TTM TECHNOLOGIES INC
Form 10-Q
August 08, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-Q

þ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

Commission File Number: 0-31285

TTM TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**91-1033443**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

2630 South Harbor Boulevard, Santa Ana, California 92704
(Address of principal executive offices)
(714) 327-3000
(Registrant s telephone number, including area code)

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

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

Number of shares of common stock, $0.001 par value, of registrant outstanding at August 1, 2008: 42,803,130

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TTM TECHNOLOGIES, INC.
Consolidated Condensed Balance Sheets
As of June 30, 2008 and December 31, 2007

	June 30, 2008 (Unaudited)	December 31, 2007
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 118,687	$ 18,681
Accounts receivable, net of allowances of $5,525 and $5,704, respectively	118,197	118,581
Inventories	78,348	65,675
Prepaid expenses and other current assets	4,567	3,665
Income taxes receivable	532	2,237
Asset held for sale	5,000	5,000
Deferred income taxes	5,932	6,097
Total current assets	331,263	219,936
Property, plant and equipment, net of accumulated deprecation of $86,093 and $76,135, respectively	122,874	123,647
Debt issuance costs, net	5,661	2,195
Goodwill	131,090	130,126
Definite-lived intangibles, net	20,284	22,128
Deferred income taxes	8,757	
Deposits and other non current assets	1,185	766
	$ 621,114	$ 498,798
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 51,515	$ 53,632
Accrued salaries, wages and benefits	26,439	21,601
Current portion long-term debt		40,000
Other accrued expenses	3,396	5,864
Total current liabilities	81,350	121,097
Convertible senior notes	175,000	
Long-term debt, less current portion		45,000
Deferred income taxes		1,688
Other long-term liabilities	2,453	2,419
Total long-term liabilities	177,453	49,107

Stockholders equity:				
Common stock, $0.001 par value; 100,000 shares authorized, 42,798 and 42,380 shares issued and outstanding, as of June 30, 2008 and December 31, 2007, respectively		43		42
Additional paid-in capital		181,058		173,365
Retained earnings		178,153		154,337
Accumulated other comprehensive income		3,057		850
Total stockholders equity		362,311		328,594
	$	621,114	$	498,798

See accompanying notes to consolidated condensed financial statements.

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TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Operations
For the Quarter and Two Quarters ended June 30, 2008 and July 2, 2007
(Unaudited)
(In thousands, except per share data)

	Quarter Ended		Two Quarters Ended	
	June 30, 2008	July 2, 2007	June 30, 2008	July 2, 2007
Net sales	$ 172,975	$ 162,016	$ 347,046	$ 338,913
Cost of goods sold	136,395	132,470	272,864	274,646
Gross profit	36,580	29,546	74,182	64,267
Operating (income) expenses:				
Selling and marketing	7,750	7,551	15,464	15,111
General and administrative	8,825	7,890	17,030	16,232
Amortization of definite-lived intangibles	950	1,046	1,897	2,071
Metal reclamation			(3,700)	
Total operating expenses	17,525	16,487	30,691	33,414
Operating income	19,055	13,059	43,491	30,853
Other income (expense):				
Interest expense	(3,288)	(3,368)	(5,123)	(8,466)
Interest income	302	269	445	1,033
Other, net	(1,145)	(33)	(1,004)	(38)
Total other expense, net	(4,131)	(3,132)	(5,682)	(7,471)
Income before income taxes	14,924	9,927	37,809	23,382
Income tax provision	(5,480)	(3,743)	(13,993)	(8,733)
Net income	$ 9,444	$ 6,184	$ 23,816	$ 14,649
Basic earnings per share	$ 0.22	$ 0.15	$ 0.56	$ 0.35
Diluted earnings per share	$ 0.22	$ 0.15	$ 0.56	$ 0.35

See accompanying notes to consolidated condensed financial statements.

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TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Cash Flows
For the Two Quarters Ended June 30, 2008 and July 2, 2007
(Unaudited)
(In thousands)

	Two Quarters Ended	
	June 30, 2008	July 2, 2007
Cash flows from operating activities:		
Net income	$ 23,816	$ 14,649
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	10,549	11,604
Amortization of definite-lived intangible assets	1,955	2,129
Amortization of debt issuance costs	2,285	2,538
Non-cash interest imputed on other long-term liabilities	63	61
Excess income tax benefit from common stock options exercised	(210)	(137)
Deferred income taxes	3,057	762
Stock-based compensation	2,469	1,545
Net loss (gain) on sale of property, plant and equipment	147	(200)
Other		(4)
Changes in operating assets and liabilities:		
Accounts receivable, net	1,474	14,026
Inventories	(12,199)	2,412
Prepaid expenses and other	(872)	1,089
Income taxes receivable	1,704	609
Accounts payable	(4,105)	(3,874)
Accrued salaries, wages and benefits and other accrued expenses	3,616	(5,195)
Net cash provided by operating activities	33,749	42,014
Cash flows from investing activities:		
Purchase of property, plant and equipment and equipment deposits	(9,224)	(8,463)
Proceeds from sale of property, plant and equipment	136	1,283
Proceeds from redemptions of held-to-maturity short-term investments		11,000
Net cash (used in) provided by investing activities	(9,088)	3,820
Cash flows from financing activities:		
Principal payments on long-term debt	(85,000)	(80,705)
Proceeds from the issuance of convertible senior notes	175,000	
Proceeds from exercise of common stock options	2,336	799
Payment of debt issuance costs	(5,751)	(176)
Proceeds from warrants	26,197	
Payment of convertible note hedge	(38,257)	
Excess income tax benefit from common stock options exercised	210	137
Net cash provided by (used in) financing activities	74,735	(79,945)

Effect of foreign currency exchange rates on cash and cash equivalents	610	582
Net increase (decrease) in cash and cash equivalents	100,006	(33,529)
Cash and cash equivalents at beginning of period	18,681	59,660
Cash and cash equivalents at end of period	$ 118,687	$ 26,131
Supplemental cash flow information:		
Cash paid for interest	$ 3,169	$ 5,259
Cash paid for income taxes	8,944	7,202

Supplemental disclosures of non-cash investing and financing activities:

As of June 30, 2008, accrued purchases of equipment totaled $1,131.

The Company recognized an unrealized loss on derivative instruments of $108, net of tax and an unrealized gain of $29, net of tax, for the two quarters ended June 30, 2008 and July 2, 2007, respectively.

Effective January 1, 2007, the Company adopted the provisions of Financial Account Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48). As a result of the implementation of FIN 48, we recognized a $338 decrease to our liability for unrecognized tax benefits, and a corresponding increase to our January 1, 2007 accumulated retained earnings beginning balance.

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements
(unaudited)
(Dollars and shares in thousands, except per share data)

(1) Nature of Operations and Basis of Presentation

TTM Technologies, Inc. (the Company) is a manufacturer of complex printed circuit boards used in sophisticated electronic equipment and provides backplane and sub-system assembly services for both standard and specialty products in defense and commercial operations. The Company sells to a variety of customers located both within and outside of the United States of America. The Company s customers include both original equipment manufacturers (OEMs) and electronic manufacturing services (EMS) companies. The Company s OEM customers often direct a significant portion of their purchases through EMS companies.

The accompanying consolidated condensed financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s most recent Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Company s consolidated condensed financial statements and accompanying notes. Actual results could differ materially from those estimates. The Company uses a 13-week fiscal quarter accounting period with the first quarter ending on the Monday closest to April 1 and the fourth quarter always ending on December 31. The second quarters ended June 30, 2008 and July 2, 2007 each contained 91 days. The two quarters ended June 30, 2008 and July 2, 2007 contained 182 and 183 days, respectively.

Certain reclassifications of prior years amounts have been made to conform with the current year presentation.

(2) Inventories

Inventories as of June 30, 2008 and December 31, 2007 consist of the following:

	June 30, 2008	December 31, 2007
	(In thousands)	
Raw materials	$ 29,357	$ 23,386
Work-in-process	40,122	35,700
Finished goods	8,869	6,589
	$ 78,348	$ 65,675

(3) Goodwill and Definite-lived Intangibles

As of June 30, 2008 goodwill by operating segment and the components of definite-lived intangibles were as follows:

Goodwill

	December 31, 2007	Foreign Currency Rate Change	June 30, 2008
		(In thousands)	

PCB Manufacturing	$ 117,018	$	$ 117,018
Backplane Assembly	13,108	964	14,072
	$ 130,126	$ 964	$ 131,090

Goodwill in the Backplane Assembly operating segment includes the activity related to a foreign subsidiary which operates in a currency other than the U.S. dollar and therefore reflects a foreign currency change.

TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements (Continued)

Definite-lived Intangibles

	Gross Amount	Accumulated Amortization	Foreign Currency Rate Change	Net Carrying Amount	Weighted Average Amortization Period (Years)
		(In thousands)			
June 30, 2008:					
Strategic customer relationships	$ 35,429	$ (15,507)	$ 245	$ 20,167	12.0
Customer backlog	70	(71)	1		0.7
Licensing agreements	350	(233)		117	3.0
	$ 35,849	$ (15,811)	$ 246	$ 20,284	

The definite-lived intangibles related to strategic customer relationships and customer backlog include that activity related to a foreign subsidiary which operates in a currency other than the U.S. dollar and therefore reflect a foreign currency change.

Amortization expense was $978 and $1,072 for the quarter ended June 30, 2008 and July 2, 2007, respectively, and $1,955 and $2,129 for the two quarters ended June 30, 2008 and July 2, 2007, respectively. Amortization expense related to acquired licensing agreements is classified as cost of goods sold. Estimated aggregate amortization for definite-lived intangible assets for the next five years is as follows:

	(In thousands)
Remaining est. 2008	$ 1,960
2009	3,497
2010	3,164
2011	3,018
2012	2,753
	$ 14,392

(4) Convertible Senior Notes

In May 2008, the Company issued 3.25% Convertible Senior Notes (Convertible Notes) due May 15, 2015, in a public offering for an aggregate principal amount of $175,000. The Convertible Notes bear interest at a rate of 3.25% per annum. Interest will be payable semiannually in arrears on May 15 and November 15 of each year, beginning November 15, 2008. The Convertible Notes are senior unsecured obligations and will rank equally to the Company s future unsecured senior indebtedness and senior in right of payment to any of the Company s future subordinated indebtedness. The Company received proceeds of $169,249 after the deduction of offering expenses of $5,751. These offering expenses are being amortized to interest expense over the term of the Convertible Notes.

Conversion

At any time prior to November 15, 2014, holders may convert their Convertible Notes into cash and, if applicable, into shares of the Company s common stock based on a conversion rate of 62.6449 shares of the Company s common stock per $1 principal amount of Convertible Notes, subject to adjustment, under the following circumstances:
(1) during any calendar quarter beginning after June 30, 2008 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days during the 30 consecutive trading days ending on

the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day of such preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading day period in which the trading price per note for each day of that 10 consecutive trading day period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions described in the prospectus supplement. As of June 30, 2008, none of the conversion criteria had been met.

On or after November 15, 2014 until the close of business on the third scheduled trading day preceding the maturity date, holders may convert their notes at any time, regardless of the forgoing circumstances. Upon conversion, for each $1 principal amount of notes, the Company will pay cash for the lesser of the conversion value or $1 and shares of our common stock, if any, based on a daily conversion value calculated on a proportionate basis for each day of the 60 trading day observation period. Additionally, in the event of a fundamental change as defined in the prospectus supplement, or other conversion rate adjustments such as share splits or combinations, other distributions of shares, cash or other assets to stockholders, including self-tender transactions (Other Conversion Rate Adjustments), the conversion rate may be modified to adjust the number of shares per $1 principal amount of the notes.

The maximum number of shares issuable upon conversion, including the effect of a fundamental change and subject to Other Conversion Rate Adjustments, would be 13,978.

TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements (Continued)

Note Repurchase

The Company is not permitted to redeem the Convertible Notes at any time prior to maturity. In the event of a fundamental change or certain default events, as defined in the prospectus supplement, prior to November 15, 2014, holders may require the Company to repurchase for cash all or a portion of their Convertible Notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest.

Convertible Note Hedge and Warrant Transaction

In connection with the issuance of the Convertible Notes, the Company entered into a convertible note hedge and warrant transaction (Call Spread Transaction), with respect to the Company s common stock. The convertible note hedge, which cost an aggregate $38,257 and was recorded, net of tax, as a reduction of additional paid in capital, consists of the Company s option to purchase up to 10,963 common stock shares at a price of $15.96 per share. This option expires on May 15, 2015 and can only be executed upon the conversion of the above mentioned Convertible Notes. Additionally, the Company sold warrants to purchase 10,963 of the Company s common stock at a price of $18.15. This warrant transaction expires on August 17, 2015. The proceeds from the sale of warrants of $26,197 was recorded as an addition to additional paid in capital. The Call Spread Transaction has no effect on the terms of the Convertible Notes and reduces potential dilution by effectively increasing the conversion price of the Convertible Notes to $18.15 per share of the Company s common stock.

(5) Long-term Debt

The following table summarizes the long-term debt of the Company as of June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
	(In thousands)	
Senior secured term loan	$	$ 85,000
Less current maturities		(40,000)
Long-term debt, less current maturities	$	$ 45,000

In May 2008, the Company paid in full all outstanding balances and terminated all letter of credit arrangements related to the Credit Agreement consisting of a $200,000 senior secured term loan and a $40,000 senior secured revolving loan facility. As of June 30, 2008, the Company has no further obligation or commitment related to this Credit Agreement.

In conjunction with the Credit Agreement, the Company maintained a three-year pay-fixed, receive floating (3-month LIBOR), amortizing interest rate swap arrangement as required by the lender to maintain interest rate protection. The Company designated this interest rate swap as a hedge of the variability of cash flows to be paid (cash flow hedge) and as a result the Company formally assessed, on an ongoing basis, whether the derivative was highly effective in offsetting changes in cash flows of hedged items. To the extent the instrument was considered to be effective, changes in fair value were recorded as a component of accumulated other comprehensive income. To the extent there was any hedge ineffectiveness, changes in fair value relating to the ineffective portion were immediately recognized in earnings as interest expense. No ineffectiveness was recognized for the quarter and two quarters ended June 30, 2008 and July 2, 2007. The impact of the interest rate swap to interest expense during the quarter and two quarters ended June 30, 2008 was a charge of $133 and $331, respectively. For the quarter and two quarters ended July 2, 2007, the Company recognized a benefit of $24 and $43 to interest expense, respectively.

In May 2008, in conjunction with the repayment in full of the outstanding balances related to the Credit Agreement, the interest rate swap was terminated. At termination, the Company realized the amount of unrealized loss on effective cash flow hedges recorded in other comprehensive income and recorded a loss on the settlement of a derivative of $1,194 for the quarter ended June 30, 2008. The loss was recorded as a component of Other income (expense) in the statement of operations.

(6) Income Taxes

Effective January 1, 2007, the Company adopted FIN 48, *Accounting for Uncertainty in Income Taxes An interpretation of FASB Statement No. 109*. Upon adoption of FIN 48, the Company recorded a decrease in the liability for unrecognized tax benefits of $338 and an increase to retained earnings of $338 representing the cumulative effect of the change in accounting principle. No change was recorded in the deferred income tax asset accounts. As of June 30, 2008 and December 31, 2007, unrecognized income tax benefits totaled approximately $373. Of that amount, approximately $373 (net of the federal benefit on state income tax matters) carried in other long-term liabilities represents the amount of unrecognized tax benefits that would, if recognized, reduce the Company s effective income tax rate in any future periods. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements (Continued)

The Company and its subsidiaries are subject to U.S. federal, state, local, and/or foreign income tax, and in the normal course of business its income tax returns are subject to examination by the relevant taxing authorities. The State of California Franchise Tax Board has completed audits of the Company s income tax returns for the 2000 2001 years. The State of Florida Department of Revenue has completed audits of the Company s income tax returns for the 2003 2005 years. As of June 30, 2008, the 2002 2006 tax years remain subject to examination in the U.S. federal tax, various state tax and foreign jurisdictions.

