MITTLEMAN BROTHERS
INVESTMENT MANAGEMENT

April 15, 2016

Roland C. Smith, Chairman of the Board
S. David Passman, III, Chief Executive Officer
Carmike Cinemas Inc.
1301 First Avenue
Columbus, GA 31901-2109

Dear Roland and David,

Mittleman Brothers, LLC ("Mittleman Brothers," "we," or "our"), filed a Schedule 13D/A today in conjunction with an increase in our percentage ownership of Carmike Cinemas, Inc. ("Carmike" or "CKEC") from 7.1% to 8.4% as of yesterday. As stated in our initial Schedule 13D filing on March 8, 2016 ("Initial 13D"), we remain staunchly opposed to the terms of Carmike's definitive merger agreement with AMC Entertainment Holdings, Inc. ("AMC"), whereby Carmike's stock would be sold to AMC for $30 per share in cash. We believe that, if approved, the deal would be immensely favorable to AMC's shareholders and grossly unfair to Carmike's shareholders. We reiterate our intent to vote against this deal in its current form, and to encourage all CKEC shareholders to also vote "NO." Mittleman Brothers does not intend to solicit proxies.

On March 10, 2016, Carmike filed a Schedule 14A ("14A") with the SEC. In a letter to Carmike dated March 21, 2016, and filed with the SEC in our amended Schedule 13D, ("13D Amendment") we responded to claims made in Carmike's 14A filing, identifying statements that we believe attempt to obfuscate the relatively low valuation at which Carmike's Board agreed to sell Carmike to AMC. Further, we pointed out our belief that certain claims made by Carmike in the 14A are inconsistent with previous Carmike filings and that CKEC changed its definition of "adjusted EBITDA" in an apparent attempt to mask a low buyout valuation. We also pointed out in our 13D Amendment how no discernible value was provided for Carmike's 18% stake in Screenvision, the low valuation of CKEC versus comparables, CKEC's shareholders' complete lack of sharing in the immense value of synergies created by the merger, and the questionable timing of the deal, seemingly rushed to coincide with the February stock market selling panic.

On March 30, 2016 Carmike filed with the SEC its Preliminary Proxy Statement / Schedule 14A ("PREM14A") which we believe reveals damaging mistakes in the way that this sale process was carried out, and a fatally flawed fairness opinion. The PREM14A reveals the following:

AMC Offered to Pay <u>$37 per share</u> in March 2015, after Carmike's adjusted EBITDA for 2014 was $98.3M (-13.5% from 2013). Carmike Agreed to <u>$30 per share</u> in March 2016, with $135M adjusted EBITDA reported for 2015, an All-Time Record Result.

AMC offered to pay $37 per share (60% cash/40% stock) to CKEC in March 2015, but withdrew the offer shortly thereafter for reasons not clearly defined beyond that they were "no longer interested." Carmike's adjusted EBITDA for 2014 was $98.3M, down 13.5% from 2013. Yet, one year later, having reported a record $135M in adjusted EBITDA for FY2015, Carmike responded to AMC's renewed interest by hurriedly accepting an offer of $30 per

105 Maxess Road, Suite 207, Melville, NY 11747 | 400 Madison Avenue, Suite 14A, New York, NY 10017
tel (516) 686-6200 | fax (516) 686-6207 | www.mittlemanbrothers.com

share, in all cash. We find that simply astonishing. Carmike has claimed that there was no better offer from any other party, but we see that as no reason to accept such an inferior deal.

Perhaps AMC was the only buyer, but Carmike was the only seller. If the price offered was not attractive, or at the very least fair, then Carmike should have simply walked away, to continue growing the business as you have done so well over the past seven years. As we pointed out in our Initial 13D, from year-end 2008 to year-end 2015, a seven year period in which industry-wide box office receipts in North America rose from $9.63B to $11.12B (2.1% CAGR), Carmike's sales increased from $473M to $804M (7.9% CAGR), EBITDA rose from $73M to $135M (9.2% CAGR), and the stock price went from $3.65 to $22.94 (30% CAGR). We believe there was clearly no urgent need to sell for anything less than a very attractive valuation.

Private Equity Buyers Excluded from Pre-Agreement Market Canvas

While it is obvious that private equity/financial buyers would be less likely to produce a competitive deal versus strategic buyers who can reap significant synergies, Carmike describes in the PREM14A that they presumptively excluded this very large group of cash-rich potential buyers from their sale process, which we believe was a huge mistake. Private equity loves recession-proof, free cash flow generators like Carmike, with modest organic growth that can be accelerated by accretive acquisitions. As we mentioned in our Initial 13D, the most recent buy-out of a $1B+ enterprise value movie theater company was the London-based Vue Entertainment Ltd., bought out on 9/30/13 for $1.46B, or 8.5x $171M in EBITDA, by two Canadian private equity firms, OMERS Private Equity and Alberta Investment Management Corp. Impressively, that 8.5x multiple was paid by a private equity group, not a strategic buyer with synergies to lower the ultimate cost. And 8.5x is a considerably higher valuation than the 7.7x adjusted EBITDA implied by the price AMC, a strategic buyer, is offering CKEC at $30 per share (7.7x adjusted EBITDA of $135.1M in 2015, +$50M for Screenvision).

