

LIONS GATE ENTERTAINMENT CORP /CN/

Form 10-Q

February 09, 2011

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

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended December 31, 2010**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No.: 1-14880**

**Lions Gate Entertainment Corp.**

*(Exact name of registrant as specified in its charter)*

**British Columbia, Canada**  
*(State or other jurisdiction of  
incorporation or organization)*

**N/A**  
*(I.R.S. Employer  
Identification No.)*

**1055 West Hastings Street, Suite 2200  
Vancouver, British Columbia V6E 2E9**

**and**

**2700 Colorado Avenue, Suite 200  
Santa Monica, California 90404**

*(Address of principal executive offices)*

**(877) 848-3866**

**(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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<b>Title of Each Class</b>	<b>Outstanding at February 1, 2011</b>
<b>Common Shares, no par value per share</b>	<b>136,740,665 shares</b>

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**FORWARD-LOOKING STATEMENTS**

This report contains statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). These forward-looking statements can be identified by the use of forward-looking terminology, including the terms may, intend, will, could, would, expect, anticipate, believe, estimate, plan, project, forecast, or the negative of these terms, as applicable, and similar expressions in to identify forward-looking statements.

These forward-looking statements are not guarantees of future performance they reflect Lions Gate Entertainment Corp.'s current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Also, these forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by federal securities laws, we do not intend to update you concerning any new information, future revisions, events or otherwise, to any forward-looking statements to reflect events or circumstances occurring after the date of this report.

Our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially and adversely from what is expressed or forecasted in the forward-looking statements as a result of various important factors, including, but not limited to, the substantial investment of capital required to produce and market films and television series, increased costs for producing and marketing feature films, budget overruns, limitations imposed by our credit facilities and notes, unpredictability of the commercial success of our motion pictures and television programming, the cost of defending our intellectual property, difficulties in integrating acquired businesses, technological changes and other trends affecting the entertainment industry, and the risk factors found under the heading Risk Factors found in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the SEC ) on June 1, 2010, which risk factors are incorporated herein by reference, as updated by the risk factors found under Part II Item 1A. Risk Factors herein. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

Unless otherwise indicated, all references to the Company, Lionsgate, we, us, and our include reference to our subsidiaries as well.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****LIONS GATE ENTERTAINMENT CORP.  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>(Amounts in thousands, except share amounts)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 69,578	\$ 69,242
Restricted cash	19,322	4,123
Restricted investments		6,995
Accounts receivable, net of reserve for returns and allowances of \$84,357 (March 31, 2010 - \$87,978) and provision for doubtful accounts of \$7,685 (March 31, 2010 - \$7,676)	400,001	292,924
Investment in films and television programs, net	682,775	661,105
Property and equipment, net	10,020	12,414
Equity method investments	159,212	179,071
Goodwill	239,254	239,254
Other assets	49,457	62,027
<b>Total assets</b>	<b>\$ 1,629,619</b>	<b>\$ 1,527,155</b>
<b>LIABILITIES</b>		
Senior revolving credit facility	\$ 224,250	\$ 17,000
Senior secured second-priority notes	226,005	225,155
Accounts payable and accrued liabilities	269,873	253,745
Participations and residuals	281,605	302,677
Film obligations and production loans	278,347	351,769
Subordinated notes and other financing obligations	108,740	192,036
Deferred revenue	164,180	130,851
<b>Total liabilities</b>	<b>1,553,000</b>	<b>1,473,233</b>
Commitments and contingencies		
<b>SHAREHOLDERS EQUITY</b>		
Common shares, no par value, 500,000,000 shares authorized, 136,713,477 and 117,951,754 shares issued at December 31, 2010 and March 31, 2010, respectively	641,471	521,164
Accumulated deficit	(560,375)	(460,631)
Accumulated other comprehensive loss	(4,477)	(6,611)
<b>Total shareholders equity</b>	<b>76,619</b>	<b>53,922</b>

Total liabilities and shareholders' equity	\$ 1,629,619	\$ 1,527,155
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See accompanying notes.

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**LIONS GATE ENTERTAINMENT CORP.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	(Amounts in thousands, except per share amounts)			
<b>Revenues</b>	\$ 422,905	\$ 342,584	\$ 1,205,805	\$ 1,087,859
<b>Expenses:</b>				
Direct operating	204,691	200,265	600,480	600,298
Distribution and marketing	158,978	156,371	461,480	339,951
General and administration	35,938	30,215	134,335	97,766
Depreciation and amortization	1,409	2,322	4,485	10,616
Total expenses	401,016	389,173	1,200,780	1,048,631
<b>Operating income (loss)</b>	21,889	(46,589)	5,025	39,228
<b>Other expenses (income):</b>				
Interest expense				
Contractual cash based interest	9,974	7,464	29,679	17,588
Amortization of debt discount and deferred financing costs	3,389	6,081	12,056	15,764
Total interest expense	13,363	13,545	41,735	33,352
Interest and other income	(329)	(413)	(1,082)	(1,207)
Loss (gain) on extinguishment of debt		1,783	14,505	(5,675)
Total other expenses, net	13,034	14,915	55,158	26,470
<b>Income (loss) before equity interests and income taxes</b>	8,855	(61,504)	(50,133)	12,758
Equity interests loss	(13,144)	(5,509)	(45,566)	(9,701)
<b>Income (loss) before income taxes</b>	(4,289)	(67,013)	(95,699)	3,057
Income tax provision (benefit)	1,728	(1,754)	4,045	251
<b>Net income (loss)</b>	\$ (6,017)	\$ (65,259)	\$ (99,744)	\$ 2,806
<b>Basic Net Income (Loss) Per Common Share</b>	\$ (0.04)	\$ (0.55)	\$ (0.77)	\$ 0.02
<b>Diluted Net Income (Loss) Per Common Share</b>	\$ (0.04)	\$ (0.55)	\$ (0.77)	\$ 0.02

**Weighted average number of common  
shares outstanding:**

<b>Basic</b>	136,661	117,745	129,338	117,381
<b>Diluted</b>	136,661	117,745	129,338	117,579

See accompanying notes.

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**LIONS GATE ENTERTAINMENT CORP.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

	<b>Common Shares</b>		<b>Accumulated</b>	<b>Other</b>	<b>Comprehensive</b>	
	<b>Number</b>	<b>Amount</b>	<b>Deficit</b>	<b>Loss</b>	<b>Loss</b>	<b>Total</b>
	(Amounts in thousands, except share amounts)					
Balance at March 31, 2010	117,951,754	\$ 521,164	\$ (460,631)	\$ (6,611)		\$ 53,922
Stock based compensation, net of withholding tax obligations of \$12,919	2,413,635	13,473				13,473
Issuance of common shares to directors for services	111,783	811				811
Conversion of \$63,709 (principal) of October 2004 2.9375% Notes (see Note 10)	10,355,299	67,620				67,620
Conversion of \$36,009 (principal) of February 2005 3.625% Notes (see Note 10)	5,881,006	38,403				38,403
Comprehensive loss						
Net loss			(99,744)		\$ (99,744)	(99,744)
Foreign currency translation adjustments				2,312	2,312	2,312
Net unrealized loss on foreign exchange contracts				(178)	(178)	(178)
Comprehensive loss					\$ (97,610)	
Balance at December 31, 2010	136,713,477	\$ 641,471	\$ (560,375)	\$ (4,477)		\$ 76,619

See accompanying notes.

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**LIONS GATE ENTERTAINMENT CORP.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	<b>(Amounts in thousands)</b>	
<b>Operating Activities:</b>		
Net income (loss)	\$ (99,744)	\$ 2,806
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of property and equipment	3,595	6,172
Amortization of intangible assets	890	4,444
Amortization of films and television programs	400,583	409,904
Amortization of debt discount and deferred financing costs	12,056	15,764
Non-cash stock-based compensation	26,391	11,741
Loss (gain) on extinguishment of debt	14,505	(5,675)
Equity interests loss	45,566	9,701
Changes in operating assets and liabilities:		
Restricted cash	(18,699)	9,350
Accounts receivable, net	(105,039)	(23,605)
Investment in films and television programs	(421,148)	(438,020)
Other assets	(1,458)	2,411
Accounts payable and accrued liabilities	32,375	(31,717)
Participations and residuals	(21,169)	(85,802)
Film obligations	(17,572)	(20,019)
Deferred revenue	33,232	(5,513)
<b>Net Cash Flows Used In Operating Activities</b>	<b>(115,636)</b>	<b>(138,058)</b>
<b>Investing Activities:</b>		
Purchases of restricted investments	(13,993)	(13,994)
Proceeds from the sale of restricted investments	20,989	13,985
Buy-out of the earn-out associated with the acquisition of Debmar-Mercury, LLC	(15,000)	
Investment in equity method investees	(24,677)	(41,342)
Increase in loans receivable		(362)
Repayment of loans receivable	8,113	8,333
Purchases of property and equipment	(1,187)	(2,574)
<b>Net Cash Flows Used In Investing Activities</b>	<b>(25,755)</b>	<b>(35,954)</b>
<b>Financing Activities:</b>		
Tax withholding requirements on equity awards	(12,919)	(1,733)
Proceeds from the issuance of mandatorily redeemable preferred stock units and common stock units related to the sale of 49% interest in TV Guide Network,		109,776

net of unrestricted cash deconsolidated		
Borrowings under senior revolving credit facility	481,750	170,000
Repayments of borrowings under senior revolving credit facility	(274,500)	(413,000)
Borrowings under individual production loans	100,203	134,587
Repayment of individual production loans	(143,297)	(111,885)
Production loan borrowings under Pennsylvania Regional Center credit facility		57,000
Production loan borrowings under film credit facility	17,721	32,217
Production loan repayments under film credit facility	(31,507)	
Decrease in restricted cash collateral requirement under the film credit facility	3,087	
Proceeds from sale of senior secured second-priority notes		216,232
Repurchase of subordinated notes		(75,185)
Repayment of other financing obligations		(134)
<b>Net Cash Flows Provided By Financing Activities</b>	<b>140,538</b>	<b>117,875</b>
<b>Net Change In Cash And Cash Equivalents</b>	<b>(853)</b>	<b>(56,137)</b>
<b>Foreign Exchange Effects on Cash</b>	<b>1,189</b>	<b>2,352</b>
<b>Cash and Cash Equivalents Beginning Of Period</b>	<b>69,242</b>	<b>138,475</b>
<b>Cash and Cash Equivalents End Of Period</b>	<b>\$ 69,578</b>	<b>\$ 84,690</b>

See accompanying notes.

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**LIONS GATE ENTERTAINMENT CORP.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. General**

***Nature of Operations***

Lions Gate Entertainment Corp. (the Company, Lionsgate, we, us or our ) is a leading global entertainment company with a strong and diversified presence in motion picture production and distribution, television programming and syndication, home entertainment, family entertainment, digital distribution and new channel platforms.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements include the accounts of Lionsgate and all of its majority-owned and controlled subsidiaries.

The unaudited condensed consolidated financial statements have been prepared in accordance with United States (the U.S. ) accounting principles generally accepted ( GAAP ) for interim financial information and the instructions to quarterly report on Form 10-Q under the Securities Exchange Act, and Article 10 of Regulation S-X under the Exchange Act. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company s management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been reflected in these unaudited condensed consolidated financial statements. Operating results for the three and nine months ended December 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ended March 31, 2011. The balance sheet at March 31, 2010 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

As a result of a new consolidation accounting standard adopted April 1, 2010 (discussed below under *Recent Accounting Pronouncements*), prior year amounts presented for fiscal 2010 have been reclassified to conform to the fiscal 2011 presentation.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates made by management in the preparation of the financial statements relate to ultimate revenue and costs for investment in films and television programs; estimates of sales returns and other allowances and provisions for doubtful accounts; fair value of assets and liabilities for allocation of the purchase price of companies acquired; income taxes and accruals for contingent liabilities; and impairment assessments for investment in films and television programs, property and equipment, equity investments, goodwill and intangible assets. Actual results could differ from such estimates.

***Recent Accounting Pronouncements***

*Consolidation accounting for variable interest entities.* This new accounting guidance modifies the previous guidance in relation to the identification of controlling financial interests in a variable interest entity ( VIE ). Under this new guidance, the primary beneficiary of a VIE is the enterprise that has both of the following characteristics, among others: (a) the power to direct the activities of a VIE that most significantly impact the entity s economic performance; and (b) the obligation to absorb losses of the entity, or the right to receive benefits from the entity, that could potentially be significant to the VIE. If an enterprise determines that power is shared among multiple unrelated parties such that no one party has the power to direct the activities of a VIE that most significantly impact the VIE s economic performance, then no party is the primary beneficiary. Power is shared if each of the parties sharing power is required to consent to the decisions relating to the activities that most significantly impact the VIE s performance. The provisions of this standard became effective for the Company beginning in fiscal 2011.

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Upon adoption of the new accounting standard, on April 1, 2010, the Company determined that it was no longer the primary beneficiary of TV Guide Network and TV Guide.com (collectively TV Guide Network ) because, pursuant to the operating agreement of the entity, the power to direct the activities that most significantly impact the economic performance of TV Guide Network are shared with the 49% owner of TV Guide Network, One Equity Partners ( OEP ). Accordingly, upon adoption of the new accounting standard, the Company is no longer consolidating TV Guide Network and instead is accounting for TV Guide Network under the equity method of accounting.

The Company has applied the provisions of the new accounting standard retrospectively and accordingly, the Company deconsolidated TV Guide Network from May 28, 2009, the date the Company sold a 49% interest to OEP, and retrospectively adjusted the financial statements to reflect TV Guide Network as if it were accounted for under the equity method of accounting since that date. The deconsolidation of TV Guide Network resulted in the reclassification of \$305.4 million of assets, \$147.3 million of liabilities and \$30.0 million of non-controlling interest amounts from each of their respective consolidated balance sheet captions to the investment in equity method investee s account as of March 31, 2010, reflecting the carrying amount of the Company s interest in the mandatorily redeemable preferred and common stock units of TV Guide Network as of March 31, 2010. In addition, under the equity method of accounting, the Company s share of the revenues and expenses of TV Guide Network and income for the accretion of the dividend and discount of the mandatorily redeemable preferred stock are recorded net in the equity interest line item in the consolidated statements of operations. The adoption of the new accounting standard did not impact the Company s net loss for the year ended March 31, 2010. See Note 4 and Note 12 for further detail regarding the TV Guide Network.

**2. Restricted Cash and Restricted Investments**

*Restricted Cash.* Restricted cash represents amounts held as collateral required under our revolving film credit facility, amounts that are contractually designated for certain theatrical marketing obligations, and approximately \$15.8 million held in a trust to fund the Company s cash severance obligations that would be due to certain executive officers should their employment be terminated without cause (as defined), in connection with a change in control of the Company, (as defined in each of their respective employment contracts). For purposes of the employment agreements with such executive officers, a change in control occurred on June 30, 2010 when a certain shareholder became the beneficial owner of 33% or more of the Company s common shares. Accordingly, the trust became irrevocable, and the Company may not withdraw any trust assets (other than once every six months in an amount that the trustee reasonably determines exceeds the remaining potential severance obligations), until any cash severance obligations that have become payable to the executives have been paid or the employment agreements with the executives expire or terminate without those obligations becoming payable.

*Restricted Investments.* Restricted investments, which are measured at fair value, represent amounts that are contractually designated as collateral for certain production loans pursuant to an escrow agreement. The carrying amount of this restricted investment is equal to its respective fair value as of March 31, 2010. At March 31, 2010, the restricted investment consisted of approximately \$7.0 million of United States Treasury Bills bearing an interest rate of 0.198%, which matured on November 4, 2010.

**3. Investment in Films and Television Programs**

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>(Amounts in thousands)</b>	
<b>Motion Picture Segment    Theatrical and Non-Theatrical Films</b>		
Released, net of accumulated amortization	\$ 259,226	\$ 212,582
Acquired libraries, net of accumulated amortization	34,943	43,374
Completed and not released	51,979	49,338
In progress	146,663	198,743
In development	14,530	10,730
Product inventory	38,767	38,291

	546,108	553,058
<b>Television Segment    Direct-to-Television Programs</b>		
Released, net of accumulated amortization	98,266	80,557
In progress	35,684	24,198
In development	2,717	3,292
	136,667	108,047
	\$ 682,775	\$ 661,105

The following table sets forth acquired libraries that represent titles released three years prior to the date of acquisition, and amortized over their expected revenue stream from acquisition date up to 20 years:

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Acquired Library	Acquisition Date	Total	Remaining	Unamortized Costs	Unamortized Costs
		Amortization Period	Amortization Period	December 31, 2010	March 31, 2010
		(In years)		(Amounts in thousands)	
Trimark Holdings	October 2000	20.00	9.75	\$ 3,635	\$ 4,589
Artisan Entertainment	December 2003	20.00	13.00	30,615	36,836
Modern Entertainment	August 2005	20.00			1,142
Lionsgate UK	October 2005	20.00	14.75	693	807
Total Acquired Libraries				\$ 34,943	\$ 43,374

The Company expects approximately 46% of completed films and television programs, net of accumulated amortization, will be amortized during the one-year period ending December 31, 2011. Additionally, the Company expects approximately 80% of completed and released films and television programs, net of accumulated amortization and excluding acquired libraries, will be amortized during the three-year period ending December 31, 2013.

**4. Equity Method Investments**

*Equity Method Investments.* The carrying amount of significant equity method investments at December 31, 2010 and March 31, 2010 were as follows:

Equity Method Investee	Ownership Percentage	December 31, 2010	December 31, 2010	March 31, 2010
			(Amounts in thousands)	
Horror Entertainment, LLC ( FEARnet )	34.5%	\$ 3,275	\$ 630	
NextPoint, Inc. ( Break.com )	42.0%	16,006	16,698	
Roadside Attractions, LLC	43.0%	2,598	1,913	
Studio 3 Partners, LLC ( EPIX )	31.2%	9,948	31,700	
TV Guide Network	51.0%	125,211	128,130	
Tiger Gate Entertainment Limited ( Tiger Gate )	45.9%	2,174		
		\$ 159,212	\$ 179,071	

Equity interests in equity method investments in our unaudited condensed consolidated statements of operations represent our portion of the income or loss of our equity method investees based on our percentage ownership and the elimination of profits on sales to equity method investees. Equity interests in equity method investments for the three and nine months ended December 31, 2010 and 2009 were as follows (income (loss)):

Equity Method Investee	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009

	<b>(Amounts in thousands)</b>			
Horror Entertainment, LLC ( FEARnet )	\$ 180	\$ 83	\$ 1,144	\$ (312)
NextPoint, Inc. ( Break.com )	(469)	165	(692)	(466)
Roadside Attractions, LLC	609	(230)	685	(327)
Studio 3 Partners, LLC ( EPIX )	(11,112)	(6,921)	(42,929)	(9,443)
TV Guide Network	(1,959)	1,394	(2,918)	847
Tiger Gate Entertainment Limited ( Tiger Gate )	(393)		(856)	
	\$ (13,144)	\$ (5,509)	\$ (45,566)	\$ (9,701)

*Horror Entertainment, LLC.* Horror Entertainment, LLC ( FEARnet ), a multiplatform programming and content service provider of horror genre films operating under the branding of FEARnet. The Company licenses content to FEARnet for video-on-demand and broadband exhibition. The Company is recording its share of the FEARnet results on a one quarter lag and, accordingly, during the three and nine months ended December 31, 2010, the Company recorded its share of the income earned by FEARnet for the three and nine months ended September 30, 2010. The Company funded an additional \$1.5 million during the nine months ended December 31, 2010.

*NextPoint, Inc.* NextPoint, Inc. ( Break.com ), an online home entertainment service provider operating under the branding of Break.com. The interest was acquired on June 29, 2007 for an aggregate purchase price of \$21.4 million which included \$0.5

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million of transaction costs, by issuing 1,890,189 of the Company's common shares. The value assigned to the shares for purposes of recording the investment of \$20.9 million was based on the average price of the Company's common shares a few days prior and subsequent to the date of the closing of the acquisition. The Company is recording its share of the Break.com results on a one quarter lag and, accordingly, during the three and nine months ended December 31, 2010, the Company recorded its share of losses incurred by Break.com for the three and nine months ended September 30, 2010.

*Roadside Attractions, LLC.* Roadside Attractions, LLC ( Roadside ), an independent theatrical releasing company. The Company has a call option which is exercisable for a period of 90 days commencing on the receipt of certain audited financial statements for the three years ended July 26, 2010, to purchase all of the remaining 57% equity interests of Roadside, at a price representative of the then fair value of the remaining interest. The estimated initial cost of the call option was de minimus since the option price is designed to be representative of the then fair value and is included within the investment balance. The Company is recording its share of the Roadside results on a one quarter lag and, accordingly, during the three and nine months ended December 31, 2010, the Company recorded its share of income earned by Roadside for the three and nine months ended September 30, 2010.

*Studio 3 Partners, LLC ( EPIX ).* In April 2008, the Company formed a joint venture with Viacom Inc. ( Viacom ), its Paramount Pictures unit ( Paramount Pictures ) and Metro-Goldwyn-Mayer Studios Inc. ( MGM ) to create a premium television channel and subscription video-on-demand service named EPIX . The Company has invested \$80.4 million through December 31, 2010, including \$0.6 million funded during the nine months ended December 31, 2010. The Company is recording its share of the joint venture results on a one quarter lag and, accordingly, during the three and nine months ended December 31, 2010, the Company recorded its share of the loss incurred by the joint venture for the three and nine months ended September 30, 2010.

The Company licenses certain of its theatrical releases and other films and television programs to EPIX. A portion of the profits of these licenses reflecting the Company's ownership share in the venture are eliminated through an adjustment to the equity interest loss of the venture. These profits are recognized as they are realized by the venture. For the three months ended December 31, 2010, the Company recognized \$18.3 million of revenue and \$15.0 million of gross profit on the sale of licenses to EPIX. For the nine months ended December 31, 2010, the Company recognized \$58.2 million of revenue and \$35.6 million of gross profit on the sale of licenses to EPIX. EPIX expects to report net income of approximately \$18 million for its quarter ended December 31, 2010, of which the Company's pro rata share will be recorded in the quarter ended March 31, 2011.

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The following table presents the summarized statement of operations for the three and nine months ended September 30, 2010 and 2009 for EPIX and a reconciliation of the net loss reported by EPIX to equity interest loss recorded by the Company:

	<b>Three Months Ended September 30, 2010</b>	<b>Three Months Ended September 30, 2009</b>	<b>Nine Months Ended September 30, 2010</b>	<b>Nine Months Ended September 30, 2009</b>
	<b>(Amounts in thousands)</b>			
<b>Revenues</b>	\$ 37,741	\$	\$ 46,955	\$
<b>Expenses:</b>				
Programming expenses	52,158		133,539	
Other operating expenses	11,673	5,539	29,174	14,323
<b>Operating loss</b>	(26,090)	(5,539)	(115,758)	(14,323)
Interest income (expense)	49	(8)	8	(41)
<b>Net loss</b>	\$ (26,041)	\$ (5,547)	\$ (115,750)	\$ (14,364)

**Reconciliation of net loss reported by EPIX to equity interest loss:**

Net loss reported by EPIX	\$ (26,041)	\$ (5,547)	\$ (115,750)	\$ (14,364)
Ownership interest in EPIX	31.15%	28.60%	31.15%	28.60%
Share of net loss	(8,112)	(1,586)	(36,056)	(4,108)
Elimination of the Company's share of profits on sales to EPIX	(4,671)	(5,335)	(11,138)	(5,335)
Realization of the Company's share of profits on sales to EPIX	1,671		4,265	
Total equity interest loss recorded	\$ (11,112)	\$ (6,921)	\$ (42,929)	\$ (9,443)

*TV Guide Network.* The Company's investment balance consists of common share units of \$16.3 million and mandatorily redeemable preferred stock units of \$108.9 million. On February 28, 2009, the Company purchased all of the issued and outstanding equity interests of TV Guide Network. The Company paid approximately \$241.6 million for all of the equity interest of TV Guide Network. On May 28, 2009, the Company sold 49% of the Company's interest in TV Guide Network (see Note 12).

The February 28, 2009 acquisition was accounted for as a purchase, with the results of operations of TV Guide Network included in the Company's consolidated results from February 28, 2009 through May 27, 2009 when a portion of the entity was sold. Subsequent to the sale of TV Guide Network, and pursuant to the new accounting guidance on accounting for VIEs effective April 1, 2010 which the Company has retrospectively applied, the Company's interest in TV Guide Network is being accounted for under the equity method of accounting. Accordingly,

the Company's portion of the loss incurred by TV Guide Network for the three and nine months ended December 31, 2010 and the period from May 28, 2009 through December 31, 2009 is reflected in equity interest loss.

*Investment in Mandatorily Redeemable Preferred Stock Units.* The mandatorily redeemable preferred stock carries a dividend rate of 10% compounded annually and is mandatorily redeemable in May 2019 at the stated value plus the dividend return and any additional capital contributions less previous distributions. The mandatorily redeemable preferred stock units were initially recorded based on their estimated fair value, as determined using an option pricing model methodology. The mandatorily redeemable preferred stock units and the 10% dividend are being accreted up to its redemption amount over the ten-year period to the redemption date which is recorded as income from equity interest.

The Company licenses certain films and/or television programs to TV Guide Network. A portion of the profits of these licenses reflecting the Company's ownership share in the venture are eliminated through an adjustment to the equity interest loss of the venture. These profits are recognized as they are realized by the venture. For the three months ended December 31, 2010, the Company recognized \$9.7 million of revenue and \$3.7 million of gross profit on the sale of licenses to TV Guide Network. For the nine months ended December 31, 2010, the Company recognized \$14.2 million of revenue and \$5.4 million of gross profit on the sale of licenses to TV Guide Network.

The following table presents the summarized statement of operations for the three and nine months ended December 31, 2010 for TV Guide Network and a reconciliation of the net loss reported by TV Guide Network to equity interest income (loss) recorded by the Company:

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	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009 (1)</b>
	(Amounts in thousands)			
<b>Revenues</b>	\$ 28,847	\$ 29,892	\$ 85,953	\$ 67,015
<b>Expenses:</b>				
Direct operating	8,611	8,722	24,605	20,012
Distribution and marketing	4,747	4,545	14,499	8,912
General and administration	11,441	9,356	34,061	25,376
Depreciation and amortization	3,876	4,363	11,883	10,471
<b>Operating income</b>	172	2,906	905	2,244
Interest expense	509	191	1,372	452
Accretion of redeemable preferred stock units (2)	7,057	6,169	20,479	14,206
Interest income	(10)	(7)	(31)	(21)
<b>Loss before income taxes</b>	(7,384)	(3,447)	(20,915)	(12,393)
Income tax provision	19	2	83	8
<b>Net loss</b>	\$ (7,403)	\$ (3,449)	\$ (20,998)	\$ (12,401)
<b>Reconciliation of net loss reported by TV Guide Network to equity interest income (loss):</b>				
Net loss reported by TV Guide Network	\$ (7,403)	\$ (3,449)	\$ (20,998)	\$ (12,401)
Ownership interest in TV Guide Network	51%	51%	51%	51%
Share of net loss	(3,776)	(1,759)	(10,709)	(6,325)
Accretion of dividend and interest income on redeemable preferred stock units (2)	3,599	3,146	10,444	7,245
Elimination of the Company's share of profits on sales to TV Guide Network	(1,876)	7	(2,747)	(73)
Realization of the Company's share of profits on sales to TV Guide Network	94		94	
<b>Total equity interest income (loss) recorded</b>	\$ (1,959)	\$ 1,394	\$ (2,918)	\$ 847

(1)

During the nine months ended December 31, 2009, the Company accounted for its interest in TV Guide Network under the equity method of accounting from May 28, 2009 to December 31, 2009.

- (2) Accretion of mandatorily redeemable preferred stock units represents TV Guide Network's non-cash dividend and the amortization of discount on its mandatorily redeemable preferred stock units held by the Company and the 49% interest holder. The Company records 51% of this expense as income from the accretion of dividend and discount on mandatorily redeemable preferred stock units as equity interest income.