(7) Comprehensive Income

The components of accumulated other comprehensive income generally include foreign currency translation adjustments and realized and unrealized gains and losses on effective cash flow hedges. The computation of comprehensive income was as follows:

	Quarter Ended		Two Quarters Ended	
	June 30, 2008	July 2, 2007	June 30, 2008	July 2, 2007
	(In thousands)			
Net income	$ 9,444	$ 6,184	$ 23,816	$ 14,649
Other comprehensive income:				
Foreign currency translation adjustments, net of $298 and $121 of tax for the quarter ended June 30, 2008 and July 2, 2007, respectively, and $918 and $218 for the two quarters ended June 30, 2008 and July 2, 2007, respectively	513	199	1,563	365
Unrealized gain (loss) on effective cash flow hedges:				
Unrealized gain (loss) on effective cash flow hedges net of tax (benefit)of $214 and $143 for the quarter ended June 30, 2008 and July 2, 2007, respectively, and ($64) and $21 for the two quarters ended June 30, 2008 and July 2, 2007, respectively	363	237	(108)	29
Less: reclassification adjustment for losses realized in net earnings net of tax of $442 for the quarter and two quarters ended June 30, 2008, respectively	752		752	
Net	1,115	237	644	29
Total other comprehensive income, net of tax	1,628	436	2,207	394
Comprehensive income	$ 11,072	$ 6,620	$ 26,023	$ 15,043

(8) Commitments and Contingencies

Legal Matters

Prior to the Company s acquisition of Tyco Printed Circuit Group (PCG) in October 2006, PCG made legal commitments to the U.S. Environmental Protection Agency (U.S. EPA) and the State of Connecticut regarding settlement of enforcement actions against the PCG operations in Connecticut. On August 17, 2004, PCG was sentenced for Clean Water Act violations and was ordered to pay a $6,000 fine and an additional $3,700 to fund environmental projects designed to improve the environment for Connecticut residents. In September 2004, PCG agreed to a stipulated judgment with the Connecticut Attorney General s office and the Connecticut Department of Environmental Protection (DEP) under which PCG paid a $2,000 civil penalty and agreed to implement capital improvements of $2,400 to reduce the volume of rinse water discharged from its manufacturing facilities in Connecticut. The obligations to the U.S. EPA include the fulfillment of a Compliance Management Plan until at least July 2009. The obligations to Connecticut DEP include the installation of rinse water recycling systems at the Stafford, Connecticut, facilities. As of June 30, 2008, approximately $535 remains to be expended in the form of capital improvements to meet the rinse water recycling systems requirements. The Company has assumed these legal commitments as part of its purchase of PCG. Failure to meet either commitment could result in further costly enforcement actions, including exclusion from participation in federal contracts.

The Company is subject to various other legal matters, which it considers normal for its business activities. While the Company currently believes that the amount of any ultimate potential loss for known matters would not be material to the Company s financial condition, the outcome of these actions is inherently difficult to predict. In the event of an adverse outcome, the ultimate potential loss could have a material adverse effect on the Company s financial condition or results of operations in a particular period. The Company has accrued amounts for its loss contingencies which are probable and estimable at June 30, 2008 and December 31, 2007.

TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements (Continued)

Environmental Matters

The process to manufacture printed circuit boards requires adherence to city, county, state and federal environmental regulations regarding the storage, use, handling and disposal of chemicals, solid wastes and other hazardous materials as well as air quality standards. Management believes that its facilities comply in all material respects with environmental laws and regulations. The Company has in the past received certain notices of violations and has been required to engage in certain minor corrective activities. There can be no assurance that violations will not occur in the future.

The Company is involved in various stages of investigation and cleanup related to environmental remediation matters at two Connecticut sites, and the ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. The Company has also investigated a third Connecticut site as a result of the PCG acquisition under Connecticut s Land Transfer Act. The Company concluded that it was probable that it would incur remedial costs of approximately $845 and $879 as of June 30, 2008 and December 31, 2007, respectively, the liability for which is included in other long-term liabilities. This accrual was discounted at 8% per annum based on the Company s best estimate of the liability, which the Company estimated as ranging from $839 to $1,274 on an undiscounted basis. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties and none are estimated. These costs are mostly comprised of estimated consulting costs to evaluate potential remediation requirements, completion of the remediation, and monitoring of results achieved. As of June 30, 2008, the Company anticipates paying these costs ratably over the next 12 to 84 months, which timeframes vary by site. Subject to the imprecision in estimating future environmental remediation costs, the Company does not expect the outcome of the environmental remediation matters, either individually or in the aggregate, to have a material adverse effect on its financial position, results of operations, or cash flows.

Standby Letter of Credit

The Company maintains a $1,000 standby letter of credit related to the lease of one of its production facilities. The standby letter of credit expires on May 1, 2009.

(9) Earnings Per Share

The following is a reconciliation of the numerator and denominator used to calculate basic earnings per share and diluted earnings per share for the quarter and two quarters ended June 30, 2008 and July 2, 2007:

	Quarter Ended		Two Quarters Ended	
	June 30, 2008	July 2, 2007	June 30, 2008	July 2, 2007
	(In thousands, except per share amounts)			
Net Income	$ 9,444	$ 6,184	$ 23,816	$ 14,649
Weighted Average Shares issued	42,676	42,199	42,553	42,174
Dilutive effect of options	404	297	355	273
Diluted shares	43,080	42,496	42,908	42,447
Earnings per share:				
Basic	$ 0.22	$ 0.15	$ 0.56	$ 0.35

Dilutive	$ 0.22	$ 0.15	$ 0.56	$ 0.35

Stock options and restricted stock units to purchase 1,540 and 1,846 shares of common stock for the quarter ended June 30, 2008 and July 2, 2007, respectively, and 2,006 and 2,189 shares of common stock for the two quarters ended June 30, 2008 and July 2, 2007, respectively, were not considered in calculating diluted earnings per share because the effect would be anti-dilutive.

Additionally, for the quarter and two quarters ended June 30, 2008, the effect of 10,963 shares of common stock related to the Company s Convertible Notes and the effect of 21,926 of warrants to purchase shares of the Company s common stock were not included in the computation of dilutive earnings per share because the conversion or purchase criteria had not been met as of June 30, 2008.

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TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements (Continued)

(10) Stock-Based Compensation

For the quarters ended June 30, 2008 and July 2, 2007, the Company recorded $885 and $626, respectively, of stock-based compensation expense, net of tax. For the two quarters ended June 30, 2008 and July 2, 2007, the Company recorded $1,561 and $1,131, respectively, of stock-based compensation expense, net of tax. stock-based compensation expense is recognized in the accompanying consolidated condensed statements of operations as follows:

	Quarter Ended		Two Quarters Ended	
	June 30, 2008	July 2, 2007	June 30, 2008	July 2, 2007
	(In thousands)			
Cost of goods sold	$ 390	$ 255	$ 623	$ 443
Selling and marketing	118	48	191	98
General and administrative	970	581	1,655	1,004
Stock-based compensation expense recognized	$ 1,478	$ 884	$ 2,469	$ 1,545
Income tax benefit recognized	(593)	(258)	(908)	(414)
Total stock-based compensation expense after income taxes	$ 885	$ 626	$ 1,561	$ 1,131

The Company did not grant any stock option awards during the quarter ended June 30, 2008 and granted 110 stock option awards during the two quarters ended June 30, 2008 with an estimated weighted average fair value per share option of $6.81. No stock options were granted by the Company for the quarter and two quarters ended July 2, 2007. The fair value for stock options granted is calculated using the Black-Scholes option-pricing model on the date of grant. For the two quarters ended June 30, 2008 the following assumptions were used in determining the fair value:

Risk-free interest rate	2.9%
Dividend yield	%
Expected volatility	69%
Expected term in months	66

The Company determines the expected term of its stock option awards separately for employees and directors based on a periodic review of its historical stock option exercise experience. This calculation excludes pre-vesting forfeitures and uses assumed future exercise patterns to account for option holders expected exercise and post-vesting termination behavior for outstanding stock options over their remaining contractual terms. Expected volatility is calculated by weighting the Company s historical stock price to calculate expected volatility over the expected term of each grant. The risk-free interest rate for the expected term of each option granted is based on the U.S. Treasury yield curve in effect at the time of grant. As of June 30, 2008, $3,150 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1 year.

Additionally, the Company also granted 28 and 27 of restricted stock units for the quarters ended June 30, 2008 and July 2, 2007, respectively, and 502 and 499 for the two quarters ended June 30, 2008 and April 2, 2007, respectively. The units granted were estimated to have a weighted-average fair value per unit of $13.98 and $12.80 for the quarters ended June 30, 2008 and July 2, 2007, respectively, and $11.46 and $10.70 for the two quarters ended June 30, 2008 and July 2, 2007, respectively. The fair value for restricted stock units granted during the period is based on the closing share price on the date of grant. As of June 30, 2008, $6,837 of total unrecognized compensation cost related to restricted stock units is expected to be recognized over a weighted-average period of 1.1 years.

(11) Concentration of Credit Risk

In the normal course of business, the Company extends credit to its customers, which are concentrated primarily in the computer and electronics instrumentation and aerospace/defense industries, and some of which are located outside the United States. The Company performs ongoing credit evaluations of customers and does not require collateral. The Company also considers the credit risk profile of the entity from which the receivable is due in further evaluating collection risk.

As of June 30, 2008 and December 31, 2007, the Company s 10 largest customers in the aggregate accounted for 53% and 49%, respectively, of total accounts receivable. If one or more of the Company s significant customers were to become insolvent or were otherwise unable to pay for the manufacturing services provided, it would have a material adverse effect on the Company s financial condition and results of operations.

(12) Segment Information

The operating segments reported below are the Company s segments for which separate financial information is available and upon which operating results are evaluated by the chief operating decision maker on a timely basis to assess performance and to allocate

TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements (Continued)

resources. The Company has two reportable segments: PCB Manufacturing and Backplane Assembly. These reportable segments are each managed separately as they distribute and manufacture distinct products with different production processes. Each reportable segment operates predominately in the same industry with production facilities that produce similar customized products for its customers and use similar means of product distribution. PCB Manufacturing fabricates printed circuit boards, and Backplane Assembly is a contract manufacturing business that specializes in assembling backplanes and sub-system assemblies.

The Company evaluates segment performance based on operating segment income, which is operating income before amortization of intangibles. Interest expense and interest income are not presented by segment since they are not included in the measure of segment profitability reviewed by the chief operating decision maker. All inter-company transactions, including sales of PCBs from the PCB Manufacturing segment to the Backplane Assembly segment, have been eliminated.

	Quarter Ended		Two Quarters Ended	
	June 30, 2008	July 2, 2007	June 30, 2008	July 2, 2007
	(In thousands)			
Net Sales:				
PCB Manufacturing	$ 149,596	$ 138,651	$ 298,301	$ 290,802
Backplane Assembly	31,160	32,164	63,730	65,821
Total sales	180,756	170,815	362,031	356,623
Inter-company sales	(7,781)	(8,799)	(14,985)	(17,710)
Total net sales	$ 172,975	$ 162,016	$ 347,046	$ 338,913
Operating Segment Income:				
PCB Manufacturing	$ 17,780	$ 12,019	$ 40,459	$ 28,386
Backplane Assembly	2,225	2,086	4,929	4,538
Total operating segment income	20,005	14,105	45,388	32,924
Amortization of intangibles	(950)	(1,046)	(1,897)	(2,071)
Total operating income	19,055	13,059	43,491	30,853
Total other expense	(4,131)	(3,132)	(5,682)	(7,471)
Income before income taxes	$ 14,924	$ 9,927	$ 37,809	$ 23,382

The Company s customers include both OEMs and EMS companies. The Company s OEM customers often direct a significant portion of their purchases through EMS companies.

For the quarter and two quarters ended June 30, 2008 one customer accounted for approximately 13% of net sales. For the quarter and two quarters ended July 2, 2007 no single customer accounted for more than 10% of net sales. Sales to our 10 largest customers for the quarter ended June 30, 2008 and July 2, 2007 were 51% and 43%, respectively. Sales to our 10 largest customers for the two quarters ended June 30, 2008 and July 2, 2007 were 49% and 44% of net sales, respectively. The loss of one or more major customers or a decline in sales to the Company s major customers would have a material adverse effect on the Company s financial condition and results of operations.

(13) Metal Reclamation

During the first quarter of 2008, the Company recognized $3,700 of income related to a pricing reconciliation of metal reclamation activity attributable to a single vendor. As a result of the pricing reconciliation, the Company discovered that the vendor had inaccurately compensated the Company for gold reclamations over the last several years.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated condensed financial statements and the related notes and the other financial information included in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of specified factors, including those set forth in Item 1A Risk Factors of Part II below and elsewhere in this Quarterly Report on Form 10-Q.

This discussion and analysis should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in our annual report on Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission.

Overview

We are a one-stop provider of time-critical and technologically complex printed circuit boards (PCBs) and backplane assemblies, which serve as the foundation of sophisticated electronic products. We serve high-end commercial and aerospace/defense markets including the networking/communications infrastructure, high-end computing, defense, and industrial/medical markets which are characterized by high levels of complexity and moderate production volumes. Our customers include original equipment manufacturers (OEMs), electronic manufacturing services (EMS) providers, and aerospace/defense companies. Our time-to-market and high technology focused manufacturing services enable our customers to reduce the time required to develop new products and bring them to market.

We measure customers as those companies that have placed at least two orders in the preceding 12-month period. We had approximately 900 customers as of June 30, 2008 and July 2, 2007. Sales to our 10 largest customers accounted for 51% of our net sales in the second quarter ended June 30, 2008, and 43% of our net sales in the second quarter ended July 2, 2007. Sales to our 10 largest customers for the two quarters ended June 30, 2008 and July 2, 2007 were 49% and 44% of net sales, respectively. We sell to OEMs both directly and indirectly through EMS companies. Sales attributable to our five largest OEM customers accounted for approximately 29% and 23% of our net sales in the quarter ended June 30, 2008 and July 2, 2007, respectively.

The following table shows the percentage of our net sales attributable to each of the principal end markets we served for the periods indicated.

	Quarter ended		Two Quarters Ended	
End Markets(1)	**June 30, 2008**	**July 2, 2007**	**June 30, 2008**	**July 2, 2007**
Networking/Communications	40%	42%	41%	43%
Aerospace/Defense	36	30	35	28
Computing/Storage/Peripherals	11	15	12	14
Medical/Industrial/Instrumentation/Other	13	13	12	15
Total	100%	100%	100%	100%

(1) Sales to EMS companies are classified by the end markets of their OEM customers.

