ULTRAPAR HOLDINGS INC
Form 425
March 19, 2007

Filer: Ultrapar Participações S.A.
Issuer: Ultrapar Participações S.A.
Subject of the offer: Refinaria de Petróleo Ipiranga S.A.,
Distribuidora de Produtos de Petróleo Ipiranga S.A. and
Companhia Brasileira de Petróleo Ipiranga S.A.
Commission File Number: 001-14950

Petrobras, Ultrapar and Braskem entered into an agreement to acquire Ipiranga Group operations

March 19, 2007

Operation
Overview

- Petrobras, Grupo Ultra and Braskem entered into an agreement to acquire Ipiranga Group s operations, creating growth perspectives and consolidation for both petrochemical and fuel distribution sectors

- Acquiring Ipiranga Goup operations, reinforce their commitment with Rio Grande do Sul and Ipiranga s employees to improve Brazil: shareholders, employees, community and consumers o The total value of the operation is estimated in US$4 billion, which is divided in:

    - Petrobras: US$ 1.3 billion;

    - Braskem: US$ 1.1 billion

    - Grupo Ultra: issue of 52,8 million shares

- Grupo Ultra will have 2 major distribution brands for petroleum by-products: Ultragaz and Ipiranga

Ipiranga Group
Overview

- Fuel Distribution
  - 4,240 gas stations network;
  - 2nd largest company in the sector.
- Petrochemicals
  - Annual production capacity of 730,000 tons of petrochemical resins through IPQ;
  - Brazilian market leader in HDPE with an approximate 33% market share;
  - Controls Copesul together with Braskem - second largest cracking plant in America
- Oil Refining
  - Ipiranga Oil Refinery in Rio Grande;
  - Refining capacity of 17,000 barrels/day.
- In 2006, Ipiranga Group s consolidated net revenue totaled R$ 30 billion, EBITDA R$ 1.0 billion and net income R$ 534 million.

Description of the Acquisition

o Investment agreement between Petrobras, Ultrapar and Braskem;

o Stage 1 - Ultrapar acquires the shares held by the controlling group;

o Stage 2 - Ultrapar makes a tender offer for the acquisition of common shares ("tag along"): CBPI, DPPI and RIPI;

o Stage 3 - Petrobras and Braskem make a tender offer for the delisting of Copesul (CPSL);

o Stage 4 - Ultrapar incorporates CBPI, DPPI and RIPI preferred shares;

o Stage 5 - Ultrapar will sell part of Ipiranga Group s assets to Braskem and Petrobras;

o Conclusion scheduled for the 4Q07.

Post-operation business profiles

- Fuel Distribution
    - Grupo Ultra will take over in the South and the Southeast regions under the brand Ipiranga;
    - Petrobras will take over in the North, the Northeast and the Midwest regions, under the brand Ipiranga for 5 years;
    - 40% of petrochemical assets (IQ / IPQ / CPSL);
- Petrochemical
    - Braskem wil hold 60% of the business, including participation in Copersul
    - Petrobras will hold 40% of the business
- Oil Refining
    - Petrobras, Grupo Ultra and Braskem will hold equal participation

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Commitment to Growth.
Brazil investing in Brazil.

Other than the information contained in this document, Ultrapar Participacoes S.A. has not filed with the SEC any information relating to the merger of the acquisition of the Ipiranga Group, including with respect to the tender and exchange offer transactions referred to above (the "transactions"). As they become available, Ultrapar Participacoes S.A. will be filing with the SEC additional documents relating to the transactions. **WE URGE INVESTORS TO READ THE DEFINITIVE OFFERING DOCUMENTS AND ANY OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC, BECAUSE THEY CONTAIN IMPORTANT INFORMATION.**

Investors will be able to obtain copies of the offering document and other documents from the SEC's Public Reference Room at 450 Fifth Street N.W., Washington D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The documents may also be obtained from the website maintained by the SEC at http://www.sec.gov, which contains reports and other information regarding registrants that file electronically with the SEC. In addition, documents (including any exhibits) filed with the SEC by Ultrapar Participacoes S.A. will be available free of charge from the Investor Relations office of Ultrapar Participacoes S.A., located at Avenida Brigadeiro Luis Antonio, 1343, 9º Andar São Paulo, SP, Brazil 01317-910 011-55-11-3177-6695. **PLEASE, READ THE DEFINITIVE OFFERING DOCUMENTS CAREFULLY BEFORE MAKING A DECISION REGARDING THE MERGER.**

This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

> April 2,

2009

In millions (except per share data)

Total revenues

$661.0 $696.4 $730.7 $719.8 $765.6 $673.5 $789.2 $665.6

Income from operations

44.1 58.1 66.0 47.6 82.2 38.4 96.3 62.5

Net income (loss) attributable to controlling interest

13.7 42.6 4.8 16.5 35.5 (1.8) 40.5 21.3

Diluted earnings (loss) per share

0.09 0.28 0.03 0.11 0.23 (0.01) 0.26 0.14

Dividends per common share

$1.58(1)$0.18 $0.18 $0.18 $0.18 $0.18 $0.18 $0.18

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(1) Includes the December 30, 2010 payment of the $1.40 extraordinary cash dividend paid on each share of Class A and Class B Common Stock. See Note 9 to the accompanying consolidated financial statements included in Item 8 of this Form 10-K for further

discussion.

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 $8^{5}/_{8}$% 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 $9^{1}/_{8}$% Senior Notes and $6^{1}/_{4}$% Convertible Senior Notes. In addition, as described further below, the Indenture under the $9^{1}/_{8}$% Senior Notes limits the Company's (and 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 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 totaled approximately $259.4 million, $410.8 million and $270.9 million for the Fiscal 2010 Period, the Fiscal 2009 Period and the Fiscal 2008 Period, respectively. The decrease in net cash flows generated from operating activities for the Fiscal 2010 Period as compared to the Fiscal 2009 Period was primarily attributable to a reduction in operating income, coupled with the timing of certain Fiscal 2010 Period vendor and income tax payments. The increase in net cash flows generated from operating activities for the Fiscal 2009 Period as compared to

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the Fiscal 2008 Period was primarily attributable to an increase in working capital, primarily the timing of certain Fiscal 2009 Period vendor 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 and IMAX® 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, replacement, 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. The Company recorded such DCIP Contributions as an increase in its investment in DCIP, which included the fair value of the 200 existing digital projection systems, as determined by an independent appraisal. 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. 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. Such losses have been presented as a component of "Net (gain) loss on disposal and impairment of operating assets" in the consolidated statement of income for the Fiscal 2010 Period. After giving effect to the DCIP Contributions, the Company holds a 46.7% economic interest in DCIP as of December 30, 2010, 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 costs of implementing digital projection in our theatres will be substantially funded by DCIP. We expect DCIP to fund 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 will bear operating and maintenance costs with respect to digital projection systems in our theatres, which we expect to be 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

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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 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 initial financing is expected to cover the cost of conversion to digital projection for approximately 70% of our circuit's screens. We ultimately expect to outfit all of our screens with digital projection systems, with approximately 40% of our total screens being digital 3D capable and intend to complete the conversion of our entire circuit in approximately three to four years. As of December 30, 2010, we operated 2,202 screens outfitted with digital projection systems, 1,710 of which are digital 3D capable.

During the early stage of deployment, the Company is focusing on an accelerated deployment of 3D compatible digital projection systems to a majority of its first run U.S. theatres. We believe the installation of digital 3D projection systems and IMAX® theatre systems and the conversion of existing auditoriums to RPX(SM) auditoriums will allow us to offer our patrons premium 3D and large format movie experiences, which we believe will generate incremental revenue and cash flows for the Company. We remain optimistic about 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 4 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K, on April 9, 2008, March 17, 2009 and March 17, 2010 we received from National CineMedia approximately 0.8 million, 0.5 million and 0.3 million, respectively, newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. In addition, on May 29, 2008, we received from National CineMedia approximately 2.9 million newly issued common units of National CineMedia in accordance with the adjustment provisions of the Common Unit Adjustment Agreement in connection with our acquisition of Consolidated Theatres. On August 18, 2010, we redeemed 4.2 million of our National CineMedia common units for a like number of shares of NCM, Inc. common stock, which we sold in an underwritten public offering for $16.00 per share, reducing our investment in National CineMedia by $13.7 million, the average carrying amount of the shares sold. We received approximately $64.5 million in proceeds after deducting related fees and expenses payable by us, resulting in a gain on sale of $50.8 million. In addition, on September 8, 2010, we redeemed an additional 0.1 million National CineMedia common units for a like number of shares of NCM, Inc. common stock and sold them to the underwriters to cover over-allotments at $16.00 per share, further reducing our investment in National CineMedia by $0.3 million, the average carrying amount of the shares sold. We received approximately $1.5 million of net proceeds from this sale, resulting in a gain on sale of $1.2 million. These transactions, together with National CineMedia's issuance of 6.5 million common units to AMC in the second quarter of 2010 as a result of an acquisition, had the effect of decreasing the Company's ownership share in National CineMedia. As a result, on a fully diluted basis, we own a 19.4% interest in NCM, Inc. as of December 30, 2010. See Note 4 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K for further discussion of National CineMedia.

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. Regal purchased five of these AMC theatres representing 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. The results of operations of the eight acquired theatres have been included in the Company's consolidated financial statements for periods subsequent to the respective acquisition dates. In addition, during the Fiscal 2008 Period, the Company acquired Consolidated Theatres, which held a total of 28 theatres with 400 screens in Georgia, Maryland, North

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Carolina, South Carolina, Tennessee and Virginia. The total net cash purchase price for the acquisition was approximately $209.3 million. See Note 3 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K for further discussion of these acquisitions.

Net cash flows used in investing activities totaled approximately $82.7 million, $110.5 million and $338.5 million for the Fiscal 2010 Period, the Fiscal 2009 Period and the Fiscal 2008 Period, respectively. Contributing to the $27.8 million decrease in cash flows used in investing activities during the Fiscal 2010 Period, as compared to the Fiscal 2009 Period, was the impact of net proceeds totaling approximately $66.0 million resulting from the sale of NCM, Inc. common stock, coupled with lower capital expenditures and higher proceeds from the disposition of assets during the Fiscal 2010 Period, partially offset by the $55.0 million acquisition of eight AMC theatres and approximately $29.9 million of cash contributions to DCIP during the Fiscal 2010 Period. The $228.0 million decrease in cash flows used in investing activities during the Fiscal 2009 Period as compared to the Fiscal 2008 Period was primarily attributable to the impact of the $209.3 million acquisition of Consolidated Theatres during the Fiscal 2008 Period coupled with capital expenditures that were approximately $22.9 million lower during the Fiscal 2009 Period, partially offset by less proceeds from the disposition of assets of approximately $2.8 million during the Fiscal 2009 Period.

Financing Activities

On May 19, 2010, Regal Cinemas entered into the Amended Senior Credit Facility with Credit Suisse and the Lenders that amends, restates and refinances 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 consists of a 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 Term Facility amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term Facility, with the balance payable on the Term Facility maturity date.

Net proceeds of the Term Facility (approximately $1,237.5 million) were applied to refinance the term loan under the Prior Senior Credit Facility, which had an aggregate principal balance of approximately $1,262.1 million. Upon the execution of the Amended Senior Credit Facility, Regal recognized a loss on debt extinguishment of approximately $18.4 million. No amounts have been drawn on the Revolving Facility. The Amended Senior Credit Facility also permits Regal Cinemas to borrow additional term loans thereunder, subject to lenders providing additional commitments of up to $200.0 million and satisfaction of other conditions, as well as other term loans for acquisitions and certain capital expenditures subject to lenders providing additional commitments and satisfaction of other conditions. The Amended Senior Credit Facility is secured by substantially all assets of Regal Cinemas and certain of its subsidiaries.

The Amended Senior Credit Facility includes several financial covenants including:

- maximum ratio of (i) the sum of funded debt (net of unencumbered cash) plus the product of eight (8) times lease expense to (ii) consolidated EBITDAR (as defined in the Amended Senior Credit Facility) of 6.00 to 1.0 throughout the term of the Amended Senior Credit Facility;

- maximum ratio of funded debt (net of unencumbered cash) to consolidated EBITDA of 4.00 to 1.0 throughout the term of the Amended Senior Credit Facility;

- minimum ratio of (i) consolidated EBITDAR to (ii) the sum of interest expense plus lease expense of 1.50 to 1.0 throughout the term of the Amended Senior Credit Facility; and

- maximum capital expenditures not to exceed 35% of consolidated EBITDA for the prior fiscal year plus a one-year carryforward for unused amounts from the prior fiscal year.

The Amended Senior Credit Facility requires that Regal Cinemas and its subsidiaries comply with certain customary covenants, including with respect to incurring indebtedness and liens, making investments and acquisitions, effecting mergers and asset sales, prepaying indebtedness, and paying dividends. Among other things, such limitations will restrict the ability of Regal Cinemas to fund the operations of Regal or any subsidiary of Regal that is not a subsidiary of Regal Cinemas, which guaranties the Amended Senior Credit Facility.

The Amended Senior Credit Facility includes events of default relating to customary matters, including, among other things, nonpayment of principal, interest or other amounts; violation of covenants; any material inaccuracy of representations and warranties; cross default and cross acceleration with respect to indebtedness in an aggregate principal amount of $25.0 million or more; bankruptcy; judgments involving liability of $25.0 million or more that are not paid; ERISA events; actual or asserted invalidity of guarantees or security documents; and change of control. For a detailed summary of other material terms of the Amended Senior Credit Facility, please refer to the information provided under Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Please refer to Note 14 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K for a discussion of an amendment to our Amended Senior Credit Facility and other financing transactions effected subsequent to the year ended December 30, 2010.

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 representatives of the underwriters, with respect to 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 net proceeds from the offering, after deducting offering expenses paid by the Company, were approximately $269.5 million. The net proceeds were used to repay outstanding indebtedness under the $6^{1}/_{4}$% Convertible Senior Notes, the Regal Cinemas $9^{3}/_{8}$% Senior Subordinated Notes due 2012 (the "Senior Subordinated Notes") and for general corporate purposes. During the year ended December 30, 2010, 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.

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.

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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.

As of December 30, 2010, we are in full compliance with all agreements, including all related covenants, governing our outstanding debt obligations.

Subsequent to the issuance of the 9$^{1}/_{8}$% Senior Notes, during August and September 2010, we used a portion of the net proceeds from the offering to repurchase a total of approximately $125.3 million principal amount of the 6$^{1}/_{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 during the Fiscal 2010 Period. In addition, on November 1, 2010, we redeemed the remaining outstanding $51.5 million principal amount of the Senior Subordinated Notes at a redemption price of 100.0% of their principal amount, plus accrued interest.

As of December 30, 2010, we had approximately $1,232.5 million aggregate principal amount outstanding (net of debt discount) under the Term Facility, $275.0 million aggregate principal amount outstanding under the 9$^{1}/_{8}$% Senior Notes, $391.7 million aggregate principal amount outstanding (net of debt discount) under the 8$^{5}/_{8}$% Senior Notes and $74.4 million aggregate principal amount outstanding (net of debt discount) under the 6$^{1}/_{4}$% Convertible Senior Notes. As of December 30, 2010, we had approximately $2.7 million outstanding in letters of credit, leaving approximately $82.3 million available for drawing under the Revolving Facility.

During the Fiscal 2010 Period, Regal paid four quarterly cash dividends of $0.18 per share on each outstanding share of the Company's Class A and Class B common stock, or approximately $111.1 million in the aggregate. In addition, on December 30, 2010, Regal paid declared an extraordinary cash dividend of $1.40 per share on each outstanding share of its Class A and Class B common stock, or approximately $216.0 million. On February 9, 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 March 15, 2011, to stockholders of record on March 3, 2011. This dividend reflects a $0.03 per share increase from our last quarterly cash dividend of $0.18 per share declared on October 28, 2010. 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 $299.5 million, $142.4 million and $197.4 million for the Fiscal 2010 Period, the Fiscal 2009 Period and the Fiscal 2008 Period, respectively. The net increase in cash flows used in financing activities during the Fiscal 2010 Period as compared to the Fiscal 2009 Period of $157.1 million was primarily attributable to a $216.3 million increase in dividends paid to shareholders during the Fiscal 2010 Period as compared to the Fiscal 2009

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Period, $128.6 million used to repurchase a portion of the $6^1/_4$% Convertible Senior Notes during the Fiscal 2010 Period, $51.5 million used to redeem the Senior Subordinated Notes, incremental payments (including a $12.5 million debt discount) related to the Amended Senior Credit Facility and incremental debt acquisition costs and related to the Amended Senior Credit Facility and the $9^1/_8$% Senior Notes, partially offset by proceeds of $275.0 million received in connection with the Fiscal 2010 Period issuance of the $9^1/_8$% Senior Notes. The net decrease in cash flows used in financing activities during the Fiscal 2009 Period as compared to the Fiscal 2008 Period of $55.0 million was primarily attributable to a $73.4 million reduction of dividends paid to shareholders during the Fiscal 2009 Period as compared to the Fiscal 2008 Period, partially offset by the impact of the net cash proceeds associated with the convertible note hedge arrangement with Credit Suisse and a warrant to Credit Suisse to purchase shares of our Class A common stock transactions during the Fiscal 2008 Period and incremental debt acquisition costs incurred during the Fiscal 2009 Period related to issuance of $8^5/_8$% Senior Notes and the Prior Senior Credit Facility, as described further in Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Ratings

The Company is rated by nationally recognized rating agencies. The significance of individual ratings varies from agency to agency. However, companies assigned ratings at the top end of the range have, in the opinion of certain rating agencies, the strongest capacity for repayment of debt or payment of claims, while companies at the bottom end of the range have the weakest capability. Ratings are always subject to change and there can be no assurance that the Company's current ratings will continue for any given period of time. A downgrade of the Company's debt ratings, depending on the extent, could increase the cost to borrow funds. Below are our latest ratings per category, which were current as of the date of this Form 10-K.

Category	Moody's	Standard and Poor's
Regal $9^1/_8$% Senior Notes	B3	B-
Regal Cinemas $8^5/_8$% Senior Notes	B2	B-
Regal Cinemas Amended Senior Credit Facility	Ba2	BB-

EBITDA

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") were approximately $487.8 million, $510.3 million and $517.3 million for the Fiscal 2010 Period, the Fiscal 2009 Period and the Fiscal 2008 Period, respectively. The net decrease in EBITDA in the Fiscal 2010 Period from the Fiscal 2009 Period was primarily attributable to a decrease in operating income during the Fiscal 2010 Period as described in further detail above under "Results of Operations." 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 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 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-K, 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 operating activities is calculated as follows (in millions):

	Fiscal 2010 Period	Fiscal 2009 Period	Fiscal 2008 Period
EBITDA	$ 487.8	$ 510.3	$ 517.3
Interest expense, net	(148.1)	(151.0)	(128.4)
Provision for income taxes	(48.7)	(61.9)	(74.4)
Deferred income taxes	(7.5)	(1.1)	(20.2)
Gain on sale of Fandango interest			(3.4)
Changes in operating assets and liabilities	(51.0)	44.1	(73.7)
Loss on extinguishment of debt	23.5	7.4	3.0
Gain on sale of NCM, Inc. common stock	(52.0)		
Other items, net	55.4	63.0	50.7
Net cash provided by operating activities	$ 259.4	$ 410.8	$ 270.9

Interest Rate Swaps

As described in Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K, Regal Cinemas had three interest rate swap agreements effective as of January 1, 2009, which hedged an aggregate of approximately $700.0 million of variable rate debt obligations. During the quarter ended April 2, 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 interest rate swaps were designated to hedge approximately $1,000.0 million of variable rate debt obligations and became effective during the year ended December 31, 2009. During the year ended December 31, 2009, the three interest rate swaps effective as of January 1, 2009 matured. As a result, the Company's four interest rate swap agreements effective as of December 30, 2010 and December 31, 2009 hedged an aggregate of approximately $1,000.0 million of variable rate debt obligations at an effective rate of approximately 5.82%.

On September 15, 2008, because of the sudden deterioration in the credit standing of the Lehman counterparty to an interest rate swap agreement designated to hedge approximately $100.0 million of variable rate debt obligations, the Company concluded that the hedging relationship was no longer expected to be highly effective in achieving offsetting cash flows. As a result, on September 15, 2008, the hedging relationship ceased to qualify for hedge accounting. For the period from September 15, 2008 through September 25, 2008, the Company recognized $0.5 million (the change in fair value of the former hedging derivative) as a reduction of interest expense in the consolidated financial statements. On October 3, 2008, the Lehman counterparty filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. As a result, an event of default occurred under the provisions of the interest rate swap agreement between the Company and the Lehman counterparty, which effectively terminated the interest rate swap on October 3, 2008, as indicated above. Accordingly, $1.6 million of accumulated other comprehensive loss as of October 3, 2008 will be reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings (i.e., when interest payments are made on the

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variable rate debt obligations) as an adjustment to interest expense over the remaining life of the two-year original hedge as long as the variable rate debt obligations remain outstanding. During the quarter ended October 1, 2009, the Company released the final portion of the deferred loss in accumulated other comprehensive loss by recording interest expense (net of related tax effects) of approximately $0.4 million and a corresponding $0.4 million reduction of other comprehensive loss. In addition, during the year ended December 31, 2009, the Company paid a final termination value of approximately $2.5 million (including accrued interest) associated with the interest rate swap.

Under the terms of the Company's effective interest rate swap agreements as of December 30, 2010, 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 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.

The fair value of the Company's interest rate swaps is based on Level 2 inputs as described in ASC Topic 820, *Fair Value Measurements and Disclosures*, 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. See Note 13 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K for additional discussion of the Company's interest rate swaps' fair value estimation methods and assumptions.

Sale-Leaseback Transactions

For information regarding our various sale and leaseback transactions, refer to Note 6 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

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 December 30, 2010, the Company's estimated

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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
Contractual Cash Obligations:					
Debt obligations(1)	$ 2,005.9	$ 88.8	$ 28.9	$ 32.7	$ 1,855.5
Future interest on debt obligations(2)	815.8	128.3	221.4	212.6	253.5
Capital lease obligations, including interest(3)	20.3	3.4	6.8	5.8	4.3
Lease financing arrangements, including interest(3)	111.4	11.7	27.8	26.2	45.7
Purchase commitments(4)	32.3	18.7	13.6		
Operating leases(5)	3,390.4	362.6	691.1	648.9	1,687.8
FIN 48 liabilities(6)	2.7	2.7			
Other long term liabilities	2.3	1.5	0.6	0.2	
Total	$ 6,381.1	$ 617.7	$ 990.2	$ 926.4	$ 3,846.8

	Amount of Commitment Expiration per Period				
	Total Amounts Available	Current	13 - 36 months	37 - 60 months	After 60 months
Other Commercial Commitments(7)	$ 85.0	$	$	$ 85.0	$

(1) These amounts (excluding aggregate debt discount of approximately $19.8 million) are included on our consolidated balance sheet as of December 30, 2010. Our Amended Senior Credit Facility provides for mandatory prepayments under certain scenarios. See Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K for additional information about our long-term debt obligations and related matters.

(2) Future interest payments on the Company's unhedged debt obligations (consisting of approximately $243.8 million of variable interest rate borrowings under the Term Facility, $275.0 million outstanding under the 9 1/8% Senior Notes, $400.0 million outstanding under the 8 5/8% Senior Notes, $74.7 million outstanding under the 6 1/4% Convertible Senior Notes, and approximately $12.5 million of other debt obligations) are based on the stated fixed rate or in the case of the $243.8 million of variable interest rate borrowings under the Term Facility, the current interest rate as of December 30, 2010 (3.79%). Future interest payments on the Company's hedged indebtedness as of December 30, 2010 (the remaining $1,000.0 million of borrowings under the Term Facility) are based on (1) the applicable margin (as defined in Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K) as of December 30, 2010 3.50% 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 consolidated financial statements included in Part II, Item 8 of this Form 10-K.

(3)
The present value of these obligations, excluding interest, is included on our consolidated balance sheet as of December 30, 2010. Future interest payments are calculated based on interest rates implicit in the underlying leases, which have a weighted average interest rate of 11.23%, maturing in various installments through 2021. Refer to Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K for additional information about our capital lease obligations and lease financing arrangements.

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(4) Includes estimated capital expenditures to which we were committed as of December 30, 2010, including improvements associated with existing theatres, the construction of new theatres and the estimated cost of ADA related betterments.

(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 consolidated financial statements included in Part II, Item 8 of this Form 10-K.

(6) These amounts are included on our consolidated balance sheet as of December 30, 2010 and represent liabilities associated with unrecognized tax benefits. The table does not include approximately $25.7 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 December 30, 2010, 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.

Off-Balance Sheet Arrangements

Other than the operating leases detailed above in this Form 10-K, under the heading "Contractual Cash Obligations and Commitments," the Company has no other off-balance sheet arrangements.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements relevant to our operations, please refer to the information provided under Note 2 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K, which information is incorporated herein by reference.

Item 7A. 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 Term Facility 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 December 30, 2010) described in Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K, 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 December 30, 2010 and December 31, 2009, borrowings of $1,232.5 million (net of debt discount) and $1,265.4 million, respectively, were outstanding under the Term Facility at an effective interest rate of 5.42% (as of December 30, 2010) and 5.38% (as of December 31, 2009), after the impact of the interest rate swaps is taken into account. A hypothetical change of 10% in the Company's

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effective interest rate under the Term Facility as of December 30, 2010, would increase or decrease interest expense by $6.7 million for the year ended December 30, 2010.

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 13 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K. 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).

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors
Regal Entertainment Group:

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

Management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of such controls as of December 30, 2010. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes that the Company's internal control over financial reporting is effective as of December 30, 2010.

KPMG LLP, independent registered public accounting firm of the Company's consolidated financial statements, has issued an audit report on management's assertion with respect to the effectiveness of the Company's internal control over financial reporting as of December 30, 2010, as stated in their report which is included herein.

