to the advertising revenue budgets.

(3)

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

No performance bonus will be payable if the actual annual operating expenditures and capital expenditures, including any capitalized overhead, on an aggregate basis exceeds 100% of budget.

Table of Contents

Limitation on Discretion. After the Compensation Committee has determined the potential performance bonus award based upon the designated financial performance criteria set forth above, the committee may, in its sole discretion, and based upon such subjective criteria as it may determine with respect to each executive, reduce the amount of the potential performance bonus award by up to 25% of the amount calculated in accordance with the objective financial performance criteria described above. The amount of reduction in any executive potential performance bonus award made in accordance with the discretion of the Compensation Committee shall not affect the amount of potential performance bonus award or actual bonus award payable to any other executive under the Performance Bonus Plan.

Stretch Bonus. In addition to the potential performance bonus award described above, all employees (including the executive officers) will be eligible for a stretch bonus under the Performance Bonus Plan. The stretch bonus, if any, will be payable only if we exceed our Adjusted OIBDA budget and will be incremental to the performance bonus award described above. The amount of the stretch bonus will be equal to: (i) the actual performance bonus award paid to the executive, times (ii) 50%, times (iii) the percentage that our actual Adjusted OIBDA is in excess of our budgeted Adjusted OIBDA (capped at 10%) divided by 10%.

Payment of Awards. The performance bonus awards and stretch bonus awards, if any, will be paid as soon as practicable after the fiscal 2012 annual audit is completed by our independent auditors. No executive will be eligible for a bonus award under the Performance Bonus Plan if he or she is not employed by us on the date the bonus awards are paid unless otherwise approved by the Compensation Committee. In order to comply with the short-term deferral exception under Section 409A of the Code, if the Compensation Committee waives the requirement that a participant must be employed on the date of the payment of the bonus award, the payment shall occur no later than the 15th day of the third month following the later of (i) the end of our taxable year in which such requirement is waived or (ii) the end of the calendar year in which such requirement is waived.

Section 409A. The performance bonus awards granted under the Performance Bonus Plan are intended to be eligible for certain regulatory exceptions to the limitations of, or to comply with, the requirements of Section 409A of the Code. NCM, Inc., in the exercise of its sole discretion and without the consent of the employee, may amend or modify the terms of an award in any manner and delay the payment of any amounts payable pursuant to an award to the minimum extent necessary to reasonably comply with the requirements of Section 409A of the Code, provided that NCM, Inc. shall not be required to assume any increased economic burden. If necessary to satisfy the requirements of Section 409A of the Code, payment of amounts payable pursuant to an award may be delayed for six months.

Certification of Performance. Payment of a performance bonus award or stretch bonus award to those executives who are subject to the limitations of Section 162(m) of the Code will only be made upon certification by our Compensation Committee in writing that the performance goals and any other material terms of the bonus awards were in fact satisfied. Further, payments under the Performance Bonus Plan to such executives shall be made only after the material terms of the Performance Bonus Plan have been disclosed to, and subsequently approved by, our stockholders.

Corporate Transaction. In the event of a corporate transaction (such as an acquisition, disposition, merger, etc.) during the fiscal year, the Compensation Committee may establish a separate performance bonus plan to reflect the impact of such corporate transaction on the calculation of the performance bonus awards but the establishment of such a separate plan shall not affect the computation of the amount of a performance bonus award payable under the Performance Bonus Plan.

Administration. The Performance Bonus Plan is administered by our Compensation Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof. Our Compensation Committee (or, if not the Compensation Committee, then the subcommittee) is expected to consist solely of outside directors within the meaning of Section 162(m) of the Code. References in this summary to the Compensation Committee are intended to include a subcommittee where relevant.

Table of Contents

Term. The Performance Bonus Plan, if approved, is effective as of December 30, 2011, with respect to awards granted for the 2012 fiscal year beginning December 30, 2011 and ending December 27, 2012.

Federal Income Tax Consequences

Under federal tax laws currently in effect, participants will recognize ordinary income in the year of payment equal to the bonus award amount, subject to applicable income and employment tax withholding by us. We expect that we will be entitled to claim a deduction for federal income tax purposes equal to the amount of ordinary income recognized by the participant without regard to the \$1 million per year deduction limit under Section 162(m), provided the Performance Bonus Plan is approved by our stockholders and the other requirements of Section 162(m) are satisfied.

New Plan Benefits

Awards under the Performance Bonus Plan are based on actual future performance. As a result, the amounts that will be paid under the Performance Bonus Plan are not currently determinable. The following table sets forth the maximum awards payable under the Performance Bonus Plan based upon the maximum potential per the terms of the Performance Bonus Plan and the maximum limit of 250% of each officer's base salary in effect on January 11, 2012, subject to stockholder approval of the Performance Bonus Plan.

Name and Position	Maximum potential per the terms of the Performance Bonus Plan (1)	Maximum limit of 250% (2)
Kurt C. Hall President, Chief Executive Officer and Chairman	\$ 1,147,697	\$ 1,912,828
Clifford E. Marks President of Sales	\$ 1,106,708	\$ 1,844,513
Gary W. Ferrera Executive Vice President and Chief Financial Officer	\$ 417,851	\$ 928,558
Ralph E. Hardy Executive Vice President and General Counsel	\$ 322,472	\$ 716,605
Earl B. Weihe Executive Vice President and Chief Operations Officer	\$ 286,875	\$ 637,500
Executive Officers as a Group	\$ 3,281,603	\$ 6,040,004
Non-Executive Director Group		
Non-Executive Officer Employee Group		

(1) Estimated maximum performance bonus, including stretch bonus, based upon actual base salary as of January 11, 2012. Actual bonus amounts will be determined based upon base salary determined at the end of our 2012 fiscal year, subject to the 250% limit of each executive's base salary in effect on January 11, 2012.