*Tiger Gate Entertainment Limited.* Tiger Gate Entertainment Limited is an operator of pay television channels and a distributor of television programming and action and horror films across Asia. The Company is recording its share of the joint venture results on a one quarter lag and, accordingly, during the three and nine months ended December 31, 2010, the Company recorded its share of the loss incurred by the joint venture for the three and nine months ended September 30, 2010.

#### 5. Other Assets

The composition of the Company's other assets is as follows as of December 31, 2010 and March 31, 2010:

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>(Amounts in thousands)</b>	
Deferred financing costs, net of accumulated amortization	\$ 16,543	\$ 19,460
Prepaid expenses and other	15,084	16,471
Loans receivable	17,830	26,096
	<b>\$ 49,457</b>	<b>\$ 62,027</b>

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*Deferred Financing Costs.* Deferred financing costs primarily include costs incurred in connection with (1) an amended senior revolving credit facility (see Note 6), (2) the issuance of the Senior Secured Second-Priority Notes (as defined herein, see Note 7) and (3) the issuance of the October 2004 2.9375% Notes, the February 2005 3.625% Notes and the April 2009 3.625% Notes (as defined herein, see Note 10) that are deferred and amortized to interest expense using the effective interest method.

*Prepaid Expenses and Other.* Prepaid expenses and other primarily include prepaid expenses, security deposits, and finite-lived intangible assets.

*Loans Receivable.* The following table sets forth the Company's loans receivable at December 31, 2010 and March 31, 2010:

	<b>Interest Rate</b>	<b>December 31, 2010</b>	<b>March 31, 2010</b>
		<b>(Amounts in thousands)</b>	
Third-party producer	3.05%	\$ 9,468	\$ 17,147
NextPoint, Inc. ( Break.com )	5.30% - 20.0%	8,362	7,891
Other	3.49%		1,058
		\$ 17,830	\$ 26,096

**6. Senior Revolving Credit Facility**

*Outstanding Amount.* At December 31, 2010, the Company had borrowings of \$224.3 million (March 31, 2010 \$17.0 million).

*Availability of Funds.* At December 31, 2010, there was \$100.6 million available (March 31, 2010 \$297.4 million). The senior revolving credit facility provides for borrowings and letters of credit up to an aggregate of \$340 million. The availability of funds is limited by a borrowing base and also reduced by outstanding letters of credit which amounted to \$15.1 million at December 31, 2010 (March 31, 2010 \$25.6 million).

*Maturity Date.* The senior revolving credit facility expires July 25, 2013.

*Interest.* As of December 31, 2010, the senior revolving credit facility bore interest of 2.5% over the Adjusted LIBOR rate (effective interest rate of 2.76% and 2.75% as of December 31, 2010 and March 31, 2010, respectively).

*Commitment Fee.* The Company is required to pay a quarterly commitment fee based upon 0.375% per annum on the total senior revolving credit facility of \$340 million less the amount drawn.

*Security.* Obligations under the senior revolving credit facility are secured by collateral (as defined in the credit agreement) granted by the Company and certain subsidiaries of the Company, as well as a pledge of equity interests in certain of the Company's subsidiaries.

*Covenants.* The senior revolving credit facility contains a number of affirmative and negative covenants that, among other things, require the Company to satisfy certain financial covenants and restrict the ability of the Company to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, enter into sale-leaseback transactions, transfer and sell material assets and merge or consolidate.

*Change in Control.* Under the senior revolving credit facility, the Company may also be subject to an event of default upon a change in control (as defined in the senior revolving credit facility) which, among other things, includes a person or group acquiring ownership or control in excess of 50% (amended from 20% on June 22, 2010) of the Company's common stock.

**7. Senior Secured Second-Priority Notes**

On October 21, 2009, Lions Gate Entertainment Inc. ( LGEI ), the Company's wholly-owned subsidiary, issued \$236.0 million aggregate principal amount of senior secured second-priority notes due 2016 (the Senior Notes ) in a private offering conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the Securities Act ).



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*Outstanding Amount.* The outstanding amount is set forth in the table below:

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>(Amounts in thousands)</b>	
Principal amount of Senior Secured Second-Priority Notes	\$ 236,000	\$ 236,000
Unamortized discount (remaining period as of December 31, 2010 of 5.8 years )	(9,995)	(10,845)
Net carrying amount of Senior Secured Second-Priority Notes	\$ 226,005	\$ 225,155

*Maturity Date.* The Senior Notes are due November 1, 2016.

*Original Issue Discount.* The Senior Notes were issued by LGEI at an initial price of 95.222% (original issue discount 4.778%) of the principal amount. The original issue discount, interest and deferred financing costs are being amortized through November 1, 2016 using the effective interest method.

*Interest.* The Senior Notes pay interest semi-annually on May 1 and November 1 of each year at a rate of 10.25% per year.

*Security.* The Senior Notes are guaranteed on a senior secured basis by the Company, and certain wholly-owned subsidiaries of both the Company and LGEI. The Senior Notes are ranked junior in right of payment to the Company's senior revolving credit facility, ranked equally in right of payment to the Company's subordinated notes, and ranked senior to any of the Company's unsecured debt.

*Covenants.* The Senior Notes contain certain restrictions and covenants that, subject to certain exceptions, limit the Company's ability to incur additional indebtedness, pay dividends or repurchase the Company's common shares, make certain loans or investments, and sell or otherwise dispose of certain assets subject to certain conditions, among other limitations.

**8. Participations and Residuals**

The Company expects approximately 80% of accrued participations and residuals will be paid during the one-year period ending December 31, 2011.

***Theatrical Slate Participation***

On May 29, 2009, the Company terminated its theatrical slate participation arrangement with Pride Pictures, LLC (Pride), an unrelated entity. Under the arrangement dated May 25, 2007 and amended on January 30, 2008, Pride contributed, in general, 50% of the Company's production, acquisition, marketing and distribution costs of theatrical feature films and participated in a pro rata portion of the pictures' net profits or losses similar to a co-production arrangement based on the portion of costs funded. In late 2008, the administrative agent for the senior lenders under Pride's senior credit facility took the position, among others, that the senior lenders did not have an obligation to continue to fund under the senior credit facility because the conditions precedent to funding set forth in the senior credit facility could not be satisfied. The Company was not a party to the credit facility. Consequently, Pride did not purchase the pictures *The Spirit*, *My Bloody Valentine 3-D* and *Madea Goes To Jail*. Thereafter, on April 20, 2009, after failed attempts by the Company to facilitate a resolution, it gave FilmCo and Pride notice that FilmCo, through Pride's failure to make certain capital contributions, was in default of the Master Picture Purchase Agreement. On May 5, 2009, the representative for the Pride equity and the Pride mezzanine investor responded that the required amount was fully funded and that it had no further obligations to make any additional capital contributions. Consequently, on May 29, 2009, the Company gave notice of termination of the Master Picture Purchase Agreement. Since May 29, 2009, there have been no developments with respect to the arrangement. The Company will no longer receive financing as provided from the participation of Pride in its films.

Amounts provided from Pride are reflected as a participation liability. The difference between the ultimate participation expected to be paid to Pride and the amount provided by Pride is amortized as a charge to or a reduction of participation expense under the individual-film-forecast method.

At December 31, 2010, \$20.9 million (March 31, 2010, \$24.1 million) was payable to Pride and is included in participations and residuals in the unaudited condensed consolidated balance sheets.

**Table of Contents*****Société Générale de Financement du Québec Filmed Entertainment Participation***

On July 30, 2007, the Company entered into a four-year filmed entertainment slate participation agreement with Société Générale de Financement du Québec ( SGF ), the Québec provincial government's investment arm. SGF will provide up to 35% of production costs of television and feature film productions produced in Québec for a four-year period for an aggregate participation of up to \$140 million, and the Company will advance all amounts necessary to fund the remaining budgeted costs. The maximum aggregate of budgeted costs over the four-year period will be \$400 million, including the Company's portion, but no more than \$100 million per year. In connection with this agreement, the Company and SGF will proportionally share in the proceeds derived from the productions after the Company deducts a distribution fee, recoups all distribution expenses and releasing costs, and pays all applicable third party participations and residuals.

Amounts provided from SGF are reflected as a participation liability. The difference between the ultimate participation expected to be paid to SGF and the amount provided by SGF is amortized as a charge to or a reduction of participation expense under the individual film forecast method. At December 31, 2010, \$6.6 million (March 31, 2010, \$7.2 million) was payable to SGF and is included in participations and residuals in the unaudited condensed consolidated balance sheets. Under the terms of the arrangement, \$35 million is available through July 30, 2011. Of the \$35 million available through July 30, 2011, \$5.3 million was provided through December 31, 2010, with the remaining commitment expiring on July 30, 2011.

**9. Film Obligations and Production Loans**

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>(Amounts in thousands)</b>	
Film obligations	\$ 23,233	\$ 40,267
Production loans		
Individual production loans	167,164	210,021
Pennsylvania Regional Center production loans	66,002	65,746
Film Credit Facility	21,948	35,735
Total film obligations and production loans	278,347	351,769
Less film obligations and production loans expected to be paid by March 31, 2011	(49,362)	(227,100)
Film obligations and production loans expected to be paid after March 31, 2011	\$ 228,985	\$ 124,669

The following table sets forth future three-month and annual repayment of film obligations and production loans:

	<b>Three Months Ended March 31, 2011</b>	<b>2012</b>	<b>2013</b>	<b>Year Ended March 31,</b>			<b>Total</b>
	<b>2014</b>			<b>2015</b>	<b>Thereafter</b>		
	<b>(Amounts in thousands)</b>						
<b>Future annual repayment of Film Obligations and Production Loans recorded as of December 31, 2010</b>							

Film obligations	\$ 23,233	\$	\$	\$	\$	\$	\$ 23,233
Production loans							
Individual production loans	14,988	137,176		15,000			167,164
Pennsylvania Regional Center production loans				66,002			66,002
Film Credit Facility	11,141	10,807					21,948
	\$ 49,362	\$ 147,983	\$	\$ 81,002	\$	\$	\$ 278,347

***Film Obligations***

Film obligations include minimum guarantees, which represent amounts payable for film rights that the Company has acquired and certain theatrical marketing obligations, which represent amounts received from third parties that are contractually committed for theatrical marketing expenditures associated with specific titles.

***Individual Production Loans***

Production loans represent individual loans for the production of film and television programs that the Company produces. Individual production loans have contractual repayment dates either at or near the expected completion date, with the exception of

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certain loans containing repayment dates on a longer term basis. Individual production loans of \$107.2 million incur interest at rates ranging from 3.45% to 4.25%, and approximately \$60.0 million of production loans are non-interest bearing.

**Pennsylvania Regional Center**

*General.* On April 9, 2008, the Company entered into a loan agreement with the Pennsylvania Regional Center, which provides for the availability of production loans up to \$65,500,000 on a five-year term for use in film and television productions in the State of Pennsylvania. The amount that was borrowed was limited to approximately one half of the qualified production costs incurred in the State of Pennsylvania through the two-year period ended April 2010, and is subject to certain other limitations. Under the terms of the loan, for every dollar borrowed, the Company's production companies are required (within a two-year period) to either create a specified number of jobs, or spend a specified amount in certain geographic regions in the State of Pennsylvania.

*Outstanding Amount.* At December 31, 2010, the Company had borrowings of \$66.0 million (fair value \$61.5 million) which includes accrued interest of \$0.5 million (March 31, 2010 \$65.7 million (fair value \$60.3 million) which includes accrued interest of \$0.2 million).

*Availability of Funds.* At December 31, 2010, there were no amounts available under this agreement (March 31, 2010 nil).

*Maturity Date.* All amounts borrowed under this loan agreement with the Pennsylvania Regional Center are due April 11, 2013, five years from the date that the Company began to borrow under this agreement.

*Interest.* Amounts borrowed under the agreement carry an interest rate of 1.5%, which is payable semi-annually.

*Security.* The loan is secured by a first priority security interest in the Company's film library pursuant to an intercreditor agreement with the Company's senior lender under the Company's senior revolving credit facility. Pursuant to the terms of the Company's senior revolving credit facility, the Company is required to maintain certain collateral equal to the loans outstanding plus 5% under this facility. Such collateral can consist of cash, cash equivalents or debt securities, including the Company's subordinated debt repurchased. As of December 31, 2010, \$72.8 million principal value (fair value \$71.0 million) of the Company's subordinated debt repurchased in December 2009 (see Note 10) was held as collateral under the Company's senior revolving credit facility (March 31, 2010 \$72.8 million principal value, \$69.5 million fair value).

**Film Credit Facility**

On October 6, 2009, the Company entered into a revolving film credit facility agreement, as amended effective June 22, 2010 (the Film Credit Facility), which provides for borrowings for the acquisition or production of motion pictures.

*Outstanding Amount.* At December 31, 2010, the Company had borrowings of \$21.9 million (March 31, 2010 \$35.7 million).

*Availability of Funds.* Currently, the Film Credit Facility provides for total borrowings up to \$130 million, subject to a borrowing base, which can vary based on the amount of sales contracts in place on pictures financed under the facility. The Film Credit Facility can be increased to \$200 million if additional qualified lenders or financial institutions become a party to and provide a commitment under the facility.

*Maturity Date.* The Film Credit Facility has a maturity date of April 6, 2013. Borrowings under the Film Credit Facility are due the earlier of (a) nine months after delivery of each motion picture or (b) April 6, 2013.

*Interest.* As of December 31, 2010, the Film Credit Facility bore interest of 3.25% over the LIBOR rate (as defined in the credit agreement). The weighted average interest rate on borrowings outstanding as of December 31, 2010 was 3.51% (March 31, 2010 3.50%).

*Commitment Fee.* The Company is required to pay a quarterly commitment fee of 0.75% per annum on the unused commitment under the Film Credit Facility.

*Security.* Borrowings under the Film Credit Facility are subject to a borrowing base calculation and are secured by interests in the related motion pictures, together with certain other receivables from other motion picture and television productions pledged by

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the Company, including a minimum pledge of such receivables of \$25 million. Receivables pledged to the Film Credit Facility must be excluded from the borrowing base calculation under the Company's senior revolving credit facility, as described in Note 6.

**10. Subordinated Notes and Other Financing Obligations**

*Accounting Method Description.* The Company accounts for its subordinated notes by separating the liability and equity components. The liability component is recorded at the date of issuance based on its fair value which is generally determined in a manner that will reflect an interest cost equal to our nonconvertible debt borrowing rate at the subordinated notes issuance date. The amount of the proceeds less the amount recorded as the liability component is recorded as an addition to shareholders' equity reflecting the equity component (i.e., conversion feature). The difference between the principal amount and the amount recorded as the liability component represents the debt discount. The carrying amount of the liability is accreted up to the principal amount through the amortization of the discount, using the effective interest method, to interest expense over the expected life of the note.

*Outstanding Amount.* The following table sets forth the subordinated notes and other financing obligations outstanding at December 31, 2010 and March 31, 2010:

	<b>December 31, 2010</b>		
	<b>Principal</b>	<b>Unamortized Discount</b>	<b>Net Carrying Amount</b>
	<b>(Amounts in thousands)</b>		
Convertible Senior Subordinated Notes			
October 2004 2.9375% (Equity Component \$48,080)	\$ 46,326	\$ (2,334)	\$ 43,992
February 2005 3.625% (Equity Component \$50,855)	23,470	(1,709)	21,761
April 2009 3.625% (Equity Component \$16,085)	66,581	(27,312)	39,269
	\$ 136,377	\$ (31,355)	105,022
Other financing obligations			3,718
			\$ 108,740

	<b>March 31, 2010</b>		
	<b>Principal</b>	<b>Unamortized Discount</b>	<b>Net Carrying Amount</b>
	<b>(Amounts in thousands)</b>		
Convertible Senior Subordinated Notes			
October 2004 2.9375% (Equity Component \$48,080)	\$ 110,035	\$ (10,564)	\$ 99,471
February 2005 3.625% (Equity Component \$50,855)	59,479	(6,804)	52,675
April 2009 3.625% (Equity Component \$16,085)	66,581	(30,409)	36,172
	\$ 236,095	\$ (47,777)	188,318
Other financing obligations			3,718

\$ 192,036

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*Interest Expense.* The effective interest rate on the liability component and the amount of interest expense, which includes both the contractual interest coupon and amortization of the discount on the liability component, for the three and nine months ended December 31, 2010 and 2009 are presented below.

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	(Amounts in thousands)			
<b>October 2004 2.9375% Convertible Senior Subordinated Notes:</b>				
Effective interest rate of liability component (9.65%)				
Interest Expense				
Contractual interest coupon	\$ 340	\$ 868	\$ 1,574	\$ 3,071
Amortization of discount on liability component	721	2,092	3,261	6,141
Amortization of debt issuance costs	51	129	227	390
	\$ 1,112	\$ 3,089	\$ 5,062	\$ 9,602
<b>February 2005 3.625% Convertible Senior Subordinated Notes:</b>				
Effective interest rate of liability component (10.03%)				
Interest Expense				
Contractual interest coupon	\$ 213	\$ 497	\$ 1,025	\$ 2,426
Amortization of discount on liability component	330	1,393	1,572	4,304
Amortization of debt issuance costs	25	75	109	246
	\$ 568	\$ 1,965	\$ 2,706	\$ 6,976
<b>April 2009 3.625% Convertible Senior Subordinated Notes:</b>				
Effective interest rate of liability component (17.26%)				
Interest Expense				
Contractual interest coupon	\$ 603	\$ 604	\$ 1,810	\$ 1,683
Amortization of discount on liability component	1,073	902	3,097	2,305
Amortization of debt issuance costs	4	2	10	5
	\$ 1,680	\$ 1,508	\$ 4,917	\$ 3,993

**Subordinated Notes Transactions**

*July 20, 2010 Refinancing Exchange Agreement:* On July 20, 2010, the Company entered into a Refinancing Exchange Agreement to exchange approximately \$36.0 million in aggregate principal amount of the February 2005

3.625% Notes and approximately \$63.7 million in aggregate principal amount of the October 2004 2.9375% Notes for equal principal amounts, respectively, of new 3.625% Convertible Senior Subordinated Notes due 2027 (the New 3.625% Notes ) and new 2.9375% Convertible Senior Subordinated Notes due 2026 (the New 2.9375% Notes , and together with the New 3.625% Notes, the New Notes ). The New Notes took effect immediately and all terms were identical to the February 2005 3.625% Notes and October 2004 2.9375% Notes except that the New Notes had an extended maturity date, extended put rights by two years, and were immediately convertible at an initial conversion rate of 161.2903 common shares of the Company per \$1,000 principal amount of New Notes (conversion price per share of \$6.20), subject to specified contingencies.

On July 20, 2010, the New Notes were converted into 16,236,305 common shares of the Company. As a result, the New Notes are no longer outstanding as of July 20, 2010.

As a result of the exchange transaction and related conversion, the Company recorded a non-cash loss on extinguishment of debt of \$14.5 million during the quarter ended September 30, 2010, which includes the write-off of \$0.6 million of unamortized deferred financing costs, an increase to common shares equity of \$106.0 million and reduction in the carrying amount of the old notes of approximately \$91.2 million. The loss represented the excess of the fair value of the common stock issuable pursuant to conversion terms contained in the New Notes as compared to the fair value of the Company's common stock issuable pursuant to the conversion terms of the old notes, partially offset by the excess of the carrying amount of the debt extinguished over the fair value of the Company's common stock issuable pursuant to the conversion terms of the old notes.

*December 2009 Repurchase of a Portion of October 2004 2.9375% Notes and February 2005 3.625% Notes:* In December 2009, LGEI paid \$38.0 million to repurchase \$40.0 million of aggregate principal amount (carrying value \$35.5 million) of the

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October 2004 2.9375% Notes and \$37.7 million to repurchase \$39.9 million of aggregate principal amount (carrying value \$35.0 million) of the February 2005 3.625% Notes. The Company recorded a loss on extinguishment in the quarter ended December 31, 2009 of \$1.7 million, which includes \$0.7 million of deferred financing costs written off. The loss represented the excess of the fair value of the liability component of the October 2004 2.9375% Notes and February 2005 3.625% Notes, repurchased over their carrying values, plus the deferred financing costs written off. The excess of the amounts paid over the fair values of the October 2004 2.9375% Notes and February 2005 3.625% Notes repurchased, was recorded as a reduction of shareholders' equity reflecting the repurchases of the equity components of the October 2004 2.9375% Notes and February 2005 3.625% Notes repurchased.

The October 2004 2.9375% Notes and February 2005 3.625% Notes repurchased in December 2009 are being held as collateral under the Company's senior revolving credit facility and may be resold at the prevailing market value.

*April 20, 2009 Refinancing Exchange of a Portion of February 2005 3.625% Notes:* On April 20, 2009, LGEI entered into Refinancing Exchange Agreements (the 2009 Refinancing Exchange Agreements) with certain existing holders of the February 2005 3.625% Notes. Pursuant to the terms of the 2009 Refinancing Exchange Agreements, holders of the February 2005 3.625% Notes exchanged approximately \$66.6 million aggregate principal amount of the February 2005 3.625% Notes for new 3.625% convertible senior subordinated notes (the April 2009 3.625% Notes) in the same aggregate principal amount under a new indenture entered into by LGEI, the Company, as guarantor, and an indenture trustee thereunder. As a result of the exchange transaction, the Company recorded a gain on extinguishment of debt of \$7.5 million during the quarter ended June 30, 2009. The gain represented the excess of the carrying value of the liability component of the February 2005 3.625% Notes over the fair value, net of the deferred financing costs written off. The excess of the fair value of both the equity and liability component of the April 2009 3.625% Notes over the fair value of the February 2005 3.625% Notes of \$3.9 million was recorded as a reduction of shareholders' equity reflecting the repurchase of the equity component of the February 2005 3.625% Notes.

*December 2008 Repurchase of a Portion of February 2005 3.625% Notes:* In December 2008, LGEI paid \$5.5 million to extinguish \$9.0 million of aggregate principal amount (carrying value \$7.4 million) of the February 2005 3.625% Notes and recorded a gain on extinguishment of \$3.0 million during the quarter ended December 31, 2008, which includes \$0.1 million of deferred financing costs written off. The gain represented the excess of the carrying value of the liability component of the February 2005 3.625% Notes repurchased over their fair value, net of the deferred financing costs written off. The excess of the amount paid to repurchase the February 2005 3.625% Notes over the fair value of the February 2005 3.625% Notes repurchased was recorded as a reduction of shareholders' equity reflecting the repurchase of the equity component of the February 2005 3.625% Notes repurchased.

**Subordinated Notes Terms**

**October 2004 2.9375% Notes.** In October 2004, LGEI sold \$150.0 million of 2.9375% Convertible Senior Subordinated Notes (the October 2004 2.9375% Notes).

*Outstanding Amount:* As of December 31, 2010, \$46.3 million of aggregate principal amount (carrying value \$44.0 million) of the October 2004 2.9375% Notes remain outstanding.

*Interest:* Interest on the October 2004 2.9375% Notes is payable semi-annually on April 15 and October 15.

*Maturity Date:* The October 2004 2.9375% Notes mature on October 15, 2024.

*Redeemable by LGEI:* From October 15, 2009 to October 14, 2010, LGEI may redeem the October 2004 2.9375% Notes at 100.839%; from October 15, 2010 to October 14, 2011, LGEI may redeem the October 2004 2.9375% Notes at 100.420%; and thereafter, LGEI may redeem the October 2004 2.9375% Notes at 100%.

*Redeemable by Holder:* The holder may require LGEI to repurchase the October 2004 2.9375% Notes on October 15, 2011, 2014 and 2019 or upon a change in control at a price equal to 100% of the principal amount, together with accrued and unpaid interest through the date of repurchase.

*Conversion Features:* The holder may convert the October 2004 2.9375% Notes into the Company's common shares prior to maturity only if the price of the Company's common shares issuable upon conversion of a note reaches or falls below a certain

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specific threshold over a specified period, the notes have been called for redemption, a change in control occurs or certain other corporate transactions occur. Before the close of business on or prior to the trading day immediately before the maturity date, the holder may convert the notes into the Company's common shares at a conversion rate equal to 86.9565 shares per \$1,000 principal amount of the October 2004 2.9375% Notes, subject to adjustment in certain circumstances, which represents a conversion price of approximately \$11.50 per share. Upon conversion of the October 2004 2.9375% Notes, the Company has the option to deliver, in lieu of common shares, cash or a combination of cash and common shares of the Company.

*Make Whole Premium:* Under certain circumstances, if the holder requires LGEI to repurchase all or a portion of their notes or the holder converts the notes upon a change in control, they will be entitled to receive a make whole premium. The amount of the make whole premium, if any, will be based on the price of the Company's common shares on the effective date of the change in control. No make whole premium will be paid if the price of the Company's common shares at such time is less than \$8.79 per share or exceeds \$50.00 per share.

**February 2005 3.625% Notes.** In February 2005, LGEI sold \$175.0 million of 3.625% Convertible Senior Subordinated Notes (the February 2005 3.625% Notes).

*Outstanding Amount:* As of December 31, 2010, \$23.5 million of aggregate principal amount (carrying value \$21.8 million) of the February 2005 3.625% Notes remain outstanding.

*Interest:* Interest on the February 2005 3.625% Notes is payable at 3.625% per annum semi-annually on March 15 and September 15 until March 15, 2012 and at 3.125% per annum thereafter until maturity.

*Maturity Date:* The February 2005 3.625% Notes will mature on March 15, 2025.

*Redeemable by LGEI:* LGEI may redeem all or a portion of the February 2005 3.625% Notes at its option on or after March 15, 2012 at 100% of their principal amount, together with accrued and unpaid interest through the date of redemption.

*Redeemable by Holder:* The holder may require LGEI to repurchase the February 2005 3.625% Notes on March 15, 2012, 2015 and 2020 or upon a change in control at a price equal to 100% of the principal amount, together with accrued and unpaid interest through the date of repurchase.

*Conversion Features:* The February 2005 3.625% Notes are convertible, at the option of the holder, at any time before the maturity date, if the notes have not been previously redeemed or repurchased, at a conversion rate equal to 70.0133 shares per \$1,000 principal amount of the February 2005 3.625% Notes, subject to adjustment in certain circumstances, which represents a conversion price of approximately \$14.28 per share. Upon conversion of the February 2005 3.625% Notes, the Company has the option to deliver, in lieu of common shares, cash or a combination of cash and common shares of the Company.

*Make Whole Premium:* Under certain circumstances, if the holder requires LGEI to repurchase all or a portion of their notes upon a change in control, they will be entitled to receive a make whole premium. The amount of the make whole premium, if any, will be based on the price of the Company's common shares on the effective date of the change in control. No make whole premium will be paid if the price of the Company's common shares at such time is less than \$10.35 per share or exceeds \$75.00 per share.

**April 2009 3.625% Notes.** As discussed above, in April 2009, LGEI issued approximately \$66.6 million of 3.625% Convertible Senior Subordinated Notes (the April 2009 3.625% Notes).

*Outstanding Amount:* As of December 31, 2010, \$66.6 million of aggregate principal amount (carrying value \$39.3 million) of the April 2009 3.625% Notes remain outstanding.

*Interest:* Interest on the April 2009 3.625% Notes is payable at 3.625% per annum semi-annually on March 15 and September 15 of each year.

*Maturity Date:* The April 2009 3.625% Notes will mature on March 15, 2025.

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*Redeemable by LGEI:* On or after March 15, 2015, the Company may redeem the April 2009 3.625% Notes, in whole or in part, at a price equal to 100% of the principal amount of the April 2009 3.625% Notes to be redeemed, plus accrued and unpaid interest through the date of redemption.

*Redeemable by Holder:* The holder may require LGEI to repurchase the April 2009 3.625% Notes on March 15, 2015, 2018 and 2023 or upon a designated event, at a price equal to 100% of the principal amount of the April 2009 3.625% Notes to be repurchased plus accrued and unpaid interest.

*Conversion Features:* The April 2009 3.625% Notes may be converted into common shares of the Company at any time before maturity, redemption or repurchase. The initial conversion rate of the April 2009 3.625% Notes is 121.2121 common shares per \$1,000 principal amount of the April 2009 3.625% Notes, subject to adjustment in certain circumstances, which represents a conversion price of approximately \$8.25 per share. Upon conversion of the April 2009 3.625% Notes, the Company has the option to deliver, in lieu of common shares, cash or a combination of cash and common shares of the Company.