For PCBs we measure the time sensitivity of our products by tracking the quick-turn percentage of our work. We define quick-turn orders as those with delivery times of 10 days or less, which typically captures research and development, prototype, and new product introduction work, in addition to unexpected short-term demand among our customers. Generally, we quote prices after we receive the design specifications and the time and volume requirements from our customers. Our quick-turn services command a premium price as compared to standard lead time products. Quick-turn orders decreased from approximately 17% of net PCB sales for the quarter ended July 2, 2007 to 13% of net PCB sales for the quarter ended June 30, 2008, due to the increasingly complex nature of our quick-turn work, which requires more time to manufacture, thereby extending some of these orders beyond the 10 day delivery window. We also deliver a large percentage of compressed lead-time work with lead times of 11 to 20 days. We receive a premium price for this work as well. Purchase orders may be cancelled prior to shipment. We charge customers a fee, based on percentage completed, if an order is cancelled once it has entered production.

We derive revenues primarily from the sale of printed circuit boards and backplane assemblies using customer-supplied engineering and design plans. We recognize revenues when persuasive evidence of a sales arrangement exists, the sales terms are fixed and determinable, title and risk of loss have transferred, and collectibility is reasonably assured generally when products are shipped to the customer. Net sales consist of gross sales less an allowance for returns, which typically has been approximately 2% of gross sales. We provide our customers a limited right of return for defective printed circuit boards and backplane assemblies. We record an estimated amount for sales returns and allowances at the time of sale based on historical information.

Cost of goods sold consists of materials, labor, outside services, and overhead expenses incurred in the manufacture and testing of our products as well as stock-based compensation expense. Many factors affect our gross margin, including capacity utilization, product mix, production volume, and yield. We do not participate in any significant long-term contracts with suppliers, and, generally, we believe there are a number of potential suppliers for the raw materials and components we use.

Selling and marketing expenses consist primarily of salaries and commissions paid to our internal sales force and independent sales representatives, salaries paid to our sales support staff, stock-based compensation expense as well as costs associated with marketing materials and trade shows. We generally pay higher commissions to our independent sales representatives for quick-turn work, which generally has a higher gross profit component than standard lead-time work.

General and administrative costs primarily include the salaries for executive, finance, accounting, information technology, facilities and human resources personnel, as well as insurance expenses, expenses for accounting and legal assistance, incentive compensation expense, stock-based compensation expense, and bad debt expense.

Critical Accounting Policies and Estimates

Our consolidated condensed financial statements included in this report have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management has discussed the development, selection, and disclosure of these estimates with the audit committee of our board of directors. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies for which significant judgments and estimates are made include asset valuation related to bad debts and inventory obsolescence; sales returns and allowances; impairment of long-lived assets, including goodwill and intangible assets; realizability of deferred tax assets; determining stock-based compensation expense, self-insured medical reserves, asset retirement obligations, and environmental liabilities.

Allowance for Doubtful Accounts

We provide customary credit terms to our customers and generally do not require collateral. We perform ongoing credit evaluations of the financial condition of our customers and maintain an allowance for doubtful accounts based upon historical collections experience and expected collectibility of accounts. Our actual bad debts may differ from our estimates.

Inventories

In assessing the realization of inventories, we are required to make judgments as to future demand requirements and compare these with current and committed inventory levels. Provision is made to reduce excess and obsolete inventories to their estimated net realizable value. Our inventory requirements may change based on our projected customer demand, changes due to market conditions, technological and product life cycle changes, longer or shorter than expected usage periods, and other factors that could affect the valuation of our inventories. We maintain certain finished goods inventories near certain key customer locations in accordance with agreements. Although this inventory is typically supported by valid purchase orders, should these customers ultimately not purchase these inventories, our results of operations and financial condition would be adversely affected.

Revenue Recognition

We derive revenues primarily from the sale of printed circuit boards and backplane assemblies using customer-supplied engineering and design plans and recognize revenues when persuasive evidence of a sales arrangement exists, the sales terms are fixed and determinable, title and risk of loss have transferred, and collectibility is reasonably assured generally when products are shipped to the customer. We provide our customers a limited right of return for defective printed circuit boards and backplane assemblies. We accrue an estimated amount for sales returns and allowances at the time of sale based on historical information. To the extent actual experience varies from our historical experience, revisions to these allowances may be required.

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Long-lived Assets

We have significant long-lived tangible and intangible assets consisting of property, plant and equipment, definite-lived intangibles, and goodwill. We review these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In addition, we perform an impairment test related to goodwill at least annually. Our goodwill and intangibles are largely attributable to our acquisitions of other businesses. During the fourth quarter 2007, we performed an impairment assessment of our goodwill, which requires the use of a fair-value based analysis and determined that no impairment existed. At June 30, 2008, we determined that there were no events or changes in circumstances that indicated that the carrying amount of long-lived tangible assets and definite-lived intangible assets may not be recoverable. We use an estimate of the future undiscounted net cash flows in measuring whether our long-lived tangible assets and definite-lived intangible assets are recoverable. If forecasts and assumptions used to support the realizability of our long-lived assets change in the future, significant impairment charges could result that would adversely affect our results of operations and financial condition.

Income Taxes

Deferred income tax assets are reviewed for recoverability, and valuation allowances are provided, when necessary, to reduce deferred tax assets to the amounts expected to be realized. At June 30, 2008 and December 31, 2007, we have net deferred income tax assets of $14.7 million and $4.4 million, respectively. In addition, we record income tax provision or benefit during interim periods at a rate that is based on expected results for the full year. If future changes in market conditions cause actual results for the year to be more or less favorable than those expected, adjustments to the effective income tax rate could be required.

Stock-Based Awards

We adopted the fair value recognition provisions of SFAS No. 123R, *Share-Based Payments*, (SFAS 123R) using the modified prospective transition method. Under this method we recognize compensation expense net of an estimated forfeiture rate and only recognize compensation cost for those shares expected to vest over the requisite service period of the award using a straight-line method.

We estimate the value of stock-based restricted stock unit awards on the date of grant using the closing share price. We estimate the value of stock-based option awards on the date of grant using the Black-Scholes option pricing model. Calculating the fair value of stock-based option payment awards requires the input of highly subjective assumptions, including the expected term of the share-based payment awards and expected stock price volatility. The expected term represents the average time that options that vest are expected to be outstanding. The expected volatility rates are estimated based on a weighted average of the historical volatilities of our common stock. The assumptions used in calculating the fair value of share-based payment awards represent our best estimates, but these estimates involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We have currently estimated our forfeiture rate to be 8 percent. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. For the quarters ended June 30, 2008 and July 2, 2007, stock-based compensation expense was $0.9 million and $0.6 million, respectively, net of tax. For the two quarters ended June 30, 2008 and July 2, 2007, stock-based compensation expense was $1.6 million and $1.1 million, respectively, net of tax. At June 30, 2008, total unrecognized estimated compensation expense related to non-vested stock options was $3.2 million, which is expected to be recognized over a weighted-average period of 1 year. At June 30, 2008, $6.8 million of total unrecognized compensation cost related to restricted stock units is expected to be recognized over a weighted-average period of 1.1 years.

Self Insurance

We are self-insured for group health insurance benefits provided to our employees, and we purchase insurance to protect against claims at the individual and aggregate level. The insurance carrier adjudicates and processes employee claims and is paid a fee for these services. We reimburse our insurance carrier for paid claims subject to variable monthly limitations. We estimate our exposure for claims incurred but not paid at the end of each reporting period and use historical information supplied by our insurance carrier and broker on an annual basis to estimate our liability for these claims. This liability is subject to an aggregate stop-loss that varies based on employee enrollment and factors that are established at each annual contract renewal. Our actual claims experience may differ from our estimates.

Asset Retirement Obligation and Environmental Liabilities

We establish liabilities for the costs of asset retirement obligations when a legal or contractual obligation exists to dispose of or restore an asset upon its retirement and the timing and cost of such work is reasonably estimable. We record such liabilities only when such timing and costs are reasonably determinable. In addition, we accrue an estimate of the costs of environmental remediation for work at identified sites where an assessment has indicated it is probable that cleanup costs are or will be required and may be reasonably estimated. In making these estimates, we consider information that is currently available, existing technology, enacted laws and regulations, and our estimates of the timing of the required remedial actions, and we discount these estimates at 8 percent. We also are required to estimate the amount of any probable recoveries, including insurance recoveries.

Results of Operations

Quarter and Two Quarters Ended June 30, 2008 Compared to Quarter and Two Quarters Ended July 2, 2007

There were 91 days in both of the quarters ended June 30, 2008 and July 2, 2007 and 182 and 183 days in the two quarters ended June 30, 2008 and July 2, 2007, respectively.

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The following table sets forth statement of operations data expressed as a percentage of net sales for the periods indicated:

	Quarter Ended		Two Quarters Ended	
	June 30, 2008	July 2, 2007	June 30, 2008	July 2, 2007
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	78.9	81.8	78.6	81.0
Gross profit	21.1	18.2	21.4	19.0
Operating (income) expenses:				
Selling and marketing	4.5	4.6	4.5	4.5
General and administrative	5.1	4.9	4.9	4.8
Amortization of definite-lived intangibles	0.5	0.6	0.6	0.6
Metal reclamation			(1.1)	
Total operating expenses	10.1	10.1	8.9	9.9
Operating income	11.0	8.1	12.5	9.1
Other income (expense):				
Interest expense	(1.9)	(2.1)	(1.5)	(2.5)
Interest income	0.2	0.1	0.1	0.3
Other, net	(0.7)		(0.2)	
Total other expense, net	(2.4)	(2.0)	(1.6)	(2.2)
Income before income taxes	8.6	6.1	10.9	6.9
Income tax provision	(3.1)	(2.3)	(4.0)	(2.6)
Net income	5.5%	3.8%	6.9%	4.3%

The Company has two reportable segments: PCB Manufacturing and Backplane Assembly. These reportable segments are managed separately because they distribute and manufacture distinct products with different production processes. PCB Manufacturing fabricates printed circuit boards. Backplane Assembly is a contract manufacturing business that specializes in assembling backplanes into sub-assemblies and other complete electronic devices. PCB Manufacturing customers are either EMS or OEM companies, while Backplane Assembly customers are usually OEMs. Our Backplane Assembly segment includes our Hayward, California and Shanghai, China plants and our Ireland sales and distribution infrastructure. Our PCB Manufacturing segment is composed of eight domestic PCB fabrication plants, and a facility which provides follow on value-added services primarily for one of the PCB Manufacturing plants. The following table compares net sales by reportable segment for the quarters and two quarters ended June 30, 2008, and July 2, 2007:

	Quarter Ended		Two Quarters Ended	
	June 30, 2008	July 2, 2007	June 30, 2008	July 2, 2007
	(In thousands)			
Net sales:				

PCB Manufacturing	$ 149,596	$ 138,651	$ 298,301	$ 290,802
Backplane Assembly	31,160	32,164	63,730	65,821
Total sales	180,756	170,815	362,031	356,623
Inter-company sales	(7,781)	(8,799)	(14,985)	(17,710)
Total net sales	$ 172,975	$ 162,016	$ 347,046	$ 338,913

Net Sales

Net sales increased $11.0 million, or 6.8%, from $162.0 million for the quarter ended July 2, 2007 to $173.0 million for the quarter ended June 30, 2008 due to increased demand from key networking and aerospace/defense customers. The $11.0 million revenue increase reflects increased net sales at our PCB Manufacturing facilities, partially offset by lower net sales in our Backplane Assembly operations. PCB sales volume increased approximately 1% due to the aforementioned increased demand from key networking and aerospace/defense customers. Additionally, prices rose approximately 9% due to a shift in production mix toward more high technology production. Our quick-turn production, which we measure as orders placed and shipped within 10 days, decreased from 17% of net PCB sales for the quarter ended July 2, 2007 to 13% of net PCB sales for the quarter ended June 30, 2008. The increasingly complex nature of our quick-turn work requires more time to manufacture, thereby extending some of these orders beyond the 10 day delivery window.

Net sales increased $8.1 million, or 2.4%, from $338.9 million for the two quarters ended July 2, 2007 to $347.0 million for the two quarters ended June 30, 2008 due to increased demand from key networking and aerospace/defense customers, as mentioned above, partially offset by the closure of our Dallas, Oregon facility in April 2007. The Dallas, Oregon facility contributed approximately $11.8 million of revenue to the PCB Manufacturing segment during the two quarters ended 2007. Excluding revenue derived from our Dallas, Oregon facility, the $19.9 million revenue improvement reflects increased net sales at our other PCB Manufacturing facilities, partially offset by lower net sales in our Backplane Assembly operations. PCB sales volume declined approximately 9% for the two quarters ended June 30, 2008 as compared to the two quarters ended July 2, 2007, due to the closure of our Dallas facility, however prices rose approximately 14% due to a shift in production mix toward more high technology production. Our quick-turn production, which we measure as orders placed and shipped within 10 days, decreased from 16% of net PCB sales for the two quarters ended July 2, 2007 to 12% of net PCB sales for the two quarters ended June 30, 2008. The increasingly complex nature of our quick-turn work requires more time to manufacture, thereby extending some of these orders beyond the 10 day delivery window.

Cost of Goods Sold

Cost of goods sold increased $3.9 million, or 2.9%, from $132.5 million for the quarter ended July 2, 2007 to $136.4 million for the quarter ended June 30, 2008. Cost of goods sold increased mainly due to higher PCB production. As a percentage of net sales, cost of goods sold decreased from 81.8% for the quarter ended July 2, 2007 to 78.9% for the quarter ended June 30, 2008, primarily due to more units produced to share fixed costs, improved yields, and higher pricing.

Cost of goods sold decreased $1.7 million, or 0.6%, from $274.6 million for the two quarters ended July 2, 2007 to $272.9 million for the two quarters ended June 30, 2008. Cost of goods sold decreased mainly due to lower PCB production following the closure of the Dallas, Oregon facility in 2007, as well as lower cost content in our Backplane Assembly products. As a percentage of net sales, cost of goods sold decreased from 81.0% for the two quarters ended July 2, 2007 to 78.6% for the two quarters ended June 30, 2008, primarily due to more units produced to share fixed costs, improved yields, higher pricing, as mentioned above, and lower cost content in our Backplane Assembly products.

Gross Profit

As a result of the foregoing, gross profit increased $7.1 million, or 24.1%, from $29.5 million for the quarter ended July 2, 2007 to $36.6 million for the quarter ended June 30, 2008 with gross margin increasing from 18.2% for the quarter ended July 2, 2007 to 21.1% for the quarter ended June 30, 2008. Additionally, gross profit increased $9.9 million, or 15.4%, from $64.3 million for the two quarters ended July 2, 2007 to $74.2 million for the two quarters ended June 30, 2008 with gross margin increasing from 19.0% for the two quarters ended July 2, 2007 to 21.4% for the two quarters ended June 30, 2008. The increase in our gross margin for the quarter and two quarters ended June 30, 2008 was due to more units produced to share fixed costs, improved yields, and higher pricing as well as lower cost content in our Backplane Assembly products.

Printed circuit board manufacturing is a multi-step process that requires a certain level of equipment and staffing for even minimal production volumes. As production increases, our employees are able to work more efficiently and produce more printed circuit boards without incurring proportionally more costs. However, at higher capacity utilization rates, additional employees and capital may be required.

Selling and Marketing Expenses

Selling and marketing expenses increased $0.2 million, or 2.6%, from $7.6 million for the quarter ended July 2, 2007 to $7.8 million for the quarter ended June 30, 2008. Additionally, selling and marketing expenses increased $0.4 million, or 2.6%, from $15.1 million for the two quarters ended July 2, 2007 to $15.5 million for the two quarters ended June 30, 2008. The increase for the quarter and two quarters ended June 30, 2008 is primarily due to increased labor expenses partially offset by lower commission expense due to reduced quick-turn work. As a percentage of net sales, selling and marketing expenses remained consistent at 4.5% for the quarter ended June 30, 2008 compared to 4.6% for the quarter ended July 2, 2007 and 4.5% for the two quarter periods in 2008 and 2007.