(2) The amount determined as 250% of each executive's base salary in effect on January 11, 2012.

Other than our President, Chief Executive Officer and Chairman, none of our directors are eligible to participate in the Performance Bonus Plan.

Vote Required

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

Recommendation

The board of directors recommends that stockholders vote **FOR** the approval of Proposal 2. If not otherwise specified, proxies will be voted **FOR** approval of the 2012 Performance Bonus Plan.

Table of Contents**Equity Incentive Plan Information**

The following table sets forth, as of December 29, 2011, information for all equity compensation plans under which our equity securities were authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	5,297,192 (1)	\$ 16.25 (2)	2,546,842 (3)
Equity compensation plans not approved by security holders			
Total	5,297,192	\$ 16.25	2,546,842

(1) Includes 4,837,572 stock option grants; 32,676 restricted stock units; 14,064 additional shares of restricted stock to be issued for the 2009 restricted stock grants due to achievement of 100.8% of the target; and 194,624 and 218,256 for additional shares of restricted stock for the 2010 and 2011 restricted stock grants, respectively, that may be issued assuming the highest level of performance is achieved (150%). However, for the 2010 and 2011 restricted stock grants we estimated achievement at approximately 99% and 84% of the three-year cumulative Free Cash Flow targets, respectively. Therefore, for 2010 we expect 95% of the awards to vest, while for 2011 we estimated that none of the awards will vest due to the projected underperformance against the specified targets as of December 29, 2011. It is expected that actual results could vary from these estimates, especially in the later years included in the three-year projections.

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

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

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

Table of Contents

PROPOSAL 3

ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION

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

The Compensation Committee believes that the Company's compensation policies and procedures are aligned with the short-term and long-term interests of stockholders and are designed to attract, motivate, reward and retain superior talent who are critical to our long-term growth and profitability. A significant portion of the compensation of our named executive officers is tied closely to the performance of the Company, thus aligning our officers' interests with those of our stockholders, including the annual performance bonus and equity incentives (refer to Compensation Discussion and Analysis Pay-for-Performance). Under these programs, our executives are incentivized to achieve specific annual and long-term company performance goals established by the Compensation Committee, without encouraging undue or unreasonable risk-taking. The Compensation Committee reviews our executive compensation programs annually to ensure they align executive compensation with the interests of our stockholders and current market practices.

We held the first say-on-pay vote in 2011 and our stockholders approved our executive compensation proposal with approximately 93% of the votes cast in favor at the 2011 annual meeting of stockholders. Our board of directors recognizes that executive compensation is an important matter of stockholder concern and believes that providing stockholders with the opportunity to review our compensation programs annually is a matter of good corporate practice. Accordingly, we will continue to hold an annual advisory approval of the Company's executive compensation, which is consistent with the preference of approximately 90% of the votes cast at the 2011 annual meeting of stockholders on the frequency of the executive compensation advisory vote.

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

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

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

Vote Required

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

Recommendation

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

Table of Contents**PROPOSAL 4****RATIFICATION OF INDEPENDENT AUDITORS**

A resolution will be presented at the Annual Meeting to ratify the appointment by the board of directors of the firm of Deloitte & Touche LLP as independent auditors, to audit our financial statements for the year ending December 27, 2012, and to perform other appropriate accounting services.

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

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Fees Paid to Independent Auditors

We paid Deloitte & Touche LLP, the Company's independent registered public accounting firm for fiscal years 2011 and 2010, the following amounts:

	2011	2010
Audit Fees	\$ 732,200	\$ 629,700
Audit Related Fees (1)	245,000	145,000
Total Audit and Related Fees	977,200	774,700
Tax Fees		
All Other Fees		
Total Fees	\$ 977,200	\$ 774,700

- (1) Audit related fees consisted primarily of assistance with the completion of our \$200 million bond offering in 2011 (\$100,000), as well as assistance with offering memorandums and registration statement filings for our founding members, which were reimbursed to the Company by the founding members (\$145,000).

Pre-Approval Policies and Procedures

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

Table of Contents

Vote Required

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

Recommendation

The board of directors recommends that stockholders vote **FOR** Proposal 4. If not otherwise specified, proxies will be voted **FOR** the appointment of Deloitte & Touche LLP as our independent auditors for our 2012 fiscal year.

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

AUDIT COMMITTEE REPORT

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

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

the independent auditor's qualifications and independence;

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

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

As part of fulfilling its responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements of NCM, Inc. for fiscal year ended December 29, 2011 with management and discussed those matters required by Statement on Auditing Standards No. 61,

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

Based upon the Audit Committee's review of the audited consolidated financial statements and its discussions with management and Deloitte & Touche LLP, the Audit Committee recommended that the board of directors include the audited consolidated financial statements for the fiscal year ended December 29, 2011 in NCM, Inc.'s Annual Report on Form 10-K filed with the SEC.