*Make Whole Premium:* Under certain circumstances, if the holder requires LGEI to repurchase all or a portion of their notes upon a change in control, they will be entitled to receive a make whole premium. The amount of the make whole premium, if any, will be based on the price of the Company's common shares on the effective date of the change in control. No make whole premium will be paid if the price of the Company's common shares at such time is less than \$5.36 per share or exceeds \$50.00 per share.

The following table sets forth future three-month and annual contractual principal payment commitments under convertible senior subordinated notes as of December 31, 2010:

	Three Months Ended March 31, 2011	2012	2013	Year Ended March 31,		Thereafter	Total
				2014	2015		
(Amounts in thousands)							
<b>Future annual repayment of Convertible Senior Subordinated Notes recorded as of December 31, 2010 (1)</b>							
October 2004 2.9375% Notes	\$	\$ 46,326	\$	\$	\$	\$	\$ 46,326
February 2005 3.625% Notes		23,470					23,470
April 2009 3.625% Notes					66,581		66,581
	\$	\$ 69,796	\$	\$	\$ 66,581	\$	\$ 136,377

(1) The future repayment dates of the convertible senior subordinated notes represent the first redemption date by holder for each note respectively, as described above.

**Other Financing Obligations**

On June 1, 2007, the Company entered into a bank financing agreement for \$3.7 million to fund the acquisition of certain capital assets. Interest is payable in monthly payments totaling \$0.3 million per year for five years at an interest rate of 8.02%, with the entire principal due June 2012.

## **11. Fair Value Measurements**

### ***Fair Value***

Accounting guidance and standards about fair value define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### ***Fair Value Hierarchy***

Accounting guidance and standards about fair value establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization

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within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The accounting guidance and standards establish three levels of inputs that may be used to measure fair value:

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

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 liabilities that are measured at fair value on a recurring basis include the Company's senior revolving credit facility and convertible senior subordinated notes, both priced using discounted cash flow techniques that use observable market inputs, such as LIBOR-based yield curves, three- and seven-year swap rates, and credit ratings.

Level 3 Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

The following table sets forth the carrying values and fair values (all determined using Level 2 inputs defined above) of the Company's outstanding debt at December 31, 2010:

	<b>Carrying Value</b>	<b>Fair Value (Level 2)</b>
	<b>(Amounts in thousands)</b>	
Senior revolving credit facility	\$ 224,250	\$ 224,250
October 2004 2.9375% Convertible Senior Subordinated Notes	43,992	45,393
February 2005 3.625% Convertible Senior Subordinated Notes	21,761	22,921
April 2009 3.625% Convertible Senior Subordinated Notes	39,269	54,960
Senior Secured Second-Priority Notes	226,005	240,425
	<b>\$ 555,277</b>	<b>\$ 587,949</b>

**12. Acquisitions and Divestitures*****TV Guide Network***

*Acquisition of TV Guide Network.* On February 28, 2009, the Company purchased all of the issued and outstanding equity interests of TV Guide Network, a network and online provider of entertainment and television guidance-related programming, as well as localized program listings and descriptions primarily in the U.S. The Company paid approximately \$241.6 million for all of the equity interest of TV Guide Network, which included a capital lease obligation of \$12.1 million, and incurred approximately \$1.5 million in direct transaction costs (legal fees, accountant's fees and other professional fees).

*Sale of Non-Controlling Interest in TV Guide Network.* On May 28, 2009, the Company entered into a Purchase Agreement with OEP, the global private equity investment arm of JPMorgan Chase Bank, N.A., pursuant to which OEP purchased 49% of the Company's interest in TV Guide Network for approximately \$122.4 million in cash. In addition, OEP reserved the option of buying another 1% of TV Guide Network under certain circumstances. The arrangement contains joint control rights, as evidenced in an operating agreement as well as certain transfer restrictions and exit rights. There was no gain or loss on the transaction.

The February 28, 2009 acquisition was accounted for as a purchase, with the results of operations of TV Guide Network included in the Company's consolidated results from February 28, 2009 through May 27, 2009 when a portion of the entity was sold. Subsequent to the sale of TV Guide Network, and pursuant to the new accounting guidance on accounting for VIEs effective April 1, 2010, which the Company has retrospectively applied, the

Company's interest in TV Guide Network is being accounted for under the equity method of accounting (see Note 4).

The final allocation of the February 28, 2009 acquisition purchase price to the assets acquired and liabilities assumed was recorded in the separate financial statements of TV Guide Network and was as follows:

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	<b>Allocation (Amounts in thousands)</b>
Accounts receivable, net	\$ 14,505
Property and equipment	26,649
Other assets acquired	1,831
Finite-lived intangible assets:	
Customer relationships	66,340
Trademarks/trade names	10,250
Internal use software	2,200
Prepaid patent license agreements	1,510
Goodwill	152,599
Other liabilities assumed	(32,775)
 Total purchase price including transaction costs	 \$ 243,109

***Acquisition of Mandate Pictures, LLC***

On September 10, 2007, the Company purchased all of the membership interests in Mandate Pictures, LLC, (Mandate), a worldwide independent film producer and distributor. The Company paid approximately \$58.6 million, comprised of \$46.8 million in cash and 1,282,999 of the Company's common shares. The value assigned to the shares for purposes of recording the acquisition was \$11.8 million and was based on the average price of the Company's common shares a few days prior and subsequent to the date of the closing of the acquisition, which is when it was publicly announced.

In addition, the Company may be obligated to pay additional amounts pursuant to the purchase agreement should certain films or derivative works meet certain target performance thresholds. Such amounts, to the extent they relate to films or derivative works of films identified at the acquisition date will be charged to goodwill if the target thresholds are achieved, and such amounts, to the extent they relate to other qualifying films produced in the future, will be accounted for similar to other film participation arrangements. The amount to be paid is the excess of the sum of the following amounts over the performance threshold (i.e., the Hurdle Amount):

80% of the earnings of certain films for the longer of 5 years from the closing or 5 years from the release of the pictures, plus

20% of the earnings of certain pictures which commence principal photography within 5 years from the closing date for a period up to 10 years, plus

certain fees designated for derivative works which commence principal photography within 7 years of the initial release of the original picture.

The Hurdle Amount is the purchase price of approximately \$56 million plus an interest cost accruing until such hurdle is reached, and certain other costs the Company agreed to pay in connection with the acquisition. Accordingly, the additional consideration is the total of the above in excess of the Hurdle Amount. As of December 31, 2010, the total earnings and fees from identified projects in process are not projected to reach the Hurdle Amount. However, as additional projects are identified in the future and current projects are released in the market place, the total projected earnings and fees from these projects could increase causing additional payments to the sellers to become payable.

**Table of Contents*****Acquisition of Debmar-Mercury, LLC***

On July 3, 2006, the Company acquired all of the capital stock of Debmar-Mercury, LLC ( Debmar-Mercury ), a leading syndicator of film and television packages. Consideration for the Debmar-Mercury acquisition was \$27.0 million, comprised of a combination of \$24.5 million in cash paid on July 3, 2006 and \$2.5 million in common shares of the Company issued in January 2008, and assumed liabilities of \$10.5 million. Goodwill of \$8.7 million represents the excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired.

The purchase agreement provided for additional purchase consideration if the aggregate earnings before interest, taxes, depreciation and amortization adjusted to add back 20% of the overhead expense ( Adjusted EBITDA ) of Debmar-Mercury exceeded certain thresholds. In March 2010, the Company negotiated the buy-out of this potential additional purchase consideration for \$15 million. This amount was recorded as an addition to goodwill in March 2010. In connection with this buy-out, the Company extended certain employment contracts of senior executives of Debmar-Mercury which provide for certain contractual bonuses.

**13. Direct Operating Expenses**

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	<b>(Amounts in thousands)</b>			
Amortization of films and television programs	\$ 138,095	\$ 133,905	\$ 400,583	\$ 409,901
Participations and residual expense	66,074	66,194	198,378	188,630
Other expenses:				
Provision for doubtful accounts	505	379	798	2,017
Foreign exchange losses (gains)	17	(213)	721	(250)
	<b>\$ 204,691</b>	<b>\$ 200,265</b>	<b>\$ 600,480</b>	<b>\$ 600,298</b>

**14. Comprehensive Income (Loss)**

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	<b>(Amounts in thousands)</b>			
Net Income (loss)	\$ (6,017)	\$ (65,259)	\$ (99,744)	\$ 2,806
Add: Foreign currency translation adjustments	1,017	741	2,312	6,628
Add (Deduct): Net unrealized gain (loss) on foreign exchange contracts	518	142	(178)	159
Comprehensive income (loss)	<b>\$ (4,482)</b>	<b>\$ (64,376)</b>	<b>\$ (97,610)</b>	<b>\$ 9,593</b>

**15. Net Income (Loss) Per Share**

Basic net income (loss) per share is calculated based on the weighted average common shares outstanding for the period. Basic net income (loss) per share for the three and nine months ended December 31, 2010 and 2009 is

presented below:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	(Amounts in thousands)			
<b>Basic Net Income (Loss) Per Common Share:</b>				
Numerator:				
Net income (loss)	\$ (6,017)	\$ (65,259)	\$ (99,744)	\$ 2,806
Denominator:				
Weighted average common shares outstanding	136,661	117,745	129,338	117,381
Basic Net Income (Loss) Per Common Share	\$ (0.04)	\$ (0.55)	\$ (0.77)	\$ 0.02

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Diluted net income (loss) per common share reflects the potential dilutive effect, if any, of the conversion of the October 2004 2.9375% Notes, the February 2005 3.625% Notes and the April 2009 3.625% Notes under the if converted method. Diluted net income (loss) per common share also reflects share purchase options and restricted share units using the treasury stock method when dilutive, and any contingently issuable shares when dilutive. Diluted net income (loss) per common share for the three and nine months ended December 31, 2010 and 2009 is presented below:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	(Amounts in thousands)			
<b>Diluted Net Income (Loss) Per Common Share:</b>				
Numerator:				
Net income (loss)	\$ (6,017)	\$ (65,259)	\$ (99,744)	\$ 2,806
Denominator:				
Weighted average common shares outstanding	136,661	117,745	129,338	117,381
Effect of dilutive securities:				
Restricted share units				198
Adjusted weighted average common shares outstanding	136,661	117,745	129,338	117,579
Diluted Net Income (Loss) Per Common Share	\$ (0.04)	\$ (0.55)	\$ (0.77)	\$ 0.02

For the three and nine months ended December 31, 2010 and for the three months ended December 31, 2009, the weighted average incremental common shares calculated under the if converted and treasury stock method presented below were excluded from diluted net loss per common share for the period because their inclusion would have had an anti-dilutive effect as a result of the reported net loss.

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>
	(Amounts in thousands)		
<b>Incremental shares</b>			
Conversion of notes	13,741	26,312	16,966
Restricted share units	438	203	862

Total incremental shares excluded from Diluted Net

Loss Per Common Share	14,179	26,515	17,828
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Additionally, for the three and nine months ended December 31, 2010 and 2009, the weighted average common shares issuable presented below were excluded from diluted net income (loss) per common share because their inclusion would have had an anti-dilutive effect due to the terms of the award or the Notes or the market price of common shares.

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	(Amounts in thousands)			
<b>Anti-dilutive shares issuable</b>				
Conversion of notes				27,249
Share purchase options	3,250	3,548	3,277	3,747
Restricted share units	105	1,219	137	1,262
Contingently issuable shares	232	881	198	732
Total weighted average anti-dilutive shares issuable excluded from Diluted Net Income (Loss) Per Common Share	3,587	5,648	3,612	32,990

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The Company had 500,000,000 authorized common shares at December 31, 2010 and March 31, 2010. The table below outlines common shares reserved for future issuance:

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>(Amounts in thousands)</b>	
Stock options outstanding, average exercise price \$9.75 (March 31, 2010 - \$9.75 )	3,310	3,360
Restricted share units unvested	1,655	3,416
Share purchase options and restricted share units available for future issuance	4,109	3,717
Shares issuable upon conversion of October 2004 2.9375% Notes at conversion price of \$11.50 per share	4,028	9,568
Shares issuable upon conversion of February 2005 3.625% Notes at conversion price of \$14.28 per share	1,643	4,164
Shares issuable upon conversion of April 2009 3.625% Notes at conversion price of \$8.25 per share	8,070	8,070
Shares reserved for future issuance	22,815	32,295

**16. Accounting for Stock-Based Compensation**

The Company recognized the following share-based compensation expense during the three and nine months ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	<b>(Amounts in thousands)</b>			
Compensation Expense(Benefit):				
Stock Options	\$ 33	\$ 798	\$ 2,615	\$ 2,418
Restricted Share Units and Other Share-based Compensation	2,006	3,257	23,776	9,323
Stock Appreciation Rights	(1,848)	222	3,584	824
Total	\$ 191	\$ 4,277	\$ 29,975	\$ 12,565

On June 30, 2010, certain unvested equity awards of certain executive officers immediately vested as a result of the triggering of change in control provisions in their respective employment agreements. For purposes of the employment agreements with such executive officers, a change in control occurred on June 30, 2010 when a certain shareholder became the beneficial owner of 33% or more of the Company's common shares. As a result, the Company recognized \$21.9 million in additional compensation expense during the nine months ended December 31, 2010, which is included in the table above.

There was no income tax benefit recognized in the statements of operations for share-based compensation arrangements during the three and nine months ended December 31, 2010 and 2009.

During the nine months ended December 31, 2010, the Company granted 2,363,937 restricted share units at a weighted average grant date fair value of \$6.91, of which 1,065,714 restricted share units became fully vested upon the change in control discussed above.

Total unrecognized compensation cost related to unvested stock options and restricted share unit awards at December 31, 2010 are \$0.2 million and \$7.4 million, respectively, and are expected to be recognized over a weighted average period of 1.5 and 1.7 years, respectively.

**Table of Contents****Stock Appreciation Rights**

The Company has the following stock appreciation rights ( SARs ) outstanding as of December 31, 2010:

	<b>Grant Date</b>				
	<b>July 14, 2008</b>	<b>August 14, 2008</b>	<b>February 5, 2009</b>	<b>April 6, 2009</b>	<b>March 17, 2010</b>
SARs outstanding	750,000	250,000	850,000	700,000	500,000
Vested and exercisable	750,000	250,000	850,000	700,000	500,000
Exercise price	\$9.56	\$11.16	\$5.45	\$5.17	\$5.95
Original vesting period (see below)	3 years	4 years	3 years	4 years	4 years
Expiration date	July 14, 2013	June 20, 2012	February 5, 2014	April 6, 2014	March 17, 2015
Fair value as of December 31, 2010	\$0.87	\$0.28	\$2.31	\$2.48	\$2.42

At December 31, 2010, the Company has a stock-based compensation liability accrual in the amount of \$5.6 million (March 31, 2010 \$2.3 million) included in accounts payable and accrued liabilities on the unaudited condensed consolidated balance sheets relating to these SARs.

On June 30, 2010, all SARs, with the exception of SARs granted on July 14, 2008 and August 14, 2008 listed above which became vested on June 1, 2010 and December 31, 2010, respectively, became fully vested due to the triggering of the change in control provisions in certain executive officer employment agreements discussed above.

SARs require that upon their exercise, the Company pay the holder the excess of the market value of the Company's common stock at that time over the exercise price of the SAR multiplied by the number of SARs exercised. SARs can be exercised at any time subsequent to vesting and prior to expiration. The fair value of all unexercised SARs are determined at each reporting period under a Black-Scholes option pricing methodology based on the inputs in the table below and are recorded as a liability over the vesting period. With the exception of SARs granted on July 14, 2008, the fair value of SARs is expensed on a pro rata basis over the vesting period or service period, if shorter. Changes in the fair value of vested SARs are expensed in the period of change. SARs granted on July 14, 2008 were granted to a third party producer and vest in 250,000 SAR increments over a three-year period based on the commencement of principal photography of certain films. Accordingly, the pro rata portion of the fair value of SARs are recorded as part of the cost of the related films until commencement of principal photography of the motion picture (i.e., vesting) with subsequent changes in the fair value of SARs recorded to expense.

For the nine months ended December 31, 2010, the following assumptions were used in the Black-Scholes option-pricing model:

	<b>Grant Date</b>				
	<b>July 14, 2008</b>	<b>August 14, 2008</b>	<b>February 5, 2009</b>	<b>April 6, 2009</b>	<b>March 17, 2010</b>
Risk-free interest rate	1.0%	0.3%	1.0%	1.0%	1.5%
Expected option lives (in years)	2.5 years	1.5 years	3.1 years	3.3 years	4.2 years
Expected volatility for options	40%	40%	40%	40%	40%
Expected dividend yield	0%	0%	0%	0%	0%

**17. Segment Information**

Accounting guidance and standards require the Company to make certain disclosures about each reportable segment. The Company's reportable segments are determined based on the distinct nature of their operations and each segment is a strategic business unit that offers different products and services and is managed separately. The Company evaluates performance of each segment using segment profit (loss) as defined below. The Company has two reportable business segments as of December 31, 2010: Motion Pictures and Television Production. The Media Networks segment has been reclassified to the equity interest line item from May 28, 2009, the date of sale of the 49%

interest in TV Guide Network, as a result of the new accounting standard adopted on April 1, 2010 and retrospectively applied (see Note 1).

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Motion Pictures consists of the development and production of feature films, acquisition of North American and worldwide distribution rights, North American theatrical, home entertainment and television distribution of feature films produced and acquired, and worldwide licensing of distribution rights to feature films produced and acquired.

Television Production consists of the development, production and worldwide distribution of television productions including television series, television movies and mini-series and non-fiction programming.

Segmented information by business unit is as follows:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	(Amounts in thousands)			
Segment revenues				
Motion Pictures	\$ 326,695	\$ 251,045	\$ 941,125	\$ 800,925
Television Production	96,210	91,539	264,680	267,659
Media Networks (April 1, 2009 thru May 27, 2009)				19,275
	\$ 422,905	\$ 342,584	\$ 1,205,805	\$ 1,087,859
Direct operating expenses				
Motion Pictures	\$ 130,837	\$ 114,690	\$ 401,061	\$ 369,133
Television Production	73,854	85,575	199,419	223,742
Media Networks (April 1, 2009 thru May 27, 2009)				7,423
	\$ 204,691	\$ 200,265	\$ 600,480	\$ 600,298
Distribution and marketing				
Motion Pictures	\$ 146,083	\$ 148,452	\$ 437,524	\$ 315,485
Television Production	12,895	7,919	23,956	22,458
Media Networks (April 1, 2009 thru May 27, 2009)				2,008
	\$ 158,978	\$ 156,371	\$ 461,480	\$ 339,951
Segment contribution before general and administration expenses				
Motion Pictures	\$ 49,775	\$ (12,097)	\$ 102,540	\$ 116,307
Television Production	9,461	(1,955)	41,305	21,459
Media Networks (April 1, 2009 thru May 27, 2009)				9,844
	\$ 59,236	\$ (14,052)	\$ 143,845	\$ 147,610

General and administration					
Motion Pictures	\$ 11,948	\$ 11,195	\$ 35,587	\$ 33,953	
Television Production	2,859	2,498	8,613	6,581	
Media Networks (April 1, 2009 thru May 27, 2009)					6,194
	\$ 14,807	\$ 13,693	\$ 44,200	\$ 46,728	
Segment profit (loss)					
Motion Pictures	\$ 37,827	\$ (23,292)	\$ 66,953	\$ 82,354	
Television Production	6,602	(4,453)	32,692	14,878	
Media Networks (April 1, 2009 thru May 27, 2009)					3,650
	\$ 44,429	\$ (27,745)	\$ 99,645	\$ 100,882	
Acquisition of investment in films and television programs					
Motion Pictures	\$ 59,565	\$ 76,540	\$ 252,006	\$ 277,126	
Television Production	47,920	39,055	169,142	154,523	
Media Networks (April 1, 2009 thru May 27, 2009)					6,371
	\$ 107,485	\$ 115,595	\$ 421,148	\$ 438,020	

Purchases of property and equipment amounted to \$0.3 million and \$0.4 million for the three months ended December 31, 2010 and 2009, respectively, all primarily pertaining to purchases for the Company's corporate headquarters. Purchases of property and equipment amounted to \$1.2 million and \$2.6 million for the nine months ended December 31, 2010 and 2009, respectively, all primarily pertaining to purchases for the Company's corporate headquarters for the nine months ended December 31, 2010, and primarily pertaining to purchases for Media Networks prior to the deconsolidation of TV Guide Network for the nine months ended December 31, 2009.

Segment contribution before general and administration expenses is defined as segment revenue less segment direct operating and distribution and marketing expenses.

Segment profit is defined as segment revenue less segment direct operating, distribution and marketing, and general and administration expenses. The reconciliation of total segment profit to the Company's income (loss) before income taxes is as follows:

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	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	<b>(Amounts in thousands)</b>			
Company's total segment profit (loss)	\$ 44,429	\$ (27,745)	\$ 99,645	\$ 100,882
Less:				
Unallocated shared services and corporate expenses	(21,131)	(16,522)	(90,135)	(51,038)
Depreciation and amortization	(1,409)	(2,322)	(4,485)	(10,616)
Interest expense	(13,363)	(13,545)	(41,735)	(33,352)
Interest and other income	329	413	1,082	1,207
Gain (loss) on extinguishment of debt		(1,783)	(14,505)	5,675
Equity interests loss	(13,144)	(5,509)	(45,566)	(9,701)
Income (loss) before income taxes	\$ (4,289)	\$ (67,013)	\$ (95,699)	\$ 3,057

The following table sets forth significant assets as broken down by segment and other unallocated assets as of December 31, 2010 and March 31, 2010:

	<b>December 31, 2010</b>			<b>March 31, 2010</b>		
	<b>Motion Pictures</b>	<b>Television Production</b>	<b>Total</b>	<b>Motion Pictures</b>	<b>Television Production</b>	<b>Total</b>
	<b>(Amounts in thousands)</b>					
Significant assets by segment						
Accounts receivable	\$ 244,622	\$ 155,379	\$ 400,001	\$ 171,522	\$ 121,402	\$ 292,924
Investment in films and television programs, net	546,108	136,667	682,775	553,058	108,047	661,105
Goodwill	210,293	28,961	239,254	210,293	28,961	239,254
	\$ 1,001,023	\$ 321,007	\$ 1,322,030	\$ 934,873	\$ 258,410	\$ 1,193,283
Other unallocated assets (primarily cash, other assets and equity method investments)			307,589			333,872
Total assets			\$ 1,629,619			\$ 1,527,155

There have been no changes in the carrying amount of goodwill during the periods presented.

**18. Contingencies**

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any such pending or threatened proceedings, or any amount which the Company might be required to pay by reason thereof, would have a material adverse effect on the financial condition or future results of the Company.

On July 23, 2010, Icahn Partners LP, a limited partnership governed by the laws of Delaware and certain entities affiliated with Icahn Partners LP (collectively, Icahn Partners ) filed a petition in the Supreme Court of British Columbia (the BC Court ) against the Company, Dr. Mark Rachesky, MHR Fund Management LLC and MHR Institutional Partners III LP (the MHR Fund ) and Kornitzer Capital Management, Inc. (the BC Action ). Icahn Partners filed an amended petition on July 26, 2010. Dr. Mark Rachesky, a director of the Company, is the managing member of MHR Institutional Partners III LP s general partner. Among other things, Icahn Partners claims that a July 20, 2010 Refinancing Exchange Agreement (the Exchange ) between the Company and Kornitzer Capital Management, Inc. to exchange certain convertible notes of LGEI is oppressive to Icahn Partners under British Columbia law. Icahn Partners seeks, among other things, orders (1) declaring that the Company is oppressing its shareholders, (2) prohibiting MHR Institutional Partners III LP from transferring or voting its new shares, (3) prohibiting the Company from issuing any securities, (4) unwinding the July 20 transactions between the MHR Fund, the Company, and Kornitzer Capital Management, Inc. (which includes the Exchange, the Note Sale (as defined below) and the Conversion (as defined below)) and (5) compensating the petitioners. The BC Court heard argument during the week of October 11, 2010. On November 1, 2010, the Supreme Court of British Columbia issued a final order and decision dismissing Icahn Partners claims in their entirety and awarding costs to the Company. On November 2, 2010, Icahn Partners announced its intent to appeal the decision. On November 5, 2010, a single Justice of the British Columbia Court of Appeal denied Icahn Partners application for an expedited appeal or, in the alternative, an order prohibiting the Company from scheduling its 2010 annual general meeting of shareholders before January 21, 2011. Icahn Partners application to

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vary this order was denied by a panel of the British Columbia Court of Appeal on December 7, 2010. Icahn Partners appeal from the final order and decision of the Supreme Court of British Columbia is currently pending. For purposes herein, the Note Sale means the July 20, 2010 entry into a Purchase Agreement and subsequent sale of the New Notes received by Kornitzer Capital Management, Inc. in the Exchange to MHR Institutional Partners III LP. Additionally, the Conversion means, after the consummation of the Note Sale, the July 20, 2010 exercise by MHR Institutional Partners III LP of conversion rights under the New Notes whereby the New Notes were converted in full into 16,236,305 common shares of the Company.

Icahn Partners also sought an order from the British Columbia Securities Commission (the BCSC) on July 22, 2010 requiring, among other things, that Dr. Rachesky, the MHR Fund, and their respective affiliates cease trading in any securities of the Company until further order of the BCSC and that the Company and each of its directors cease trading in any securities of the Company until further order of the BCSC. Icahn Partners alleged that the Exchange was, among other things, an unlawful defensive tactic, and that the disclosures concerning the transactions violated applicable securities laws. A hearing on the request for a temporary cease trade order was held on July 28, 2010, and the BCSC determined to dismiss Icahn Partners' application for a temporary cease trade order against the Company and the MHR Fund.

On July 26, 2010, Icahn Partners filed suit in New York Supreme Court against the Company, the Board of Directors of the Company, LGEI, Dr. Rachesky, the MHR Fund, MHR Institutional Advisors II LLC, MHR Institutional Advisors III LLC, and Kornitzer Capital Management, Inc. and its principal John C. Kornitzer (the New York Action). Icahn Partners claims, among other things, that the Exchange and subsequent issuance of common shares of the Company to Dr. Rachesky's fund through the Conversion constitutes (1) a breach of a certain July 9, 2010 letter agreement between the Company and Icahn Partners; (2) tortious interference with the same July 9 letter agreement; and (3) tortious interference with prospective business relationships. The complaint seeks, among other things, a preliminary and permanent injunction rescinding the Exchange and share issuance; a preliminary injunction prohibiting all defendants from voting their shares in any election of directors or any other shareholder vote; and an award of compensatory and punitive damages. On August 26, 2010, the defendants moved to dismiss or stay the New York Action. Those motions are currently pending. On November 15, 2010, Icahn Partners filed a motion for a preliminary injunction. Icahn Partners' motion for a preliminary injunction was denied on December 9, 2010.

On October 28, 2010, the Company filed an action in the United States District Court for the Southern District of New York against Carl Icahn, Brett Icahn, and various investment vehicles controlled by Carl Icahn. The action is captioned Lions Gate Entertainment Corp. v. Carl C. Icahn, Brett Icahn, Icahn Partners LP, High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Onshore LP, Icahn Offshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., and Becton Corp., No. 10-CV-8169. The complaint, filed as Exhibit (a)(8) to the Company's Amendment No. 7 to the Schedule 14D-9, filed with the Securities and Exchange Commission on October 29, 2010, alleges violations of Sections 13(d), 14(a), 14(d), and 14(e) of the Securities Exchange Act of 1934, and certain rules promulgated thereunder, and tortious interference with prospective business relations under state law. The complaint seeks damages and injunctive relief, including an order requiring the defendants to make corrective disclosures before the Company's 2010 annual general meeting of shareholders. On November 22, 2010, Icahn Partners moved to dismiss the complaint. The Company amended its complaint on December 3, 2010. Icahn Partners moved to dismiss the amended complaint on December 17, 2010. This motion is currently pending.

**19. Consolidating Financial Information Subordinated Notes**

The October 2004 2.9375% Notes, the February 2005 3.625% Notes and the April 2009 3.625% Notes, by their terms, are fully and unconditionally guaranteed by the Company.