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General and Administrative Expense

General and administrative expenses increased $0.9 million from $7.9 million, or 4.9% of net sales, for the quarter ended July 2, 2007 to $8.8 million, or 5.1% of net sales, for the quarter ended June 30, 2008. The increase in expenses resulted primarily from higher incentive bonus expense and stock-based compensation expense for restricted stock and stock option awards.

General and administrative expenses increased $0.8 million from $16.2 million, or 4.8% of net sales, for the two quarters ended July 2, 2007 to $17.0 million, or 4.9% of net sales, for the two quarters ended June 30, 2008. The increase in expenses resulted primarily from higher incentive bonus expense and stock-based compensation expense for restricted stock and stock option awards, partially offset by lower accounting, consulting, and bad debt expenses. Accounting and consulting fees were higher in 2007 due to the completion of and integration of the PCG acquisition.

Amortization of Definite-lived Intangibles

Amortization expense related to definite-lived intangibles remained consistent at $1.0 million, or 0.6% and 0.5% of net sales, respectively, for the quarters ended July 2, 2007 and June 30, 2008. Additionally, amortization expense related to definite-lived intangibles decreased $0.2 million from $2.1 million, or 0.6% of net sales, for the quarter and two quarters ended July 2, 2007 to $1.9 million, or 0.6% of net sales, for the two quarters ended June 30, 2008. The decrease in amortization expense for the quarter and two quarter period is primarily due to the gradual decline in strategic customer relationship intangibles related to the PCG acquisition in October 2006.

Metal Reclamation

During the first quarter of 2008, we recognized $3.7 million of income related to a pricing reconciliation of metal reclamation activity attributable to a single vendor. As a result of the pricing reconciliation, we discovered that the vendor had inaccurately compensated us for gold reclamations over the last several years. While pricing reconciliations of this nature occur periodically, we do not expect to recognize a similar amount in future periods.

Other Income (Expense)

Other expense, net increased $1.0 million from $3.1 million for the quarter ended July 2, 2007 to $4.1 million for the quarter ended June 30, 2008. The net increase consists $1.1 million increase in other, net and a $0.1 million decrease in interest expense. The increase is other, net was primarily driven by the realized loss on the settlement of a derivative of $1.2 million associated with the repayment in full of the Credit Agreement in May, 2008. Interest expense includes debt service interest costs and the amortization of related debt issuance costs. Interest expense decreased $0.1 million as debt service interest expense declined $1.1 million from overall lower outstanding Credit Agreement debt balances and were substantially offset by the increase of debt issuance costs, primarily driven by the full amortization of remaining debt issuance costs associated with our repayment in full of the Credit Agreement.

Other expense decreased by $1.8 million from $7.5 million for the two quarters ended July 2, 2007 to $5.7 million for the two quarters ended June 30, 2008. The net decreased consists of a $3.4 million decrease in interest expense, offset by a $0.6 million decrease in interest income and a $1.0 million increase in other, net. Similar to the quarter, interest expense for the two quarters includes debt service interest costs and the amortization of related debt issuance costs. Debt service interest and related debt issuance costs for the two quarters ended June 30, 2008 decreased by $3.1 and $0.3 million, respectively as compared to the two quarters ended July 2, 2007, resulting from overall lower outstanding Credit Agreement debt balances and our repayment in full of the Credit Agreement in May, 2008. This decrease was offset by the decrease in interest income of $0.6 million resulting from lower balances in cash and cash equivalents and the increase in other, net of $1.0 million related to the realized loss on the settlement of a derivative of $1.2 million during the quarter ended June 30, 2008 also associated with the repayment in full of the credit Agreement.

Income Tax Provision

The provision for income taxes increased $1.8 million from $3.7 million for the quarter ended July 2, 2007 to $5.5 million for the quarter ended June 30, 2008. Our effective tax rate was 36.7% in the quarter ended June 30, 2008 and 37.7% for the quarter ended July 2, 2007. Additionally, the provision for income taxes increased $5.3 million from $8.7 million for the two quarters ended July 2, 2007 to $14.0 million for the two quarters ended June 30, 2008. Our effective tax rate was 37.0% in the two quarters ended June 30, 2008 and 37.3% for the two quarters ended July 2, 2007. The increase in the provision is due to the increase in pretax income. The decrease in our effective tax rate is due to exercise of stock options. Our effective tax rate is primarily impacted by the federal income tax rate, apportioned state income tax rates, utilization of other credits and deductions available to us, and certain non-deductible items.

Liquidity and Capital Resources

Our principal sources of liquidity have been cash provided by operations, the issuance of Convertible Senior Notes (Convertible Notes), and employee exercises of stock options. Our principal uses of cash have been to meet debt service requirements, finance capital expenditures, and fund working capital requirements. We anticipate that servicing debt, funding working capital requirements, financing capital expenditures, and potential acquisitions will continue to be the principal demands on our cash in the future.

As of June 30, 2008, we had net working capital of approximately $249.9 million, compared to $98.8 million as of December 31, 2007. The increase in working capital is primarily attributable to the growth in cash balances resulting from the Convertible Notes offering during the current quarter ended June 30, 2008.

Our 2008 capital expenditure plan is expected to total approximately $23 million and will fund capital equipment purchases to increase capacity and expand our technological capabilities at certain of our facilities.

The following table provides information on contractual obligations as of June 30, 2008 (in thousands):

Contractual Obligations(1)(2)	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Operating leases	$ 7,585	$ 3,126	$ 2,652	$ 664	$ 1,143
Debt obligations	175,000				175,000
Interest on debt obligations	39,828	5,703	11,375	11,375	11,375
Purchase obligations	582	582			
Total contractual obligations	$ 222,995	$ 9,411	$ 14,027	$ 12,039	$ 187,518

(1) FIN 48 unrecognized tax benefits of $0.4 million are not included in the table above as we are not sure when the amount will be paid.

(2) Environmental liabilities of $0.8 million, not included in the table above, are accrued and recorded as long-term liabilities in the consolidated balance sheet.

In connection with the 2006 PCG acquisition, the Company is involved in various stages of investigation and cleanup related to environmental remediation at two Connecticut sites and is obligated to investigate a third Connecticut site. The Company currently estimates that it will incur remediation costs of $0.8 million over the next 12 to 84 months related to these matters. In addition, the Company has obligations to the Connecticut Department of Environmental Protection to make certain environmental asset improvements to the waste water treatment systems in two Connecticut plants. These costs are estimated to be $0.5 million and have been considered in our capital expenditures plan for 2008. Lastly, we are required to maintain a compliance management plan through July 2009 under a compliance agreement with the U.S. Environmental Protection Plan, assumed from Tyco.

Based on our current level of operations, we believe that cash generated from operations, proceeds from the issuance of Convertible Notes and available cash will be adequate to meet our currently anticipated debt service, capital expenditure, and working capital needs for the next 12 months. Our principal liquidity needs for periods beyond the next 12 months are to meet debt service requirements, including interest payments, as well as for other contractual obligations as indicated in our contractual obligations table above and for capital purchases under our annual capital expenditure plan.

Net cash provided by operating activities was $33.7 million for the two quarters ended June 30, 2008, compared to $42.0 million for the two quarters ended July 2, 2007. Our two quarters ended June 30, 2008 operating cash flow of $33.7 million reflects net income of $23.8 million, $14.8 million of depreciation and amortization, $2.5 million of stock-based compensation, and a decrease in net deferred income tax assets of $3.0 million, offset by a net increase in working capital of $10.4 million.

Net cash used in investing activities was $9.1 million for the two quarters ended June 30, 2008, compared to cash provided of $3.8 million for the two quarters ended July 2, 2007. For the two quarters ended June 30, 2008, we made purchases of approximately $9.2 million of property, plant, and equipment.

Net cash provided by financing activities was $74.7 million for the two quarters ended June 30, 2008, compared to a use of cash of $79.9 million for the two quarters ended July 2, 2007. This primarily reflects cash proceeds from the issuance of Convertible Notes of $175.0 million, proceeds from warrants of $26.2 million and exercises of employee stock options of $2.3 million, partially offset by debt repayment of $85.0 million, payment for the convertible note hedge of $38.3 million and debt issuance costs of $5.8 million.

In May 2008, we issued 3.25% Convertible Notes due May 15, 2015, in a public offering with an aggregate principal amount of $175.0 million. The Convertible Notes bear interest at a rate of 3.25% per annum. Interest will be payable semiannually in arrears on May 15 and November 15 of each year, beginning November 15, 2008. The Convertible Notes are senior unsecured obligations and will rank equally to our future unsecured senior indebtedness and senior in right of payment to any of our future subordinated indebtedness. We received proceeds of $169.2 million after the deduction of offering expenses of $5.8 million. These offering expenses are being amortized to interest expense over the term of the Convertible Notes.

At any time prior to November 15, 2014, holders may convert their Convertible Notes into cash and, if applicable, into shares of our common stock based on a conversion rate of 62.6449 shares of our common stock per $1,000 principal amount of Convertible Notes, subject to adjustment, under the following circumstances: (1) during any calendar quarter beginning after June 30, 2008 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day of such preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading day period in which the trading price per note for each day of that 10 consecutive trading day period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions described in the prospectus supplement. As of June 30, 2008, none of the conversion criteria had been met.

On or after November 15, 2014 until the close of business on the third scheduled trading day preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, for each $1,000 principal amount of notes, we will pay cash for the lesser of the conversion value or $1,000 and shares of our common stock, if any, based on a daily conversion value calculated on a proportionate basis for each day of the 60 trading day observation period. Additionally, in the event of a fundamental change as defined in the prospectus supplement, or other conversion rate adjustments such as share splits or combinations, other distributions of shares, cash or other assets to stockholders, including self-tender transactions (Other Conversion Rate Adjustments), the conversion rate may modifiexecutive officers to accumulate and maintain an ownership position in the Company

ü

Provide modest perquisites

ü

Provide reasonable post-employment and change of control provisions in employment agreements

ü

Prohibit hedging by executive officers

ü

Include clawback provisions in compensation programs

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Advisory Vote on Executive Compensation

The Board and the Compensation Committee continually evaluate our compensation policies and practices. As part of that process, the Board and the Compensation Committee consider the results of our stockholder advisory vote on executive compensation, commonly known as the "say-on-pay" vote. At the 2015 Annual Meeting, approximately 99% of the votes cast in connection with the stockholders advisory vote on compensation of the Named Executive Officers were cast in favor of the proposal. The Company has considered this voting result, and in light of our stockholders' substantial support, our compensation policies and decisions, as explained in this Compensation Discussion and Analysis, continue to be focused on financial performance and aligning the interests of executives with the interests of stockholders.

Certain Background Information

This section discusses the material elements of compensation awarded to, earned by or paid to our principal executive officer and principal financial officer, our three other most highly compensated executive officers, and for Gerardo I. Lopez, who although not serving as an executive officer on the last day of our calendar year, had served as our Chief Executive Officer, President and Director until his resignation on August 6, 2015. These individuals are referred to as the "Named Executive Officers." The Board appointed Mr. Ramsey to serve in the additional capacities of Interim Chief Executive Officer and President, which he did until January 4, 2016. The Board hired Mr. Adam M. Aron as the Chief Executive Officer, President, and Director of the Company, effective as of January 4, 2016. Since Mr. Aron's employment with the Company did not begin until 2016, he is not a Named Executive Officer for 2015. Mr. Ramsey will continue to serve as the Company's Executive Vice President and Chief Financial Officer.

Our executive compensation programs are determined and approved by our Compensation Committee or, in some cases, by the entire Board based upon the recommendation of the Compensation Committee. None of the Named Executive Officers are members of the Compensation Committee or had any role, other than the CEO as described below, in determining the compensation of other Named Executive Officers. Our CEO works together with the Compensation Committee in setting compensation levels and bonuses for our executive officers other than the CEO. Certain elements of compensation are governed by the employment agreement for each Named Executive Officer, discussed below under "Description of Employment Agreements."

Executive Compensation Philosophy, Program Objectives and Overview

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

- to attract, retain, motivate and reward talented executives;
- to tie annual compensation incentives to the achievement of specified performance objectives; and
- to achieve long-term creation of value for our stockholders by aligning the interests of these executives with those of our stockholders.

To achieve these goals, we endeavor to maintain compensation plans that are intended to tie a substantial portion of executives' overall compensation to key strategic, operational and financial goals and other non-financial goals that the Compensation Committee deems important. The Compensation

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Committee evaluates our compensation programs to ensure they are supportive of these goals and our business strategy and align the interests of our executives with those of our stockholders.

Total compensation opportunity must serve to attract and retain top performing executives. One factor in establishing our executive compensation target pay levels is relative competitiveness in relation to relevant market data. The Committee reviews data ranging from the 25th to the 75th market percentile and generally sets target pay opportunity with reference to market median.

Executive Compensation Program Elements

Our executive compensation program consists of the elements described below. The Compensation Committee determines the portion of compensation allocated to each element for each individual Named Executive Officer.

The Compensation Committee believes that the use of the combination of base salary, annual incentive compensation, and equity participation offers the best approach to achieving our compensation goals, including attracting and retaining talented and capable executives and motivating our executives and other officers to expend maximum effort to improve the business results, earnings and overall value of our business. To achieve these goals, we endeavor to maintain compensation plans that are intended to tie a substantial portion of executives' overall compensation to key strategic, operational and financial goals such as achievement of target levels of adjusted EBITDA for AIP, free cash flow, operating cash flows, net earnings and other non-financial goals that the Compensation Committee deems important.

Base Salaries

Base salaries for our Named Executive Officers are established based on the scope of their responsibilities, taking into account competitive market compensation for similar positions, as well as seniority of the individual, our ability to replace the individual and other primarily judgmental factors deemed relevant by the Compensation Committee. Base salaries for our Named Executive Officers are reviewed from time to time by the Compensation Committee and may be increased pursuant to such review and/or in accordance with guidelines contained in the various employment agreements in order to realign salaries with market levels after taking into account individual responsibilities, performance and experience. The table below shows the annual base salaries for our Named Executive Officers for 2015, compared to 2014:

	2015 Annual Base Salary	2014 Annual Base Salary	% Increase 2015 vs 2014
Craig R. Ramsey	$ 550,000	$ 492,275	11.7%
John D. McDonald	505,000	475,020	6.3%
Elizabeth Frank	499,000	482,125	3.5%
Mark A. McDonald	444,600	429,563	3.5%
Gerardo I. Lopez	995,000	897,625	10.8%

Annual Incentive Compensation Program

The Compensation Committee has the authority to award annual incentive bonuses to our Named Executive Officers pursuant to our annual incentive compensation program ("AIP"), which historically have been paid in cash and traditionally have been paid in a single installment in the first quarter of the subsequent year upon certification of performance by the Compensation Committee. Under employment agreements with our Named Executive Officers, each Named Executive Officer is eligible for an annual bonus, as it may be determined by the Compensation Committee from time to time. We believe that annual bonuses based on performance serve to align the interests of management and stockholders. Individual bonuses are performance based and, as such, can be highly variable from year to year. The annual incentive bonuses for our Named Executive Officers are determined by our Compensation Committee, taking into account the recommendation of our CEO (except with respect to his own bonus).

