



Department of Justice

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AT
(202) 514-2007
TTY (866) 544-5309

JUSTICE DEPARTMENT REACHES SETTLEMENT WITH CINEMARK HOLDINGS INC. AND RAVE HOLDINGS LLC MOVIE THEATERS

Divestitures of Movie Theaters in Kentucky, New Jersey and Texas Will Preserve Movie Theater Competition in Those Areas

WASHINGTON, D.C. – The Department of Justice announced today that it has reached a settlement with Cinemark Holdings Inc. and Rave Holdings LLC (Rave Cinemas) that requires Cinemark to divest movie theaters in Kentucky, New Jersey and Texas, in order to proceed with its \$220 million acquisition of Rave Cinemas movie theaters. In addition, Cinemark’s chairman is required to divest Movie Tavern Inc., which operates theaters in Ft. Worth and Denton, Texas, that compete with Rave Cinemas. The department said that the original deal is likely to lead to higher ticket prices for moviegoers and that the divestitures of theaters in Louisville, Ky., southern New Jersey, Fort Worth, and Denton or Hickory Creek, Texas, will preserve competition in those areas, benefitting consumers.

The department’s Antitrust Division and the state of Texas filed a civil lawsuit today in U.S. District Court in Washington, D.C., to block the proposed acquisition. At the same time, the department and the state of Texas filed a proposed settlement that requires the divestitures. If approved by the court, the settlement would resolve the lawsuit and the department’s and the state of Texas’ concerns about the competitive harm to consumers that would result from the acquisition.

“Cinemark’s proposed acquisition of Rave Cinemas would likely reduce competition among theaters showing first-run, commercial movies in the affected areas of Kentucky, New Jersey and Texas, causing moviegoers to pay higher ticket prices,” said Bill Baer, Assistant Attorney General in charge of the Department of Justice’s Antitrust Division. “The divestitures required by the department and the state of Texas will ensure that competition among movie theaters in the affected areas is preserved.”

According to the complaint, the movie theaters compete on multiple dimensions to attract moviegoers, such as the quality of the viewing experience, sound systems, largest screens, best picture clarity, best seating, and quality of food and drinks. More than 1 billion movie tickets were sold in the United States in 2012, with total box office revenue reaching about \$9.7 billion.

The department said that Cinemark and Rave Cinemas are each other’s most significant competitor in the area in and around Voorhees-Somerdale, N.J., and in the eastern portion of

Louisville, Ky., and that Rave Cinemas and Movie Tavern are each other's most significant competitor in the western portion of Fort Worth, Texas. In the area in and around Denton, Texas, all three companies presently operate theatres. In markets in which Movie Tavern and Rave Cinemas currently compete, the department said that Cinemark's chairman, Lee Roy Mitchell, would have an ability and financial incentive to dampen competition once Rave Cinemas was acquired by Cinemark.

The proposed acquisition would likely reduce price competition among Cinemark, Rave Cinemas and Movie Tavern in the affected markets. The complaint states that if no longer motivated to compete, Cinemark, Rave Cinemas and Movie Tavern would also have less incentive to maintain, upgrade and renovate their theaters, to improve those theaters' amenities and services and to license the most popular movies, reducing the quality of the viewing experience for the moviegoer.

The requirement to divest three movie theaters in the locations where Cinemark and Rave Cinemas are currently each other's closest competitor and to require Mitchell to divest Movie Tavern and its 16 theaters will alleviate the competitive harm to moviegoers from this transaction.

Cinemark, a Plano, Texas-based company, owns and operates 298 theaters with a total of 3,916 screens in 39 states. Its U.S. box office revenues were approximately \$1 billion in 2012.

Rave Cinemas, a Dallas-based company, owns and operates 35 movie theaters with a total of 518 screens in 12 states. Its U.S. box office revenues were approximately \$169 million in 2012.

Movie Tavern, also a Dallas-based company, owns and operates 16 movie theaters with a total of 130 screens in seven states. Its U.S. box office revenues were approximately \$31 million in 2012. Movie Tavern is owned by Alder Wood Partners L.P., a Dallas-based limited partnership controlled by Mitchell and his wife.

As required by the Tunney Act, the proposed settlement and the department's competitive impact statement will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to John R. Read, Chief, Litigation III Section, Antitrust Division, U.S. Department of Justice, 450 5th Street, N.W., Suite 4000, Washington, D.C. 20530 (telephone: 202-307-0468). At the conclusion of the 60-day comment period, the U.S. District Court for the District of Columbia may enter the proposed consent decree upon finding that it serves the public interest.

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