The following tables present unaudited condensed consolidating financial information as of December 31, 2010 and March 31, 2010, and for the nine months ended December 31, 2010 and 2009 for (1) the Company, on a stand-alone basis, (2) LGEI, on a stand-alone basis, (3) the non-guarantor subsidiaries of the Company (including the subsidiaries of LGEI), on a combined basis (collectively, the Non-guarantor Subsidiaries) and (4) the Company, on a consolidated basis.



**Table of Contents****As of December 31, 2010**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Non-guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
<b>(Amounts in thousands)</b>					
<b>BALANCE SHEET</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 1,293	\$ 7,912	\$ 60,373	\$	\$ 69,578
Restricted cash	15,815	3,507			19,322
Accounts receivable, net	5,918	479	393,604		400,001
Investment in films and television programs, net	2	6,391	678,897	(2,515)	682,775
Property and equipment, net		9,162	858		10,020
Equity method investments	2,174	18,608	138,430		159,212
Goodwill	10,173		229,081		239,254
Other assets	446	44,956	4,055		49,457
Subsidiary investments and advances	49,737	(46,691)	(409,406)	406,360	
	\$ 85,558	\$ 44,324	\$ 1,095,892	\$ 403,845	\$ 1,629,619
<b>Liabilities and Shareholders Equity (Deficiency)</b>					
Senior revolving credit facility	\$	\$ 224,250	\$	\$	\$ 224,250
Senior secured second-priority notes		226,005			226,005
Accounts payable and accrued liabilities	8,674	33,350	228,259	(410)	269,873
Participations and residuals	190	7,983	272,946	486	281,605
Film obligations and production loans	75		278,272		278,347
Subordinated notes and other financing obligations		105,022	3,718		108,740
Deferred revenue		162	164,018		164,180
Shareholders equity (deficiency)	76,619	(552,448)	148,679	403,769	76,619
	\$ 85,558	\$ 44,324	\$ 1,095,892	\$ 403,845	\$ 1,629,619

**Nine Months Ended December 31, 2010**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Non-guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
<b>(Amounts in thousands)</b>					

**STATEMENT OF OPERATIONS**

Revenues	\$	\$	17,428	\$	1,205,101	\$	(16,724)	\$	1,205,805
<b>EXPENSES:</b>									
Direct operating			1,109		626,332		(26,961)		600,480
Distribution and marketing			737		460,773		(30)		461,480
General and administration	19,389		70,567		44,514		(135)		134,335
Depreciation and amortization			2,764		1,721				4,485
Total expenses	19,389		75,177		1,133,340		(27,126)		1,200,780
OPERATING INCOME (LOSS)	(19,389)		(57,749)		71,761		10,402		5,025
Other expenses (income):									
Interest expense			39,162		3,131		(558)		41,735
Interest and other income	(129)		(1,030)		(481)		558		(1,082)
Loss (gain) on extinguishment of debt			14,505						14,505
Total other expenses (income)	(129)		52,637		2,650				55,158
INCOME (LOSS) BEFORE EQUITY INTERESTS AND INCOME TAXES									
Equity interests income (loss)	(80,484)		4,601		(44,704)		75,021		(45,566)
INCOME (LOSS) BEFORE INCOME TAXES	(99,744)		(105,785)		24,407		85,423		(95,699)
Income tax provision (benefit)			2,027		2,018				4,045
NET INCOME (LOSS)	\$ (99,744)	\$	(107,812)	\$	22,389	\$	85,423	\$	(99,744)

**Table of Contents****Nine Months Ended December 31, 2010**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Non-guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
	<b>(Amounts in thousands)</b>				
<b>STATEMENT OF CASH FLOWS</b>					
<b>NET CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>OPERATING ACTIVITIES</b>	\$ 15,365	\$ (208,795)	\$ 77,794	\$	\$ (115,636)
<b>INVESTING ACTIVITIES:</b>					
Purchases of restricted investments		(13,993)			(13,993)
Proceeds from the sale of restricted investments		20,989			20,989
Buy-out of the earn-out associated with the acquisition of Debmar-Mercury, LLC			(15,000)		(15,000)
Investment in equity method investees	(2,000)		(22,677)		(24,677)
Increase in loan receivables			8,113		8,113
Purchases of property and equipment		(598)	(589)		(1,187)
<b>NET CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>INVESTING ACTIVITIES</b>	(2,000)	6,398	(30,153)		(25,755)
<b>FINANCING ACTIVITIES:</b>					
Tax withholding requirements on equity awards	(12,919)				(12,919)
Borrowings under senior revolving credit facility		481,750			481,750
Repayments of borrowings under senior revolving credit facility		(274,500)			(274,500)
Borrowings under individual production loans			100,203		100,203
Repayment of individual production loans			(143,297)		(143,297)
Production loan borrowings under Pennsylvania Regional Center credit facility					
Production loan repayments under Pennsylvania Regional Center credit facility					
Production loan borrowings under film credit facility			17,721		17,721

Production loan repayments under film credit facility			(31,507)		(31,507)
Decrease in restricted cash collateral requirement under the film credit facility			3,087		3,087
<b>NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	(12,919)	207,250	(53,793)		140,538
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	446	4,853	(6,152)		(853)
<b>FOREIGN EXCHANGE EFFECTS ON CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	814	3,059	65,369		69,242
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	\$ 1,293	\$ 7,912	\$ 60,373	\$	\$ 69,578

**Table of Contents****As of March 31, 2010**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Non-guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
<b>(Amounts in thousands)</b>					
<b>BALANCE SHEET</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 814	\$ 3,059	\$ 65,369	\$	\$ 69,242
Restricted cash		4,123			4,123
Restricted investments		6,995			6,995
Accounts receivable, net	99	1,116	291,209	500	292,924
Investment in films and television programs, net	2	6,391	655,994	(1,282)	661,105
Property and equipment, net		11,328	1,086		12,414
Equity method investments		18,611	160,460		179,071
Goodwill	10,173		229,081		239,254
Other assets	431	25,446	36,150		62,027
Subsidiary investments and advances	43,686	(5,885)	(249,526)	211,725	
	\$ 55,205	\$ 71,184	\$ 1,189,823	\$ 210,943	\$ 1,527,155
<b>Liabilities and Shareholders Equity (Deficiency)</b>					
Senior revolving credit facility	\$	\$ 17,000	\$	\$	\$ 17,000
Senior secured second-priority notes		225,155			225,155
Accounts payable and accrued liabilities	1,018	53,706	198,915	106	253,745
Participations and residuals	186	3,760	298,741	(10)	302,677
Film obligations and production loans	79		351,690		351,769
Subordinated notes and other financing obligations		188,318	3,718		192,036
Deferred revenue		247	130,725	(121)	130,851
Shareholders equity (deficiency)	53,922	(417,002)	206,034	210,968	53,922
	\$ 55,205	\$ 71,184	\$ 1,189,823	\$ 210,943	\$ 1,527,155

**Nine Months Ended December 31, 2009**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Non-guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
<b>(Amounts in thousands)</b>					

**STATEMENT OF OPERATIONS**

Revenues	\$	\$ 27,762	\$ 1,083,428	\$ (23,331)	\$ 1,087,859
<b>EXPENSES:</b>					
Direct operating		672	618,968	(19,342)	600,298
Distribution and marketing		3,372	336,606	(27)	339,951
General and administration	919	50,108	46,954	(215)	97,766
Depreciation and amortization		3,758	6,858		10,616
Total expenses	919	57,910	1,009,386	(19,584)	1,048,631
OPERATING INCOME (LOSS)	(919)	(30,148)	74,042	(3,747)	39,228
Other expenses (income):					
Interest expense		31,860	2,116	(624)	33,352
Interest and other income	(97)	(1,209)	(525)	624	(1,207)
Gain on extinguishment of debt		(5,675)			(5,675)
Total other expenses (income)	(97)	24,976	1,591		26,470
INCOME (LOSS) BEFORE EQUITY INTERESTS AND INCOME TAXES					
	(822)	(55,124)	72,451	(3,747)	12,758
Equity interests income (loss)	3,639	50,875	(22,156)	(42,059)	(9,701)
INCOME (LOSS) BEFORE INCOME TAXES					
	2,817	(4,249)	50,295	(45,806)	3,057
Income tax provision	11	817	(577)		251
NET INCOME (LOSS)	\$ 2,806	\$ (5,066)	\$ 50,872	\$ (45,806)	\$ 2,806

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	<b>Nine Months Ended December 31, 2009</b>				
	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Non-guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
	<b>(Amounts in thousands)</b>				
<b>STATEMENT OF CASH FLOWS</b>					
<b>NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
	\$ (9,915)	\$ 24,245	\$ (152,388)	\$	\$ (138,058)
<b>INVESTING ACTIVITIES:</b>					
Purchases of restricted investments		(13,994)			(13,994)
Proceeds from the sale of restricted investments		13,985			13,985
Investment in equity method investees			(41,342)		(41,342)
Increase in loan receivables		(362)			(362)
Repayment of loan receivables			8,333		8,333
Purchases of property and equipment		(535)	(2,039)		(2,574)
<b>NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>					
		(906)	(35,048)		(35,954)
<b>FINANCING ACTIVITIES:</b>					
Tax withholding requirements on equity awards	(1,733)				(1,733)
Proceeds from the issuance of mandatorily redeemable preferred stock units and common stock units related to the sale of 49% interest in TV Guide Network, net of unrestricted cash deconsolidated			109,776		109,776
Borrowings under senior revolving credit facility		170,000			170,000
Repayments of borrowings under senior revolving credit facility		(413,000)			(413,000)
Borrowings under individual production loans			134,587		134,587
Repayment of individual production loans			(111,885)		(111,885)
Production loan borrowings under Pennsylvania Regional Center credit facility			57,000		57,000
			32,217		32,217

Production loan borrowings under film credit facility				
Proceeds from sale of senior secured second-priority notes		216,232		216,232
Repurchase of subordinated notes		(75,185)		(75,185)
Repayment of other financing obligations			(134)	(134)
<b>NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	(1,733)	(101,953)	221,561	117,875
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(11,648)	(78,614)	34,125	(56,137)
<b>FOREIGN EXCHANGE EFFECTS ON CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	2,033		319	2,352
	13,253	88,962	36,260	138,475
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	\$ 3,638	\$ 10,348	\$ 70,704	\$ 84,690

## 20. Consolidating Financial Information Senior Secured Second-Priority Notes

In October 2009, the Company issued \$236.0 million aggregate principal amount the Senior Notes in a private offering conducted pursuant to Rule 144A and Regulation S under the Securities Act through LGEI.

The Company has agreed to make available to the trustee and the holders of the Senior Notes the following tables which present unaudited condensed consolidating financial information as of December 31, 2010 and March 31, 2010, and for the nine months ended December 31, 2010 and 2009 for (1) the Company, on a stand-alone basis, (2) LGEI, on a stand-alone basis, (3) the guarantor subsidiaries of the Company (including the subsidiaries of LGEI), on a combined basis (4) the non-guarantor subsidiaries of the Company (including the subsidiaries of LGEI), on a combined basis and (5) the Company, on a consolidated basis.

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	<b>As of December 31, 2010</b>						
	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Other Subsidiaries</b>		<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>	
			<b>Guarantors</b>	<b>Non-guarantors</b>			
			<b>(Amounts in thousands)</b>				
<b>BALANCE SHEET</b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 1,293	\$ 7,912	\$ 1,004	\$ 59,369	\$	\$ 69,578	
Restricted cash	15,815	3,507				19,322	
Accounts receivable, net	5,918	479	317,282	76,322		400,001	
Investment in films and television programs, net	2	6,391	590,798	87,619	(2,035)	682,775	
Property and equipment, net		9,162	226	632		10,020	
Equity method investments	2,174	18,608	10,554	127,876		159,212	
Goodwill	10,173		198,883	30,198		239,254	
Other assets	446	44,956	2,757	1,298		49,457	
Subsidiary investments and advances	49,737	(46,691)	(181,940)	(209,104)	387,998		
	\$ 85,558	\$ 44,324	\$ 939,564	\$ 174,210	\$ 385,963	\$ 1,629,619	
<b>Liabilities and Shareholders Equity (Deficiency)</b>							
Senior revolving credit facility	\$	\$ 224,250	\$	\$	\$	\$ 224,250	
Senior secured second-priority notes		226,005				226,005	
Accounts payable and accrued liabilities	8,674	33,350	190,942	37,287	(380)	269,873	
Participations and residuals	190	7,983	243,747	29,710	(25)	281,605	
Film obligations and production loans	75		269,495	8,777		278,347	
Subordinated notes and other financing obligations		105,022	3,718			108,740	
Deferred revenue		162	143,357	20,661		164,180	
Shareholders equity (deficiency)	76,619	(552,448)	88,305	77,775	386,368	76,619	

\$ 85,558	\$	44,324	\$ 939,564	\$	174,210	\$ 385,963	\$ 1,629,619
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**Nine Months Ended December 31, 2010**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Other Subsidiaries</b>		<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
			<b>Guarantors</b>	<b>Non-guarantors</b>		
			<b>(Amounts in thousands)</b>			
<b>STATEMENT OF OPERATIONS</b>						
Revenues	\$	\$ 17,428	\$ 1,087,408	\$ 148,821	\$ (47,852)	\$ 1,205,805
<b>EXPENSES:</b>						
Direct operating		1,109	577,800	66,703	(45,132)	600,480
Distribution and marketing		737	398,683	62,090	(30)	461,480
General and administration	19,389	70,567	33,589	10,922	(132)	134,335
Depreciation and amortization		2,764	1,107	614		4,485
Total expenses	19,389	75,177	1,011,179	140,329	(45,294)	1,200,780
OPERATING INCOME (LOSS)	(19,389)	(57,749)	76,229	8,492	(2,558)	5,025
Other expenses (income):						
Interest expense		39,162	2,504	627	(558)	41,735
Interest and other income	(129)	(1,030)	(363)	(118)	558	(1,082)
Loss on extinguishment of debt		14,505				14,505
Total other expenses (income)	(129)	52,637	2,141	509		55,158
<b>INCOME (LOSS) BEFORE EQUITY INTERESTS AND INCOME TAXES</b>						
Equity interests income (loss)	(80,484)	4,601	(44,439)	(265)	75,021	(45,566)
INCOME (LOSS) BEFORE INCOME TAXES	(99,744)	(105,785)	29,649	7,718	72,463	(95,699)
Income tax provision (benefit)		2,027	1,370	648		4,045

NET INCOME (LOSS)    \$ (99,744)    \$ (107,812)    \$ 28,279    \$ 7,070    \$ 72,463    \$ (99,744)

**Table of Contents****Nine Months Ended December 31, 2010**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Other Subsidiaries Guarantors</b>	<b>Non-guarantors</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
	<b>(Amounts in thousands)</b>					
<b>STATEMENT OF CASH FLOWS</b>						
<b>NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	\$ 15,365	\$ (208,795)	\$ 73,459	\$ 4,335	\$	\$ (115,636)
<b>INVESTING ACTIVITIES:</b>						
Purchases of restricted investments		(13,993)				(13,993)
Proceeds from the sale of restricted investments		20,989				20,989
Buy-out of the earn-out associated with the acquisition of Debmar-Mercury, LLC			(15,000)			(15,000)
Investment in equity method investees	(2,000)		(22,677)			(24,677)
Repayment of loans receivable			8,113			8,113
Purchases of property and equipment		(598)	(426)	(163)		(1,187)
<b>NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	(2,000)	6,398	(29,990)	(163)		(25,755)
<b>FINANCING ACTIVITIES:</b>						
Tax withholding requirements on equity awards	(12,919)					(12,919)
Borrowings under senior revolving credit facility		481,750				481,750
Repayments of borrowings under senior revolving credit facility		(274,500)				(274,500)
Borrowings under individual production loans			99,625	578		100,203

Repayment of individual production loans			(139,543)	(3,754)	(143,297)
Production loan borrowings under film credit facility			17,721		17,721
Production loan repayments under film credit facility			(31,507)		(31,507)
Decrease in restricted cash collateral requirement under the film credit facility			3,087		3,087
<b>NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	(12,919)	207,250	(50,617)	(3,176)	140,538
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	446	4,853	(7,148)	996	(853)
<b>FOREIGN EXCHANGE EFFECTS ON CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	33			1,156	1,189
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	814	3,059	8,152	57,217	69,242
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	\$ 1,293	\$ 7,912	\$ 1,004	\$ 59,369	\$ 69,578

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	<b>As of March 31, 2010</b>					
	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Other Subsidiaries Non- Guarantors guarantors (Amounts in thousands)</b>		<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 814	\$ 3,059	\$ 8,152	\$ 57,217	\$	\$ 69,242
Restricted cash		4,123				4,123
Restricted investments		6,995				6,995
Accounts receivable, net	99	1,116	238,138	53,071	500	292,924
Investment in films and television programs, net	2	6,391	567,718	88,276	(1,282)	661,105
Property and equipment, net		11,328	382	704		12,414
Equity method investments		18,611	32,330	256,260	(128,130)	179,071
Goodwill	10,173		198,883	30,198		239,254
Other assets	431	25,446	32,837	3,313		62,027
Subsidiary investments and advances	43,686	(5,885)	(91,278)	(316,841)	370,318	
	\$ 55,205	\$ 71,184	\$ 987,162	\$ 172,198	\$ 241,406	\$ 1,527,155
<b>Liabilities and Shareholders Equity (Deficiency)</b>						
Senior revolving credit facility	\$	\$ 17,000	\$	\$	\$	\$ 17,000
Senior secured second-priority notes		225,155				225,155
Accounts payable and accrued liabilities	1,018	53,706	169,893	30,298	(1,170)	253,745
Participations and residuals	186	3,760	255,794	42,947	(10)	302,677
Film obligations and production loans	79		334,791	16,899		351,769
Subordinated notes and other financing obligations		188,318	3,718			192,036
Deferred revenue		247	125,323	5,402	(121)	130,851
	53,922	(417,002)	97,643	76,652	242,707	53,922

Shareholders' equity  
(deficiency)

\$ 55,205	\$ 71,184	\$ 987,162	\$ 172,198	\$ 241,406	\$ 1,527,155
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**Nine Months Ended December 31, 2009**

	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Other Subsidiaries Guarantors</b>	<b>Non-guarantors</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
	<b>(Amounts in thousands)</b>					
<b>STATEMENT OF OPERATIONS</b>						
Revenues	\$	\$ 27,762	\$ 883,299	\$ 206,102	\$ (29,304)	\$ 1,087,859
<b>EXPENSES:</b>						
Direct operating		672	497,624	129,835	(27,833)	600,298
Distribution and marketing		3,372	288,454	48,152	(27)	339,951
General and administration	919	50,108	30,471	16,494	(226)	97,766
Depreciation and amortization		3,758	3,092	3,766		10,616
Total expenses	919	57,910	819,641	198,247	(28,086)	1,048,631
<b>OPERATING INCOME (LOSS)</b>	(919)	(30,148)	63,658	7,855	(1,218)	39,228
Other expenses (income):						
Interest expense		31,860	1,186	930	(624)	33,352
Interest and other income	(97)	(1,209)	(477)	(48)	624	(1,207)
Gain on extinguishment of debt		(5,675)				(5,675)
Total other expenses (income)	(97)	24,976	709	882		26,470
<b>INCOME (LOSS) BEFORE EQUITY INTERESTS AND INCOME TAXES</b>	(822)	(55,124)	62,949	6,973	(1,218)	12,758
Equity interests income (loss)	3,639	50,875	(9,755)	(6,320)	(48,140)	(9,701)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	2,817	(4,249)	53,194	653	(49,358)	3,057
Income tax provision	11	817	(1,312)	735		251

NET INCOME (LOSS)	\$ 2,806	\$ (5,066)	\$ 54,506	\$ (82)	\$ (49,358)	\$ 2,806
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	<b>Lions Gate Entertainment Corp.</b>	<b>Lions Gate Entertainment Inc.</b>	<b>Other Subsidiaries Guarantors (Amounts in thousands)</b>	<b>Non-guarantors</b>	<b>Consolidating Adjustments</b>	<b>Lions Gate Consolidated</b>
<b>STATEMENT OF CASH FLOWS</b>						
<b>NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	\$ (9,915)	\$ 24,245	\$ (69,035)	\$ (83,353)	\$	\$ (138,058)
<b>INVESTING ACTIVITIES:</b>						
Purchases of restricted investments		(13,994)				(13,994)
Proceeds from the sale of restricted investments		13,985				13,985
Investment in equity method investees			(41,342)			(41,342)
Increase in loan receivables		(362)				(362)
Repayment of loans receivable			8,333			8,333
Purchases of property and equipment		(535)	(467)	(1,572)		(2,574)
<b>NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		(906)	(33,476)	(1,572)		(35,954)
<b>FINANCING ACTIVITIES:</b>						
Tax withholding requirements on equity awards	(1,733)					(1,733)
Proceeds from the issuance of mandatorily redeemable preferred stock units and common stock units related to the sale of 49% interest in TV Guide Network, net of unrestricted cash deconsolidated				109,776		109,776
		170,000				170,000

Borrowings under senior revolving credit facility					
Repayments of borrowings under senior revolving credit facility		(413,000)			(413,000)
Borrowings under individual production loans			122,470	12,117	134,587
Repayment of individual production loans			(110,691)	(1,194)	(111,885)
Production loan borrowings under Pennsylvania Regional Center credit facility			57,000		57,000
Production loan borrowings under film credit facility			32,217		32,217
Proceeds from sale of senior secured second-priority notes		216,232			216,232
Repurchase of subordinated notes		(75,185)			(75,185)
Repayment of other financing obligations				(134)	(134)
<b>NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	(1,733)	(101,953)	100,996	120,565	117,875
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(11,648)	(78,614)	(1,515)	35,640	(56,137)
<b>FOREIGN EXCHANGE EFFECTS ON CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD</b>	2,033			319	2,352
	13,253	88,962	10,424	25,836	138,475
<b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>	\$ 3,638	\$ 10,348	\$ 8,909	\$ 61,795	\$ 84,690

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

**Overview**

Lions Gate Entertainment Corp. (Lionsgate, the Company, we, us or our) is a leading global entertainment company with a strong and diversified presence in motion picture production and distribution, television programming and syndication, home entertainment, family entertainment, digital distribution and new channel platforms.

**Revenues**

Our revenues are derived from the Motion Pictures and Television Production segments, as described below:

*Motion Pictures.* Motion Pictures includes Theatrical, Home Entertainment, Television, International, Lionsgate UK, and Mandate Pictures revenue.

Theatrical revenues are derived from the theatrical release of motion pictures in the U.S. and Canada which are distributed to theatrical exhibitors on a picture by picture basis. The financial terms that we negotiate with our theatrical exhibitors generally provide that we receive a percentage of the box office results and are negotiated on a picture by picture basis.

Home Entertainment revenues consist of the sale or rental of packaged media (i.e., DVD and Blu-ray) and electronic media (i.e., electronic-sell through or EST) of our own productions and acquired films, including theatrical releases and direct-to-video releases, to retail stores and through digital media platforms. In addition, we have revenue sharing arrangements with certain rental stores which generally provide that in exchange for a nominal or no upfront sales price we share in the rental revenues generated by each such store on a title by title basis.

Television revenues are primarily derived from the licensing of our productions and acquired films to the domestic cable, free and pay television markets, which includes pay-per-view (PPV) and video-on-demand (VOD).

International revenues include revenues from our international subsidiaries from the licensing and sale of our productions, acquired films, our catalog product or libraries of acquired titles and revenues from our distribution to international sub-distributors, on a territory-by-territory basis. Our revenues are derived from the U.S., Canada, the United Kingdom, Australia and other foreign countries; none of the foreign countries individually comprised greater than 10% of total revenues.

Lionsgate UK revenues include revenues from the licensing and sale of our productions, acquired films, our catalog product or libraries of acquired titles from our subsidiary located in the United Kingdom.

Mandate Pictures revenues include revenues from the sales and licensing of domestic and worldwide rights of titles developed or acquired by Mandate Pictures to third-party distributors and to international sub-distributors.

*Television Production.* Television Production includes the licensing and syndication to domestic and international markets of one-hour and half-hour drama series, television movies and mini-series and non-fiction programming, and home entertainment revenues consisting of television production movies or series.

**Expenses**

Our primary operating expenses include Direct Operating Expenses, Distribution and Marketing Expenses and General and Administration Expenses.

Direct Operating Expenses include amortization of film and television production or acquisition costs, participation and residual expenses, provision for doubtful accounts, and foreign exchange gains and losses. Participation costs represent contingent consideration payable based on the performance of the film to parties associated with the film, including producers, writers, directors or actors, etc. Residuals represent amounts payable to various unions or guilds such as the Screen Actors Guild, Directors Guild of America, and Writers Guild of America, based on the performance of the film in certain ancillary markets or based on the individual's (i.e., actor, director, writer) salary level in the television market.

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Distribution and Marketing Expenses primarily include the costs of theatrical prints and advertising ( P&A ) and of DVD/Blu-ray duplication and marketing. Theatrical P&A includes the costs of the theatrical prints delivered to theatrical exhibitors and the advertising and marketing cost associated with the theatrical release of the picture. DVD/Blu-ray duplication represents the cost of the DVD/Blu-ray product and the manufacturing costs associated with creating the physical products. DVD/Blu-ray marketing costs represent the cost of advertising the product at or near the time of its release or special promotional advertising.

General and Administration Expenses include salaries and other overhead.

**Recent Developments**

*Refinancing Exchange Agreement.* On July 20, 2010 the Company entered the Refinancing Exchange Agreement to exchange approximately \$36.0 million in aggregate principal amount of the 3.625% Convertible Senior Subordinated Notes Due 2025 (the February 2005 3.625% Notes ) and \$63.7 million in aggregate principal amount of the 2.9375% Convertible Senior Subordinated Notes due 2024 (the October 2004 2.9375% Notes ) for equal principal amounts, respectively, of new 3.625% Convertible Senior Subordinated Notes due 2027 (the New 3.625% Notes ) and new 2.9375% Convertible Senior Subordinated Notes due 2026 (the New 2.9375% Notes , and together with the New 3.625% Notes, the New Notes ). The New Notes took effect immediately and all terms were identical to the February 2005 3.625% Notes and October 2004 2.9375% Notes except that the New Notes had an extended maturity date, extended put rights by two years, and were immediately convertible at an initial conversion rate of 161.2903 common shares of the Company per \$1,000 principal amount of New Notes, subject to specified contingencies.

On July 20, 2010, the New Notes were converted into 16,236,305 common shares of the Company. As a result, the New Notes are no longer outstanding as of July 20, 2010.

**CRITICAL ACCOUNTING POLICIES**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. As described more fully below, these estimates bear the risk of change due to the inherent uncertainty attached to the estimate. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. For example, accounting for films and television programs requires us to estimate future revenue and expense amounts which, due to the inherent uncertainties involved in making such estimates, are likely to differ to some extent from actual results. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 2 to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

*Accounting for Films and Television Programs.* We capitalize costs of production and acquisition, including financing costs and production overhead, to investment in films and television programs. These costs for an individual film or television program are amortized and participation and residual costs are accrued to direct operating expenses in the proportion that current year s revenues bear to management s estimates of the ultimate revenue at the beginning of the year expected to be recognized from exploitation, exhibition or sale of such film or television program over a period not to exceed ten years from the date of initial release. For previously released film or television programs acquired as part of a library, ultimate revenue includes estimates over a period not to exceed 20 years from the date of acquisition.

Due to the inherent uncertainties involved in making such estimates of ultimate revenues and expenses, these estimates have differed in the past from actual results and are likely to differ to some extent in the future from actual results. In addition, in the normal course of our business, some films and titles are more successful than anticipated and some are less successful than anticipated. The Company s management regularly reviews and revises when necessary its ultimate revenue and cost estimates, which may result in a change in the rate of amortization of film costs and participations and residuals and/or write-downs of all or a portion of the unamortized costs of the film or

television program to its estimated fair value. The Company's management estimates the ultimate revenue based on experience with similar titles or title genre, the general public appeal of the cast, actual performance (when available) at the box office or in markets currently being exploited, and other factors such as the quality and acceptance of motion

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pictures or programs that our competitors release into the marketplace at or near the same time, critical reviews, general economic conditions and other tangible and intangible factors, many of which we do not control and which may change.