Commencing in 2015, the Company changed the target incentive mix under the AIP for certain Named Executive Officers. In the case of Mr. Lopez and Mr. Ramsey, their target incentives under the AIP for the company component is 100% and the individual component is 0%. Previously, their target incentive for the company component was 80% and the individual component was 20%. In addition, the Company increased the target incentive under the AIP for Mr. Lopez to 100% of his base salary. In recognition of Mr. Ramsey's appointment as Interim Chief Executive Officer and President on August 7, 2015, Mr. Ramsey's target incentive under the AIP increased to 100% of his base salary for calendar 2015, and also for the portion of 2016 that he continues to serve as the Interim Chief Executive Officer and President. Also, the Compensation Committee may reduce the AIP incentive in 2015 otherwise payable to Mr. Lopez and Mr. Ramsey in the event the Company fails to achieve a net earnings threshold of $87.6 million established by the Compensation Committee.

Starting in 2014, we adjusted how we measured performance for purposes of the AIP. We changed the company component of the performance measures from net earnings targets to adjusted EBITDA for AIP targets, and we included an annual industry attendance adjustment to the extent that actual industry attendance differs from expectations used in setting our adjusted EBITDA for AIP target so that participants will not be penalized or rewarded for non-controllable industry results. See Item 1 of Part I included in our 2015 Annual Report on Form 10-K for information regarding industry attendance included in the section "Theatrical Exhibition Industry and Competition."

The aggregate bonus under our AIP for each Named Executive Officer, except for Mr. Lopez and Mr. Ramsey, was apportioned to a company component and an individual component. In the case of Mr. Lopez and Mr. Ramsey, their target incentive under the AIP for the company component is 100% and the individual component is 0%. The company component was based on attainment of 2015 adjusted EBITDA for AIP. The industry attendance increase of approximately 4.3% was less than the target industry attendance increase of approximately 6.5% at which the Company Component of the AIP would be paid at 100% and as a result our target Adjusted EBITDA for AIP declined by 5.6%. The industry attendance adjustment mechanism is objective in nature and was established at the time the target was set by the Compensation Committee. The industry attendance adjustment provides for a 2.6% increase or decrease to the initial adjusted EBITDA for AIP target for each 1% variance in industry attendance as compared to the assumed level of industry attendance used to determine the initial adjusted EBITDA for AIP target under the AIP for 2015, up to a maximum of 5% variance from assumed industry attendance for 2015. Under the AIP, the company component payout is on a scale ranging from 0% to 200% of target based on attained industry attendance and adjusted EBITDA for AIP ranging from a threshold of $385,504,000 to a maximum of $578,257,000. The following table presents the AIP payout scale for the company component:

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The individual component of the bonus is based on achievement of individual key performance objectives and overall individual performance and contribution to our strategic and financial goals. Under the AIP, our Compensation Committee and, except with respect to his own bonus, CEO, retain certain discretion to decrease or increase individual component bonuses relative to the targets based on qualitative or other subjective factors deemed relevant by the Compensation Committee.

2015 AIP Payout. Our Compensation Committee and the Board have approved bonus amounts to be paid in calendar 2016 for the performance during calendar 2015. The Company attained adjusted EBITDA for AIP of $502,371,000 for the twelve months ended December 31, 2015, which was equivalent to a 121.5% payout of the company component. The Company attained net earnings of $103,856,000 for the twelve months ended December 31, 2015, which exceeded the net earnings threshold applicable to Mr. Lopez and Mr. Ramsey. The individual component of the bonus, which was subject to the approval by the Compensation Committee, was approved following a review of each Named Executive Officer's individual performance and contribution to our strategic and financial goals. Individual component bonuses of the AIP attained by the Named Executive Officers ranged from 100.0% to 120.0% of target.

The following table summarizes the AIP bonus for our Named Executive Officers for calendar 2015:

	2015 Base Salary	Target AIP Bonus as % of Base Salary	Target Bonus Amount	% Allocated to Company Component	% Allocated to Individual Component	Company Component Achievement (104.3% Target)	Individual Component Achievement (100.0% to 120.0% Target)	Total AIP Bonus Amount
Craig R. Ramsey(1)	$ 550,000	100	$ 550,000	100	0	$ 668,250	$	$ 668,250
John D. McDonald	505,000	70	353,500	80	20	343,602	84,840	428,442
Elizabeth Frank	499,000	65	324,350	60	40	236,439	155,700	392,139
Mark A. McDonald	444,600	65	289,000	60	40	210,681	115,600	326,281
Gerardo I. Lopez(2)	995,000	100	995,000	100	0			

(1) In recognition of Mr. Ramsey serving as the Interim Chief Executive Officer and President, his target AIP bonus as a percentage of his base salary was 100% for 2015. In 2016, Mr. Aron began employment as Chief Executive Officer and President, therefore in 2016, Mr. Ramsey's target AIP bonus as a percentage of his base salary will return to 70%.

(2) To qualify for the AIP, the Named Executive Officer must be employed by the Company through the last day of the calendar year. Mr. Lopez did not qualify for the AIP because he resigned from his position as CEO, President, and Director, effective August 6, 2015.

Equity-Based Incentive Compensation Program

In December of 2013, in conjunction with the IPO, the Board adopted and the Company's then-sole stockholder approved the 2013 Equity Incentive Plan. The 2013 Equity Incentive Plan provides for grants of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units ("RSU"), performance stock units ("PSU"), stock awards, and cash performance awards. We believe that the equity-based incentive compensation program furthers our goal to attract, retain and motivate talented executives by enabling such executives to participate in the Company's long-term growth and financial success and aligns the interests of management and stockholders. The maximum number of shares of Class A common stock available for delivery pursuant to awards granted under the 2013 Equity Incentive Plan is 9,474,000 shares. As of December 31, 2015, there were 8,296,571 shares remaining available for issuance.

The 2013 Equity Incentive Plan is administered by the Compensation Committee. Subject to the limitations set forth in the 2013 Equity Incentive Plan, the Compensation Committee has the authority to determine the persons to whom awards are to be granted, prescribe the restrictions, terms and conditions of all awards, interpret the 2013 Equity Incentive Plan and adopt rules for the administration, interpretation and application of the 2013 Equity Incentive Plan.

Equity Awards Granted in 2015

On March 6, 2015, the Board approved grants of RSUs and PSUs to certain of the Company's employees under the 2013 Equity Incentive Plan. Each RSU and PSU represented the right to receive one share of Class A common stock on a future settlement date. Settlement of the RSUs and PSUs may be accelerated under certain circumstances. See "Potential Payments Upon Termination or Change of Control." See the "Summary Compensation Table" and "Grants of Plan-Based Awards Table Calendar 2015" for information on the individual grants made to our Named Executive Officers.

RSUs. With respect to our Named Executive Officers, 50% of the grant consisted of RSUs. The RSUs for all Named Executive Officers other than Mr. Ramsey would vest if the Company achieved the net cash flow provided by operating activities target of $100,000,000 at the end of the calendar year. The RSUs awarded to Mr. Ramsey were immediately vested. These awards did not contain a service condition. The RSUs will not be settled, and will be non-transferable, until the third anniversary of the grant date. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the RSUs began to accrue with respect to the RSUs on the date of grant. Such accrued dividend equivalents are paid to the holder upon certification by the Compensation Committee that the net cash flow provided by operating activities target has been met. Thereafter, dividend equivalents are paid to the holder whenever dividends are paid on the Class A common stock. The Company attained net cash flow provided by operating activities of $467,557,000 during the twelve months ended December 31, 2015, therefore, the RSUs vested in 2015.

PSUs. The remaining 50% of the grant with respect to our Named Executive Officers consisted of PSUs. The PSUs would vest, subject to the holder's continuous service for the Company through the end of the calendar year upon certification of achievement of a free cash flow performance target. The PSUs would vest ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%. Once vested, the PSUs will be settled without regard to the holder's continued service with the Company. The PSUs will not be settled, and will be non-transferable, until the third anniversary of the date of grant. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the PSUs began to accrue with respect to the PSUs on the date of grant. Such accrued dividend equivalents are paid to the holder, based on the number PSUs that vested. Thereafter, dividend equivalents are paid to the holder whenever dividends are paid on the Class A common stock.

2015 PSUs. The PSUs vest ratably based on a free cash flow threshold of $88,880,000, a free cash flow target of $111,100,000, and a free cash flow maximum of $133,320,000, with the vested amount of PSUs ranging from 30% to 150% of the award. The Company achieved the free cash flow performance at target of $121,225,000 during the twelve months ended December 31, 2015 and each Named Executive Officer other than Mr. Lopez met his/her one-year service condition, therefore, 122.8% of the PSUs vested on December 31, 2015. See Appendix A for a calculation of free cash flow. The following table presents the PSU performance and payout scale:

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Special Interim CEO RSU Award. In recognition of Mr. Ramsey's appointment as Interim Chief Executive Officer and President on August 7, 2015, the Company awarded Mr. Ramsey 19,226 RSUs, with a grant date fair value of approximately $569,000. Each RSU was convertible into one share of Class A common stock immediately upon vesting which would occur upon the earliest of; (1) the first day of employment of a replacement Chief Executive Officer, (2) March 15, 2016, or (3) the Company's termination of the participant without cause. All unvested RSUs were forfeitable upon the participant's termination as Interim Chief Executive Officer and President prior to vesting as a result of the participant's voluntary resignation or removal from such position by the Board of Directors for cause. With the employment of Mr. Aron as Chief Executive Officer and President on January 4, 2016, Mr. Ramsey's RSUs vested and converted into shares of Class A common stock. A dividend equivalent equal to the amount paid in respect of one share of Class A common stock underlying the RSUs began to accrue with respect to the RSUs on the date of grant. Such accrued dividend equivalents were paid to Mr. Ramsey upon vesting of the RSUs.

Special Incentive Bonuses

Effective December 23, 2013, Mr. Lopez's employment agreement provided for a special incentive bonus (the "Special Incentive Bonus") of an aggregate of $1,200,000 that would vest and be payable at the rate of $400,000 per year over three years, provided he remained employed on each applicable vesting date, December 23rd. We believed the bonus was an incentive for the Named Executive Officer to remain employed with the Company through the three year vesting period. The first installment of the Special Incentive Bonus was paid in December 2014 and the second and third installments were forfeited as a result of his resignation. The employment agreement is discussed below under "Description of Employment Agreements Salary and Bonus Amounts."

Mr. Aron's Employment Agreement

We entered into an employment agreement with Mr. Aron that became effective on January 4, 2016. Mr. Aron's employment agreement includes a three-year initial term, with automatic one-year extensions each year unless the Company or Mr. Aron provides notice not to extend. The agreement provides that Mr. Aron will receive an annual base salary of no less than $995,000, and a target incentive bonus opportunity for each year will be 125% of his base salary under the terms of the annual incentive plan in effect for the applicable calendar year. The Board or Compensation Committee, based on its review, has discretion to increase (but not reduce) the base salary each year. Each year, the Company will award Mr. Aron $4,000,000 of value in long-term incentive equity compensation, 50% of which will be RSUs vesting in equal annual installments over 3 years subject to the achievement of certain financial targets, and 50% of which will be PSUs which will vest after 3 years based on the achievement of reasonable performance criteria.

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Retirement Benefits

We provide retirement benefits to the Named Executive Officers under both qualified and non-qualified defined benefit and defined contribution retirement plans. The Defined Benefit Retirement Income Plan for Certain Employees of American Multi Cinema, Inc. ("AMC Defined Benefit Retirement Income Plan") and the AMC 401(k) Savings Plan are both tax-qualified retirement plans in which the Named Executive Officers participate on substantially the same terms as our other participating employees. Due to limitations on benefits imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"), we established a non-qualified supplemental defined benefit plan (the "AMC Supplemental Executive Retirement Plan"). On November 7, 2006, our Board approved a proposal to freeze the AMC Defined Benefit Retirement Income Plan and the AMC Supplemental Executive Retirement Plan, effective as of December 31, 2006. Benefits no longer accrue under the AMC Defined Benefit Retirement Income Plan or the AMC Supplemental Executive Retirement Plan for our Named Executive Officers or for other participants.

The "Pension Benefits" table and related narrative section "Pension and Other Retirement Plans" below describes our qualified and non-qualified defined benefit plans in which our Named Executive Officers participate.

Non-Qualified Deferred Compensation Program

Named Executive Officers are permitted to elect to defer base salaries and their cash bonuses under the AMC Non-Qualified Deferred Compensation Plan. Amounts deferred under the plans are credited with an investment return determined as if the participant's account were invested in one or more investment funds made available by the Committee and selected by the participant. The Company may, but need not, credit the deferred compensation account of any participant with a discretionary or profit sharing credit as determined by the Company. We believe that providing the Named Executive Officers with deferred compensation opportunities is a cost-effective way to permit officers to receive the tax benefits associated with delaying the income tax event on the compensation deferred, even though the related deduction for the Company is also deferred.

The "Non-Qualified Deferred Compensation" table and related narrative section below describe the non-qualified deferred compensation plan and the benefits thereunder.

Severance and Other Benefits Upon Termination of Employment

We believe that the occurrence, or potential occurrence, of a change of control transaction will create uncertainty regarding the continued employment of our executive officers. This uncertainty results from the fact that many change of control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage certain of our executive officers to remain employed with us during an important time when their prospects for continued employment following the transaction are often uncertain, we provide the executives with severance benefits if they terminate their employment within a certain number of days following specified changes in their compensation, responsibilities or benefits following a change of control. Accordingly, we provide such protections for each of the Named Executive Officers and for other of our senior officers in their respective employment agreements. The Compensation Committee evaluates the level of severance benefits provided to our executive officers on a case-by-case basis. We consider these severance protections consistent with competitive practices.

As described in more detail below under "Compensation Discussion and Analysis Potential Payments Upon Termination or Change of Control," pursuant to their employment agreements, each of the Named Executive Officers is entitled to severance benefits in the event of termination of employment without cause and certain Named Executive Officers are entitled to severance benefits upon death or disability. In the case of Ms. Frank, resignation for good reason also entitles her to severance benefits.

All Other Compensation

The other compensation provided to each Named Executive Officer is reported in the All Other Compensation column of the "Summary Compensation Table" below, and is further described in footnote (8) to that table. All other compensation during the twelve months ended December 31, 2015 consists of Company matching contributions under our 401(k) savings plan, which is a qualified defined contribution plan, life insurance premiums, payments for termination of postretirement medical benefits, gift award, and personal use of corporate aircraft and other perquisites. On occasion, our Named Executive Officers receive event tickets from the Company, amusement park passes, event tickets and gifts from vendors for personal use and there is no incremental cost associated with these items.

Independent Compensation Consultant

Since August, 2013, the Compensation Committee retained the services of Pay Governance LLC ("Pay Governance") as independent executive compensation consultant to advise the Compensation Committee on compensation matters related to the executive and director compensation programs. In 2015, Pay Governance assisted the Compensation Committee with, among other things:

- executive and director market pay analysis;
- reviewing and making changes to the compensation peer group;
- development of executive and director pay programs;
- CEO Pay Recommendations; and
- drafting the Proxy Statement and Compensation, Discussion and Analysis disclosures.

Pay Governance reports to the Compensation Committee and has direct access to the Chairman and the other members of the Compensation Committee. Beyond advice related to the executive and director compensation programs, Pay Governance did provide other services to the Company in 2015, but the amount paid to Pay Governance was immaterial. The Compensation Committee reviewed the nature of its relationship with Pay Governance and has concluded that Pay Governance's work for the Compensation Committee does not raise any conflicts of interest with respect to Pay Governance's independence.