And after bizarrely excluding private equity from the pre-agreement market canvas, and ultimately dismissing the unsolicited private equity interest CKEC received in December 2015, Carmike's Board compounded their error by agreeing, in negotiation with AMC as a single potential purchaser, to a no-shop agreement, thus excluding this vast potential buyer group, and all others from a post-agreement market check, except for those who would approach unsolicited and willing to absorb the break-up fee.

No Special Committee Established by the Board

While a special committee is not required, it would seem advisable to have created one given the conflict inherent in having a CEO subject to substantial golden parachute compensation as the lead negotiator of the sales effort, with no prior experience in negotiating a public company merger. The PREM14A shows CEO David Passman's total vested equity equal to $12.2M at $30 per share, with merger-related compensation ("golden parachute") adding $8.4M, a +69% increase to total vested equity at $30 per share. Regular CKEC holders would need a $50.56 per share (+69% on $30) take-out price to enjoy the same effect. While we certainly do not begrudge David Passman's well-deserved golden parachute after seven outstanding years of leadership yielding excellent operating results, it cannot be fully condoned in conjunction with such a poor exit package for non-management shareholders.

Board Lacking in Public Company Experience, Chairman Distracted by Other Merger

Only three of Carmike's seven directors (directors Smith, Erwin, and Bell) have ever served on the Board of Directors of another public company besides Carmike. Chairman of the Board ("COB"), Roland Smith, has the most extensive experience and is the only Board member with significant experience in negotiating a merger of two public companies. While not necessarily conflicted, we believe that Roland Smith was likely distracted during this time frame as he is also COB and CEO of Office Depot, Inc. ("ODP"), which has been in a high profile battle with the Federal Trade Commission in seeking approval for a merger with Staples, Inc. ("SPLS"). We suspect that Carmike's Board lacked the undivided attention of its Chairman during this critical time, as the PREM14A does not mention Smith, individually, as having participated in the negotiating process. Whereas the ODP/SPLS proxy features Smith as the lead negotiator. That is understandable given Smith's dual role of COB & CEO at ODP, with his merger-related compensation in the ODP/SPLS merger estimated at $47M, versus only $1.3M in vested equity at stake for him in the CKEC/AMC deal. Regardless, we believe a far better deal should have been negotiated with AMC, and if Carmike had a fully focused and properly experienced COB during this process, perhaps that would have been achieved.

No Attempt Made to Capture Carmike's Share of Synergies Created by Merger with AMC

The merger between AMC and CKEC creates significant value from both cost savings estimated by AMC to be $35M annually, worth $280M at 8x EBITDA, and an additional roughly $260M in value from new National CineMedia, Inc. ("NCMI") shares issuable to AMC due in part to a 50% increase in screen count from adding Carmike's screens. That is $540M in value created by synergies in the merger of these two companies, neither of which could accomplish such a feat without the other. Yet, there is no indication in the PREM14A that the Board of Carmike was striving to receive stock in AMC instead of cash. AMC's stock, while somewhat more expensive than Carmike's immediately before the deal was announced, was still priced attractively relative to its own intrinsic value. Receiving stock instead of cash, even at the low-ball price of $30, would have allowed Carmike shareholders to share in some of the value of the synergies and the long-term growth potential of the combined entities. But in the all-cash deal at $30 per share, Carmike shareholders are cashed out without even obtaining a control premium in terms of a valuation in excess of where their peers trade in the open market.

Value of Carmike's 18% Stake in Screenvision Ignored in Fairness Opinion

As in the initial press release announcing the deal on March 3rd, and all subsequent filings, there has been no mention of the value of Carmike's 18% stake in Screenvision, as if it had simply ceased to exist. Yet, as we pointed out in our 13D Amendment, Carmike's Screenvision stake, valued at $65M ($2.65 per CKEC share) as recently as 2014 in an aborted takeover, was lauded on a November 4, 2014 quarterly conference call by Carmike's CEO David Passman who said "Regardless of the eventual outcome of the litigation, <u>we believe our investment in Screenvision is immensely valuable</u> and will be monetized for the benefit of Carmike's shareholders."