An increase in the estimate of ultimate revenue will generally result in a lower amortization rate and therefore less film and television program amortization expense while a decrease in the estimate of ultimate revenue will generally result in a higher amortization rate and therefore higher film and television program amortization expense and also periodically results in an impairment requiring a write-down of the film cost to the title's fair value. These write-downs are included in amortization expense within direct operating expenses in our consolidated statements of operations.

*Revenue Recognition.* Revenue from the theatrical release of feature films is recognized at the time of exhibition based on our participation in box office receipts. Revenue from the sale of DVDs/Blu-ray discs in the retail market, net of an allowance for estimated returns and other allowances, is recognized on the later of receipt by the customer or street date (when it is available for sale by the customer). Under revenue sharing arrangements, rental revenue is recognized when we are entitled to receipts and such receipts are determinable. Revenues from television licensing are recognized when the feature film or television program is available to the licensee for telecast. For television licenses that include separate availability windows during the license period, revenue is allocated over the windows. Revenues from sales to international territories are recognized when access to the feature film or television program has been granted or delivery has occurred, as required under the sales contract, and the right to exploit the feature film or television program has commenced. For multiple media rights contracts with a fee for a single film or television program where the contract provides for media holdbacks (defined as contractual media release restrictions), the fee is allocated to the various media based on our assessment of the relative fair value of the rights to exploit each media and is recognized as each holdback is released. For multiple-title contracts with a fee, the fee is allocated on a title-by-title basis, based on our assessment of the relative fair value of each title. The primary estimate requiring the most subjectivity and judgment involving revenue recognition is the estimate of sales returns associated with our revenue from the sale of DVD's/Blu-ray discs in the retail market which is discussed separately below under the caption Reserves.

Distribution revenue from the distribution of TV Guide Network programming (distributors generally pay a per subscriber fee for the right to distribute programming) is recognized in the month the services are provided.

Advertising revenue is recognized when the advertising spot is broadcast or displayed online. Advertising revenue is recorded net of agency commissions and discounts.

*Sales Returns Allowance.* Revenues are recorded net of estimated returns and other allowances. We estimate reserves for DVD/Blu-ray returns based on previous returns experience, point-of-sale data available from certain retailers, current economic trends, and projected future sales of the title to the consumer based on the actual performance of similar titles on a title-by-title basis in each of the DVD/Blu-ray businesses. Factors affecting actual returns include, among other factors, limited retail shelf space at various times of the year, success of advertising or other sales promotions, and the near term release of competing titles. We believe that our estimates have been materially accurate in the past; however, due to the judgment involved in establishing reserves, we may have adjustments to our historical estimates in the future. Our estimate of future returns affects reported revenue and operating income. If we underestimate the impact of future returns in a particular period, then we may record less revenue in later periods when returns exceed the estimated amounts. If we overestimate the impact of future returns in a particular period, then we may record additional revenue in later periods when returns are less than estimated. An incremental change of 1% in our estimated sales returns rate (i.e., provisions for returns divided by gross sales of related product) for home entertainment products would have had an approximately \$2.5 million and \$6.1 million impact on our total revenue in the three and nine months ended December 31, 2010, respectively.

*Provisions for Accounts Receivable.* We estimate provisions for accounts receivable based on historical experience and relevant facts and information regarding the collectability of the accounts receivable. In performing this evaluation, significant judgments and estimates are involved, including an analysis of specific risks on a customer-by-customer basis for our larger customers and an analysis of the length of time receivables have been past due. The financial condition of a given customer and its ability to pay may change over time or could be better or worse than anticipated and could result in an increase or decrease to our allowance for doubtful accounts, which, when

the impact of such change is material, is disclosed in our discussion on direct operating expenses elsewhere in Management's Discussion and Analysis of Financial Condition and Results of Operations.

*Income Taxes.* We are subject to federal and state income taxes in the U.S., and in several foreign jurisdictions. We record deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. We recognize a future tax benefit to the extent that realization of such benefit is more likely than not or a valuation allowance is applied. In order to

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realize the benefit of our deferred tax assets we will need to generate sufficient taxable income in the future. Because of our historical operating losses, we have provided a full valuation allowance against our net deferred tax assets. However, the assessment as to whether there will be sufficient taxable income to realize our net deferred tax assets is an estimate which could change in the future depending primarily upon the actual performance of our Company. When we have a history of profitable operations sufficient to demonstrate that it is more likely than not that our deferred tax assets will be realized, the valuation allowance or a portion of the valuation allowance will be reversed and reflected as a benefit in the income tax provision. After that we will be required to continually evaluate the more likely than not assessment that our net deferred tax assets will be realized and if operating results deteriorate we may need to reestablish all or a portion of the valuation allowance through a charge to our income tax provision.

*Goodwill.* Goodwill is reviewed annually for impairment within each fiscal year or between the annual tests if an event occurs or circumstances change that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying value. We perform our annual impairment test as of January 1 in each fiscal year. We performed our last annual impairment test on our goodwill as of January 1, 2010. No goodwill impairment was identified in any of our reporting units. We will be updating our assessment as of January 1, 2011. Determining the fair value of reporting units requires various assumptions and estimates. The estimates of fair value include consideration of the future projected operating results and cash flows of the reporting unit. Such projections could be different than actual results. Should actual results be significantly less than estimates, the value of our goodwill could be impaired in the future.

*Subordinated notes.* We account for our subordinated notes by separating the liability and equity components. The liability component is recorded at the date of issuance based on its fair value which is generally determined in a manner that will reflect an interest cost equal to our nonconvertible debt borrowing rate at the subordinated notes issuance date. The amount of the proceeds less the amount recorded as the liability component is recorded as an addition to shareholders' equity reflecting the equity component (i.e., conversion feature). The difference between the principal amount and the amount recorded as the liability component represents the debt discount. The carrying amount of the liability is accreted up to the principal amount through the amortization of the discount, using the effective interest method, to interest expense over the expected life of the note. The determination of the fair value of the liability component is an estimate dependent on a number of factors including estimates of market rates for similar non convertible debt instruments at the date of issuance. A higher value attributable to the liability component results in a lower value attributed to the equity component and therefore a smaller discount amount and lower interest cost as a result of amortization of the smaller discount. A lower value attributable to the liability component results in a higher value attributed to the equity component and therefore a larger discount amount and higher interest cost as a result of amortization of the larger discount.

*Business Acquisitions.* The Company accounts for its business acquisitions as a purchase, whereby the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair value. The excess of the purchase price over estimated fair value of the net identifiable assets is allocated to goodwill. Determining the fair value of assets and liabilities requires various assumptions and estimates. These estimates and assumptions are refined with adjustments recorded to goodwill as information is gathered and final appraisals are completed over a one-year allocation period. The changes in these estimates or different assumptions used in determining these estimates could impact the amount of assets, including goodwill and liabilities, ultimately recorded in our balance sheet and could impact our operating results subsequent to such acquisition. We believe that our assumptions and estimates have been materially accurate in the past.

**Recent Accounting Pronouncements**

*Consolidation accounting for variable interest entities.* This new accounting guidance modifies the previous guidance in relation to the identification of controlling financial interests in a VIE. Under this new guidance the primary beneficiary of a VIE is the enterprise that has both of the following characteristics, among others: (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance; and (b) the obligation to absorb losses of the entity, or the right to receive benefits from the entity, that could potentially be significant to the VIE. If an enterprise determines that power is shared among multiple unrelated parties such that no one party has the power to direct the activities of a VIE that most significantly impact the VIE's economic

performance, then no party is the primary beneficiary. Power is shared if each of the parties sharing power is required to consent to the decisions relating to the activities that most significantly impact the VIE's performance. The provisions of this standard became effective for us beginning in fiscal 2011.

Upon adoption of the new accounting standard on April 1, 2010 we determined that we are no longer the primary beneficiary of TV Guide Network because the power to direct the activities that most significantly impact the economic performance of TV Guide Network are shared with the 49% owner of TV Guide Network, OEP. Although we own 51% interest in TV Guide Network, the power to direct the activities that most significantly impact the economic performance of TV Guide Network are held by the board of

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managers pursuant to the operating agreement of TV Guide Entertainment Group LLC. Accordingly, upon adoption of the new accounting standard we are no longer consolidating TV Guide Network and instead are accounting for TV Guide Network under the equity method of accounting.

We have applied the provisions of the new accounting standard retrospectively and accordingly, we deconsolidated TV Guide Network from May 28, 2009, the date of the transaction with OEP, and retrospectively adjusted the financial statements to reflect the TV Guide Network as if it were accounted for under the equity method of accounting since that date. The deconsolidation of TV Guide Network resulted in the reclassification of \$305.4 million of assets, \$147.3 million of liabilities and \$30.0 million of non-controlling interest amounts from each of their respective consolidated balance sheet captions to the investment in equity method investee's account as of March 31, 2010 reflecting the carrying amount of the Company's interest in the mandatorily redeemable stock units and common stock units of TV Guide Network as of March 31, 2010. In addition, under the equity method of accounting, our share of the revenues and expenses of TV Guide Network and income for the accretion of the dividend and discount of the mandatorily redeemable preferred stock are recorded net in the equity interest line item in the consolidated statements of operations. The adoption of the new accounting standard did not impact our net loss for the year ended March 31, 2010.

**Results of Operations*****Three Months Ended December 31, 2010 Compared to Three Months Ended December 31, 2009***

The following table sets forth the components of consolidated revenue by segment for the three months ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Consolidated Revenue				
Motion Pictures	\$ 326.7	\$ 251.0	\$ 75.7	30.2%
Television Production	96.2	91.5	4.7	5.1%
	\$ 422.9	\$ 342.5	\$ 80.4	23.5%

Our largest component of revenue comes from home entertainment. The following table sets forth total home entertainment revenue for both the Motion Pictures and Television Production reporting segments for the three months ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Home Entertainment Revenue				
Motion Pictures	\$ 158.1	\$ 95.0	\$ 63.1	66.4%
Television Production	16.3	12.1	4.2	34.7%

\$	174.4	\$ 107.1	\$ 67.3	62.8%
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**Table of Contents****Motion Pictures Revenue**

The following table sets forth the components of revenue and the changes in these components for the motion pictures reporting segment for the three-month periods ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Motion Pictures				
Theatrical	\$ 53.8	\$ 49.4	\$ 4.4	8.9%
Home Entertainment	158.1	95.0	63.1	66.4%
Television	49.7	54.7	(5.0)	(9.1%)
International	21.4	16.4	5.0	30.5%
Lionsgate UK	30.0	21.1	8.9	42.2%
Mandate Pictures	11.3	12.9	(1.6)	(12.4%)
Other	2.4	1.5	0.9	60.0%
	\$ 326.7	\$ 251.0	\$ 75.7	30.2%

The increase in motion pictures revenue this period consisted primarily of increases in home entertainment, Lionsgate UK, international and theatrical revenue, partially offset by decreases in television and Mandate Pictures revenue.

*Motion Pictures Theatrical Revenue*

The following table sets forth the titles contributing significant theatrical revenue by fiscal years theatrical slate and the month of their release for the three-month periods ended December 31, 2010 and 2009:

<b>2010</b>		<b>2009</b>	
<b>Theatrical Release Date</b>		<b>Theatrical Release Date</b>	
<b>Fiscal 2011 Theatrical Slate:</b>		<b>Fiscal 2010 Theatrical Slate:</b>	
<i>For Colored Girls</i>	November 2010	<i>Brothers</i>	December 2009
<i>The Next Three Days</i>	November 2010	<i>Precious</i>	November 2009
<i>Saw 3D</i>	October 2010	<i>Saw VI</i>	October 2009
<i>Alpha and Omega</i>	September 2010	<i>I Can Do Bad All By Myself</i>	September 2009

Theatrical revenue of \$53.8 million increased \$4.4 million, or 8.9%, in this quarter as compared to the prior year's quarter. The increase in theatrical revenue in the current quarter as compared to the prior year's quarter is due to higher box office receipts earned during this quarter as compared to the prior year's quarter on the theatrical releases listed in the table above.

*Motion Pictures Home Entertainment Revenue*

The following table sets forth the titles contributing significant motion pictures home entertainment revenue for the three-month periods ended December 31, 2010 and 2009:

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		<b>Three Months Ended December 31,</b>		
		<b>2010</b>		<b>2009</b>
		<b>DVD Release Date</b>		<b>DVD Release Date</b>
<b>Fiscal 2011 Theatrical Slate:</b>			<b>Fiscal 2010 Theatrical Slate:</b>	
<i>The Expendables</i>	November 2010		<i>Crank: High Voltage</i>	September 2009
<i>Killers</i>	September 2010		<b>Fiscal 2009 Theatrical Slate:</b>	
<i>Kick-Ass</i>	August 2010		<i>New In Town</i>	May 2009
<b>Direct-to-DVD:</b>			<b>Direct-to-DVD:</b>	
<i>Madea's Big Happy Family (The Play)</i>	November 2010		<i>Jillian Michaels: 30 Day Shred</i>	March 2008
<b>Other:</b>				
<i>Winter's Bone</i>	October 2010			

The following table sets forth the components of home entertainment revenue by product category for the three-month periods ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
Home entertainment revenues		
Fiscal 2011 Theatrical Slate	\$ 65.3	\$
Fiscal 2010 Theatrical Slate	7.1	3.4
Fiscal 2009 Theatrical Slate	2.4	11.7
Fiscal 2008 & Prior Theatrical Slate	7.6	7.5
Direct-to-DVD, acquired and licensed brands, acquired library & other	68.6	67.5
Other	7.1	4.9
	<b>\$ 158.1</b>	<b>\$ 95.0</b>

Home entertainment revenue of \$158.1 million increased \$63.1 million, or 66.4%, in the current quarter as compared to the prior year's quarter. The increase in home entertainment revenue in the current quarter compared to the prior year's quarter is primarily due to higher revenues from the theatrical slates and, to a lesser extent, due to higher revenues from direct-to-DVD, acquired and licensed brands, acquired library and other products in the current quarter as compared to the prior year's quarter, as reflected in the above table.

*Motion Pictures Television Revenue*

The following table sets forth the titles contributing significant motion pictures television revenue for the three-month periods ended December 31, 2010 and 2009:

		<b>Three Months Ended December 31,</b>	
		<b>2010</b>	<b>2009</b>
<b>Fiscal 2011 Theatrical Slate:</b>			<b>Fiscal 2009 Theatrical Slate:</b>
<i>Kick-Ass</i>			<i>Madea Goes to Jail</i>
<i>Killers</i>			<i>My Bloody Valentine 3-D</i>

*Why Did I Get Married Too?*

**Fiscal 2010 Theatrical Slate:**

*Daybreakers*

*From Paris With Love*

*The Spy Next Door*

*New In Town*

*The Haunting in Connecticut*

*The Spirit*

The following table sets forth the components of television revenue by product category for the three-month periods ended December 31, 2010 and 2009:

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	<b>Three Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
Television revenues		
Fiscal 2011 Theatrical Slate	\$ 15.3	\$
Fiscal 2010 Theatrical Slate	23.5	0.8
Fiscal 2009 Theatrical Slate	0.3	41.1
Fiscal 2008 & Prior Theatrical Slate	2.3	4.8
Direct-to-DVD, acquired and licensed brands, acquired library & other	6.8	6.6
Other	1.5	1.4
	\$ 49.7	\$ 54.7

Television revenue included in motion pictures revenue of \$49.7 million decreased \$5.0 million, or 9.1%, in the current quarter as compared to the prior year's quarter. The contribution of television revenue from the titles listed above decreased \$2.9 million in the current quarter compared to the prior year's quarter, and the contribution of television revenue from titles not listed above decreased \$2.1 million in the current quarter compared to the prior year's quarter.

*Motion Pictures International Revenue*

The following table sets forth the titles contributing significant motion pictures international revenue for the three-month periods ended December 31, 2010 and 2009:

<b>Three Months Ended December 31,</b>	
<b>2010</b>	<b>2009</b>
<b>Fiscal 2011 Theatrical Slate:</b>	<b>Fiscal 2010 Theatrical Slate:</b>
<i>Alpha and Omega</i>	<i>Brothers</i>
<i>Saw 3D</i>	<i>Saw VI</i>
<i>The Next Three Days</i>	<b>Fiscal 2009 Theatrical Slate:</b>
<b>Fiscal 2010 Theatrical Slate:</b>	<i>My Bloody Valentine 3-D</i>
<i>Saw VI</i>	

The following table sets forth the components of international revenue by product category for the three-month periods ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
International revenues		
Fiscal 2011 Theatrical Slate	\$ 15.9	\$
Fiscal 2010 Theatrical Slate	1.6	4.9
Fiscal 2009 Theatrical Slate	0.7	2.5
Fiscal 2008 & Prior Theatrical Slate	1.2	2.5
Direct-to-DVD, acquired and licensed brands, acquired library & other	1.6	5.3
Other	0.4	1.2

\$ 21.4      \$ 16.4

International revenue included in motion pictures revenue of \$21.4 million increased \$5.0 million, or 30.5%, in the current quarter as compared to the prior year's quarter. The increase in international revenue in the current quarter compared to the prior year's quarter is mainly due to an increase in revenues from the theatrical slates, offset by a decrease in revenues from direct-to-DVD, acquired and licensed brands, acquired library and other products in the current quarter compared to the prior year's quarter.

*Motion Pictures    Lionsgate UK Revenue*

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The following table sets forth the titles contributing significant Lionsgate UK revenue for the three-month periods ended December 31, 2010 and 2009:

<b>Three Months Ended December 31,</b>	
<b>2010</b>	<b>2009</b>
<b>Fiscal 2011 Theatrical Slate:</b>	<b>Fiscal 2010 Theatrical Slate:</b>
<i>Killers</i>	<i>Saw VI</i>
<i>Saw 3D</i>	<b>LGUK Theatrical Slate:</b>
<i>The Expendables</i>	<i>The Hurt Locker</i>
	<b>Other:</b>
	<i>Drag Me To Hell</i>

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The following table sets forth the components of Lionsgate UK revenue by product category for the three-month periods ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
Lionsgate UK revenues		
Fiscal 2011 Theatrical Slate	\$ 19.0	\$
Fiscal 2010 Theatrical Slate	0.9	2.7
Fiscal 2009 Theatrical Slate	0.3	1.8
Fiscal 2008 & Prior Theatrical Slate	0.8	0.7
Lionsgate UK and third party product	5.4	6.5
Direct-to-DVD, acquired and licensed brands, acquired library & other	3.1	5.9
Other	0.5	3.5
	<b>\$ 30.0</b>	<b>\$ 21.1</b>

Lionsgate UK revenue of \$30.0 million increased \$8.9 million, or 42.2%, in the current quarter as compared to the prior year's quarter. The increase in Lionsgate UK revenue in the current quarter compared to the prior year's quarter is mainly due to the revenue generated from the titles and product categories listed above. The contribution of Lionsgate UK revenue from the titles listed above increased \$10.4 million in the current quarter compared to the prior year's quarter, and the contribution of Lionsgate UK revenue from the titles not listed in the table above decreased \$1.5 million in the current quarter compared to the prior year's quarter.

*Motion Pictures Mandate Pictures Revenue*

The following table sets forth the titles contributing significant Mandate Pictures revenue for the three-month periods ended December 31, 2010 and 2009:

<b>Three Months Ended December 31,</b>	
<b>2010</b>	<b>2009</b>
<i>Juno</i>	<i>Drag Me To Hell</i>
<i>The Switch</i>	<i>Juno</i>
<i>Whip It</i>	<i>Whip It</i>

Mandate Pictures revenue includes revenue from the sales and licensing of domestic and worldwide rights of titles developed or acquired by Mandate Pictures to third-party distributors or international sub-distributors. Mandate Pictures revenue of \$11.3 million decreased \$1.6 million, or 12.4%, in the current quarter as compared to the prior year's quarter. The decrease in Mandate Pictures revenue is mainly due to the higher revenues generated from the titles listed in the above table in the prior year quarter as compared to the current quarter, offset slightly by an increase in revenue generated by titles not listed in the above table in the current quarter as compared to the prior year's quarter.

**Television Production Revenue**

Television production revenue of \$96.2 million increased \$4.7 million, or 5.1%, in the current quarter as compared to the prior year's quarter. The following table sets forth the components and the changes in the components of revenue that make up television production revenue for the three-month periods ended December 31, 2010 and 2009:

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	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Television Production				
Domestic series licensing				
Lionsgate Television	\$ 28.2	\$ 41.7	\$ (13.5)	(32.4%)
Debmar-Mercury	38.4	25.2	13.2	52.4%
Ish Entertainment		2.8	(2.8)	(100.0%)
Total domestic series licensing	66.6	69.7	(3.1)	(4.4%)
International	12.0	9.5	2.5	26.3%
Home entertainment releases of television production	16.3	12.1	4.2	34.7%
Other	1.3	0.2	1.1	NM
	\$ 96.2	\$ 91.5	\$ 4.7	5.1%

NM Percentage not meaningful

Revenues included in domestic series licensing from Lionsgate Television decreased in the current quarter mainly due to the mix of titles and fewer number of television episodes and hours delivered in the current quarter compared to the titles delivered in the prior year's quarter. There was no revenue generated from our former collaboration with Ish Entertainment Inc. (Ish) in the current quarter compared to the prior year's quarter due to the collaboration ending in fiscal 2010.

The following table sets forth the number of television episodes and hours included in Lionsgate Television domestic series licensing revenue in the three-month periods ended December 31, 2010 and 2009, respectively:

	<b>Three Months Ended December 31, 2010</b>				<b>Three Months Ended December 31, 2009</b>			
		<b>Episodes</b>	<b>Hours</b>		<b>Episodes</b>	<b>Hours</b>		
<i>Blue Mountain State Season 2</i>	1/2hr	12	6.0	<i>Blue Mountain State Season 1</i>	1/2hr	13	6.5	
<i>Running Wilde Season 1</i>	1/2hr	9	4.5	<i>Nurse Jackie Season 2</i>	1/2hr	2	1.0	
<i>Nurse Jackie Season 3</i>	1/2hr	1	0.5	<i>Crash TV Series Season 2</i>	1hr	8	8.0	
<i>Mad Men Season 4</i>	1hr	2	2.0	<i>Mad Men Season 3</i>	1hr	5	5.0	
		24	13.0			28	20.5	

Revenues included in domestic series licensing from Debmar-Mercury increased in the current quarter due to increased revenue from the deliveries of the television series *Meet the Browns*, *Are We There Yet*, *House of Payne*, *Weeds Seasons 3, 4 and 5*, and *The Wendy Williams Show*.

The increase in revenue from home entertainment releases of television production is primarily due to the performance of *Mad Men Season 3* (released March 2010) in the current quarter, with no comparable revenue in the prior year's quarter. Revenues in the current quarter were also driven by DVD/Blu-Ray revenue from *Mad Men Season 1* (released July 2008), *Mad Men Season 2* (released July 2009), *Weeds Season 1* (released July 2006), and *Weeds Season 2* (released July 2007). Revenues in the prior year's quarter were primarily driven by DVD/Blu-Ray revenue from *Mad Men Season 1* (released July 2008), *Mad Men Season 2* (released July 2009), *Weeds Season 2* (released July 2007), and *Weeds Season 4* (released June 2009).

**Direct Operating Expenses**

The following table sets forth direct operating expenses by segment for the three months ended December 31, 2010 and 2009:

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	Three Months Ended December 31, 2010			Three Months Ended December 31, 2009		
	Motion Pictures	Television Production	Total	Motion Pictures	Television Production	Total
	(Amounts in millions)					
Direct operating expenses						
Amortization of films and television programs	\$ 86.1	\$ 52.0	\$ 138.1	\$ 69.3	\$ 64.7	\$ 134.0
Participation and residual expense	43.9	22.2	66.1	45.2	21.0	66.2
Other expenses	0.8	(0.3)	0.5	0.2	(0.1)	0.1
	\$ 130.8	\$ 73.9	\$ 204.7	\$ 114.7	\$ 85.6	\$ 200.3

Direct operating expenses as a percentage of segment revenues	40.0%	76.8%	48.4%	45.7%	93.6%	58.5%
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Direct operating expenses of the motion pictures segment of \$130.8 million for this quarter were 40.0% of motion pictures revenue, compared to \$114.7 million, or 45.7% of motion pictures revenue for the prior year's quarter. The decrease in direct operating expense of the motion pictures segment in the current quarter as a percent of revenue is primarily due to the change in the mix of product generating revenue compared to the prior year's quarter, and due to lower investment in film write-downs in the current quarter as compared to the prior year's quarter. Investment in film write-downs of the motion pictures segment during the current quarter totaled approximately \$1.7 million compared to \$7.3 million for the prior year's quarter. In the current quarter, there were no write-downs that individually exceeded \$1.0 million. In the prior year's quarter, approximately \$7.1 million of charges for write-downs were due to the lower than anticipated performance of one title that had not yet been released. Other expenses consist of the provision for doubtful accounts and foreign exchange gains and losses. The provision for doubtful accounts increased from a provision of \$0.4 million in the prior year's quarter to a provision of \$0.5 million in the current quarter. Foreign exchange gains and losses included a gain of \$0.2 million in the prior year's quarter and a loss of less than \$0.1 million in the current quarter due to changes in exchange rates.

Direct operating expenses of the television production segment of \$73.9 million for the current quarter were 76.8% of television revenue, compared to \$85.6 million, or 93.6%, of television revenue for the prior year's quarter. The decrease in direct operating expenses as a percent of television revenue is primarily due to the change in the mix of titles generating revenue compared to the prior year's quarter, including the success of the *Mad Men* and *Weeds* series franchises relative to total television revenue, and also due to lower charges for costs incurred in excess of contracted revenues for episodic television series or write-downs of television film costs in the current quarter as compared to the prior year's quarter. In the current quarter, \$2.9 million of charges for costs incurred in excess of contracted revenues for episodic television series or write-downs of television film costs were included in the amortization of television programs, compared to \$5.7 million in the prior year's quarter. In the current quarter, approximately \$1.6 million of the write-down related to one television series, and in the prior year's period, approximately \$5.1 million of the write-down related to four television series.

**Distribution and Marketing Expenses**

The following table sets forth distribution and marketing expenses by segment for the three months ended December 31, 2010 and 2009:

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	Three Months Ended December 31, 2010			Three Months Ended December 31, 2009		
	Motion Pictures	Television Production	Total	Motion Pictures	Television Production	Total
	(Amounts in millions)					
Distribution and marketing expenses						
Theatrical	\$ 76.7	\$	\$ 76.7	\$ 99.7	\$	\$ 99.7
Home Entertainment	53.0	4.5	57.5	36.1	4.1	40.2
Television	1.0	5.2	6.2	0.2	2.5	2.7
International	1.3	2.5	3.8	1.6	0.9	2.5
Lionsgate UK	13.5	0.7	14.2	10.4	0.2	10.6
Other	0.6		0.6	0.5	0.2	0.7
	\$ 146.1	\$ 12.9	\$ 159.0	\$ 148.5	\$ 7.9	\$ 156.4

The majority of distribution and marketing expenses relate to the motion pictures segment. Theatrical prints and advertising ( P&A ) in the motion pictures segment in the current quarter of \$76.7 million decreased \$23.0 million, compared to \$99.7 million in the prior year's quarter. Domestic theatrical P&A from the motion pictures segment in this quarter included P&A incurred on the release of *For Colored Girls*, *Saw 3D*, and *The Next Three Days*, which individually represented between 25% and 43% of total theatrical P&A and, in the aggregate, accounted for 94% of the total theatrical P&A. Additionally, P&A in the current quarter included \$4.4 million of P&A incurred in advance for films to be released in subsequent quarters, including the title *Rabbit Hole*. Domestic theatrical P&A from the motion pictures segment in the prior year's quarter included P&A incurred on the release of *Brothers*, *Precious*, and *Saw VI*, which individually represented between 21% and 26% of total theatrical P&A and, in the aggregate, accounted for approximately 69% of total theatrical P&A. Approximately \$31.4 million of P&A was incurred on titles that did not contribute significant revenue in the prior year's quarter, of which \$25.4 million was P&A related to titles to be released in the future such as *Daybreakers*, *Spy Next Door*, *Kick-Ass*, and *From Paris With Love*.