Adoption of a Peer Group

The Company has adopted a peer group of companies as a reference group to provide a broad perspective on competitive pay levels and practices. Peer companies were selected based on industry classification, company size in terms of revenue and market capitalization, and similarity in business operations. The Compensation Committee periodically reviews and updates the Peer Group, as necessary, upon recommendation of Pay Governance. The Compensation Committee reviewed the peer group composition for 2015 and removed three companies from the peer group due to their substantially larger market capitalizations and lack of direct competition with the Company and added

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three new companies to the peer group that were closer to the Company's size in terms of revenue and market capitalization and that were in more direct competition with the Company. The following table provides a list of companies that were added or removed from the 2015 Peer Group:

Peer Group Additions:	**Peer Group Removals:**
Bloomin' Brands, Inc.	Chipotle Mexican Grill
Buffalo Wild Wings, Inc.	Sirius XM Radio Inc.
Madison Square Garden Co.	Wynn Resorts LTD.

For 2015, the Company's peer group consisted of the following 13 companies:

Brinker International, Inc.	Lions Gate Entertainment Corp.
Carmike Cinemas Inc.	Netflix, Inc.
The Cheesecake Factory Incorporated	Panera Bread Co.
Bloomin' Brands, Inc.	Regal Entertainment Group
Cinemark Holdings Inc.	Buffalo Wild Wings, Inc.
DreamWorks Animation SKG Inc.	Madison Square Gardens Co.
IMAX Corporation	

Compensation Claw-back Under Certain Circumstances

Pursuant to the terms of the 2013 Equity Incentive Plan, for a period of one year following the date on which the value of an award under the 2013 Equity Incentive Plan is realized, such value must be repaid in the event (i) the Named Executive Officer is terminated for "Cause" (as defined in the Named Executive Officer's respective employment agreement), or (ii) after termination for any other reason it is determined that such Named Executive Officer (a) engaged in an act during his or her employments that would have warranted termination for "Cause", or (b) engaged in conduct that violated a continuing obligation to the Company. Mr. Lopez's and Ms. Frank's employment agreements require repayment of any bonus compensation based on materially inaccurate financial statements or performance metrics.

Executive Stock Ownership Guidelines and Anti-Hedging Policy

The Company has adopted stock ownership guidelines for our executives, including our Named Executive Officers. Our CEO is required to acquire and hold shares of our Class A common stock with a fair value at least equal to three times his base salary, and the other Named Executive Officers are required to acquire and hold shares of our Class A common stock with a fair value at least equal to two times their respective base salaries. Each Named Executive Officer is required to achieve the applicable guideline ownership amount within later of, (1) three years following the IPO or (2) three years after becoming a Named Executive Officer. Further, our Insider Trading Policy prohibits the Named Executive Officers from entering into hedging positions with respect to their stock ownership. Pursuant to the Management Stockholders Agreement, our Named Executive Officers may not transfer shares of the Company acquired in connection with the Merger without the written consent of Wanda prior to January 1, 2016, after which certain limitations on transfer continue for a period of two years.

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Limitation of Liability and Indemnification of Directors and Officers

We have entered into indemnification agreements with each of our directors and officers. These indemnification agreements may require us, among other things, to indemnify our directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct. These indemnification agreements may also require us to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified and to obtain directors' and officers' insurance, if available on reasonable terms.

IRS Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows publicly held companies a tax deduction for compensation in excess of $1,000,000 paid to their chief executive officer and the three other most highly compensated executive officers (other than the principal financial officer) unless such compensation qualifies for an exemption for certain compensation that is based on performance. Our intent generally is to design and administer executive compensation programs in a manner that will preserve the deductibility of compensation paid to our executive officers, and we believe that a substantial portion of our current executive compensation program satisfies the requirements for exemption from the $1,000,000 deduction limitation, to the extent applicable, taking into account the special rules that apply to compensation provided pursuant to agreements in effect. However, we reserve the right to design programs that recognize a full range of performance criteria important to our success, even where the compensation paid under such programs may not be deductible. The Compensation Committee will continue to monitor the tax and other consequences of our executive compensation program as part of its primary objective of ensuring that compensation paid to our executive officers is reasonable, performance based and consistent with the goals of the Company and its stockholders.

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Summary Compensation Table

The following table presents information regarding compensation of our principal executive officer and our principal financial officer, and our three other most highly compensated executive officers for services rendered during the twelve months ended December 31, 2015 and for Gerardo I. Lopez, who although not serving as an executive officer on the last day of our calendar year, had served as our Chief Executive Officer, President and Director until his employment ended on August 6, 2015. These individuals are referred to as "Named Executive Officers."

Name and Principal Position(1)	Year	Salary ($)(2)	Bonus ($)(3)	Stock Awards ($)(4)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(6)(7)	All Other Compensation ($)(8)	Total ($)
Craig R. Ramsey	CY2015	$ 550,000	$	$ 1,365,735	$	$ 668,250	$	$ 40,748	$ 2,624,733
Interim Chief Executive Officer	CY2014	510,985		875,628		377,338	103,441	15,548	1,882,940
and President; Executive Vice President and Chief Financial Officer	CY2013	483,923		1,007,604		1,427,579	19,777	21,763	2,960,646
John D. McDonald	CY2015	505,000		796,838		428,442		20,454	1,750,734
Executive Vice	CY2014	493,074		875,628		371,070	248,446	6,774	1,994,992
President North American Operations	CY2013	467,112		837,612		1,406,579	57,981	16,262	2,785,546
Elizabeth Frank	CY2015	499,000		796,838		392,139		11,770	1,699,747
Executive Vice	CY2014	500,449		875,628		343,800		11,570	1,731,447
President and Chief Content and Programming Officer	CY2013	474,327		837,612		1,341,604		13,916	2,667,459
Mark A. McDonald	CY2015	444,600		796,838		326,281		18,954	1,586,673
Executive Vice	CY2014	444,167		875,628		317,453	217,612	6,003	1,860,863
President, Global Development	CY2013	361,490		837,612		1,312,104	65,641	10,456	2,587,303
Gerardo I. Lopez	CY2015	624,166		1,844,436				65,163	2,533,765
Former Chief Executive	CY2014	930,222	800,000	2,258,032		884,596	28,216	75,908	4,976,974
Officer, President and Director	CY2013	833,414	400,000	2,160,000		3,247,350	43,218	72,047	6,756,029

(1) The principal positions shown are at December 31, 2015. Mr. Lopez resigned from his position as CEO, President, and Director, effective August 6, 2015. There were no termination payments made to Mr. Lopez. The Board appointed Mr. Ramsey to serve in the additional capacities of Interim Chief Executive Officer and President, which he did until January 4, 2016. The Board appointed Mr. Adam M. Aron as the Chief Executive Officer, President, and Director of the Company, effective as of January 4, 2016. Mr. Ramsey will continue to serve as the Company's Executive Vice President and Chief Financial Officer.

(2) For CY2014, the base salary amounts included an additional pay period as a result of the timing and cut-off of the payroll calendar year.

(3)

The bonus activity for Mr. Lopez for 2014 reflects payment of his Special Incentive Bonus and final payment for his Prior Special Incentive Bonus. See "Compensation Discussion and Analysis Special Incentive Bonuses" above for further information.

(4)

As required by SEC Rules, amounts shown in this column, "Stock Awards," presents the aggregate grant date fair value of RSUs, PSUs, and stock awards granted in each year in accordance with ASC 718, *Compensation Stock Compensation*. See also Note 8 Stockholders' Equity to our audited financial statements for calendar year ended December 31, 2015, included in our 2015 Annual Report on Form 10-K. These awards were made under the provisions of the equity-based incentive compensation program. See "Compensation Discussion and Analysis Equity Awards Granted in 2015" above for information regarding the awards and the performance criteria. For CY2015, the fair value of the RSUs and PSUs at the March 6, 2015 date of grant was $33.96 per share and was based on the closing price of the Company's common stock on March 6, 2015. The fair value of the RSU award granted to the Interim Chief Executive Officer and President at the August 7, 2015 date of grant was $29.59 per share and was based on the closing price of the Company's common stock on August 7, 2015.

For CY2015, the amount in this column for Mr. Lopez includes both the RSU and PSU awards granted, however, Mr. Lopez forfeited his PSUs as a result of his resignation on August 6, 2015, because he did not meet the required service condition through December 31, 2015.

(5)

See "Compensation Discussion and Analysis Annual Incentive Compensation Program" above for a discussion of the terms of our AIP.

(6)

This column includes the aggregate increases and decreases in actuarial present value of each Named Executive Officer's accumulated benefit amounts. The amount of aggregate decreases in actuarial present value in calendar 2015 and calendar 2013 have been omitted from the Summary Compensation Table:

		Defined Benefit Plan	Supplemental Executive Retirement Plan
Craig R. Ramsey	CY2015	$ (2,925)	$ (1,516)
	CY2014	54,746	28,385
	CY2013	(5,309)	(2,753)
John D. McDonald	CY2015	(16,180)	(8,389)
	CY2014	149,880	77,711
	CY2013	(25,292)	(13,113)
Mark A. McDonald	CY2015	(15,949)	(7,736)
	CY2014	129,158	62,643
	CY2013	(24,335)	(11,803)

(7)

This column also includes the nonqualified deferred compensation above market earnings for the difference between market interest rates determined pursuant to SEC rules and the interest contingently credited by the Company on salary deferred by the Named Executive Officers. For CY2015, there were no above market earnings under the nonqualified deferred compensation plans. For CY2014, the above market earnings of 6.0% to 9.5% for, Mr. Gerardo Lopez, Mr. Craig Ramsey, Mr. John McDonald, and Mr. Mark McDonald were $28,216, $20,310, $20,855, and $25,811 respectively. For CY2013, the above market earnings of 11.1% to 21.7% for, Mr. Gerardo Lopez, Mr. Craig Ramsey, Mr. John McDonald, and Mr. Mark McDonald were $43,218, $19,777, $57,981, and $65,641 respectively. Further discussion on the nonqualified deferred compensation for the Named Executive Officers can be found in the "Compensation Discussion and Analysis Nonqualified Deferred Compensation" section.

(8)

All Other Compensation is comprised of Company matching contributions under our 401(k) savings plan which is a qualified defined contribution plan, life insurance premiums, payments for termination of postretirement medical benefits, gift award, and personal use of the corporate aircraft and other perquisities. The following table summarizes "All Other

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Compensation" provided to the Named Executive Officers for the twelve months ended December 31, 2015:

	Company Matching Contributions to 401(k) Plan	Life Insurance Premiums	Payments for Termination of Postretirement Medical Benefits (a)	Gift Award	Personal Use of Corporate Aircraft and other Perquisites (b)	Total
Craig R. Ramsey	$ 10,600	$ 5,148	$ 25,000	$	$	$ 40,748
John D. McDonald	10,600	3,354	5,000	1,500		20,454
Elizabeth Frank	10,600	1,170				11,770
Mark A. McDonald	10,600	3,354	5,000			18,954
Gerardo I. Lopez	10,600	2,064			52,499	65,163

(a) On January 12, 2015, the Compensation Committee and all of all of the Board of Directors of the Company adopted resolutions to terminate the AMC Postretirement Medical Plan with an effective date of March 31, 2015. On January 23, 2015, we notified the eligible Named Executive Officers that their retiree medical coverage under the plan will be terminated after March 31, 2015. The eligibility for these subsidized benefits was based upon a participant's age and service as of January 1, 2009, the date the plan was frozen. Payments made to the nonqualified deferred compensation accounts for eligible Named Executive Officers were included in the Summary Compensation Table.

(b) The Company has acquired a fractional share of an aircraft for use in conducting the Company's business. Our former CEO was occasionally permitted to use the aircraft for personal use. In addition, from time to time business travel on the Company's aircraft requires multi-leg flights, a portion of which are deemed personal to the extent they involve commuting. The incremental cost for the personal use and the commuting aspect of multi-leg business trips includes variable costs incurred, such as hourly charges, fuel charges, applicable taxes and miscellaneous fees and excludes non-variable costs such as the Company's monthly management fee for the corporate aircraft. Infrequently, family of Named Executive Officers ride along on the Company aircraft when the aircraft is already going to a specific destination for a business purpose. To the extent there is additional incremental cost associated with the family member's use, such amount is included in perquisites. The incremental costs associated with Mr. Lopez's use of the Company aircraft in 2015 totaled $48,811. Other perquisites includes costs related to personal aspects of attendance of Mr. Lopez and his spouse at certain Company business functions at the request of the Company, and event tickets from the Company and amusement park passes, event tickets and gifts from vendors for personal use for which there is no incremental cost. Our Other Named Executive Officers also receive such event tickets from the Company and amusement park passes, event tickets and gifts from vendors. The Company does not provide any of our other Named Executive Officers with perquisites for which the aggregate value exceeds $10,000.

Description of Employment Agreements Salary and Bonus Amounts

We have entered into employment agreements with each of our Named Executive Officers. Change of control, severance arrangements and restrictive covenants in each of the Named Executive Officer's employment agreements are discussed in detail below in the narrative section "Potential Payments Upon Termination or Change of Control."

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Pursuant to each Named Executive Officer's employment agreement, the executive has agreed not to disclose any confidential information about the Company at any time during or after his/her employment with the Company.

Craig R. Ramsey. We entered into an employment agreement with Mr. Ramsey on July 1, 2001. The term of the agreement is for two years, with automatic one-year extensions each year. The agreement provides that Mr. Ramsey will receive an annual base salary that is subject to annual review by the Compensation Committee, and can be increased but not decreased, and annual bonuses based on the applicable incentive program of the Company. In making its determination with respect to salary and bonus payout levels under the agreement, the Compensation Committee considers the factors discussed in the "Current Executive Compensation Program Elements" of the Compensation Discussion and Analysis above.

John D. McDonald. We entered into an employment agreement with Mr. McDonald on July 1, 2001. The term of the agreement is for two years, with automatic one-year extensions each year. The agreement provides that Mr. McDonald will receive an annual base salary that is subject to annual review by the Compensation Committee, and can be increased but not decreased, and annual bonuses based on the applicable incentive program of the Company. In making its determination with respect to salary and bonus payout levels, the Compensation Committee considers the factors discussed in the "Current Executive Compensation Program Elements" of the Compensation Discussion and Analysis above.

Elizabeth Frank. We entered into an employment agreement with Ms. Frank on August 18, 2010. The term of the agreement is for two years, with automatic one-year extensions each year. The agreement provides that Ms. Frank will receive an annual base salary that is subject to annual review by the Compensation Committee and can be increased but not decreased. The employment agreement provides that Ms. Frank's target incentive bonus shall be determined by the Board (or a committee thereof). See "Executive Compensation Program Elements" "Annual Performance Bonus" above for information regarding the target incentive bonus under the AIP. In making its determination with respect to salary and bonus payout levels, the Committee considers the factors discussed in the "Current Executive Compensation Program Elements" of the Compensation Discussion and Analysis above.

Mark A. McDonald. We entered into an employment agreement with Mr. McDonald on July 1, 2001. The term of the agreement is for two years, with automatic one-year extensions each year. The agreement provides that Mr. McDonald will receive an annual base salary that is subject to annual review by the Compensation Committee, and can be increased but not decreased, and annual bonuses based on the applicable incentive program of the Company. In making its determination with respect to salary and bonus payout levels, the Committee considers the factors discussed in the "Current Executive Compensation Program Elements" of the Compensation Discussion and Analysis above.