Audit Committee of National CineMedia, Inc.

David R. Haas, Chairman

James R. Holland, Jr.

Scott N. Schneider

Table of Contents

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included elsewhere in this report with management and, based on such review and discussions, the Compensation Committee recommended that the board of directors include such disclosure for the fiscal year ended December 29, 2011 in NCM, Inc.'s Annual Report on Form 10-K and Proxy Statement filed with the SEC.

Compensation Committee of National CineMedia, Inc.

Lawrence A. Goodman, Chairman

Stephen L. Lanning

Edward H. Meyer

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Committee Interlocks and Insider Participation

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

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

During fiscal 2011, the Company had the following named executive officers: Kurt C. Hall President, Chief Executive Officer and Chairman, Clifford E. Marks President of Sales, Gary W. Ferrera Executive Vice President and Chief Financial Officer, Ralph E. Hardy Executive Vice President and General Counsel and Earl B. Weihe Executive Vice President and Chief Operations Officer.

Executive Summary

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

The Company is committed to ensuring the best practices regarding its executive compensation programs are followed, including a policy prohibiting hedging transactions that is part of the insider trading policy and the practice of submitting the annual Performance Bonus Plan for stockholder approval for potentially favorable income tax treatment.

Say-On-Pay Proposal. We held the first say-on-pay vote in 2011 and our stockholders approved our executive compensation proposal with approximately 93% of the votes cast in favor at the 2011 annual meeting of stockholders. Furthermore, the stockholders overwhelmingly approved the 2011 Performance Bonus Plan proposal. The Compensation Committee considered the results of the advisory approval of the Company's executive compensation and made no material changes to the compensation programs and policies for fiscal year 2011. Our board of directors recognizes that executive compensation is an important matter of stockholder concern and believes that providing stockholders with the opportunity to review our compensation programs annually is a matter of good corporate practice. Accordingly, we will continue to hold an annual advisory vote for approval of the Company's executive compensation, which is consistent with the preference of approximately 90% of the votes cast at the 2011 annual meeting of stockholders on the frequency of the executive compensation advisory vote.

Fiscal Year 2011 Performance. For 2011, the Company's actual Adjusted OIBDA and adjusted advertising revenue, which are defined below in Elements of Compensation Annual Performance Bonus, fell below the targets, primarily due to economic conditions that were inconsistent with the assumptions in the targets. In particular, the economy weakened in August just as the Company was entering its fourth quarter selling period rather than continuing to strengthen as the Company had assumed in its budget. The targets for 2011 were established in the beginning of 2011 with limited visibility into the year, particularly the second half. The following table summarizes the key financial metrics on which the Company bases its executive compensation:

	Fiscal 2011 Performance Measures (in millions) (1)		Achievement relative to target
	Target	Actual	
Adjusted OIBDA	\$ 255.8	\$ 227.2	88.8% of Adjusted OIBDA target
Adjusted advertising revenue	\$ 387.1	\$ 349.0	90.2% of Advertising revenue target
Technology and Operations operating expenditures	\$ 23.0	\$ 21.0	Under-spent target by 9%
Technology and Operations capital expenditures	\$ 15.1	\$ 11.9	Under-spent target by 21%

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

Table of Contents

Pay-for-Performance. The following table presents the elements of compensation as a percentage of total compensation for fiscal year 2011, computed using the Fiscal 2011 Summary Compensation Table.

Fiscal Year 2011 Elements of Compensation Mix					
	Kurt C. Hall	Clifford E. Marks	Gary W. Ferrera	Ralph E. Hardy	Earl B. Weihe
Base Salary	23%	24%	28%	30%	29%
Annual Performance Bonus	0%	17%	0%	0%	5%
Discretionary Bonus	10%	0%	9%	10%	7%
Long-Term Incentive	66%	58%	62%	59%	58%
Other Compensation	1%	1%	1%	1%	1%

The Compensation Committee believes that having a larger percentage of executive officers' pay as performance-based compensation ensures their interests are aligned with those of our stockholders. The following table presents the percentage of non-performance-based compensation and performance-based compensation to total compensation for fiscal year 2011, computed using the Fiscal 2011 Summary Compensation Table and related tables.

Fiscal Year 2011 Pay-for-Performance Mix			
Name and Position	Non-Performance- Based Compensation (1)	Performance-Based Compensation (2)	
Kurt C. Hall President, Chief Executive Officer and Chairman	23%	77%	
Clifford E. Marks President of Sales	24%	76%	
Gary W. Ferrera Executive Vice President and Chief Financial Officer	28%	72%	
Ralph E. Hardy Executive Vice President and General Counsel	31%	69%	
Earl B. Weihe Executive Vice President and Chief Operations Officer	30%	70%	

- (1) Sum of the 2011 Salary and All Other Compensation from the Summary Compensation Table less the 2011 Restricted Stock Dividends from footnote (5) to the Summary Compensation Table, divided by the 2011 Total from the Summary Compensation Table.
- (2) Sum of the following from the Summary Compensation Table: 2011 Bonus, Stock Awards, Option Awards, Non-Equity Incentive Plan Compensation plus the 2011 Restricted Stock Dividends from footnote (5) to the Summary Compensation Table, divided by the 2011 Total from the Summary Compensation Table.

