

REGAL ENTERTAINMENT GROUP

Form 10-Q

May 10, 2011

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2011

Commission file number: 001-31315

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**Regal Entertainment Group**

(Exact name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**7132 Regal Lane**  
**Knoxville, TN**  
(Address of Principal Executive Offices)

**02-0556934**  
(I.R.S. Employer  
Identification No.)

**37918**  
(Zip Code)

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Registrant's Telephone Number, Including Area Code: **865-922-1123**

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 (§232.405 of this chapter) 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)

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

Class A Common Stock 130,858,916 shares outstanding at May 4, 2011

Class B Common Stock 23,708,639 shares outstanding at May 4, 2011

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****REGAL ENTERTAINMENT GROUP****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions, except share data)

	March 31, 2011	December 30, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 122.2	\$ 205.3
Trade and other receivables	19.2	77.3
Income tax receivable	12.0	18.0
Inventories	13.3	14.7
Prepaid expenses and other current assets	18.5	15.9
Assets held for sale	1.7	1.2
Deferred income tax asset	9.6	14.1
<b>TOTAL CURRENT ASSETS</b>	<b>196.5</b>	<b>346.5</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Land	128.7	129.7
Buildings and leasehold improvements	1,964.5	1,973.6
Equipment	988.7	984.1
Construction in progress	7.7	5.9
Total property and equipment	3,089.6	3,093.3
Accumulated depreciation and amortization	(1,438.9)	(1,402.8)
<b>TOTAL PROPERTY AND EQUIPMENT, NET</b>	<b>1,650.7</b>	<b>1,690.5</b>
<b>GOODWILL</b>	<b>178.8</b>	<b>178.8</b>
<b>INTANGIBLE ASSETS, NET</b>	<b>21.7</b>	<b>22.2</b>
<b>DEFERRED INCOME TAX ASSET</b>	<b>87.3</b>	<b>81.2</b>
<b>OTHER NON-CURRENT ASSETS</b>	<b>188.2</b>	<b>173.4</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,323.2</b>	<b>\$ 2,492.6</b>
<b>LIABILITIES AND DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of debt obligations	\$ 17.0	\$ 95.8
Accounts payable	121.2	162.4
Accrued expenses	53.5	67.5
Deferred revenue	105.7	98.5
Interest payable	13.6	44.8
<b>TOTAL CURRENT LIABILITIES</b>	<b>311.0</b>	<b>469.0</b>
<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>1,933.9</b>	<b>1,897.7</b>
<b>LEASE FINANCING ARRANGEMENTS, LESS CURRENT PORTION</b>	<b>64.6</b>	<b>66.2</b>
<b>CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION</b>	<b>12.2</b>	<b>13.3</b>
<b>NON-CURRENT DEFERRED REVENUE</b>	<b>351.6</b>	<b>342.4</b>
<b>OTHER NON-CURRENT LIABILITIES</b>	<b>191.5</b>	<b>195.7</b>
<b>TOTAL LIABILITIES</b>	<b>2,864.8</b>	<b>2,984.3</b>
<b>DEFICIT:</b>		

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Class A common stock, \$0.001 par value; 500,000,000 shares authorized, 130,855,081 and 130,594,743 shares issued and outstanding at March 31, 2011 and December 30, 2010, respectively	0.1	0.1
Class B common stock, \$0.001 par value; 200,000,000 shares authorized, 23,708,639 shares issued and outstanding at March 31, 2011 and December 30, 2010		
Preferred stock, \$0.001 par value; 50,000,000 shares authorized; none issued and outstanding		
Additional paid-in capital (deficit)	(518.9)	(487.6)
Retained earnings (deficit)	(15.3)	9.4
Accumulated other comprehensive loss, net	(5.9)	(12.2)
<b>TOTAL STOCKHOLDERS DEFICIT OF REGAL ENTERTAINMENT GROUP</b>	<b>(540.0)</b>	<b>(490.3)</b>
Noncontrolling interest	(1.6)	(1.4)
<b>TOTAL DEFICIT</b>	<b>(541.6)</b>	<b>(491.7)</b>
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>\$ 2,323.2</b>	<b>\$ 2,492.6</b>

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**REGAL ENTERTAINMENT GROUP****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

(in millions, except share and per share data)

	<b>Quarter Ended March 31, 2011</b>	<b>Quarter Ended April 1, 2010</b>
<b>REVENUES:</b>		
Admissions	\$ 394.4	\$ 506.0
Concessions	151.3	185.0
Other operating revenues	25.2	28.8
<b>TOTAL REVENUES</b>	<b>570.9</b>	<b>719.8</b>
<b>OPERATING EXPENSES:</b>		
Film rental and advertising costs	196.2	266.7
Cost of concessions	20.5	26.7
Rent expense	93.7	94.7
Other operating expenses	175.3	198.9
General and administrative expenses (including share-based compensation of \$1.9 and \$1.5 for the quarters ended March 31, 2011 and April 1, 2010, respectively)	16.8	15.9
Depreciation and amortization	52.0	56.2
Net loss on disposal and impairment of operating assets	6.7	13.1
<b>TOTAL OPERATING EXPENSES</b>	<b>561.2</b>	<b>672.2</b>
<b>INCOME FROM OPERATIONS</b>	<b>9.7</b>	<b>47.6</b>
<b>OTHER EXPENSE (INCOME):</b>		
Interest expense, net	39.0	36.0
Loss on extinguishment of debt	21.9	
Earnings recognized from NCM	(13.6)	(16.7)
Other, net	0.4	0.8
<b>TOTAL OTHER EXPENSE (INCOME), NET</b>	<b>47.7</b>	<b>20.1</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(38.0)</b>	<b>27.5</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAXES</b>	<b>(14.3)</b>	<b>11.1</b>
<b>NET INCOME (LOSS)</b>	<b>(23.7)</b>	<b>16.4</b>
<b>NONCONTROLLING INTEREST, NET OF TAX</b>	<b>0.1</b>	<b>0.1</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST</b>	<b>\$ (23.6)</b>	<b>\$ 16.5</b>
<b>EARNINGS (LOSS) PER SHARE OF CLASS A AND CLASS B COMMON STOCK (NOTE 9):</b>		
Basic	\$ (0.15)	\$ 0.11
Diluted	\$ (0.15)	\$ 0.11
<b>AVERAGE SHARES OUTSTANDING (in thousands):</b>		
Basic	153,555	153,364
Diluted	153,555	154,769
Dividends declared per common share	\$ 0.21	\$ 0.18

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**REGAL ENTERTAINMENT GROUP****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)

	Quarter Ended March 31, 2011	Quarter Ended April 1, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (23.7)	\$ 16.4
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	52.0	56.2
Amortization of debt discount and premium, net	0.5	1.3
Amortization of debt acquisition costs	1.2	2.1
Share-based compensation expense	1.9	1.5
Deferred income tax benefit	(12.9)	(6.2)
Net loss on disposal and impairment of operating assets	6.7	13.1
Equity in earnings of non-consolidated entities and other	0.4	0.2
Excess cash distribution on NCM shares	2.9	3.3
Loss on extinguishment of debt	21.9	
Non-cash rent expense	0.8	0.6
Changes in operating assets and liabilities (excluding effects of acquisitions):		
Trade and other receivables	64.1	46.8
Inventories	1.4	(1.2)
Prepaid expenses and other assets	(2.2)	(2.7)
Accounts payable	(41.2)	(42.3)
Income taxes payable	6.2	6.1
Deferred revenue	6.0	13.1
Accrued expenses and other liabilities	(43.8)	(30.4)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>42.2</b>	<b>77.9</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(21.0)	(21.1)
Proceeds from disposition of assets	1.4	0.1
Investment in non-consolidated entities	(9.1)	(29.6)
Distributions to partnership	(0.1)	(0.1)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(28.8)</b>	<b>(50.7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash used to pay dividends	(32.5)	(27.8)
Proceeds from stock option exercises		0.5
Proceeds from issuance of Regal Entertainment Group 91/8% Senior Notes	261.3	
Cash used to redeem 6¼% Convertible Senior Notes	(74.7)	
Net payments on long-term obligations	(243.4)	(5.5)
Cash used to purchase treasury shares and other	(1.2)	(0.9)
Payment of debt acquisition costs and other	(6.0)	
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(96.5)</b>	<b>(33.7)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(83.1)</b>	<b>(6.5)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>205.3</b>	<b>328.1</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 122.2</b>	<b>\$ 321.6</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid (refunded) for income taxes	\$ (13.8)	\$ 8.2
Cash paid for interest	\$ 74.1	\$ 45.6
<b>SUPPLEMENTAL NON-CASH INVESTING ACTIVITIES:</b>		
Investment in NCM	\$ 10.4	\$ 5.9
Investment in DCIP	\$	\$ 12.6

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Investment in RealD, Inc.	\$	1.6	\$	5.7
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See accompanying notes to unaudited condensed consolidated financial statements.



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**REGAL ENTERTAINMENT GROUP**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2011 AND APRIL 1, 2010**

**1. THE COMPANY AND BASIS OF PRESENTATION**

Regal Entertainment Group (the Company, Regal, we or us) is the parent company of Regal Entertainment Holdings, Inc. ( REH ), which is the parent company of Regal Cinemas Corporation ( Regal Cinemas ) and its subsidiaries. Regal Cinemas' subsidiaries include Regal Cinemas, Inc. ( RCI ) and its subsidiaries, which include Edwards Theatres, Inc. ( Edwards ), Hoyts Cinemas Corporation ( Hoyts ) and United Artists Theatre Company ( United Artists ). The terms Regal or the Company, REH, Regal Cinemas, RCI, Edwards, Hoyts and United Artists shall be deemed to include the respective subsidiaries of such entities when used in discussions included herein regarding the current operations or assets of such entities.

Regal operates the largest theatre circuit in the United States, consisting of 6,670 screens in 535 theatres in 37 states and the District of Columbia as of March 31, 2011. The Company formally operates on a 52-week fiscal year with each quarter generally consisting of 13 weeks, unless otherwise noted. The Company's fiscal year ends on the first Thursday after December 25, which in certain years results in a 53-week fiscal year.

For a discussion of significant transactions that have occurred through December 30, 2010, please refer to the notes to the consolidated financial statements included in Part II, Item 8 of our annual report on Form 10-K filed on February 28, 2011 with the Securities and Exchange Commission (the Commission) (File No. 001-31315) for the fiscal year ended December 30, 2010 (the 2010 Audited Consolidated Financial Statements). For a summary of our significant accounting policies, please refer to Note 2 to the 2010 Audited Consolidated Financial Statements.

Total comprehensive income (loss) for the quarters ended March 31, 2011 and April 1, 2010 was \$(17.3) million and \$12.9 million, respectively. Total comprehensive income (loss) consists of net income (loss) attributable to controlling interest and other comprehensive income (loss), net of tax, related to the change in the aggregate unrealized gain/loss on the Company's interest rate swap arrangements and available-for-sale equity securities during the quarters ended March 31, 2011 and April 1, 2010. The Company's interest rate swap arrangements and available-for-sale equity securities are further described in Note 4 Debt Obligations and Note 11 Fair Value of Financial Instruments.

The Company has prepared the unaudited condensed consolidated balance sheet as of March 31, 2011 and the unaudited condensed consolidated statements of income (loss) and cash flows for the quarters ended March 31, 2011 and April 1, 2010 in accordance with U.S. generally accepted accounting principles for interim financial information and the rules and regulations of the Commission. Accordingly, certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have been made. The December 30, 2010 unaudited condensed

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consolidated balance sheet information is derived from the 2010 Audited Consolidated Financial Statements. These unaudited condensed consolidated financial statements should be read in conjunction with the 2010 Audited Consolidated Financial Statements and notes thereto. The results of operations for the quarter ended March 31, 2011 are not necessarily indicative of the operating results that may be achieved for the full 2011 fiscal year.

### 2. ACQUISITION

#### *Acquisition of Eight AMC Theatres*

On May 24, 2010 and June 24, 2010, the Company acquired eight theatres with 106 screens located in Illinois, Indiana and Colorado from an affiliate of AMC Entertainment, Inc. ( AMC ). The Company purchased five of these AMC theatres representing

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63 screens for approximately \$55.0 million in cash, subject to post-closing adjustments, and acquired the other three AMC theatres representing 43 screens in exchange for two Regal theatres consisting of 26 screens. As of the acquisition date, the exchanged Regal theatres had a net book value of approximately \$0.2 million. The Company accounted for the exchanged theatre assets as a non-monetary transaction and as such, allocated the net book value of the Regal theatres to the exchanged AMC theatres. Total cash paid of approximately \$55.0 million was directly allocated to the other five AMC theatres using the acquisition method of accounting. Accordingly, the total cash purchase price was allocated to the identifiable assets acquired and liabilities assumed for each of the respective theatre locations based on their estimated fair values at the dates of acquisition. The allocation of the purchase price is based on management's judgment after evaluating several factors, including an independent third party valuation. The results of operations of the eight acquired theatres have been included in the Company's unaudited condensed consolidated financial statements for periods subsequent to the respective acquisition dates.

The following is a summary of the preliminary allocation of the aggregate cash purchase price to the estimated fair values of the identifiable assets acquired and liabilities assumed at the respective dates of acquisition (in millions):

Property and equipment, net	\$	40.6
Intangible assets		14.4
Total purchase price	\$	55.0

The transaction included the acquisition of certain identifiable intangible assets, consisting of \$14.4 million related to favorable leases with a weighted average amortization period of 35 years. During the quarter ended March 31, 2011, the Company recognized \$0.3 million of amortization related to these intangible assets.

**3. INVESTMENTS***Investment in Digital Cinema Implementation Partners*

On February 12, 2007, we, along with AMC and Cinemark, Inc. ( Cinemark ) formed a joint venture company known as Digital Cinema Implementation Partners, LLC, a Delaware limited liability company ( DCIP ), to create a financing model and establish agreements with major motion picture studios for the implementation of digital cinema in our theatres. On March 10, 2010, DCIP executed definitive agreements and related financing transactions in connection with the conversion to digital projection. Concurrent with closing, the Company entered into a master equipment lease agreement (the Master Lease ) and other related agreements (collectively, the Digital Cinema Agreements ) with Kasima, LLC, a wholly owned subsidiary of DCIP. Upon execution of the Digital Cinema Agreements, the Company made equity contributions to DCIP of approximately \$41.7 million, consisting of \$29.1 million in cash and 200 existing digital projection systems with a fair value of approximately \$12.6 million (collectively, the DCIP Contributions ). The Company recorded such DCIP Contributions as an increase in its investment in DCIP. In connection with the contribution of its 200 existing digital projection systems, the Company recorded a loss on the contribution of \$2.0 million based on the excess of the carrying value of the digital projection systems contributed over the \$12.6 million fair value (as determined by an independent appraisal) of such equipment. Such loss was presented as a component of Net (gain) loss on disposal and impairment of operating assets in the accompanying unaudited condensed consolidated statement of income (loss) for the quarter ended April 1, 2010. In addition, during May 2010, Regal sold an additional 337 digital projection systems to DCIP for aggregate proceeds of approximately \$20.0 million. In connection with this sale, the Company recorded a loss on disposal of approximately \$2.8 million.