/s/ AMY E. MILES	/s/ DAVID H. OWNBY
Amy E. Miles	David H. Ownby
Chief Executive Officer (Principal Executive Officer)	*Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Regal Entertainment Group:

We have audited the accompanying consolidated balance sheets of Regal Entertainment Group and subsidiaries as of December 30, 2010 and December 31, 2009, and the related consolidated statements of income, deficit and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 30, 2010. We also have audited Regal Entertainment Group's internal control over financial reporting as of December 30, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Regal Entertainment Group's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Regal Entertainment Group and subsidiaries as of December 30, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 30, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Regal Entertainment Group maintained, in all material respects, effective internal control over financial reporting as of December 30, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Nashville, Tennessee
February 28, 2011

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REGAL ENTERTAINMENT GROUP

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	December 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 205.3	$ 328.1
Trade and other receivables	77.3	66.3
Income tax receivable	18.0	2.7
Inventories	14.7	12.3
Prepaid expenses and other current assets	15.9	8.6
Assets held for sale	1.2	0.6
Deferred income tax asset	14.1	10.3
TOTAL CURRENT ASSETS	346.5	428.9
PROPERTY AND EQUIPMENT:		
Land	129.7	118.6
Buildings and leasehold improvements	1,973.6	1,921.4
Equipment	984.1	1,016.3
Construction in progress	5.9	8.8
Total property and equipment	3,093.3	3,065.1
Accumulated depreciation and amortization	(1,402.8)	(1,246.4)
TOTAL PROPERTY AND EQUIPMENT, NET	1,690.5	1,818.7
GOODWILL	178.8	178.8
INTANGIBLE ASSETS, NET	22.2	11.7
DEFERRED INCOME TAX ASSET	81.2	78.1
OTHER NON-CURRENT ASSETS	173.4	121.5
TOTAL ASSETS	$ 2,492.6	$ 2,637.7
LIABILITIES AND DEFICIT		
CURRENT LIABILITIES:		
Current portion of debt obligations	$ 95.8	$ 17.1
Accounts payable	162.4	198.5
Accrued expenses	67.5	65.2
Deferred revenue	98.5	93.9
Interest payable	44.8	21.8
TOTAL CURRENT LIABILITIES	469.0	396.5
LONG-TERM DEBT, LESS CURRENT PORTION	1,897.7	1,892.6
LEASE FINANCING ARRANGEMENTS, LESS CURRENT PORTION	66.2	72.0
CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	13.3	15.4
NON-CURRENT DEFERRED REVENUE	342.4	341.2
OTHER NON-CURRENT LIABILITIES	195.7	166.9
TOTAL LIABILITIES	2,984.3	2,884.6
DEFICIT:		
Class A common stock, $0.001 par value; 500,000,000 shares authorized, 130,594,743 and 130,292,790 shares issued and outstanding at December 30, 2010 and December 31, 2009, 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 December 30, 2010 and December 31, 2009		
Preferred stock, $0.001 par value; 50,000,000 shares authorized; none issued and outstanding		
Additional paid-in capital (deficit)	(487.6)	(282.9)
Retained earnings	9.4	47.0
Accumulated other comprehensive loss, net	(12.2)	(10.3)

TOTAL STOCKHOLDERS' DEFICIT OF REGAL ENTERTAINMENT GROUP		(490.3)		(246.1)
Noncontrolling interest		(1.4)		(0.8)
TOTAL DEFICIT		(491.7)		(246.9)
TOTAL LIABILITIES AND DEFICIT	$	2,492.6	$	2,637.7

See accompanying notes to consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except share and per share data)

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
REVENUES:			
Admissions	$ 1,956.3	$ 1,991.6	$ 1,883.1
Concessions	724.3	775.6	758.0
Other operating revenues	127.3	126.7	130.8
TOTAL REVENUES	2,807.9	2,893.9	2,771.9
OPERATING EXPENSES:			
Film rental and advertising costs	1,026.7	1,046.5	990.4
Cost of concessions	101.1	110.6	106.6
Rent expense	382.3	378.8	363.3
Other operating expenses	784.0	778.5	739.9
General and administrative expenses (including share-based compensation of $8.4, $5.9 and $5.7 for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively)	66.7	64.2	62.1
Depreciation and amortization	213.4	201.9	202.3
Net loss on disposal and impairment of operating assets	17.9	34.0	22.4
Joint venture employee compensation			0.5
TOTAL OPERATING EXPENSES	2,592.1	2,614.5	2,487.5
INCOME FROM OPERATIONS	215.8	279.4	284.4
OTHER EXPENSE (INCOME):			
Interest expense, net	148.1	151.0	128.4
Loss on extinguishment of debt	23.5	7.4	3.0
Earnings recognized from NCM	(40.8)	(38.6)	(32.9)
Gain on sale of NCM, Inc. common stock	(52.0)		
Gain on sale of Fandango interest			(3.4)
Other, net	11.0	2.4	2.9
TOTAL OTHER EXPENSE (INCOME), NET	89.8	122.2	98.0
INCOME BEFORE INCOME TAXES	126.0	157.2	186.4
PROVISION FOR INCOME TAXES	48.7	61.9	74.4
NET INCOME	77.3	95.3	112.0
NONCONTROLLING INTEREST, NET OF TAX	0.3	0.2	0.2
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	$ 77.6	$ 95.5	$ 112.2
EARNINGS PER SHARE OF CLASS A AND CLASS B COMMON STOCK (NOTE 12):			
Basic	$ 0.51	$ 0.62	$ 0.73
Diluted	$ 0.50	$ 0.62	$ 0.72
AVERAGE SHARES OUTSTANDING (in thousands):			
Basic	153,399	153,062	152,849
Diluted	154,517	154,092	155,175
Dividends declared per common share	$ 2.12	$ 0.72	$ 1.20

See accompanying notes to consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

CONSOLIDATED STATEMENTS OF DEFICIT AND COMPREHENSIVE INCOME (LOSS)

(in millions, except per share data)

	Class A Common Stock		Class B Common Stock							
	Shares	Amount	Shares	Amount	Additional Paid-In Capital (Deficit)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit of Regal Entertainment Group	Noncontrolling Interest	Total Deficit
Balances, December 27, 2007	129.5	$ 0.1	23.8	$	$ (157.6)	$ 40.9	$ (1.6)	$ (118.2)	$ 0.5	$ (117.7)
Comprehensive Income:										
Change in fair value of interest rate swap transactions, net of tax							(8.3)	(8.3)		(8.3)
Net income attributable to controlling interest						112.2		112.2		112.2
Total comprehensive income										103.9
Noncontrolling interest adjustments									(0.9)	(0.9)
Share-based compensation expense					5.5			5.5		5.5
Exercise of stock options	0.1				0.5			0.5		0.5
Tax benefit from exercise of stock options and other					0.5			0.5		0.5
Issuance of restricted stock	0.2									
ASC Subtopic 470-20 adjustments to additional paid-in capital					(35.0)			(35.0)		(35.0)
Impact attributable to $3\frac{3}{4}$% Convertible Senior Notes convertible note hedge and warrant					(6.6)			(6.6)		(6.6)
Tax impact attributable to $6\frac{1}{4}$% Convertible Senior Notes convertible note hedge and warrant					4.7			4.7		4.7
Net payment on $6\frac{1}{4}$% Convertible Senior Notes convertible note hedge and warrant					(6.6)			(6.6)		(6.6)
Cash dividends declared, $1.20 per share					(71.2)	(113.0)		(184.2)		(184.2)
Balances, January 1, 2009	129.8	$ 0.1	23.8	$	$ (265.8)	$ 40.1	$ (9.9)	$ (235.5)	$ (0.4)	$ (235.9)
Comprehensive Income:										
Change in fair value of interest rate swap transactions, net of tax							(0.4)	(0.4)		(0.4)
Net income attributable to controlling interest						95.5		95.5		95.5
Total comprehensive income										95.1
Noncontrolling interest adjustments									(0.4)	(0.4)
Share-based compensation expense					5.9			5.9		5.9
Exercise of stock options	0.1				0.1			0.1		0.1
					(0.9)			(0.9)		(0.9)

Tax benefits from exercise of stock options, vesting of restricted stock and other										
Issuance of restricted stock	0.4									
Cash dividends declared, $0.72 per share					(22.2)	(88.6)		(110.8)		(110.8)
Balances, December 31, 2009	130.3	$ 0.1	23.8	$	$ (282.9)	$ 47.0	$ (10.3)	$ (246.1)	$ (0.8)	$ (246.9)
Comprehensive Income:										
Change in fair value of interest rate swap transactions, net of tax							(6.8)	(6.8)		(6.8)
Change in fair value of available for sale securities, net of tax							4.9	4.9		4.9
Net income attributable to controlling interest						77.6		77.6		77.6
Total comprehensive income										75.7
Noncontrolling interest adjustments									(0.6)	(0.6)
Share-based compensation expense					7.2			7.2		7.2
Exercise of stock options					0.8			0.8		0.8
Tax benefits from exercise of stock options, vesting of restricted stock and other					(0.8)			(0.8)		(0.8)
Issuance of restricted stock	0.3									
Extraordinary cash dividend declared, $1.40 per share					(195.8)	(20.2)		(216.0)		(216.0)
Cash dividends declared, $0.72 per share					(16.1)	(95.0)		(111.1)		(111.1)
Balances, December 30, 2010	130.6	$ 0.1	23.8	$	$ (487.6)	$ 9.4	$ (12.2)	$ (490.3)	$ (1.4)	$ (491.7)

See accompanying notes to consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 77.3	$ 95.3	$ 112.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	213.4	201.9	202.3
Amortization of debt discount	5.9	4.6	4.2
Amortization of debt acquisition costs	6.9	8.9	7.0
Share-based compensation expense	8.4	5.9	5.7
Change in fair value of interest rate swap			(0.5)
Deferred income tax benefit	(7.5)	(1.1)	(20.2)
Net loss on disposal and impairment of operating assets	17.9	34.0	22.4
Equity in earnings of non-consolidated entities and other	5.8	(2.3)	1.1
Excess cash distribution on NCM shares	7.3	6.2	2.8
Gain on sale of NCM, Inc. common stock	(52.0)		
Gain on sale of Fandango interest			(3.4)
Loss on extinguishment of debt	23.5	7.4	3.0
Non-cash rent expense	3.5	5.9	8.2
Changes in operating assets and liabilities (excluding effects of acquisitions):			
Trade and other receivables	(21.4)	4.2	(22.0)
Inventories	(2.4)	(4.0)	0.4
Prepaid expenses and other assets	2.0	0.4	10.7
Accounts payable	(36.1)	36.5	(23.5)
Income taxes payable	1.8	6.1	21.5
Deferred revenue	(0.1)	(7.3)	(27.2)
Accrued expenses and other liabilities	5.2	8.2	(33.6)
NET CASH PROVIDED BY OPERATING ACTIVITIES	259.4	410.8	270.9
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(98.4)	(108.8)	(131.7)
Proceeds from disposition of assets	34.7	0.8	3.6
Net proceeds from sale of NCM, Inc. common stock	66.0		
Investment in DCIP	(29.9)	(2.5)	(4.0)
Cash used for acquisitions, net of cash acquired	(55.0)		(209.3)
Proceeds from sale of Fandango interest			3.4
Distributions to partnership	(0.1)		(0.5)
NET CASH USED IN INVESTING ACTIVITIES	(82.7)	(110.5)	(338.5)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash used to pay dividends	(327.1)	(110.8)	(184.2)
Proceeds from stock option exercises	0.8	0.1	0.5
Proceeds from issuance of Regal Entertainment Group 9 1/8% Senior Notes	275.0		
Net proceeds from issuance of Regal Cinemas 8 5/8% Senior Notes		390.2	
Cash used to repurchase 6 1/4% Convertible Senior Notes	(128.6)		
Cash used to redeem 9 3/8% Senior Subordinated Notes	(51.5)		
Net payments on long-term obligations	(29.2)	(402.7)	(27.0)
Debt discount paid on amended Senior Credit Facility	(12.5)		
Cash used to purchase treasury shares and other	(0.9)	(0.4)	
Payment of debt acquisition costs and other	(25.6)	(18.8)	(5.1)
Excess tax benefits from share-based payment arrangements	0.1		0.2
Proceeds from issuance of 6 1/4% Convertible Senior Notes			200.0
Net cash paid for 6 1/4% Convertible Senior Notes convertible note hedge and warrant			(6.6)

Cash used to redeem 3 3/4% Convertible Senior Notes						(194.1)
Net proceeds from 3 3/4% Convertible Senior Notes hedge and warrant						18.9
NET CASH USED IN FINANCING ACTIVITIES		(299.5)		(142.4)		(197.4)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(122.8)		157.9		(265.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		328.1		170.2		435.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	205.3	$	328.1	$	170.2
SUPPLEMENTAL CASH FLOW INFORMATION:						
Cash paid for income taxes, net of refunds received	$	68.8	$	39.8	$	93.8
Cash paid for interest	$	114.8	$	124.6	$	145.0
SUPPLEMENTAL NON-CASH INVESTING ACTIVITIES:						
Investment in NCM	$	5.9	$	7.0	$	73.4
Investment in DCIP	$	12.6	$		$	
Investment in RealD, Inc.	$	31.9	$		$	
Property and equipment acquired with debt	$	13.3	$		$	

See accompanying notes to consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 30, 2010, December 31, 2009 and January 1, 2009

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 6,698 screens in 539 theatres in 37 states and the District of Columbia as of December 30, 2010. 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 (such as fiscal 2008) results in a 53-week fiscal year.

During 2001 and 2002, the Anschutz Corporation and its subsidiaries ("Anschutz") acquired controlling equity interests in United Artists, Edwards and RCI upon each of the entities' emergence from bankruptcy reorganization. In May 2002, the Company sold 18.0 million shares of its Class A common stock in an initial public offering at a price of $19.00 per share, receiving aggregate net offering proceeds, net of underwriting discounts, commissions and other offering expenses, of $314.8 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Regal and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Revenues are generated principally through admissions and concessions sales with proceeds received in cash or via credit card at the point of sale. Other operating revenues consist primarily of product advertising (including vendor marketing programs) and other ancillary revenues that are recognized as income in the period earned. The Company generally recognizes payments received attributable to the marketing and advertising services provided by the Company under certain vendor programs as revenue in the period in which the related impressions are delivered. Such impressions are measured by the concession product sales volume, which is a mutually agreed upon proxy of attendance and reflects the Company's marketing and advertising services delivered to its vendors. In instances where the consideration received is in excess of fair value of the advertising services provided, the excess is recorded as a reduction of concession costs. Proceeds received from advance ticket sales and gift cards are recorded as deferred revenue. The Company recognizes revenue associated with gift cards and advanced ticket sales at such time as the items are redeemed, or when redemption becomes unlikely. The determination of the likelihood of redemption is based on an analysis of the Company's historical redemption trends.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Company considers all unrestricted highly liquid debt instruments and investments purchased with an original maturity of three months or less to be cash equivalents. At December 30, 2010, the Company held substantially all of its cash in temporary cash investments in the form of certificates of deposit and variable rate investment accounts with major financial institutions.

Inventories

Inventories consist of concession products and theatre supplies. The Company states inventories on the basis of first-in, first-out (FIFO) cost, which is not in excess of net realizable value.

Property and Equipment

The Company states property and equipment at cost. Major renewals and improvements are capitalized, while maintenance and repairs that do not improve or extend the lives of the respective assets are expensed currently. Gains and losses from disposition of property and equipment are included in income and expense when realized.

The Company capitalizes the cost of computer equipment, system hardware and purchased software ready for service. During the years ended December 30, 2010 and December 31, 2009, the Company capitalized approximately $9.3 million and $11.9 million of such costs, which were associated primarily with (i) new point-of-sale devices at the Company's box offices and concession stands, (ii) new ticketing kiosks, and (iii) computer hardware and software purchased for the Company's theatre locations and corporate office. The Company also capitalizes certain direct external costs associated with software developed for internal use after the preliminary software project stage is completed and Company management has authorized further funding for a software project and it is deemed probable of completion. We capitalize these external software development costs only until the point at which the project is substantially complete and the software is ready for its intended purpose.

The Company records depreciation and amortization using the straight-line method over the following estimated useful lives:

Buildings	20 - 30 years
Equipment	3 - 20 years
Leasehold improvements	Lesser of term of lease or asset life
Computer equipment and software	3 - 5 years

As of December 30, 2010 and December 31, 2009, included in property and equipment is $104.3 million and $105.2 million, respectively, of assets accounted for under capital leases and lease financing arrangements, before accumulated depreciation of $53.3 million and $48.2 million, respectively. The Company records amortization using the straight-line method over the shorter of the lease terms or the estimated useful lives noted above.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including intangible assets, marketable equity securities and investments in non-consolidated entities described below, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. The Company generally evaluates assets for impairment on an individual theatre basis, which management believes is the lowest level for which there are identifiable cash flows. If the sum of the expected future cash flows, undiscounted and without interest charges, is less than the carrying amount of the assets, the Company recognizes an impairment charge in the amount by which the carrying value of the assets exceeds their fair market value.

The Company considers actual theatre level cash flows, future years budgeted theatre level cash flows, theatre property and equipment carrying values, amortizing intangible asset carrying values, the age of a recently built theatre, competitive theatres in the marketplace, the impact of recent ticket price changes, available lease renewal options and other factors considered relevant in its assessment of impairment of individual theatre assets. The impairment evaluation is based on the estimated cash flows from continuing use until the expected disposal date or the fair value of furniture, fixtures and equipment. The expected disposal date does not exceed the remaining lease period unless it is probable the lease period will be extended and may be less than the remaining lease period when the Company does not expect to operate the theatre to the end of its lease term. The fair value of assets is determined using the present value of the estimated future cash flows or the expected selling price less selling costs for assets of which the Company expects to dispose. Significant judgment is involved in estimating cash flows and fair value. Management's estimates (Level 3 inputs as described in FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*) are based on historical and projected operating performance, recent market transactions, and current industry trading multiples.

This analysis resulted in the recording of impairment charges of $10.3 million, $15.3 million and $22.4 million for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively. The long-lived asset impairment charges recorded during each of the periods presented are specific to theatres that were directly and individually impacted by increased competition, adverse changes in market demographics or adverse changes in the development or the conditions of the areas surrounding the theatre.

Leases

The majority of the Company's operations are conducted in premises occupied under non-cancelable lease agreements with initial base terms ranging generally from 15 to 20 years. The Company, at its option, can renew a substantial portion of the leases at defined or then fair rental rates for various periods. Certain leases for Company theatres provide for contingent rentals based on the revenue results of the underlying theatre and require the payment of taxes, insurance, and other costs applicable to the property. Also, certain leases contain escalating minimum rental provisions. There are no conditions imposed upon us by our lease agreements or by parties other than the lessor that legally obligate the Company to incur costs to retire assets as a result of a decision to vacate our leased properties. None of our lease agreements require us to return the leased property to the lessor in its

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

original condition (allowing for normal wear and tear) or to remove leasehold improvements at our cost.

The Company accounts for leased properties under the provisions of ASC Topic 840, *Leases* and other authoritative accounting literature. ASC Subtopic 840-10, *Leases Overview* requires that the Company evaluate each lease for classification as either a capital lease or an operating lease. The Company performs this evaluation at the inception of the lease and when a modification is made to a lease. As to those arrangements that are classified as capital leases, the Company records property under capital leases and a capital lease obligation in an amount equal to the lesser of the present value of the minimum lease payments to be made over the life of the lease at the beginning of the lease term, or the fair value of the leased property. The property under capital lease is amortized on a straight-line basis as a charge to expense over the lease term, as defined, or the economic life of the leased property, whichever is less. During the lease term, as defined, each minimum lease payment is allocated between a reduction of the lease obligation and interest expense so as to produce a constant periodic rate of interest on the remaining balance of the lease obligation. The Company does not believe that exercise of the renewal options in its leases are reasonably assured at the inception of the lease agreements because our leases: (i) provide for either (a) renewal rents based on market rates or (b) renewal rents that equal or exceed the initial rents, and (ii) do not impose economic penalties upon our determination whether or not to exercise the renewal option. As a result, there are not sufficient economic incentives at the inception of our leases, in our view, to consider that our lease renewal options are reasonably assured of being exercised and therefore, we generally consider the initial base term as the lease term under ASC Subtopic 840-10.

The Company records rent expense for its operating leases with contractual rent increases in accordance with ASC Subtopic 840-20, *Leases Operating Leases* on a straight-line basis from the "lease commencement date" as specified in the lease agreement until the end of the base lease term.

For leases in which the Company is involved with construction of the theatre, the Company accounts for the lease during the construction period under the provisions of ASC Subtopic 840-40, *Leases Sale-Leaseback Transactions*. The landlord is typically responsible for constructing a theatre using guidelines and specifications agreed to by the Company and assumes substantially all of the risk of construction. In accordance with ASC Subtopic 840-40, if the Company concludes that it has substantially all of the construction period risks, it records a construction asset and related liability for the amount of total project costs incurred during the construction period. Once construction is completed, the Company considers the requirements under ASC Subtopic 840-40, for sale-leaseback treatment, and if the arrangement does not meet such requirements, it records the project's construction costs funded by the landlord as a financing obligation. The obligation is amortized over the financing term based on the payments designated in the contract.

In accordance with ASC Subtopic 840-20, we expense rental costs incurred during construction periods for operating leases as such costs are incurred. For rental costs incurred during construction periods for both operating and capital leases, the "lease commencement date" is the date at which we gain access to the leased asset. Historically, and for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, these rental costs have not been significant to our consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sale and Leaseback Transactions

The Company accounts for the sale and leaseback of real estate assets in accordance with ASC Subtopic 840-40. Losses on sale leaseback transactions are recognized at the time of sale if the fair value of the property sold is less than the undepreciated cost of the property. Gains on sale and leaseback transactions are deferred and amortized over the remaining lease term.

Goodwill

The carrying amount of goodwill at December 30, 2010 and December 31, 2009 was approximately $178.8 million. The Company evaluates goodwill for impairment annually or more frequently as specific events or circumstances dictate. Under ASC Subtopic 350-20*, Intangibles Goodwill and Other Goodwill*, the Company has identified its reporting units to be the designated market areas in which the Company conducts its theatre operations. If the carrying value of the reporting unit exceeds its fair value the Company is required to reallocate the fair value of the reporting unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The Company determines fair value by using an enterprise valuation methodology determined by applying multiples to cash flow estimates less net indebtedness, which the Company believes is an appropriate method to determine fair value. There is considerable management judgment with respect to cash flow estimates and appropriate multiples and discount rates to be used in determining fair value and such management estimates fall under Level 3 within the fair value measurement hierarchy. The Company's annual goodwill impairment assessments for the years ended December 30, 2010 and December 31, 2009 indicated that the fair value of each of its reporting units exceeded their carrying value and therefore, goodwill was not deemed to be impaired.

Intangible Assets

As of December 30, 2010 and December 31, 2009, intangible assets totaled $32.5 million and $18.1 million, respectively, before accumulated amortization of $10.3 million and $6.4 million, respectively. Intangible assets are recorded at cost or fair value, in the case of intangible assets resulting from acquisitions, and are amortized on a straight-line basis over the estimated remaining useful lives of the assets. In connection with the acquisition of Consolidated Theatres described in Note 3 "Acquisitions," the Company acquired certain identifiable intangible assets, including $9.9 million related to favorable leases with a weighted average amortization period of 13.1 years and approximately $8.2 million related to an on-screen advertising contract which will be amortized on a straight-line basis through January 2011. In addition, the Company acquired certain other identifiable intangible assets, consisting of $14.4 million related to favorable leases with a weighted average amortization period of 35 years, in connection with its acquisition of eight theatres acquired from AMC as further described in Note 3 "Acquisitions." During the years ended December 30, 2010, December 31, 2009 and January 1, 2009, the Company recognized $3.9 million, $3.8 million and $2.6 million of amortization, respectively, related to these intangible assets. The Company did not record an impairment of any intangible assets

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

during the year ended December 30, 2010. Estimated amortization expense for the next five fiscal years for such intangible assets as of December 30, 2010 is projected below:

	Projected amortization expense (in millions)	
2011	$	1.4
2012		1.1
2013		1.1
2014		1.1
2015		1.1

Debt Acquisition Costs

Other non-current assets include debt acquisition costs, which are deferred and amortized over the terms of the related agreements using a method that approximates the effective interest method. Debt acquisition costs as of December 30, 2010 and December 31, 2009 were $51.8 million and $64.6 million, respectively, before accumulated amortization of $19.4 million and $31.7 million, respectively.

Investments

The Company accounts for its investments in non-consolidated entities using the equity method of accounting and has recorded the investments within "Other Non-Current Assets" in its consolidated balance sheets. The Company records equity in earnings and losses of these entities accounted for following the equity method of accounting in its consolidated statements of income. As of December 30, 2010, the Company holds a 19.4% interest in National CineMedia, LLC ("National CineMedia") and a 46.7% interest in Digital Cinema Implementation Partners, LLC ("DCIP") (as described further under Note 4 "Investments"). In addition, the Company holds an investment in available-for-sale equity securities of RealD, Inc., an entity specializing in the licensing of 3D technologies. See Note 13 "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 carrying value of the Company's investment in these entities as of December 30, 2010 was approximately $132.8 million.

During the year ended January 1, 2009, the Company received an additional $3.4 million of sale proceeds related to Fandango. Accordingly, the Company recognized an additional gain of $3.4 million ($2.0 million after tax) during the year ended January 1, 2009. In connection with the sale, the Company agreed to amend its existing contract with Fandango in exchange for an amendment fee totaling $5.5 million. This amount has been recorded as deferred revenue and will be amortized to revenue on a straight-line basis over the six-year term of the amendment.

The Company reviews investments in non-consolidated subsidiaries accounted for under the equity method for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be fully recoverable. The Company reviews unaudited financial statements on a quarterly basis and audited financial statements on an annual basis for indicators of triggering events or circumstances that indicate the potential impairment of these investments as well as current

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equity prices for its investment in National CineMedia and discounted projections of cash flows for certain of its other investees. Additionally, the Company has periodic discussions with the management of significant investees to assist in the identification of any factors that might indicate the potential for impairment. In order to determine whether the carrying value of investments may have experienced an "other-than-temporary" decline in value necessitating the write-down of the recorded investment, the Company considers various factors, including the period of time during which the fair value of the investment remains substantially below the recorded amounts, the investees financial condition and quality of assets, the length of time the investee has been operating, the severity and nature of losses sustained in current and prior years, a reduction or cessation in the investees dividend payments, suspension of trading in the security, qualifications in accountant's reports due to liquidity or going concern issues, investee announcement of adverse changes, downgrading of investee debt, regulatory actions, changes in reserves for product liability, loss of a principal customer, negative operating cash flows or working capital deficiencies and the recording of an impairment charge by the investee for goodwill, intangible or long-lived assets. Once a determination is made that an other-than-temporary impairment exists, the Company writes down its investment to fair value. There was no impairment of the Company's investments during the years ended December 30, 2010, December 31, 2009 and January 1, 2009.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance if it is deemed more likely than not that its deferred income tax assets will not be realized. The Company expects that certain deferred income tax assets are not more likely than not to be recovered and therefore has established a valuation allowance. The Company reassesses its need for the valuation allowance for its deferred income taxes on an ongoing basis.

Additionally, income tax rules and regulations are subject to interpretation, require judgment by the Company and may be challenged by the taxation authorities. As described further in Note 7 "Income Taxes," effective December 29, 2006, the Company adopted the provisions of ASC Subtopic 740-10, *Income Taxes Overview*. In accordance with ASC Subtopic 740-10, the Company recognizes a tax benefit only for tax positions that are determined to be more likely than not sustainable based on the technical merits of the tax position. With respect to such tax positions for which recognition of a benefit is appropriate, the benefit is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions are evaluated on an ongoing basis as part of the Company's process for determining the provision for income taxes.

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Swaps

Regal Cinemas has entered into hedging relationships via interest rate swap agreements to hedge against interest rate exposure of its variable rate debt obligations. Certain 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. The interest rate swaps qualify for cash flow hedge accounting treatment and as such, 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. As interest expense is accrued on the debt obligation, amounts in accumulated other comprehensive income/loss related to the 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. In the event that an interest rate swap is terminated prior to maturity, gains or losses accumulated in other comprehensive income or loss remain deferred and are reclassified into earnings in the periods during which the hedged forecasted transaction affects earnings. The fair value of the Company's interest rate swaps is based on Level 2 inputs as described in ASC Topic 820, *Fair Value Measurements and Disclosures*, 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.

Deferred Revenue

Deferred revenue relates primarily to vendor marketing programs, gift cards and advance ticket sales, the amount we received related to the sale of our equity interest in Fandango (see Note 1 "The Company and Basis of Presentation") and the amount we received for agreeing to the existing exhibitor service agreement ("ESA") modification described in Note 4 "Investments." Deferred revenue related to vendor marketing programs, gift cards and advance ticket sales are recognized as revenue as described above in this Note 2 under "Revenue Recognition." As described in this Note 2 under "Investments," deferred revenue related to the sale of our equity interest in Fandango will be amortized to revenue on a straight-line basis over the six-year term of the agreement. The amount we received for agreeing to the ESA modification will be amortized to advertising revenue over the 30 year term of the agreement following the units of revenue method. In addition, as described in Note 4 "Investments," amounts recorded as deferred revenue in connection with the receipt of newly issued common units of National CineMedia pursuant to the provisions of the Common Unit Adjustment Agreement will be amortized to advertising revenue over the remaining term of the ESA following the units of revenue method. As of December 30, 2010 and December 31, 2009, approximately $339.2 million and $339.4 million of deferred revenue related to the ESA was recorded as a component of non-current deferred revenue in the accompanying consolidated balance sheets.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent

The Company recognizes rent on a straight-line basis after considering the effect of rent escalation provisions resulting in a level monthly rent expense for each lease over its term. The deferred rent liability is included in other non-current liabilities in the accompanying consolidated balance sheets.

Film Costs

The Company estimates its film cost expense and related film cost payable based on management's best estimate of the ultimate settlement of the film costs with the distributors. Generally, less than one-third of our quarterly film expense is estimated at period-end. The length of time until these costs are known with certainty depends on the ultimate duration of the film's theatrical run, but is typically "settled" within two to three months of a particular film's opening release. Upon settlement with our film distributors, film cost expense and the related film cost payable are adjusted to the final film settlement.

Loyalty Program

Members of the Regal Crown Club® earn credits for each dollar spent at one of our theatres and earn concession or ticket awards based on the number of credits accumulated. Because we believe that the value of the awards granted to our Regal Crown Club® members is insignificant in relation to the value of the transactions necessary to earn the award, the Company records the estimated incremental cost of providing awards under our Regal Crown Club® loyalty program at the time the awards are earned. Historically, and for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, the costs of these awards have not been significant to our consolidated financial statements.

Advertising and Start-Up Costs

The Company expenses advertising costs as incurred. Start-up costs associated with a new theatre are also expensed as incurred.

Stock-Based Compensation

As described in Note 9 "Capital Stock And Share-Based Compensation," effective December 30, 2005, we adopted ASC Subtopic 718-10, *Compensation Stock Compensation Overall* utilizing the modified prospective approach. Under ASC Subtopic 718-10, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. Prior to the adoption of ASC Subtopic 718-10, we accounted for stock option grants in accordance using the intrinsic value method, and accordingly, recognized no compensation expense for stock option grants when the exercise price equaled the fair value of common stock on the date of grant.

In connection with the adoption of ASC Subtopic 718-10, the Company also elected to adopt the alternative transition method for calculating the tax effects of share-based compensation. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool ("APIC pool") related to the tax effects of employee share-based

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

compensation, which is available to absorb tax deficiencies that could be recognized subsequent to the adoption of ASC Subtopic 718-10.

Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, but are not limited to, those related to film costs, property and equipment, goodwill, income taxes and purchase accounting. Actual results could differ from those estimates.

Segments

As of December 30, 2010, December 31, 2009 and January 1, 2009, the Company managed its business under one reportable segment: theatre exhibition operations.

Acquisitions

The Company accounts for acquisitions under the acquisition method of accounting. The acquisition method requires that the acquired assets and liabilities, including contingencies, be recorded at fair value determined on the acquisition date and changes thereafter reflected in income. For significant acquisitions, the Company obtains independent third party valuation studies for certain of the assets acquired and liabilities assumed to assist the Company in determining fair value. The estimation of the fair values of the assets acquired and liabilities assumed involves a number of estimates and assumptions that could differ materially from the actual amounts recorded. The results of the acquired businesses are included in the Company's results from operations beginning from the day of acquisition.