Meanwhile, Screenvision's sales increased by 4.6% in 2015 to $165M from $158M in 2014 when the buyout of Screenvision was announced, and Screenvision's shareholder equity increased from $67M to $86M in 2015. So, we think it is unlikely that Screenvision suddenly lost significant value over the past year. We estimate Screenvision's private market value at $275M, a significant discount to the $375M value for which it had agreed to sell to NCMI in May 2014, because the value of Screenvision will necessarily be much less to a buyer lacking synergies available to NCMI from a resulting near monopoly in the industry. A $275M valuation for Screenvision would be approximately 17x the $16M in unlevered free cash flow that Screenvision produced in 2015, a reasonable multiple for a significant player (37% market share) in a unique and growing segment of the out-of-home advertising industry, where ads cannot be skipped by DVRs. If our estimate of a $275M Enterprise Value for Screenvision is correct, subtracting $20M in net debt provides an equity value of $255M, with Carmike's 18% stake worth $46M, which we optimistically round up to $50M, or about $2.00 per share in value that is not reflected in the valuation multiples discussed in the AMC / CKEC deal. Screenvision's controlling shareholder, Shamrock Holdings, a private equity firm founded by the late Roy E. Disney, bought 50% of the company in 2010 for $80M ($160M EV) from ITV Plc. Given that Shamrock has owned Screenvision for nearly six years, another attempt at a liquidity event would not be surprising. Carmike should not be relinquishing its admittedly valuable stake in Screenvision for no apparent consideration.

Perhaps JP Morgan mistakenly valued Carmike's stake in Screenvision merely by looking at its book value as held on Carmike's balance sheet as an unconsolidated investment under the equity method of accounting, which Carmike shows in its recent 10-K as only $6.96M in value. If that was the case, and JP Morgan felt no need to separately value such a de minimis portion of the total firm value, we believe that is a mistake that Carmike's Board was obliged to correct in their review of the fairness opinion as part of the Board's duty of care. As our estimate of fair value for the Screenvision stake would add roughly $2.00 per share to the current $30 offered price, or 6.7%, we view this glaring omission as a major reason why we deem JP Morgan's fairness opinion as fatally flawed, and the acceptance of it by Carmike's Board, as it was delivered orally on the day of the March 3rd Board meeting to vote on the deal, as evidence of a flawed process.

Fairness Opinion Fails to Apply Control Premium to Valuations of Trading Comparables

Another fatal flaw in the fairness opinion is the failure by JP Morgan to add a control premium to the valuations of the four comparable companies they picked as the most relevant trading comparables. This is required because Carmike is selling control to AMC, and if those comparables were in the process of selling control they would likely be trading at substantially higher valuations. There is also either an error or a willful omission in the range of EBITDA multiples that JP Morgan's fairness opinion claims it derived from the four publicly traded comparables they chose. JP Morgan used a very reasonable group of comparable companies for the public trading multiples segment of their fairness report: AMC, Regal Entertainment Group ("RGC"), Cinemark Holdings, Inc. ("CNK") and Cineplex Inc. ("CGX CN"), but their claim that this group presents a range of EV/EBITDA multiples of 7.0x to 8.0x based on 2016 estimated EBITDA is clearly not accurate. Bloomberg shows CGX CN at roughly CAD 50.00 per share when the fairness opinion was presented on March 3rd, an EV of CAD 3.48B, which is 12.2x the CAD 285M in EBITDA estimate for 2016 by the brokerage consensus. So either JP Morgan chose to ignore that 12.2x EBITDA multiple in using a 7.0x – 8.0x range, or they miscalculated it. Either way, we believe that it is a material error to mention it on the list, but exclude it from the range supposedly derived from that list. RGC was also outside the range at

8.8x, adjusted for their NCMI stake and its associated earnings and other unconsolidated investments. So clearly an upper limit of 8.0x here is wrong.

Selected Transaction Analysis in Fairness Opinion Includes Tiny Theater Chains Which are Clearly Not Comparable to Carmike, the 4th Largest Theater Company in the U.S.

JP Morgan chose seventeen transactions as comparables for the AMC/CKEC merger, which is an undervalued $1.1B deal. But six of those seventeen transactions (35%) are too small to be reasonably considered comparables for the much larger scale of Carmike. These include Carmike's acquisition of Digiplex ("DCIN") for $50M in May 2014, RGC's purchase of 4 theaters from AMC in 2006 for an estimated value of $60M, Cinemark's purchase of 4 theaters from a distressed seller, Muvico Entertainment, LLC ("Muvico"), in 2009 for estimated value of $55M, Carmike's purchase of 16 theaters from Rave Reviews Cinemas, LLC for $119M (5x EBITDA of $23.6M) in 2012, Carmike's purchase of 9 theaters from Muvico for $31.8M (5.9x EBITDA of $5.4M), and DCIN's purchase of 7 theaters from UltraStar Cinemas in 2012 for $13M (roughly 5.5x EBITDA). In our opinion, these much smaller, generally low multiple deals have no place in the comparable list of transactions for the merger of the second largest (AMC) and fourth largest (CKEC) theater chains in the U.S. Including such clearly inappropriate comps as more than one third of the list we believe unfairly reduces the TV/ LTM EBITDA multiple range which JP Morgan derived from that list, at 7.0x to 8.5x, and highlights what we see as an outcome-driven approach to this entire fairness opinion and process.