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After giving effect to the DCIP Contributions, the Company holds a 46.7% economic interest in DCIP as of March 31, 2011, while continuing to maintain a one-third voting interest along with each of AMC and Cinemark. Since the Company determined that it is not the primary beneficiary of DCIP or any of its subsidiaries, it will continue to account for its investment in DCIP under the equity method of accounting. The Company's investment in DCIP is included as a component of Other Non-Current Assets in the accompanying unaudited condensed consolidated balance sheets.

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The changes in the carrying amount of our investment in DCIP for the quarter ended March 31, 2011 are as follows (in millions):

Balance as of December 30, 2010	\$	32.1
Equity contributions(1)		7.9
Equity in income of DCIP(2)		0.1
Balance as of March 31, 2011	\$	40.1

- 
- (1) The Company effected additional cash investments in DCIP of approximately \$7.9 million, during the quarter ended March 31, 2011.
- (2) For the quarter ended March 31, 2011, the Company recorded a gain of \$0.1 million, representing its share of the net income of DCIP. Such amount is presented as a component of Other, net in the accompanying unaudited condensed consolidated statement of income (loss).

DCIP funds the cost of conversion to digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors, including us. In accordance with the Master Lease, the digital projection systems are leased from Kasima, LLC under a twelve-year term with ten one-year fair value renewal options. The Master Lease also contains a fair value purchase option. Under the Master Lease, the Company pays annual minimum rent of \$1,000 per digital projection system for the first six and a half years from the effective date of the agreement and is, upon certain conditions, subject to minimum annual rent of \$3,000 per digital projection system beginning at six and half years from the effective date of the agreement through the end of the lease term. The Company is also subject to various types of other rent if such digital projection systems do not meet minimum performance requirements as outlined in the Master Lease. Certain of the other rent payments are subject to either a monthly or an annual maximum. The Company accounts for the Master Lease as an operating lease for accounting purposes.

The Company has accelerated the deployment of 3D compatible digital projection systems to a majority of its first run U.S. theatres and expects to continue the accelerated 3D deployment through the first half of 2011. With respect to the Company's existing 35mm film projection equipment that is scheduled to be replaced with digital projection systems, the Company accelerates depreciation on such 35 mm film projection equipment over the expected deployment schedule since the Company plans to dispose of such equipment prior to the end of their useful lives. To that end, during the quarters ended March 31, 2011 and April 1, 2010, the Company recorded approximately \$3.6 million and \$7.0 million, respectively, of accelerated depreciation related to such 35mm film projection equipment. As of March 31, 2011, we operated 2,806 screens outfitted with digital projection systems, 2,267 of which are digital 3D capable.

### ***Investment in National CineMedia, LLC***

We maintain an investment in National CineMedia, LLC ( National CineMedia or NCM ). National CineMedia primarily concentrates on in-theatre advertising and creating complementary business lines that leverage the operating personnel, asset and customer bases of its theatrical exhibition partners, which includes us, AMC and Cinemark. As described further in Note 4 to the 2010 Audited Consolidated Financial Statements, on February 13, 2007, National CineMedia, Inc. ( NCM, Inc. ), an entity that serves as the sole manager of National CineMedia, completed an IPO of its common stock. In connection with the IPO of NCM, Inc., Regal, AMC and Cinemark amended and restated the operating agreement of National CineMedia and other ancillary agreements. The formation of National CineMedia, related IPO of NCM, Inc. and other related transactions are further described in Note 4 to the 2010 Audited Consolidated Financial Statements.

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As described further below, during the quarter ended March 31, 2011, the Company received from National CineMedia approximately 0.6 million newly issued common units of National CineMedia ( Additional Investments Tranche ) as a result of the annual adjustment provisions of the Common Unit Adjustment Agreement. The Company follows the guidance in ASC 323-10-35-29 (formerly EITF 02-18, *Accounting for Subsequent Investments in an Investee after Suspension of Equity Loss Recognition*) by analogy, which also refers to AICPA Technical Practice Aid 2220.14 which indicates that if a subsequent investment is made in an equity method investee that has experienced significant losses, the investor must determine if the subsequent investment constitutes funding of prior losses. The Company concluded that the construction or acquisition of new theatres that has led to the common unit

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adjustments included in its Additional Investments Tranche equates to making additional investments in National CineMedia. The Company evaluated the receipt of the additional common units in National CineMedia and the assets exchanged for these additional units and has determined that the right to use its incremental new screens would not be considered funding of prior losses. As such, the Additional Investments Tranche is accounted for separately from the Company's Initial Investment Tranche (as defined and described more fully in Note 4 to the 2010 Audited Consolidated Financial Statements) following the equity method with undistributed equity earnings included as a component of Earnings recognized from NCM in the accompanying unaudited condensed consolidated financial statements.

Pursuant to the terms of the tax receivable agreement described more fully in Note 4 to the 2010 Audited Consolidated Financial Statements, the Company received payments of \$6.8 million from NCM, Inc. during the quarter ended March 31, 2011 with respect to NCM, Inc.'s 2010 taxable year. During the quarter ended April 1, 2010, the Company received payments of \$7.0 million with respect to NCM, Inc.'s 2008 and 2009 taxable years. Such payments are accounted for using the equity method as described further below.

We account for our investment in National CineMedia following the equity method of accounting and such investment is included as a component of Other Non-Current Assets in the accompanying unaudited condensed consolidated balance sheets. The changes in the carrying amount of our investment in National CineMedia for the quarter ended March 31, 2011 are as follows (in millions):

Balance as of December 30, 2010	\$	68.8
Receipt of additional common units(1)		10.4
Equity in earnings attributable to additional common units(2)		0.1
Earnings recognized from National CineMedia(3)		13.5
Distributions received from National CineMedia(3)		(16.4)
Balance as of March 31, 2011	\$	76.4

- 
- (1) On March 17, 2011, we received from National CineMedia approximately 0.6 million newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. The Company recorded the additional common units (Additional Investments Tranche) at fair value using the available closing stock price of NCM, Inc. as of the date on which the units were received. With respect to the common units received on March 17, 2011, the Company recorded an increase to its investment in National CineMedia of \$10.4 million with a corresponding increase to deferred revenue. This amount is being amortized to advertising revenue over the remaining term of the exhibitor services agreement between RCI and National CineMedia (ESA) following the units of revenue method. This transaction caused a proportionate increase in the Company's Additional Investments Tranche and increased our ownership share in National CineMedia to 22.1 million common units. As a result, on a fully diluted basis, we own a 20.0% interest in NCM, Inc. as of March 31, 2011.
  - (2) The Company's share in the net income of National CineMedia with respect to the Additional Investments Tranche totaled \$0.1 million and \$0.6 million during the quarters ended March 31, 2011 and April 1, 2010, respectively. Such amounts have been included as a component of Earnings recognized from NCM in the unaudited condensed consolidated financial statements.
  - (3) During the quarters ended March 31, 2011 and April 1, 2010, the Company received \$16.4 million and \$19.4 million, respectively, in cash distributions from National CineMedia (including payments received under the tax receivable agreement). Approximately \$2.9 million and \$3.3 million of these cash distributions received during the quarters ended March 31, 2011 and April 1, 2010, respectively, were attributable to the Additional Investments Tranche and were recognized as a reduction in our investment in National CineMedia. The remaining amounts were recognized in equity earnings during each of these periods and have been included as component of Earnings recognized from NCM in the accompanying unaudited condensed consolidated financial statements.

As a result of the amendment to the ESA and related modification payment, the Company recognizes various types of other revenue from National CineMedia, including per patron and per digital screen theatre access fees, net of payments for on-screen advertising time provided to

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our beverage concessionaire, other NCM revenue and amortization of upfront ESA modification fees utilizing the units of revenue amortization method. These revenues are presented as a component of other operating revenues in the Company's unaudited condensed financial statements and consist of the following amounts (in millions):

	<b>Quarter Ended March 31, 2011</b>	<b>Quarter Ended April 1, 2010</b>
Theatre access fees per patron	\$ 3.0	\$ 3.7
Theatre access fees per digital screen	1.4	1.4
Other NCM revenue	0.6	0.6
Amortization of ESA modification fees	1.3	1.1
Payments for beverage concessionaire advertising	(3.1)	(3.7)
Total	\$ 3.2	\$ 3.1



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As of March 31, 2011, approximately \$1.8 million and \$2.1 million due from/to National CineMedia were included in Trade and other receivables, net and Accounts payable, respectively. As of December 30, 2010, approximately \$2.1 million and \$1.6 million due from/to National CineMedia were included in Trade and other receivables, net and Accounts payable, respectively.

Summarized unaudited consolidated statement of operations information for National CineMedia for the years ended December 30, 2010 and December 31, 2009 is as follows (in millions):

	<b>Year Ended December 30, 2010</b>	<b>Year Ended December 31, 2009</b>
Revenues	\$ 427.5	\$ 380.7
Income from operations	190.6	168.2
Net income	139.5	128.5

Summarized unaudited consolidated balance sheet information for National CineMedia as of December 30, 2010 and December 31, 2009 is as follows (in millions):

	<b>December 30, 2010</b>	<b>December 31, 2009</b>
Current assets	\$ 116.4	\$ 128.9
Noncurrent assets	309.6	175.5
Total assets	426.0	304.4
Current liabilities	112.1	114.5
Noncurrent liabilities	820.5	829.5
Total liabilities	932.6	944.0
Members' deficit	(506.6)	(639.6)
Liabilities and members' deficit	426.0	304.4

As of the date of this quarterly report on Form 10-Q (this Form 10-Q), no summarized financial information for National CineMedia was available for the quarter ended March 31, 2011.

### ***Other Investments***

The Company also maintains an investment in RealD, Inc., an entity specializing in the licensing of 3D technologies. The carrying value of the Company's investment in RealD, Inc. as of March 31, 2011 was approximately \$33.5 million. See Note 11 Fair Value of Financial Instruments for a discussion of fair value estimation methods and assumptions with respect to the Company's investment in RealD, Inc. The Company has recorded this investment within Other Non-Current Assets in the accompanying March 31, 2011 unaudited condensed consolidated balance sheet.

## **4. DEBT OBLIGATIONS**

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Debt obligations at March 31, 2011 and December 30, 2010 consist of the following (in millions):

	<b>March 31, 2011</b>	<b>December 30, 2010</b>
Regal Cinemas Amended Senior Credit Facility, net of debt discount	\$ 1,003.5	\$ 1,232.5
Regal 91/8% Senior Notes, including premium	535.9	275.0
Regal Cinemas 85/8% Senior Notes, net of debt discount	392.0	391.7
Regal 61/4% Convertible Senior Notes, net of debt discount		74.4
Lease financing arrangements, weighted average interest rate of 11.24%, maturing in various installments through January 2021	70.2	71.5
Capital lease obligations, 8.5% to 10.3%, maturing in various installments through December 2017	14.3	15.4
Other	11.8	12.5
Total debt obligations	2,027.7	2,073.0
Less current portion	17.0	95.8
Total debt obligations, less current portion	\$ 2,010.7	\$ 1,977.2

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**Regal Cinemas Sixth Amended and Restated Credit Agreement** As described further in Note 5 to the 2010 Audited Consolidated Financial Statements, on May 19, 2010, Regal Cinemas entered into a sixth amended and restated credit agreement (the Amended Senior Credit Facility), with Credit Suisse AG, Cayman Islands Branch, as Administrative Agent (Credit Suisse) and the lenders party thereto (the Lenders) which amended, restated and refinanced the fifth amended and restated credit agreement (the Prior Senior Credit Facility) among Regal Cinemas, Credit Suisse, Cayman Islands Branch, and the lenders party thereto. The Amended Senior Credit Facility consisted of a term loan facility (the Term Facility) in an aggregate principal amount of \$1,250.0 million with a final maturity date in November 2016 and a revolving credit facility (the Revolving Facility) in an aggregate principal amount of \$85.0 million with a final maturity date in May 2015. The obligations under the Amended Senior Credit Facility are guaranteed by certain subsidiaries of Regal Cinemas, and on a limited recourse basis by REH (collectively, the Guarantors) as described in greater detail in Note 5 to the 2010 Audited Consolidated Financial Statements.

On February 23, 2011, Regal Cinemas entered into a permitted secured refinancing agreement (the Refinancing Agreement) with Regal, the Guarantors, Credit Suisse, and the Lenders, which amends and refinances the Term Facility under the Amended Senior Credit Facility. Pursuant to the Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Term Facility in the amount of \$1,006.0 million, and in accordance therewith, the Lenders advanced term loans in an aggregate principal amount of \$1,006.0 million with a final maturity date in August 2017 (the New Term Loans). Together with other amounts provided by Regal Cinemas, proceeds of the New Term Loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the Term Facility under the Amended Senior Credit Facility in effect immediately prior to the making of the New Term Loans.

In addition to extending the maturity date of the New Term Loans, the Refinancing Agreement also amends the Amended Senior Credit Facility by reducing the interest rate on the New Term Loans, by providing, at Regal Cinemas' option, either a base rate or an adjusted LIBOR rate plus, in each case, an applicable margin that is determined according to the consolidated leverage ratio of Regal Cinemas and its subsidiaries. Such applicable margin will be either 2.00% or 2.25% in the case of base rate loans and either 3.00% or 3.25% in the case of LIBOR rate loans. The Refinancing Agreement also amends the Second Amended and Restated Guaranty and Collateral Agreement, dated May 19, 2010, to exclude Margin Stock (as such term is defined therein) from the grant of the security interest in the Collateral (as such term is defined therein) used to secure the obligations under the Amended Senior Credit Facility.

In connection with the additional offerings of the Company's 91/8% Senior Notes (defined below) during the quarter ended March 31, 2011 described below, the Company used a portion of the net proceeds (approximately \$234.6 million in the aggregate) to repay a portion of the Amended Senior Credit Facility. As a result of this repayment, coupled with the execution of the Refinancing Agreement, the Company recorded an aggregate loss on debt extinguishment of approximately \$21.9 million during the quarter ended March 31, 2011.

As of March 31, 2011 and December 30, 2010, borrowings of \$1,003.5 million and \$1,232.5 (net of debt discount), respectively, were outstanding under the New Term Loans at an effective interest rate of 5.56% (as of March 31, 2011) and 5.42% (as of December 30, 2010), after the impact of the interest rate swaps described below is taken into account.