Compensation Philosophy

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

review the competitiveness of executive cash compensation and equity grant levels compared to a select peer group of companies and ensure total pay levels are generally between the 50th and the 75th percentile;

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

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

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

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

Table of Contents

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

Role of Compensation Consultant and Chief Executive Officer in Determining Executive Compensation

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

In 2011, the Compensation Committee engaged Pay Governance LLC, a nationally recognized consulting firm, to assess the competitiveness of pay for the executive officers and provide independent advice and recommendations to the Compensation Committee regarding executive compensation. Pay Governance LLC is independent from the Company. As part of its review, Pay Governance LLC considered base salary, annual performance bonus, total cash compensation (combined salary and annual performance bonus), value of long-term incentives, and total compensation. Pay Governance LLC developed and recommended a peer group for comparison to our executive officers comprised of domestic, publicly-traded media and entertainment related companies with revenues generally between \$200 million and \$900 million and market capitalization generally between \$700 million and \$3 billion. The Compensation Committee reviewed and approved the peer group.

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

The following peer companies were used in our competitive analysis:

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

As a result of the review, Pay Governance LLC recommended that a reduction in the threshold in the Performance Bonus Plan to 80% of our Adjusted OIBDA budget would be consistent with the practices of the peer group. It would also bring it more in line with the advertising revenue threshold of our national advertising sales bonus plan, including our President of Sales. See discussion of the 2012 Performance Bonus Plan included with Proposal 2.

Table of Contents**Elements of Compensation**

Executive compensation consists of the following elements:

Component	Purpose	Characteristics	Where reported in accompanying tables
Base Salary	Reward for level of responsibility, experience and sustained individual performance	Fixed cash component	Summary Compensation Table under the heading Salary
Annual Performance Bonus	Reward individual achievement against specific objective financial goals	A cash performance bonus award target of 75% up to 100% of base salary with an additional stretch bonus amount of up to 50% of the performance bonus	Summary Compensation Table under the heading Non-Equity Incentive Plan Compensation and Grants of Plan Based Awards Table
Discretionary Bonus	Reward individual high performance	A cash bonus at the discretion of our Compensation Committee	Summary Compensation Table under the heading Bonus
Long-Term Incentive	Reward for the creation of stockholder value	The equity incentive plan provides for the grant, at the discretion of our board and Compensation Committee, of stock options, restricted stock and other equity instruments	Summary Compensation Table under the headings Stock Awards and Option Awards, Grants of Plan Based Awards Table, Outstanding Equity Awards Table and Option Exercises and Stock Vested Table
Other Compensation	Provide an appropriate level of employee benefit plans and programs	A matching contribution to our defined contribution 401(k) plan and various health, life and disability insurance plans; dividends paid on unvested restricted stock; and other customary employee benefits	Summary Compensation Table under the heading All Other Compensation
Potential Payments Upon Termination or Change in Control	Provide an appropriate level of payment in the event of a change in control or termination	Contingent in nature. Amounts are payable only if employment is terminated as specified under each employment agreement	Potential Payments Upon Termination or Change in Control

The Compensation Committee determines the portion of compensation allocated to each element for each individual named executive officer. Our Compensation Committee may reevaluate the current policies and practices as it considers advisable. The elements of executive compensation are generally independent of each other.

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

Table of Contents

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

The Compensation Committee reviewed executive compensation in January 2011 and decided to increase the base salary by a cost of living adjustment of 2% for Messrs. Hall, Marks and Ferrera on January 13, 2011, which is consistent with the average increases given to the majority of employees. Mr. Hardy received an increase of approximately 7% to reflect a cost of living adjustment and to bring his total compensation up to a more competitive level when considered in aggregate with the performance bonus described below. Mr. Weihe received a 25% increase effective December 1, 2010 to reflect his promotion to Executive Vice President and Chief Operations Officer.

For 2011, we believe total cash compensation of our executives, which is base salary combined with the annual performance bonus and discretionary bonus, was within a market competitive range.

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

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

The Compensation Committee adopted the National CineMedia, Inc. 2011 Performance Bonus Plan on January 12, 2011 and it was approved by our stockholders on April 26, 2011. The financial performance criteria and potential bonus levels were consistent with 2010 with the exception of Mr. Weihe. Mr. Weihe's annual potential performance bonus percentage was increased from 50% to 75% of base salary to reflect his promotion to Executive Vice President and Chief Operations Officer and to bring his bonus potential in line with the Company's Chief Financial Officer and General Counsel.

The awards under the Performance Bonus Plan were determined in accordance with the Company's actual performance of its internal targets. We believe the amounts paid under the Performance Bonus Plan are appropriate in light of the achievement relative to the financial targets. The following table provides details about each component of the Non-Equity Incentive Plan Compensation column from the Summary Compensation Table for 2011.