Comprehensive Income

Total comprehensive income for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 was $75.7 million, $95.1 million and $103.9 million, respectively. Total comprehensive income consists of net income 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 each of the years ended December 30, 2010, December 31, 2009 and January 1, 2009. The Company's interest rate swap arrangements and available-for-sale equity securities are further described in Note 5 "Debt Obligations" and Note 13 "Fair Value of Financial Instruments."

Reclassifications

Certain reclassifications have been made to the 2008 and 2009 consolidated financial statements to conform to the 2010 presentation.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. SFAS No. 141(R) requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). SFAS No. 141(R) expands the definition of transactions and events that qualify as business combinations; requires that the acquired assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date and changes thereafter reflected in revenue, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred. Future reductions in the valuation allowance recorded relative to pre-acquisition periods will result in a decrease in the provision for income taxes. In addition, with respect to uncertain tax positions, changes in the amount of tax benefit recognized relative to pre-acquisition periods will result in an increase/decrease in the provision for income taxes (see Note 7 "Income Taxes" for further discussion). The adoption of SFAS No. 141(R) did not have a material impact on the Company's consolidated financial position, cash flows or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income (loss) attributable to the noncontrolling interest will be included in consolidated net income (loss) on the face of the income statement. SFAS No. 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS No. 160 was adopted by the Company on January 2, 2009. The adoption had the effect of reclassifying amounts previously classified under "minority interest" (approximately $(0.4) million as of January 1, 2009 and $0.5 million as of December 27, 2007) to a component of equity under "noncontrolling interest" in the accompanying consolidated balance sheets and consolidated statements of deficit and comprehensive income (loss). Amounts previously classified under "minority interest in earnings of consolidated subsidiaries" are now classified as "noncontrolling interest" and presented net of tax below "net income" to arrive at "net income attributable to controlling interest" in the accompanying consolidated statements of income.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities which amends SFAS No. 133, and requires companies with derivative instruments to disclose information about how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk, and the company's strategies and objectives for using derivative

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

instruments. The Statement expands the current disclosure framework in SFAS No. 133. The Company adopted SFAS No. 161 during the year ended December 31, 2009. The adoption of SFAS No. 161 had no impact on the Company's consolidated financial position, cash flows or results of operations.

In May 2009, the FASB issued SFAS 165, Subsequent Events, which establishes reporting and disclosure requirements based on the existence of conditions at the date of the balance sheet for events or transactions that occurred after the balance sheet date but before the financial statements are issued or are available to be issued. Companies are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. Effective July 2, 2009, the Company adopted SFAS No. 165 and has included certain disclosures in Note 14 "Subsequent Events."

During June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) which is to be adopted as of the beginning of its first annual reporting period that begins after November 15, 2009, and interim and annual reporting periods thereafter. SFAS No. 167 amends FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities an interpretation of ARB No. 51 ("FIN 46(R)") to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics:

a. The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance; and

b. The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. SFAS No. 167 amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS No. 167 amends FIN 46(R) to add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS No. 167 amends FIN 46(R) to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. The enhanced disclosures are required for any enterprise that holds a variable interest in a variable interest entity. The adoption of SFAS No. 167 had no impact on the Company's consolidated financial position, cash flows and results of operations.

In June 2009, the FASB issued SFAS No. 168, the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. SFAS No. 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Force, and related accounting literature. SFAS No. 168 reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Commission guidance organized using the same topical structure in separate sections. SFAS No. 168 was effective for financial statements issued for reporting periods that end after September 15, 2009. The Company adopted the provisions of this guidance as of October 1, 2009. The adoption did not have an impact on the Company's consolidated financial position, cash flows or results of operations.

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

3. ACQUISITIONS

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 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 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

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

3. ACQUISITIONS (Continued)

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. Unaudited pro forma results of operations for the years ended December 30, 2010 and December 31, 2009 reflecting the above acquisition have not been presented herein because the impact was inconsequential to the historical consolidated statements of income presented herein.

Acquisition of Consolidated Theatres

On April 30, 2008, the Company acquired Consolidated Theatres, which held a total of 28 theatres with 400 screens in Georgia, Maryland, North Carolina, South Carolina, Tennessee and Virginia. The total net cash purchase price for the acquisition was approximately $209.3 million. In conjunction with the closing, we entered into a final judgment with the Department of Justice ("DOJ"), which required us to hold separate and divest ourselves of four theatres comprising 52 screens in North Carolina. Three of the four theatres subject to the judgment were existing Regal properties and the fourth theatre was acquired from Consolidated Theatres. Because the fourth theatre had minimal and declining cash flows at the acquisition date, none of the purchase price was allocated to the long-lived assets associated with this theatre. Our impairment review during the quarter ended June 26, 2008 did not result in any impairment charges related to these four theatres on a standalone basis. However, during the quarter ended September 25, 2008, the Company made the decision to sell three of these four theatres (two of the Regal theatres and the Consolidated theatre) together in order to partially satisfy our divestiture requirement. As a result of agreeing to sell the theatres as a package, we were required to evaluate the theatres for impairment as a disposal group (as opposed to the stand alone evaluation during the quarter ended June 26, 2008) and accordingly, we recorded an impairment charge of $7.9 million during the quarter ended September 25, 2008. On October 23, 2008, the Company completed its divestiture of the three theatres. On April 30, 2009, the Company completed its divestiture of the last of the four theatres.

The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed for each of the respective theatre locations based on their estimated fair values at the date 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 acquired theatres have been included in the Company's consolidated financial statements for periods subsequent to the acquisition date.

The following is a summary of the final allocation of the cash purchase price to the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in millions):

Current assets	$	1.4
Property and equipment, net		209.9
Intangible assets		18.1
Current liabilities		(11.2)
Long-term liabilities		(8.9)
Total purchase price	$	209.3

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

3. ACQUISITIONS (Continued)

The transaction included the acquisition of certain identifiable intangible assets, including $9.9 million related to favorable leases with a weighted average amortization period of 13.1 years and approximately $8.2 million related to an on-screen advertising contract which will be amortized on a straight-line basis through January 2011.

4. 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 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. DCIP's financing raised approximately $660.0 million, consisting of approximately $445.0 million in senior bank debt, approximately $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 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. 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. Such losses have been presented as a component of "Net (gain) loss on disposal and impairment of operating assets" in the accompanying consolidated statement of income for the year ended December 30, 2010.

After giving effect to the DCIP Contributions, the Company holds a 46.7% economic interest in DCIP as of December 30, 2010, 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 consolidated balance sheets. Through December 31, 2009, the Company effected cumulative cash equity contributions totaling $8.0 million and recorded cumulative

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

4. INVESTMENTS (Continued)

equity losses in DCIP of $7.3 million. The changes in the carrying amount of our investment in DCIP for the year ended December 30, 2010 are as follows (in millions):

Balance as of December 31, 2009	$ 0.7
Equity contributions(1)	42.4
Equity in loss of DCIP(2)	(11.0)
Balance as of December 30, 2010	$ 32.1

(1) In addition to cash investments in DCIP totaling $0.7 million, upon execution of the Digital Cinema Agreements, the Company effected additional equity contributions to DCIP of approximately $41.7 million, consisting of cash and existing digital projection systems, during the year ended December 30, 2010.

(2) For the year ended December 30, 2010, the Company recorded a loss of $11.0 million, representing its share of the net loss of DCIP. Such amount is presented as a component of "Other, net" in the accompanying consolidated statements of income.

We expect DCIP to fund 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.

During 2010, the Company focused on an accelerated 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 into 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 has begun to accelerate 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 year ended December 30, 2010, the Company recorded approximately $18.9 million of accelerated depreciation related to such 35mm film projection equipment. As of December 30, 2010, we operated 2,202 screens outfitted with digital projection systems, 1,710 of which are digital 3D capable.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

4. INVESTMENTS (Continued)

Investment in National CineMedia, LLC

In March 2005, Regal and AMC announced the combination of the operations of Regal CineMedia Corporation ("RCM"), and AMC's subsidiary, National Cinema Network, Inc., into a new joint venture company known as National CineMedia. In July 2005, Cinemark, through a wholly owned subsidiary, acquired an interest in National CineMedia. National CineMedia 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 Regal, AMC and Cinemark. National CineMedia is, subject to limited exceptions, the exclusive provider of advertising and event services to Regal, AMC and Cinemark. The Company did not recognize any gain or loss resulting from the initial formation of National CineMedia due to the Company's continued involvement in the operations of National CineMedia. Pursuant to the other documents entered into in connection with the joint venture transaction, AMC and Regal, through their subsidiaries, retained all advertising contracts signed on or before the close of business on March 31, 2005, and Cinemark retained all advertising contracts signed on or before the close of business on July 15, 2005, subject to an administrative fee payable to National CineMedia to service such contracts.

On February 13, 2007, National CineMedia, Inc. ("NCM, Inc."), the sole manager of National CineMedia, completed an initial public offering ("IPO") of its common stock. NCM, Inc. sold 38.0 million shares of its common stock for $21 per share in the IPO, less underwriting discounts and expenses. NCM, Inc. used a portion of the net cash proceeds from the IPO to acquire newly issued common units from National CineMedia. As a result of the NCM, Inc.'s acquisition of common units in National CineMedia, the Company recognized a change in interest gain of approximately $182.7 million along with a corresponding increase in the Company's equity investment in National CineMedia.

In connection with the completion of the IPO, the joint venture partners, including RCI, amended and restated their ESAs with National CineMedia. In exchange for a significant portion of its pro rata share of the IPO proceeds, RCI agreed to a modification of National CineMedia's payment obligation under the ESA. The modification extended the term of the ESA to 30 years, provided National CineMedia with a five-year right of first refusal beginning one year prior to the end of the term and changed the basis upon which RCI is paid by National CineMedia from a percentage of revenues associated with advertising contracts entered into by National CineMedia to a monthly theatre access fee. The theatre access fee is composed of a fixed $0.07 payment per patron which will increase by 8% every five years starting at the end of fiscal 2011 and a fixed $800 payment per digital screen each year, which will increase by 5% annually starting at the end of fiscal 2007 (or $926 for fiscal 2010). The access fee revenues received by the Company under its contract are determined annually based on a combination of both fixed and variable factors which include the total number of theatre screens, attendance and actual revenues (as defined in the ESA) generated by National CineMedia. The ESA does not require us to maintain a minimum number of screens and does not provide a fixed amount of access fee revenue to be earned by the Company in any period. The theatre access fee paid in the aggregate to us, AMC and Cinemark will not be less than 12% of NCM's aggregate advertising revenue, or it will be adjusted upward to meet this minimum payment. On-screen advertising time provided to our beverage concessionaire is provided by National CineMedia under the terms of the ESA. In addition, we receive mandatory quarterly distributions of any excess cash from National CineMedia.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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4. INVESTMENTS (Continued)

The amount we received for agreeing to the ESA modification was approximately $281.0 million, which represents the estimated fair value of the ESA modification payment. We estimated the fair value of the ESA payment based upon a valuation performed by the Company with the assistance of third party specialists. This amount has been recorded as deferred revenue and will be amortized to advertising revenue over the 30 year term of the ESA following the units of revenue method. Under the units of revenue method, amortization for a period is calculated by computing a ratio of the proceeds received from the ESA modification payment to the total expected decrease in revenues due to entry into the new ESA over the 30 year term of the agreement and then applying that ratio to the current period's expected decrease in revenues due to entry into the new ESA.

At the closing of the IPO, the underwriters exercised their over-allotment option to purchase an additional 4.0 million shares of common stock of NCM, Inc. at the initial offering price of $21 per share, less underwriting discounts and commissions. In connection with this over-allotment option exercise, Regal, AMC and Cinemark each sold to NCM, Inc. common units of National CineMedia on a pro rata basis at the initial offering price of $21 per share, less underwriting discounts and expenses. Regal sold approximately 1.6 million common units to NCM, Inc. for proceeds of approximately $32.2 million and recognized a gain on the sale of such units of approximately $19.3 million. Upon completion of this sale of common units, Regal held approximately 21.2 million common units of National CineMedia ("Initial Investment Tranche"). Such common units are immediately redeemable on a one-to-one basis for shares of NCM, Inc. common stock.

Upon the closing of the IPO, National CineMedia entered into a $725.0 million term loan facility, the net cash proceeds of which were used to redeem preferred units issued to each of Regal, AMC and Cinemark on a pro rata basis pursuant to a recapitalization of National CineMedia prior to completion of the IPO. We received approximately $315.1 million as a result of the preferred unit redemption. The Company recognized such cash distributions from National CineMedia by (1) reducing its equity investment in National CineMedia from approximately $166.4 million to zero and (2) recording distributions in excess of the investment balance in National CineMedia of approximately $148.7 million as a gain. After the payment of current taxes, net cash proceeds from these transactions totaled approximately $447.4 million.

Because the investment in National CineMedia has been reduced to zero, we will not provide for any additional losses as we have not guaranteed obligations of National CineMedia and we are not otherwise committed to provide further financial support for National CineMedia. In addition, subsequent to the IPO, the Company determined it would not recognize its share of any undistributed equity in the earnings of National CineMedia pertaining to the Company's Initial Investment Tranche in National CineMedia until National CineMedia's future net earnings, net of distributions received, equal or exceed the amount of the above described excess distribution. Until such time, equity earnings related to the Company's Initial Investment Tranche in National CineMedia will be recognized only to the extent that the Company receives cash distributions from National CineMedia. The Company believes that the accounting model provided by ASC 323-10-35-22 for recognition of equity investee losses in excess of an investor's basis is analogous to the accounting for equity income subsequent to recognizing an excess distribution. The Company's Initial Investment Tranche is recorded at $0 cost.

Also in connection with the IPO, the joint venture partners entered into a Common Unit Adjustment Agreement with National CineMedia. The Common Unit Adjustment Agreement was

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

4. INVESTMENTS (Continued)

created to account for changes in the number of theatre screens operated by each of the joint venture partners. Historically, each of the joint venture partners has increased the number of screens it operates through acquisitions and newly built theatres. Since the increased attendance associated with these incremental screens in turn provides for additional advertising revenues to National CineMedia, National CineMedia agreed to compensate the joint venture partners by issuing additional common membership units to the joint venture partners in consideration for their increased attendance from newly built theatres and acquisitions and overall contribution to the joint venture. The Common Unit Adjustment Agreement also provides protection to National CineMedia in that the joint venture partners may be required to transfer or surrender common units to National CineMedia based on certain limited events, including declines in attendance associated with certain closed theatres and the number of screens operated. As a result, each joint venture partner's equity ownership interests are proportionately adjusted to reflect the risks and rewards relative to their contributions to the joint venture.

The Common Unit Adjustment Agreement provides that transfers of common units are solely between the joint venture partners and National CineMedia. There are no transfers of units among the joint venture partners. In addition, there are no circumstances under which common units would be surrendered by the Company to National CineMedia in the event of an acquisition by one of the joint venture partners. However, adjustments to the common units owned by one of the joint venture partners will result in an adjustment to the Company's equity ownership interest percentage in National CineMedia.

Pursuant to our Common Unit Adjustment Agreement, from time to time, common units of National CineMedia held by the joint venture partners will be adjusted up or down through a formula primarily based on increases or decreases in the number of theatre screens operated and theatre attendance generated by each joint venture partner. The common unit adjustment is computed annually, except that an earlier common unit adjustment will occur for a joint venture partner if its acquisition or disposition of theatres, in a single transaction or cumulatively since the most recent common unit adjustment, will cause a change of two percent or more in the total annual attendance of all of the joint venture partners. In the event that a common unit adjustment is determined to be a negative number, the joint venture partner shall cause, at its election, either (a) the transfer and surrender to National CineMedia a number of common units equal to all or part of such joint venture partner's common unit adjustment or (b) pay to National CineMedia, an amount equal to such joint venture partner's common unit adjustment calculated in accordance with the Common Unit Adjustment Agreement.

As described further below, subsequent to the IPO and through December 30, 2010, the Company received an additional 4.5 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 adjustments included in its

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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4. INVESTMENTS (Continued)

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 following the equity method with undistributed equity earnings included as a component of "Earnings recognized from NCM" in the accompanying consolidated financial statements.

The NCM, Inc. IPO and related transactions have the effect of reducing the amounts NCM, Inc. would otherwise pay in the future to various tax authorities as a result of an increase in its proportionate share of tax basis in NCM Inc.'s tangible and intangible assets. On the IPO date, NCM, Inc., the Company, AMC and Cinemark entered into a tax receivable agreement. Under the terms of this agreement, NCM, Inc. will make cash payments to us, AMC and Cinemark in amounts equal to 90% of NCM, Inc.'s actual tax benefit realized from the tax amortization of the intangible assets described above. For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing NCM, Inc.'s actual income and franchise tax liability to the amount of such taxes that NCM, Inc. would have been required to pay had there been no increase in NCM Inc.'s proportionate share of tax basis in NCM's tangible and intangible assets and had the tax receivable agreement not been entered into. The tax receivable agreement shall generally apply to NCM, Inc.'s taxable years up to and including the 30th anniversary date of the NCM, Inc. IPO and related transactions. Pursuant to the terms of the tax receivable agreement, the Company received payments of $7.0 million from NCM, Inc. during the year ended December 30, 2010 with respect to NCM, Inc.'s 2008 and 2009 taxable years. During the year ended December 31, 2009, the Company received payments of $5.7 million with respect to NCM, Inc.'s 2008 taxable year. Finally, during the year ended January 1, 2009, the Company received payments of $4.6 million with respect to NCM, Inc.'s 2007 taxable year. Such payments are accounted for using the equity method as described further below.

Our investment in National CineMedia is included as a component of "Other non-current assets" in the condensed consolidated balance sheets. The changes in the carrying amount of our investment in

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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4. INVESTMENTS (Continued)

National CineMedia for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 are as follows (in millions):

Balance as of December 27, 2007	$	
Receipt of additional common units(1)		73.3
Equity in earnings attributable to additional common units(2)		2.6
Earnings recognized from National CineMedia(3)		30.3
Distributions received from National CineMedia(3)		(33.1)
Balance as of January 1, 2009		73.1
Receipt of additional common units(1)		7.0
Equity in earnings attributable to additional common units(2)		5.2
Earnings recognized from National CineMedia(3)		33.4
Distributions received from National CineMedia(3)		(39.6)
Balance as of December 31, 2009	$	79.1
Receipt of common units(1)		5.9
Redemption of common units(4)		(14.0)
Equity in earnings attributable to additional common units(2)		5.2
Earnings recognized from National CineMedia(3)		35.6
Distributions received from National CineMedia(3)		(43.0)
Balance as of December 30, 2010	$	68.8

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(1)

On April 9, 2008, March 17, 2009 and March 17, 2010 we received from National CineMedia approximately 0.8 million, 0.5 million and 0.3 million, respectively, newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. In addition, on May 29, 2008, we received from National CineMedia approximately 2.9 million newly issued common units of National CineMedia in accordance with the adjustment provisions of the Common Unit Adjustment Agreement in connection with our acquisition of Consolidated Theatres. The Company recorded the additional common units (Additional Investments Tranche) at fair value using the available closing stock prices of NCM, Inc. as of the dates on which the units were received. As a result of these adjustments, the Company recorded increases of $5.9 million, $7.0 million and $73.3 million to its investment in National CineMedia during the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively.

Since Consolidated Theatres maintains an existing agreement with an on-screen advertising provider, National CineMedia will not be provided access to such theatre locations until expiration of the related advertising contract. In accordance with the Common Unit Adjustment Agreement, Regal agreed to pay National CineMedia an amount that approximates the earnings before interest, taxes, depreciation and amortization that would have been generated by National CineMedia if it were able to sell on-screen advertising in the acquired theatre locations on an exclusive basis. The fair value of such payment was approximately $8.0 million and was accrued by the Company

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

4. INVESTMENTS (Continued)

during the year ended January 1, 2009. Such amount was determined by the present value of the ultimate amount estimated to be paid to National CineMedia (approximately $8.9 million) through expiration of the on-screen advertising contract. The accretion associated with this obligation will be reflected in interest expense over the life of the related obligation. The Company recorded the remaining $65.4 million as an increase to deferred revenue during the year ended January 1, 2009. This amount is being amortized to advertising revenue over the remaining term of the ESA following the units of revenue method. With respect to the common units received on March 17, 2010 and March 17, 2009, the Company recorded a corresponding $12.9 million increase to deferred revenue. This amount is being amortized to advertising revenue over the remaining term of the ESA following the units of revenue method.

(2)
The Company's share in the net income of National CineMedia with respect to the Additional Investments Tranche totaled $5.2 million, $5.2 million and $2.6 million during the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively. Such amounts have been included as a component of "Earnings recognized from NCM" in the consolidated financial statements.

(3)
During the years ended December 30, 2010, December 31, 2009, January 1, 2009, the Company received $43.0 million, $39.6 million, $33.1 million, respectively, in cash distributions from National CineMedia (including payments received under the tax receivable agreement). Approximately $7.4 million, $6.2 million and $2.8 million of these cash distributions received during the years ended December 30, 2010, December 31, 2009 and January 1, 2009, 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 consolidated financial statements.

(4)
On August 18, 2010, we redeemed 4.2 million of our National CineMedia common units for a like number of shares of NCM, Inc. common stock, which we sold in an underwritten public offering for $16.00 per share, reducing our investment in National CineMedia by $13.7 million, the average carrying amount of the shares sold. We received approximately $64.5 million in proceeds after deducting related fees and expenses payable by us, resulting in a gain on sale of $50.8 million. Finally, on September 8, 2010, we redeemed an additional 0.1 million National CineMedia common units for a like number of shares of NCM, Inc. common stock and sold them to the underwriters to cover over-allotments at $16.00 per share, further reducing our investment in National CineMedia by $0.3 million, the average carrying amount of the shares sold. We received approximately $1.5 million of net proceeds from this sale, resulting in a gain on sale of $1.2 million. These transactions caused a proportionate decrease in the Company's Initial Investment Tranche and Additional Investments Tranche and decreased our ownership share in National CineMedia. As a result, on a fully diluted basis, we own a 19.4% interest in NCM, Inc. as of December 30, 2010.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

4. INVESTMENTS (Continued)

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 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 financial statements and consist of the following amounts (in millions):

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
Theatre access fees per patron	$ 14.4	$ 15.8	$ 16.3
Theatre access fees per digital screen	5.4	5.2	4.9
Other NCM revenue	2.6	2.7	3.5
Amortization of ESA modification fees	4.8	4.1	3.2
Payments for beverage concessionaire advertising	(14.3)	(14.8)	(13.6)
Total	$ 12.9	$ 13.0	$ 14.3

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. As of December 31, 2009, approximately $2.1 million due from/to National CineMedia were included in both "Trade and other receivables, net" and "Accounts payable."

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 December 30, 2010 was approximately $31.9 million. See Note 13 "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 December 30, 2010 consolidated balance sheet.

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

5. DEBT OBLIGATIONS

Debt obligations at December 30, 2010 and December 31, 2009 consist of the following (in millions):

	December 30, 2010	December 31, 2009
Regal Cinemas Amended Senior Credit Facility, net of debt discount	$ 1,232.5	$ 1,265.4
Regal Cinemas 8$^{5}/_{8}$% Senior Notes, net of debt discount	391.7	390.7
Regal 9$^{1}/_{8}$% Senior Notes	275.0	
Regal 6$^{1}/_{4}$% Convertible Senior Notes, net of debt discount	74.4	194.6
Regal Cinemas 9$^{3}/_{8}$% Senior Subordinated Notes		51.5
Lease financing arrangements, weighted average interest rate of 11.23%, maturing in various installments through January 2021	71.5	77.2
Capital lease obligations, 8.5% to 10.3%, maturing in various installments through December 2017	15.4	17.3
Other	12.5	0.4
Total debt obligations	2,073.0	1,997.1
Less current portion	95.8	17.1
Total debt obligations, less current portion	$ 1,977.2	$ 1,980.0

Regal Cinemas Sixth Amended and Restated Credit Agreement 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 amends, restates and refinances 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 consists 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 Term Facility amortizes in equal quarterly installments in an aggregate annual amount equal to 1.0% of the original principal amount of the Term Facility, with the balance payable on the Term Facility maturity date.

Proceeds of the Term Facility (approximately $1,237.5 million, net of a $12.5 million debt discount) were applied to refinance the term loan under the Prior Senior Credit Facility, which had an aggregate principal balance of approximately $1,262.1 million. Upon the execution of the Amended Senior Credit Facility, Regal recognized a loss on debt extinguishment of approximately $18.4 million. No amounts have been drawn on the Revolving Facility. The Amended Senior Credit Facility also permits Regal Cinemas to borrow additional term loans thereunder, subject to lenders providing additional commitments of up to $200.0 million and satisfaction of other conditions, as well as other term loans for acquisitions and certain capital expenditures subject to lenders providing additional commitments and satisfaction of other conditions.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

5. DEBT OBLIGATIONS (Continued)

The obligations of Regal Cinemas are secured by, among other things, a lien on substantially all of its tangible and intangible personal property (including but not limited to accounts receivable, inventory, equipment, general intangibles, investment property, deposit and securities accounts, and intellectual property) and certain owned real property. The obligations under the Amended Senior Credit Facility are also guaranteed by certain subsidiaries of Regal Cinemas and secured by a lien on all or substantially all of such subsidiaries' personal property and certain real property pursuant to that certain second amended and restated guaranty and collateral agreement, dated as of May 19, 2010, among Regal Cinemas, certain subsidiaries of Regal Cinemas party thereto and Credit Suisse AG, Cayman Islands Branch, as Administrative Agent (the "Amended Guaranty Agreement"). The obligations are further guaranteed by REH, on a limited recourse basis, with such guaranty being secured by a lien on the capital stock of Regal Cinemas, and by Regal on an unsecured basis.

Borrowings under the Amended Senior Credit Facility bear interest, at Regal Cinemas' option, at 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 2.5% or 2.75% in the case of base rate loans and either 3.5% or 3.75% in the case of LIBOR rate loans. Interest is payable (a) in the case of base rate loans, quarterly in arrears, and (b) in the case of LIBOR rate loans, at the end of each interest period, but in no event less often than every three months.

Regal Cinemas may prepay borrowings under the Amended Senior Credit Facility, in whole or in part, in minimum amounts and subject to other conditions set forth in the Amended Senior Credit Facility. Regal Cinemas is required to make mandatory prepayments with:

- 50% of excess cash flow in any fiscal year (as reduced by voluntary repayments of the Term Facility), with elimination based upon achievement and maintenance of a leverage ratio of 3.75:1.00 or less;

- 100% of the net cash proceeds of all asset sales or other dispositions of property by Regal Cinemas and its subsidiaries, subject to certain exceptions (including reinvestment rights);

- 100% of the net cash proceeds of issuances of funded debt of Regal Cinemas and its subsidiaries, subject to exceptions; and

- 50% of the net cash proceeds of issuances of equity securities by Regal Cinemas, including the net cash proceeds of capital contributions to Regal Cinemas, with elimination based upon achievement and maintenance of a leverage ratio of 3.75:1.00 or less.

The above-described mandatory prepayments are required to be applied pro rata to the remaining amortization payments under the Term Facility. When there are no longer outstanding loans under the Term Facility, mandatory prepayments are to be applied to prepay outstanding loans under the Revolving Facility with no corresponding permanent reduction of commitments under the Revolving Facility.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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5. DEBT OBLIGATIONS (Continued)

The Amended Senior Credit Facility includes several financial covenants including:

- maximum ratio of (i) the sum of funded debt (net of unencumbered cash) plus the product of eight (8) times lease expense to (ii) consolidated EBITDAR (as defined in the Amended Senior Credit Facility) of 6.00 to 1.0 throughout the term of the Amended Senior Credit Facility;
- maximum ratio of funded debt (net of unencumbered cash) to consolidated EBITDA of 4.00 to 1.0 throughout the term of the Amended Senior Credit Facility;
- minimum ratio of (i) consolidated EBITDAR to (ii) the sum of interest expense plus lease expense of 1.50 to 1.0 throughout the term of the Amended Senior Credit Facility; and
- maximum capital expenditures not to exceed 35% of consolidated EBITDA for the prior fiscal year plus a one-year carryforward for unused amounts from the prior fiscal year.

The Amended Senior Credit Facility requires that Regal Cinemas and its subsidiaries comply with certain customary covenants, including with respect to incurring indebtedness and liens, making investments and acquisitions, effecting mergers and asset sales, prepaying indebtedness, and paying dividends. Among other things, such limitations will restrict the ability of Regal Cinemas to fund the operations of Regal or any subsidiary of Regal that is not a subsidiary of Regal Cinemas, which guaranties the Amended Senior Credit Facility.

The Amended Senior Credit Facility includes events of default relating to customary matters, including, among other things, nonpayment of principal, interest or other amounts; violation of covenants; any material inaccuracy of representations and warranties; cross default and cross acceleration with respect to indebtedness in an aggregate principal amount of $25.0 million or more; bankruptcy; judgments involving liability of $25.0 million or more that are not paid; ERISA events; actual or asserted invalidity of guarantees or security documents; and change of control.