**Regal 91/8% Senior Notes** On August 10, 2010, Regal entered into an Underwriting Agreement with Credit Suisse Securities (USA) LLC, Barclays Capital Inc., Banc of America Securities LLC and Deutsche Bank Securities Inc., as the

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representatives of the underwriters, with respect to the Company's issuance and sale of \$275.0 million in aggregate principal amount of the Company's 9 1/8% Senior Notes due 2018 (the "9 1/8% Senior Notes"). On August 16, 2010, the Company issued the 9 1/8% Senior Notes under the Indenture with Wells Fargo Bank, National Association, as trustee (the "Trustee"). The net proceeds from the offering, after deducting offering expenses paid by the Company, were approximately \$269.5 million. The Company used a portion of the net proceeds from the offering to repurchase a portion of the 6 1/4% Convertible Senior Notes as described below under the heading "Regal 6 1/4% Convertible Senior Notes."

On January 4, 2011, Regal issued and sold \$150.0 million in aggregate principal amount of the Company's 9 1/8% Senior Notes at a price equal to 104.5% of their face value. The notes were issued under an existing Indenture entered into by and between the Company and the Trustee, as supplemented by the First Supplemental Indenture, dated January 7, 2011. In addition, on February 10, 2011, Regal issued and sold \$100.0 million in aggregate principal amount of the Company's 9 1/8% Senior Notes at a price equal to 104.5% of their face value. The notes were issued on February 15, 2011 under an existing Indenture entered into by and between the Company and the Trustee, as supplemented by the First Supplemental Indenture, dated January 7, 2011 and the Second Supplemental Indenture, dated February 15, 2011. The notes issued in 2011 constitute additional securities under the existing Indenture and are treated as a single series with, and have the same terms as, and will be fungible with, the \$275.0 million aggregate principal amount of the Company's 9 1/8% Senior Notes previously issued under the Indenture in 2010. The net proceeds from the 2011 offerings, after deducting underwriting discounts and commissions by the Company, were approximately \$257.8 million. The Company used a portion of the net proceeds from the 2011 offerings (\$234.6 million) to repay a portion of the Amended Senior Credit Facility.

The 9 1/8% Senior Notes bear interest at a rate of 9.125% per year, payable semiannually in arrears in cash on February 15 and August 15 of each year. The 9 1/8% Senior Notes mature on August 15, 2018. The 9 1/8% Senior Notes are the Company's senior unsecured obligations. They rank on parity with all of the Company's existing and future senior unsecured indebtedness and prior to all of the Company's subordinated indebtedness. The 9 1/8% Senior Notes are effectively subordinated to all of the Company's future secured indebtedness to the extent of the assets securing that indebtedness and to any indebtedness and other liabilities of the Company's subsidiaries. None of the Company's subsidiaries initially guarantee any of the Company's obligations with respect to the 9 1/8% Senior Notes.

Prior to August 15, 2014, the Company may redeem all or any part of the 9 1/8% Senior Notes at its option at 100% of the principal amount plus a make-whole premium. The Company may redeem the 9 1/8% Senior Notes in whole or in part at any time on or after August 15, 2014 at the redemption prices specified in the Indenture. In addition, prior to August 15, 2013, the Company may redeem up to 35% of the original aggregate principal amount of the 9 1/8% Senior Notes from the net proceeds of certain equity offerings at the redemption price specified in the Indenture.

If the Company undergoes a change of control (as defined in the Indenture), holders may require the Company to repurchase all or a portion of their 9 1/8% Senior Notes at a price equal to 101% of the principal amount of the 9 1/8% Senior Notes being repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

The Indenture contains covenants that limit the Company's (and its restricted subsidiaries') ability to, among other things: (i) incur additional indebtedness; (ii) pay dividends on or make other distributions in respect of its capital stock, purchase or redeem capital stock, or purchase, redeem or otherwise acquire or retire certain subordinated obligations; (iii) enter into certain transactions with affiliates; (iv) permit, directly or indirectly, it to create, incur, or suffer to exist any lien, except in certain circumstances; (v) create or permit encumbrances or restrictions on its ability to pay dividends or make distributions on its capital stock, make loans or advances to its subsidiaries (or the Company), or transfer any properties or assets to its subsidiaries (or the Company); and (vi) merge or consolidate with other companies or transfer all or substantially all of its assets. These covenants are, however, subject to a number of important limitations and exceptions. The Indenture contains other customary terms, including, but not limited to, events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding 9 1/8% Senior Notes to be due and payable immediately.

**Regal Cinemas 85/8% Senior Notes** On July 15, 2009, Regal Cinemas issued \$400.0 million in aggregate principal amount of the 85/8% Senior Notes due 2019 (the 85/8% Senior Notes ) at a price equal to 97.561% of their face value in a transaction exempt

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from registration under the Securities Act of 1933, as amended (the Securities Act ). Interest on the 85/8% Senior Notes is payable semi-annually in arrears on July 15 and January 15 of each year, beginning on January 15, 2010. The 85/8% Senior Notes will mature on July 15, 2019.

The 85/8% Senior Notes are Regal Cinemas' general senior unsecured obligations and rank equally in right of payment with all of its existing and future senior unsecured indebtedness; and senior in right of payment to all of Regal Cinemas' existing and future subordinated indebtedness. The 85/8% Senior Notes are effectively subordinated to all of Regal Cinemas' existing and future secured indebtedness, including all borrowings under the Amended Senior Credit Facility, to the extent of the value of the collateral securing such indebtedness, and are structurally subordinated to all existing and future indebtedness and other liabilities of any of Regal Cinemas' subsidiaries that are not guarantors of the 85/8% Senior Notes.

The 85/8% Senior Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by Regal and all of Regal Cinemas' existing and future domestic restricted subsidiaries that guarantee its other indebtedness (collectively, with Regal, the Note Guarantors ). The guarantees of the 85/8% Senior Notes are the Note Guarantors' general senior unsecured obligations and rank equally in right of payment with all of the Note Guarantors' existing and future senior unsecured indebtedness, including the 91/8% Senior Notes, and rank senior in right of payment to all of the Note Guarantors' existing and future subordinated indebtedness. The 85/8% Senior Notes are effectively subordinated to all of the Note Guarantors' existing and future secured indebtedness, including the guarantees under the Amended Senior Credit Facility, to the extent of the value of the collateral securing such indebtedness, and are structurally subordinated to all existing and future indebtedness and other liabilities of any of the Note Guarantors' subsidiaries that is not a guarantor of the 85/8% Senior Notes.

**Regal 61/4% Convertible Senior Notes** As further described in Note 5 to the 2010 Audited Consolidated Financial Statements, on March 10, 2008, Regal issued \$200.0 million aggregate principal amount of 61/4% convertible senior notes due March 15, 2011 (the 61/4% Convertible Senior Notes ).

Subsequent to the issuance of the 91/8% Senior Notes described above, during the year ended December 30, 2010 ( fiscal 2010 ), the Company used a portion of the net proceeds from the offering to repurchase a total of approximately \$125.3 million aggregate principal amount of the 61/4% Convertible Senior Notes, in a series of privately negotiated transactions. As a result of the repurchases, the Company recorded a \$5.2 million loss on debt extinguishment fiscal 2010. During March 2011, we redeemed the remaining \$74.7 million aggregate principal amount of the 61/4% Convertible Senior Notes at a redemption price of 100% of their principal amount, plus accrued interest.

During the quarters ended March 31, 2011 and April 1, 2010, the Company recorded approximately \$0.3 million and \$1.1 million, respectively, of non-cash interest expense on the 61/4% Convertible Senior Notes. The amount of contractual coupon interest recognized on the 61/4% Convertible Senior Notes during the same periods was approximately \$1.0 million and \$3.1 million, respectively.

### **Interest Rate Swaps**

As described in Note 5 to the 2010 Audited Consolidated Financial Statements, during the year ended December 31, 2009 ( fiscal 2009 ), Regal Cinemas entered into four additional hedging relationships via four distinct interest rate swap agreements with maturity terms of two to three years each from the respective effective dates of the swaps, which require Regal Cinemas to pay interest at fixed rates ranging from 2.15% to 2.53% and receive interest at a variable rate. These four interest rate swap agreements were designated to hedge approximately \$1,000.0 million

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of variable rate debt obligations at an effective rate of approximately 5.57% as of March 31, 2011 and 5.82% as of December 30, 2010.

Under the terms of the Company's effective interest rate swap agreements as of March 31, 2011, Regal Cinemas pays interest at various fixed rates ranging from 2.15% to 2.53% and receives interest at a variable rate based on the 3-month LIBOR. The 3-month LIBOR rate on each reset date determines the variable portion of the interest rate-swaps for the following three-month period. The interest rate swaps settle any accrued interest for cash on the last day of each calendar quarter, until expiration. At such dates, the differences to be paid or received on the interest rate swaps will be included in interest expense. No premium or discount was

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incurred upon the Company entering into the interest rate swaps, because the pay and receive rates on the interest rate swaps represented prevailing rates for each counterparty at the time the interest rate swaps were entered into. The interest rate swaps qualify for cash flow hedge accounting treatment and as such, the Company has effectively hedged its exposure to variability in the future cash flows attributable to the 3-month LIBOR on approximately \$1,000.0 million of variable rate obligations. The change in the fair values of the interest rate swaps is recorded on the Company's consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps' gains or losses reported as a component of other comprehensive income (loss) and the ineffective portion reported in earnings (interest expense). As interest expense is accrued on the debt obligation, amounts in accumulated other comprehensive income (loss) related to the designated hedging instruments (the four interest rate swaps) will be reclassified into earnings to obtain a net cost on the debt obligation equal to the effective yield of the fixed rate of each swap.

See Note 11 Fair Value of Financial Instruments for discussion of the Company's interest rate swaps' fair value estimation methods and assumptions.

**Other Long-Term Obligations** Other long-term obligations not explicitly discussed herein are described in Note 5 to the 2010 Audited Consolidated Financial Statements and incorporated by reference herein.

## 5. INCOME TAXES

The provision for (benefit from) income taxes of \$(14.3) million and \$11.1 million for the quarters ended March 31, 2011 and April 1, 2010, respectively, reflect effective tax rates of approximately 37.6% and 40.4%, respectively. The decrease in the effective tax rate for the quarter ended March 31, 2011 is primarily attributable to the state tax effects of the \$21.9 million (\$13.6 million after related tax effects) loss on debt extinguishment associated with the Amended Senior Credit Facility recorded during the quarter ended March 31, 2011 and the accrual of interest on uncertain tax positions with state taxing authorities. The effective tax rates for the quarters ended March 31, 2011 and April 1, 2010 also reflect the impact of certain non-deductible expenses and income tax credits.

In assessing the realizable value of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. The Company has recorded a valuation allowance against deferred tax assets at March 31, 2011 and December 30, 2010, totaling \$15.6 million as management believes it is more likely than not that certain deferred tax assets will not be realized in future tax periods. Future reductions in the valuation allowance associated with a change in management's determination of the Company's ability to realize these deferred tax assets will result in a decrease in the provision for income taxes.

The Company and its subsidiaries collectively file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is not subject to U.S. federal examinations by tax authorities for years before 2007, and with limited exceptions, is not subject to state income tax examinations for years before 2006. However, the taxing authorities still have the ability to review the propriety of tax attributes created in closed tax years if such tax attributes are utilized in an open tax year.

## 6. CAPITAL STOCK AND SHARE-BASED COMPENSATION



*Capital Stock*

As of March 31, 2011, the Company's authorized capital stock consisted of:

- 500,000,000 shares of Class A common stock, par value \$0.001 per share;
- 200,000,000 shares of Class B common stock, par value \$0.001 per share; and
- 50,000,000 shares of preferred stock, par value \$0.001 per share.

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Of the authorized shares of Class A common stock, 18.0 million shares were sold in connection with the Company's initial public offering in May 2002. The Company's Class A common stock is listed on the New York Stock Exchange under the trading symbol RGC. As of March 31, 2011, 130,855,081 shares of Class A common stock were outstanding. Of the authorized shares of Class B common stock, 23,708,639 shares were outstanding as of March 31, 2011, all of which are held by Anschutz Company (Anschutz). Each share of Class B common stock converts into a single share of Class A common stock at the option of the holder or upon certain transfers of a holder's Class B common stock. Each holder of Class B common stock is entitled to ten votes for each outstanding share of Class B common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Of the authorized shares of the preferred stock, no shares were issued and outstanding as of March 31, 2011. The Class A common stock is entitled to a single vote for each outstanding share of Class A common stock on every matter properly submitted to the stockholders for a vote. Except as required by law, the Class A and Class B common stock vote together as a single class on all matters submitted to the stockholders. The material terms and provisions of the Company's certificate of incorporation affecting the relative rights of the Class A common stock and the Class B common stock are described in Note 9 to the 2010 Audited Consolidated Financial Statements.

***Warrants***

No warrants to acquire the Company's Class A or Class B common stock were outstanding as of March 31, 2011.

***Share-Based Compensation***

In 2002, the Company established the Regal Entertainment Group 2002 Stock Incentive Plan (the Incentive Plan), which provides for the granting of incentive stock options and non-qualified stock options to officers, employees and consultants of the Company. As described below under Restricted Stock and Performance Share Units, the Incentive Plan also provides for grants of restricted stock and performance shares that are subject to restrictions and risks of forfeiture. Readers should refer to Note 9 to the 2010 Audited Consolidated Financial Statements for additional information related to these awards and the Incentive Plan.

***Stock Options***

As of March 31, 2011, options to purchase a total of 518,571 shares of Class A common stock were outstanding under the Incentive Plan, and 968,134 shares remain available for future issuance under the Incentive Plan. There were no stock options granted during the quarters ended March 31, 2011 and April 1, 2010 and no compensation expense related to stock options was recorded during the quarters ended March 31, 2011 and April 1, 2010.

We receive a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the stock is sold over the exercise price of the options. We are required to report excess tax benefits from the award of equity instruments as financing cash flows. Excess tax benefits are recorded when a deduction reported for tax return purposes for an award of equity instruments exceeds the cumulative compensation cost for the instruments recognized for financial reporting purposes. For the quarter ended March 31, 2011, our unaudited condensed consolidated statement of cash flows reflects less than \$0.1 million of excess tax benefits as financing cash flows. Net cash proceeds from the exercise of stock options were less than \$0.1 million for the quarter ended March 31, 2011. The actual income tax benefit realized from stock option exercises was approximately \$0.1 million for the same period. For the quarter ended April 1, 2010, our

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unaudited condensed consolidated statement of cash flows reflects less than \$0.1 million of excess tax benefits as financing cash flows. Net cash proceeds from the exercise of stock options were \$0.5 million for the quarter ended April 1, 2010. The actual income tax benefit realized from stock option exercises was approximately \$0.1 million for the same period.