Name	Actual Fiscal 2011 Performance Bonus			Stretch Bonus		Total Non-Equity Incentive Plan Compensation
	Target Award as a % of Salary	Actual Award as a % of Target	Total Award Amount	Target Award as a % of Salary	Actual Award as a % of Target	
Kurt C. Hall	100%	0%		50%	0%	
Clifford E. Marks	100%	71%	\$ 509,953	50%	0%	\$ 509,953
Gary W. Ferrera	75%	0%		37.5%	0%	
Ralph E. Hardy	75%	0%		37.5%	0%	
Earl B. Weihe	75%	25%	\$ 46,875	37.5%	0%	\$ 46,875

Table of Contents

We have conducted in the past, and we intend to conduct in the future, an annual review of the aggregate level of our executive compensation as part of the annual budget review, which includes determining the operating metrics used to measure our performance and to compensate our executive officers. However, the ease or difficulty in achieving the metrics for compensation was not a factor in the board or Compensation Committee's approval of the budget. The objective financial factors are consistent with the metrics used in previous years and represent the metrics the Compensation Committee believes may best encourage sound decisions regarding operations and investment of capital and are important to our goal of increasing the value of our equity. We believe we have adequately addressed the risks that an executive might be incentivized to take inappropriate actions to meet the performance metrics through our internal controls over financial reporting.

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

Fiscal 2011 Performance Bonus Plan

	Kurt C. Hall	Clifford E. Marks (1)	Gary W. Ferrera	Ralph E. Hardy	Earl B. Weihe
Performance Bonus Potential (2)	100%	100%	75%	75%	75%
Performance Bonus Measures:					
Adjusted OIBDA	100%		100%	100%	75%
Adjusted advertising revenue		100%			
Technology and Operations operating and capital expenditures budgets					25%
2011 Stretch Bonus					
Stretch Bonus Potential (3)	50%	50%	37.5%	37.5%	37.5%

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

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

(2) Percentage of base salary determined as of January 13, 2011.

(3) The 2011 Stretch Bonus potential is 50% of the Performance Bonus paid times the percentage that Adjusted OIBDA is in excess of budget (capped at 10%), divided by 10%.

Fiscal 2011 Performance Measures

(in millions)

Performance Measure	Target	Actual	Achievement relative to target
Adjusted OIBDA (a)	\$ 255.8	\$ 227.2	88.8% of Adjusted OIBDA target
Adjusted advertising revenue (b)	\$ 387.1	\$ 349.0	90.2% of Advertising revenue target
Technology and Operations operating expenditures	\$ 23.0	\$ 21.0	Under-spent target by 9%
Technology and Operations capital expenditures	\$ 15.1	\$ 11.9	Under-spent target by 21%

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

- (a) Adjusted OIBDA, a non-GAAP financial measure, is one measure used by management to measure the Company's operating performance. Adjusted OIBDA represents operating income (loss) before depreciation and amortization expense and other costs. Adjusted OIBDA adds back the make-good liability shifted into 2012, share-based compensation costs and other costs. While Adjusted OIBDA is a measure we use to measure the financial performance for purposes of our Performance and Stretch Bonus awards, you should

Table of Contents

not consider Adjusted OIBDA in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as operating income (loss). Adjusted OIBDA has material limitations as a performance measure because it excludes items that are necessary elements of our costs and operations. Because other companies may calculate Adjusted OIBDA differently than we do, this measure may not be comparable to similarly-titled measures reported by other companies (dollars in millions).

	FY 2011 Target	FY 2011 Actual
Operating income	\$ 217.2	\$ 193.7
Depreciation and amortization	23.7	18.8
Make-good liability		2.7
Share-based compensation costs and other costs	14.9	12.0
Adjusted OIBDA	\$ 255.8	\$ 227.2

- (b) Adjusted advertising revenue for purposes of this calculation is a non-GAAP financial measure used by management to measure the performance of certain of its advertising sales personnel, including Mr. Marks. Adjusted advertising revenue represents reported advertising revenue less founding member circuit beverage revenue, zero margin barter revenue and other founding member payments included in revenue plus the make-good liability shifted into 2012. You should not consider this measure in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as advertising revenue (dollars in millions).

	FY 2011 Target	FY 2011 Actual
Advertising revenue	\$ 430.8	\$ 386.1
Less: Founding member circuit beverage revenue and other revenue	(43.7)	(39.8)
Plus: Make-good liability		2.7
Adjusted advertising revenue	\$ 387.1	\$ 349.0

Discretionary Bonus. The Compensation Committee, at its option and upon recommendations from the CEO, may award discretionary bonuses, or other types of compensation, for performance above and beyond that which is rewarded under the Performance Bonus Plan. The Compensation Committee considers performance which benefits essential elements of our business plan and uses its judgment based on discretionary factors, including but not limited to, achievement of other financial and/or more subjective measures of individual performance.

Rewards are determined in the context of our compensation philosophy to retain, motivate and reward talented executives. Individual high performance during the year is recognized during the annual performance review process, and as such, the bonus amounts can be highly variable from year to year.

For fiscal year 2011, the Compensation Committee approved discretionary bonuses as follows: \$330,056 to Mr. Hall (44% of the Performance Bonus Plan potential at 100% achievement of the target), \$120,166 to Mr. Ferrera (44% of the Performance Bonus Plan potential at 100% achievement of the target), \$92,737 to Mr. Hardy (44% of the Performance Bonus Plan potential at 100% achievement of the target) and \$61,875 to Mr. Weihe (44% of the Performance Bonus potential at 100% achievement of the target). The Compensation Committee considered the following factors in granting the discretionary bonuses: achievement of the actual results for 2011 was within 1.2% of the threshold under the 2011 Performance Bonus Plan; a significantly slower U.S. economic recovery than had been assumed in the Company's annual budget during the latter part of the third quarter and during the fourth quarter, which was outside the control of management; the fact that the Company exceeded its 2010 actual results in a difficult market; and the fact that the Company maintained tight cost controls and completed the \$200 million bond offering and increased the Company's liquidity position by expanding and extending the maturity of the Company's revolving credit facility.