As of December 30, 2010 and December 31, 2009, borrowings of $1,232.5 million (net of debt discount) and $1,265.4 million, respectively, were outstanding under the Term Facility at an effective interest rate of 5.42% (as of December 30, 2010) and 5.38% (as of December 31, 2009), after the impact of the interest rate swaps described below is taken into account.

In connection with the offering of the Regal Cinemas $8^{5}/_{8}$% Senior Notes described below, on July 15, 2009, the Company used all of the net proceeds (approximately $381.3 million) to repay a portion of the Prior Senior Credit Facility. As a result of this repayment, the Company recorded a loss on debt extinguishment of approximately $7.4 million, representing the pro-rata write off of unamortized debt issue costs under the Prior Senior Credit Facility.

Regal $9^{1}/_{8}$% 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 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 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

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

5. DEBT OBLIGATIONS (Continued)

portion of the $6^{1}/_{4}$% Convertible Senior Notes as described below under the heading "Regal $6^{1}/_{4}$% Convertible Senior Notes."

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 $9^{1}/_{8}$% 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 $8^{5}/_{8}$% Senior Notes On July 15, 2009, Regal Cinemas issued $400.0 million in aggregate principal amount of the $8^{5}/_{8}$% Senior Notes due 2019 (the "$8^{5}/_{8}$% Senior Notes") at a price equal to 97.561% of their face value in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). Interest on the $8^{5}/_{8}$% Senior Notes is payable semi-annually in arrears on July 15 and January 15 of each year, beginning on January 15, 2010. The $8^{5}/_{8}$% Senior Notes will mature on July 15, 2019.

The net proceeds from the offering, after deducting the initial purchase discount (approximately $9.8 million) and offering expenses paid by the Company, were approximately $381.3 million. The

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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5. DEBT OBLIGATIONS (Continued)

Company used all of the net proceeds from the offering to repay a portion of the Prior Senior Credit Facility.

The $8^{5}/_{8}$% 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, including the existing Regal Cinemas $9^{3}/_{8}$% Senior Subordinated Notes (the "Senior Subordinated Notes"). The $8^{5}/_{8}$% 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 $8^{5}/_{8}$% Senior Notes.

The $8^{5}/_{8}$% 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 "Guarantors"). The guarantees of the $8^{5}/_{8}$% Senior Notes are the Guarantors' general senior unsecured obligations and rank equally in right of payment with all of the Guarantors' existing and future senior unsecured indebtedness, including the $9^{1}/_{8}$% Senior Notes and the $6^{1}/_{4}$% Convertible Senior Notes (deferred below), and rank senior in right of payment to all of the Guarantors' existing and future subordinated indebtedness, including the guarantees of the Senior Subordinated Notes. The $8^{5}/_{8}$% Senior Notes are effectively subordinated to all of the 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 Guarantors' subsidiaries that is not a guarantor of the $8^{5}/_{8}$% Senior Notes.

Regal $6^{1}/_{4}$% Convertible Senior Notes On March 10, 2008, Regal issued $200.0 million aggregate principal amount of the $6^{1}/_{4}$% Convertible Senior Notes due March 15, 2011 (the "$6^{1}/_{4}$% Convertible Senior Notes"). Interest on the $6^{1}/_{4}$% Convertible Senior Notes is payable semi-annually in arrears on March 15 and September 15 of each year, beginning September 15, 2008. The $6^{1}/_{4}$% Convertible Senior Notes are senior unsecured obligations of Regal and rank on parity with all of our existing and future senior unsecured indebtedness and prior to all of our subordinated indebtedness. The $6^{1}/_{4}$% Convertible Senior Notes are effectively subordinated to all of our future secured indebtedness to the extent of the assets securing that indebtedness and to any indebtedness and other liabilities of our subsidiaries. None of our subsidiaries have guaranteed any of our obligations with respect to the $6^{1}/_{4}$% Convertible Senior Notes. On or after December 15, 2010, note holders have the option to convert their $6^{1}/_{4}$% Convertible Senior Notes, in whole or in part, into shares of our Class A common stock at any time prior to maturity, subject to certain limitations, unless previously purchased by us at the note holder's option upon a fundamental change (as defined in the indenture to the $6^{1}/_{4}$% Convertible Senior Notes dated March 10, 2008), at the then-existing conversion price per share.

On December 30, 2010, at the then-current conversion price of $21.0348 per share (which conversion price has been and may be further adjusted pursuant to the certain events described further in the $6^{1}/_{4}$% Convertible Senior Notes indenture), each $1,000 of aggregate principal amount of $6^{1}/_{4}$% Convertible Senior Notes is convertible into approximately 47.5403 shares of our Class A common

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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5. DEBT OBLIGATIONS (Continued)

stock. Upon conversion, we may elect to deliver cash in lieu of shares of Class A common stock or a combination of cash and shares of Class A common stock. The conversion price and the number of shares delivered on conversion are subject to adjustment upon certain events.

In connection with the issuance of the $6^1/_4$% Convertible Senior Notes, we used approximately $6.6 million of the net proceeds of the offering to enter into convertible note hedge and warrant transactions with respect to our Class A common stock to reduce the potential dilution from conversion of the $6^1/_4$% Convertible Senior Notes. Under the terms of the convertible note hedge arrangement (the "2008 Convertible Note Hedge") with Credit Suisse, we paid $12.6 million for a forward purchase option contract under which we are entitled to purchase from Credit Suisse a fixed number of shares of our Class A common stock (at December 30, 2010, at a price per share of $21.0348). In the event of the conversion of the $6^1/_4$% Convertible Senior Notes, this forward purchase option contract allows us to purchase, at a fixed price equal to the implicit conversion price of shares issued under the $6^1/_4$% Convertible Senior Notes, a number of shares of Class A common stock equal to the shares that we issue to a note holder upon conversion. Settlement terms of this forward purchase option allow the Company to elect cash or share settlement based on the settlement option it chooses in settling the conversion feature of the $6^1/_4$% Convertible Senior Notes.

In 2008, we also sold to Credit Suisse a warrant (the "2008 Warrant") to purchase shares of our Class A common stock. The 2008 Warrant is currently exercisable for approximately 3.6 million shares of our Class A common stock at the December 30, 2010 exercise price of $23.1739 per share (which exercise price has been and may be further adjusted pursuant to the provisions of the 2008 Warrant). We received $6.0 million in cash from Credit Suisse in return for the sale of this forward share purchase option contract. Credit Suisse cannot exercise the 2008 Warrant unless and until a conversion event occurs. We have the option of settling the 2008 Warrant in cash or shares of our Class A common stock. We accounted for the sale of the 2008 Warrant as the sale of a permanent equity instrument pursuant to the guidance in ASC Subtopic 815-40, *Derivatives and Hedging Contracts in Entity's Own Equity*. Accordingly, the $6.0 million sales price of the forward stock purchase option contract was recorded as a decrease to consolidated deficit.

The 2008 Convertible Note Hedge and the 2008 Warrant allow us to acquire sufficient Class A common shares from Credit Suisse to meet our obligation to deliver Class A common shares upon conversion by the note holder, unless the Class A common share price exceeds $23.1739 (as of December 30, 2010). When the fair value of our Class A common shares exceeds such price, the equity contracts no longer have an offsetting economic impact, and accordingly will no longer be effective as a share-for-share hedge of the dilutive impact of possible conversion.

The $6^1/_4$% Convertible Senior Notes allow us to settle any conversion by remitting to the note holder the accreted value of the note in cash plus the conversion spread (the excess conversion value over the accreted value) in either cash, shares of our Class A common stock or a combination of stock and cash. The accounting for convertible debt with such settlement features is addressed in the consensus reached with respect to the accounting for Instrument B as set forth in ASC Subtopic 815-15, *Derivatives and Hedging Embedded Derivatives*. Because the accreted value of the $6^1/_4$% Convertible Senior Notes may be settled in cash, shares of our Class A common stock or a combination of stock and cash, the accreted value of the $6^1/_4$% Convertible Senior Notes is assumed to be settled in

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

5. DEBT OBLIGATIONS (Continued)

shares and will result in dilution in our earnings per share computations using the if-converted method, if the effect is dilutive.

Subsequent to the issuance of the $9^1/_8$% Senior Notes described above, during the year ended December 30, 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 $6^1/_4$% 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 during the year December 30, 2010.

Application of ASC Subtopic 470-20

ASC Subtopic 470-20, *Debt Debt with Conversion and Other Options*, requires that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity (conversion feature) components of such instruments. As a result, interest expense is imputed and recognized based upon the entity's nonconvertible debt borrowing rate, which will result in incremental non-cash interest expense. During the years ended December 30, 2010 and December 31, 2009, the Company recorded approximately $3.6 million and $4.1 million, respectively, of non-cash interest expense on the $6^1/_4$% Convertible Senior Notes. The amount of contractual coupon interest recognized on the $6^1/_4$% Convertible Senior Notes during the same periods was approximately $10.1 million and $12.5 million, respectively. During the year ended January 1, 2009, the Company retrospectively recorded approximately $4.2 million of non-cash interest expense for the $6^1/_4$% Convertible Senior Notes and the $3^3/_4$% Convertible Senior Notes. The amount of contractual coupon interest recognized on the $6^1/_4$% Convertible Senior Notes and the $3^3/_4$% Convertible Senior Notes during the same period was approximately $11.3 million.

After giving effect to the repurchases during the quarter ended December 30, 2010 described under "Regal $6^1/_4$% Convertible Senior Notes" above, as of December 30, 2010 and December 31, 2009, the carrying amounts of the $200.0 million $6^1/_4$% Convertible Senior Notes were approximately $74.4 million and $194.6 million, respectively, and the carrying amount of the related equity component (conversion feature) was $12.6 million. We anticipate recording additional non-cash interest expense on the $6^1/_4$% Convertible Senior Notes in the amount of $0.3 million (the unamortized discount as of December 30, 2010) through the March 2011 maturity date of the $6^1/_4$% Convertible Senior Notes, thereby increasing the carrying value to $200.0 million. As of December 30, 2010, the if-converted value of the $6^1/_4$% Convertible Senior Notes was approximately $74.7 million.

Interest Rate Swaps

On July 13, 2004, Regal Cinemas entered into four hedging relationships via four distinct interest rate swap agreements with final maturity terms ranging from three to five years each. On September 8, 2005, Regal Cinemas entered into an additional hedging relationship via a distinct interest rate swap agreement with a maturity term of four years. These interest rate swaps were designated to hedge approximately $1,100.0 million of its variable rate debt obligations. On June 30, 2007, one of our interest rate swaps designated to hedge approximately $200.0 million of variable rate debt obligations matured. On August 9, 2007, Regal Cinemas entered into two additional hedging relationships via two distinct interest rate swap agreements with maturity terms of two years each. These interest rate swaps were designated to hedge approximately $200.0 million of variable rate debt obligations. On June 30,

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

5. DEBT OBLIGATIONS (Continued)

2008, two of our interest rate swaps designated to hedge $300.0 million of variable rate debt obligations matured. As described further below, on October 3, 2008, an interest rate swap agreement designed to hedge approximately $100.0 million of variable rate debt obligations effectively terminated. As a result, Regal Cinemas had three interest rate swap agreements effective as of January 1, 2009, which hedged an aggregate of approximately $700.0 million of variable rate debt obligations.

During the year ended December 31, 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 interest rate swaps were designated to hedge approximately $1,000.0 million of variable rate debt obligations and became effective during the year ended December 31, 2009. Also during the year ended December 31, 2009, the three interest rate swaps effective as of January 1, 2009 matured. As a result, the Company's four interest rate swap agreements effective as of December 30, 2010 and December 31, 2009 hedge an aggregate of approximately $1,000.0 million of variable rate debt obligations at an effective rate of approximately 5.82%.

Under the terms of the Company's effective interest rate swap agreements as of December 30, 2010, 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 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 13 "Fair Value of Financial Instruments" for discussion of the Company's interest rate swaps' fair value estimation methods and assumptions.

Lease Financing Arrangements These obligations primarily represent capitalized lease obligations resulting from the requirements of ASC Subtopic 840-40.

Regal Cinemas 9 3/8% Senior Subordinated Notes On January 29, 2002, Regal Cinemas issued $200.0 million aggregate principal amount of the Senior Subordinated Notes. Interest on the Senior Subordinated Notes is payable semi-annually on February 1 and August 1 of each year, and the Senior

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

5. DEBT OBLIGATIONS (Continued)

Subordinated Notes mature on February 1, 2012. The Senior Subordinated Notes are guaranteed by most of Regal Cinemas' existing subsidiaries and are unsecured, ranking behind Regal Cinemas' obligations under the Amended Senior Credit Facility, the $8^{5}/_{8}$% Senior Notes and any future senior indebtedness.

On April 17, 2002, Regal Cinemas sold an additional $150.0 million principal amount of the Senior Subordinated Notes, which were issued under the indenture pursuant to which Regal Cinemas sold its Senior Subordinated Notes in January 2002.

Regal Cinemas has the option to redeem the Senior Subordinated Notes, in whole or in part, at any time on or after February 1, 2007 at redemption prices declining from 104.688% of their principal amount on February 1, 2007 to 100% of their principal amount on or after February 1, 2010, plus accrued interest.

On April 15, 2004, Regal and its subsidiary, Regal Cinemas Bond Corporation, commenced a cash tender offer and consent solicitation for the $350.0 million aggregate principal amount of the Senior Subordinated Notes. The tender offer was completed on May 12, 2004 and approximately $298.1 million aggregate principal amount of the Senior Subordinated Notes were purchased. On July 15, 2004, the Company purchased an additional $361,000 principal amount of the Senior Subordinated Notes from a third party.

On November 1, 2010, we redeemed the remaining outstanding $51.5 million principal amount of the Senior Subordinated Notes at a redemption price of 100.0% of their principal amount, plus accrued interest.

Maturities of Debt Obligations The Company's long-term debt and future minimum lease payments for its capital lease obligations and lease financing arrangements are scheduled to mature as follows:

	Long-Term Debt and Other	Capital Leases	Lease Financing Arrangements	Total
		(in millions)		
2011	$ 88.8	$ 3.4	$ 11.7	$ 103.9
2012	14.4	3.4	13.9	31.7
2013	14.5	3.4	13.9	31.8
2014	17.8	3.4	14.0	35.2
2015	14.9	2.4	12.2	29.5
Thereafter	1,855.5	4.3	45.7	1,905.5
Less: debt discount	(19.8)			(19.8)
Less: interest on capital leases and lease financing arrangements		(4.9)	(39.9)	(44.8)
Totals	$ 1,986.1	$ 15.4	$ 71.5	$ 2,073.0

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

6. LEASES

The Company accounts for a majority of its leases as operating leases. Minimum rentals payable under all non-cancelable operating leases with terms in excess of one year as of December 30, 2010, are summarized for the following fiscal years (in millions):

2011	$ 362.6
2012	349.7
2013	341.4
2014	333.2
2015	315.7
Thereafter	1,687.8
Total	$ 3,390.4

Rent expense under such operating leases amounted to $382.3 million, $378.8 million and $363.3 million for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively. Contingent rent expense was $22.4 million, $22.3 million and $20.4 million for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively.

Sale-Leaseback Transactions

The Company has historically entered into sale and leaseback transactions whereby owned properties were sold and leased back under operating leases. The minimum rentals for these operating leases are included in the table above.

In December 1995, United Artists Theatre Circuit, Inc. ("UATC") entered into a sale and leaseback transaction whereby 31 owned properties were sold to and leased back from an unaffiliated third party. In conjunction with the transaction, the buyer of the properties issued publicly traded pass-through certificates. In connection with this sale and leaseback transaction, UATC entered into a Participation Agreement that requires UATC to comply with various covenants, including limitations on indebtedness, restricted payments, transactions with affiliates, guarantees, issuance of preferred stock of subsidiaries and subsidiary distributions, transfer of assets and payment of dividends. As of December 30, 2010, 12 theatres were subject to the sale leaseback transaction and approximately $33.5 million in principal amount of pass-through certificates were outstanding.

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

7. INCOME TAXES

The components of the provision for income taxes for income from operations are as follows (in millions):

	Year ended December 30, 2010	Year ended December 31, 2009	Year ended January 1, 2009
Federal:			
Current	$ 41.4	$ 51.3	$ 76.9
Deferred	0.4	0.4	(15.8)
Total Federal	41.8	51.7	61.1
State:			
Current	14.8	11.7	17.7
Deferred	(7.9)	(1.5)	(4.4)
Total State	6.9	10.2	13.3
Total income tax provision	$ 48.7	$ 61.9	$ 74.4

During the years ended December 30, 2010, December 31, 2009 and January 1, 2009, a current tax benefit of $0.7 million, $0.3 million and $0.5 million, respectively, was allocated directly to stockholders' equity for the exercise of stock options and dividends paid on restricted stock.

A reconciliation of the provision for income taxes as reported and the amount computed by multiplying the income before taxes and extraordinary item by the U.S. federal statutory rate of 35% was as follows (in millions):

	Year ended December 30, 2010	Year ended December 31, 2009	Year ended January 1, 2009
Provision calculated at federal statutory income tax rate	$ 44.1	$ 55.0	$ 65.3
State and local income taxes, net of federal benefit	5.8	7.2	8.5
Other	(1.2)	(0.3)	0.6
Total income tax provision	$ 48.7	$ 61.9	$ 74.4

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

7. INCOME TAXES (Continued)

Significant components of the Company's net deferred tax asset consisted of the following at (in millions):

	December 30, 2010	December 31 2009
Deferred tax assets:		
Net operating loss carryforward	$ 35.8	$ 38.7
Excess of tax basis over book basis of intangible assets	21.3	33.5
Deferred revenue	137.6	138.8
Deferred rent	43.2	42.6
Interest rate swaps	3.9	6.7
Other	22.4	18.0
Accrued expenses	0.6	0.6
Total deferred tax assets	264.8	278.9
Valuation allowance	(15.6)	(13.1)
Total deferred tax assets, net of valuation allowance	249.2	265.8
Deferred tax liabilities:		
Excess of book basis over tax basis of fixed assets	(79.5)	(110.0)
Excess of book basis over tax basis of investments	(72.4)	(64.9)
Other	(2.0)	(2.5)
Total deferred tax liabilities	(153.9)	(177.4)
Net deferred tax asset	$ 95.3	$ 88.4

At December 30, 2010, the Company had net operating loss carryforwards for federal income tax purposes of approximately $61.6 million with expiration commencing in 2018. The Company's net operating loss carryforwards were generated by the entities of United Artists, Edwards and Hoyts. The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of net operating losses in the event of an "ownership change" of a corporation. Accordingly, the Company's ability to utilize the net operating losses acquired from United Artists, Edwards and Hoyts may be impaired as a result of the "ownership change" limitations.

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 December 30, 2010 and December 31, 2009 totaling $15.6 million and $13.1 million, respectively, 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. During the year

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

7. INCOME TAXES (Continued)

ended December 30, 2010, the valuation allowance was increased by $2.3 million related to management's determination that it was more likely than not that certain state net operating losses created during the year ended December 30, 2010 would not be realized. Additionally, during the year ended December 30, 2010, the valuation allowance was increased by $0.2 million related to management's determination that it was more likely than not that certain state net operating losses created in years ended before December 30, 2010 would not be realized.

Effective December 29, 2006, the Company adopted the provisions of ASC Subtopic 740-10. A reconciliation of the change in the amount of unrecognized tax benefits during the years ended December 30, 2010 and December 31, 2009 was as follows (in millions):

	Year Ended December 30, 2010	Year Ended December 31, 2009
Beginning balance	$ 30.2	$ 34.1
Decreases based on tax positions related to prior years		(0.4)
Increases based on tax positions related to the current year	1.6	0.2
Expired tax attributes		(1.0)
Lapse of statute of limitations	(2.1)	(2.7)
Ending balance	$ 29.7	$ 30.2

Exclusive of interest and penalties, it is reasonably possible that gross unrecognized tax benefits associated with state tax positions will decrease between $11.1 million and $11.5 million within the next twelve months due the expiration of the statute of limitations and settlement of tax disputes with taxing authorities.

The total net unrecognized tax benefits that would affect the effective tax rate if recognized at December 30, 2010 and December 31, 2009, were $17.6 million and $17.9 million, respectively. Additionally, the total net unrecognized tax benefits that would result in an increase to the valuation allowance if recognized at December 30, 2010 and December 31, 2009 were approximately $1.7 million.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. As of December 30, 2010 and December 31, 2009, the Company had accrued gross interest and penalties of approximately $6.9 million and $5.8 million, respectively. The total amount of interest and penalties recognized in the statement of income for the years ended December 30, 2010 and December 31, 2009 was $1.1 million and $3.1 million, respectively. No interest and penalties were recognized in the statement of income for the year ended January 1, 2009.

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.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

8. LITIGATION 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 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 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. 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.

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 Americans with Disabilities Act of 1990, 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,

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

8. LITIGATION AND CONTINGENCIES (Continued)

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.

The Company has entered into employment contracts, to which we refer as the "employment contracts," with five of its current executive officers, Ms. Miles and Messrs. Campbell, Dunn, Ownby, and Brandow, to whom we refer as the "executive" or "executives." Under each of the employment contracts, the Company must indemnify each executive from and against all liabilities with respect to such executive's service as an officer, and as a director, to the extent applicable. In addition, under the employment contracts, each executive is entitled to severance payments in connection with the termination by the Company of the executive without cause, the termination by the executive for good reason, or the termination of the executive, under circumstances in connection with a change in control of the Company (as defined within each employment contract).

Pursuant to each employment contract, the Company provides for severance payments if the Company terminates an executive's employment without cause or if an executive terminates his or her employment for good reason; *provided*, *however*, such executive must provide written notification to the Company of the existence of a condition constituting good reason within 90 days of the initial existence of such condition and the resignation must occur within two (2) years of such existence date. Under these circumstances, the executive shall be entitled to receive severance payments equal to (i) the actual bonus, pro-rated to the date of termination, that executive would have received with respect to the fiscal year in which the termination occurs; (ii) two times the executive's annual base salary *plus* one times the executive's target bonus; and (iii) continued coverage under any medical, health and life insurance plans for a 24-month period following the date of termination.

If the Company terminates any executive's employment, or if any executive resigns for good reason, within three (3) months prior to, or one (1) year after, a change of control of the Company (as defined within each employment contract), the executive shall be entitled to receive severance payments equal to: (i) the actual bonus, pro-rated to the date of termination, that executive would have received with respect to the fiscal year in which the termination occurs; and (ii)(a) in the case of Mr. Campbell and Ms. Miles, two and one-half times the executive's annual base salary *plus* two times the executive's target bonus; and (b) in the case of Messrs. Dunn, Ownby, and Brandow, two times the executive's annual salary *plus* one and one-half times the executive's target bonus; and (iii) continued coverage under any medical, health and life insurance plans for a 30-month period following the date of termination.

Pursuant to the employment contracts, the maximum amount of payments and benefits payable to Ms. Miles and Messrs. Campbell, Dunn, Ownby and Brandow, in the aggregate, if such executives were terminated (in the event of a change of control) would be approximately $13.8 million.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

8. LITIGATION AND CONTINGENCIES (Continued)

Each employment contract contains standard provisions for non-competition and non-solicitation of the Company's employees (other than the executive's secretary or other administrative employee who worked directly for executive) that are effective during the term of the executive's employment and shall continue for a period of one year following the executive's termination of employment with the Company. Each Executive is also subject to a permanent covenant to maintain confidentiality of the Company's confidential information.

9. CAPITAL STOCK AND SHARE-BASED COMPENSATION

Capital Stock

As of December 30, 2010, 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.

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 December 30, 2010, 130,594,743 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 December 30, 2010, all of which are held by Anschutz Company. Each share of Class B common stock converts into one 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 December 30, 2010. The Class A common stock is entitled to one 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 below.

Common Stock

The Class A common stock and the Class B common stock are identical in all respects, except with respect to voting and except that each share of Class B common stock will convert into one share of Class A common stock at the option of the holder or upon a transfer of the holder's Class B common stock, other than to certain transferees. Each holder of Class A common stock will be entitled to one vote for each outstanding share of Class A common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Each holder of Class B common stock will be 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. Except as required by law, the Class A common stock and the Class B common stock will vote together on all matters. Subject to the

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9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

dividend rights of holders of any outstanding preferred stock, holders of common stock are entitled to any dividend declared by the board of directors out of funds legally available for this purpose, and, subject to the liquidation preferences of any outstanding preferred stock, holders of common stock are entitled to receive, on a pro rata basis, all the Company's remaining assets available for distribution to the stockholders in the event of the Company's liquidation, dissolution or winding up. No dividend can be declared on the Class A or Class B common stock unless at the same time an equal dividend is paid on each share of Class B or Class A common stock, as the case may be. Dividends paid in shares of common stock must be paid, with respect to a particular class of common stock, in shares of that class.

Holders of common stock do not have any preemptive right to become subscribers or purchasers of additional shares of any class of the Company's capital stock. The outstanding shares of common stock are, when issued and paid for, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock may be adversely affected by the rights of the holders of shares of any series of preferred stock that the Company may designate and issue in the future.

Preferred Stock

The Company's certificate of incorporation allows the Company to issue, without stockholder approval, preferred stock having rights senior to those of the common stock. The Company's board of directors is authorized, without further stockholder approval, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of any series of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, and to fix the number of shares constituting any series and the designations of these series. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers, including voting rights, of the holders of common stock. The issuance of preferred stock could also have the effect of decreasing the market price of the Class A common stock. As of December 30, 2010, no shares of preferred stock are outstanding.

Share Repurchase Program

During 2004, the Company's board of directors authorized a share repurchase program, which provided for the authorization to repurchase up to $50.0 million of the Company's outstanding Class A common stock within a twelve month period. The share repurchase program expired in November 2009. The Company made no repurchases of its outstanding Class A common stock under the program during the years ended December 30, 2010, December 31, 2009 and January 1, 2009.

Warrants

Other than disclosed in Note 5 "Debt Obligations" and Note 12 "Earnings Per Share," no warrants to acquire the Company's Class A or Class B common stock were outstanding as of December 30, 2010.

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

Dividends

Regal paid four quarterly cash dividends of $0.18 per share on each outstanding share of the Company's Class A and Class B common stock, or approximately $111.1 million in the aggregate, during the year ended December 30, 2010. In addition, on December 30, 2010, Regal declared an extraordinary cash dividend of $1.40 per share on each outstanding share of its Class A and Class B common stock, or approximately $216.0 million in the aggregate. Stockholders of record at the close of business on December 20, 2010 were paid this dividend on December 30, 2010. Regal paid four quarterly cash dividends of $0.18 per share on each outstanding share of the Company's Class A and Class B common stock, or approximately $110.8 million in the aggregate, during the year ended December 31, 2009. Finally, Regal paid four quarterly cash dividends of $0.30 per share on each outstanding share of the Company's Class A and Class B common stock, or approximately $184.2 million in the aggregate, during the year ended January 1, 2009.

Share-Based Compensation

In 2002, the Company established the Regal Entertainment Group Stock Incentive Plan (the "Incentive Plan") for a total of 11,194,354 authorized shares, 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.

In conjunction with the exchange transaction on April 12, 2002, the holders of outstanding options of United Artists and Regal Cinemas received under the Incentive Plan replacement options to purchase 8,832,147 shares of Regal Class A common stock at prices ranging from $4.44 to $12.87 per share. As a result, stock option information presented herein prior to the exchange of options has been retroactively restated to reflect the effects of the exchange transaction.

Stock Options

In connection with the July 1, 2003, June 2, 2004, April 13, 2007 and December 30, 2010 extraordinary cash dividends and pursuant to the antidilution adjustment terms of the Incentive Plan, the exercise price and the number of shares of Class A common stock subject to options held by the Company's option holders were adjusted to prevent dilution and restore their economic position to that existing immediately before the extraordinary dividends. The antidilution adjustments made with respect to such options resulted in a decrease in the range of exercise prices, from $2.2090 to $14.6414 per share, an increase in the aggregate number of shares issuable upon exercise of such options by 5,235,094, and an increase in the total number of authorized shares under the Incentive Plan to 18,319,207 (after giving effect to the May 11, 2005 amendment to the Incentive Plan, which increased the total number of shares of Class A common stock authorized for issuance under the Incentive Plan by 1,889,759 shares). As of December 30, 2010 and after giving effect to the antidilution adjustments and the May 11, 2005 amendment to the Incentive Plan, options to purchase a total of 526,742 shares of Class A common stock were outstanding under the Incentive Plan, and 1,518,284 shares remain available for future issuance under the Incentive Plan. Stock option information presented herein has been adjusted to give effect to the extraordinary dividends. There were no accounting consequences for

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

changes made to reduce the exercise prices and increase the number of shares underlying options as a result of the extraordinary cash dividends because (1) the aggregate intrinsic value of the awards immediately after the extraordinary dividends was not greater than the aggregate intrinsic value of the awards immediately before the extraordinary dividends and (2) the ratio of the exercise price per share to the market value per share was not reduced.