Home entertainment distribution and marketing costs on motion pictures and television product in this quarter of \$57.5 million increased \$17.3 million, or 43.0%, compared to \$40.2 million in the prior year's quarter, primarily due to distribution and marketing cost associated with higher revenues. Home entertainment distribution and marketing costs as a percentage of home entertainment revenues was 33.0% and 37.5% in the current quarter and prior year's quarter, respectively. The decrease in home entertainment distribution and marketing costs as a percentage of home entertainment revenues was primarily due to the increase in revenue associated with new releases in the current quarter, such as *The Expendables*, as compared to the prior year's quarter.

Lionsgate UK distribution and marketing expenses in the motion pictures segment in the current quarter of \$13.5 million increased from \$10.4 million in the prior year's quarter.

**Table of Contents****General and Administrative Expenses**

The following table sets forth general and administrative expenses by segment for the three months ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
General and administrative expenses				
Motion Pictures	\$ 11.9	\$ 11.2	\$ 0.7	6.3%
Television Production	2.9	2.5	0.4	16.0%
Unallocated shared services and corporate expenses				
Stock-based compensation expense	0.2	4.3	(4.1)	(95.3%)
Shareholder activist matter	7.9		7.9	NM
Other unallocated shared services and corporate expenses	13.0	12.2	0.8	6.6%
	21.1	16.5	4.6	27.9%
<b>Total general and administrative expenses</b>	<b>\$ 35.9</b>	<b>\$ 30.2</b>	<b>\$ 5.7</b>	<b>18.9%</b>
Total general and administrative expenses as a percentage of revenue	8.5%	8.8%		
General and administrative expenses excluding stock-based compensation expense, and shareholder activist matter expenses, as a percentage of revenue	6.6%	7.6%		

NM Percentage not meaningful

*Total General and Administrative Expenses*

General and administrative expenses increased by \$5.7 million, or 18.9%, as reflected in the table above, and further discussed below.

*Motion Pictures*

General and administrative expenses of the motion pictures segment increased \$0.7 million, or 6.3%, mainly due to an increase in salary and related expenses. In the current quarter, \$2.3 million of motion pictures production overhead was capitalized compared to \$1.8 million in the prior year's quarter.

*Television Production*

General and administrative expenses of the television production segment increased \$0.4 million, or 16.0%, mainly due to an increase in salary and related expenses. In the current quarter, \$1.1 million of television production overhead was capitalized compared to \$1.0 million in the prior year's quarter.

*Unallocated Shared Services and Corporate Expenses*

Unallocated shared services and corporate expenses increased \$4.6 million, or 27.9% mainly due to an increase of \$7.9 million in legal and professional fees associated with a shareholder activist matter and an increase of \$0.8 million in other unallocated shared services and corporate expenses, offset by a decrease of \$4.1 million of stock-based

compensation .

*Stock-Based Compensation Expense.* The following table sets forth stock-based compensation expense included in unallocated shared services and corporate expenses for the three months ended December 31, 2010 and 2009:

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	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Stock-Based Compensation Expense:				
Stock options	\$	\$ 0.8	\$ (0.8)	(100.0%)
Restricted share units and other share-based compensation	2.0	3.3	(1.3)	(39.4%)
Stock appreciation rights	(1.8)	0.2	(2.0)	NM
	\$ 0.2	\$ 4.3	\$ (4.1)	(95.3%)

NM Percentage not meaningful

At December 31, 2010, as disclosed in Note 16 to the unaudited condensed consolidated financial statements, there were unrecognized compensation costs of approximately \$7.6 million related to stock options and restricted share units previously granted, including annual installments of share grants that were subject to performance targets, which will be expensed over the remaining vesting periods. At December 31, 2010, 458,037 shares of restricted share units have been awarded to two key executive officers, the vesting of which will be subject to performance targets to be set annually by the Compensation Committee of the Board of Directors of the Company. These restricted share units will vest in two annual installments assuming annual performance targets have been met. The fair value of the 458,037 shares, whose future annual performance targets have not been set, was \$3.0 million, based on the market price of the Company's common shares as of December 31, 2010. The market value will be remeasured when the annual performance criteria are set and the value will be expensed over the remaining vesting periods once it becomes probable that the performance targets will be satisfied.

**Depreciation, Amortization and Other Expenses (Income)**

Depreciation and amortization of \$1.4 million this quarter decreased \$0.9 million from \$2.3 million in the prior year's quarter.

Interest expense of \$13.4 million this quarter decreased \$0.1 million, or 0.7%, from the prior year's quarter of \$13.5 million. The following table sets forth the components of interest expense for the three months ended December 31, 2010 and 2009:

	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>
	<b>(Amounts in millions)</b>	
Interest Expense		
Cash Based:		
Senior revolving credit facility	\$ 2.0	\$ 1.1
Senior subordinated debentures	1.2	2.0
Senior secured second priority notes	6.0	4.0
Other	0.8	0.3

	10.0	7.4
Non-Cash Based:		
Amortization of discount on liability component of senior subordinated debentures	2.2	4.4
Amortization of discount on senior secured second priority notes	0.2	0.8
Amortization of deferred financing costs	1.0	0.9
	3.4	6.1
	\$ 13.4	\$ 13.5

Interest and other income was \$0.3 million for the quarter ended December 31, 2010, compared to \$0.4 million in the prior year's quarter.

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Loss on extinguishment of debt was nil for the three months ended December 31, 2010, compared to \$1.8 million in the prior year's quarter, resulting from the December 2009 repurchase of approximately \$40.0 million in aggregate principal amount of the October 2004 2.9375% Notes and approximately \$39.9 million in aggregate principal amount of the February 2005 3.625% Notes.

The following table represents our portion of the income or (loss) of our equity method investees based on our percentage ownership for the three months ended December 31, 2010 and 2009:

	<b>December 31, 2010</b>	<b>Three Months Ended December 31, 2010</b>	<b>Three Months Ended December 31, 2009</b>
<b>Ownership Percentage</b>		<b>(Amounts in millions)</b>	
Horror Entertainment, LLC ( FEARnet )	34.5%	\$ 0.2	\$ 0.1
NextPoint, Inc. ( Break.com )	42.0%	(0.5)	0.2
Roadside Attractions, LLC	43.0%	0.6	(0.2)
Studio 3 Partners, LLC ( EPIX ) (1)	31.2%	(11.1)	(6.9)
TV Guide Network (2)	51.0%	(2.0)	1.4
Tiger Gate	45.9%	(0.4)	
		\$ (13.2)	\$ (5.4)

- (1) We license certain of our theatrical releases and other films and television programs to EPIX. A portion of the profits of these licenses reflecting our ownership share in the venture are eliminated through an adjustment to the equity interest loss of the venture. These profits are recognized as they are realized by the venture. For the three months ended December 31, 2010, the Company recognized \$18.3 million of revenue and \$15.0 million of gross profit on the sale of licenses to EPIX. The equity interest loss for EPIX for the three months ended December 31, 2010 includes \$8.1 million, which represents our share of the EPIX losses of \$26.0 million for the three months ended September 30, 2010, and \$4.7 million representing the elimination of our share of profits on sales to EPIX, reduced by the realization of a portion of the profits previously eliminated on licenses to the venture of \$1.7 million. EPIX expects to report net income of approximately \$18 million for its quarter ended December 31, 2010, of which the Company's pro rata share will be recorded in the quarter ended March 31, 2011.
- (2) We license certain films and/or television programs to TV Guide Network. A portion of the profits of these licenses reflecting our ownership share in the venture are eliminated through an adjustment to the equity interest loss of the venture. These profits are recognized as they are realized by the venture. For the three months ended December 31, 2010, we recognized \$9.7 million of revenue and \$3.7 million of gross profit on the sale of licenses to TV Guide Network. The equity interest loss for TV Guide Network for the three months ended December 31, 2010 includes \$3.8 million, which represents our share of the TV Guide Network losses of \$7.4 million for the three months ended December 31, 2010, and \$1.9 million representing the elimination of our share of profits on sales to TV Guide Network, reduced by the realization of a portion of the profits previously eliminated on licenses to TV Guide Network of \$0.1 million and our share of income from the accretion of dividend and discount on TV Guide Network's redeemable preferred stock units of \$3.6 million.

**Income Tax Provision**

We had an income tax expense of \$1.7 million, or (40.3%), of loss before income taxes in the three months ended December 31, 2010, compared to a benefit of \$1.8 million, or 2.6%, of loss before income taxes in the three months ended December 31, 2009. The tax expense reflected in the current quarter is primarily attributable to U.S. income

taxes and foreign withholding taxes. Our actual annual effective tax rate will differ from the statutory federal rate as a result of several factors, including changes in the valuation allowance against net deferred tax assets, non-temporary differences, foreign income taxed at different rates, and state and local income taxes. Income tax loss carryforwards, subject to certain limitations that may prevent us from fully utilizing them, amount to approximately \$166.1 million for U.S. federal income tax purposes available to reduce income taxes over twenty years, \$136.9 million for U.S. state income tax purposes available to reduce income taxes over future years with varying expirations, \$27.9 million for Canadian income tax purposes available to reduce income taxes over 20 years with varying expirations, and \$15.9 million for UK income tax purposes available indefinitely to reduce future income taxes.

**Table of Contents****Net Loss**

Net loss for the three months ended December 31, 2010 was \$6.0 million, or basic and diluted net loss per common share of \$0.04 on 136.7 million weighted average common shares outstanding. This compares to net loss for the three months ended December 31, 2009 of \$65.3 million, or basic and diluted net loss per common share of \$0.55 on 117.7 million weighted average common shares outstanding.

***Nine Months Ended December 31, 2010 Compared to Nine Months Ended December 31, 2009***

The following table sets forth the components of consolidated revenue by segment for the nine months ended December 31, 2010 and 2009:

	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Consolidated Revenue				
Motion Pictures	\$ 941.1	\$ 800.8	\$ 140.3	17.5%
Television Production	264.7	267.7	(3.0)	(1.1%)
Media Networks		19.3	(19.3)	NM
	\$ 1,205.8	\$ 1,087.8	\$ 118.0	10.8%

NM Percentage not meaningful

Our largest component of revenue comes from home entertainment. The following table sets forth total home entertainment revenue for both the Motion Pictures and Television Production reporting segments for the nine months ended December 31, 2010 and 2009:

	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Home Entertainment Revenue				
Motion Pictures	\$ 394.1	\$ 359.5	\$ 34.6	9.6%
Television Production	29.5	36.8	(7.3)	(19.8%)
	\$ 423.6	\$ 396.3	\$ 27.3	6.9%

**Motion Pictures Revenue**

The following table sets forth the components of revenue and the changes in these components for the motion pictures reporting segment for the nine-month periods ended December 31, 2010 and 2009:

<b>Nine Months Ended</b>	<b>Nine Months Ended</b>
----------------------------------	------------------------------

	<b>December 31, 2010</b>	<b>December 31, 2009</b>	<b>Increase (Decrease) Amount</b>	<b>(Decrease) Percent</b>
			<b>(Amounts in millions)</b>	
Motion Pictures				
Theatrical	\$ 201.1	\$ 102.4	\$ 98.7	96.4%
Home Entertainment	394.1	359.5	34.6	9.6%
Television	159.4	143.4	16.0	11.2%
International	87.9	47.9	40.0	83.5%
Lionsgate UK	61.9	49.6	12.3	24.8%
Mandate Pictures	33.1	91.8	(58.7)	(63.9%)
Other	3.6	6.2	(2.6)	(41.9%)
	\$ 941.1	\$ 800.8	\$ 140.3	17.5%

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The increase in motion pictures revenue this period consisted primarily of increases in theatrical, international, home entertainment, television and Lionsgate UK revenue, offset by decreases in Mandate Pictures revenue.

*Motion Pictures Theatrical Revenue*

The following table sets forth the titles contributing significant theatrical revenue by fiscal years theatrical slate and the month of their release for the nine-month periods ended December 31, 2010 and 2009:

<b>Nine Months Ended December 31,</b>			
<b>2010</b>	<b>Theatrical Release Date</b>	<b>2009</b>	<b>Theatrical Release Date</b>
<b>Fiscal 2011 Theatrical Slate:</b>		<b>Fiscal 2010 Theatrical Slate:</b>	
<i>For Colored Girls</i>	November 2010	<i>Brothers</i>	December 2009
<i>The Next Three Days</i>	November 2010	<i>Precious</i>	November 2009
<i>Saw 3D</i>	October 2010	<i>Saw VI</i>	October 2009
<i>Alpha and Omega</i>	September 2010	<i>Gamer</i>	September 2009
<i>The Expendables</i>	August 2010	<i>I Can Do Bad All By Myself</i>	September 2009
<i>The Last Exorcism</i>	August 2010	<i>Crank: High Voltage</i>	April 2009
		<b>Fiscal 2009 Theatrical Slate:</b>	
<i>Killers</i>	June 2010	<i>The Haunting in Connecticut</i>	March 2009
<i>Why Did I Get Married</i>			
<i>Too?</i>	April 2010		
<i>Kick-Ass</i>	April 2010		

Theatrical revenue of \$201.1 million increased \$98.7 million, or 96.4%, in this period as compared to the prior year's period. The increase in theatrical revenue in the current period as compared to the prior year's period is due primarily to the performance of the titles released during the current period, and also due to an increase in the number of theatrical releases during the current period compared to the prior year's period.

*Motion Pictures Home Entertainment Revenue*

The following table sets forth the titles contributing significant motion pictures home entertainment revenue for the nine-month periods ended December 31, 2010 and 2009:

<b>Nine Months Ended December 31,</b>			
<b>2010</b>	<b>DVD Release Date</b>	<b>2009</b>	<b>DVD Release Date</b>
<b>Fiscal 2011 Theatrical Slate:</b>		<b>Fiscal 2010 Theatrical Slate:</b>	
<i>The Expendables</i>	November 2010	<i>Crank: High Voltage</i>	September 2009
<i>Killers</i>	September 2010	<b>Fiscal 2009 Theatrical Slate:</b>	
<i>Kick-Ass</i>	August 2010	<i>The Haunting In Connecticut</i>	July 2009
<i>Why Did I Get Married</i>			
<i>Too?</i>	August 2010	<i>Madea Goes to Jail</i>	June 2009
<b>Fiscal 2010 Theatrical Slate:</b>		<i>My Bloody Valentine 3-D</i>	May 2009
<i>From Paris With Love</i>	June 2010	<i>New In Town</i>	May 2009
<i>Daybreakers</i>	May 2010	<i>The Spirit</i>	April 2009
<i>The Spy Next Door</i>	May 2010		

The following table sets forth the components of home entertainment revenue by product category for the nine-month periods ended December 31, 2010 and 2009:



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	<b>Nine Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
Home entertainment revenues		
Fiscal 2011 Theatrical Slate	\$ 121.9	\$
Fiscal 2010 Theatrical Slate	74.9	18.7
Fiscal 2009 Theatrical Slate	7.9	130.5
Fiscal 2008 & Prior Theatrical Slate	20.3	26.2
Direct-to-DVD, acquired and licensed brands, acquired library & other	148.4	168.5
Other	20.7	15.6
	<b>\$ 394.1</b>	<b>\$ 359.5</b>

Home entertainment revenue of \$394.1 million increased \$34.6 million, or 9.6%, in the current period as compared to the prior year's period. The increase in home entertainment revenue in the current period compared to the prior year's period is primarily due to higher DVD revenues from the theatrical slates, offset by lower revenues from direct-to-DVD, acquired and licensed brands, acquired library and other products, as reflected in the above table.

*Motion Pictures Television Revenue*

The following table sets forth the titles contributing significant motion pictures television revenue for the nine-month periods ended December 31, 2010 and 2009:

<b>Nine Months Ended December 31,</b>	
<b>2010</b>	<b>2009</b>
<b>Fiscal 2010 Theatrical Slate:</b>	<b>Fiscal 2009 Theatrical Slate:</b>
<i>Brothers</i>	<i>Madea Goes to Jail</i>
<i>Daybreakers</i>	<i>My Bloody Valentine 3-D</i>
<i>From Paris With Love</i>	<i>My Best Friend's Girl</i>
<i>Gamer</i>	<i>Saw V</i>
<i>I Can Do Bad All By Myself</i>	<i>The Family That Preys</i>
<i>Precious</i>	<i>Transporter 3</i>
<i>Saw VI</i>	<i>W.</i>
<i>The Spy Next Door</i>	

The following table sets forth the components of television revenue by product category for the nine-month periods ended December 31, 2010 and 2009:

	<b>Nine Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
Television revenues		
Fiscal 2011 Theatrical Slate	\$ 16.2	\$
Fiscal 2010 Theatrical Slate	92.9	1.0
Fiscal 2009 Theatrical Slate	5.8	112.4
Fiscal 2008 & Prior Theatrical Slate	20.6	11.1
Direct-to-DVD, acquired and licensed brands, acquired library & other	17.3	16.5
Other	6.6	2.4

\$ 159.4      \$ 143.4

Television revenue included in motion pictures revenue of \$159.4 million increased \$16.0 million, or 11.2%, in the current period as compared to the prior year's period. The contribution of television revenue from the titles listed above increased \$8.0 million in the current period compared to the prior year's period, and the contribution of television revenue from titles not listed above increased \$8.0 million in the current period compared to the prior year's period.

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**Table of Contents***Motion Pictures International Revenue*

The following table sets forth the titles contributing significant motion pictures international revenue for the nine-month periods ended December 31, 2010 and 2009:

<b>Nine Months Ended December 31,</b>	
<b>2010</b>	<b>2009</b>
<b>Fiscal 2011 Theatrical Slate:</b>	<b>Fiscal 2010 Theatrical Slate:</b>
<i>Alpha and Omega</i>	<i>Saw VI</i>
<i>Kick-Ass</i>	<b>Fiscal 2009 Theatrical Slate:</b>
<i>Killers</i>	<i>My Best Friend's Girl</i>
<i>Saw 3D</i>	<i>My Bloody Valentine 3-D</i>
<i>The Next Three Days</i>	<i>Saw V</i>
<b>Fiscal 2010 Theatrical Slate:</b>	
<i>Brothers</i>	
<i>Daybreakers</i>	

The following table sets forth the components of international revenue by product category for the nine-month periods ended December 31, 2010 and 2009:

	<b>Nine Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
International revenues		
Fiscal 2011 Theatrical Slate	\$ 57.9	\$
Fiscal 2010 Theatrical Slate	13.6	5.1
Fiscal 2009 Theatrical Slate	3.7	14.6
Fiscal 2008 & Prior Theatrical Slate	4.4	8.7
Direct-to-DVD, acquired and licensed brands, acquired library & other	6.9	13.4
Other	1.4	6.1
	\$ 87.9	\$ 47.9

International revenue included in motion pictures revenue of \$87.9 million increased \$40.0 million, or 83.5%, in the current period as compared to the prior year's period. The increase in international revenue in the current period compared to the prior year's period is mainly due to the revenues generated by the titles and product categories listed above.

*Motion Pictures Lionsgate UK Revenue*

The following table sets forth the titles contributing significant Lionsgate UK revenue for the nine-month periods ended December 31, 2010 and 2009:

<b>Nine Months Ended December 31,</b>	
<b>2010</b>	<b>2009</b>
<b>Fiscal 2011 Theatrical Slate:</b>	<b>Fiscal 2010 Theatrical Slate:</b>
<i>Saw 3D</i>	<i>Crank: High Voltage</i>
<i>The Expendables</i>	<i>Saw VI</i>
<b>Fiscal 2010 Theatrical Slate:</b>	<b>Fiscal 2009 Theatrical Slate:</b>
<i>Daybreakers</i>	<i>My Bloody Valentine 3-D</i>
<b>LGUK Theatrical Slate:</b>	<b>Other:</b>

*Harry Brown*  
*The Hurt Locker*

*Drag Me To Hell*

The following table sets forth the components of Lionsgate UK revenue by product category for the nine-month periods ended December 31, 2010 and 2009:

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	<b>Nine Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in millions)</b>	
Lionsgate UK revenues		
Fiscal 2011 Theatrical Slate	\$ 25.1	\$
Fiscal 2010 Theatrical Slate	7.0	5.6
Fiscal 2009 Theatrical Slate	0.8	8.8
Fiscal 2008 & Prior Theatrical Slate	2.2	5.6
Lionsgate UK and third party product	17.1	13.9
Direct-to-DVD, acquired and licensed brands, acquired library & other	6.6	8.8
Other	3.1	6.9
	<b>\$ 61.9</b>	<b>\$ 49.6</b>

Lionsgate UK revenue of \$61.9 million increased \$12.3 million, or 24.8%, in the current period as compared to the prior year's period. The increase in Lionsgate UK revenue in the current period compared to the prior year's period is mainly due to the revenue generated by the titles and product categories listed above. The contribution of Lionsgate UK revenue from the titles listed above increased \$19.2 million in the current period compared to the prior year's period, offset by a decrease in the contribution of Lionsgate UK revenue from the titles not listed in the table above of \$6.9 million in the current period compared to the prior year's period.

*Motion Pictures Mandate Pictures Revenue*

The following table sets forth the titles contributing significant Mandate Pictures revenue for the nine-month periods ended December 31, 2010 and 2009:

	<b>Nine Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<i>Drag Me To Hell</i>		<i>Drag Me To Hell</i>
<i>Juno</i>		<i>Horsemen</i>
<i>Peacock</i>		<i>Juno</i>
<i>The Switch</i>		<i>Passengers</i>
<i>Whip It</i>		<i>Whip It</i>

Mandate Pictures revenue includes revenue from the sales and licensing of domestic and worldwide rights of titles developed or acquired by Mandate Pictures to third-party distributors or international sub-distributors. Mandate Pictures revenue of \$33.1 million decreased \$58.7 million, or 63.9%, in the current period as compared to the prior year's period. The decrease in Mandate Pictures revenue in the current period compared to the prior year period is mainly due to the revenue from *Drag Me To Hell* in the prior year period as compared to the current period.

**Television Production Revenue**

Television production revenue of \$264.7 million decreased \$3.0 million, or 1.1%, in the current period as compared to the prior year's period. The following table sets forth the components and the changes in the components of revenue that make up television production revenue for the nine-month periods ended December 31, 2010 and 2009:

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	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Television Production				
Domestic series licensing				
Lionsgate Television	\$ 100.4	\$ 113.0	\$ (12.6)	(11.2%)
Debmar-Mercury	105.2	67.0	38.2	57.0%
Ish Entertainment		18.8	(18.8)	(100.0%)
Total domestic series licensing	205.6	198.8	6.8	3.4%
International	28.0	31.6	(3.6)	(11.4%)
Home entertainment releases of television production	29.5	36.8	(7.3)	(19.8%)
Other	1.6	0.5	1.1	220.0%
	\$ 264.7	\$ 267.7	\$ (3.0)	(1.1%)

Revenues included in domestic series licensing increased in the current period mainly due to higher revenue generated from Debmar-Mercury in the current period as compared to the prior year's period partially offset by no revenue generated from our former collaboration with Ish Entertainment Inc. (Ish) in the current period compared to the prior year's period due to the collaboration ending in fiscal 2010, and lower revenue generated from Lionsgate Television in the current period compared to the prior year's period.

The following table sets forth the number of television episodes and hours included in Lionsgate Television domestic series licensing revenue in the nine-month periods ended December 31, 2010 and 2009, respectively:

		<b>Nine Months Ended December 31, 2010</b>		<b>Nine Months Ended December 31, 2009</b>			
		<b>Episodes</b>	<b>Hours</b>	<b>Episodes</b>	<b>Hours</b>		
<i>Weeds Season 6</i>	1/2hr	13	6.5	<i>Nurse Jackie Season 2</i>	1/2hr	2	1.0
<i>Blue Mountain State Season 2</i>	1/2hr	13	6.5	<i>Nurse Jackie Season 1</i>	1/2hr	12	6.0
<i>Running Wilde Season 1</i>	1/2hr	11	5.5	<i>Blue Mountain State Season 1</i>	1/2hr	13	6.5
<i>Nurse Jackie Season 3</i>	1/2hr	1	0.5	<i>Weeds Season 5</i>	1/2hr	13	6.5
<i>Mad Men Season 4</i>	1hr	13	13.0	<i>Crash TV Series Season 2</i>	1hr	13	13.0
<i>Scream Queens Season 2</i>	1hr	8	8.0	<i>Mad Men Season 3</i>	1hr	13	13.0
<i>Pilots</i>	1/2hr & 1hr	3	2.0				
		62	42.0			66	46.0

Revenues included in domestic series licensing from Debmar-Mercury increased in the current period due to increased revenue from the deliveries of the television series *House of Payne*, *Meet the Browns*, *Are We There Yet*, *South Park*, *Big Lake* and *The Wendy Williams Show*.

Our reality television collaboration with Ish ended in fiscal 2010 resulting in no revenue generated in the current period. Revenue generated in the prior year's period resulted primarily from the production of the domestic series *Paris Hilton's My New BFF*, and *My Antonio*.

International revenue decreased in the current period due to a decrease in episodes of programming delivered internationally and no international revenue generated from our collaboration with Ish. International revenue in the current period included revenue from *Blue Mountain State Season 1*, *Crash Season 2*, and *Mad Men Seasons 1, 2, 3 and 4*. International revenue in the prior year's period included revenue from *Crash Season 1*, *Dead Zone*, *Mad Men Seasons 1 and 2*, and *Paris Hilton's My New BFF*.

The decrease in revenue from home entertainment releases of television production is primarily driven by DVD/Blu-Ray revenue from *Weeds Season 4* (released June 2009) and *Mad Men Seasons 1 and 2* (released July 2008, and July 2009) in the prior year's period compared to revenue from *Mad Men Seasons 1,2 and 3* (released July 2008, July 2009, and March 2010, respectively) and *Weeds Season 5* (released January 2010) in the current period.

**Table of Contents****Media Networks Revenue**

Media Networks revenue for the nine months ended December 31, 2010 and 2009 are nil and \$19.3 million, respectively. The acquisition of TV Guide Network occurred on February 28, 2009. The results of operations of TV Guide Network are included in the Company's consolidated results from February 28, 2009 through May 27, 2009. A portion of the entity was sold on May 28, 2009. Subsequent to the sale of TV Guide Network, and pursuant to the new accounting guidance for accounting for variable interest entities, effective April 1, 2010 which the Company has retrospectively applied, the Company's interest in TV Guide Network is being accounted for under the equity method of accounting.

**Direct Operating Expenses**

The following table sets forth direct operating expenses by segment for the nine months ended December 31, 2010 and 2009:

	Nine Months Ended December 31, 2010			Nine Months Ended December 31, 2009			
	Motion Pictures	Television Production	Total	Motion Pictures	Television Production	Media Networks	Total
	(Amounts in millions)						
Direct operating expenses							
Amortization of films and television programs	\$ 266.0	\$ 134.6	\$ 400.6	\$ 235.2	\$ 167.3	\$ 7.3	\$ 409.8
Participation and residual expense	133.5	64.9	198.4	132.6	55.9	0.2	188.7
Other expenses	1.6	(0.1)	1.5	1.3	0.6	(0.1)	1.8
	\$ 401.1	\$ 199.4	\$ 600.5	\$ 369.1	\$ 223.8	\$ 7.4	\$ 600.3
Direct operating expenses as a percentage of segment revenues	42.6%	75.3%	49.8%	46.1%	83.6%	38.3%	55.2%

Direct operating expenses of the motion pictures segment of \$401.1 million for this period were 42.6% of motion pictures revenue, compared to \$369.1 million, or 46.1% of motion pictures revenue for the prior year's period. The decrease in direct operating expenses of the motion pictures segment in the current period as a percent of revenue is primarily due to the higher Mandate Pictures revenue in relation to total motion pictures revenue in the prior year period compared to the current year period, as well as the change in the mix of product generating revenue compared to the prior year's period, and lower investment in film write-downs in the current period as compared to the prior year's period. Direct operating expenses of Mandate Pictures are higher in relation to revenue as compared to the rest of the motion pictures segment, however, Mandate Pictures does not incur significant distribution and marketing expenses. Investment in film write-downs of the motion picture segment during the current period totaled approximately \$6.2 million compared to \$12.6 million for the prior year's period. In the current period, there were two write-downs that individually exceeded \$1.0 million, which totaled \$2.1 million in the aggregate. In the prior year's period, approximately \$7.1 million of the write-down related to the lower than anticipated performance of one title that had not yet been released, and approximately \$2.5 million of the write-down related to the change in domestic release strategy of one motion picture. Other expenses consist of the provision for doubtful accounts and foreign exchange gains and losses. The provision for doubtful accounts decreased from \$2.0 million in the prior year's period to \$0.8 million in the current period. Foreign exchange gains and losses included a gain of \$0.3 million in the prior year's period and a loss of \$0.7 million in the current period due to changes in exchange rates.