Table of Contents

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

All grants under the Equity Incentive Plan to our executive officers are generally proposed annually by the CEO at the start of each fiscal year and approved and priced by the Compensation Committee and board at its first meeting of the fiscal year, although grants could be made at any time at the discretion of our Compensation Committee. Grants are calculated on an overall award value based on a specified percentage of annual base salary. Refer to footnote (1) to the 2011 Equity Awards table below for additional information. The value of the awards is set at the closing price of the Company's common stock on the date of approval by the Compensation Committee and board of directors.

On January 13, 2011, the Compensation Committee, with approval of our board of directors, granted stock options and performance-based restricted stock awards to Messrs. Hall, Marks, Ferrera, Hardy and Weihe. The 2011 stock option awards are scheduled to vest 33.33% each year over the next three years, subject to continuous service unless approved by the Compensation Committee. The stock options have a 10-year term and an exercise price of \$18.37 per share. For additional information, see the Grants of Plan Based Awards table.

Consistent with our goals of aligning management and stockholder interests, the 2009, 2010 and 2011 grants to our executive officers provided a mix of long-term equity incentives that are time and performance based. The Company began to increase the long-term incentives over a three-year period beginning in January 2009 to bring the aggregate management equity grants up to a more competitive level.

The 2009, 2010 and 2011 restricted stock awards are scheduled to vest based upon achievement of the actual cumulative Free Cash Flow target at the end of the three-year measurement period, with 50% of the award vesting at 90% of target achievement and 150% vesting at 110% of target achievement (with interpolation between 90% and 110%). Dividends accrue and will be paid upon vesting. In the event that shares are forfeited, accrued dividends on those shares shall also be forfeited.

The three-year measurement period for the 2009 restricted stock awards concluded on December 29, 2011. Following is the achievement relative to the target:

Performance Measure (in millions)	Target	Actual	Achievement relative to target
Three-year cumulative Free Cash Flow (a)	\$ 605.2	\$ 610.1	100.8% of target

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

Adjusted OIBDA, a non-GAAP financial measure, is one measure used by management to measure the Company's operating performance. Adjusted OIBDA represents operating income (loss) before depreciation and amortization expense and other costs. Adjusted OIBDA adds back the make-good liability shifted into 2012, share-based compensation costs and other costs. While Adjusted OIBDA is a measure we use to measure the financial performance for purposes of our Performance and Stretch Bonus awards, you should not consider Adjusted OIBDA in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as operating income (loss). Adjusted OIBDA has material limitations as a performance measure because it excludes items that are necessary elements of our costs and

Table of Contents

operations. Because other companies may calculate Adjusted OIBDA differently than we do, this measure may not be comparable to similarly-titled measures reported by other companies (dollars in millions).

	Three-Year cumulative Target ended December 29, 2011	Three-Year cumulative Actual ended December 29, 2011
Operating income	\$ 609.2	\$ 552.5
Depreciation and amortization	17.7	52.2
Make-good liability		5.8
Share-based compensation costs and other costs	5.4	31.7
Adjusted OIBDA	632.3	642.2
Capital expenditures	27.1	32.7
Share-based compensation costs and other costs		(0.6)
Adjusted capital expenditures	27.1	32.1
Free Cash Flow	\$ 605.2	\$ 610.1

As a result of achievement of 100.8% of the target, 104% of the awards vested on February 27, 2012 and accrued dividends were paid as follows:

Name and Position	2009-2011 Performance Vesting		Total Vesting on February 27, 2012	Accrued Dividends
	Number of Shares Awarded on January 15, 2009	Additional Number of Shares Due to Over-Performance		
Kurt C. Hall	87,975	3,519	91,494	\$ 201,287
President, Chief Executive Officer and Chairman				
Clifford E. Marks	47,129	1,885	49,014	\$ 107,831
President of Sales				
Gary W. Ferrera	33,216	1,328	34,544	\$ 75,997
Executive Vice President and Chief Financial Officer				
Ralph E. Hardy	15,481	619	16,100	\$ 35,420
Executive Vice President and General Counsel				
Earl B. Weihe	4,867	194	5,061	\$ 11,134
Executive Vice President and Chief Operations Officer				

As of December 29, 2011, the Company evaluated its progress towards achievement of the 2010 and 2011 three-year projections in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC Topic 718), Compensation-Stock Compensation. For 2010 and 2011, we estimated achievement at approximately 99% and 84% of the three-year cumulative Free Cash Flow targets, respectively. Therefore, for 2010 we expect 95% of the awards to vest while for 2011 we estimated that none of the awards will vest due

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

to the projected underperformance against the specified targets as of December 29, 2011. It is expected that actual results could vary from these estimates, especially in the later years included in the three-year projections.