By relying on what we believe to be a fatally flawed fairness opinion in recommending that shareholders accept the $30 per share cash take-out offer, the Board encourages shareholders to vote in a manner that we believe is clearly contrary to shareholder interests. If the Board was unaware of these flaws in the fairness opinion at the oral presentation on March 3rd, due to inexperience or over-reliance on JP Morgan or lack of care, the Board can take action now to correct the situation by withdrawing their recommendation that shareholders vote in favor of this merger. We urge the Board to do so as soon as possible.

Given what we believe to be the deficiencies and fatal flaws in the fairness opinion provided by J.P. Morgan that we have pointed out to you here, flaws that Carmike might have recognized itself had it created its own fairness committee to vet the opinion, rather than using a fairness committee set up by J.P. Morgan, we further call upon the Board of Carmike to exercise the fiduciary out provision of the merger agreement and withdraw from this merger agreement without incurring the $30M break-up fee. At the very least, we believe that given the issues we have identified in the fairness opinion, the shareholder vote date should be delayed until such time as a new fairness opinion can be obtained, preferably from an unconflicted firm.

Carmike's 2016 EBITDA Estimate Down 4% vs. Prior, Despite Sales Estimate Up 7.6%

- December 2015 projections for 2016 Sales $800M, EBITDA $142M (with acquisitions)

- March 2016 projections for 2016 Sales $861M, EBITDA $136M (with acquisitions)

105 Maxess Road, Suite 207, Melville, NY 11747 | 400 Madison Avenue, Suite 14A, New York, NY 10017
tel (516) 686-6200 | fax (516) 686-6207 | www.mittlemanbrothers.com

MITTLEMAN BROTHERS
INVESTMENT MANAGEMENT

The change in EBITDA projection from December to March is very difficult to comprehend. The December 2015 projection envisioned an EBITDA margin of 17.75%, while the March 2016 estimate implies an EBITDA margin of only 15.80%, a nearly 200 basis point decline. In the seven years that current management has been in control of Carmike, since early 2009, sales rose annually in five of those seven years, and in those five years when sales were up, adjusted EBITDA was up in four of those years. That one year in which EBITDA declined in concert with increased sales was 2014, when an initially dilutive acquisition of DCIN added significant costs after it closed in August 2014 just before a weak Q4 2014 industry-wide box office result. So, unless Carmike is planning another such awkwardly timed (and not particularly cheap) deal in 2016, then a higher sales estimate should bring forth a higher EBITDA estimate, as the results you have achieved over the past seven years have borne out 80% of the time.

Given the above mentioned inconsistencies, incongruities, and outright omissions, we are concerned that there may be an orchestrated attempt underway to make Carmike look less valuable, possibly in hopes that enough undiscerning shareholders will thus vote in favor of the unfairly low $30 per share cash take-out offer from AMC. We fear such an attempt might next manifest in a lower than expected Q1 2016 report (due out in early May), which would be extremely difficult to imagine. The U.S. box office receipts were up 12.3% in Q1 2016 on the strength of surprise hits like *Deadpool*, and Q1 2016 would be the first full quarter in which Carmike's new "tax on top" price hike will have been in effect, further boosting sales significantly. Given Carmike's history of out-performing the industry on attendance and concessions, Carmike should report absolutely outstanding numbers in Q1 2016. If we see unusually high operating expenses aggregated into the Q1 results report (i.e., "sandbagging"), we may have to consider moving beyond letter writing to litigation in order to prevent a vote from taking place under such coercive circumstances and outcome-driven obfuscations of Carmike's true earnings power and intrinsic value. To be perfectly clear, we are not accusing Carmike's Board or management of having done anything nefarious, or of having any plans to do so, but the issues we have noted in this letter are disconcerting, and concern us enough that we felt compelled to speak out.

We have spoken to a large number of Carmike shareholders since we changed our 13G filing to an Initial 13D and first voiced our opposition to the valuation and structure of this deal on March 8th, and we have received unanimously positive feedback regarding our position on this matter from every shareholder with whom we have spoken. We are highly confident that if this deal does somehow progress to a shareholder vote, our shares will be joined by more than enough other shares voting "no" to reject this ill-advised and unfair merger agreement.

Sincerely,

Chris Mittleman
Managing Partner
Mittleman Brothers, LLC

105 Maxess Road, Suite 207, Melville, NY 11747 | 400 Madison Avenue, Suite 14A, New York, NY 10017
tel (516) 686-6200 | fax (516) 686-6207 | www.mittlemanbrothers.com