The following table represents stock option activity for the quarter ended March 31, 2011:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Contract Life (Yrs.)</b>
Outstanding options at beginning of period	526,742	\$ 8.38	1.80
Granted during the period			
Exercised during the period	(8,171)	3.63	
Forfeited during the period			
Outstanding options at end of period	518,571	8.46	1.55
Exercisable options at end of period	518,571	8.46	1.55

Table of Contents*Restricted Stock*

As described in Note 9 to the 2010 Audited Consolidated Financial Statements, the Company maintains the Incentive Plan which provides for restricted stock awards to officers, directors and key employees. Under the Incentive Plan, shares of Class A common stock of the Company may be granted at nominal cost to officers, directors and key employees, subject to a continued employment restriction. On January 12, 2011, 349,856 restricted shares were granted under the Incentive Plan at nominal cost to officers, directors and key employees. These awards vest 25% at the end of each year for four years in the case of officers and key employees and vest 100% at the end of one year in the case of directors. The closing price of our Class A common stock on the date of this grant was \$12.21 per share.

During the quarter ended March 31, 2011, the Company withheld approximately 96,630 shares of restricted stock at an aggregate cost of approximately \$1.2 million, as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements related to the vesting of 316,803 restricted stock awards.

During each of the quarters ended March 31, 2011 and April 1, 2010, the Company recognized approximately \$1.1 million, respectively, of share-based compensation expense related to restricted share grants. Such expense is presented as a component of General and administrative expenses. The compensation expense for these awards was determined based on the market price of our stock at the date of grant applied to the total numbers of shares that were anticipated to fully vest. As of March 31, 2011, we have unrecognized compensation expense of \$10.4 million associated with restricted stock awards.

The following table represents the restricted stock activity for the quarter ended March 31, 2011:

Unvested at beginning of period	971,110
Granted during the period	349,856
Vested during the period	(316,803)
Forfeited during the period	(1,059)
Unvested at end of period	1,003,104

During the quarter ended March 31, 2011, the Company paid one cash dividend of \$0.21 on each share of outstanding restricted stock totaling approximately \$0.2 million. During the quarter ended April 1, 2010, the Company paid one cash dividend of \$0.18 on each share of outstanding restricted stock totaling approximately \$0.2 million.

*Performance Share Units*

The Incentive Plan also provides for grants in the form of performance share units to officers, directors and key employees. Performance share agreements are entered into between the Company and each grantee of performance share units (each, a Performance Agreement). Our original Performance Agreement covered performance share grants issued through the year ended January 1, 2009, and is described in Note 9 to the 2010 Audited Consolidated Financial Statements (each, a 2006 Performance Agreement).

In 2009, we adopted an amended and restated form of Performance Agreement (each, a 2009 Performance Agreement ). On January 12, 2011, 376,902 performance shares were granted under our Incentive Plan at nominal cost to officers and key employees. Under the 2009 Performance Agreement, which is described in the section entitled Compensation Discussion and Analysis Elements of Compensation Performance Shares, of our 2011 proxy statement, each performance share represents the right to receive from 0% to 150% of the target numbers of shares of restricted Class A common stock. The number of shares of restricted common stock earned will be determined based on the attainment of specified performance goals by January 12, 2014 (the third anniversary of the grant date) set forth in the 2009 Performance Agreement. Such performance shares vest on January 12, 2015

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(the fourth anniversary of their respective grant date). The shares are subject to the terms and conditions of the Incentive Plan. The closing price of our Class A common stock on the date of this grant was \$12.21 per share, which approximates the respective grant date fair value of the awards.

Pursuant to the terms and conditions of the 2006 and 2009 Performance Agreements, grantees will be issued shares of restricted common stock of the Company in an amount determined by the attainment of Company performance criteria set forth in such Performance Agreement. The shares of restricted common stock received upon attainment of the performance criteria will be subject to further vesting over a period of time, provided the grantee remains a service provider to the Company during such period.

During the quarters ended March 31, 2011 and April 1, 2010, the Company recognized approximately \$0.8 million and \$0.4 million, respectively, of share-based compensation expense related to performance share grants. Such expense is presented as a component of General and administrative expenses. As of March 31, 2011, we have unrecognized compensation expense of \$11.7 million associated with performance share units. During the quarter ended March 31, 2011, 173,451 performance share awards were effectively cancelled. These awards were scheduled to vest on January 10, 2011, the one-year anniversary of the calculation date. As of the calculation date, which was January 10, 2010, threshold performance goals were not satisfied, and therefore, all 173,451 restricted shares under this performance grant were cancelled as of January 10, 2011.

The following table summarizes information about the Company's number of performance shares for the quarter ended March 31, 2011:

Unvested at beginning of period	1,115,363
Granted (based on target) during the period	376,902
Cancelled/forfeited during the period	(175,549)
Unvested at end of period	1,316,716

The above table does not reflect the maximum or minimum number of shares of restricted stock contingently issuable. An additional 0.7 million shares of restricted stock could be issued providing the performance criteria maximums are met.

**7. COMMITMENTS AND CONTINGENCIES**

Our theatres must comply with Title III of the Americans with Disabilities Act of 1990 (the ADA) to the extent that such properties are public accommodations and/or commercial facilities as defined by the ADA. Compliance with the ADA requires that public accommodations reasonably accommodate individuals with disabilities and that new construction or alterations made to commercial facilities conform to accessibility guidelines unless structurally impracticable for new construction or technically infeasible for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines, awards of damages to private litigants and additional capital expenditures to remedy such non-compliance.

In prior years, private litigants and the Department of Justice (DOJ) had filed claims against us or our subsidiaries alleging that a number of our theatres with stadium seating violated the ADA because these theatres allegedly failed to provide wheelchair-bound patrons with lines of sight

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comparable to those available to other members of the general public and denied persons in wheelchairs access to the stadium portion of the theatres. On June 8, 2005, Regal reached an agreement with the DOJ resolving and dismissing the private litigants' claims and all claims made by the United States under the ADA. On December 9, 2010, the parties renewed the Consent Decree for another three year term. From time to time, we receive claims that the stadium seating offered by our theatres allegedly violates the ADA. In these instances, we seek to resolve or dismiss these claims based on the terms of the DOJ settlement or under applicable ADA standards.

We believe that we are in substantial compliance with all current applicable regulations relating to accommodations for the disabled. We intend to comply with future regulations in this regard and except as set forth above, we do not currently anticipate that compliance will require us to expend substantial funds.

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In addition, we, from time to time, receive letters from the state officials in states where we operate theatres regarding investigation into the accessibility of our theatres to persons with visual impairments or the deaf and hard of hearing. In addition, on July 20, 2010, the DOJ issued Advance Notice of Proposed Rulemaking concerning the provision of closed captioning and descriptive audio within the theatre environment. Significantly, this is the first time the DOJ has stated that while open captioning may not be required by the ADA, closed captioning is so required. We believe we provide the members of the visually and hearing impaired communities with reasonable access to the movie-going experience but are further evaluating our options in the digital format and potential compliance issues related to same.

Our theatre operations are also subject to federal, state and local laws governing such matters as wages, working conditions, citizenship and health and sanitation and environmental protection requirements. On December 9, 2010, we learned that the District Attorney for Kings County, New York, filed a criminal complaint against the Company and the manager of the Company's theater located at 3907 Shore Parkway, Brooklyn, New York (the Sheepshead Bay Theater). The complaint alleges, among other things, that there were multiple instances where sewage from the Sheepshead Bay Theater was released into the waters of the State of New York without a valid permit. The actual costs that will be incurred in connection with this action cannot be quantified at this time and will depend on many unknown factors. While the Company intends to vigorously defend these matters, the Company cannot predict the outcome; however, it is likely that settlement would include a monetary penalty, although an amount cannot be predicted. These matters are subject to inherent uncertainties and management's view of these matters may change in the future. We believe that we are in substantial compliance with all relevant laws and regulations.

We and certain of our subsidiary corporations are also presently involved in various legal proceedings arising in the ordinary course of our business operations, including, but not limited to, personal injury claims, employment and contractual matters. We believe we have adequately provided for the litigation or settlement of such matters. Management believes any additional liability with respect to these claims and disputes will not be material in the aggregate to our consolidated financial position, results of operations or cash flows.

## **8. RELATED PARTY TRANSACTIONS**

During the quarters ended March 31, 2011 and April 1, 2010, Regal Cinemas incurred less than \$0.1 million of expenses payable to Anschutz affiliates for certain advertising services. Also during the quarters ended March 31, 2011 and April 1, 2010, Regal Cinemas received less than \$0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility.

During the quarters ended March 31, 2011 and April 1, 2010, the Company received approximately \$0.1 million and \$0.1 million, respectively, from an Anschutz affiliate for management fees related to a theatre site in Los Angeles, California. As of December 31, 2009, the Company was due approximately \$0.6 million from the Anschutz affiliate related to certain reimbursable costs (primarily pre-opening costs) associated with the theatre. This amount was paid to Regal during the quarter ended April 1, 2010.

## **9. EARNINGS (LOSS) PER SHARE**

We compute earnings (loss) per share of Class A and Class B common stock using the two-class method. Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted average number of common shares and, if dilutive, common stock equivalents outstanding during the period. Potential common stock equivalents consist of the incremental common shares issuable upon the exercise of common stock options, restricted stock and performance



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shares, the assumed conversion of the 6¼% Convertible Senior Notes and the 2008 Warrant issued in connection with the 6¼% Convertible Senior Notes. The dilutive effect of outstanding stock options, restricted shares, performance shares and the warrant issued in connection with the 6¼% Convertible Senior Notes is reflected in diluted earnings (loss) per share by application of the treasury-stock method. The dilutive effect of assumed conversion of the 6¼% Convertible Senior Notes is reflected in diluted earnings (loss) per share by application of the if-converted method. In addition, the computation of the diluted earnings (loss) per share of Class A common stock assumes the conversion of Class B common stock, while the diluted earnings (loss) per share of Class B common stock does not assume the conversion of those shares. Since the Company reported a net loss attributable to controlling interest of \$(23.6) million for the quarter ended March 31, 2011, the impact of

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potential common stock equivalents described above were not included in the computation of diluted net loss per common share because the effect would have been antidilutive.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are identical, except with respect to voting. The undistributed earnings (loss) for the periods presented are allocated based on the contractual participation rights of the Class A and Class B common shares as if the earnings (loss) for the periods presented had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings (loss) are allocated on a proportionate basis. Further, as we assume the conversion of Class B common stock in the computation of the diluted earnings (loss) per share of Class A common stock, the undistributed earnings (loss) are equal to net income attributable to controlling interest for that computation.

The following table sets forth the computation of basic and diluted earnings (loss) per share of Class A and Class B common stock (in millions, except share and per share data):

	Quarter Ended March 31, 2011		Quarter Ended April 1, 2010	
	Class A	Class B	Class A	Class B
Basic earnings (loss) per share:				
Numerator:				
Allocation of undistributed earnings (loss)	\$ (20.0)	\$ (3.6)	\$ 13.9	\$ 2.6
Denominator:				
Weighted average common shares outstanding (in thousands)	129,846	23,709	129,655	23,709
Basic earnings (loss) per share	\$ (0.15)	\$ (0.15)	\$ 0.11	\$ 0.11
Numerator:				
Allocation of undistributed earnings (loss) for basic computation	\$ (20.0)	\$ (3.6)	\$ 13.9	\$ 2.6
Reallocation of undistributed earnings (loss) as a result of conversion of Class B to Class A shares	(3.6)		2.6	
Reallocation of undistributed earnings (loss) to Class B shares for effect of other dilutive securities		(1)		
Interest expense on 6¼% Convertible Senior Notes		(1)		(1)
Allocation of undistributed earnings (loss)	\$ (23.6)	\$ (3.6)	\$ 16.5	\$ 2.6
Denominator:				
Number of shares used in basic computation (in thousands)	129,846	23,709	129,655	23,709
Weighted average effect of dilutive securities (in thousands)				
Add:				
Conversion of Class B to Class A common shares outstanding	23,709		23,709	
Stock options	(1)		171	
Restricted stock and performance shares	(1)		1,234	
Conversion of 6¼% Convertible Senior Notes	(1)		(1)	
Number of shares used in per share computations (in thousands)	153,555	23,709	154,769	23,709
Diluted earnings (loss) per share	\$ (0.15)	\$ (0.15)	\$ 0.11	\$ 0.11

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(1) No amount reported as the impact on earnings (loss) per share of Class A common stock would have been antidilutive.

#### **10. RECENT ACCOUNTING PRONOUNCEMENTS**

In January 2010, the FASB issued Accounting Standards Update ( ASU ) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements*, ( ASU 2010-06 ). This Update provides a greater level of disaggregated information and enhanced disclosures about valuation techniques and inputs to fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 and became effective for the Company as of April 1, 2010 except for certain disclosure requirements. Disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, and

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for interim periods within those fiscal years and is effective for the Company as of the beginning of fiscal 2011.

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The inputs used to develop these fair value measurements are established in a hierarchy, which ranks the quality and reliability of the information used to determine fair value. The fair value classification is based on levels of inputs. Assets and liabilities that are carried at fair value are classified and disclosed in one of the following categories described in ASC Topic 820, *Fair Value Measurements and Disclosures*:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The following table summarizes the fair value hierarchy of the Company's financial assets and liabilities carried at fair value on a recurring basis as of March 31, 2011:

	Total Carrying Value at March 31, 2011	Fair Value Measurements at March 31, 2011 Using		
		Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(in millions)				
<b>Assets:</b>				
Equity securities, available-for-sale(1)	\$ 33.5	\$	\$ 33.5	\$
Total assets at fair value	\$ 33.5	\$	\$ 33.5	\$
<b>Liabilities:</b>				
Interest rate swaps(2)	\$ 19.4	\$	\$ 19.4	\$
Total liabilities at fair value	\$ 19.4	\$	\$ 19.4	\$

(1) The Company maintains an investment in RealD, Inc., an entity specializing in the licensing of 3D technologies. In connection with the RealD, Inc. motion picture license agreement, the Company received a ten-year option to purchase 1,222,780 shares of RealD, Inc. common stock at approximately \$0.00667 per share. The stock options vest in three tranches upon the achievement of screen installation targets. During fiscal 2010, the Company vested in all three tranches to purchase a total of 1,222,780 shares of RealD, Inc. common stock. The Company exercised its right to purchase shares of RealD, Inc. common stock during December 2010. The held shares of RealD, Inc. stock are accounted for as available-for-sale equity securities and are recorded in the consolidated balance sheet in Other Non-Current Assets with a corresponding amount recorded to Other Non-Current Liabilities on the dates at which the options vested. The amount recorded in Other non-current liabilities is being amortized on a straight-line basis to reduce RealD licensing expense recorded in Other operating expenses in the accompanying unaudited condensed consolidated statements of income (loss). Recurring fair value adjustments to these shares are recorded to Other Non-Current Assets with a corresponding entry to Accumulated other comprehensive loss on a quarterly basis. The fair value of the RealD, Inc. shares is determined using RealD, Inc.'s publicly traded common stock price, which falls under Level 2 of the valuation hierarchy, after consideration of the lock-up period to which the Company is subject. As of March 31, 2011, the carrying value of the RealD, Inc. shares held by the Company was approximately \$33.5 million. The corresponding amounts recorded in Accrued expenses, Other Non-Current

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Liabilities and Accumulated other comprehensive loss, net were \$1.8 million, \$20.1 million and \$5.9 million (net of tax), respectively. The amount recorded in Other non-current liabilities is being amortized on a straight-line basis to reduce RealD, Inc. license expense. Such amortization totaled \$0.9 million for the quarter ended March 31, 2011.