Effective December 30, 2005, the Company adopted ASC Subtopic 718-10 utilizing the modified prospective approach. Prior to the adoption of ASC Subtopic 718-10, we accounted for stock option grants in accordance with the intrinsic value method, and accordingly, recognized no compensation expense for those stock options having an exercise price equal to the market value of the Company's Class A common stock on the date of the grant. Under the modified prospective approach, ASC Subtopic 718-10 applies to awards that were outstanding on December 30, 2005 and to new awards and the modification, repurchase or cancellation of awards after December 30, 2005. Under the modified prospective approach, compensation cost recognized in the first quarter of fiscal 2006 includes share-based compensation cost for all share-based payments granted prior to, but not yet vested as of December 30, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* and recognized as expense over the remaining requisite service period. Share-based compensation cost for all share-based payments granted subsequent to December 30, 2005 are based on the grant-date fair value estimated in accordance with the provisions of ASC Subtopic 718-10 and recognized as expense over the employee's requisite service period. Prior periods were not restated to reflect the impact of adopting the new standard. In addition, the Company has elected to adopt the alternative transition method for calculating the tax effects of share-based compensation. The alternative transition method includes a simplified method to establish the beginning balance of the APIC pool related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of ASC Subtopic 718-10.

Stock options granted in connection with the exchange transaction are generally exercisable in installments of 20% per year from the original grant date of the exchanged options and expire no later than 10 years from the date of grant. Stock option grants issued subsequent to the exchange transaction have been established at prices not less than the fair market value as of the date of grant and are exercisable in installments of 20% per year and expire no later than 10 years from the date of grant.

We use the Black-Scholes option pricing model to estimate the fair value of our stock option awards based on factors at the date of grant. Stock compensation expense for the years ended December 31, 2009 and January 1, 2009 was based on the following assumptions at the dates the stock options were granted:

Expected volatility	38.0% - 39.0%
Expected life of options (in years)	7.5
Risk-free interest rate	3.1% - 4.3%
Dividend yield	3.0% - 4.5%

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

Expected volatility is based on historical volatility of the Company's common stock price. The expected term of options granted is derived using the midpoint of the average vesting period and contractual life of the stock options. The risk-free interest rate assumption is based upon observed interest rates appropriate for the terms of the Company's employee stock options. The Company does not target a specific dividend yield for its dividend payments but is required to assume a dividend yield as an input to the Black-Scholes model. The dividend yield assumption is based on the Company's history and expectation of future dividend payouts and may be subject to substantial change in the future. There were no stock options granted during the years ended December 30, 2010, December 31, 2009 and January 1, 2009.

As share-based compensation expense recognized in the consolidated statement of income for the years ended December 31, 2009 and January 1, 2009 is based on awards ultimately expected to vest, it should be reduced for estimated forfeitures. ASC Subtopic 718-10 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. During the years ended December 31, 2009 and January 1, 2009, the Company recognized approximately $0.1 million and $0.2 million, respectively, of share-based compensation expense related to stock options. Such expense is presented as a component of general and administrative expenses. No compensation expense related to stock options was recorded during the year ended December 30, 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 year ended December 30, 2010, our consolidated statement of cash flows reflects approximately $0.1 million of excess tax benefits as financing cash flows. Net cash proceeds from the exercise of stock options were $0.8 million for the year ended December 30, 2010. The actual income tax benefit realized from stock option exercises was $0.2 million for the same period.

The following table represents stock option activity for the year ended December 30, 2010:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life (Yrs.)
Outstanding options at beginning of year	569,757	$ 9.43	2.78
Granted			
Exercised	(81,474)	10.17	
Forfeited	(11,535)	11.16	
Antidilution adjustments made to outstanding options in connection with the extraordinary dividend declared during the quarter ended December 30, 2010	49,994	8.38	
Outstanding options at end of year	526,742	$ 8.38	1.80
Exercisable options at end of year	526,742	$ 8.38	1.80

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9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

The aggregate intrinsic value of options outstanding and exercisable at December 30, 2010 was approximately $2.0 million. Total intrinsic value of options exercised was $0.5 million, $0.1 million and $0.6 million, for the years ended December 30, 2010, December 31 and 2009 and January 1, 2009, respectively. As of December 30, 2010 and December 31, 2009, the Company had no nonvested stock options outstanding.

Restricted Stock

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. The restriction is fulfilled upon continued employment for a specified number of years (typically one to four years after the award date) and as such restrictions lapse, the award immediately vests. In addition, we will receive a tax deduction when restricted stock vests. The Incentive Plan participants are entitled to cash dividends and to vote their respective shares, although the sale and transfer of such shares is prohibited during the restricted period. The shares are also subject to the terms and conditions of the Incentive Plan. Through fiscal 2007, 588,145 shares were granted under the Incentive Plan at nominal cost to officers, key employees and certain directors. The closing price of our Class A common stock on the date of grant ranged from $18.67 to $22.40 per share. On January 16, 2008, 229,572 shares were granted under the Incentive Plan at nominal cost to officers, key employees and certain directors. The closing price of our Class A common stock on the date of grant was $17.07 per share. These awards vest 100% at the end of four years in the case of officers and key employees and vest 100% at the end of one year in the case of directors.

On January 14, 2009, 371,129 restricted shares were granted under the Incentive Plan at nominal cost to officers, directors and key employees. On January 13, 2010, 289,679 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 $10.01 per share on January 14, 2009 and $14.72 per share on January 13, 2010. In addition, on June 30, 2009, 150,489 shares were granted under the Incentive Plan at nominal cost to the Company's Chief Executive Officer. The closing price of our Class A common stock on the date of grant was $13.29 per share. All of the restricted shares subject to this award vest on June 30, 2013.

During the years ended December 30, 2010 and December 31, 2009, the Company withheld approximately 62,171 shares and 40,629 shares, respectively, of restricted stock at an aggregate cost of approximately $0.9 million and $0.5 million, respectively, as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements related to the vesting of restricted stock awards.

During the fiscal years ended December 30, 2010, January 1, 2009 and December 27, 2007, the Company recognized approximately $4.4 million, $3.8 million and $3.7 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

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December 30, 2010, December 31, 2009 and January 1, 2009

9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

shares that were anticipated to fully vest. As of December 30, 2010, we have unrecognized compensation expense of $7.2 million associated with restricted stock awards.

The following table represents the restricted stock activity for the years ended December 30, 2010, January 1, 2009 and December 27, 2007:

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
Unvested at beginning of year:	971,568	637,615	459,848
Granted during the year ended	289,679	521,618	229,572
Vested during the year ended	(283,108)	(183,458)	(40,284)
Forfeited during the year ended	(7,029)	(4,207)	(11,521)
Unvested at end of year	971,110	971,568	637,615

During the year ended December 30, 2010, the Company paid four cash dividends of $0.18 on each share of outstanding restricted stock totaling approximately $0.7 million. In addition, on December 30, 2010, Regal paid an extraordinary cash dividend of $1.40 on each share of outstanding restricted stock totaling approximately $1.4 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 "2006 Performance Agreement"). Our 2006 Performance Agreement covered performance share grants issued through the year ended January 1, 2009. Pursuant to the terms and conditions of the 2006 Performance Agreement, 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 the 2006 Performance Agreement. The performance criteria are tied to the average annual total shareholder returns (stock price appreciation plus dividend yield) attained ("TSRA") by the Company for each full twelve month period ending on the yearly anniversary of the grant date through the applicable calculation date (subject to the provisions contained in the Performance Agreement relating to the grantee's death, disability, retirement, termination with or without cause or the occurrence of a change of control). 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. Pursuant to the 2006 Performance Agreement, on the calculation date, the grantee will be entitled to receive a payment in an amount equal to the dividends paid by the Company with respect to a share of its Class A common stock from the grant date through the calculation date, multiplied by the number of shares of restricted common stock, if any, the grantee receives pursuant to the 2006 Performance Agreement.

Through fiscal 2007, 590,939 performance shares were granted under the Incentive Plan at nominal cost to officers and key employees. The closing price of our Class A common stock on the date of grant ranged from $19.40 to $22.25 per share. On January 16, 2008, 252,721 performance shares were granted under the Incentive Plan at nominal cost to officers and key employees. The closing price of

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9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

our Class A common stock on the date of grant was $17.07 per share. Each performance share represents the right to receive from 0% to 175% of the target numbers of shares of restricted common stock. The number of shares of restricted common stock earned will be determined by comparing the actual TSRA on Regal's Class A common stock on the third anniversary of the grant date to the target TSRA set forth in each respective 2006 Performance Agreement. A target number of shares of restricted common stock to be earned by each eligible grantee has been established with respect to the performance share grants and is primarily based on the grantee's employee classification and base compensation, referred to as "target long-term incentive" ("Target LTI") below. In addition, these awards are subject to an additional one-year vesting requirement. The Company has developed a performance range around the target TSRA and the number of shares of restricted stock that will be issued will be based on actual TSRA, according to the following schedule:

Average Annual Shareholder Return	Target Shares of Restricted Stock
12.5% TSRA < 15.0%	50% of Target LTI
15.0% TSRA < 17.5%	100% of Target LTI
17.5% TSRA < 20.0%	125% of Target LTI
20.0% TSRA < 25.0%	150% of Target LTI
25.0% TSRA	175% of Target LTI

Since these performance shares contain a market condition which should be reflected in the grant date fair value of an award in accordance with the provisions of ASC Subtopic 718-10, these performance shares were measured on the date of grant using a Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair market value for the performance shares granted. The key assumptions used for valuing these performance share awards follow:

	As of December 30, 2010
Measurement dates	6/1/2006, 1/10/2007 and 1/16/2008
Measurement dates closing stock price	$17.07 - $22.25
Expected volatility	18.3% - 19.98%
Risk-free interest rate	2.55% - 5.02%
Expected dividend yield	5.39% - 7.03%

Expected volatility is based on historical volatility of the Company's dividend adjusted common stock price measured daily over a three year period ending on the respective grant dates. The risk-free interest rate is set equal to the yield on three-year (constant maturity) U.S. Government bonds as of June 1, 2006, January 10, 2007 and January 16, 2008. The expected dividend yield assumption is based on the Company's history and expectation of future dividend payouts. The dividend yield is included in the calculation of returns for measurement against the performance goals defined above.

In 2009, we adopted an amended and restated form of Performance Agreement (each, a "2009 Performance Agreement"). On January 14, 2009, 401,907 performance shares were granted under our Incentive Plan, at nominal cost to officers and key employees. In addition, on January 13, 2010, 311,953 performance shares were granted under our Incentive Plan, at nominal cost to officers and key

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9. CAPITAL STOCK AND SHARE-BASED COMPENSATION (Continued)

employees. Under the 2009 Performance Agreement, which is described in the section entitled "Compensation Discussion and Analysis Elements of Compensation Performance Shares," of our 2009 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 14, 2012 (the third anniversary of the grant date for the January 14, 2009 grant) and January 13, 2013 (the third anniversary of the grant date for the January 13, 2010 grant) as set forth in the 2009 Performance Agreement. Such performance shares vest on the fourth anniversary of their respective grant dates. 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 $10.01 per share on January 14, 2009 and $14.72 per share on January 13, 2010, which approximates the respective grant date fair value of the awards.

During the year ended December 30, 2010, 183,430 performance share awards were effectively cancelled. These awards were scheduled to vest on June 1, 2010, the one year anniversary of the calculation date. As of the calculation date, which was June 1, 2009, threshold performance goals were not satisfied, and therefore, all 183,430 restricted shares under this performance grant were cancelled as of June 1, 2010. During the year ended December 31, 2009, 175,860 performance share awards were effectively cancelled. These awards were scheduled to vest on the calculation date of June 1, 2009. As of June 1, 2009, threshold performance goals were not satisfied, and therefore, all 175,860 restricted shares under this performance grant were cancelled as of June 1, 2009.

As of the respective grant dates, the aggregate fair value of the performance share awards was determined to be $17.8 million, which includes related dividends on shares ultimately earned and paid on the third anniversary of the respective grant dates. The fair value of the performance share awards are amortized as compensation expense over the expected terms of the awards, which range from 3 to 4 years. During the years ended December 30, 2010, January 1, 2009 and December 27, 2007, the Company recognized approximately $4.0 million, $2.0 million and $1.8 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 December 30, 2010, we have $7.3 million of unrecognized compensation cost related to the performance share units.

The following table summarizes information about the Company's number of performance shares for the years ended December 30, 2010, December 31, 2009 and January 1, 2009:

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
Unvested at beginning of year:	999,330	793,005	567,632
Granted (based on target)	311,953	401,907	252,721
Cancelled/forfeited	(195,920)	(195,582)	(27,348)
Unvested at end of year	1,115,363	999,330	793,005

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.

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10. RELATED PARTY TRANSACTIONS

During the year ended January 1, 2009, Regal Cinemas incurred capitalized costs of $14.3 million to Qwest Communications and its subsidiaries for network infrastructure upgrades. Regal Cinemas incurred approximately $4.2 million of expenses payable to Qwest Communications and its subsidiaries for telecommunication and network monitoring services during the year ended January 1, 2009. In addition, Regal Cinemas incurred approximately $0.2 million of expenses payable to Anschutz affiliates for certain advertising services during the year ended January 1, 2009. Also during the year ended January 1, 2009, Regal Cinemas received less than $0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility.

During the year ended January 1, 2009, in connection with an agreement with an Anschutz affiliate, Regal received various forms of advertising in exchange for on-screen advertising provided in certain of its theatres. The value of such advertising was approximately $0.1 million.

During the year ended December 31, 2009, Regal Cinemas incurred capitalized costs of $1.2 million to Qwest Communications and its subsidiaries for network infrastructure upgrades. Regal Cinemas incurred approximately $6.2 million of expenses payable to Qwest Communications and its subsidiaries for telecommunication and network monitoring services during the year ended December 31, 2009. In addition, Regal Cinemas incurred approximately $0.1 million of expenses payable to Anschutz affiliates for certain advertising services during the year ended December 31, 2009. Also during the year ended December 31, 2009, Regal Cinemas received less than $0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility.

During the year ended December 31, 2009, in connection with an agreement with an Anschutz affiliate, Regal received various forms of advertising in exchange for on-screen advertising provided in certain of its theatres. The value of such advertising was approximately $0.1 million.

During the year ended December 30, 2010, Regal Cinemas incurred approximately $0.1 million of expenses payable to Anschutz affiliates for certain advertising services during the year ended December 30, 2010. Also during the year ended December 30, 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 year ended December 30, 2010, in connection with an agreement with an Anschutz affiliate, Regal received various forms of advertising in exchange for on-screen advertising provided in certain of its theatres. The value of such advertising was approximately $0.1 million.

During fiscal 2006, Regal entered into a management agreement with an Anschutz affiliate to manage a Los Angeles, California theatre site on their behalf. In connection with the construction of the theatre site, Regal incurred approximately $0.6 million of out of pocket costs (primarily for legal fees and architectural plans). During the year ended December 27, 2007, the Anschutz affiliate reimbursed Regal for such legal fees and acquired the architectural plans at cost, for an aggregate total of $0.6 million. During the year ended December 31, 2009, the ultimate financial terms of the management agreement were approved by the Company's board of directors, which included a management fee payable to Regal based on a percentage of revenues generated by the theatre, subject to a minimum annual fee payable to Regal. The theatre opened in October 2009. During the remainder of fiscal 2009 and the year ended December 30, 2010, the Company received approximately $0.1 million and $0.5 million, respectively, from the Anschutz affiliate for rent related to the theatre site. Finally, as of December 31, 2009, the Company was due approximately $0.6 million from the Anschutz affiliate

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10. RELATED PARTY TRANSACTIONS (Continued)

related to certain reimbursable costs (primarily pre-opening costs) associated with the theatre. This amount was paid to Regal during the year ended December 30, 2010.

During 2005 and 2006, National CineMedia entered into a lease assignment and sublease arrangements with RCM pursuant to which National CineMedia leases a regional office in Chicago, Illinois. This arrangement expired in July 2009. The amounts paid by National CineMedia under this arrangement totaled approximately $0.1 million for the fiscal years ended December 31, 2009 and January 1, 2009.

11. EMPLOYEE BENEFIT PLAN

The Company sponsors an employee benefit plan, the Regal Entertainment Group 401(k) Profit Sharing Plan (the "Plan") under section 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of substantially all full-time employees. The Plan provides that participants may contribute up to 50% of their compensation, subject to Internal Revenue Service limitations. The Plan currently matches an amount equal to 100% of the first 3% of the participant's contributions and 50% of the next 2% of the participant's contributions. Employee contributions are invested in various investment funds based upon elections made by the employee. The Company made matching contributions of approximately $2.8 million, $2.6 million and $2.6 million to the Plan in 2010, 2009 and 2008, respectively.

12. EARNINGS PER SHARE

We compute earnings 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 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 shares, the conversion spread on the $3^3/_4$% Convertible Senior Notes, the 2003 Warrant, the assumed conversion of the $6^1/_4$% Convertible Senior Notes and the 2008 Warrant issued in connection with the $6^1/_4$% Convertible Senior Notes. The dilutive effect of outstanding stock options, restricted shares and performance shares, the conversion spread on the $3^3/_4$% Convertible Senior Notes, the 2003 Warrant and the 2008 Warrant issued in connection with the $6^1/_4$% Convertible Senior Notes is reflected in diluted earnings per share by application of the treasury-stock method. The dilutive effect of assumed conversion of the $6^1/_4$% Convertible Senior Notes is reflected in diluted earnings per share by application of the if-converted method. In addition, the computation of the diluted earnings per share of Class A common stock assumes the conversion of Class B common stock, while the diluted earnings per share of Class B common stock does not assume the conversion of those shares.

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 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 for the periods presented had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as we assume the conversion of Class B common stock in the computation of the diluted earnings per share of Class A common stock, the undistributed earnings are equal to net income attributable to controlling interest for that computation.

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12. EARNINGS PER SHARE (Continued)

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

	Year Ended December 30, 2010		Year Ended December 31, 2009		Year Ended January 1, 2009	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic earnings per share:						
Numerator:						
Allocation of undistributed earnings	$ 65.6	$ 12.0	$ 80.7	$ 14.8	$ 94.8	$ 17.4
Denominator:						
Weighted average common shares outstanding (in thousands)	129,690	23,709	129,353	23,709	129,140	23,709
Basic earnings per share	$ 0.51	$ 0.51	$ 0.62	$ 0.62	$ 0.73	$ 0.73
Numerator:						
Allocation of undistributed earnings for basic computation	$ 65.6	$ 12.0	$ 80.7	$ 14.8	$ 94.8	$ 17.4
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	12.0		14.8		17.4	
Reallocation of undistributed earnings to Class B shares for effect of other dilutive securities		(0.2)		(0.1)		(0.3)
Interest expense on $6^1/_4$% Convertible Senior Notes	(1)		(1)		(1)	
Allocation of undistributed earnings	$ 77.6	$ 11.8	$ 95.5	$ 14.7	$ 112.2	$ 17.1
Denominator:						
Number of shares used in basic computation (in thousands)	129,690	23,709	129,353	23,709	129,140	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		23,709	
Stock options	163		143		181	
Restricted stock and performance shares	955		887		781	
Conversion spread on $3^3/_4$% Convertible Senior Notes and the 2003 Warrant					1,364	
Conversion of $6^1/_4$% Convertible Senior Notes	(1)		(1)		(1)	
Number of shares used in per share computations (in thousands)	154,517	23,709	154,092	23,709	155,175	23,709
Diluted earnings per share	$ 0.50	$ 0.50	$ 0.62	$ 0.62	$ 0.72	$ 0.72

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

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13. 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 December 30, 2010:

		Fair Value Measurements at December 30, 2010 Using		
	Total Carrying Value at December 30, 2010	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(in millions)			
Assets:				
Equity securities, available-for-sale(1)	$ 31.9	$	$ 31.9	$
Total assets at fair value	$ 31.9	$	$ 31.9	$
Liabilities:				
Interest rate swaps(2)	$ 28.2	$	$ 28.2	$
Total liabilities at fair value	$ 28.2	$	$ 28.2	$

(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 the year ended December 30, 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 consolidated statement of income for the year ended December 30, 2010. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 December 30, 2010, the carrying value of the RealD, Inc. shares held by the Company as of December 30, 2010 was approximately $31.9 million. The corresponding amounts recorded in "Other non-current liabilities" and "Accumulated other comprehensive loss, net" were $23.7 million and $4.9 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 recorded in the consolidated statement of income. Such amortization totaled $1.0 million for the year ended December 30, 2010.

(2)

The fair value of the Company's interest rate swaps described in Note 5 "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 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." As of December 31, 2009, the aggregate fair value the Company's four interest rate swaps was determined to be approximately $(16.8) million, which was recorded as a component of "Other non-current liabilities" with a corresponding amount of $(10.3) million, net of tax, recorded to "Accumulated other comprehensive loss, net." These interest rate swaps exhibited no ineffectiveness during the years ended December 30, 2010, December 31, 2009 and January 1, 2009 and accordingly, the net losses on the swaps of $6.8 million, $1.6 million and $8.7 million, respectively, were reported as a component of other comprehensive loss for the years ended December 30, 2010, December 31, 2009 and January 1, 2009.

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 5 "Debt Obligations," which consists of the Term Facility and the Revolving Facility, is estimated based on quoted prices (Level 2 inputs as described in ASC Topic 820) as of December 30, 2010 and December 31, 2009. 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 $9^{1}/_{8}$% Senior Notes, the $8^{5}/_{8}$% Senior Notes

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

and the 6$^1/_4$% Convertible Senior Notes are estimated based on quoted prices (Level 1 inputs as described in ASC Topic 820) for these issuances as of December 30, 2010 and December 31, 2009. The fair value of the Senior Subordinated Notes is estimated based on quoted prices (Level 2 inputs as described in ASC Topic 820) for this issuance as of December 30, 2010 and December 31, 2009. The aggregate carrying values and fair values of long-term debt at December 30, 2010 and December 31, 2009 consist of the following:

	December 30, 2010	December 31, 2009
	(in millions)	
Carrying value	$ 1,973.6	$ 1,902.2
Fair value	$ 2,026.6	$ 1,923.1

14. SUBSEQUENT EVENTS

Restricted Stock and Performance Share Grants

On January 12, 2011, 349,856 restricted shares were granted under the Incentive Plan at nominal cost to officers, directors and key employees. Under the Incentive Plan, 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 (typically one to four years after the award date). The 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 plan participants are entitled to cash dividends and to vote their respective shares, although the sale and transfer of such shares is prohibited during the restricted period. 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.

Also on January 12, 2011, 376,902 performance shares were granted under our Incentive Plan at nominal cost to officers and key employees. 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. 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.

Other

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 Wells Fargo Bank, National Association, as trustee (the "Trustee"), dated August 16, 2010, as supplemented by the First Supplemental Indenture, dated January 7, 2011. The notes 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 due 2018 previously issued under the Indenture on August 16, 2010. The net proceeds from the offering, after deducting underwriting discounts and commissions by the Company, were approximately

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

14. SUBSEQUENT EVENTS (Continued)

$154.7 million. The Company used substantially all of the net proceeds from the offering ($152.5 million) to repay a portion of the Amended Senior Credit Facility.

On February 9, 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. This dividend reflects a $0.03 per share increase from the Company's last quarterly cash dividend of $0.18 per share declared on October 28, 2010. The dividend is payable on March 15, 2011 to stockholders of record on March 3, 2011.

On February 10, 2011, the issued and sold $100.0 million in aggregate principal amount of the Company's 9$^{1}/_{8}$% Senior Notes due 2018 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, dated August 16, 2010, as supplemented by the First Supplemental Indenture, dated January 7, 2011 and the Second Supplemental Indenture, dated February 15, 2011. The notes 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 due 2018 previously issued under the Indenture on August 16, 2010. The net proceeds from the offering, after deducting underwriting discounts and commissions by the Company, were approximately $103.1 million. The Company used a portion the net proceeds from the offering ($82.1 million) to repay a portion of the Amended Senior Credit Facility.

On February 23, 2011 Regal Cinemas entered into a permitted secured refinancing agreement (the "Refinancing Agreement") with REH, 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 from the grant of the security interest in the Collateral used to secure the obligations under the Amended Senior Credit Facility. The Company is currently evaluating the accounting implications of the loan fees related to the Refinancing Agreement and the remaining unamortized debt issue costs and debt discount associated with the Amended Senior Credit Facility on its consolidated financial position, cash flows and results of operations.

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

On July 15, 2009, Regal Cinemas issued $400.0 million in aggregate principal amount of the $8^5/_8$% Senior Notes. The $8^5/_8$% 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 $8^5/_8$% Senior Notes;

(ii) Regal Cinemas, which is the issuer of the $8^5/_8$% Senior Notes;

(iii) The Subsidiary Guarantors, on a combined basis, which are guarantors of the $8^5/_8$% Senior Notes;

(iv) The non-guarantor subsidiaries, on a combined basis, which are not guarantors of the $8^5/_8$% 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 investments in our subsidiaries and (c) record consolidating entries; and

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

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

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

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
ASSETS						
CURRENT ASSETS:						
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
TOTAL CURRENT ASSETS			288.7	57.8		346.5
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
TOTAL ASSETS	$ 29.7	$ 1,454.9	$ 2,711.1	$ 176.5	$ (1,879.6)	$ 2,492.6
LIABILITIES AND EQUITY (DEFICIT)						
CURRENT LIABILITIES:						
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
TOTAL CURRENT LIABILITIES	233.5	45.7	312.4	29.3	(151.9)	469.0
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
TOTAL LIABILITIES	520.0	1,657.4	905.2	75.3	(173.6)	2,984.3
EQUITY (DEFICIT):						
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)
TOTAL EQUITY (DEFICIT)	(490.3)	(202.5)	1,805.9	101.2	(1,706.0)	(491.7)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 29.7	$ 1,454.9	$ 2,711.1	$ 176.5	$ (1,879.6)	$ 2,492.6

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION
DECEMBER 31, 2009
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$	$	$ 267.7	$ 60.4	$	$ 328.1
Trade and other receivables, net			66.9	2.1		69.0
Other current assets		6.7	15.2	1.7	8.2	31.8
TOTAL CURRENT ASSETS		6.7	349.8	64.2	8.2	428.9
Property and equipment, net			1,778.2	52.8	(12.3)	1,818.7
Goodwill and other intangible assets			183.4	7.1		190.5
Deferred income tax asset	1.8		104.3		(28.0)	78.1
Other non-current assets	1.9	1,638.3	218.1	59.5	(1,796.3)	121.5
TOTAL ASSETS	$ 3.7	$ 1,645.0	$ 2,633.8	$ 183.6	$ (1,828.4)	$ 2,637.7
LIABILITIES AND DEFICIT						
CURRENT LIABILITIES:						
Current portion of debt obligations	$	$ 9.8	$	$ 13.1	$ (5.8)	$ 17.1
Accounts payable	0.3		185.0	13.2		198.5
Accrued expenses and other liabilities	54.9	17.8	153.6	5.9	(51.3)	180.9
TOTAL CURRENT LIABILITIES	55.2	27.6	338.6	32.2	(57.1)	396.5
Long-term debt, less current portion	194.6	1,697.8	0.2			1,892.6
Lease financing arrangements, less current portion			72.0			72.0
Capital lease obligations, less current portion			13.9	1.5		15.4
Deferred income tax liability				19.8	(19.8)	
Other liabilities		17.0	462.2	28.9		508.1
TOTAL LIABILITIES	249.8	1,742.4	886.9	82.4	(76.9)	2,884.6
EQUITY (DEFICIT):						
Stockholders' equity (deficit) of Regal Entertainment Group	(246.1)	(97.4)	1,748.0	100.9	(1,751.5)	(246.1)
Noncontrolling interest			(1.1)	0.3		(0.8)
TOTAL EQUITY (DEFICIT)	(246.1)	(97.4)	1,746.9	101.2	(1,751.5)	(246.9)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 3.7	$ 1,645.0	$ 2,633.8	$ 183.6	$ (1,828.4)	$ 2,637.7

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION
YEAR ENDED DECEMBER 30, 2010
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
REVENUES	$	$	$ 2,587.1	$ 227.1	$ (6.3)	$ 2,807.9
OPERATING EXPENSES:						
Film rental and advertising costs			946.9	79.8		1,026.7
Cost of concessions			91.4	9.7		101.1
Rent expense			345.3	38.4	(1.4)	382.3
Other operating expenses			710.5	73.5		784.0
General and administrative expenses	0.5		65.4	7.1	(6.3)	66.7
Depreciation and amortization	0.3		201.3	11.8		213.4
Net loss on disposal and impairment of operating assets			16.4	1.5		17.9
TOTAL OPERATING EXPENSES	0.8		2,377.2	221.8	(7.7)	2,592.1
INCOME (LOSS) FROM OPERATIONS	(0.8)		209.9	5.3	(1.4)	215.8
OTHER EXPENSE (INCOME):						
Interest expense, net	26.0	115.2	6.3	0.6		148.1
Loss on extinguishment of debt	5.2		18.3			23.5
Earnings recognized from NCM			(40.8)			(40.8)
Gain on sale of NMC, Inc, common stock			(52.0)			(52.0)
Other, net	(97.2)	(136.2)	(112.8)		357.2	11.0
TOTAL OTHER EXPENSE (INCOME), NET	(66.0)	(21.0)	(181.0)	0.6	357.2	89.8
INCOME (LOSS) BEFORE INCOME TAXES	65.2	21.0	390.9	4.7	(355.8)	126.0
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(12.1)	(74.5)	132.0	3.3		48.7
NET INCOME (LOSS)	77.3	95.5	258.9	1.4	(355.8)	77.3
NONCONTROLLING INTEREST, NET OF TAX			0.3			0.3
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	$ 77.3	$ 95.5	$ 259.2	$ 1.4	$ (355.8)	$ 77.6