Gerardo I. Lopez. We entered into an employment agreement with Mr. Lopez that became effective on December 23, 2013. Mr. Lopez's employment agreement included a three-year initial term, with automatic one-year extensions each year unless the Company or Mr. Lopez provided notice not to extend. The agreement provided that Mr. Lopez would receive an annual base salary of no less than $835,000, and a target incentive bonus was determined by the Board (or a committee thereof) under the terms of the annual incentive plan in effect for the applicable fiscal year. The Board or Compensation Committee, based on its review, had discretion to increase (but not reduce) the base salary each year. In addition, Mr. Lopez's agreement provided for a Special Incentive Bonus of $1,200,000 that vested at the rate of $400,000 per year over three years, provided he remained employed on each applicable vesting date.

For information regarding the employment agreement with Mr. Adam M. Aron, effective January 4, 2016, see "Executive Comensation Program Elements Mr. Aron's Employment Agreement" above.

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Grants of Plan-Based Awards Calendar 2015

The following table summarizes plan-based awards granted to Named Executive Officers during the twelve months ended December 31, 2015:

			Estimated Possible Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			
Name	**Grant Date**	**Approval Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**Grant Date Fair Value of Stock and Option Awards**
Craig R. Ramsey									
AIP Company (1)	N/A	N/A	$ 0	$ 550,000	$ 1,100,000				$
2013 EIP-RSU (3)	03/06/2015	03/06/2015					10,531		357,633
2013 EIP-PSU (4)	03/06/2015	03/06/2015				3,159	10,531	15,797	439,205
2013 EIP-RSU CEO(5)	08/07/2015	08/07/2015					19,226		568,897
John D. McDonald									
AIP Company (1)	N/A	N/A	0	282,800	565,600				
AIP-Individual (2)	N/A	N/A	0	70,700	106,050				
2013 EIP-RSU (3)	03/06/2015	03/06/2015					10,531		357,633
2013 EIP-PSU (4)	03/06/2015	03/06/2015				3,159	10,531	15,797	439,205
Elizabeth Frank									
AIP Company (1)	N/A	N/A	0	194,600	389,200				
AIP-Individual (2)	N/A	N/A	0	129,750	194,625				
2013 EIP-RSU (3)	03/06/2015	03/06/2015					10,531		357,633
2013 EIP-PSU (4)	03/06/2015	03/06/2015				3,159	10,531	15,797	439,205
Mark A. McDonald									
AIP Company (1)	N/A	N/A	0	173,400	346,800				
AIP-Individual (2)	N/A	N/A	0	115,600	173,400				
2013 EIP-RSU (3)	03/06/2015	03/06/2015					10,531		357,633
2013 EIP-PSU (4)	03/06/2015	03/06/2015				3,159	10,531	15,797	439,205
Gerardo I. Lopez									
AIP Company (1)(6)	N/A	N/A	0	995,000	1,990,000				
2013 EIP-RSU (3)	03/06/2015	03/06/2015					27,156		922,218
2013 EIP-PSU (4)(6)	03/06/2015	03/06/2015				8,147	27,156	40,734	922,218

(1) These awards were made under the provisions of the Annual Incentive Compensation Program. The company component payout was on a scale ranging from 0% to 200% of target based on adjusted EBITDA for AIP ranging from a threshold of $385,504,000 to a maximum of $578,257,000. No company performance component of the AIP would be paid below attainment of $385,504,000 of threshold adjusted EBITDA; upon attainment of $481,881,000 of targeted adjusted EBITDA for AIP, the Company would pay 100% of target payout; and upon attainment of $578,257,000 of maximum adjusted EBITDA for AIP, each Named Executive Officer would receive the maximum potential bonus of 200% of target payout. See "Compensation Discussion and Analysis Annual Incentive Compensation Program" above.

(2) The individual component bonus of the AIP for the twelve months ended December 31, 2015 was approved during the first quarter of calendar 2016 following a review of each Named Executive Officer's individual performance and contribution to the Company's strategic and financial goals. Individual component bonuses of the AIP attained by the Named Executive Officers ranged from 100.0% to 120.0% of target. See "Compensation Discussion and Analysis Annual Incentive Compensation Program" above for the amounts achieved by each Named Executive Officer.

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(3)
Amounts shown in this row represent the number and aggregate grant date fair value of RSU awards granted by the Board and the Compensation Committee, in accordance with accounting rules ASC 718, *Compensation Stock Compensation*. The grant date fair value of the RSUs was based on the closing price of the Company's common stock on March 6, 2015 of $33.96 per share. See "Compensation Discussion and Analysis Equity Awards Granted in 2015" above.

(4)
Amounts shown in this row represents the number and aggregate grant date fair value of the PSU awards granted in accordance with accounting rules ASC 718, *Compensation Stock Compensation*. The fair value of the PSUs at the grant date was $33.96 per share and was based on the closing price of the Company's common stock on March 6, 2015. The PSUs vested ratably based on a scale ranging from 80% to 120% of the performance target with the vested amount ranging from 30% to 150%. No PSUs would vest if the Company did not achieve the free cash flow threshold performance target of $88,880,000 or the Named Executive Officer's service did not continue through the last day of the performance period, during the twelve months ended December 31, 2015; upon attainment of $88,880,000 of free cash flow performance target, the number of PSUs awarded would be at 30%; upon attainment of $111,100,000 of free cash flow performance target, the number of PSUs awarded would be at 100% of target; and upon attainment of $133,320,000 of free cash flow performance target, each Named Executive Officer would receive the maximum potential award of 150% of targeted PSUs. See "Compensation Discussion and Analysis Equity Awards Granted in 2015" above for information regarding the grant of the PSU performance target.

(5)
Amounts shown in this row represent the number and aggregate grant date fair value of RSU awards granted by the Board and the Compensation Committee to the Interim Chief Executive Officer and President, in accordance with accounting rules ASC 718, *Compensation Stock Compensation*. The grant date fair value of the RSUs was based on the closing price of the Company's common stock on August 7, 2015 of $29.59 per share. See "Compensation Discussion and Analysis Equity Awards Granted in 2015" above.

(6)
Mr. Lopez resigned from his position as CEO, President, and Director, effective August 6, 2015, and therefore forfeited his AIP and PSU award.

Outstanding Equity Awards at December 31, 2015

The following table presents information regarding the outstanding equity award held by our Named Executive Officers as of December 31, 2015:

			Stock Awards	
Name	**Grant Date**	**Award Type**	**Number of Shares or Units of Stock That Have Not Vested (#)(1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**
Craig R. Ramsey	08/07/2015	RSU	19,226	$ 461,424

(1)
Amount shown in this column represents the number of unvested RSU shares. Each RSU will convert into one share of Class A common stock immediately upon vesting which will occur upon the earliest of; (1) the first day of employment of a replacement CEO, (2) March 15, 2016, or (3) the Company's termination of the participant without cause. Mr. Ramsey's shares

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vested on January 4, 2016. See "Compensation Discussion and Analysis Equity Awards Granted in 2015" above.

(2)
The fair market value of the RSU was calculated based on the closing price of the Company's common stock on December 31, 2015 of $24.00 per share.

Option Exercises and Stock Vested Calendar 2015

There were no options exercised during the twelve months ended December 31, 2015. The following table sets forth information on the vesting of the RSUs and PSUs for each Named Executive Officer during 2015.

	Number of Shares Acquired on Vesting (#)(1)	Value on Vesting ($)(2)
Craig R. Ramsey	23,464	$ 668,025
John D. McDonald	23,464	563,136
Elizabeth Frank	23,464	563,136
Mark A. McDonald	23,464	563,136
Gerardo I. Lopez	27,156	651,744

(1)
The amount in this column reflects the number of shares underlying the RSUs and PSUs that vested during the twelve months ended December 31, 2015.

(2)
The aggregate value upon vesting was calculated by multiplying the closing price of the Company's common stock of $24.00 on the vesting date of December 31, 2015 by the number of shares acquired on vesting, except for Mr. Ramsey's RSUs, which vested on March 6, 2015 and was valued using the closing price of the Company's common stock of $33.96 on March 6, 2015. See "Compensation Discussion and Analysis Equity Awards Granted in 2015" above.

Pension Benefits

The following table presents information regarding the present value of accumulated benefits that may become payable to the Named Executive Officers under our qualified and nonqualified defined-benefit pension plans.

Name	Plan Name	Number of Years Credited Service (#)(1)	Present Value of Accumulated Benefit ($)(2)
Craig R. Ramsey	Defined Benefit Retirement Income Plan	12.00	$ 304,454
	Supplemental Executive Retirement Plan	12.00	157,857
John D. McDonald	Defined Benefit Retirement Income Plan	31.05	652,521
	Supplemental Executive Retirement Plan	31.05	338,327
Elizabeth Frank			
Mark A. McDonald	Defined Benefit Retirement Income Plan	26.60	518,434
	Supplemental Executive Retirement Plan	26.60	251,446
Gerardo I. Lopez			

(1)
The number of years credited service represents the numbers of years of service through December 31, 2006, the date the plans were frozen.

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(2)
The accumulated benefit was based on service and earnings considered by the plans for the period through December 31, 2015. The present value has been calculated assuming the Named Executive Officers will remain in service until age 65, the age at which retirement may occur without any reduction in benefits, and that the benefit is payable under the available forms of annuity consistent with the plans. The interest assumption was 4.1%. The post-retirement mortality assumption was based on the RP-2015 Mortality Table.

Pension and Other Retirement Plans

We provide retirement benefits to the Named Executive Officers under the terms of qualified and non-qualified defined-benefit plans. The AMC Defined Benefit Retirement Income Plan is a tax-qualified retirement plan in which certain of the Named Executive Officers participate on substantially the same terms as our other participating employees. However, due to maximum limitations imposed by ERISA and the Internal Revenue Code on the annual amount of a pension which may be paid under a qualified defined-benefit plan, the benefits that would otherwise be payable to the Named Executive Officers under the Defined Benefit Retirement Income Plan are limited. Because we did not believe that it was appropriate for the Named Executive Officers' retirement benefits to be reduced because of limits under ERISA and the Internal Revenue Code, we have a non-qualified supplemental defined-benefit plan that permits the Named Executive Officers to receive the same benefit that would be paid under our qualified defined-benefit plan up to the old IRS limit, as indexed, as if the Omnibus Budget Reconciliation Act of 1993 had not been in effect. On November 7, 2006, our Board approved a proposal to freeze the AMC Defined Benefit Retirement Income Plan and the AMC Supplemental Executive Retirement Plan, effective as of December 31, 2006. The material terms of the AMC Defined Benefit Retirement Income Plan and the AMC Supplemental Executive Retirement Plan are described below.

AMC Defined Benefit Retirement Income Plan. The AMC Defined Benefit Retirement Income Plan is a non-contributory defined-benefit pension plan subject to the provisions of ERISA. As mentioned above, the plan was frozen effective December 31, 2006.

The plan provides benefits to certain of our employees based upon years of credited service and the highest consecutive five-year average annual remuneration for each participant. For purposes of calculating benefits, average annual compensation is limited by Section 401(a)(17) of the Internal Revenue Code, and is based upon wages, salaries and other amounts paid to the employee for personal services, excluding certain special compensation. Under the Defined Benefit Retirement Income Plan, a participant earns a vested right to an accrued benefit upon completion of five years of vesting service.

AMC Supplemental Executive Retirement Plan. AMC also sponsors a Supplemental Executive Retirement Plan to provide the same level of retirement benefits that would have been provided under the retirement plan had the federal tax law not been changed in the Omnibus Budget Reconciliation Act of 1993 to reduce the amount of compensation which can be taken into account in a qualified retirement plan. The plan was frozen, effective December 31, 2006, and no new participants can enter the plan and no additional benefits can accrue thereafter.

Subject to the forgoing, any individual who is eligible to receive a benefit from the AMC Defined Benefit Retirement Income Plan after qualifying for early, normal or late retirement benefits thereunder, the amount of which is reduced by application of the maximum limitations imposed by the Internal Revenue Code, is eligible to participate in the Supplemental Executive Retirement Plan.

The benefit payable to a participant equals the monthly amount the participant would receive under the AMC Defined Benefit Retirement Income Plan without giving effect to the maximum

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recognizable compensation for qualified retirement plan purposes imposed by the Internal Revenue Code, as amended by Omnibus Budget Reconciliation Act of 1993, less the monthly amount of the retirement benefit actually payable to the participant under the AMC Defined Benefit Retirement Income Plan, each as calculated as of December 31, 2006. The benefit is an amount equal to the actuarial equivalent of his/her benefit, computed by the formula above, payable in either a lump sum (in certain limited circumstances, specified in the plan) or equal semi-annual installments over a period of two to ten years, with such form, and, if applicable, period, having been irrevocably elected by the participant.

If a participant's employment with AMC terminates for any reason before the earliest date he/she qualifies for early, normal or late retirement benefits under the AMC Defined Benefit Retirement Income Plan, no benefit is payable under the Supplemental Executive Retirement Plan.

Nonqualified Deferred Compensation

AMC permits the Named Executive Officers and other key employees to elect to receive a portion of their compensation reported in the Summary Compensation Table on a deferred basis. Deferrals of compensation during the twelve months ended December 31, 2015 and in recent years have been made under the AMC Non-Qualified Deferred Compensation Plan. Participants of the plan are able to defer annual salary and bonus (excluding commissions, expense reimbursement or allowances, cash and non-cash fringe benefits and any stock-based incentive compensation). Amounts deferred under the plans are credited with an investment return determined as if the participant's account were invested in one or more investment funds made available by the Committee and selected by the participant. AMC may, but need not, credit the deferred compensation account of any participant with a discretionary or profit sharing credit as determined by AMC. The deferred compensation account will be distributed either in a lump sum payment or in equal annual installments over a term not to exceed 10 years as elected by the participant and may be distributed pursuant to in-service withdrawals under certain circumstances. Any such payment shall commence upon the date of a "Qualifying Distribution Event" (as such term is defined in the Non-Qualified Deferred Compensation Plan). The Qualifying Distribution Events are designed to be compliant with Section 409A of the Internal Revenue Code.

The following table presents information regarding the contributions to and earnings on the Named Executive Officers' deferred compensation balances during the twelve months ended December 31, 2015:

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)(3)	Aggregate Earnings in Last FY ($)(4)	Aggregate Balance at Last FYE ($)(5)
Craig R. Ramsey	$ 21,911	$ 693,025	$ (4,165)	$ 2,093,762
John D. McDonald	117,959	568,136	(7,728)	2,521,545
Elizabeth Frank	294,419	563,136	(6,476)	1,874,926
Mark A. McDonald	85,692	568,136	(12,890)	2,574,479
Gerardo I. Lopez	242,788	27,156	(19,137)	3,762,789

(1) These amounts represent payroll deductions for the applicable executive and are therefore included in the Summary Compensation Table.

(2) Due to their deferred settlements, these amounts represent the RSUs and PSUs that vested during the twelve months ended December 31, 2015. The RSUs and PSUs will not be settled, and will be non-transferable, until the third anniversary of the grant date of March 6, 2015.

The fair value upon vesting was calculated by multiplying the closing price of the Company's common stock of $24.00 on the vesting date of December 31, 2015 by the number of shares vested.

(3)
These amounts include nonqualified deferred compensation payments for Mr. Ramsey of $25,000, Mr. John McDonald of $5,000, and Mr. Mark McDonald of $5,000, related to the termination of the AMC Postretirement Medical Plan. See "Summary Compensation Table" for further information.

(4)
There were no above market earnings on deferred compensation in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table during the twelve months ended December 31, 2015.

(5)
The amounts reported include amounts included in Summary Compensation Table for current and prior years.