Direct operating expenses of the television production segment of \$199.4 million for the current period were 75.3% of television revenue, compared to \$223.8 million, or 83.6%, of television revenue for the prior year's period. The decrease in direct operating expenses as a percent of television revenue is primarily due to the change in the mix of titles generating revenue compared to the prior year's period, including the success of the *Mad Men* and *Weeds* series franchises relative to total television revenue. In the current period, \$8.0 million of charges for costs incurred in excess of contracted revenues for episodic television series or write-downs of television film costs were included in the amortization of television programs, compared to \$7.5 million in the prior year's period. In the current period, approximately \$4.9 million of the write-down related to two television series, and in the prior year's period, approximately \$6.5 million of the write-down related to four television series.

Direct operating expenses of the Media Networks segment of \$7.4 million for the prior year period consists primarily of programming expenses associated with the production of such programs as *Idol Tonight* and *Hollywood 411* from April 1, 2009 to May 27, 2009.

**Table of Contents****Distribution and Marketing Expenses**

The following table sets forth distribution and marketing expenses by segment for the nine months ended December 31, 2010 and 2009:

	Nine Months Ended December 31, 2010			Nine Months Ended December 31, 2009			
	Motion Pictures	Television Production	Total	Motion Pictures	Television Production	Media Networks	Total
	(Amounts in millions)						
Distribution and marketing expenses							
Theatrical	\$ 258.1	\$	\$ 258.1	\$ 150.2	\$ 0.2	\$	\$ 150.4
Home Entertainment	138.2	6.9	145.1	134.6	11.8		146.4
Television	3.2	10.9	14.1	1.8	6.7		8.5
International	4.5	4.4	8.9	4.2	3.0		7.2
Lionsgate UK	32.2	1.5	33.7	23.3	0.6		23.9
Media Networks						2.0	2.0
Other	1.3	0.3	1.6	1.4	0.2		1.6
	\$ 437.5	\$ 24.0	\$ 461.5	\$ 315.5	\$ 22.5	\$ 2.0	\$ 340.0

The majority of distribution and marketing expenses relate to the motion pictures segment. Theatrical prints and advertising ( P&A ) in the motion pictures segment in the current period of \$258.1 million increased \$107.9 million, compared to \$150.2 million in the prior year s period. The increase is driven by the higher number of theatrical releases in the current period as compared to the prior year s period. Domestic theatrical P&A from the motion pictures segment in this period included P&A incurred on the release of *Alpha and Omega*, *Buried*, *For Colored Girls*, *Kick-Ass*, *Killers*, *The Expendables*, *Saw 3D*, *The Last Exorcism*, *The Next Three Days*, and *Why Did I Get Married Too?*, which individually represented between 2% and 16% of total theatrical P&A and, in the aggregate, accounted for 97% of the total theatrical P&A. Approximately \$14.6 million of P&A was incurred on titles that did not contribute significant revenue in the current period, of which \$4.6 million was P&A incurred in advance for films to be released in subsequent quarters. Domestic theatrical P&A from the motion pictures segment in the prior year s period included P&A incurred on the release of *Brothers*, *Crank: High Voltage*, *Saw VI*, *Precious*, *I Can Do Bad All By Myself*, and *Gamer*, which individually represented between 5% and 18% of total theatrical P&A and, in the aggregate, accounted for approximately 76% of the total theatrical P&A. Approximately \$36.0 million of P&A was incurred on titles that did not contribute significant revenue in the prior year s period, of which \$25.8 million was P&A related to titles to be released in the future such as *Daybreakers*, *Spy Next Door*, *From Paris With Love*, and *Kick-Ass*.

Home entertainment distribution and marketing costs on motion pictures and television product in this period of \$145.1 million decreased \$1.3 million, or 0.9%, compared to \$146.4 million in the prior year s period. Home entertainment distribution and marketing costs as a percentage of home entertainment revenues was 34.3% and 36.9% in the current period and prior year s period, respectively. The decrease in home entertainment distribution and marketing costs as a percentage of home entertainment revenues was primarily due to the increase in revenue associated with new releases in the current period, such as *The Expendables*, as compared to the prior year s period.

Lionsgate UK distribution and marketing expenses in the motion pictures segment in the current period of \$32.2 million increased from \$23.3 million in the prior year s period.

Media Networks includes transmission and marketing and promotion expenses from April 1, 2009 to May 27, 2009.

**General and Administrative Expenses**

The following table sets forth general and administrative expenses by segment for the nine months ended December 31, 2010 and 2009:



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	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
General and administrative expenses				
Motion Pictures	\$ 35.6	\$ 34.0	\$ 1.6	4.7%
Television Production	8.6	6.6	2.0	30.3%
Media Networks		6.2	(6.2)	(100.0%)
Unallocated shared services and corporate expenses				
Stock-based compensation expense	\$ 30.0	\$ 12.5	17.5	140.0%
Shareholder activist matter	20.4	1.3	19.1	NM
Other unallocated shared services and corporate expenses	39.7	37.2	2.5	6.7%
	90.1	51.0	39.1	76.7%
<b>Total general and administrative expenses</b>	<b>\$ 134.3</b>	<b>\$ 97.8</b>	<b>\$ 36.5</b>	<b>37.3%</b>
Total general and administrative expenses as a percentage of revenue	11.1%	9.0%		
General and administrative expenses excluding Media Networks, stock-based compensation expense, and shareholder activist matter expenses, as a percentage of revenue	7.0%	7.2%		

NM Percentage not meaningful

*Total General and Administrative Expenses*

General and administrative expenses increased by \$36.5 million, or 37.3%, as reflected in the table above and further discussed below.

*Motion Pictures*

General and administrative expenses of the motion pictures segment increased \$1.6 million, or 4.7%, mainly due to an increase in salary and related expenses. In the current period, \$6.7 million of motion pictures production overhead was capitalized compared to \$5.7 million in the prior year's period.

*Television Production*

General and administrative expenses of the television production segment increased \$2.0 million, or 30.3%, mainly due to an increase in salary and related expenses. In the current period, \$3.2 million of television production overhead was capitalized compared to \$3.8 million in the prior year's period.

**Table of Contents***Unallocated Shared Services and Corporate Expenses*

Unallocated shared services and corporate expenses increased \$39.1 million, or 76.7%, mainly due to an increase of \$17.5 million of stock-based compensation which includes \$21.9 million associated with the immediate vesting of equity awards of certain executive officers triggered by the change in control provisions in their respective employment agreements, an increase of \$19.1 million of legal and professional fees associated with a shareholder activist matter, and an increase of \$2.5 million associated with salaries and related expenses and other unallocated shared services and corporate expenses.

*Stock-Based Compensation Expense.* The following table sets forth stock-based compensation expense included in our corporate segment for the nine months ended December 31, 2010 and 2009:

	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>	<b>Increase (Decrease) Amount      Percent</b>	
	<b>(Amounts in millions)</b>			
Stock-Based Compensation Expense:				
Stock options	\$ 2.6	\$ 2.4	\$ 0.2	8.3%
Restricted share units and other share-based compensation	23.8	9.3	14.5	155.9%
Stock appreciation rights	3.6	0.8	2.8	NM
	\$ 30.0	\$ 12.5	\$ 17.5	140.0%

NM Percentage not meaningful

At December 31, 2010, as disclosed in Note 16 to the unaudited condensed consolidated financial statements, there were unrecognized compensation costs of approximately \$7.6 million related to stock options and restricted share units previously granted, including annual installments of share grants that were subject to performance targets, which will be expensed over the remaining vesting periods. At December 31, 2010, 458,037 shares of restricted share units have been awarded to two key executive officers, the vesting of which will be subject to performance targets to be set annually by the Compensation Committee of the Board of Directors of the Company. These restricted share units will vest in two annual installments assuming annual performance targets have been met. The fair value of the 458,037 shares, whose future annual performance targets have not been set, was \$3.0 million, based on the market price of the Company's common shares as of December 31, 2010. The market value will be remeasured when the annual performance criteria are set and the value will be expensed over the remaining vesting periods once it becomes probable that the performance targets will be satisfied.

**Depreciation, Amortization and Other Expenses (Income)**

Depreciation and amortization of \$4.5 million this period decreased \$6.1 million from \$10.6 million in the prior year's period, primarily associated with \$3.2 million of depreciation and amortization recorded in the prior year's period from the Media Networks segment prior to its deconsolidation.

Interest expense of \$41.7 million this period increased \$8.3 million, or 24.9%, from the prior year's period of \$33.4 million. The following table sets forth the components of interest expense for the nine months ended December 31, 2010 and 2009:

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	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	<b>(Amounts in millions)</b>	
Interest Expense		
Cash Based:		
Senior revolving credit facility	\$ 5.4	\$ 5.0
Senior subordinated debentures	4.4	7.2
Senior secured second priority notes	18.1	4.0
Other	1.7	1.4
	29.6	17.6
Non-Cash Based:		
Amortization of discount on liability component of senior subordinated debentures	7.9	12.7
Amortization of discount on senior secured second priority notes	0.9	0.8
Amortization of deferred financing costs	3.3	2.3
	12.1	15.8
	\$ 41.7	\$ 33.4

Interest and other income was \$1.1 million for the period ended December 31, 2010, compared to \$1.2 million in the prior year's period.

Loss on extinguishment of debt was \$14.5 million for the nine months ended December 31, 2010, resulting from the July 2010 exchange and related conversion of approximately \$36.0 million in aggregate principal amount of the February 2005 3.625% Notes and approximately \$63.7 million in aggregate principal amount of the October 2004 2.9375% Notes. This compares to a gain of \$5.7 million in the prior year's period resulting from the April 2009 exchange of \$66.6 million of our February 2005 3.625% convertible senior subordinated notes, partially offset by a loss from the December 2009 repurchase of a portion of the October 2004 2.9375% Notes and February 2005 3.625% Notes.

The following table represents our portion of the income or (loss) of our equity method investees based on our percentage ownership for the nine months ended December 31, 2010 and 2009:

	<b>December 31, 2010</b>	<b>Nine Months Ended December 31, 2010</b>	<b>Nine Months Ended December 31, 2009</b>
	<b>Ownership Percentage</b>	<b>(Amounts in millions)</b>	
Horror Entertainment, LLC ( FEARnet )	34.5%	\$ 1.1	\$ (0.3)
NextPoint, Inc. ( Break.com )	42.0%	(0.7)	(0.5)
Roadside Attractions, LLC	43.0%	0.7	(0.3)
Studio 3 Partners, LLC ( EPIX ) (1)	31.2%	(42.9)	(9.4)

TV Guide Network (2)	51.0%	(2.9)	0.8
Tiger Gate	45.9%	(0.9)	
		\$ (45.6)	\$ (9.7)

- (1) We license certain of our theatrical releases and other films and television programs to EPIX. A portion of the profits of these licenses reflecting our ownership share in the venture are eliminated through an adjustment to the equity interest loss of the venture. These profits are recognized as they are realized by the venture. For the nine months ended December 31, 2010, the Company recognized \$58.2 million of revenue and \$35.6 million of gross profit on the sale of licenses to EPIX. The equity interest loss for EPIX for the nine months ended December 31, 2010 includes \$36.1 million, which represents our share of the EPIX losses of \$115.8 million for the nine months ended September 30, 2010, and \$11.1 million representing the elimination of our share of profits on sales to EPIX, reduced by the realization of a portion of the profits previously eliminated on licenses to the venture of \$4.3 million.

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- (2) We license certain films and/or television programs to TV Guide Network. A portion of the profits of these licenses reflecting our ownership share in the venture are eliminated through an adjustment to the equity interest loss of the venture. These profits are recognized as they are realized by the venture. For the nine months ended December 31, 2010, we recognized \$14.2 million of revenue and \$5.4 million of gross profit on the sale of licenses to TV Guide Network. The equity interest loss for TV Guide Network for the nine months ended December 31, 2010 includes \$10.7 million, which represents our share of the TV Guide Network losses of \$21.0 million for the nine months ended December 31, 2010, and \$2.7 million representing the elimination of our share of profits on sales to TV Guide Network, reduced by the realization of a portion of the profits previously eliminated on licenses to TV Guide Network of \$0.1 million and our share of income from the accretion of dividend and discount on TV Guide Network's redeemable preferred stock units of \$10.4 million.

**Income Tax Provision**

We had an income tax expense of \$4.0 million, or (4.2%), of loss before income taxes in the nine months ended December 31, 2010, compared to an expense of \$0.3 million, or 8.2%, of income before income taxes in the nine months ended December 31, 2009. The tax expense reflected in the current period is primarily attributable to U.S. income taxes and foreign withholding taxes. Our actual annual effective tax rate will differ from the statutory federal rate as a result of several factors, including changes in the valuation allowance against net deferred tax assets, non-temporary differences, foreign income taxed at different rates, and state and local income taxes. Income tax loss carryforwards, subject to certain limitations that may prevent us from fully utilizing them, amount to approximately \$166.1 million for U.S. federal income tax purposes available to reduce income taxes over twenty years, \$136.9 million for U.S. state income tax purposes available to reduce income taxes over future years with varying expirations, \$27.9 million for Canadian income tax purposes available to reduce income taxes over 20 years with varying expirations, and \$15.9 million for UK income tax purposes available indefinitely to reduce future income taxes.

**Net (Loss) Income**

Net loss for the nine months ended December 31, 2010 was \$99.7 million, or basic and diluted net loss per common share of \$0.77 on 129.3 million weighted average common shares outstanding. This compares to net income for the nine months ended December 31, 2009 of \$2.8 million, or basic net income per common share of \$0.02 on 117.4 million weighted average common shares outstanding. Diluted net income per common share for the nine months ended December 31, 2009 was \$0.02 on 117.6 million weighted average common shares outstanding.

**Liquidity and Capital Resources**

Our liquidity and capital resources have been provided principally through cash generated from operations, our senior revolving credit facility, senior secured second-priority notes, issuance of subordinated notes, our film credit facility, borrowings under individual production loans, our Pennsylvania Regional Center credit facility, and certain participation financing arrangements.

**Senior Revolving Credit Facility**

*Outstanding Amount.* At December 31, 2010, the Company had borrowings of 224.3 million (March 31, 2010 \$17.0 million).

*Availability of Funds.* At December 31, 2010, there was \$100.6 million available (March 31, 2010 \$297.4 million). The Senior Revolving Credit Facility provides for borrowings and letters of credit up to an aggregate of \$340 million. The availability of funds is limited by a borrowing base and also reduced by outstanding letters of credit which amounted to \$15.1 million at December 31, 2010 (March 31, 2010 \$25.6 million).

*Maturity Date.* The senior revolving credit facility expires July 25, 2013.

*Interest.* As of December 31, 2010, the senior revolving credit facility bore interest of 2.5% over the Adjusted LIBOR rate (effective interest rate of 2.76% and 2.75% as of December 31, 2010 and March 31, 2010, respectively).

*Commitment Fee.* The Company is required to pay a quarterly commitment fee based upon 0.375% per annum on the total senior revolving credit facility of \$340 million less the amount drawn.

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*Security.* Obligations under the senior revolving credit facility are secured by collateral (as defined in the credit agreement) granted by the Company and certain subsidiaries of the Company, as well as a pledge of equity interests in certain of the Company's subsidiaries.

*Covenants.* The senior revolving credit facility contains a number of affirmative and negative covenants that, among other things, require the Company to satisfy certain financial covenants and restrict the ability of the Company to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, enter into sale-leaseback transactions, transfer and sell material assets and merge or consolidate.

*Change in Control.* Under the senior revolving credit facility, the Company may also be subject to an event of default upon a change in control (as defined in the senior revolving credit facility) which, among other things, includes a person or group acquiring ownership or control in excess of 50% (amended from 20% on June 22, 2010) of the Company's common stock.

**Senior Secured Second-Priority Notes**

On October 21, 2009, Lions Gate Entertainment, Inc. (LGEI) issued \$236.0 million aggregate principal amount of senior secured second-priority notes due 2016 (the Senior Notes) in a private offering conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the Securities Act).

*Outstanding Amount.* The outstanding amount is set forth in the table below:

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>(Amounts in thousands)</b>	
Principal amount of Senior Secured Second-Priority Notes	\$ 236,000	\$ 236,000
Unamortized discount (remaining period as of December 31, 2010 of 5.8 years)	(9,995)	(10,845)
Net carrying amount of Senior Secured Second-Priority Notes	\$ 226,005	\$ 225,155

*Maturity Date.* The Senior Notes are due November 1, 2016.

*Original Issue Discount.* The Senior Notes were issued by LGEI at an initial price of 95.222% (original issue discount 4.778%) of the principal amount.

*Interest.* The Senior Notes pay interest semi-annually on May 1 and November 1 of each year at a rate of 10.25% per year.

*Net Proceeds.* The net proceeds, after deducting discounts, fees paid to the initial purchaser, and all transaction costs (including accrued legal, accounting and other professional fees) from the sale of the Senior Notes was approximately \$214.3 million, which was used by LGEI to repay a portion of its outstanding debt under its senior revolving credit facility. The original issue discount, interest and deferred financing costs are being amortized through November 1, 2016 using the effective interest method.

*Security.* The Senior Notes are guaranteed on a senior secured basis by the Company, and certain wholly-owned subsidiaries of both the Company and LGEI. The Senior Notes are ranked junior in right of payment to the Company's senior revolving credit facility, ranked equally in right of payment to the Company's subordinated notes, and ranked senior to any of the Company's unsecured debt.

*Covenants.* The Senior Notes contain certain restrictions and covenants that, subject to certain exceptions, limit our ability to incur additional indebtedness, pay dividends or repurchase the Company's common shares, make certain loans or investments, and sell or otherwise dispose of certain assets subject to certain conditions, among other limitations.

**Table of Contents****Convertible Senior Subordinated Notes**

As of December 31, 2010 we have convertible senior subordinated notes outstanding of \$136.4 million in aggregate principal amount (carrying value \$105.0 million). In October 2011, March 2012 and March 2015 \$46.3 million, \$23.5 million and \$66.6 million, respectively, of these convertible senior subordinated notes are redeemable by the holder.

**July 20, 2010 Refinancing Exchange Agreement.** On July 20, 2010, we entered into a Refinancing Exchange Agreement to exchange approximately \$36.0 million in aggregate principal amount of the February 2005 3.625% Notes and approximately \$63.7 million in aggregate principal amount of the October 2004 2.9375% Notes for equal principal amounts, respectively, of the New 3.625% Notes and the New 2.9375% Notes. The New Notes took effect immediately and all terms were identical to the February 2005 3.625% Notes and October 2004 2.9375% Notes except that the New Notes had an extended maturity date, extended put rights by two years, and were immediately convertible at an initial conversion rate of 161.2903 common shares of the Company per \$1,000 principal amount of New Notes (conversion price per share of \$6.20), subject to specified contingencies.

On July 20, 2010, the New Notes were converted into 16,236,305 common shares of the Company. As a result, the New Notes are no longer outstanding as of July 20, 2010.

**Key Terms of Convertible Senior Subordinated Notes:**

**October 2004 2.9375% Notes.** In October 2004, LGEI sold \$150.0 million of the October 2004 2.9375% Notes.

**Outstanding Amount:** As of December 31, 2010, \$46.3 million of aggregate principal amount (carrying value \$44.0 million) of the October 2004 2.9375% Notes remain outstanding.

**Interest:** Interest on the October 2004 2.9375% Notes is payable semi-annually on April 15 and October 15.

**Maturity Date:** The October 2004 2.9375% Notes mature on October 15, 2024.

**Redeemable by LGEI:** From October 15, 2009 to October 14, 2010, LGEI may redeem the October 2004 2.9375% Notes at 100.839%; from October 15, 2010 to October 14, 2011, LGEI may redeem the October 2004 2.9375% Notes at 100.420%; and thereafter, LGEI may redeem the October 2004 2.9375% Notes at 100%.

**Redeemable by Holder:** The holder may require LGEI to repurchase the October 2004 2.9375% Notes on October 15, 2011, 2014 and 2019 or upon a change in control at a price equal to 100% of the principal amount, together with accrued and unpaid interest through the date of repurchase.

**Conversion Features:** The holder may convert the October 2004 2.9375% Notes into our common shares prior to maturity only if the price of our common shares issuable upon conversion of a note reaches or falls below a certain specific threshold over a specified period, the notes have been called for redemption, a change in control occurs or certain other corporate transactions occur. Before the close of business on or prior to the trading day immediately before the maturity date, the holder may convert the notes into our common shares. The conversion rate is equal to 86.9565 shares per \$1,000 principal amount of the October 2004 2.9375% Notes, subject to adjustment in certain circumstances, which represents a conversion price of approximately \$11.50 per share. Upon conversion of the October 2004 2.9375% Notes, we have the option to deliver, in lieu of common shares, cash or a combination of cash and our common shares.

**Make Whole Premium:** Under certain circumstances, if the holder requires LGEI to repurchase all or a portion of our notes or the holder converts the notes upon a change in control, they will be entitled to receive a make whole premium. The amount of the make whole premium, if any, will be based on the price of our common shares on the effective date of the change in control. No make whole premium will be paid if the price of our common shares at such time is less than \$8.79 per share or exceeds \$50.00 per share.

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**February 2005 3.625% Notes.** In February 2005, LGEI sold \$175.0 million of the February 2005 3.625% Notes.

*Outstanding Amount:* As of December 31, 2010, \$23.5 million of aggregate principal amount (carrying value \$21.8 million) of the February 2005 3.625% Notes remain outstanding.

*Interest:* Interest on the February 2005 3.625% Notes is payable at 3.625% per annum semi-annually on March 15 and September 15 until March 15, 2012 and at 3.125% per annum thereafter until maturity.

*Maturity Date:* The February 2005 3.625% Notes mature on March 15, 2025.

*Redeemable by LGEI:* LGEI may redeem all or a portion of the February 2005 3.625% Notes at our option on or after March 15, 2012 at 100% of their principal amount, together with accrued and unpaid interest through the date of redemption.

*Redeemable by Holder:* The holder may require LGEI to repurchase the February 2005 3.625% Notes on March 15, 2012, 2015 and 2020 or upon a change in control at a price equal to 100% of the principal amount, together with accrued and unpaid interest through the date of repurchase.

*Conversion Features:* The February 2005 3.625% Notes are convertible, at the option of the holder, at any time before the maturity date, if the notes have not been previously redeemed or repurchased, at a conversion rate equal to 70.0133 shares per \$1,000 principal amount of the February 2005 3.625% Notes, subject to adjustment in certain circumstances, which represents a conversion price of approximately \$14.28 per share. Upon conversion of the February 2005 3.625% Notes, we have the option to deliver, in lieu of common shares, cash or a combination of cash and our common shares.

*Make Whole Premium:* Under certain circumstances, if the holder requires LGEI to repurchase all or a portion of our notes upon a change in control, they will be entitled to receive a make whole premium. The amount of the make whole premium, if any, will be based on the price of our common shares on the effective date of the change in control. No make whole premium will be paid if the price of our common shares at such time is less than \$10.35 per share or exceeds \$75.00 per share.

**April 2009 3.625% Notes.** In April 2009, LGEI issued approximately \$66.6 million of the April 2009 3.625% Notes.

*Outstanding Amount:* As of December 31, 2010, \$66.6 million of aggregate principal amount (carrying value \$39.3 million) of the April 2009 3.625% Notes remain outstanding.

*Interest:* Interest on the April 2009 3.625% Notes is payable at 3.625% per annum semi-annually on March 15 and September 15 of each year.

*Maturity Date:* The April 2009 3.625% Notes will mature on March 15, 2025.

*Redeemable by LGEI:* On or after March 15, 2015, LGEI may redeem the April 2009 3.625% Notes, in whole or in part, at a price equal to 100% of the principal amount of the April 2009 3.625% Notes to be redeemed, plus accrued and unpaid interest through the date of redemption.

*Redeemable by Holder:* The holder may require LGEI to repurchase the April 2009 3.625% Notes on March 15, 2015, 2018 and 2023 or upon a designated event, at a price equal to 100% of the principal amount of the April 2009 3.625% Notes to be repurchased plus accrued and unpaid interest.

*Conversion Features:* The April 2009 3.625% Notes may be converted into our common shares at any time before maturity, redemption or repurchase. The initial conversion rate of the April 2009 3.625% Notes is 121.2121 common shares per \$1,000 principal amount of the April 2009 3.625% Notes, subject to adjustment in certain circumstances, which represents a conversion price of approximately \$8.25 per share. Upon conversion of the April 2009 3.625% Notes, we have the option to deliver, in lieu of common shares, cash or a combination of cash and common shares of the Company.

*Make Whole Premium:* Under certain circumstances, if the holder requires LGEI to repurchase all or a portion of their notes upon a change in control, they will be entitled to receive a make whole premium. The amount of the make whole premium, if any, will be based on the price of our common shares on the effective date of the change in control. No make whole premium will be paid if the price of our common shares at such time is less than \$5.36 per share or exceeds \$50.00 per share.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such

repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

**Table of Contents*****Production Loans and Participation Financing Arrangements***

***Individual Production Loans:*** As of December 31, 2010 amounts outstanding under individual production loans was \$167.2 million. Individual production loans represent individual loans for the production of film and television programs that we produce. Individual production loans have contractual repayment dates either at or near the expected completion date, with the exception of certain loans containing repayment dates on a longer term basis. Individual production loans of \$107.2 million incur interest at rates ranging from 3.45% to 4.25%, and approximately \$60.0 million of production loans are non-interest bearing.

***Film Credit Facility***

On October 6, 2009, we entered into a revolving film credit facility agreement, as amended effective June 22, 2010 (the Film Credit Facility), which provides for borrowings for the acquisition or production of motion pictures.

***Outstanding Amount.*** At December 31, 2010, we had borrowings of \$21.9 million (March 31, 2010 \$35.7 million).

***Availability of Funds.*** Currently, the Film Credit Facility provides for total borrowings up to \$130 million, subject to a borrowing base, which can vary based on the amount of sales contracts in place on pictures financed under the facility. The Film Credit Facility can be increased to \$200 million if additional qualified lenders or financial institutions become a party to and provide a commitment under the facility.

***Maturity Date.*** The Film Credit Facility has a maturity date of April 6, 2013. Borrowings under the Film Credit Facility are due the earlier of (a) nine months after delivery of each motion picture or (b) April 6, 2013.

***Interest.*** As of December 31, 2010, the Film Credit Facility bore interest of 3.25% over the LIBO rate (as defined in the credit agreement). The weighted average interest rate on borrowings outstanding as of December 31, 2010 was 3.51% (March 31, 2010 3.50%).

***Commitment Fee.*** We are required to pay a quarterly commitment fee of 0.75% per annum on the unused commitment under the Film Credit Facility.

***Security.*** Borrowings under the Film Credit Facility are subject to a borrowing base calculation and are secured by interests in the related motion pictures, together with certain other receivables from other motion picture and television productions pledged by us, including a minimum pledge of such receivables of \$25 million. Receivables pledged to the Film Credit Facility must be excluded from the borrowing base calculation under our senior revolving credit facility as described in Note 6.

***Pennsylvania Regional Center***

***General.*** On April 9, 2008, we entered into a loan agreement with the Pennsylvania Regional Center, which provides for the availability of production loans up to \$65,500,000 on a five-year term for use in film and television productions in the State of Pennsylvania. The amount that was borrowed was limited to approximately one half of the qualified production costs incurred in the State of Pennsylvania through the two-year period ended April 2010, and is subject to certain other limitations. Under the terms of the loan, for every dollar borrowed, the Company's production companies are required (within a two-year period) to either create a specified number of jobs, or spend a specified amount in certain geographic regions in the State of Pennsylvania.

***Outstanding Amount.*** At December 31, 2010, we had borrowings of \$66.0 million which includes accrued interest of \$0.5 million (March 31, 2010 \$65.7 million which includes accrued interest of \$0.2 million).