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION
YEAR ENDED DECEMBER 31, 2009
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
REVENUES	$	$	$ 2,663.5	$ 237.1	$ (6.7)	$ 2,893.9
OPERATING EXPENSES:						
Film rental and advertising costs			963.6	82.9		1,046.5
Cost of concessions			100.5	10.1		110.6
Rent expense			339.8	39.0		378.8
Other operating expenses			704.3	74.2		778.5
General and administrative expenses	0.4		63.0	7.5	(6.7)	64.2
Depreciation and amortization			190.3	11.6		201.9
Net loss on disposal and impairment of operating assets			27.3	6.7		34.0
TOTAL OPERATING EXPENSES	0.4		2,388.8	232.0	(6.7)	2,614.5
INCOME (LOSS) FROM OPERATIONS	(0.4)		274.7	5.1		279.4
OTHER EXPENSE (INCOME):						
Interest expense, net	18.8	122.7	9.3	0.2		151.0
Loss on extinguishment of debt			7.4			7.4
Earnings recognized from NCM			(38.6)			(38.6)
Other, net	(106.5)	(213.5)	(72.5)		394.9	2.4
TOTAL OTHER EXPENSE (INCOME), NET	(87.7)	(90.8)	(94.4)	0.2	394.9	122.2
INCOME (LOSS) BEFORE INCOME TAXES	87.3	90.8	369.1	4.9	(394.9)	157.2
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(8.0)	(16.4)	83.1	3.2		61.9
NET INCOME (LOSS)	95.3	107.2	286.0	1.7	(394.9)	95.3
NONCONTROLLING INTEREST, NET OF TAX			0.3	(0.1)		0.2
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	$ 95.3	$ 107.2	$ 286.3	$ 1.6	$ (394.9)	$ 95.5

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION
YEAR ENDED JANUARY 1, 2009
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
REVENUES	$	$	$ 2,546.2	$ 232.5	$ (6.8)	$ 2,771.9
OPERATING EXPENSES:						
Film rental and advertising costs			908.7	81.7		990.4
Cost of concessions			97.2	9.4		106.6
Rent expense			323.6	39.7		363.3
Other operating expenses			667.9	72.0		739.9
General and administrative expenses	0.4		61.0	7.5	(6.8)	62.1
Depreciation and amortization			190.4	11.9		202.3
Net loss on disposal and impairment of operating assets			22.4			22.4
Equity in earnings of joint venture including former employee compensation			0.5			0.5
TOTAL OPERATING EXPENSES	0.4		2,271.7	222.2	(6.8)	2,487.5
INCOME (LOSS) FROM OPERATIONS	(0.4)		274.5	10.3		284.4
OTHER EXPENSE (INCOME):						
Interest expense, net	17.6	105.9	5.4	(0.5)		128.4
Loss on extinguishment of debt	3.0					3.0
Earnings recognized from NCM			(32.9)			(32.9)
Gain on sale of Fandango interest			(2.5)	(0.9)		(3.4)
Other, net	(124.5)	(214.7)	(67.3)		409.4	2.9
TOTAL OTHER EXPENSE (INCOME), NET	(103.9)	(108.8)	(97.3)	(1.4)	409.4	98.0
INCOME (LOSS) BEFORE INCOME TAXES	103.5	108.8	371.8	11.7	(409.4)	186.4
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(8.5)	(16.7)	93.8	5.8		74.4
NET INCOME (LOSS)	112.0	125.5	278.0	5.9	(409.4)	112.0
NONCONTROLLING INTEREST, NET OF TAX			0.2			0.2
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	$ 112.0	$ 125.5	$ 278.2	$ 5.9	$ (409.4)	$ 112.2

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED DECEMBER 30, 2010
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (19.7)	$	$ 280.7	$ (1.6)	$	$ 259.4
Cash Flows from Investing Activities:						
Capital expenditures			(92.6)	(5.8)		(98.4)
Proceeds from disposition of assets			34.7			34.7
Cash used for acquisition			(55.0)			(55.0)
Net proceeds from sale of NCM, Inc. common stock			66.0			66.0
Investment in DCIP and other			(30.0)			(30.0)
NET CASH USED IN INVESTING ACTIVITIES			(76.9)	(5.8)		(82.7)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(327.1)					(327.1)
Cash received (paid) to/from REG Parent Company	206.6	(206.6)				
Cash received (paid) to/from subsidiary		206.6	(206.6)			
Proceeds from issuance of Regal Entertainment Group $9^{1}/_{8}$% Senior Notes	275.0					275.0
Cash used to repurchase $6^{1}/_{4}$% Convertible Senior Notes	(128.6)					(128.6)
Cash used to redeem $9^{3}/_{8}$% Senior Subordinated Notes			(51.5)			(51.5)
Net payments on long-term obligations	(0.7)		(28.3)	(0.2)		(29.2)
Debt discount paid on amended senior credit facility			(12.5)			(12.5)
Payment of debt acquisition costs	(5.5)		(20.1)			(25.6)
Cash used to purchase treasury shares and other	(0.8)					(0.8)
Proceeds from stock option exercises	0.8					0.8
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	19.7		(319.0)	(0.2)		(299.5)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			(115.2)	(7.6)		(122.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			267.7	60.4		328.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$	$ 152.5	$ 52.8	$	$ 205.3

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED DECEMBER 31, 2009
(in millions)

	Regal	Regal Cinemas	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (18.9)	$	$ 412.6	$ 17.1	$	$ 410.8
Cash Flows from Investing Activities:						
Capital expenditures			(98.9)	(9.9)		(108.8)
Proceeds from disposition of assets			0.6	0.2		0.8
Other			(2.5)			(2.5)
NET CASH USED IN INVESTING ACTIVITIES			(100.8)	(9.7)		(110.5)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(110.8)					(110.8)
Cash received (paid) to/from REG Parent Company	130.0	(130.0)				
Cash received (paid) to/from subsidiary		(260.2)	260.2			
Net proceeds from issuance of Regal Cinemas $8^5/_8$% Senior Notes		390.2				390.2
Net payments on long-term obligations			(402.6)	(0.1)		(402.7)
Cash used to purchase treasury shares and other	(0.4)					(0.4)
Proceeds from stock option exercises	0.1					0.1
Payment of debt acquisition costs and other			(18.8)			(18.8)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	18.9		(161.2)	(0.1)		(142.4)
NET INCREASE IN CASH AND CASH EQUIVALENTS			150.6	7.3		157.9
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			117.1	53.1		170.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	$	$ 267.7	$ 60.4	$	$ 328.1

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REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 30, 2010, December 31, 2009 and January 1, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED JANUARY 1, 2009
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (2.2)	$	$ 262.6	$ 10.5	$	$ 270.9
Cash Flows from Investing Activities:						
Capital expenditures			(123.5)	(8.2)		(131.7)
Proceeds from disposition of assets			3.3	0.3		3.6
Cash used for acquisitions, net of cash acquired			(209.3)			(209.3)
Other			(1.5)	0.4		(1.1)
NET CASH USED IN INVESTING ACTIVITIES			(331.0)	(7.5)		(338.5)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(184.2)					(184.2)
Cash received/(paid) to/from REG Parent Company	172.1	(172.1)				
Cash received/(paid) to/from subsidiary		172.1	(172.1)			
Proceeds from stock option exercises	0.5					0.5
Net payments on long-term obligations			(26.9)	(0.1)		(27.0)
Proceeds from issuance of 6 1/4% Convertible Senior Notes	200.0					200.0
Net cash paid for 6 1/4% Convertible Senior Notes convertible note hedge and warrant	(6.6)					(6.6)
Cash used to redeem 3 3/4% Convertible Senior Notes	(194.1)					(194.1)
Payment of debt acquisition costs and other	(5.1)		0.2			(4.9)
Net proceeds from 3 3/4% Convertible Senior Notes hedge and warrant	18.9					18.9
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1.5		(198.8)	(0.1)		(197.4)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(0.7)		(267.2)	2.9		(265.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	0.7		384.3	50.2		435.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	$	$ 117.1	$ 53.1	$	$ 170.2

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure 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 and principal financial 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 December 30, 2010, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of December 30, 2010, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting and Attestation of Registered Public Accounting Firm

Our management's report on internal control over financial reporting and our registered public accounting firm's audit report on the effectiveness of management's assessment of our internal control over financial reporting are included in Part II, Item 8, on pages 53, 54 and 55 of this Form 10-K, which are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended December 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Management is responsible for the preparation and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles reflect management's judgments and estimates concerning effects of events and transactions that are accounted for or disclosed. The Company's internal control over financial reporting includes those policies and procedures that pertain to the Company's ability to record, process, summarize and report reliable financial data. Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Item 9B. OTHER INFORMATION.

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Biographical and other information regarding our executive officers is provided in Part I of this Form 10-K under the heading "Executive Officers of the Registrant" as permitted by General Instruction G to Form 10-K. The other information required by this item is incorporated by reference to the Company's Proxy Statement on Schedule 14A for its Annual Stockholders Meeting (under the headings "Proposal 1. Election of Class III Directors," "Corporate Governance Board and Committee Information," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance Code of Business Conduct and Ethics," "Corporate Governance Committees" and "Corporate Governance Audit Committee") to be held on May 4, 2011 and to be filed with the Commission within 120 days after December 30, 2010.

Item 11. EXECUTIVE COMPENSATION.

Incorporated by reference to the Company's Proxy Statement for its Annual Stockholders Meeting (under the headings "Executive Compensation," "Director Compensation during Fiscal 2010," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report") to be held on May 4, 2011 and to be filed with the Commission within 120 days after December 30, 2010.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Incorporated by reference to the Company's Proxy Statement on Schedule 14A for its Annual Stockholders Meeting (under the headings "Beneficial Ownership of Voting Securities" and "Executive Compensation Equity Compensation Plan Information") to be held on May 4, 2011 and to be filed with the Commission within 120 days after December 30, 2010.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Incorporated by reference to the Company's Proxy Statement on Schedule 14A for its Annual Stockholders Meeting (under the headings "Certain Relationships and Related Transactions" and "Corporate Governance Independence") to be held on May 4, 2011 and to be filed with the Commission within 120 days after December 30, 2010.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Incorporated by reference to the Company's Proxy Statement on Schedule 14A for its Annual Stockholders Meeting (under the headings "Independent Registered Public Accounting Firm" and "Audit Committee Pre-Approval Policy") to be held on May 4, 2011 and to be filed with the Commission within 120 days after December 30, 2010.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)

The following documents are filed as a part of this report on Form 10-K:

(1) Consolidated financial statements of Regal Entertainment Group:

Management's Report on Internal Control over Financial Reporting	53
Report of Independent Registered Public Accounting Firm (Consolidated Financial Statements and Internal Control over Financial Reporting)	54
Regal's Consolidated Balance Sheets as of December 30, 2010 and December 31, 2009	56
Regal's Consolidated Statements of Income for the fiscal years ended December 30, 2010, December 31, 2009 and January 1, 2009	57
Regal's Consolidated Statements of Deficit and Comprehensive Income (Loss) for the fiscal years ended December 30, 2010, December 31, 2009 and January 1, 2009	58
Regal's Consolidated Statements of Cash Flows for the fiscal years ended December 30, 2010, December 31, 2009 and January 1, 2009	59
Notes to Regal's Consolidated Financial Statements	60

(2) Exhibits: A list of exhibits required to be filed as part of this report on Form 10-K is set forth in the Exhibit Index, which immediately precedes such exhibits.

(3) Separate Financial Statements of Subsidiaries Not Consolidated:

The following financial statements of National CineMedia, LLC are as follows:

INDEX TO FINANCIAL STATEMENTS

	Page
NATIONAL CINEMEDIA, LLC	
Report of Independent Registered Public Accounting Firm	127
Balance Sheets as of December 30, 2010 and December 31, 2009	128
Statements of Operations for the years ended December 30, 2010, December 31, 2009 and January 1, 2009	129
Statements of Members' Equity/(Deficit) for the years ended December 30, 2010, December 31, 2009 and January 1, 2009	130
Statements of Cash Flows for the years ended December 30, 2010, December 31, 2009 and January 1, 2009	131
Notes to Financial Statements	132

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of
National CineMedia, LLC
Centennial, Colorado

We have audited the accompanying balance sheets of National CineMedia, LLC (the "Company") as of December 30, 2010 and December 31, 2009, and the related statements of operations, members' equity (deficit), and cash flows for the years ended December 30, 2010, December 31, 2009 and January 1, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2010 and December 31, 2009, and the results of its operations and its cash flows for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Denver, Colorado
February 24, 2011

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NATIONAL CINEMEDIA, LLC

BALANCE SHEETS

(In millions)

	December 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13.8	$ 37.8
Receivables, net of allowance of $3.7 and $3.6 million, respectively	100.1	89.0
Prepaid expenses	1.7	1.5
Prepaid management fees to managing member	0.8	0.6
Total current assets	116.4	128.9
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $46.4 and $39.3 million, respectively	19.8	23.7
INTANGIBLE ASSETS, net of accumulated amortization of $10.8 and $4.4 million, respectively	275.2	134.2
OTHER ASSETS:		
Debt issuance costs, net	7.3	9.2
Other investment	6.7	7.4
Other long-term assets	0.6	1.0
Total other assets	14.6	17.6
TOTAL	$ 426.0	$ 304.4
LIABILITIES AND MEMBERS' EQUITY/(DEFICIT)		
CURRENT LIABILITIES:		
Amounts due to founding members	25.2	29.8
Amounts due to managing member	28.2	22.9
Accrued expenses	8.6	12.4
Current portion of long-term debt	1.2	4.3
Current portion of interest rate swap agreements	25.3	24.4
Accrued payroll and related expenses	9.3	6.6
Accounts payable	10.5	11.3
Deferred revenue and other current liabilities	3.8	2.8
Total current liabilities	112.1	114.5
NON-CURRENT LIABILITIES:		
Borrowings	775.0	799.0
Interest rate swap agreements	45.5	30.2
Other long-term liabilities	0.0	0.3
Total non-current liabilities	820.5	829.5

Total liabilities		932.6		944.0
COMMITMENTS AND CONTINGENCIES (NOTE 11)				
MEMBERS' EQUITY/(DEFICIT)		(506.6)		(639.6)
TOTAL	$	426.0	$	304.4

See accompanying notes to financial statements.

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NATIONAL CINEMEDIA, LLC

STATEMENTS OF OPERATIONS

(In millions)

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
REVENUE:			
Advertising (including revenue from founding members of $38.5, $38.2 and $45.6 million, respectively)	$ 379.4	$ 335.1	$ 330.3
Fathom Events	48.0	45.5	38.9
Other	0.1	0.1	0.3
Total	427.5	380.7	369.5
OPERATING EXPENSES:			
Advertising operating costs	21.7	20.0	18.7
Fathom Events operating costs (including costs to founding members of $7.3, $6.7, and $6.0 million, respectively)	32.4	29.1	25.1
Network costs	20.0	18.6	17.0
Theatre access fees founding members	52.6	52.7	49.8
Selling and marketing costs	57.9	50.2	47.9
Administrative costs	17.9	14.8	14.5
Administrative fee managing member	16.6	10.8	9.7
Severance plan costs	0.0	0.0	0.5
Depreciation and amortization	17.8	15.6	12.4
Other costs	0.0	0.7	0.7
Total	236.9	212.5	196.3
OPERATING INCOME	190.6	168.2	173.2
Interest Expense and Other, Net:			
Borrowings	44.4	47.1	51.8

Change in derivative fair value		5.3		(7.0)		14.2
Interest income and other		0.2		(2.0)		(0.2)
Total		49.9		38.1		65.8
Impairment and related loss		0.0		0.0		11.5
INCOME BEFORE INCOME TAXES		140.7		130.1		95.9
Provision for Income Taxes		0.5		0.8		0.6
Equity loss from investment, net		0.7		0.8		0.0
NET INCOME	$	139.5	$	128.5	$	95.3

See accompanying notes to financial statements.

NATIONAL CINEMEDIA, LLC

STATEMENTS OF MEMBERS' EQUITY/(DEFICIT)

(In millions)

Balance December 27, 2007	$ (713.8)
Contribution of severance plan payments	0.5
Capital contribution from managing member	0.6
Capital contribution from founding members	4.7
Distribution to managing member	(55.5)
Distribution to founding members	(75.5)
Units issued for purchase of intangible asset	116.1
Comprehensive Income:	
Unrealized (loss) on cash flow hedge	(59.1)
Net income	95.3
Total Comprehensive Income	36.2
Share-based compensation expense	1.1
Balance January 1, 2009	$ (685.6)
Capital contribution from founding members	0.1
Distribution to managing member	(57.8)
Distribution to founding members	(81.5)
Units issued for purchase of intangible asset	28.5
Comprehensive Income:	
Unrealized (loss) on cash flow hedge	26.1
Net income	128.5
Total Comprehensive Income	154.6
Share-based compensation expense	2.1
Balance December 31, 2009	$ (639.6)
Capital contribution from managing member	3.5
Distribution to managing member	(71.0)
Distribution to founding members	(85.1)
Units issued for purchase of intangible asset	151.3
Comprehensive Income:	
Unrealized (loss) on cash flow hedge	(10.9)
Net income	139.5
Total Comprehensive Income	128.6
Share-based compensation expense	5.7
Balance December 30, 2010	$ (506.6)

See accompanying notes to financial statements.

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NATIONAL CINEMEDIA, LLC

STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 139.5	$ 128.5	$ 95.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17.8	15.6	12.4
Non-cash severance and share-based compensation	5.6	2.0	1.5
Non-cash impairment and related loss	0.0	0.0	11.5
Net unrealized loss (gain) on hedging transactions	5.3	(7.0)	14.2
Equity loss from investment	0.7	0.8	0.0
Amortization of debt issuance costs	1.9	1.9	1.9
Other non-cash operating activities	0.6	0.0	0.0
Changes in operating assets and liabilities:			
Receivables net	(11.1)	3.0	(0.4)
Accounts payable and accrued expenses	(1.6)	6.9	(0.7)
Amounts due to founding members and managing member	4.1	1.2	0.4
Other operating	0.8	(3.5)	0.1
Net cash provided by operating activities	163.6	149.4	136.2
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(10.1)	(8.4)	(16.6)
Proceeds from sale of property and equipment to founding member	3.0	0.0	0.0
Increase in investment in affiliate	0.0	(2.0)	0.0
Net cash used in investing activities	(7.1)	(10.4)	(16.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	124.3	0.0	139.0
Repayments of borrowings	(152.5)	(3.0)	(124.0)
Founding members and managing member integration payments	3.9	3.6	10.3
Distributions to founding members and managing member	(159.6)	(135.9)	(118.3)
Unit settlement for share-based compensation	3.4	0.0	0.0
Net cash used in financing activities	(180.5)	(135.3)	(93.0)
CHANGE IN CASH AND CASH EQUIVALENTS	(24.0)	3.7	26.6
CASH AND CASH EQUIVALENTS:			
Beginning of period	37.8	34.1	7.5
End of period	$ 13.8	$ 37.8	$ 34.1

Supplemental disclosure of non-cash financing and investing activity:						
Contribution for severance plan payments	$	0.0	$	0.0	$	0.5
Purchase of an intangible asset with subsidiary equity	$	151.3	$	28.5	$	116.1
Settlement of put liability by issuance of debt	$	0.0	$	7.0	$	0.0
Assets acquired in settlement of put liability	$	0.0	$	2.5	$	0.0
Supplemental disclosure of cash flow information:						
Cash paid for interest	$	49.8	$	38.8	$	48.3
Cash paid for income taxes	$	0.5	$	0.8	$	0.6

See accompanying notes to financial statements.

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1. THE COMPANY

Description of Business

National CineMedia, LLC ("NCM LLC" or "the Company") commenced operations on April 1, 2005 and operates the largest digital in-theatre network in North America, allowing NCM LLC to distribute advertising, Fathom entertainment programming events and corporate events under long-term exhibitor services agreements ("ESAs") with American Multi-Cinema, Inc. ("AMC"), a wholly owned subsidiary of AMC Entertainment, Inc. ("AMCE"), Regal Cinemas, Inc., a wholly owned subsidiary of Regal Entertainment Group ("Regal"), and Cinemark USA, Inc. ("Cinemark USA"), a wholly owned subsidiary of Cinemark Holdings, Inc. ("Cinemark"). AMC, Regal and Cinemark and their affiliates are referred to in this document as "founding members". NCM LLC also provides such services to certain third-party theatre circuits under "network affiliate" agreements, which expire at various dates.

At December 30, 2010, NCM LLC had 110,752,192 common membership units outstanding, of which 53,549,477 (48.3%) were owned by NCM, Inc., 21,452,792 (19.4%) were owned by Regal, 18,803,420 (17.0%) were owned by AMC, and 16,946,503 (15.3%) were owned by Cinemark. The membership units held by the founding members are exchangeable into NCM, Inc. common stock on a one-for-one basis. During the third quarter of 2010, AMC and Regal completed a common unit membership redemption and an underwritten public offering of an aggregate 10,955,471 shares of National CineMedia, Inc.'s ("NCM, Inc." or "managing member"), common stock (see Note 7).

Basis of Presentation

The Company has prepared its financial statements and related notes in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

On February 13, 2007, NCM, Inc., a Company formed by NCM LLC and incorporated in the State of Delaware with the sole purpose of becoming a member and sole manager of NCM LLC, completed its initial public offering ("IPO"). The Company's business is seasonal and for this and other reasons operating results for interim periods may not be indicative of the Company's full year results or future performance. As a result of the various related-party agreements discussed in Note 7, the operating results as presented are not necessarily indicative of the results that might have occurred if all agreements were with non-related third parties.

Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those related to the reserve for uncollectible accounts receivable, and equity-based compensation. Actual results could differ from those estimates.

Reclassifications Certain reclassifications of previously reported amounts within operating activities in the statement of cash flows have been made to conform to the current year presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Period The Company operates on a 52-week fiscal year, with the fiscal year ending on the first Thursday after December 25, which, in certain years, results in a 53-week year, as was the case for fiscal year 2008.

Segment Reporting Segments are accounted for under ASC 280*Segment Reporting*. Refer to Note 14.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition Advertising revenue is recognized in the period in which an advertising contract is fulfilled against the contracted theatre attendees. Advertising revenue is recorded net of make-good provisions to account for delivered attendance that is less than contracted attendance. When remaining delivered attendance is provided in subsequent periods, that portion of the revenue earned is recognized in that period. Deferred revenue refers to the unearned portion of advertising contracts. All deferred revenue is classified as a current liability. Fathom Events revenue is recognized in the period in which the event is held.

Barter Transactions The Company enters into barter transactions that exchange advertising program time for products and services used principally for selling and marketing activities. The Company records barter transactions at the estimated fair value of the advertising exchanged based on fair value received for similar advertising from cash paying customers. Revenues for advertising barter transactions are recognized when advertising is provided, and products and services received are charged to expense when used. The Company limits the use of such barter transactions to items and services for which it would otherwise have paid cash. Any timing differences between the delivery of the bartered revenue and the use of the bartered expense products and services are recorded through deferred revenue. Revenue and expense from barter transactions for the year ended December 30, 2010 were $1.5 million and $1.1 million, respectively and were not material to the Company's statement of operations for the years ended December 31, 2009 and January 1, 2009.

Operating Costs Advertising related operating costs primarily include personnel and other costs related to advertising fulfillment, and to a lesser degree, production costs of non-digital advertising, and payments due to unaffiliated theatre circuits under the network affiliate agreements.

Fathom Events operating costs include equipment rental, catering, movie tickets acquired primarily from the founding members, revenue share under the amended and restated ESAs and other direct costs of the meeting or event.

Payment to the founding members of a theatre access fee is comprised of a payment per theatre attendee and a payment per digital screen, both of which escalate over time.

Network costs include personnel, satellite bandwidth, repairs, and other costs of maintaining and operating the digital network and preparing advertising and other content for transmission across the digital network. These costs are not specifically allocable between the advertising business and the Fathom Events business.

Leases The Company leases various office facilities under operating leases with terms ranging from 3 to 15 years. The Company calculates straight-line rent expense over the initial lease term and renewals that are reasonably assured.

Advertising Costs Costs related to advertising and other promotional expenditures are expensed as incurred. Due to the nature of the business, the Company has an insignificant amount of advertising costs included in selling and marketing costs on the statement of operations.

Cash and Cash Equivalents All highly liquid debt instruments and investments purchased with an original maturity of three months or less are classified as cash equivalents and are considered available for sale securities. There are cash balances in a bank in excess of the federally insured limits or in the form of a money market demand account with a major financial institution.

Restricted Cash At December 30, 2010 and December 31, 2009, other non-current assets included restricted cash of $0.3 million, which secures a letter of credit used as a lease deposit on NCM LLC's New York office.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables Bad debts are provided for using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding receivables at the end of the period. Receivables are written off when management determines amounts are uncollectible. Trade accounts receivable are uncollateralized and represent a large number of geographically dispersed debtors. At December 30, 2010, there was two advertising agency groups through which the Company sources national advertising revenue representing approximately 17% and 21%, of the Company's outstanding gross receivable balance, respectively; however, none of the individual contracts related to the advertising agencies were more than 10% of advertising revenue. At December 31, 2009 there was one advertising agency group through which the Company sources national advertising revenue representing approximately 19% of the Company's outstanding gross receivable balance; however, none of the individual contracts related to the advertising agency were more than 10% of advertising revenue. The collectability risk is reduced by dealing with large, national advertising agencies who have strong reputations in the advertising industry and clients with stable financial positions.

Receivables consisted of the following, in millions:

	As of December 30, 2010	As of December 31, 2009
Trade accounts	$ 100.9	$ 91.6
Other	2.9	1.0
Less allowance for doubtful accounts	(3.7)	(3.6)
Total	$ 100.1	$ 89.0

Allowance for doubtful accounts consisted of the following, in millions:

	Years Ended		
	December 30, 2010	December 31, 2009	January 1, 2009
Balance at beginning of period	$ 3.6	$ 2.6	$ 1.5
Provision for bad debt	2.3	2.4	2.3
Write-offs, net	(2.2)	(1.4)	(1.2)
Balance at end of period	$ 3.7	$ 3.6	$ 2.6

Long-lived Assets Property and equipment is stated at cost, net of accumulated depreciation or amortization. Refer to Note 4. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed currently. In general, the equipment associated with the digital network that is located within the theatre is owned by the founding members, while equipment outside the theatre is owned by the Company. The Company records depreciation and amortization using the straight-line method over the following estimated useful lives:

Equipment	4 - 10 years
Computer hardware and software	3 - 5 years
Leasehold improvements	Lesser of lease term or asset life

Software and web site development costs developed or obtained for internal use are accounted for in accordance with ASC Subtopic 350-40 *Internal Use Software* and ASC Subtopic 350-50 *Website Development Costs*. The subtopics require the capitalization of certain costs incurred in developing or obtaining software for internal use. The majority of software costs and web site development costs,

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

which are included in equipment, are depreciated over three to five years. As of December 30, 2010 and December 31, 2009, the Company had a net book value of $9.2 million and $11.0 million, respectively, of capitalized software and web site development costs. Approximately $6.5 million, $6.7 million and $4.9 million was recorded for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively, in depreciation expense. For the years ended December 30, 2010, December 31, 2009 and January 1, 2009 the Company recorded $1.2 million, $1.6 million and $1.2 million in research and development expense, respectively.

Construction in progress includes costs relating to installations of equipment into affiliate theatres. Assets under construction are not depreciated until placed into service.

The Company assesses impairment of long-lived assets pursuant with ASC 360 *Property, Plant and Equipment* annually. This includes determining if certain triggering events have occurred that could affect the value of an asset. Thus far, we have recorded no impairment charges related to long-lived assets.

Intangible assets Intangible assets consist of contractual rights and are stated at cost, net of accumulated amortization. Refer to Note 5. The Company records amortization using the straight-line method over the estimated useful life of the intangibles, corresponding to the term of the ESAs. During the year ended December 30, 2010, NCM LLC recorded an intangible asset of $111.5 million, which is amortized over a weighted average amortization period of 26.7 years, and a second addition of $39.8 million, which is amortized over a weighted average amortization period of 27.0 years. As of December 30, 2010, the gross carrying amount of the intangible assets is $286.0 million, with a remaining weighted average amortization period of 27.0 years.

Amounts Due to Founding Members Amounts due to founding members in the 2010 and 2009 periods include amounts due for the theatre access fee, offset by a receivable for advertising time purchased by the founding members, as well as revenue share earned for Fathom Events plus any amounts outstanding under other contractually obligated payments. Payments to or received from the founding members against outstanding balances are made monthly.

Amounts Due to Managing Member Amounts due to the managing member include amounts due under the NCM LLC Operating Agreement and other contractually obligated payments. Payments to or received from the managing member against outstanding balances are made periodically.

Income Taxes As a limited liability company, NCM LLC's taxable income or loss is allocated to the founding members and managing member and, therefore, the only provision for income taxes included in the financial statements is for income-based state and local taxes.