Table of Contents

The following table shows the maximum number of shares that could be received under the Equity Incentive Plan for the 2011 awards:

2011 Equity Awards			
Name and Position	Number of Shares of Restricted Stock (1)	Number of Stock Options (2)	Total Number of Shares
Kurt C. Hall	73,502	220,506	294,008
President, Chief Executive Officer and Chairman			
Clifford E. Marks	59,064	177,192	236,256
President of Sales			
Gary W. Ferrera	27,752	83,255	111,007
Executive Vice President and Chief Financial Officer			
Ralph E. Hardy	19,122	57,367	76,489
Executive Vice President and General Counsel			
Earl B. Weihe	17,011	51,034	68,045
Executive Vice President and Chief Operations Officer			

- (1) Includes the maximum number of shares that will vest if actual cumulative Free Cash Flow equals 100% of the three-year (2011-2013) cumulative Free Cash Flow target. If actual cumulative Free Cash Flow exceeds 100% of the Free Cash Flow target (up to 110% of Free Cash Flow), the number of shares will be increased ratably as set forth below for actual Free Cash Flow performance versus the target. As such, Mr. Hall could receive up to 36,751 additional shares; Mr. Marks could receive up to 29,532 additional shares; Mr. Ferrera could receive up to 13,876 additional shares; Mr. Hardy could receive up to 9,561 additional shares and Mr. Weihe could receive up to 8,505 additional shares. However as described further above, we estimated that none of the 2011 restricted stock awards will vest due to the projected underperformance against the specified three-year cumulative Free Cash Flow targets as of December 29, 2011.

The restricted stock amount is calculated at the award value, divided by the share price, or \$18.37 per share, the closing price of our common stock on the grant date. In 2010, grants were based on the multiple of base salary amounts of 177%, 98%, 138%, 98% and 59% for Messrs. Hall, Marks, Ferrera, Hardy and Weihe, respectively. The 2011 grants were based on the multiple of base salary amounts, which were consistent with 2010 for Messrs. Hall and Ferrera and were increased for Mr. Marks to reflect achievement of 107.8% of the adjusted advertising revenue targets for 2010, for Mr. Hardy to bring his total compensation up to a more competitive level and for Mr. Weihe to reflect his promotion to Executive Vice President and Chief Operations Officer. Following is the calculation of the award value:

Name	2011 Base Salary	Multiple of Base Salary	Award Value
Kurt C. Hall	\$ 750,128	180%	\$ 1,350,230
Clifford E. Marks	\$ 723,338	150%	\$ 1,085,007
Gary W. Ferrera	\$ 364,140	140%	\$ 509,796
Ralph E. Hardy	\$ 281,022	125%	\$ 351,278
Earl B. Weihe	\$ 250,000	125%	\$ 312,500

- (2) The amount is calculated at three times the number of shares of restricted stock. The stock options are scheduled to vest 33.33% each year beginning in January 2012, subject to continuous service. The stock options have a 10-year term and an exercise price of \$18.37, the closing price of the Company's common stock on January 13, 2011, the date of approval of the grants.

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

The 2011 grants were part of a three-year compensation program approved by the Compensation Committee to promote stock price growth and ownership through employee retention and achievement of long-term financial

Table of Contents

performance goals. In 2011, the Compensation Committee engaged Pay Governance LLC, a nationally recognized consulting firm, to assess the competitiveness of pay for the executive officers at the end of the three-year program. See [Role of Compensation Consultant and Chief Executive Officer in Determining Executive Compensation](#) for additional information.

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

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

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

Compensation Decisions for 2012

Below is information about compensation decisions made for executive officers in early 2012.

Base Salary. The Compensation Committee reviewed executive compensation in January 2012 and decided to increase the base salary by a cost of living adjustment of 2% for each of our executive officers, which is consistent with the average increases given to the majority of employees.

Annual Performance Bonus. The Compensation Committee adopted the National CineMedia, Inc. 2012 Performance Bonus Plan on January 11, 2012, and the board directed that the Performance Bonus Plan be submitted to a vote of stockholders at our Annual Meeting.

The structure of the 2012 Performance Bonus Plan is consistent with the 2011 plan except as described in Proposal 2. The process for setting the financial targets for 2012 is consistent with previous years as part of the annual budget review.

Long-Term Incentive. The Compensation Committee granted stock options and performance-based restricted stock awards to each of our executive officers effective January 12, 2012, as described in greater detail below.

Table of Contents

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

Name and Position	2012 Equity Awards			Total Number of Shares	% of 2011 Grants
	Number of 3-Year Vest Restricted Stock (1)	Number of 2-Year Vest Restricted Stock (2)	Number of Stock Options (3)		
Kurt C. Hall	73,502	49,001	73,502	196,005	66.7%
President, Chief Executive Officer and Chairman					
Clifford E. Marks	59,064	39,376	59,064	157,504	66.7%
President of Sales					
Gary W. Ferrera	29,602	18,501	29,602	77,705	70.0%
Executive Vice President and Chief Financial Officer					
Ralph E. Hardy	19,122	12,748	19,122	50,992	66.7%
Executive Vice President and General Counsel					
Earl B. Weihe	17,012	11,341	17,012	45,365	66.7%
Executive Vice President and Chief Operations Officer					

(1) Includes the maximum number of shares that will vest if actual cumulative Free Cash Flow equals 100% of the three-year (2012-2014) cumulative Free Cash Flow target. If actual Free Cash Flow exceeds 100% of the Free Cash Flow target (up to 110% of Free Cash Flow), the number of shares will be increased ratably as set forth below for actual Free Cash Flow performance versus the target. As such, Mr. Hall could receive up to 36,751 additional shares; Mr. Marks could receive up to 29,532 additional shares; Mr. Ferrera could receive up to 14,801 additional shares; Mr. Hardy could receive up to 9,561 additional shares and Mr. Weihe could receive up to 8,506 additional shares.