Potential Payments Upon Termination or Change of Control

The following tables describe potential payments and other benefits that would have been received or receivable by each Named Executive Officer or his or her estate under the officer's employment agreement or related plans and agreements if employment had been terminated under various circumstances on December 31, 2015:

	Termination Following A Change of Control ($)	Death or Disability ($)	Termination with Good Reason by Employee ($)	Termination Without Cause by Company ($)	Retirement ($)
Craig R. Ramsey					
Base Salary	1,100,000	1,100,000		1,100,000	
AIP					550,000
Total	1,100,000	1,100,000		1,100,000	550,000
John D. McDonald					
Base Salary	1,010,000	1,010,000		1,010,000	
AIP					353,500
Total	1,010,000	1,010,000		1,010,000	353,500
Elizabeth Frank					
Base Salary			998,000	998,000	
AIP					
Total			998,000	998,000	
Mark A. McDonald					
Base Salary	889,200	889,200		889,200	

AIP					289,000
Total	889,200	889,200		889,200	289,000

Gerardo I. Lopez	
Base Salary	
Special Incentive	
Bonus	
AIP	
Total	

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In the event Mr. Ramsey's, Mr. John McDonald's, or Mr. Mark McDonald's employment is terminated as a result of the executive's death, "Disability", or by the Company without "Cause" (as those terms are defined in the paragraph below and in the applicable employment agreement) the executive is entitled to a lump cash severance payment equal to two years of his base salary then in effect. Following a Change in Control (as defined in the paragraph below and in the applicable employment agreement), if the executive resigns in response to a substantial adverse alteration in responsibilities, reduction in base salary, or a material reduction in benefits, the executive is entitled to a lump cash severance payment equal to two years of his base salary then in effect. If the executive retires, he is entitled to a payment equal to a pro rata share of his AIP at target for the year in which he retires.

The employment agreements for Mr. Ramsey, Mr. John McDonald and Mr. Mark McDonald define Disability as the executive's incapacity due to physical or mental illness and the executive has not been regularly performing his duties and obligations for a period of 120 consecutive days. Cause is defined as a willful and continued failure by the executive to perform substantially his duties with the Company or the willful engaging by the executive in misconduct which is materially and demonstrably injurious to the Company. Change of Control is defined as a merger or similar transaction, provided the executive terminates his employment subsequent to a Change of Control within 60 days of the occurrence of any such event; (i) a substantial adverse alteration in executive's responsibilities from those in effect immediately prior to the Change of Control; (ii) a reduction in base salary below the rate that is in effect immediately prior to the Change of Control; or (iii) a material reduction in the benefits provided to the Executive by the Company prior to the Change of Control.

Ms. Frank is entitled to receive cash severance payments equal to two years of her base salary in the event of termination by the Company without "Cause" or by Ms. Frank for "Good Reason" (as such term is defined in the her employment agreement).

Per Ms. Frank's employment agreement, Cause shall mean, as reasonably determined by the Board based on information that one or more of the following has occurred, the executive has; (i) committed a felony or similar crime; (ii) engaged in acts of fraud, dishonesty, gross negligence or other misconduct; (iii) willfully failed to perform her duties under the agreement; or (iv) breached any provision, materially breached any contract or breached any material written Company policy. Good Reason shall mean a termination of the executive's employment by means of resignation by the executive after the occurrence of any one of the following conditions; (i) a material diminution in the executive's rate of base salary; (ii) a material diminution in the executive's authority, duties, or responsibilities; (iii) a material change in the geographic location of the executive's principal office with the Company; or (iv) a material beach of the employment agreement by the Company.

Mr. Lopez resigned from his position as CEO, President, and director, effective August 6, 2015. As a result, there were no potential payments upon termination or change of control at December 31, 2015.

Acceleration of RSU and PSU Settlements. The vested RSUs and the vested PSUs granted to all Named Executive Officers shall be settled within 60 days following the occurrence of any one of the following conditions; (i) termination by the Company, other than for Cause; (ii) death; or (iii) disability. Additionally, Mr. Lopez's and Ms. Frank's vested RSUs and vested PSUs shall be settled within 60 days following his or her resignation with Good Reason. For Mr. Ramsey, Mr. John McDonald, and Mr. Mark McDonald, the vested RSUs and the vested PSUs awarded in 2014, shall also be settled within 60 days following the occurrence of any one of the following conditions; (i) resignation, other than following a Change of Control; or (ii) retirement. For Mr. Ramsey, Mr. John

McDonald, and Mr. Mark McDonald, the vested RSUs and the vested PSUs awarded in 2015, shall also be settled within 60 days following his resignation following a Change of Control.

Because these amounts are already earned, they are not included in the table above. See "Summary Compensation Table" and "Non-Qualified Deferred Compensation Table" for a discussion of these awards.

Mr. Aron's Employment Agreement. Pursuant to his employment agreement, if Mr. Aron is terminated as a result of his death or disability or without cause or for good reason, he will receive a pro rata portion of any incentive bonus for the year in which he was terminated if the applicable targets are met. In addition, upon his termination without cause or for good reason or as a result of the Company not renewing his contract, or not renewing it on comparable terms (each an "Involuntary Termination"), Mr. Aron will be entitled to an amount equal to 1.5 times his Base Salary plus one of the following amounts, as applicable: (1) 1.875 times his Base Salary if he is terminated on or before December 31, 2016; (2) 1.5 times the Incentive Bonus paid to Mr. Aron for the fiscal year ending in December 31, 2016 if he is terminated during the period from January 1, 2017 to December 31, 2017; or (3) 1.5 times the average of the Incentive Bonuses paid to Mr. Aron during the 24 months preceding the date of Mr. Aron's termination, if the termination occurs on or after January 1, 2018 (the "Severance Benefit"). The Severance Benefit will be paid equally over a 24-month period. In addition, upon an Involuntary Termination, Mr. Aron will be paid $6,000,000 of value, through a combination of RSUs vesting and cash payments, over a 3-year period following termination. Upon an Involuntary Termination, AMCH will also pay Mr. Aron an amount equal to the full cost of his medical insurance for a period of 18 months.

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PROPOSAL 3
NON-BINDING ADVISORY VOTE TO APPROVE COMPENSATION OF NAMED EXECUTIVE OFFICERS

As we discussed in the "Compensation Discussion and Analysis" above, the Company's compensation program for executive officers is designed to attract and retain high quality people and to motivate them to achieve both our long-term and short-term goals. As required by Section 14A of the Securities Exchange Act of 1934, this proposal, commonly referred to as the "say-on-pay" resolution, seeks a stockholder advisory vote on the compensation of our Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K through the following resolution:

> "RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders pursuant to Item 402 of Regulation S-K, including Compensation Discussion and Analysis, compensation tables and narratives."

This vote is advisory and non-binding, but our Board and the Compensation Committee will consider stockholders' concerns and evaluate whether actions are necessary to address those concerns.

The Board recommends a vote **"FOR"** approval of the compensation of our Named Executive Officers, as disclosed in this proxy statement on an advisory basis.

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OTHER INFORMATION

The Company's audited consolidated financial statements are included in the Annual Report on Form 10-K for calendar 2015 filed with the SEC, 100 F Street N.E., Washington, D.C. 20549. Complimentary copies of the Form 10-K as filed with the SEC may be obtained by following the instructions provided below under the heading "Availability of Report on Form 10-K."

Costs of Proxy Statement

The Company bears the cost of preparing, assembling and mailing this proxy statement and any other proxy materials transmitted on behalf of our Board. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding proxy materials to the beneficial owners of our Common Stock.

Delivery of Stockholder Documents

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

A number of brokers with accounts will be householding our proxy materials to the extent stockholders have given their prior express or implied consent in accordance with SEC rules. Once you have received notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent, which is deemed to be given unless you inform the broker otherwise when you receive the original notice of householding. If, at any time, you no longer wish to participate in householding and would prefer to receive separate proxy materials, please notify your broker to discontinue householding and direct your written request to receive a separate notice of internet availability of proxy materials or proxy statement and annual report to the Company at: AMC Entertainment Holdings, Inc., Attention: Investor Relations, One AMC Way, 11500 Ash Street, Leawood, KS 66211, or by calling (913) 213-4000. Stockholders who currently receive multiple copies of the proxy materials at their address and would like to request householding of their communications should contact their broker.

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STOCKHOLDER PROPOSALS

In order to include a stockholder proposal in our proxy statement and form of proxy relating to our next annual meeting of stockholders following the end of calendar 2016, we must receive it no later than November 23, 2016. Any stockholder proposal submitted to us for consideration at next year's annual meeting but which is not intended to be included in the related proxy statement and form of proxy must be received between February 24, 2017 and March 27, 2017; otherwise, the proposal will be considered by us to be untimely and not properly brought before the meeting.

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AVAILABILITY OF REPORT ON FORM 10-K

Upon your written request, we will provide to you a complimentary copy of our 2015 Annual Report on Form 10-K (without exhibits and separate financial statements of non-consolidated subsidiaries) as filed with the SEC. We will provide you a copy of the exhibits and separate financial statements of non-consolidated subsidiaries to our 2015 Annual Report on Form 10-K upon payment of our reasonable duplicating and shipping expenses. Your request should be mailed to AMC's offices, addressed as follows: AMC Entertainment Holdings, Inc., Attention: Investor Relations, One AMC Way, 11500 Ash Street, Leawood, KS 66211. A free copy of the Form 10-K may also be obtained at the Internet web site maintained by the SEC at www.sec.gov and by visiting our Internet web site at www.amctheatres.com and clicking on "Investor Relations," then on "AMC Entertainment Holdings, Inc."

By Order of the Board of Directors,

One AMC Way

11500 Ash Street, Leawood, KS 66211

Senior Vice President, General Counsel and Secretary

March 23, 2016

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APPENDIX A

The following table sets forth our reconciliation of Adjusted EBITDA and Adjusted EBITDA for AIP:

Reconciliation of Adjusted EBITDA for AIP
(unaudited)

(In thousands)	12 Months Ended December 31, 2015	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
Earnings from continuing operations	$ 103,856	$ 63,767	$ 363,104
Plus:			
Income tax provision (benefit) (2)	59,675	33,470	(263,383)
Interest expense	106,088	120,939	140,227
Depreciation and amortization	232,961	216,321	197,537
Impairment of long-lived assets	1,702	3,149	
Certain operating expenses (3)	16,773	21,686	13,913
Equity in earnings of non-consolidated entities	(37,131)	(26,615)	(47,435)
Cash distributions from non-consolidated entities	34,083	35,243	31,501
Investment income	(6,115)	(8,145)	(2,084)
Other expense (income) (4)	10,684	(8,344)	(127)
General and administrative expense unallocated:			
Merger, acquisition and transaction costs	3,398	1,161	2,883
Stock-based compensation expense (5)	10,480	11,293	12,000
Adjusted EBITDA (1)	$ 536,454	$ 463,925	$ 448,136
Less: cash distributions from non-consolidated entities	(34,083)	(35,243)	(31,501)
Adjusted EBITDA for AIP	$ 502,371	$ 428,682	$ 416,635

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The following table sets forth our reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow:

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
(unaudited)

(In thousands)	12 Months Ended December 31, 2015	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
Net cash provided by operating activities	$ 467,557	$ 297,302	$ 357,342
Plus:			
Equity in earnings from equity method investees	(27,528)	(26,513)	(27,824)
Deferred rent (excluding digital equipment rent)	24,227	19,340	12,271
Net periodic benefit costs	18,208	3,418	(973)
Change in working capital, accruals and other	(4,667)	75,317	(58,869)
General and administrative expense: merger, acquisition and transaction costs	3,398	1,161	2,883
Investment income	(6,115)	(8,145)	(2,084)
Gain from discontinued operations		(313)	(1,296)
Capital expenditures (excluding change in construction payables)	(338,813)	(275,090)	(270,884)
Principal payments under Term Loan	(5,813)	(7,750)	(7,813)
Principal payments under capital and financing lease obligations	(7,840)	(6,941)	(6,446)
Principal payments under promissory note	(1,389)	(1,389)	
Free Cash Flow (6)	$ 121,225	$ 70,397	$ (3,693)

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The following table sets forth our reconciliation of Adjusted EBITDA to Free Cash Flow:

Reconciliation of Adjusted EBITDA to Free Cash Flow
(unaudited)

(In thousands)	**12 Months Ended December 31, 2015**	**12 Months Ended December 31, 2014**	**12 Months Ended December 31, 2013**
Adjusted EBITDA	$ 536,454	$ 463,925	$ 448,136
Minus:			
Cash distributions from non-consolidated entities	34,083	35,243	31,501
Income taxes, net	5,351	1,084	1,646
Cash interest expense	105,286	125,549	151,629
Capital expenditures (excluding change in construction payables)	338,813	275,090	270,884
Landlord contributions	(83,346)	(59,518)	(18,090)
Principal payments under Term Loan	5,813	7,750	7,813
Principal payments under capital and financing lease obligations	7,840	6,941	6,446
Principal payments under promissory note	1,389	1,389	
Free Cash Flow (6)	$ 121,225	$ 70,397	$ (3,693)

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1) We present Adjusted EBITDA as a supplemental measure of our performance that is commonly used in our industry. We define Adjusted EBITDA as earnings (loss) from continuing operations plus (i) income tax provision, (ii) interest expense and (iii) depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance and to include any cash distributions of earnings from our equity method investees. These further adjustments are itemized above. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net earnings as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with U.S. GAAP). Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. We have included Adjusted EBITDA because we believe it provides management and investors with additional information to measure our performance and liquidity, estimate our value and evaluate our ability to service debt and because we utilize them for our performance based annual incentive plan and stock-based compensation programs.

Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. For example,

Adjusted EBITDA:

- does not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments;

- does not reflect changes in, or cash requirements for, our working capital needs;

- does not reflect the significant interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt;

- excludes income tax payments that represent a reduction in cash available to us; and

- does not reflect any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future.

2) During the twelve months ended December 31, 2013, we reversed our recorded valuation allowance for deferred tax assets. We generated sufficient earnings in the United States federal and state tax jurisdictions where we had recorded valuation allowances to allow us to conclude that we did not need valuation allowances in these tax jurisdictions. This reversal is reflected as a non-cash income tax benefit recorded during the twelve months ended December 31, 2013.

3) Amounts represent preopening expense, theatre and other closure expense, deferred digital equipment rent expense, and disposition of assets and other gains included in operating expenses.

4) Other expense for the twelve months ended December 31, 2015 was due to a net loss on extinguishment of indebtedness related to the cash tender offer and redemption of the Notes due 2020 and modification of our Senior Secured Credit Agreement. Other income for the twelve months ended December 31, 2014 was due to net gains on extinguishment of indebtedness related to the cash tender offer and redemption of the Notes due 2019.

5) Non-cash expense included in General and Administrative: Other.

6) Free Cash Flow is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to cash flows from operating activities as a measure of liquidity (as determined in accordance with U.S. GAAP). We define free cash flow as adjusted EBITDA minus the sum of cash distributions from non-consolidated entities, cash taxes, cash interest, capital expenditures (excluding change in construction payables) net of landlord contributions, mandatory payments of principal under any credit facility and payments under capital lease obligations and financing lease obligations. This non-GAAP financial measure may not be comparable to similarly titled measures reported by other companies. We have included Free Cash Flow as we believe it provides a useful measure of cash flows generated by our operations, because it is used by management to assess the liquidity of our Company and because we utilize them for our performance based annual incentive plan and stock-based compensation programs.