Accumulated Other Comprehensive Loss Accumulated other comprehensive loss is composed of the following (in millions):

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
Beginning Balance	$ (47.4)	$ (73.5)	$ (14.4)
Change in fair value on cash flow hedge	(12.2)	24.8	(59.5)
Reclassifications into earnings	1.3	1.3	0.4
Ending Balance	$ (58.3)	$ (47.4)	$ (73.5)

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs In relation to the issuance of long-term debt discussed in Note 8, there is a balance of $7.3 million and $9.2 million in deferred financing costs as of December 30, 2010 and December 31, 2009, respectively. These debt issuance costs are being amortized over the terms of the underlying obligation and are included in interest expense. For each of the years ended December 30, 2010, December 31, 2009, and January 1, 2009 we amortized $1.9 million.

Other Investment Through March 15, 2010, the Company accounted for its investment in RMG Networks, Inc., ("RMG") (formerly Danoo, Inc.) under the equity method of accounting as required by ASC 323-10 *Investments Equity Method and Joint Ventures* ("ASC 323-10") because we exerted "significant influence" over, but did not control, the policy and decisions of RMG, due to ownership of approximately 24% of the issued and outstanding preferred and common stock of RMG. During the first quarter of 2010, RMG sold additional common stock to other third party investors for cash, which reduced the Company's ownership in RMG resulting in cost method accounting. At December 30, 2010, the Company's ownership in RMG was approximately 19% of the issued and outstanding preferred and common stock of RMG. The investment in RMG and the Company's share of its operating results through December 30, 2010 are not material to the Company's financial position or results of operations and as a result summarized financial information is not presented. Refer to Note 11 and 12 for additional discussion .

Share-Based Compensation Stock-based employee compensation is accounted for at fair value under ASC 718 *Compensation Stock Compensation*. Refer to Note 9.

Derivative Instruments Derivative Instruments are accounted for under ASC 815 *Derivatives and Hedging*. Refer to Note 13.

Current Liabilities For the year ended December 31, 2009, the Company presented the liability for interest rate swap agreements in a single line on its Balance Sheet in other non-current liabilities. However, after further review, the Company determined that the current portion of the liability should be reclassified and presented with total current liabilities. As a result, the Company has restated its Balance Sheet to reflect this classification. The correction has no effect on total assets, total liabilities, total equity/(deficit), the Statements of Operations, or the Cash Flows from Operations.

The following is a summary of the effects of the restatement on our Balance Sheet as of December 31, 2009:

	BALANCE SHEET As of December 31, 2009	
	As Previously Reported	As Restated
Current portion of interest rate swap agreements	0.0	$ 24.4
Total current liabilities	$ 90.1	$ 114.5
Interest rate swap agreements	$ 54.6	$ 30.2
Total non-current liabilities	$ 853.9	$ 829.5

3. RECENT ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued ASU 2009-13, *Multiple-Deliverable Revenue Arrangements,* which revises the existing multiple-element revenue arrangements guidance and changes the determination of when the individual deliverables included in a multiple-element revenue arrangement may be treated as separate units of accounting, modifies the manner in which the transaction consideration is allocated

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3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

across the separately identified deliverables and expands the disclosures required for multiple-element revenue arrangements. The pronouncement is effective for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The Company does not expect the pronouncement to have a material effect on its financial statements.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which requires additional disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2 and 3. The Company adopted this pronouncement effective January 1, 2010 with no impact on its financial statements.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its financial statements.

4. PROPERTY AND EQUIPMENT

	As of December 30, 2010	As of December 31, 2009
	(in millions)	
Equipment, computer hardware and software	$ 63.3	$ 60.6
Leasehold Improvements	1.7	1.6
Less accumulated depreciation	(46.4)	(39.3)
Subtotal	18.6	22.9
Construction in Progress	1.2	0.8
Total property and equipment	$ 19.8	$ 23.7

For the years ended December 30, 2010, December 31, 2009, and January 1, 2009, the Company recorded depreciation of $11.4 million, $12.5 million, and $10.2 million, respectively.

5. INTANGIBLE ASSETS

During the second quarter of 2010, NCM LLC issued 6,510,209 common membership units to a subsidiary of AMCE as a result of that subsidiary's acquisition of Kerasotes Showplace Theatres, LLC (the "AMC Kerasotes Acquisition"). Such issuance provided NCM LLC with exclusive access, in accordance with the ESA, to the net new theatre screens and attendees added by AMCE to NCM LLC's network since the date of the last annual common unit adjustment through the date of the AMC Kerasotes Acquisition. As a result, NCM LLC recorded an intangible asset at the market value of the common membership units equal to $111.5 million. During the first quarter of 2010, NCM LLC issued 2,212,219 common membership units to its founding members in exchange for the rights to exclusive access, in accordance with the ESA, to net new theatre screens and projected attendees added by the founding members to NCM LLC's network during 2009. As a result, NCM LLC recorded an intangible asset at the market value of the common membership units equal to $39.8 million. During the first quarter of 2009, NCM LLC issued 2,126,104 common membership units to its founding members in exchange for the rights to exclusive access to net new theatre screens and projected attendees added by the founding members to NCM LLC's network. The Company recorded an intangible asset at the market value of the common membership units equal to $28.5 million. The Company based the fair value of the intangible assets on the market value of the common membership units issued on the date of grants, which are freely convertible into the Company's common stock.

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5. INTANGIBLE ASSETS (Continued)

Pursuant to ASC 350-10 *Intangibles Goodwill and Other*, the intangible assets have a finite useful life and the Company amortizes the assets over the remaining useful life corresponding with the ESAs. Amortization of the asset related to Regal Consolidated Theatres will not begin until after 2011 since the Company will not have access to on-screen advertising in the Regal Consolidated Theatres until the run-out of their existing on screen advertising agreement.

	As of December 30, 2010		As of December 31, 2009	
	(in millions)			
Beginning balance	$	134.2	$	111.8
Purchase of intangible asset subject to amortization		151.3		28.5
Less integration payments(1)		(3.9)		(3.2)
Less amortization expense		(6.4)		(2.9)
Total intangible assets	$	275.2	$	134.2

(1) See Note 7 for further information on integration payments.

For the years ended December 30, 2010, December 31, 2009 and January 1, 2009 the Company recorded amortization of $6.4 million, $2.9 million and $1.5 million, respectively.

The estimated aggregate amortization expense for each of the five succeeding years is as follows (in millions):

2011	$	9.9
2012		10.5
2013		10.5
2014		10.5
2015		10.5

6. ACCRUED EXPENSES

	As of December 30, 2010		As of December 31, 2009	
	(in millions)			
Make-good reserve	$	2.8	$	0.3
Accrued interest		2.1		9.8
Other accrued expenses		3.7		2.3
Total accrued expenses	$	8.6	$	12.4

7. RELATED-PARTY TRANSACTIONS

Pursuant to the ESAs, the Company makes monthly theatre access fee payments to the founding members, comprised of a payment per theatre attendee and a payment per digital screen with respect to the founding member theatres included in our network. The total theatre access fee to the founding members for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 was $52.6 million, $52.7 million and $49.8 million, respectively.

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7. RELATED-PARTY TRANSACTIONS (Continued)

Under the ESAs, for the years ended December 30, 2010 and December 31, 2009, the founding members purchased 60 seconds of on-screen advertising time (with a right to purchase up to 90 seconds) from NCM LLC to satisfy their obligations under their beverage concessionaire agreements at a specified 30 second equivalent cost per thousand ("CPM") impressions. For the year ended January 1, 2009, two of the founding members purchased 90 seconds and one purchased 60 seconds of on-screen advertising time under their beverage concessionaire agreement. The total revenue related to the beverage concessionaire agreements for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 was $37.2 million, $36.3 million and $43.3 million, respectively. In addition, the Company made payments to the founding members for use of their screens and theatres for its Fathom Events businesses. These payments are at rates (percentage of event revenue) included in the ESAs based on the nature of the event. Payments to the founding members for these events totaled $7.3 million, $6.7 million, and $6.0 million for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively.

Also, pursuant to the terms of the NCM LLC Operating Agreement in place since the completion of the IPO, NCM LLC is required to make mandatory distributions on a proportionate basis to its members of available cash, as defined in the NCM LLC Operating Agreement, on a quarterly basis in arrears. Distributions for the years ended December 30, 2010, December 31, 2009, and January 1, 2009 are as follows (in millions):

	2010	2009	2008
AMC	$ 28.8	$ 25.8	$ 24.3
Cinemark	24.0	20.8	18.5
Regal	32.3	34.9	32.7
NCM, Inc.	71.0	57.8	55.6
Total	$ 156.1	$ 139.3	$ 131.1

The available cash payment by NCM LLC to its founding members for the quarter ended December 30, 2010 of $25.7 million was included in amounts due to founding members at December 30, 2010 and will be made in the first quarter of 2011. The available cash payment by NCM LLC to its managing member for the quarter ended December 30, 2010 of $24.1 million was included in amounts due to managing member as of December 30, 2010 and will be made in the first quarter of 2011.

On January 26, 2006, AMC acquired the Loews Cineplex Entertainment Inc. ("AMC Loews") theatre circuit. The Loews screen integration agreement, effective as of January 5, 2007 and amended and restated as of February 13, 2007, between NCM LLC and AMC, committed AMC to cause substantially all of the theatres it acquired as part of the Loews theatre circuit to be included in the NCM digital network in accordance with the ESAs on June 1, 2008. In accordance with the Loews screen integration agreement, prior to June 1, 2008 AMC paid the Company amounts based on an agreed-upon calculation to reflect cash amounts that approximated what NCM LLC would have generated if the Company sold on-screen advertising in the Loews theatre chain on an exclusive basis. These AMC Loews payments were made on a quarterly basis in arrears through May 31, 2008, with the exception of Star Theatres, which were paid through February 2009 in accordance with certain run-out provisions. For the years ended December 31, 2009 and January 1, 2009, the AMC Loews payment was $0.1 million and $4.7 million, respectively. The AMC Loews payment was recorded directly to NCM LLC's members' equity account.

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7. RELATED-PARTY TRANSACTIONS (Continued)

On April 30, 2008, Regal acquired Consolidated Theatres and NCM issued common membership units to Regal upon the closing of its acquisition in exchange for the right to exclusive access to the theatres. The Consolidated Theatres had a pre-existing advertising agreement and, as a result, Regal must make "integration" payments pursuant to the ESAs on a quarterly basis in arrears through mid-2011 in accordance with certain run-out provisions. For the years ended December 30, 2010, December 31, 2009 and January 1, 2009, the Consolidated Theatres payment was $3.9 million, $3.2 million and $2.8 million, respectively and represents a cash element of the consideration received for the common membership units issued. The Consolidated Theatres payment of $1.2 million for the quarter ended December 30, 2010 was included in amounts due from founding members at December 30, 2010 and will be received in the first quarter of 2011.

In connection with AMC's acquisition of Kerasotes, AMC reimbursed NCM LLC approximately $3.0 million for the net book value of NCM LLC capital expenditures invested in digital network technology within the acquired Kerasotes theatres prior to the acquisition date.

Amounts due to founding members at December 30, 2010 were comprised of the following (in millions):

	AMC	Cinemark	Regal	Total
Theatre access fees, net of beverage revenues	$ 0.5	$ 0.4	$ 0.5	$ 1.4
Cost and other reimbursement	(0.2)	(0.5)	(0.0)	(0.7)
Distributions payable, net	8.5	7.6	8.4	24.5
Total	$ 8.8	$ 7.5	$ 8.9	$ 25.2

Amounts due to founding members at December 31, 2009 were comprised of the following (in millions):

	AMC	Cinemark	Regal	Total
Theatre access fees, net of beverage revenues	$ 0.5	$ 0.4	$ 0.5	$ 1.4
Cost and other reimbursement	(0.5)	(0.5)	(0.5)	(1.5)
Distributions payable, net	9.9	7.9	12.1	29.9
Total	$ 9.9	$ 7.8	$ 12.1	$ 29.8

Other

During the years ended December 30, 2010, December 31, 2009 and January 1, 2009, AMC, Cinemark and Regal purchased $1.3 million, $1.9 million and $2.3 million respectively, of NCM LLC's advertising inventory for their own use. The value of such purchases are calculated by reference to NCM LLC's advertising rate card and included in advertising revenue.

Included in selling and marketing costs and Fathom Events operating costs is $2.5 million, $2.1 million and $2.7 million for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 respectively, related to purchases of movie tickets and concession products from the founding members primarily for marketing to NCM LLC's advertising clients and marketing resale to Fathom Business customers.

Related Party Affiliates

During 2009, NCM LLC entered into a digital content agreement and a Fathom agreement with LA Live Cinemas LLC ("LA Live"), an affiliate of Regal, for NCM LLC to provide in-theatre

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7. RELATED-PARTY TRANSACTIONS (Continued)

advertising and Fathom Events services to LA Live in its theatre complex. The affiliate agreement was entered into at terms that are similar to those of our other advertising affiliates. LA Live joined the NCM LLC advertising network during the fourth quarter of 2009. Included in advertising operating costs and Fathom Events operating costs is $0.1 million for the year ended December 30, 2010, for payments made to the affiliate under the agreement. As of December 30, 2010 approximately $0.1 million is included in accounts payable for amounts due to LA Live under the agreement.

During 2009, NCM LLC entered into a network affiliate agreement with Starplex Operating L.P. ("Starplex"), an affiliate of Cinemark, for NCM LLC to provide in-theatre advertising services to Starplex in its theatre locations. The affiliate agreement was entered into at terms that are similar to those of our other advertising affiliates. Starplex joined the NCM LLC advertising network in the first quarter of 2010. Included in advertising operating costs is $1.3 million for the year ended December 30, 2010, for payments made to the affiliate under the agreement. As of December 30, 2010, approximately $0.5 million is included in accounts payable for amounts due to Starplex under the agreement.

Common Unit Membership Redemption

The NCM LLC Operating Agreement provides a redemption right of the founding members to exchange common membership units of NCM LLC for shares of the Company's common stock on a one-for-one basis, or at the Company's option, a cash payment equal to the market price of one share of NCM, Inc. common stock. During the third quarter of 2010, AMC and Regal exercised the redemption right of an aggregate 10,955,471 common membership units, whereby AMC and Regal surrendered 6,655,193 and 4,300,278 common membership units to NCM LLC for cancellation, respectively. The Company contributed an aggregate 10,955,471 shares of its common stock to NCM LLC in exchange for a like number of newly issued common membership units. NCM LLC then distributed the shares of common stock to AMC and Regal to complete the redemptions. Such redemptions took place immediately prior to the closing of the underwritten public offering and the subsequent closing of the overallotment option; in each case the NCM, Inc. common stock was sold at a price to the public of $16.00 per share by AMC and Regal. NCM, Inc. did not receive any proceeds from the sale of its common stock by AMC and Regal. Pursuant to ASC 810-10-45, the Company accounted for the change in its ownership interest in NCM LLC as an equity transaction and no gain or loss was recognized in net income.

National CineMedia, Inc.

Pursuant to the NCM LLC Operating Agreement, as the sole manager of NCM LLC, NCM, Inc. provides certain specific management services to NCM LLC, including those services of the positions of president and chief executive officer, president of sales and chief marketing officer, executive vice president and chief financial officer, executive vice president and chief operations officer and executive vice president and general counsel. In exchange for the services, NCM LLC reimburses NCM, Inc. for compensation and other expenses of the officers and for certain out-of-pocket costs. During the years ended December 30, 2010, December 31, 2009 and January 1, 2009, NCM LLC paid NCM, Inc. $16.6 million, $10.8 million and $9.7 million, respectively, for these services and expenses. The payments for estimated management services related to employment are made one month in advance. At December 30, 2010 and December 31, 2009, $0.8 million and $0.6 million, respectively, has been paid in advance and is reflected as prepaid management fees to managing member in the accompanying financial statements. NCM LLC also provides administrative and support services to NCM, Inc. such as office facilities, equipment, supplies, payroll and accounting and financial reporting at no charge. Based on the limited activities of NCM, Inc. as a standalone entity, the Company does

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7. RELATED-PARTY TRANSACTIONS (Continued)

not believe such unreimbursed costs are significant. The management services agreement also provides that NCM LLC employees may participate in the NCM, Inc. equity incentive plan (see Note 9).

Amounts due to/from managing member were comprised of the following (in millions):

	As of December 30, 2010	As of December 31, 2009
Distributions payable	$ 24.1	$ 22.0
Cost and other reimbursement	4.1	0.9
Total	$ 28.2	$ 22.9

8. BORROWINGS

On February 13, 2007, concurrently with the closing of the IPO of NCM, Inc., NCM LLC entered into a senior secured credit facility with a group of lenders. The facility consists of a six-year $80.0 million revolving credit facility and an eight-year, $725.0 million term loan facility. The revolving credit facility portion is available, subject to certain conditions, for general corporate purposes of the Company in the ordinary course of business and for other transactions permitted under the credit agreement, and a portion is available for letters of credit.

The outstanding balance of the term loan facility at December 30, 2010 and December 31, 2009 was $725.0 million. The outstanding balance under the revolving credit facility at December 30, 2010 and December 31, 2009 was $50.0 million and $74.0 million, respectively. As of December 30, 2010, the effective rate on the term loan was 5.61% including the effect of the interest rate swaps (both those accounted for as hedges and those that are not). The interest rate swaps hedged $550.0 million of the $725.0 million term loan at a fixed interest rate of 6.734% while the unhedged portion was at an interest rate of 2.06%. The weighted-average interest rate on the unhedged revolver was 2.01%. Commencing with the fourth fiscal quarter in fiscal year 2009, the applicable margin for the revolving credit facility is determined quarterly and is subject to adjustment based upon a net senior secured leverage ratio for NCM LLC and its subsidiaries (the ratio of secured funded debt less unrestricted cash and cash equivalents, over a non-GAAP measure defined in the credit agreement). The senior secured credit facility also contains a number of covenants and financial ratio requirements, with which the Company was in compliance at December 30, 2010, including the net senior secured leverage ratio. There are no distribution restrictions as long as the Company is in compliance with its debt covenants. As of December 30, 2010, its net senior secured leverage ratio was 3.5 times the covenant. The debt covenants also require 50% of the term loan, or $362.5 million to be hedged at a fixed rate. As of December 30, 2010, the Company had approximately $550 million or 76% hedged. Of the $550.0 million that is hedged, $137.5 million was transferred from Lehman Brothers Special Financing ("LBSF") to Barclays Bank PLC ("Barclays") in February 2010. See Note 13 for an additional discussion of the interest rate swaps.

NCM LLC, Lehman Brothers Holdings Inc. ("Lehman") and Barclays entered into an agreement in March 2010 whereby Lehman resigned its agency function and restructured its outstanding $14.0 million revolving credit loan. NCM LLC and the remaining revolving credit lenders consented to the appointment of Barclays as successor administrative agent and swing line lender under the credit agreement. Additionally, the revolving credit commitments of Lehman were reduced to zero and the aggregate revolving credit commitments were reduced to $66.0 million. The $14.0 million outstanding principal of the revolving credit loans held by Lehman will not be repaid in connection with any future prepayments of revolving credit loans, but rather Lehman's share of the revolving credit facility will be

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8. BORROWINGS (Continued)

paid in full by NCM LLC, along with any accrued and unpaid fees and interest, on the revolving credit termination date, February 13, 2013.

On March 19, 2009, the Company gave an $8.5 million note payable to Credit Suisse, Cayman Islands Branch ("Credit Suisse") with no stated interest to settle the $10.0 million contingent put obligation and to acquire the $20.7 million outstanding principal balance of debt of IdeaCast, Inc. ("IdeaCast") (together with all accrued interest and other lender costs required to be reimbursed by IdeaCast). Quarterly payments to Credit Suisse began on April 15, 2009 and will continue through January 15, 2011. At issuance the Company recorded the note at a present value of $7.0 million. At December 30, 2010 and December 31, 2009, $1.2 million and $4.3 million, respectively, of the balance was recorded in current liabilities. Interest on the note is accreted at the Company's estimated incremental cost of debt based on then current market indicators over the term of the loan to interest expense. The amount of interest expense recognized on the note for the years ended December 30, 2010 and December 31, 2009 was $0.5 million and $0.7 million, respectively.

Future Maturities of Borrowings

The scheduled annual maturities on the credit facility for the next five years as of December 30, 2010 are as follows (in millions):

2011	$	1.2
2012		0.0
2013		50.0
2014		0.0
2015		725.0
Total	$	776.2

9. SHARE-BASED COMPENSATION

At the date of the IPO, the Company adopted the NCM, Inc. 2007 Equity Incentive Plan. As of December 30, 2010, there were 7,076,000 shares of common stock available for issuance or delivery under the Equity Incentive Plan of which 1,690,186 remain available for grants as of December 30, 2010. Options awarded under the Equity Incentive Plan are granted with an exercise price equal to the market price of NCM, Inc. common stock on the date of the grant. Upon vesting of the awards, NCM LLC will issue common membership units to the Company equal to the number of shares of the Company's common stock represented by such awards. Under the fair value recognition provisions of ASC 718, the Company recognizes stock-based compensation net of an estimated forfeiture rate, and therefore only recognizes stock-based compensation cost for those shares expected to vest over the requisite service period of the award. Options and non-vested restricted stock vest annually over a three or five-year period and options have either 10-year or 15-year contractual terms. A forfeiture rate of 5% was estimated to reflect the potential separation of employees.

The recognized expense, including equity based compensation costs of NCM, Inc. employees, is included in the operating results of NCM LLC. The Company recognized $7.0 million, $3.1 million and $2.1 million for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively, of share-based compensation expense for these options and $0.1 million were capitalized during each of the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively. As of December 30, 2010, unrecognized compensation cost related to nonvested options was approximately $9.1 million, which will be recognized over a weighted average remaining period of 1.70 years.

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9. SHARE-BASED COMPENSATION (Continued)

The weighted average grant date fair value of granted options was $4.84, $2.17 and $3.77 for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively. The intrinsic value of options exercised during the year was $2.2 million, $0.2 million and $0.2 million for the years ended December 30, 2010, December 31, 2009, and January 1, 2009, respectively. During the year ended December 30, 2010 there was $4.9 million of cash received on options exercised and an immaterial amount for the year December 31, 2009. The total fair value of awards vested during the years ended December 30, 2010 and December 31, 2009 was $3.2 million and $0.3 million, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, which requires that the Company make estimates of various factors. The following assumptions were used in the valuation of the options:

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Expected life of options	6.0 years	6.5 years	6.5 years
Risk free interest rate	1.38% to 3.76%	2.23% to 3.70%	3.74% to 4.09%
Expected volatility	39%	30%	30%
Dividend yield	3.8% to 4.0%	3%	3%

Activity in the Equity Incentive Plan, as converted, is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2009	3,126,560	$ 14.51		
Granted	1,186,507	17.62		
Exercised	(388,302)	12.64		
Forfeited	(48,541)	13.36		
Outstanding at December 30, 2010	3,876,224	$ 15.55	9.0	$ 18.1
Exercisable at December 30, 2010	1,030,120	16.45	9.1	$ 4.2
Vested and Expected to Vest at December 30, 2010	3,839,382	15.55	9.0	$ 18.0

The following table summarizes information about the stock options at December 30, 2010, including the weighted average remaining contractual life and weighted average exercise price:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding as of Dec. 30, 2010	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Number Exercisable as of Dec. 30, 2010	Weighted Average Exercise Price
$5.35 - $10.41	908,640	8.0	$ 9.06	175,554	$ 9.02
$10.42 - $16.66	1,250,143	10.0	16.09	578,485	16.20
$16.67 - $16.97	973,996	9.0	16.97	0	0.0
$16.98 - $19.43	383,079	9.2	18.79	73,330	18.70
$19.44 - $29.05	360,366	7.5	22.74	202,751	22.78
	3,876,224	9.0	$ 15.55	1,030,120	$ 16.45

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9. SHARE-BASED COMPENSATION (Continued)

Non-vested (Restricted) Stock NCM, Inc. has a non-vested stock program as part of the Equity Incentive Plan. The plan provides for non-vested stock awards to officers, board members and other key employees, including employees of NCM LLC. Under the non-vested stock program, common stock of NCM, Inc. may be granted at no cost to officers, board members and key employees, subject to a continued employment restriction and as such restrictions lapse, the award vests in that proportion. The participants are entitled to cash dividends from NCM, Inc. and to vote their respective shares, although the sale and transfer of such shares is prohibited and the shares are subject to forfeiture during the restricted period. Additionally the accrued cash dividends for the 2009 and 2010 grants are subject to forfeiture during the restricted period. The shares are also subject to the terms and provisions of the Equity Incentive Plan. Non-vested stock awards granted in 2010 include performance vesting conditions, which permit vesting to the extent that NCM, Inc. achieves specified non-GAAP targets at the end of the three-year period. Non-vested stock granted to non-employee directors vest after one year. Compensation cost is valued based on the market price on the grant date and is expensed over the vesting period.

The following table represents the shares of non-vested stock:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested as of December 31, 2009	590,374	$ 13.15
Granted	429,585	17.24
Forfeited	(8,011)	15.84
Vested	(96,364)	16.18
Non-vested as of December 30, 2010	915,584	$ 16.77

The recognized expense, including the equity based compensation costs of NCM, Inc. employees, is included in the operating results of NCM LLC. The Company recorded $7.0 million, $2.4 million and $1.3 million in compensation expense related to such outstanding non-vested shares during the years ended December 30, 2010, December 31, 2009 and January 1, 2009. Of the $7.0 million in compensation expense for the year ended December 30, 2010, $1.6 million was related to NCM, Inc.'s expected over performance of the specified non-GAAP targets for the 2009 and 2010 grants. During the year ended December 30, 2010 there was $0.1 million capitalized and an immaterial amount for the years ended December 31, 2009 and January 1, 2009. As of December 30, 2010, unrecognized compensation cost related to non-vested stock was approximately $11.2 million, which will be recognized over a weighted average remaining period of 1.82 years. The weighted average grant date fair value of non-vested stock was $17.24, $9.50 and $18.97 for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively. The total fair value of awards vested was $1.6 million, $0.3 million and $2.1 million during the years ended December 30, 2010, December 31, 2009 and January 1, 2009.

10. EMPLOYEE BENEFIT PLANS

NCM LLC sponsors the NCM 401(k) Profit Sharing Plan (the "Plan") under Section 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of substantially all full-time employees. The Plan provides that participants may contribute up to 20% of their compensation, subject to Internal Revenue Service limitations. Employee contributions are invested in various investment funds based upon election made by the employee. The recognized expense, including the discretionary contributions of NCM, Inc. employees, is included in the operating results of NCM LLC. The Company

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10. EMPLOYEE BENEFIT PLANS (Continued)

made discretionary contributions of $0.9 million, $0.8 million and $0.8 million during the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively.

11. COMMITMENTS AND CONTINGENCIES

Legal actions

The Company is subject to claims and legal actions in the ordinary course of business. The Company believes such claims will not have a material adverse effect on its financial position or results of operations.

Operating Commitments

The Company leases office facilities for its headquarters in Centennial, Colorado and also in various cities for its sales and marketing personnel as sales offices. The Company has no capital lease obligations. Total lease expense for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, was $2.2 million, $2.3 million and $2.0 million, respectively.

Future minimum lease payments under noncancelable operating leases as of December 30, 2010 are as follows (in millions):

2011	$ 1.6
2012	2.2
2013	2.2
2014	2.2
2015	2.1
Thereafter	9.1
Total	$ 19.4

Contingent Put Obligation

On April 29, 2008, NCM LLC, IdeaCast, the IdeaCast lender and certain of its stockholders agreed to a financial restructuring of IdeaCast. Among other things, the restructuring resulted in the lender being granted an option to "put," or require NCM LLC to purchase, up to $10 million of the funded convertible debt at par, on or after December 31, 2010 through March 31, 2011. The put was accounted for under ASC 460-10 *Guarantees*. During the fourth quarter of 2008, the Company determined that the initial investment and call right in IdeaCast were other-than-temporarily impaired due to IdeaCast's defaults on its senior debt and liquidity issues and that the put obligation was probable. The Company estimated a liability at January 1, 2009 of $4.5 million, which represented the excess of the estimated probable loss on the put (net of estimated recoveries from the net assets of IdeaCast that serve as collateral for the convertible debt) obligation over the unamortized ASC 460-10 liability. The total amount of the impairment and related loss recorded in the fourth quarter of 2008 was $11.5 million.

On March 19, 2009, NCM LLC, IdeaCast and IdeaCast's lender agreed to certain transactions with respect to the IdeaCast Credit Agreement. Among other things, these agreements resulted in (i) the termination of the Put and the Call; (ii) the transfer, sale and assignment by IdeaCast's lender to NCM LLC of all of its right, title and interest under the Credit Agreement, including without limitation the loans outstanding under the Credit Agreement; (iii) the resignation of IdeaCast's lender, and the appointment of NCM LLC, as administrative agent and collateral agent under the Credit Agreement; and (iv) the delivery by NCM LLC to IdeaCast's lender of a non-interest bearing promissory note in

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11. COMMITMENTS AND CONTINGENCIES (Continued)

the amount of $8.5 million payable through January 2011. On June 16, 2009, NCM LLC's interest in the Credit Agreement was assigned to NCM Out-Of-Home, LLC ("OOH"), which was a wholly-owned subsidiary of NCM LLC. OOH was also appointed as administrative agent and collateral agent under the Credit Agreement. On June 16, 2009, OOH, as IdeaCast's senior secured lender, foreclosed on substantially all of the assets of IdeaCast, consisting of certain tangible and intangible assets (primarily equipment, business processes and contracts with health clubs and programming partners). The assets were valued at approximately $8.2 million. On June 29, 2009, NCM LLC transferred its ownership interest in OOH to RMG, a digital advertising company, in exchange for approximately 24% of the equity (excluding out-of-the-money warrants) of RMG on a fully diluted basis through a combination of convertible preferred stock, common stock and common stock warrants (refer to Note 2 Other Investment). The Company's investment in RMG was valued at the fair value of the assets contributed.