(2) The fair value of the Company's interest rate swaps described in Note 4 Debt Obligations is based on Level 2 inputs, which include observable inputs such as dealer quoted prices for similar assets or liabilities, and represents the estimated amount Regal Cinemas would receive or pay to terminate the agreements taking into consideration various factors, including current interest rates, credit risk and counterparty credit risk. The counterparties to the Company's interest rate swaps are major financial institutions. The Company evaluates the bond ratings of the financial institutions and believes that credit risk is at an acceptably low level. As of March 31, 2011, the aggregate fair value of the Company's four interest rate swaps was determined to be approximately \$(19.4) million, which was recorded as components of Other Non-Current Liabilities (\$17.6 million) and Accrued expenses (\$1.8 million) with a corresponding amount of \$(11.8) million, net of tax, recorded to Accumulated other comprehensive loss, net. As of December 30, 2010, the aggregate fair value of the Company's four interest rate swaps was determined to be approximately \$(28.2) million, which was recorded as components of Other non-current liabilities (\$24.6 million) and Accrued expenses (\$3.6 million) with a corresponding amount of \$(17.1) million, net of tax, recorded to Accumulated other comprehensive loss, net. These interest rate swaps exhibited no

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ineffectiveness during the quarters ended March 31, 2011 and April 1, 2010, the net gain (loss) on the swaps of \$5.4 million and \$(3.6) million, respectively, were reported as a component of other comprehensive loss for the quarters ended March 31, 2011 and April 1, 2010.

In addition, the Company is required to disclose the fair value of financial instruments that are not recognized in the statement of financial position for which it is practicable to estimate that value. The methods and assumptions used to estimate the fair value of each class of financial instrument are as follows:

*Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities:*

The carrying amounts approximate fair value because of the short maturity of these instruments.

*Long term obligations, excluding capital lease obligations, lease financing arrangements and other:*

The fair value of the Amended Senior Credit Facility described in Note 4 Debt Obligations, which consists of the New Term Loans and the Revolving Facility, is estimated based on quoted prices (Level 2 inputs as described in ASC Topic 820) as of March 31, 2011 and December 30, 2010. The associated interest rates are based on floating rates identified by reference to market rates and are assumed to approximate fair value. The fair values of the 91/8% Senior Notes, the 85/8% Senior Notes and the 6¼% Convertible Senior Notes are estimated based on quoted prices (Level 1 inputs as described in ASC Topic 820) for these issuances as of March 31, 2011 and December 30, 2010. The aggregate carrying values and fair values of long-term debt at March 31, 2011 and December 30, 2010 consist of the following:

	<b>March 31, 2011</b>	<b>December 30, 2010</b>
	<b>(in millions)</b>	
Carrying value	\$ 1,931.4	\$ 1,973.6
Fair value	\$ 2,003.8	\$ 2,026.6

**12. SUBSEQUENT EVENTS**

On April 28, 2011, the Company declared a cash dividend of \$0.21 per share on each share of the Company's Class A and Class B common stock (including outstanding restricted stock), payable on June 15, 2011, to stockholders of record on June 3, 2011.

**13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

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On July 15, 2009, Regal Cinemas issued \$400.0 million in aggregate principal amount of the 85/8% Senior Notes. The 85/8% Senior Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by Regal and all of Regal Cinemas' existing and future domestic restricted subsidiaries that guarantee Regal Cinemas' other indebtedness (the "Subsidiary Guarantors").

The following condensed consolidating financial information, which has been prepared in accordance with the requirements for presentation of Rule 3-10(d) of Regulation S-X promulgated by the Commission, presents the condensed consolidating financial information separately for:

- (i) Regal, which is a guarantor of the 85/8% Senior Notes;
- (ii) Regal Cinemas, which is the issuer of the 85/8% Senior Notes;
- (iii) The Subsidiary Guarantors, on a combined basis, which are guarantors of the 85/8% Senior Notes;
- (iv) The non-guarantor subsidiaries, on a combined basis, which are not guarantors of the 85/8% Senior Notes;
- (v) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Regal, Regal Cinemas, the Subsidiary Guarantors and the non-guarantor subsidiaries, (b) eliminate the

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investments in our subsidiaries and (c) record consolidating entries; and

(vi) Regal and its subsidiaries on a consolidated basis.



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**CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION**  
**MARCH 31, 2011**

(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$	\$	\$ 79.6	\$ 42.6	\$	\$ 122.2
Trade and other receivables, net			30.6	0.6		31.2
Other current assets			38.6	5.2	(0.7)	43.1
<b>TOTAL CURRENT ASSETS</b>			<b>148.8</b>	<b>48.4</b>	<b>(0.7)</b>	<b>196.5</b>
Property and equipment, net	21.6		1,598.5	43.0	(12.4)	1,650.7
Goodwill and other intangible assets			193.4	7.1		200.5
Deferred income tax asset	10.2		97.9		(20.8)	87.3
Other non-current assets	9.4	1,325.1	797.0	73.9	(2,017.2)	188.2
<b>TOTAL ASSETS</b>	<b>\$ 41.2</b>	<b>\$ 1,325.1</b>	<b>\$ 2,835.6</b>	<b>\$ 172.4</b>	<b>\$ (2,051.1)</b>	<b>\$ 2,323.2</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>						
<b>CURRENT LIABILITIES:</b>						
Current portion of debt obligations	\$ 1.7	\$ 7.6	\$	\$ 13.4	\$ (5.7)	\$ 17.0
Accounts payable	0.1		113.8	7.3		121.2
Accrued expenses and other liabilities	32.9	7.3	155.1	4.1	(26.6)	172.8
<b>TOTAL CURRENT LIABILITIES</b>	<b>34.7</b>	<b>14.9</b>	<b>268.9</b>	<b>24.8</b>	<b>(32.3)</b>	<b>311.0</b>
Long-term debt, less current portion	546.0	1,387.9				1,933.9
Lease financing arrangements, less current portion			64.6			64.6
Capital lease obligations, less current portion			11.0	1.2		12.2
Deferred income tax liability				20.8	(20.8)	
Other liabilities	0.5		516.8	25.8		543.1
<b>TOTAL LIABILITIES</b>	<b>581.2</b>	<b>1,402.8</b>	<b>861.3</b>	<b>72.6</b>	<b>(53.1)</b>	<b>2,864.8</b>
<b>EQUITY (DEFICIT):</b>						
Stockholders' equity (deficit) of Regal Entertainment Group	(540.0)	(77.7)	1,976.1	99.6	(1,998.0)	(540.0)
Noncontrolling interest			(1.8)	0.2		(1.6)
<b>TOTAL EQUITY (DEFICIT)</b>	<b>(540.0)</b>	<b>(77.7)</b>	<b>1,974.3</b>	<b>99.8</b>	<b>(1,998.0)</b>	<b>(541.6)</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIT)</b>	<b>\$ 41.2</b>	<b>\$ 1,325.1</b>	<b>\$ 2,835.6</b>	<b>\$ 172.4</b>	<b>\$ (2,051.1)</b>	<b>\$ 2,323.2</b>

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**CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION**  
**DECEMBER 30, 2010**  
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Non- Guarantors Subsidiary	Consolidating Adjustments	Consolidated
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$	\$	\$ 152.4	\$ 52.9	\$	\$ 205.3
Trade and other receivables, net			93.8	1.5		95.3
Other current assets			42.5	3.4		45.9
<b>TOTAL CURRENT ASSETS</b>			<b>288.7</b>	<b>57.8</b>		<b>346.5</b>
Property and equipment, net	21.8		1,636.5	44.5	(12.3)	1,690.5
Goodwill and other intangible assets			193.9	7.1		201.0
Deferred income tax asset	2.1		100.8		(21.7)	81.2
Other non-current assets	5.8	1,454.9	491.2	67.1	(1,845.6)	173.4
<b>TOTAL ASSETS</b>	<b>\$ 29.7</b>	<b>\$ 1,454.9</b>	<b>\$ 2,711.1</b>	<b>\$ 176.5</b>	<b>\$ (1,879.6)</b>	<b>\$ 2,492.6</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>						
<b>CURRENT LIABILITIES:</b>						
Current portion of debt obligations	\$ 76.0	\$ 12.5	\$	\$ 13.4	\$ (6.1)	\$ 95.8
Accounts payable	0.3		153.2	8.9		162.4
Accrued expenses and other liabilities	157.2	33.2	159.2	7.0	(145.8)	210.8
<b>TOTAL CURRENT LIABILITIES</b>	<b>233.5</b>	<b>45.7</b>	<b>312.4</b>	<b>29.3</b>	<b>(151.9)</b>	<b>469.0</b>
Long-term debt, less current portion	286.0	1,611.7				1,897.7
Lease financing arrangements, less current portion			66.2			66.2
Capital lease obligations, less current portion			12.1	1.2		13.3
Deferred income tax liability				21.7	(21.7)	
Other liabilities	0.5		514.5	23.1		538.1
<b>TOTAL LIABILITIES</b>	<b>520.0</b>	<b>1,657.4</b>	<b>905.2</b>	<b>75.3</b>	<b>(173.6)</b>	<b>2,984.3</b>
<b>EQUITY (DEFICIT):</b>						
Stockholders' equity (deficit) of Regal Entertainment Group	(490.3)	(202.5)	1,807.5	101.0	(1,706.0)	(490.3)
Noncontrolling interest			(1.6)	0.2		(1.4)
<b>TOTAL EQUITY (DEFICIT)</b>	<b>(490.3)</b>	<b>(202.5)</b>	<b>1,805.9</b>	<b>101.2</b>	<b>(1,706.0)</b>	<b>(491.7)</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIT)</b>	<b>\$ 29.7</b>	<b>\$ 1,454.9</b>	<b>\$ 2,711.1</b>	<b>\$ 176.5</b>	<b>\$ (1,879.6)</b>	<b>\$ 2,492.6</b>

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS) INFORMATION****QUARTER ENDED MARCH 31, 2011****(in millions)**

	<b>REG Parent Company</b>	<b>RCC Parent Company</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors Subsidiary</b>	<b>Consolidating Adjustments</b>	<b>Consolidated</b>
REVENUES	\$	\$	\$ 526.5	\$ 45.7	\$ (1.3)	\$ 570.9
OPERATING EXPENSES:						
Film rental and advertising costs			181.3	14.9		196.2
Cost of concessions			18.5	2.0		20.5
Rent expense			85.2	9.2	(0.7)	93.7
Other operating expenses			158.6	16.7		175.3
General and administrative expenses	0.1		16.6	1.4	(1.3)	16.8
Depreciation and amortization	0.1		48.7	3.2		52.0
Net gain on disposal and impairment of operating assets			6.7			6.7
TOTAL OPERATING EXPENSES	0.2		515.6	47.4	(2.0)	561.2
INCOME (LOSS) FROM OPERATIONS	(0.2)		10.9	(1.7)	0.7	9.7
OTHER EXPENSE (INCOME):						
Interest expense, net	12.1	25.3	1.4	0.2		39.0
Earnings recognized from NCM			(13.6)			(13.6)
Other, net	15.8	9.4	(12.8)		9.9	22.3
TOTAL OTHER EXPENSE (INCOME), NET	27.9	34.7	(25.0)	0.2	9.9	47.7
INCOME (LOSS) BEFORE INCOME TAXES	(28.1)	(34.7)	35.9	(1.9)	(9.2)	(38.0)
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(4.6)	(18.2)	9.1	(0.6)		(14.3)
NET INCOME (LOSS)	(23.5)	(16.5)	26.8	(1.3)	(9.2)	(23.7)
NONCONTROLLING INTEREST, NET OF TAX			0.1			0.1
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (23.5)	\$ (16.5)	\$ 26.9	\$ (1.3)	\$ (9.2)	\$ (23.6)

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	<b>REG Parent Company</b>	<b>RCC Parent Company</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors Subsidiary</b>	<b>Consolidating Adjustments</b>	<b>Consolidated</b>
REVENUES	\$	\$	\$ 665.4	\$ 55.9	\$ (1.5)	\$ 719.8
OPERATING EXPENSES:						
Film rental and advertising costs			247.1	19.6		266.7
Cost of concessions			24.2	2.5		26.7
Rent expense			84.8	9.9		94.7
Other operating expenses			180.0	18.9		198.9
General and administrative expenses	0.1		15.6	1.7	(1.5)	15.9
Depreciation and amortization			53.1	3.1		56.2
Net gain on disposal and impairment of operating assets			10.3	2.8		13.1
TOTAL OPERATING EXPENSES	0.1		615.1	58.5	(1.5)	672.2
INCOME (LOSS) FROM OPERATIONS	(0.1)		50.3	(2.6)		47.6
OTHER EXPENSE (INCOME):						
Interest expense, net	4.7	29.2	1.9	0.2		36.0
Earnings recognized from NCM			(16.7)			(16.7)
Other, net	(19.2)	(36.8)	(20.2)		77.0	0.8
TOTAL OTHER EXPENSE (INCOME), NET	(14.5)	(7.6)	(35.0)	0.2	77.0	20.1
INCOME (LOSS) BEFORE INCOME TAXES	14.4	7.6	85.3	(2.8)	(77.0)	27.5
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(1.9)	(11.6)	25.3	(0.7)		11.1
NET INCOME (LOSS)	16.3	19.2	60.0	(2.1)	(77.0)	16.4
NONCONTROLLING INTEREST, NET OF TAX			0.1			0.1
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 16.3	\$ 19.2	\$ 60.1	\$ (2.1)	\$ (77.0)	\$ 16.5

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION****QUARTER ENDED MARCH 31, 2011****(in millions)**