***Availability of Funds.*** At December 31, 2010, there were no amounts available under this agreement (March 31, 2010 nil).

***Maturity Date.*** All amounts borrowed under this loan agreement with the Pennsylvania Regional Center are due April 11, 2013, five years from the date that we began to borrow under this agreement.

***Interest.*** Amounts borrowed under the agreement carry an interest rate of 1.5%, which is payable semi-annually.

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*Security.* The loan is secured by a first priority security interest in our film library pursuant to an intercreditor agreement with our senior lender under our senior revolving credit facility. Pursuant to the terms of our senior revolving credit facility, we are required to maintain certain collateral equal to the loans outstanding plus 5% under this facility. Such collateral can consist of cash, cash equivalents or debt securities, including our subordinated debt repurchased. As of December 31, 2010, \$72.8 million principal value (fair value \$71.0 million) of our subordinated debt repurchased in December 2009 (see Note 10) was held as collateral under our senior revolving credit facility (March 31, 2010 \$72.8 million principal value, \$69.5 million fair value).

***Participation Financing Arrangements***

*Theatrical Slate Participation.* On May 29, 2009, we terminated our theatrical slate participation arrangement with Pride. The arrangement was evidenced by the Master Covered Picture Purchase Agreement between us and FilmCo and the certain FilmCo Operating Agreement for FilmCo by and between LGEI and Pride, each dated as of May 25, 2007 and amended on January 30, 2008. Under the arrangement, Pride contributed, in general, 50% of our production, acquisition, marketing and distribution costs of theatrical feature films and participated in a pro rata portion of the pictures' net profits or losses similar to a co-production arrangement based on the portion of costs funded. Amounts provided from Pride were reflected as a participation liability. In late 2008, the administrative agent for the senior lenders under Pride's senior credit facility took the position, among others, that the senior lenders did not have an obligation to continue to fund under the senior credit facility because the conditions precedent to funding set forth in the senior credit facility could not be satisfied. We were not a party to the credit facility. Consequently, Pride did not purchase the pictures *The Spirit, My Bloody Valentine 3-D* and *Madea Goes To Jail*. Thereafter, on April 20, 2009, after failed attempts by us to facilitate a resolution, we gave FilmCo and Pride notice that FilmCo, through Pride's failure to make certain capital contributions, was in default of the Master Picture Purchase Agreement. On May 5, 2009, the representative for the Pride equity and the Pride mezzanine investor responded that the required amount was fully funded and that it had no further obligations to make any additional capital contributions. Consequently, on May 29, 2009, we gave notice of termination of the Master Picture Purchase Agreement. Since May 29, 2009, there have been no developments with respect to the arrangement. Although we will no longer receive financing as provided from the participation of Pride in our films, we do not believe this will have a material adverse effect to our business.

*Société Générale de Financement du Québec.* On July 30, 2007, we entered into a four-year filmed entertainment slate participation agreement with SGF. SGF will provide up to 35% of production costs of television and feature film productions produced in Québec for a four-year period for an aggregate participation of up to \$140 million, and we will advance all amounts necessary to fund the remaining budgeted costs. The maximum aggregate of budgeted costs over the four-year period will be \$400 million, including our portion, but no more than \$100 million per year. In connection with this agreement, we and SGF will proportionally share in the proceeds derived from the productions after we deduct a distribution fee, recoup all distribution expenses and releasing costs, and pay all applicable third party participations and residuals. Under the terms of the arrangement, \$35 million is available through July 30, 2011. Of the \$35 million available through July 30, 2011, \$5.3 million was provided through December 31, 2010, with the remaining commitment expiring on July 30, 2011.

***Filmed Entertainment Backlog***

*Filmed Entertainment Backlog.* Backlog represents the amount of future revenue not yet recorded from contracts for the licensing of films and television product for television exhibition and in international markets. Backlog at December 31, 2010 and March 31, 2010 is \$459.0 million and \$448.9 million, respectively.

***Discussion of Operating, Investing, Financing Cash Flows***

*Cash Flows Used in Operating Activities.* Cash flows used in operating activities for the nine months ended December 31, 2010 were \$115.6 million compared to cash flows used in operating activities in the nine months ended December 31, 2009 of \$138.1 million. The decrease in cash used in operating activities was primarily due to increases in cash provided by changes in accounts payable and accrued liabilities, investment in films and television programs, participations and residuals, film obligations and deferred revenues, increases in non-cash stock-based compensation, loss on extinguishment of debt and equity interest loss, offset by a net loss for the nine months ended December 31, 2010 compared to net income for the nine months ended December 31, 2009, a decrease in amortization of films and

television programs, and increases in restricted cash and accounts receivable.

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*Cash Flows Used in Investing Activities.* Cash flows used in investing activities of \$25.8 million for the nine months ended December 31, 2010 consisted of \$15.0 million for the buy-out of the earn-out associated with the acquisition of Debmarm-Mercury (see Note 12 to our unaudited condensed consolidated financial statements), \$1.2 million for purchases of property and equipment and \$24.7 million of capital contributions to companies accounted as equity method investments, partially offset by \$8.1 million repayments on loans made to a third party producer and net proceeds of \$7.0 from the sale of restricted investments. Cash flows used in investing activities of \$36.0 million for the nine months ended December 31, 2009 consisted of \$2.6 million for purchases of property and equipment and \$41.3 million of capital contributions to companies accounted as equity method investments, offset by \$8.3 million repayments on loans made to a third party producer.

*Cash Flows Provided by Financing Activities.* Cash flows provided by financing activities of \$140.5 million for the nine months ended December 31, 2010 resulted from borrowings of \$481.8 million under the senior revolving credit facility, \$117.9 million under production loans, partially offset by \$274.5 million repayment on the senior revolving credit facility, \$174.8 million repayment of production loans, and \$12.9 million paid for tax withholding requirements associated with our equity awards. Cash flows provided by financing activities of \$117.9 million for the nine months ended December 31, 2009 resulted from receipt of net proceeds of \$216.2 million from the sale of senior secured second-priority notes, borrowings of \$170.0 million under the senior revolving credit facility, increased production loans of \$223.8 million and proceeds of \$109.8 million from the sale of our 49% interest in TV Guide Network, offset by \$413.0 million repayment on the senior revolving credit facility, \$111.9 million repayment of production loans, \$75.2 million payment on the repurchase of subordinated notes, \$1.7 million paid for tax withholding requirements associated with our equity awards, and \$0.1 million repayment of other financing obligations.

*Anticipated Cash Requirements.* The nature of our business is such that significant initial expenditures are required to produce, acquire, distribute and market films and television programs, while revenues from these films and television programs are earned over an extended period of time after their completion or acquisition. We believe that cash flow from operations, cash on hand, senior revolving credit facility availability, tax-efficient financing and available production financing will be adequate to meet known operational cash requirements for the foreseeable future, including the funding of future film and television production, film rights acquisitions and theatrical and video release schedules, and future equity method investment funding requirements. We monitor our cash flow liquidity, availability, fixed charge coverage, capital base, film spending and leverage ratios with the long-term goal of maintaining our credit worthiness.

Our current financing strategy is to fund operations and to leverage investment in films and television programs through our cash flow from operations, our senior revolving credit facility, single-purpose production financing, film credit facility, government incentive programs, film funds, and distribution commitments. In addition, we may acquire businesses or assets, including individual films or libraries that are complementary to our business. Any such transaction could be financed through our cash flow from operations, credit facilities, equity or debt financing. If additional financing beyond our existing cash flows from operations and credit facilities cannot fund such transactions, there is no assurance that such financing will be available on terms acceptable to us.

***Table of Debt and Other Financing Obligations and Contractual Commitments***

The following table sets forth our future three-month and annual repayment of debt and other financing obligations outstanding, and our contractual commitments as of December 31, 2010:

**Table of Contents**

	<b>Three Months Ended March 31,</b>			<b>Year Ended March 31,</b>			<b>Total</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Thereafter</b>	
<b>(Amounts in thousands)</b>							
<b>Future annual repayment of debt and other financing obligations recorded as of December 31, 2010</b>							
Senior revolving credit facility	\$	\$	\$	\$ 224,250	\$	\$	\$ 224,250
Film obligations(1)	23,233						23,233
Production loans(1)							
Individual production loans	14,988	137,176		15,000			167,164
Pennsylvania Regional Center production loans				66,002			66,002
Film Credit Facility	11,141	10,807					21,948
Principal amounts of subordinated notes and other financing obligations (2)							
October 2004 2.9375% Notes (carrying value of \$44.0 million at December 31, 2010)		46,326					46,326
February 2005 3.625% Notes (carrying value of \$21.8 million at December 31, 2010)		23,470					23,470
April 2009 3.625% Notes (carrying value of \$39.3 million at December 31, 2010)					66,581		66,581
Other financing obligations			3,718				3,718
Principal amount of senior secured second priority notes, due November 2016 (carrying value of \$226.0 million at December 31, 2010)						236,000	236,000
	\$ 49,362	\$ 217,779	\$ 3,718	\$ 305,252	\$ 66,581	\$ 236,000	\$ 878,692
<b>Contractual commitments by expected repayment date</b>							
Distribution and marketing commitments (3)	\$ 8,136	\$ 77,783	\$ 52,000	\$	\$	\$	\$ 137,919
Minimum guarantee commitments (4)	39,228	76,548	22,043	300			138,119
Production loan commitments (4)	9,156	42,693					51,849
Cash interest payments on subordinated notes and other financing obligations	1,706	4,921	2,440	2,414	2,414		13,895
		24,190	24,190	24,190	24,190	48,380	145,140

Cash interest payments on senior secured second priority notes							
Operating lease commitments	2,164	9,075	9,457	9,520	8,973	4,754	43,943
Other contractual obligations	135	520					655
Employment and consulting contracts	10,288	32,148	17,747	8,189	2,634	1,882	72,888
	\$ 70,813	\$ 267,878	\$ 127,877	\$ 44,613	\$ 38,211	\$ 55,016	\$ 604,408

<b>Total future commitments under contractual obligations</b>	\$ 120,175	\$ 485,657	\$ 131,595	\$ 349,865	\$ 104,792	\$ 291,016	\$ 1,483,100
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- (1) Film obligations include minimum guarantees and theatrical marketing obligations. Production loans represent loans for the production of film and television programs that we produce. Repayment dates are based on anticipated delivery or release date of the related film or contractual due dates of the obligation.
- (2) The future repayment dates of the convertible senior subordinated notes represent the first possible redemption date by the holder for each note respectively.
- (3) Distribution and marketing commitments represent contractual commitments for future expenditures associated with distribution and marketing of films which we will distribute. The payment dates of these amounts are primarily based on the anticipated release date of the film.
- (4) Minimum guarantee commitments represent contractual commitments related to the purchase of film rights for pictures to be delivered in the future. Production loan commitments represent amounts committed for future film production and development to be funded through production financing and recorded as a production loan liability when incurred. Future payments under these commitments are based on anticipated delivery or release dates of the related film or contractual due dates of the commitment. The amounts include future interest payments associated with the commitment.

#### **Off-Balance Sheet Arrangements**

We do not have any transactions, arrangements and other relationships with unconsolidated entities that will affect our liquidity or capital resources. We have no special purpose entities that provided off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, hedging or research and development services, that could expose us to liability that is not reflected on the face of our consolidated financial statements. Our commitments to fund operating leases, minimum guarantees, production loans, equity method investment funding requirements and all other contractual commitments not reflected on the face of our consolidated financial statements are presented in the above table.

**Table of Contents****Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*****Currency and Interest Rate Risk Management**

Market risks relating to our operations result primarily from changes in interest rates and changes in foreign currency exchange rates. Our exposure to interest rate risk results from the financial debt instruments that arise from transactions entered into during the normal course of business. As part of our overall risk management program, we evaluate and manage our exposure to changes in interest rates and currency exchange risks on an ongoing basis. Hedges and derivative financial instruments will be used in the future in order to manage our interest rate and currency exposure. We have no intention of entering into financial derivative contracts, other than to hedge a specific financial risk.

*Currency Rate Risk.* We enter into forward foreign exchange contracts to hedge our foreign currency exposures on future production expenses denominated in various foreign currencies. As of December 31, 2010, we had outstanding forward foreign exchange contracts to buy Canadian \$8.6 million in exchange for US\$8.4 million over a period of three months at a weighted average exchange rate of one US dollar equals Canadian \$1.02. We also had outstanding forward foreign exchange contracts to buy US\$11.4 million in exchange for British Pound Sterling £7.3 million over a period of seven months at a weighted average exchange rate of one British Pound Sterling equals US\$1.55. Changes in the fair value representing a net unrealized fair value loss on foreign exchange contracts that qualified as effective hedge contracts outstanding during the nine months ended December 31, 2010 amounted to \$0.2 million and are included in accumulated other comprehensive loss, a separate component of shareholders' equity. These contracts are entered into with a major financial institution as counterparty. We are exposed to credit loss in the event of nonperformance by the counterparty, which is limited to the cost of replacing the contracts, at current market rates. We do not require collateral or other security to support these contracts.

*Interest Rate Risk.* Certain of the Company's borrowings primarily borrowings under its senior revolving credit facility, certain production loans and the Film Credit Facility, are, and are expected to continue to be, at variable rates of interest and expose the Company to interest rate risk. If interest rates increase, the Company's debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and its net income would decrease. The applicable margin with respect to loans under the senior revolving credit facility is a percentage per annum equal to 2.50% plus an adjusted rate based on LIBOR. The applicable margin with respect to loans under the Film Credit Facility is a percentage per annum equal to 3.25% over the LIBO rate (as defined in the credit agreement). Assuming the senior revolving credit facility and the Film Credit Facility are fully drawn, based on the applicable LIBOR in effect as of December 31, 2010, each quarter point change in interest rates would result in a \$0.9 million change in annual interest expense on the senior revolving credit facility and \$0.3 million change in annual interest expense on the Film Credit Facility. The variable interest production loans incur interest at rates ranging from approximately 3.45% to 4.25% and applicable margins ranging from 3% over LIBOR to 3.25% over the greater of LIBOR or 1.0%. A quarter point increase of the interest rates on the outstanding principal amount of our variable rate production loans would result in \$0.3 million in additional costs capitalized to the respective film or television asset.

The following table presents the Company's financial instruments that are sensitive to changes in interest rates. The table also presents the cash flows of the principal amounts of the financial instruments with the related weighted-average interest rates by expected maturity dates and the fair value of the instrument as of December 31, 2010:

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	<b>Three Months Ended March 31,</b>			<b>Year Ended March 31,</b>			<b>Total</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014 2015 Thereafter</b> <b>(US\$ in thousands, principal amounts)</b>			
<b>ES:</b>							
<b>Senior Revolving Credit Facility (1)</b>	\$	\$	\$	\$ 224,250	\$	\$	224,250
Interest Rate				2.76%			
<b>Production Loans (2):</b>							
Production loans		107,189					107,189
Interest Rate		3.81%					
Production Facility	11,141	10,807					21,948
Interest Rate	3.51%	3.51%					
<b>Production Loans (3):</b>							
Regional Center production loans				66,002			66,002
Interest Rate				1.50%			
<b>Amounts of Subordinated Notes (4):</b>							
2.9375% Notes		46,326					46,326
Interest Rate		2.94%					
3.625% Notes		23,470					23,470
Interest Rate		3.63%					
4.25% Notes					66,581		66,581
Interest Rate					3.63%		
<b>Long Term Production Obligations (5)</b>			3,718				3,718
Interest Rate			8.02%				
<b>Amount of Senior Secured Second Priority Notes (6)</b>						236,000	236,000
Interest Rate						10.25%	
	\$ 11,141	\$ 187,792	\$ 3,718	\$ 290,252	\$ 66,581	\$ 236,000	\$ 795,484

(1) Senior revolving credit facility, which expires July 25, 2013 bears interest of 2.50% over the Adjusted LIBOR rate. At December 31, 2010, we had borrowings of 224.3 million under this facility.

(2) Amounts owed to film production entities on anticipated delivery date or release date of the titles or the contractual due dates of the obligation. Production loans of \$107.2 million incur interest at rates ranging from approximately 3.45% to 4.25%. Not included in the table above are approximately \$60.0 million of production loans which are non-interest bearing.

(3) Long term production loans with a fixed interest rate equal to 1.5%.

- (4) The future repayment dates of the convertible senior subordinated notes represent the first possible redemption date by the holder for each note respectively.
- (5) Other financing obligation with fixed interest rate equal to 8.02%.
- (6) Senior Notes with a fixed interest rate equal to 10.25%.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

The term disclosure controls and procedures is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as amended (the Exchange Act ). These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within required time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2010, the end of the period covered by this report, the Company carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective as of December 31, 2010.

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**Changes in Internal Control over Financial Reporting**

As required by Rule 13a-15(d) of the Exchange Act, the Company, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, also evaluated whether any changes occurred to the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, such control. Based on that evaluation, there has been no such change during the period covered by this report.

**Table of Contents****PART II OTHER INFORMATION****Item 1. *Legal Proceedings.***

On July 23, 2010, Icahn Partners LP, a limited partnership governed by the laws of Delaware and certain entities affiliated with Icahn Partners LP (collectively, Icahn Partners ) filed a petition in the Supreme Court of British Columbia (the BC Court ) against the Company, Dr. Mark Rachesky, MHR Fund Management LLC and MHR Institutional Partners III LP (the MHR Fund ) and Kornitzer Capital Management, Inc. (the BC Action ). Icahn Partners filed an amended petition on July 26, 2010. Dr. Mark Rachesky, a director of the Company, is the managing member of MHR Institutional Partners III LP 's general partner. Among other things, Icahn Partners claims that a July 20, 2010 Refinancing Exchange Agreement (the Exchange ) between the Company and Kornitzer Capital Management, Inc. to exchange certain convertible notes of LGEI is oppressive to Icahn Partners under British Columbia law. Icahn Partners seeks, among other things, orders (1) declaring that the Company is oppressing its shareholders, (2) prohibiting MHR Institutional Partners III LP from transferring or voting its new shares, (3) prohibiting the Company from issuing any securities, (4) unwinding the July 20 transactions between the MHR Fund, the Company, and Kornitzer Capital Management, Inc. (which includes the Exchange, the Note Sale (as defined below) and the Conversion (as defined below)) and (5) compensating the petitioners. The BC Court heard argument during the week of October 11, 2010. On November 1, 2010, the Supreme Court of British Columbia issued a final order and decision dismissing Icahn Partners ' claims in their entirety and awarding costs to the Company. On November 2, 2010, Icahn Partners announced its intent to appeal the decision. On November 5, 2010, a single Justice of the British Columbia Court of Appeal denied Icahn Partners ' application for an expedited appeal or, in the alternative, an order prohibiting the Company from scheduling its 2010 annual general meeting of shareholders before January 21, 2011. Icahn Partners ' application to vary this order was denied by a panel of the British Columbia Court of Appeal on December 7, 2010. Icahn Partners ' appeal from the final order and decision of the Supreme Court of British Columbia is currently pending. For purposes herein, the Note Sale means the July 20, 2010 entry into a Purchase Agreement and subsequent sale of the New Notes received by Kornitzer Capital Management, Inc. in the Exchange to MHR Institutional Partners III LP. Additionally, the Conversion means, after the consummation of the Note Sale, the July 20, 2010 exercise by MHR Institutional Partners III LP of conversion rights under the New Notes whereby the New Notes were converted in full into 16,236,305 common shares of the Company.

Icahn Partners also sought an order from the British Columbia Securities Commission (the BCSC ) on July 22, 2010 requiring, among other things, that Dr. Rachesky, the MHR Fund, and their respective affiliates cease trading in any securities of the Company until further order of the BCSC and that the Company and each of its directors cease trading in any securities of the Company until further order of the BCSC. Icahn Partners alleged that the Exchange was, among other things, an unlawful defensive tactic, and that the disclosures concerning the transactions violated applicable securities laws. A hearing on the request for a temporary cease trade order was held on July 28, 2010, and the BCSC determined to dismiss Icahn Partners ' application for a temporary cease trade order against the Company and the MHR Fund.

On July 26, 2010, Icahn Partners filed suit in New York Supreme Court against the Company, the Board of Directors of the Company, LGEI, Dr. Rachesky, the MHR Fund, MHR Institutional Advisors II LLC, MHR Institutional Advisors III LLC, and Kornitzer Capital Management, Inc. and its principal John C. Kornitzer (the New York Action ). Icahn Partners claims, among other things, that the Exchange and subsequent issuance of common shares of the Company to Dr. Rachesky 's fund through the Conversion constitutes (1) a breach of a certain July 9, 2010 letter agreement between the Company and Icahn Partners; (2) tortious interference with the same July 9 letter agreement; and (3) tortious interference with prospective business relationships. The complaint seeks, among other things, a preliminary and permanent injunction rescinding the Exchange and share issuance; a preliminary injunction prohibiting all defendants from voting their shares in any election of directors or any other shareholder vote; and an award of compensatory and punitive damages. On August 26, 2010, the defendants moved to dismiss or stay the New York Action. Those motions are currently pending. On November 15, 2010, Icahn Partners filed a motion for a preliminary injunction. Icahn Partners ' motion for a preliminary injunction was denied on December 9, 2010. On October 28, 2010, the Company filed an action in the United States District Court for the Southern District of New York against Carl Icahn, Brett Icahn, and various investment vehicles controlled by Carl Icahn. The action is

captioned Lions Gate Entertainment Corp. v. Carl C. Icahn, Brett Icahn, Icahn Partners LP, High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Onshore LP, Icahn Offshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., and Beckton Corp., No. 10-CV-8169. The complaint, filed as Exhibit (a)(8) to the Company's Amendment No. 7 to the Schedule 14D-9, filed with the Securities and Exchange Commission on October 29, 2010, alleges violations of Sections 13(d), 14(a), 14(d), and 14(e) of the Securities Exchange Act of 1934, and certain rules promulgated thereunder, and tortious interference with prospective

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business relations under state law. The complaint seeks damages and injunctive relief, including an order requiring the defendants to make corrective disclosures before the Company's 2010 annual general meeting of shareholders. On November 22, 2010, Icahn Partners moved to dismiss the complaint. The Company amended its complaint on December 3, 2010. Icahn Partners moved to dismiss the amended complaint on December 17, 2010. This motion is currently pending.

**Item 1A. Risk Factors.**

Other than as set forth below, there were no other material changes to the risk factors previously reported in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

***An increase in the ownership of our common shares by certain shareholders could trigger a change in control under the agreements governing our long-term indebtedness.***

The agreements governing certain of our long-term indebtedness contain change in control provisions that are triggered when any of our shareholders, directly or indirectly, acquires ownership or control in excess of a certain percentage of our common shares. As of December 31, 2010, three of our shareholders, Carl C. Icahn, Mark H. Rachesky, M.D. and Capital Research Global Investors and their respective affiliates, beneficially owned approximately 32.7%, 28.9% and 9.2%, respectively, of our outstanding common shares. Under certain circumstances, including the acquisition of ownership or control by a person or group in excess of 50% of our common shares, the noteholders of our unsecured convertible senior subordinated notes and the Senior Notes may require us to repurchase all or a portion of such notes upon a change in control and the noteholders of our unsecured convertible senior subordinated notes may be entitled to receive a make whole premium based on the price of our common shares on the change in control date. We may not be able to repurchase these notes upon a change in control because we may not have sufficient funds. Further, we may be contractually restricted under the terms of our senior revolving credit facility and the Film Credit Facility from repurchasing all of the notes tendered by holders upon a change in control. Our failure to repurchase the notes upon a change in control would cause a default under the indentures governing the Senior Notes and our unsecured convertible senior subordinated notes and a cross-default under the senior revolving credit facility and the Film Credit Facility.

Our senior revolving credit facility and the Film Credit Facility also provide that a change in control, which includes a person or group acquiring ownership or control in excess of 50% of our outstanding common shares, will be an event of default that permits lenders to accelerate the maturity of borrowings thereunder and to enforce security interests in the collateral securing such debt, thereby limiting our ability to raise cash to purchase our outstanding notes.

***Certain shareholders own a majority of our outstanding common shares.***

As of December 31, 2010, three of our shareholders beneficially owned an aggregate of 96,750,173 of our common shares, or approximately 70.9% of the outstanding shares. In addition, one of these shareholders, Mark H. Rachesky, M.D., the beneficial owner of approximately 28.9% of our outstanding common shares currently serves on our Board of Directors. Accordingly, these three shareholders, collectively, have the power to exercise substantial influence over us and on matters requiring approval by our shareholders, including the election of directors, the approval of mergers and other significant corporate transactions. This concentration of ownership may make it more difficult for other shareholders to effect substantial changes in our company and may also have the effect of delaying, preventing or expediting, as the case may be, a change in control of our company.

***Sales of a substantial number of shares of our common shares, or the perception that such sales might occur, could have an adverse effect on the price of our common shares, and therefore our ability to raise additional capital to fund our operations.***

As of December 31, 2010, over 70% of our common shares were held beneficially by certain individuals and institutional investors who each had ownership of greater than 5% of our common shares. Sales by such individuals and institutional investors of a substantial number of shares of our common shares into the public market, or the perception that such sales might occur, could have an adverse effect on the price of our common shares, which could materially impair our ability to raise capital through the sale of common shares or debt that is convertible into our common shares.

***We have brought, or been named in, three lawsuits related to the Exchange, and we may bring, or be named in, additional lawsuits in the future. This litigation could become time consuming and expensive and could harm our***

*business.*

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We and members of our board of directors have been named in two lawsuits brought by the Icahn Partners ( Offeror ), one in the Supreme Court of British Columbia and one in the New York Supreme Court. Among other things, the Offeror alleges, in the action brought in the Supreme Court of British Columbia, that the Exchange is oppressive to the Offeror under British Columbia law and, in the action brought in the New York Supreme Court, that the Exchange and the subsequent issuance of common shares of the Company to Dr. Rachesky's fund through the Conversion constitutes a breach of contract, tortious interference with a contract and tortious interference with prospective business relations. Both lawsuits seek damages and equitable relief. In addition, the Company filed an action in the United States District Court for the Southern District of New York against Carl Icahn, Brett Icahn and various investment vehicles controlled by Carl Icahn alleging violations of the Securities Exchange Act of 1934, and certain rules promulgated thereunder, and tortious interference with prospective business relations and seeking damages and injunctive relief. These actions are discussed separately and in more detail above in Item 1. Legal Proceedings. We have obligations under certain circumstances to indemnify each of the defendant directors against liabilities or obligations of the defendant directors and expenses in relation to claims, actions, proceedings, investigations, or orders by reason of the defendant directors being or having been directors of the Company or any action or omission of the defendant directors acting as directors of the Company. We cannot predict the outcome of these lawsuits, nor can we predict the amount of time and expense that will be required to resolve these lawsuits. If these lawsuits or any future lawsuits become time consuming and expensive, or if there are unfavorable outcomes in any of these cases, our business could be harmed.

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

On May 31, 2007, our Board of Directors authorized the repurchase of up to \$50 million of our common shares. Thereafter, on each of May 29, 2008 and November 6, 2008, as part of its regularly scheduled meetings, our Board of Directors authorized the repurchase up to an additional \$50 million of our common shares, subject to market conditions. The additional resolutions increased the total authorization to \$150 million. The common shares may be purchased, from time to time, at the Company's discretion, including the quantity, timing and price thereof. Such purchases will be structured as permitted by securities laws and other legal requirements. During the period from the authorization date through December 31, 2010, 6,787,310 shares have been repurchased at a cost of approximately \$65.2 million (including commission costs). The share repurchase program has no expiration date. There were no purchases of shares of our common stock by us during the three months ended December 31, 2010.

**Item 3. Defaults Upon Senior Securities.**

None

**Item 4. Removed and Reserved.****Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description of Documents</b>
3.1 (1)	Articles
3.2	Notice of Articles
3.3 (2)	Vertical Short Form Amalgamation Application
3.4 (2)	Certificate of Amalgamation
31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- 32.1 Certification of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Shareholder's Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) related notes, tagged as blocks of text
- (1) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2005 as filed on June 29, 2005.
- (2) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007 as filed on May 30, 2007.

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**SIGNATURES**

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

LIONS GATE ENTERTAINMENT CORP.

By: /s/ James Keegan

Name: James Keegan

Title: Duly Authorized Officer and Chief  
Financial Officer

Date: February 9, 2011

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