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

(2) Includes the maximum number of shares that will vest if actual cumulative Free Cash Flow equals 100% of the two-year (2012-2013) cumulative Free Cash Flow target. If actual Free Cash Flow exceeds 100% of the Free Cash Flow target (up to 110% of Free Cash Flow), the number of shares will be increased ratably as set forth below for actual Free Cash Flow performance versus the target. As such, Mr. Hall could receive up to 24,500 additional shares; Mr. Marks could receive up to 19,688 additional shares; Mr. Ferrera could receive up to 9,251 additional shares; Mr. Hardy could receive up to 6,374 additional shares and Mr. Weihe could receive up to 5,671 additional shares.

The potential shares that would otherwise vest at the end of this two-year measurement period as described above will be reduced by the amount of vested shares from the January 13, 2011 restricted stock grant, if any. The executive officers were granted a total of 196,451 shares of restricted stock on January 13, 2011, of which 73,502 were to Mr. Hall; 59,064 to Mr. Marks; 27,752 to Mr. Ferrera; 19,122 to Mr. Hardy and 17,011 to Mr. Weihe. The amount is calculated at two-thirds of the amount granted on January 13, 2011.

(3) The amount is equal to the number of shares of three-year vest restricted stock. This assumes that the value of an option is equal to 33.33% of a restricted share and that the value of the total 2012 grants were 75% associated with restricted stock and 25% associated with stock options.

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

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

Table of Contents

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

Award Vesting %	Free Cash Flow Target Actual %
100%	100%
50%	90%
0%	<90%

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

Table of Contents**FISCAL 2011 SUMMARY COMPENSATION TABLE**

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

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
Kurt C. Hall	2011	\$ 750,128	\$ 330,056	\$ 1,350,232	\$ 821,701		\$ 23,267	\$ 3,275,384
	2010	\$ 735,420		\$ 1,303,075	\$ 1,114,875	\$ 1,042,224	\$ 35,928	\$ 4,231,522
President, Chief Executive Officer and Chairman	2009	\$ 721,000		\$ 1,295,872	\$ 1,446,691	\$ 761,531	\$ 41,988	\$ 4,267,082
Clifford E. Marks	2011	\$ 723,338		\$ 1,085,006	\$ 660,295	\$ 509,953	\$ 28,816	\$ 3,007,408
	2010	\$ 709,155		\$ 698,078	\$ 597,254	\$ 1,005,002	\$ 30,835	\$ 3,040,324
President of Sales	2009	\$ 695,250	\$ 21,612	\$ 694,210	\$ 775,014	\$ 712,721	\$ 36,398	\$ 2,935,205
Gary W. Ferrera	2011	\$ 364,140	\$ 120,166	\$ 509,804	\$ 310,244		\$ 15,914	\$ 1,320,268
	2010	\$ 357,000		\$ 491,994	\$ 420,934	\$ 379,450	\$ 20,101	\$ 1,669,479
Executive Vice President and Chief Financial Officer	2009	\$ 350,000		\$ 489,272	\$ 546,217	\$ 279,006	\$ 23,032	\$ 1,687,527
Ralph E. Hardy	2011	\$ 281,022	\$ 92,737	\$ 351,271	\$ 213,774		\$ 11,138	\$ 949,942
	2010	\$ 262,637		\$ 258,538	\$ 221,194	\$ 279,153	\$ 11,447	\$ 1,032,969
Executive Vice President and General Counsel	2009	\$ 228,380	\$ 59,162	\$ 228,035	\$ 254,581	\$ 122,893	\$ 12,096	\$ 905,147
Earl B. Weihe	2011	\$ 250,000	\$ 61,875	\$ 312,492	\$ 190,175	\$ 46,875	\$ 9,607	\$ 871,024
	2010	\$ 200,345	\$ 124,004	\$ 501,528	\$ 395,815	\$ 141,718	\$ 9,544	\$ 1,372,954
Executive Vice President and Chief Operations Officer	2009	\$ 179,497		\$ 71,691	\$ 80,035	\$ 59,389	\$ 8,681	\$ 399,293

- (1) Refer to the Discretionary Bonus section of our CD&A for further discussion of the discretionary bonuses awarded.
- (2) The amounts represent the aggregate grant date fair value of the stock awards computed in accordance with ASC Topic 718. The stock awards granted in 2009, 2010 and 2011 are scheduled to vest based upon the achievement of performance conditions relating to cumulative Free Cash Flow at the end of the three-year measuring period. The amounts for these awards are presented based on 100% of the fair market value on the date of grant and do not include an estimate of performance. Actual results could materially differ from this estimate. Stock awards are further discussed in the Long-Term Incentive section of our CD&A.

Table of Contents

Name	Stock Awards		Maximum Grant Date Fair Value (a)
	Grant Date	Maximum number of shares scheduled to vest	
Kurt C. Hall	1/13/2011	110,253	\$ 2,025,348
	1/14/2010	115,180	\$ 1,954,605
	1/15/2009	131,963	\$ 1,943,815