	<b>REG Parent Company</b>	<b>RCC Parent Company</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors Subsidiary</b>	<b>Consolidating Adjustments</b>	<b>Consolidated</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	\$ (14.3)	\$	\$ 65.1	\$ (8.6)	\$	\$ 42.2
Cash Flows from Investing Activities:						
Capital expenditures			(19.4)	(1.6)		(21.0)
Proceeds from disposition of assets			1.4			1.4
Investment in DCIP and other			(9.2)			(9.2)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			(27.2)	(1.6)		(28.8)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(32.5)					(32.5)
Cash received (paid) to/from REG Parent Company	(133.8)	133.8				
Cash received (paid) to/from subsidiary		(133.8)	133.8			
Proceeds from issuance of Regal Entertainment Group 91/8% Senior Notes	261.3					261.3
Cash used to redeem 61/4% Convertible Senior Notes	(74.7)					(74.7)
Net payments on long-term obligations	(0.8)		(242.6)			(243.4)
Cash used to purchase treasury shares and other	(1.2)					(1.2)
Payment of debt acquisition costs and other	(4.0)		(2.0)			(6.0)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	14.3		(110.8)			(96.5)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			(72.9)	(10.2)		(83.1)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			152.5	52.8		205.3
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$	\$	\$ 79.6	\$ 42.6	\$	\$ 122.2



Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION****QUARTER ENDED APRIL 1, 2010****(in millions)**

	<b>REG Parent Company</b>	<b>RCC Parent Company</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors Subsidiary</b>	<b>Consolidating Adjustments</b>	<b>Consolidated</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	\$ (5.8)	\$	\$ 92.1	\$ (8.4)	\$	\$ 77.9
Cash Flows from Investing Activities:						
Capital expenditures			(19.9)	(1.2)		(21.1)
Proceeds from disposition of assets			0.1			0.1
Investment in DCIP and other			(29.7)			(29.7)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			(49.5)	(1.2)		(50.7)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(27.8)					(27.8)
Cash received (paid) to/from REG Parent Company	34.0	(34.0)				
Cash received (paid) to/from subsidiary		34.0	(34.0)			
Net payments on long-term obligations			(5.5)			(5.5)
Cash used to purchase treasury shares and other	(0.9)					(0.9)
Proceeds from stock option exercises	0.5					0.5
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	5.8		(39.5)			(33.7)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			3.1	(9.6)		(6.5)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			267.7	60.4		328.1
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$	\$	\$ 270.8	\$ 50.8	\$	\$ 321.6

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**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Some of the information in this Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under Management's Discussion and Analysis of Financial Condition and Results of Operations, may constitute forward-looking statements. In some cases you can identify these forward-looking statements by words like may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential or continue or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading Risk Factors contained in our annual report on Form 10-K filed on February 28, 2011 with the Commission (File No. 001-31315) for the Company's fiscal year ended December 30, 2010. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein.*

**Overview and Basis of Presentation**

We conduct our operations through our wholly owned subsidiaries. We operate the largest and most geographically diverse theatre circuit in the United States, consisting of 6,670 screens in 535 theatres in 37 states and the District of Columbia as of March 31, 2011. We believe the size, reach and quality of our theatre circuit provide an exceptional platform to realize economies of scale from our theatre operations. We also maintain an investment in National CineMedia, which concentrates on in-theatre advertising and creating complementary business lines that leverage the operating personnel, asset and customer bases of its theatrical exhibition partners, which include us, AMC and Cinemark. The Company manages its business under one reportable segment: theatre exhibition operations.

We generate revenues primarily from admissions and concession sales. Additional revenues are generated by our vendor marketing programs, our gift card and discount ticket programs and various other activities in our theatres. In addition, National CineMedia provides us with a theatre access fee associated with revenues generated from its sale of on-screen advertising and other uses of our auditoriums. Film rental costs depend on a variety of factors, including the prospects of a film, the popularity and box office revenues of a film, and such film rental costs generally increase as the admissions revenues generated by a film increase. Because we purchase certain concession items, such as fountain drinks and popcorn, in bulk and not pre-packaged for individual servings, we are able to improve our margins by negotiating volume discounts. Other operating expenses consist primarily of theatre labor and occupancy costs.

The Company's revenues are usually seasonal, coinciding with the timing of releases of motion pictures by the major distributors. Generally, motion picture studios release the most marketable motion pictures during the summer and holiday seasons. The unexpected emergence or continuance of a hit film during other periods can alter the traditional pattern. The timing of movie releases can have a significant effect on the Company's results of operations, and the results of one fiscal quarter are not necessarily indicative of the results for the next or any other fiscal quarter. The seasonality of motion picture exhibition, however, has become less pronounced as motion picture studios are releasing motion pictures somewhat more evenly throughout the year. The Company does not believe that inflation has had a material impact on its financial position or results of operations.

For a summary of industry trends as well as other risks and uncertainties relevant to the Company, see Business Industry Overview and Trends and Risk Factors contained in our annual report on Form 10-K for the fiscal year ended December 30, 2010 and Results of Operations below.



**Critical Accounting Estimates**

For a discussion of accounting policies that we consider critical to our business operations and the understanding of our results of operations and affect the more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements, please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of

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Operations Critical Accounting Estimates contained in our annual report on Form 10-K for the fiscal year ended December 30, 2010 and incorporated by reference herein. As of March 31, 2011, there were no significant changes in our critical accounting policies or estimation procedures.

**Significant Events**

For a discussion of other significant operating, financing and investing transactions which have occurred through December 30, 2010, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources included in Part II, Item 7 of our annual report on Form 10-K for the fiscal year ended December 30, 2010.

During the quarter ended March 31, 2011 ( Q1 2011 Period ), the Company entered into various financing transactions which are more fully described under Liquidity and Capital Resources Financing Activities below. As discussed further under Liquidity and Capital Resources Investing Activities below, during the Q1 2011 Period, we received from National CineMedia approximately 0.6 million newly issued common units of National CineMedia. This adjustment increased the number of National CineMedia common units held by us to approximately 22.1 million and as a result, on a fully diluted basis, we own a 20.0% interest in NCM, Inc. as of March 31, 2011.

During the Q1 2011 Period, we continued to make progress with respect to the following strategic initiatives:

- We demonstrated our commitment to providing incremental value to our stockholders. Total cash dividends distributed to our stockholders during the Q1 2011 Period totaled approximately \$32.5 million.
- We closed 4 theatres with 28 screens, ending the Q1 2011 Period with 535 theatres and 6,670 screens.
- We continued to embrace new technologies to deliver a premium movie-going experience for our customers on three complementary fronts:

The Company has accelerated the deployment of 3D compatible digital projection systems to a majority of its first run U.S. theatres and expects to continue the accelerated 3D deployment through the first half of 2011. As of March 31, 2011, we operated 2,806 screens outfitted with digital projection systems, 2,267 of which are digital 3D capable. We expect all of our screens to be outfitted with digital projection systems by late 2012 or early 2013, with approximately 40% of our total screens being digital 3D capable by mid-2011.

Second, we renegotiated our agreement with IMAX® during fiscal 2010 to expand our IMAX® footprint by agreeing to install a total of up to 77 IMAX® digital projection systems by the end of 2012. As of March 31, 2011, we operated a total of 56 IMAX® screens. We believe that expanding our IMAX® footprint, combined with a more favorable allocation of costs included in the new agreement, will continue to have a

positive impact on our operating results.

Finally, as of March 31, 2011, we had converted 11 of our auditoriums to our proprietary large screen format known as RPXSM. We have been encouraged by the initial results of RPXSM and expect to expand our RPXSM footprint to 15 to 20 auditoriums by the end of 2011.

We believe the installation of 3D digital projection systems and IMAX® theatres systems and the conversion of existing auditoriums to RPXSM auditoriums allow us to offer our patrons premium 3D movies and large all-digital format experiences that we believe generate incremental revenue and cash flows for the Company. We remain optimistic regarding the benefits of digital cinema primarily as it relates to future growth potential associated with 3D film product and other 3D content and are pleased to see continued support of 3D and IMAX® film product by the major motion picture studios.

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- Finally, during the Q1 2011 Period, we announced the creation of Open Road Films, a new distribution company that is jointly owned by us and AMC. We believe that Open Road Films has a unique opportunity to fill a gap in the marketplace created by the major studios big-budget franchise film strategy by marketing smaller budget films in a cost-effective manner which we believe will drive additional patrons to our theaters and generate a return on our capital investment. Open Road Films expects to eventually distribute approximately eight to ten films per year, including one or two films later in 2011. As of March 31, 2011, we have invested approximately \$1.5 million in cash contributions in Open Road Films and ultimately expect to invest up to \$30.0 million in this new joint venture. We account for our investment in Open Road Films using the equity method of accounting.

### Results of Operations

Based on our review of industry sources, national box office revenues for the time period that corresponds to Regal's first fiscal quarter of 2011 were estimated to have decreased by 20 percent in comparison to the first fiscal quarter of 2010. The industry's box office results were negatively impacted by difficult comparisons generated by strong attendance from premium-priced IMAX® and 3D films released during the first quarter of 2010, including the record-breaking performances of *Avatar* and *Alice in Wonderland*.

The following table sets forth the percentage of total revenues represented by certain items included in our unaudited condensed consolidated statements of income (loss) for the Q1 2011 Period and the quarter ended April 1, 2010 ( Q1 2010 Period ) (dollars in millions, except average ticket prices and average concessions per patron):

	Q1 2011 Period		Q1 2010 Period	
	\$	% of Revenue	\$	% of Revenue
<b>Revenues:</b>				
Admissions	\$ 394.4	69.1%	\$ 506.0	70.3%
Concessions	151.3	26.5	185.0	25.7
Other operating revenues	25.2	4.4	28.8	4.0
<b>Total revenues</b>	<b>570.9</b>	<b>100.0</b>	<b>719.8</b>	<b>100.0</b>
<b>Operating expenses:</b>				
Film rental and advertising costs(1)	196.2	49.7	266.7	52.7
Cost of concessions(2)	20.5	13.5	26.7	14.4
Rent expense(3)	93.7	16.4	94.7	13.2
Other operating expenses	175.3	30.7	198.9	27.6
General and administrative expenses (including share-based compensation of \$1.9 and \$1.5 for the Q1 2011 Period and the Q1 2010 Period, respectively)(3)	16.8	2.9	15.9	2.2
Depreciation and amortization(3)	52.0	9.1	56.2	7.8
Net loss on disposal and impairment of operating assets(3)	6.7	1.2	13.1	1.8
<b>Total operating expenses(3)</b>	<b>561.2</b>	<b>98.3</b>	<b>672.2</b>	<b>93.4</b>
<b>Income from operations(3)</b>	<b>9.7</b>	<b>1.7</b>	<b>47.6</b>	<b>6.6</b>
Interest expense, net	39.0	6.8	36.0	5.0
Loss on debt extinguishment(3)	21.9	3.8		
Earnings recognized from NCM(3)	(13.6)	2.4	(16.7)	2.3
Provisions for (benefit from) income taxes(3)	(14.3)	2.5	11.1	1.5
<b>Net income (loss) attributable to controlling interest(3)</b>	<b>\$ (23.6)</b>	<b>4.1</b>	<b>\$ 16.5</b>	<b>2.3</b>

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Attendance (in thousands)		46,266	*		58,557	*
Average ticket price(4)	\$	8.52	*	\$	8.64	*
Average concessions per patron(5)	\$	3.27	*	\$	3.16	*

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\* *Not meaningful*

(1) Percentage of revenues calculated as a percentage of admissions revenues.

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- (2) Percentage of revenues calculated as a percentage of concessions revenues.
- (3) Percentage of revenues calculated as a percentage of total revenues.
- (4) Calculated as admissions revenues/attendance.
- (5) Calculated as concessions revenues/attendance.

***Q1 2011 Period Compared to Q1 2010 Period***

***Admissions***

During the Q1 2011 Period, total admissions revenues decreased \$111.6 million, or 22.1%, to \$394.4 million, from \$506.0 million in the Q1 2010 Period. A 21.0% decline in attendance, coupled with a 1.4% decrease in average ticket prices, led to the decrease in the Q1 2011 Period admissions revenues. We believe that our attendance is primarily dependent upon the commercial appeal of content released by the major motion picture studios. The Q1 2011 Period decline in attendance was primarily attributable to the overall lack of appeal to our patrons of the films exhibited in our theatres during the Q1 2011 Period as compared to the films exhibited during the Q1 2010 Period, which included the record-breaking performances of *Avatar* and *Alice in Wonderland*. A decrease in the percentage of our admissions revenues generated by premium-priced 3D and IMAX® films exhibited during the Q1 2011 Period, partially offset by price increases identified during our ongoing periodic pricing reviews (which include analysis of various factors such as general inflationary trends and local market conditions) were the primary drivers of the overall decrease in our Q1 2011 Period average ticket price. Based on our review of certain industry sources, the decrease in our admissions revenues on a per screen basis was slightly greater than the industry's results for the Q1 2011 Period as compared to the Q1 2010 Period. We believe the greater than industry decrease in admissions revenues on a per screen basis in the Q1 2011 Period was attributable to a greater than industry decrease in the percentage of our admissions revenues generated by IMAX® films exhibited during the Q1 2011 Period.

***Concessions***

Total concessions revenues decreased \$33.7 million, or 18.2%, to \$151.3 million in the Q1 2011 Period, from \$185.0 million in the Q1 2010 Period. Average concessions revenues per patron during the Q1 2011 Period increased 3.5%, to \$3.27, from \$3.16 for the Q1 2010 Period. The decrease in total concessions revenues during the Q1 2011 Period was attributable to the aforementioned decrease in attendance during the period, partially offset by an increase in average concessions revenues per patron. The increase in average concessions revenues per patron for the Q1 2011 Period was primarily a result of selective price increases effected subsequent to the end of the Q1 2010 Period and an increase in popcorn sales volume during the Q1 2011 Period.

***Other Operating Revenues***

During the Q1 2011 Period, other operating revenues decreased \$3.6 million, or 12.5%, to \$25.2 million, from \$28.8 million in the Q1 2010 Period. Included in other operating revenues are the theatre access fees paid by National CineMedia (net of payments for onscreen advertising time provided to our beverage concessionaire), revenues from our vendor marketing programs and other theatre revenues, including revenue related to our gift card and discount ticket programs. The decrease in other operating revenues during the Q1 2011 Period was primarily driven by decreases in attendance-driven revenues from our vendor marketing programs and decreases in our gift card and discount ticket program revenues.

***Film Rental and Advertising Costs***

Film rental and advertising costs as a percentage of admissions revenues declined to 49.7% during the Q1 2011 Period from 52.7% in the Q1 2010 Period. The decrease in film rental and advertising costs as a percentage of box office revenues during the Q1 2011 Period was primarily attributable to higher film costs associated with the success of the top tier films exhibited during the Q1 2010 Period, principally *Avatar*.

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***Cost of Concessions***

For the Q1 2011 Period, cost of concessions as a percentage of concessions revenues was approximately 13.5%, compared to 14.4% for the Q1 2010 Period. The decrease in cost of concessions as a percentage of concessions revenues during the Q1 2011 Period was primarily related to selective price increases effected subsequent to the end of the Q1 2010 Period, slightly lower raw material costs for certain items and an increase in popcorn sales volume.

***Rent Expense***

Rent expense decreased by \$1.0 million, or 1.1%, to \$93.7 million in the Q1 2011 Period, from \$94.7 million in the Q1 2010 Period. The decrease in rent expense during the Q1 2011 Period was primarily attributable a reduction in rent associated with the closure of 171 screens subsequent to the end of the Q1 2010 Period along with lower contingent rent, partially offset by incremental rent associated with the 106 screens acquired from an affiliate of AMC during the second quarter of fiscal 2010.

***Other Operating Expenses***

During the Q1 2011 Period, other operating expenses decreased \$23.6 million, or 11.9%, to \$175.3 million, from \$198.9 million in the Q1 2010 Period. The decrease in other operating expenses during the Q1 2011 Period was attributable to savings in theatre-level payroll and other attendance-driven costs, coupled with a reduction in costs associated with lower 3D and IMAX® film revenues.

***General and Administrative Expenses***

General and administrative expenses increased \$0.9 million, or 5.7%, to \$16.8 million during the Q1 2011 Period, from \$15.9 million in the Q1 2010 Period. As a percentage of total revenues, general and administrative expenses increased to 2.9% during the Q1 2011 Period, from 2.2% in the Q1 2010 Period. The increase in general and administrative expenses during the Q1 2011 Period was primarily attributable to increases in stock-based compensation expense and other corporate expenses during the period.

***Depreciation and Amortization***

During the Q1 2011 Period, depreciation and amortization expense decreased \$4.2 million, or 7.5%, to \$52.0 million, from \$56.2 million in the Q1 2010 Period. The decrease in depreciation and amortization expense during the Q1 2011 Period as compared to the Q1 2010 Period was primarily due to a \$3.4 million reduction in depreciation related to the replacement of 35mm film projectors with digital projection systems during fiscal 2010 and the Q1 2011 Period.



***Income from Operations***

Income from operations decreased \$37.9 million, or 79.6%, to \$9.7 million during the Q1 2011 Period, from \$47.6 million in the Q1 2010 Period. The net decrease in income from operations during the Q1 2011 Period as compared to the Q1 2010 Period was primarily attributable to the decrease in total revenues, partially offset by a reduction in certain variable operating expense line items described above and a lower loss on disposal and impairment of operating assets (\$6.7 million and \$13.1 million, respectively, for the Q1 2011 Period and Q1 2010 Period).

***Interest Expense, net***

During the Q1 2011 Period, net interest expense increased \$3.0 million, or 8.3%, to \$39.0 million, from \$36.0 million in the Q1 2010 Period. The increase in net interest expense during the Q1 2011 Period was principally due to incremental interest expense associated with the issuance of the \$275.0 million 9 1/8% Senior Notes in August 2010 and a shift in our debt portfolio resulting from the Q1 2011 Period issuance of \$250.0 million in aggregate principal of our 9 1/8% Senior Notes, of which \$234.6 million was used to repay a portion of our Amended Senior Credit Facility. These items were partially offset by a reduction in interest expense resulting

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from the repurchases of our 61/4% Convertible Senior Notes during fiscal 2010 and the Q1 2011 Period.

***Earnings Recognized from NCM***

The Company received \$16.4 million and \$19.4 million, respectively, in cash distributions from National CineMedia (including payments received under the tax receivable agreement described in Note 4 to the 2010 Audited Consolidated Financial Statements) during the Q1 2011 Period and Q1 2010 Period. Approximately \$2.9 million and \$3.3 million, respectively, of these cash distributions received during the Q1 2011 Period and the Q1 2010 Period were recognized as a reduction in our investment in National CineMedia. The remaining amounts were recognized in equity earnings during each of these periods and have been included as a component of Earnings recognized from NCM in the accompanying unaudited condensed consolidated financial statements. The decrease in earnings recognized from National CineMedia during the Q1 2011 Period as compared to the Q1 2010 Period was primarily attributable to slightly lower earnings of National CineMedia.

***Income Taxes***

The provision for (benefit from) income taxes of \$(14.3) million and \$11.1 million for the Q1 2011 Period and the Q1 2010 Period, respectively, reflect effective tax rates of approximately 37.6% and 40.4%, respectively. The decrease in the effective tax rate for the Q1 2011 Period is primarily attributable to the state tax effects of the \$21.9 million (\$13.6 million after related tax effects) loss on debt extinguishment associated with the Amended Senior Credit Facility recorded during the Q1 2011 Period and the accrual of interest on uncertain tax positions with state taxing authorities. The effective tax rates for such periods also reflect the impact of certain non-deductible expenses and income tax credits.

***Net Income (Loss) Attributable to Controlling Interest***

Net income (loss) attributable to controlling interest for the Q1 2011 Period was \$(23.6) million, which represents a decrease of \$40.1 million, from net income attributable to controlling interest of \$16.5 million during the Q1 2010 Period. The decrease in net income attributable to controlling interest for the Q1 2011 Period was primarily attributable to a reduction in operating income described above, the Q1 2011 Period loss on debt extinguishment associated with the Amended Senior Credit Facility and to a lesser extent, incremental interest expense and lower earnings recognized from National CineMedia.

**Liquidity and Capital Resources**

On a consolidated basis, we expect our primary uses of cash to be for operating expenses, capital expenditures, investments, general corporate purposes related to corporate operations, debt service and the Company's quarterly dividend payments. The principal sources of liquidity are cash generated from operations, cash on hand and borrowings under the Amended Senior Credit Facility described below. Under the terms of the Amended Senior Credit Facility and the 85/8% Senior Notes issued during fiscal 2009, Regal Cinemas is restricted as to how much it can advance or distribute to Regal, its indirect parent. Since Regal is a holding company with no significant assets other than the stock of its subsidiaries, this restriction could impact Regal's ability to effect future debt or dividend payments, pay corporate expenses or redeem or convert for cash its 91/8% Senior Notes. In addition, as described further below, the Indenture under the 91/8% Senior Notes limits the Company's (and

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its restricted subsidiaries ) ability to, among other things, incur additional indebtedness, pay dividends on or make other distributions in respect of its capital stock, purchase or redeem capital stock, make loans or advances to its subsidiaries (or the Company), or purchase, redeem or otherwise acquire or retire certain subordinated obligations.

### *Operating Activities*

Our revenues are generated principally through admissions and concessions sales with proceeds received in cash or via credit cards at the point of sale. Our operating expenses are primarily related to film and advertising costs, rent and occupancy, and payroll. Film costs are ordinarily paid to distributors within 30 days following receipt of admissions revenues and the cost of the Company's concessions are generally paid to vendors approximately 30 to 35 days from purchase. Our current liabilities generally include items that will become due within 12 months. In addition, from time to time, we use cash from operations and borrowings to fund dividends

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in excess of net income attributable to controlling interest and cash flows from operating activities less cash flows from investing and other financing activities. As a result, at any given time, our balance sheet may reflect a working capital deficit.

Net cash flows provided by operating activities decreased by approximately \$35.7 million to approximately \$42.2 million for the Q1 2011 Period from approximately \$77.9 million for the Q1 2010 Period. The decrease in net cash flows generated from operating activities for the Q1 2011 Period as compared to the Q1 2010 Period was primarily attributable to a reduction in operating income, partially offset by a slight decline in working capital due to the timing of certain Q1 2011 Period vendor and income tax payments.

*Investing Activities*

Our capital requirements have historically arisen principally in connection with acquisitions of theatres, new theatre construction, adding new screens to existing theatres, upgrading the Company's theatre facilities (including digital 3D, IMAX® and RPXSM screens) and replacing equipment. We fund the cost of capital expenditures through internally generated cash flows, cash on hand, proceeds from disposition of assets and financing activities.

We intend to continue to grow our theatre circuit through selective expansion and acquisition opportunities. The Company has a formal and intensive review procedure for the authorization of capital projects, with the most important financial measure of acceptability for a discretionary non-maintenance capital project being whether its projected discounted cash flow return on investment meets or exceeds the Company's internal rate of return targets. The credit crisis of late 2008 and early 2009 negatively impacted real estate development and has caused a temporary slowdown in our building program. As a result, we currently expect capital expenditures (net of proceeds from asset sales) for theatre development, expansion, upgrading and replacements to be below our historical levels and in the range of approximately \$85.0 million to \$100.0 million in fiscal year 2011, exclusive of acquisitions. Such capital expenditures are expected to be partially funded through asset dispositions conducted during the normal course of our business.

On March 10, 2010, DCIP executed definitive agreements and related financing transactions in connection with the conversion to digital projection. DCIP's financing raised \$660.0 million, consisting of \$445.0 million in senior bank debt, \$135.0 million in additional junior capital and approximately \$80.0 million in equity contributions (consisting of cash and existing digital projection systems) from us, AMC and Cinemark. Concurrent with closing, the Company entered into the Digital Cinema Agreements with Kasima, LLC, and made the DCIP Contributions. After giving effect to the DCIP Contributions, the Company holds a 46.7% economic interest in DCIP as of March 31, 2011, while continuing to maintain a one-third voting interest along with each of AMC and Cinemark. Since the Company determined that it is not the primary beneficiary of DCIP or any of its subsidiaries, it will continue to account for its investment in DCIP under the equity method of accounting.

DCIP's initial financing described above, coupled with a second round of financing completed in March 2011 (which consisted of a new \$220.0 million term loan facility), is expected to substantially cover the cost of conversion to digital projection for our entire circuit. DCIP funds the cost of conversion to digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors, including us. We bear operating and maintenance costs with respect to digital projection systems in our theatres, which is relatively comparable to what we currently spend on our conventional film projectors. In accordance with the Master Lease, the digital projection systems are leased from Kasima, LLC under a twelve-year term with ten one-year fair value renewal options. The Master Lease also contains a fair value purchase option. Under the Master Lease, the Company pays annual minimum rent of \$1,000 per digital projection system for the first six and a half years from the effective date of the agreement and is, upon certain conditions, subject to minimum annual rent of \$3,000 per digital projection system beginning at six and a half years from the effective date of the agreement through the end of

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the lease term. The Company is also subject to various types of other rent if such digital projection systems do not meet minimum performance requirements as outlined in the Master Lease. Certain of the other rent payments are subject to either a monthly or an annual maximum. The Company accounts for the Master Lease as an operating lease for accounting purposes. We expect to outfit all of our screens with digital projection systems by late 2012 or early 2013, with approximately 40% of our total screens being digital 3D capable by mid-2011. As of March 31, 2011, we operated 2,806 screens outfitted with digital projection systems, 2,267 of which are digital 3D capable.

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The Company has accelerated the deployment of 3D compatible digital projection systems to a majority of its first run U.S. theatres and expects to continue the accelerated 3D deployment through the first half of 2011. We believe the installation of 3D digital projection systems and IMAX® theatres systems and the conversion of existing auditoriums to RPXSM auditoriums allow us to offer our patrons premium 3D movies and large all-digital format experiences that we believe generate incremental revenue and cash flows for the Company. We remain optimistic regarding the benefits of digital cinema primarily as it relates to future growth potential associated with 3D film product and other 3D content and are pleased to see continued support of 3D and IMAX® film product by the major motion picture studios.

As described more fully in Note 3 Investments, on March 17, 2011, we received from National CineMedia approximately 0.6 million newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. This transaction caused a proportionate increase in the Company's Additional Investments Tranche and increased our ownership share in National CineMedia to 22.1 million common units. As a result, on a fully diluted basis, we own a 20.0% interest in NCM, Inc. as of March 31, 2011.

Net cash flows used in investing activities totaled approximately \$28.8 million for the Q1 2011 Period compared to cash flows used in investing activities of approximately \$50.7 million for the Q1 2010 Period. The \$21.9 million decrease in cash flows used in investing activities during the Q1 2011 Period, as compared to the Q1 2010 Period, was primarily attributable to a \$20.5 million net reduction in cash contributions to our various investments in non-consolidated entities (principally DCIP), coupled with slightly higher proceeds from the disposition of assets of approximately \$1.3 million during the Q1 2011 Period.

***Financing Activities***

On January 4, 2011, Regal issued and sold \$150.0 million in aggregate principal amount of the Company's 9 1/8% Senior Notes at a price equal to 104.5% of their face value. The notes were issued under an existing Indenture entered into by and between the Company and the Trustee, dated August 16, 2010, as supplemented by a First Supplemental Indenture, dated January 7, 2011. In addition, on February 10, 2011, Regal issued and sold \$100.0 million in aggregate principal amount of the Company's 9 1/8% Senior Notes at a price equal to 104.5% of their face value. The notes were issued on February 15, 2011 under an existing Indenture entered into by and between the Company and the Trustee, as supplemented by the First Supplemental Indenture and a Second Supplemental Indenture, dated February 15, 2011. The notes issued in 2011 constitute additional securities under the existing Indenture and are treated as a single series with, and have the same terms as, and will be fungible with, the \$275.0 million aggregate principal amount of the Company's 9 1/8% Senior Notes described herein and previously issued under the Indenture on August 16, 2010. The net proceeds from the 2011 offerings, after deducting underwriting discounts and commissions by the Company, were approximately \$257.8 million. The Company used a portion the net proceeds from the 2011 offerings (approximately \$234.6 million in the aggregate) to repay a portion of the Amended Senior Credit Facility. As a result of this repayment, coupled with the execution of the Refinancing Agreement described below, the Company recorded an aggregate loss on debt extinguishment of approximately \$21.9 million during the quarter ended March 31, 2011.

On February 23, 2011, Regal Cinemas entered into the Refinancing Agreement with Regal, the Guarantors, Credit Suisse, and the Lenders, which amends and refinances the Term Facility under the Amended Senior Credit Facility described further in Note 5 to the 2010 Audited Consolidated Financial Statements. Pursuant to the Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Term Facility in the amount of \$1,006.0 million, and in accordance therewith, the Lenders advanced the New Term Loans in an aggregate principal amount of \$1,006.0 million with a final maturity date in August 2017. Together with other amounts provided by Regal Cinemas, proceeds of the New Term Loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the Term Facility under the Amended Senior Credit Facility in effect immediately prior to the making of the New Term Loans.

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In addition to extending the maturity date of the New Term Loans, the Refinancing Agreement also amends the Amended Senior Credit Facility by reducing the interest rate on the New Term Loans, by providing, at Regal Cinemas' option, either a base

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rate or an adjusted LIBOR rate plus, in each case, an applicable margin that is determined according to the consolidated leverage ratio of Regal Cinemas and its subsidiaries. Such applicable margin will be either 2.00% or 2.25% in the case of base rate loans and either 3.00% or 3.25% in the case of LIBOR rate loans. The Refinancing Agreement also amends the Second Amended and Restated Guaranty and Collateral Agreement, dated May 19, 2010, to exclude Margin Stock (as defined therein) from the grant of the security interest in the Collateral (as defined therein) used to secure the obligations under the Amended Senior Credit Facility.

As further described in Note 5 to the 2010 Audited Consolidated Financial Statements, on March 10, 2008, Regal issued \$200.0 million aggregate principal amount of the 6¼% Convertible Senior Notes. Subsequent to the issuance of the 91/8% Senior Notes described above, during fiscal 2010, the Company used a portion of the net proceeds from the offering to repurchase a total of approximately \$125.3 million aggregate principal amount of the 6¼% Convertible Senior Notes, in a series of privately negotiated transactions. During March 2011, we redeemed the remaining \$74.7 million aggregate principal amount of the 6¼% Convertible Senior Notes, at a redemption price of 100% of their principal amount, plus accrued interest.

As of March 31, 2011, we had approximately \$1,003.5 million aggregate principal amount outstanding under the New Term Loans, \$525.0 million aggregate principal amount outstanding under the 91/8% Senior Notes and \$392.0 million aggregate principal amount outstanding (net of debt discount) under the 85/8% Senior Notes. As of March 31, 2011, we had approximately \$2.7 million outstanding in letters of credit, leaving approximately \$82.3 million available for drawing under the Revolving Facility.

As of March 31, 2011, we are in full compliance with all agreements, including all related covenants, governing our outstanding debt obligations.

On April 28, 2011, the Company declared a cash dividend of \$0.21 per share on each share of the Company's Class A and Class B common stock (including outstanding restricted stock), payable on June 15, 2011, to stockholders of record on June 3, 2011. These dividends have been or will be funded through cash flow from operations and available cash on hand. We, at the discretion of the board of directors and subject to applicable law, anticipate paying regular quarterly dividends on our Class A and Class B common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend upon our then available cash, anticipated cash needs, overall financial condition, loan agreement restrictions, future prospects for earnings and cash flows, as well as other relevant factors.

Net cash flows used in financing activities were approximately \$96.5 million for the Q1 2011 Period compared to cash flows used in financing activities of approximately \$33.7 million for the Q1 2010 Period. The net increase in cash flows used in financing activities during the Q1 2011 Period as compared to the Q1 2010 Period of \$62.8 million was primarily attributable to incremental net payments on long-term debt obligations (including the Amended Senior Credit Facility described above) of \$243.4 million, \$74.7 million used to fully redeem our 6¼% Convertible Senior Notes during the Q1 2011 Period, incremental debt acquisition costs and related to the Amended Senior Credit Facility and the 91/8% Senior Notes and incremental dividends paid to our shareholders during the Q1 2011 Period as compared to the Q1 2010 Period, partially offset by gross proceeds of \$261.3 million received in connection with the Q1 2011 Period issuance of the 91/8% Senior Notes.

### **EBITDA**



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Earnings before interest, taxes, depreciation, and amortization ( EBITDA ) was approximately \$53.1 million and \$119.8 million for the Q1 2011 Period and the Q1 2010 Period, respectively. The decrease in EBITDA for the Q1 2011 Period was primarily attributable to a decrease in operating income and the impact of the \$21.9 million (\$13.6 million after related tax effects) loss on debt extinguishment recorded during the Q1 2011 Period. The Company uses EBITDA as a supplemental liquidity measure because we find it useful to understand and evaluate our capacity, excluding the impact of interest, taxes, and non-cash depreciation and amortization charges, for servicing our debt, paying dividends and otherwise meeting our cash needs, prior to our consideration of the impacts of other potential sources and uses of cash, such as working capital items. We believe that EBITDA is useful to investors for these purposes as well. EBITDA should not be considered an alternative to, or more meaningful than, net cash provided by operating activities, as determined in accordance with U.S. generally accepted accounting principles ( GAAP ), since it omits the impact of interest, taxes and changes in working capital that use or provide cash (such as receivables, payables and inventories) as well as the

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sources or uses of cash associated with changes in other balance sheet items (such as long-term loss accruals and deferred items). Because EBITDA excludes depreciation and amortization, EBITDA does not reflect any cash requirements for the replacement of the assets being depreciated and amortized, which assets will often have to be replaced in the future. Further, EBITDA, because it also does not reflect the impact of debt service, income taxes, cash dividends, capital expenditures and other cash commitments from time to time as described in more detail elsewhere in this Form 10-Q, does not represent how much discretionary cash we have available for other purposes. Nonetheless, EBITDA is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community all of whom believe, and we concur, that these measures are critical to the capital markets analysis of our ability to service debt, fund capital expenditures, pay dividends and otherwise meet cash needs, respectively. We also evaluate EBITDA because it is clear that movements in these non-GAAP measures impact our ability to attract financing and pay dividends. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. A reconciliation of EBITDA to net cash provided by (used in) operating activities is calculated as follows (in millions):

	Q1 2011 Period		Q1 2010 Period	
EBITDA	\$	53.1	\$	119.8
Interest expense, net		(39.0)		(36.0)
Benefit from (provision for) income taxes		14.3		(11.1)
Deferred income taxes		(12.9)		(6.2)
Changes in operating assets and liabilities		(9.5)		(10.6)
Loss on debt extinguishment		21.9		
Other items, net		14.3		22.0
Net cash provided by operating activities	\$	42.2	\$	77.9

### **Contractual Cash Obligations and Commitments**

The Company has assumed long-term contractual obligations and commitments in the normal course of business, primarily debt obligations and non-cancelable operating leases. Other than the operating leases that are detailed below, the Company does not utilize variable interest entities or any other form of off-balance sheet financing. As of March 31, 2011, the Company's estimated contractual cash obligations and commercial commitments over the next several periods are as follows (in millions):

	Payments Due By Period				
	Total	Current	13 - 36 months	37 - 60 months	After 60 months
<b>Contractual Cash Obligations:</b>					
Debt obligations(1)	\$ 1,943.1	\$ 9.3	\$ 24.2	\$ 27.4	\$ 1,882.2
Future interest on debt obligations(2)	901.3	137.7	239.9	235.6	288.1
Capital lease obligations, including interest(3)	18.9	3.5	6.6	5.2	3.6
Lease financing arrangements, including interest(3)	108.5	12.3	27.8	25.5	42.9
Purchase commitments(4)	75.7	54.5	21.2		
Operating leases(5)	3,306.6	360.1	686.7	631.9	1,627.9
FIN 48 liabilities(6)	2.7	2.7			
Other long term liabilities	1.0	0.3	0.6	0.1	
Total	\$ 6,357.8	\$ 580.4	\$ 1,007.0	\$ 925.7	\$ 3,844.7

	Amount of Commitment Expiration per Period		
	Current	13 - 36 months	37 - 60 months

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	<b>Total Amounts Available</b>				<b>After 60 months</b>		
Other Commercial Commitments(7)	\$	85.0	\$	\$	\$	85.0	\$

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(1) These amounts are included on our unaudited condensed consolidated balance sheet as of March 31, 2011. Our Amended Senior Credit Facility provides for mandatory prepayments under certain scenarios as further described in Note 5 to the 2010 Audited Consolidated Financial Statements.

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(2) Future interest payments on the Company's unhedged debt obligations (consisting of approximately \$3.5 million of variable interest rate borrowings under the New Term Loans, \$525.0 million outstanding under the 91/8% Senior Notes, \$400.0 million outstanding under the 85/8% Senior Notes, and approximately \$11.8 million of other debt obligations) are based on the stated fixed rate or in the case of the \$3.5 million of variable interest rate borrowings under the New Term Loans, the current interest rate as of March 31, 2011 (3.56%). Future interest payments on the Company's hedged indebtedness as of March 31, 2011 (the remaining \$1,000.0 million of borrowings under the New Term Loans) are based on (1) the applicable margin (as defined in Note 4 Debt Obligations) as of March 31, 2011 (3.25%) and (2) the expected fixed interest payments under the Company's interest rate swap agreements, which are described in further detail under Note 5 to the 2010 Audited Consolidated Financial Statements.

(3) The present value of these obligations, excluding interest, is included on our unaudited condensed consolidated balance sheet as of March 31, 2011. Future interest payments are calculated based on interest rates implicit in the underlying leases, which have a weighted average interest rate of 11.24%, maturing in various installments through 2021. Refer to Note 5 to the 2010 Audited Consolidated Financial Statements for additional information about our capital lease obligations and lease financing arrangements.

(4) Includes estimated capital expenditures and investments to which we were committed as of March 31, 2011, including improvements associated with existing theatres, the construction of new theatres, the estimated cost of ADA related betterments and investments in non-consolidated entities.

(5) We enter into operating leases in the ordinary course of business. Such lease agreements provide us with the option to renew the leases at defined or then fair value rental rates for various periods. Our future operating lease obligations would change if we exercised these renewal options or if we enter into additional operating lease agreements. Our operating lease obligations are further described in Note 6 to the 2010 Audited Consolidated Financial Statements.

(6) These amounts are included on our unaudited condensed consolidated balance sheet as of March 31, 2011 and represent liabilities associated with unrecognized tax benefits. The table does not include approximately \$26.1 million of recorded liabilities associated with unrecognized tax benefits for which we do not believe that the amount and timing of the payments are reasonably estimable.

(7) In addition, as of March 31, 2011, Regal Cinemas had approximately \$82.3 million available for drawing under the \$85.0 million Revolving Facility. Regal Cinemas also maintains a sublimit within the Revolving Facility of \$10.0 million for short-term loans and \$30.0 million for letters of credit.

We believe that the amount of cash and cash equivalents on hand, cash flow expected from operations and availability under our Revolving Facility will be adequate for the Company to execute its business strategy and meet anticipated requirements for lease obligations, capital expenditures, working capital and debt service for the next 12 months.

### **Recent Accounting Pronouncements**

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For a discussion of the recent accounting pronouncements relevant to our operations, please refer to the information provided under Note 10 Recent Accounting Pronouncements of our notes to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 (Financial Statements) of this Form 10-Q, which information is incorporated by reference herein.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various market risks including interest rate risk and equity price risk. The Company's interest rate risk is confined to interest rate exposure of its and its wholly owned subsidiaries' debt obligations that bear interest based on floating rates. The Amended Senior Credit Facility provides variable rate interest that could be adversely affected by an increase in interest rates. Borrowings under the New Term Loans bear interest, at Regal Cinemas' option, at either a base rate or an adjusted LIBOR rate or the base rate plus, in each case, an applicable margin.

Under the terms of the Company's effective interest rate swap agreements (which hedge an aggregate of \$1,000.0 million of variable rate debt obligations as of March 31, 2011) described in Note 4 Debt Obligations, Regal Cinemas pays interest at various fixed rates ranging from 2.15% to 2.53% and receives interest at a variable rate based on the 3-month LIBOR.

As of March 31, 2011 and December 30, 2010, borrowings of \$1,003.5 million and \$1,232.5 million (net of debt discount), respectively, were outstanding under the New Term Loans at an effective interest rate of 5.56% (as of March 31, 2011) and 5.42% (as of December 30, 2010), after the impact of the interest rate swaps is taken into account. A hypothetical change of 10% in the

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Company's effective interest rate under the New Term Loans as of March 31, 2011, would increase or decrease interest expense by \$1.4 million for the quarter ended March 31, 2011.

In addition, the Company is exposed to equity price risk associated with approximately 1.2 million shares of stock held in RealD, Inc. as described further in Note 11 Fair Value of Financial Instruments. Such shares of stock are accounted for as available for sale securities with recurring fair value adjustments recorded as a component of accumulated other comprehensive loss/income (net of related tax effects).

**Item 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Commission under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the Commission's rules and forms, and that information is accumulated and communicated to our management, including our principal executive, principal financial and principal accounting officers (whom we refer to in this periodic report as our Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Certifying Officers, the effectiveness of our disclosure controls and procedures as of March 31, 2011, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of March 31, 2011, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

Information required to be furnished by us under this Part II, Item 1 (Legal Proceedings) is incorporated by reference to Note 7 Commitments and Contingencies of our notes to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 (Financial Statements) of this quarterly report on Form 10-Q.

**Item 1A. RISK FACTORS**

There have been no material changes from risk factors as previously disclosed in our annual report on Form 10-K filed on February 28, 2011 with the Commission (File No. 001-31315) for the fiscal year ended December 30, 2010.



Table of Contents**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****ISSUER PURCHASES OF EQUITY SECURITIES FOR THE QUARTER ENDED MARCH 31, 2011**

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
December 31, 2010 - January 31, 2011	96,630	\$ 12.40		\$
February 1, 2011 - February 28, 2011				
March 1, 2011 - March 31, 2011				
<b>Total</b>	96,630	\$ 12.40		\$

(1) During the quarter ended March 31, 2011, the Company withheld approximately 96,630 shares of restricted stock at an aggregate cost of approximately \$1.2 million as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements related to the vesting of restricted stock awards.

**Item 4. REMOVED AND RESERVED****Item 6. EXHIBITS**

Exhibit Number	Description
4.1	First Supplemental Indenture, dated January 7, 2011, between Regal Entertainment Group and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.2 to our Current Report on Form 8-K (Commission File No. 001-31315) on January 7, 2011, and incorporated herein by reference)
4.2	Second Supplemental Indenture, dated February 15, 2011, between Regal Entertainment Group and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.3 to our Current Report on Form 8-K (Commission File No. 001-31315) on February 15, 2011, and incorporated herein by reference)
4.3	Permitted Secured Refinancing Agreement, dated February 23, 2011, among Regal Cinemas Corporation, Regal Entertainment Group, Regal Entertainment Holdings, Inc., the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch and the lenders party thereto (filed as Exhibit 4.1 to our Current Report on Form 8-K (Commission File No. 001-31315) on February 25, 2011, and incorporated herein by reference)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of Regal
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of Regal



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32 Section 1350 Certifications

101 Financial statements from the quarterly report on Form 10-Q of Regal Entertainment Group for the quarter ended March 31, 2011, filed on May 10, 2011, formatted in XBRL: (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) the Unaudited Condensed Consolidated Statements of Income (Loss), (iii) the Unaudited Condensed Consolidated Statements of Cash Flows and (iv) the Notes to Unaudited Condensed Consolidated Financial Statements tagged as blocks of text.

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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.

**REGAL ENTERTAINMENT GROUP**

Date: May 10, 2011 By: */s/ AMY E. MILES*  
 Amy E. Miles  
*Chief Executive Officer (Principal Executive Officer)*

Date: May 10, 2011 By: */s/ DAVID H. OWNBY*  
 David H. Ownby  
*Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)*

**EXHIBIT INDEX**

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