Minimum Revenue Guarantees

As part of the network affiliate agreements entered in the ordinary course of business under which the Company sells advertising for display in various theatre chains other than those of the founding members of NCM LLC, the Company has agreed to certain minimum revenue guarantees. If an affiliate achieves the attendance set forth in their respective agreement, the Company has guaranteed minimum revenue for the network affiliate per attendee if such amount paid under the revenue share arrangement is less than its guaranteed amount. The amount and term varies for each network affiliate, but initial terms range from two to five years, prior to any renewal periods. The maximum potential amount of future payments the Company could be required to make pursuant to the minimum revenue guarantees is $14.0 million over the remaining terms of the network affiliate agreements. As of December 30, 2010 and December 31, 2009 the Company had no liabilities recorded for these obligations as such guarantees are less than the expected share of revenue paid to the affiliate.

12. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and other notes payable as reported in the Company's balance sheets approximate their fair value due to their short maturity. The carrying amount of the revolving credit facility is considered a reasonable estimate of fair value due to its floating-rate terms. The carrying amounts and fair values of interest rate swap agreements are the same since the Company accounts for these instruments at fair value. The Company has estimated the fair value of its term loan based on an average of three non-binding broker quotes and the Company's analysis to be $713.3 million and $688.8 million at December 30, 2010 and December 31, 2009, respectively. The carrying value of the term loan was $725.0 million as of December 30, 2010 and December 31, 2009.

The fair value of the investment in RMG networks has not been estimated at December 30, 2010 as there were no monetary equity events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, and as it is not practicable to do so because RMG is not a publicly traded company. The carrying amount of the Company's investment was $6.7 million and $7.4 million as of December 30, 2010 and December 31, 2009, respectively. Refer to Note 2 Other Investment.

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12. FAIR VALUE MEASUREMENTS (Continued)

Recurring Measurements The fair values of the Company's assets and liabilities measured on a recurring basis pursuant to ASC 820-10 *Fair Value Measurements and Disclosures* are as follows (in millions):

		Fair Value Measurements at Reporting Date Using		
	As of December 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LIABILITIES:				
Current Portion of Interest Rate Swap Agreements(1)	(25.3)	0.0	(25.3)	0.0
Interest Rate Swap Agreements(1)	(45.5)	0.0	(45.5)	0.0
	$ (70.8)	$ 0.0	$ (70.8)	$ 0.0

(1) Interest Rate Swap Agreements Refer to Note 13.

13. DERIVATIVE INSTRUMENTS

NCM LLC has interest rate swap agreements with four counterparties that, at their inception, qualified for and were designated as cash flow hedges against interest rate exposure on $550.0 million of the variable rate debt obligations under the senior secured credit facility. The interest rate swap agreements have the effect of converting a portion of the Company's variable rate debt to a fixed rate of 6.734%. All interest rate swaps were entered into for risk management purposes. The Company has no derivatives for other purposes.

Effective February 8, 2010, NCM LLC entered into a novation agreement with LBSF and Barclays whereby LBSF transferred to Barclays all the rights, liabilities, duties and obligations of NCM LLC's interest rate swap agreement with LBSF with identical terms. NCM LLC accepted Barclays as its sole counterparty with respect to the new agreement. The term runs until February 13, 2015, subject to earlier termination upon the occurrence of certain specified events. Subject to the terms of the new agreement, NCM LLC or Barclays will make payments at specified intervals based on the variance between LIBOR and a fixed rate of 4.984% on a notional amount of $137.5 million. NCM LLC effectively pays a rate of 6.734% on this notional amount inclusive of the 1.75% margin currently required by NCM LLC's credit agreement. The agreement with Barclays is secured by the assets of NCM LLC on a pari passu basis with the credit agreement and the other interest rates swaps that were entered into by NCM LLC. In consideration of LBSF entering into the transfer, NCM LLC agreed to pay to LBSF the full amount of interest rate swap payments withheld since LBSF's default, aggregating $7.0 million, and an immaterial amount of penalty interest.

Cash flow hedge accounting was discontinued on September 15, 2008 due to the event of default created by the bankruptcy of Lehman and the inability of the Company to continue to demonstrate the swap would be effective. The Company did not elect cash flow hedge accounting and the interest rate swap with Barclays is recorded at fair value with any change in the fair value recorded in the statement of operations. There was a $4.0 million increase, $8.3 million decrease and $13.8 million increase in the fair value of the liability for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively, which the Company recorded as a component of interest expense and other, net.

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13. DERIVATIVE INSTRUMENTS (Continued)

In accordance with ASC 815 *Derivatives and Hedging*, the net derivative loss as of September 14, 2008 related to the discontinued cash flow hedge with LBSF shall continue to be reported in accumulated other comprehensive income unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period. Accordingly, the net derivative loss is being amortized to interest expense over the remaining term of the interest rate swap through February 13, 2015. The amount amortized during the years ended December 30, 2010, December 31, 2009 and January 1, 2009 were $1.3 million, $1.3 million and $0.4 million, respectively. The Company estimates approximately $1.3 million will be amortized to interest expense and other, net in the next 12 months.

Both at inception and on an on-going basis the Company performs an effectiveness test using the hypothetical derivative method. The fair values of the interest rate swaps with the counterparties other than Barclays (representing notional amounts of $412.5 million associated with a like amount of the variable rate debt) are recorded on the Company's balance sheet as a liability with the change in fair value recorded in other comprehensive income since the instruments were determined to be perfectly effective at December 30, 2010 and December 31, 2009. There were no amounts reclassified into current earnings due to ineffectiveness during the periods presented other than as described herein.

The fair value of the Company's interest rate swap is based on dealer quotes, and represents an estimate of the amount the Company would receive or pay to terminate the agreements taking into consideration various factors, including current interest rates and the forward yield curve for 3-month LIBOR.

As of December 30, 2010 and December 31, 2009, the estimated fair value and line item caption of derivative instruments recorded were as follows (in millions):

	Liability Derivatives			
	As of December 30, 2010		As of December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments in cash flow hedges:				
Current portion of interest rate swap agreements	Current Liabilities	$ 19.0	Current Liabilities	$ 18.3
Interest Rate Swaps	Other Liabilities	$ 34.1	Other Liabilities	$ 22.6
Derivatives not designated as hedging instruments:				
Current portion of interest rate swap agreements	Current Liabilities	$ 6.3	Current Liabilities	$ 6.1
Interest Rate Swaps	Other Liabilities	$ 11.4	Other Liabilities	$ 7.6
Total derivatives		$ 70.8		$ 54.6

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13. DERIVATIVE INSTRUMENTS (Continued)

The effect of derivative instruments in cash flow hedge relationships on the financial statements for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 were as follows (in millions):

	Unrealized Gain (Loss) Recognized in NCM LLC's OCI (Pre-tax)			Realized Gain (Loss) Recognized in Interest Expense (Pre-tax)		
	Year Ended Dec. 30, 2010	Year Ended Dec. 31, 2009	Year Ended Jan. 1, 2009	Year Ended Dec. 30, 2010	Year Ended Dec. 31, 2009	Year Ended Jan. 1, 2009
Interest Rate Swaps	$ (30.3)	$ 9.3	$ (67.9)	$ (19.4)	$ (16.7)	$ (8.8)

There was $1.3 million, $1.3 million and $0.4 million of ineffectiveness recognized for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively.

The effect of derivatives not designated as hedging instruments under ASC 815 on the financial statements for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 were as follows (in millions):

	Gain or (Loss) Recognized in Interest Expense and Other, Net (Pre-tax) for the Years Ended		
	December 30, 2010	December 31, 2009	January 1, 2009
Borrowings	$ (6.2)	$ (6.2)	$ (1.0)
Change in derivative fair value	(5.3)	7.0	(14.2)
Total	$ (11.5)	$ 0.8	$ (15.2)

14. SEGMENT REPORTING

Advertising is the principal business activity of the Company and is the Company's reportable segment under the requirements of ASC 280, *Segment Reporting*. Advertising revenue accounts for 88.7%, 88.0% and 89.4%, of revenue for the years ended December 30, 2010, December 31, 2009 and January 1, 2009, respectively. Fathom Consumer Events and Fathom Business Events are operating segments under ASC 280, but do not meet the quantitative thresholds for segment reporting. The following table presents revenues less directly identifiable expenses to arrive at operating income net of direct expenses for the advertising reportable segment, the combined Fathom Events operating segments, and network, administrative and unallocated costs. Management does not evaluate its segments on a fully allocated cost basis. Therefore, the measure of segment operating income net of direct expenses shown below is not prepared on the same basis as operating income in the statement of operations and the results below are not indicative of what segment results of operations would have been had it been operated on a fully allocated cost basis. Management cautions that it would be inappropriate to assume that unallocated operating costs are incurred proportional to segment revenue or any directly identifiable segment expenses. Unallocated operating costs consist primarily of network costs, general and administrative costs and other unallocated costs including depreciation and

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14. SEGMENT REPORTING (Continued)

amortization. Management does not track segment assets and, therefore, segment asset information is not presented.

	Year Ended December 30, 2010 (in millions)			
	Advertising	Fathom Events and Other	Network, Administrative and Unallocated Costs	Total
Revenue	$ 379.4	$ 48.0	$ 0.1	$ 427.5
Operating costs	74.3	32.4		106.7
Selling and marketing costs	46.5	8.1	3.3	57.9
Other costs	3.2	0.8		4.0
Operating income, net of direct expenses	$ 255.4	$ 6.7		
Network, administrative and other costs			68.3	68.3
Total Operating Income				$ 190.6

	Year Ended December 31, 2009 (in millions)			
	Advertising	Fathom Events and Other	Network, Administrative and Unallocated Costs	Total
Revenue	$ 335.1	$ 45.5	$ 0.1	$ 380.7
Operating costs	72.7	29.1		101.8
Selling and marketing costs	40.6	8.6	1.0	50.2
Other costs	2.8	0.9		3.7
Operating income, net of direct expenses	$ 219.0	$ 6.9		
Network, administrative and other costs			56.8	56.8
Total Operating Income				$ 168.2

	Year Ended January 1, 2009 (in millions)			
	Advertising	Fathom Events and Other	Network, Administrative and Unallocated Costs	Total
Revenue	$ 330.3	$ 38.9	$ 0.3	$ 369.5
Operating costs	68.5	25.1		93.6
Selling and marketing costs	38.5	8.3	1.1	47.9
Other costs	2.8	0.8		3.6
Operating income, net of direct expenses	$ 220.5	$ 4.7		
Network, administrative and other costs			51.2	51.2

Total Operating Income	$ 173.2

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14. SEGMENT REPORTING (Continued)

The following is a summary of revenues by category (in millions):

	Years Ended		
	December 30, 2010	**December 31, 2009**	**January 1, 2009**
National Advertising Revenue	$ 271.9	$ 236.8	$ 223.1
Founding Member Advertising Revenue	37.2	36.3	43.3
Regional Advertising Revenue	70.3	62.0	63.9
Fathom Consumer Revenue	31.5	28.6	20.2
Fathom Business Revenue	16.5	16.9	18.7
Other Revenue	0.1	0.1	0.3
Total Revenues	$ 427.5	$ 380.7	$ 369.5

15. SUBSEQUENT EVENTS

ASC Topic 855-10, *Subsequent Events* (formerly SFAS No. 165, *Subsequent Events*) requires the Company to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued. For the year ended December 30, 2010, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the inclusion of the Company's financial statements in NCM, Inc.'s Annual Report on Form 10-K for the year ended December 30, 2010 on February 25, 2010.

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Regal Cinemas, Inc. Amended Joint Plan of Reorganization dated December 5, 2001 (filed as Exhibit 2.1 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
2.2	Regal Cinemas, Inc. Disclosure Statement dated September 6, 2001 (filed as Exhibit 2.3 to Regal Cinemas, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2001 (Commission File No. 333-64399), and incorporated herein by reference)
2.3	United Artists Theatre Company Second Amended Joint Plan of Reorganization (filed as Exhibit 2 to United Artists Theatre Circuit, Inc.'s Current Report on Form 8-K (Commission File No. 033-49598) on February 9, 2001, and incorporated herein by reference)
2.4	United Artists Theatre Company Second Amended Disclosure Statement for Second Amended Joint Plan of Reorganization (filed as Exhibit 2.4 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 2002 (Commission File No. 001-31315), and incorporated herein by reference)
2.5	Edwards Theatres Circuit, Inc. Second Amended Plan of Reorganization dated July 23, 2001 (filed as Exhibit 2.5 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
2.6	Edwards Theatres Circuit, Inc. Disclosure Statement to Accompany Debtor's Second Amended Plan of Reorganization (filed as Exhibit 2.6 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
2.7	Exchange Agreement, dated as of March 8, 2002, by and among Regal Entertainment Group and certain stockholders of Regal Cinemas Corporation, United Artists Theatre Company, Edwards Theatres, Inc. and Regal CineMedia Corporation (filed as Exhibit 2.7 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
3.1	Amended and Restated Certificate of Incorporation of Registrant (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2002 (Commission File No. 001-31315), and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Registrant (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2003 (Commission File No. 001-31315), and incorporated herein by reference)
4.1	Specimen Class A Common Stock Certificate (filed as Exhibit 4.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on May 6, 2002, and incorporated herein by reference)
4.2	Specimen Class B Common Stock Certificate (filed as Exhibit 4.2 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on May 6, 2002, and incorporated herein by reference)
4.3	Second Amended and Restated Guaranty and Collateral Agreement, dated as of May 19, 2010, among Regal Cinemas Corporation, certain subsidiaries of Regal Cinemas Corporation party thereto and Credit Suisse AG, Cayman Islands Branch, as Administrative Agent (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (Commission File No. 001-31315) on May 20, 2010, and incorporated herein by reference)

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Exhibit Number	Description
4.3.1	Sixth Amended and Restated Credit Agreement, dated May 19, 2010, among Regal Cinemas Corporation, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and the lenders (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K (Commission File No. 001-31315) on May 20, 2010, and incorporated herein by reference)
4.4	Amendment to Leveraged Lease Facility and Second Supplemental Indenture, dated as of March 7, 2001, among United Artists Theatre Circuit, Inc., Wilmington Trust Company, William J. Wade, Theatre Investors, Inc., Northway Associates Limited Partnership, State Street Bank and Trust Company, Susan Keller, certain beneficial certificate holder affiliates of American Express Financial Corporation and MacKay Shields LLC (filed as Exhibit 10.2 to United Artists Theatre Circuit, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2001 (Commission File No. 033-49598), and incorporated herein by reference)
4.5	Trust Indenture and Security Agreement, dated as of December 13, 1995, between Wilmington Trust Company, William J. Wade and Fleet National Bank of Connecticut and Alan B. Coffey (filed as Exhibit 4.2 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.6	Pass Through Certificates, Series 1995-A Registration Rights Agreement, dated as of December 13, 1995, among United Artists Theatre Circuit, Inc., Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated (filed as Exhibit 4.3 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.7	Participation Agreement, dated as of December 13, 1995, among United Artists Theatre Circuit, Inc., Wilmington Trust Company, William J. Wade, Theatre Investors, Inc., Northway Mall Associates, LLC, Wilmington Trust Company, William J. Wade, Fleet National Bank of Connecticut and Alan B. Coffey (filed as Exhibit 4.4 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.8	Pass Through Trust Agreement, dated as of December 13, 1995, between United Artists Theatre Circuit, Inc. and Fleet National Bank of Connecticut (filed as Exhibit 4.5 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.9	Lease Agreement, dated as of December 13, 1995, between Wilmington Trust Company and William J. Wade and United Artists Theatre Circuit, Inc. (filed as Exhibit 4.6 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.10	Indenture, dated as of March 10, 2008, by and between Regal Entertainment Group, as Issuer, and U.S. Bank National Association, as Trustee, including the form of 6.25% Convertible Senior Note due 2011 (included as Exhibit A to the Indenture) (filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on March 10, 2008, and incorporated herein by reference)

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Exhibit Number	Description
4.11	Indenture, dated July 15, 2009, by and between Regal Cinemas Corporation, Regal Entertainment Group, certain subsidiaries of Regal Cinemas Corporation listed as guarantors on the signature pages thereto and U.S. Bank National Association, including the form of 8.625% Senior Note due 2019 (included as Exhibit A to the Indenture) (filed as exhibit 4.1 to our Current Report on Form 8-K (Commission File No. 001-31315) on July 15, 2009, and incorporated herein by reference)
4.11.1	First Supplemental Indenture, dated May 19, 2010, among Regal Entertainment Group, Regal Cinemas, certain subsidiaries of Regal Cinemas named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K (Commission File No. 001-31315) on May 20, 2010, and incorporated herein by reference)
4.12	Indenture, dated August 16, 2010, by and between the Company and Wells Fargo Bank, National Association, as Trustee, including the form of 9.125% Senior Note due 2018 (included as Exhibit A to the Indenture) (filed as Exhibit 4.1 to our Current Report on Form 8-K (Commission File No. 001-31315) on August 18, 2010, and incorporated herein by reference)
10.1	Regal Entertainment Group Amended and Restated Stockholders' Agreement (filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 26, 2002 (Commission File No. 001-31315), and incorporated herein by reference)
10.2	Lease Agreement, dated as of October 1, 1988, between United Artists Properties I Corp. and United Artists Theatre Circuit, Inc. (filed as Exhibit 10.1 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-1 (Commission File No. 33-49598) on October 5, 1992, and incorporated herein by reference)
10.3	Contribution and Unit Holders Agreement, dated as of March 29, 2005, among Regal CineMedia Corporation, National Cinema Network, Inc. and National CineMedia, LLC (filed as Exhibit 10.1 to AMC Entertainment Inc.'s Current Report on Form 8-K (Commission File No. 001-08747) on April 4, 2005, and incorporated herein by reference)
10.4	Third Amended and Restated Limited Liability Company Operating Agreement, dated as of February 13, 2007, by and among American Multi-Cinema, Inc., CineMark Media, Inc., Regal CineMedia Holdings, LLC, and National CineMedia, Inc. (filed as Exhibit 10.1 to National CineMedia, Inc.'s Current Report on Form 8-K (Commission File No. 001-33296) on February 16, 2007 and incorporated herein by reference)
10.5	Exhibitor Services Agreement, dated as of February 13, 2007, by and between National CineMedia, LLC and Regal Cinemas, Inc. (filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 29, 2007 (Commission File No. 001-31315), and incorporated herein by reference)
10.5.1	Amendment to Exhibitor Services Agreement, dated as of November 5, 2008, by and between National CineMedia, LLC and Regal Cinemas, Inc. (filed as Exhibit 10.5.1 to Registrant's Annual Report on Form 10-K filed for the fiscal year ended January 1, 2009 (Commission File No. 001-31315), and incorporated herein by reference
10.5.2	Second Amendment to Exhibitor Services Agreement, dated as of October 1, 2010, by and between National CineMedia, LLC and Regal Cinemas, Inc. (filed as Exhibit 10.1 to Amendment No. 1 on Form 10-Q/A to the Registrant's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 30, 2010 (Commission File No. 001-31315), and incorporated herein by reference)

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Exhibit Number	Description
10.6	Confirmation of Convertible Note Hedge, dated as of March 5, 2008, by and between Regal Entertainment Group and Credit Suisse Capital LLC (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on March 10, 2008 and incorporated herein by reference)
10.7	Confirmation of Convertible Note Warrant Transaction, dated as of March 5, 2008, by and between Regal Entertainment Group and Credit Suisse Capital LLC (filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on March 10, 2008 and incorporated herein by reference)
10.8*	2002 Regal Entertainment Group Stock Incentive Plan (filed as exhibit 10.2 to Amendment No. 2 to the Registration Statement of Registrant on Form S-1 (Commission File No. 333-84096) on May 6, 2002, and incorporated herein by reference), as amended by Amendment to 2002 Stock Incentive Plan (filed as Appendix A to Registrant's Proxy Statement on Schedule 14A (Commission File No. 001-31315) on April 15, 2005, and incorporated herein by reference)
10.8.1*	Form of Stock Option Agreement for use under the Regal Entertainment Group 2002 Stock Incentive Plan (filed as exhibit 10.2.1 to Amendment No. 2 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on May 6, 2002, and incorporated herein by reference)
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10.8.3*	Form of Performance Share Agreement for use under the Regal Entertainment Group 2002 Stock Incentive Plan (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 5, 2006, and incorporated herein by reference)
10.8.4*	Form of Performance Share Agreement (as amended and restated) for use under the Regal Entertainment Group 2002 Stock Incentive Plan (filed as Exhibit 10.9.4 to Registrant's Annual Report on Form 10-K filed for the fiscal year ended January 1, 2009 (Commission File No. 001-31315), and incorporated herein by reference)
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10.14*	Summary of Director Compensation Arrangements (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on March 2, 2006, and incorporated herein by reference)
10.15*	Summary of Annual Executive Incentive Program (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 13, 2008, and incorporated herein by reference)
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10.17*	Regal Cinemas, Inc. Severance Plan for Equity Compensation (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 17, 2005, and incorporated herein by reference)
10.18	Equipment Contribution Agreement by and between the Company, Digital Cinema Implementation Partners, LLC, Kasima, LLC, Kasima Parent Holdings, LLC, and Kasima Holdings, LLC, dated March 10, 2010 (filed as Exhibit 10.2(1)(2) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 2010 (Commission File No. 001-31315), and incorporated herein by reference)
10.19	Amended and Restated Limited Liability Company Agreement of Digital Cinema Implementation Partners, LLC, dated as of March 10, 2010 (filed as Exhibit 10.3(1)(2) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 2010 (Commission File No. 001-31315), and incorporated herein by reference)
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23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
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32	Section 1350 Certifications
99.1	Consent of National CineMedia, LLC
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* Identifies each management contract or compensatory plan or arrangement

Portions of this Exhibit have been omitted pursuant to a request for confidential treatment filed with the Commission. Omitted portions have been filed separately with the Commission.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

February 28, 2011 By: /s/ AMY E. MILES

Amy E. Miles
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MICHAEL L. CAMPBELL Michael L. Campbell	Executive Chairman of the Board of Directors	February 28, 2011
/s/ AMY E. MILES Amy E. Miles	Chief Executive Officer (Principal Executive Officer)	February 28, 2011
/s/ DAVID H. OWNBY David H. Ownby	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 28, 2011
/s/ THOMAS D. BELL, JR. Thomas D. Bell, Jr.	Director	February 28, 2011
/s/ CHARLES E. BRYMER Charles E. Brymer	Director	February 28, 2011
/s/ STEPHEN A. KAPLAN Stephen A. Kaplan	Director	February 28, 2011
/s/ DAVID KEYTE David Keyte	Director	February 28, 2011

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Signature	Title	Date
/s/ LEE M. THOMAS Lee M. Thomas	Director	February 28, 2011
/s/ JACK TYRRELL Jack Tyrrell	Director	February 28, 2011
/s/ NESTOR R. WEIGAND, JR. Nestor R. Weigand, Jr.	Director	February 28, 2011
/s/ ALEX YEMENIDJIAN Alex Yemenidjian	Director	February 28, 2011

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Regal Cinemas, Inc. Amended Joint Plan of Reorganization dated December 5, 2001 (filed as Exhibit 2.1 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
2.2	Regal Cinemas, Inc. Disclosure Statement dated September 6, 2001 (filed as Exhibit 2.3 to Regal Cinemas, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2001 (Commission File No. 333-64399), and incorporated herein by reference)
2.3	United Artists Theatre Company Second Amended Joint Plan of Reorganization (filed as Exhibit 2 to United Artists Theatre Circuit, Inc.'s Current Report on Form 8-K (Commission File No. 033-49598) on February 9, 2001, and incorporated herein by reference)
2.4	United Artists Theatre Company Second Amended Disclosure Statement for Second Amended Joint Plan of Reorganization (filed as Exhibit 2.4 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 2002 (Commission File No. 001-31315), and incorporated herein by reference)
2.5	Edwards Theatres Circuit, Inc. Second Amended Plan of Reorganization dated July 23, 2001 (filed as Exhibit 2.5 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
2.6	Edwards Theatres Circuit, Inc. Disclosure Statement to Accompany Debtor's Second Amended Plan of Reorganization (filed as Exhibit 2.6 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
2.7	Exchange Agreement, dated as of March 8, 2002, by and among Regal Entertainment Group and certain stockholders of Regal Cinemas Corporation, United Artists Theatre Company, Edwards Theatres, Inc. and Regal CineMedia Corporation (filed as Exhibit 2.7 to Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on March 11, 2002, and incorporated herein by reference)
3.1	Amended and Restated Certificate of Incorporation of Registrant (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2002 (Commission File No. 001-31315), and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Registrant (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2003 (Commission File No. 001-31315), and incorporated herein by reference)
4.1	Specimen Class A Common Stock Certificate (filed as Exhibit 4.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on May 6, 2002, and incorporated herein by reference)
4.2	Specimen Class B Common Stock Certificate (filed as Exhibit 4.2 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (Commission File No. 333-84096) on May 6, 2002, and incorporated herein by reference)
4.3	Second Amended and Restated Guaranty and Collateral Agreement, dated as of May 19, 2010, among Regal Cinemas Corporation, certain subsidiaries of Regal Cinemas Corporation party thereto and Credit Suisse AG, Cayman Islands Branch, as Administrative Agent (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (Commission File No. 001-31315) on May 20, 2010, and incorporated herein by reference)

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Exhibit Number	Description
4.3.1	Sixth Amended and Restated Credit Agreement, dated May 19, 2010, among Regal Cinemas Corporation, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and the lenders (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K (Commission File No. 001-31315) on May 20, 2010, and incorporated herein by reference)
4.4	Amendment to Leveraged Lease Facility and Second Supplemental Indenture, dated as of March 7, 2001, among United Artists Theatre Circuit, Inc., Wilmington Trust Company, William J. Wade, Theatre Investors, Inc., Northway Associates Limited Partnership, State Street Bank and Trust Company, Susan Keller, certain beneficial certificate holder affiliates of American Express Financial Corporation and MacKay Shields LLC (filed as Exhibit 10.2 to United Artists Theatre Circuit, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2001 (Commission File No. 033-49598), and incorporated herein by reference)
4.5	Trust Indenture and Security Agreement, dated as of December 13, 1995, between Wilmington Trust Company, William J. Wade and Fleet National Bank of Connecticut and Alan B. Coffey (filed as Exhibit 4.2 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.6	Pass Through Certificates, Series 1995-A Registration Rights Agreement, dated as of December 13, 1995, among United Artists Theatre Circuit, Inc., Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated (filed as Exhibit 4.3 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.7	Participation Agreement, dated as of December 13, 1995, among United Artists Theatre Circuit, Inc., Wilmington Trust Company, William J. Wade, Theatre Investors, Inc., Northway Mall Associates, LLC, Wilmington Trust Company, William J. Wade, Fleet National Bank of Connecticut and Alan B. Coffey (filed as Exhibit 4.4 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.8	Pass Through Trust Agreement, dated as of December 13, 1995, between United Artists Theatre Circuit, Inc. and Fleet National Bank of Connecticut (filed as Exhibit 4.5 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.9	Lease Agreement, dated as of December 13, 1995, between Wilmington Trust Company and William J. Wade and United Artists Theatre Circuit, Inc. (filed as Exhibit 4.6 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-2 (Commission File No. 333-01024) on February 5, 1996, and incorporated herein by reference)
4.10	Indenture, dated as of March 10, 2008, by and between Regal Entertainment Group, as Issuer, and U.S. Bank National Association, as Trustee, including the form of 6.25% Convertible Senior Note due 2011 (included as Exhibit A to the Indenture) (filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on March 10, 2008, and incorporated herein by reference)

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Exhibit Number	Description
4.11	Indenture, dated July 15, 2009, by and between Regal Cinemas Corporation, Regal Entertainment Group, certain subsidiaries of Regal Cinemas Corporation listed as guarantors on the signature pages thereto and U.S. Bank National Association, including the form of 8.625% Senior Note due 2019 (included as Exhibit A to the Indenture) (filed as exhibit 4.1 to our Current Report on Form 8-K (Commission File No. 001-31315) on July 15, 2009, and incorporated herein by reference)
4.11.1	First Supplemental Indenture, dated May 19, 2010, among Regal Entertainment Group, Regal Cinemas, certain subsidiaries of Regal Cinemas named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K (Commission File No. 001-31315) on May 20, 2010, and incorporated herein by reference)
4.12	Indenture, dated August 16, 2010, by and between the Company and Wells Fargo Bank, National Association, as Trustee, including the form of 9.125% Senior Note due 2018 (included as Exhibit A to the Indenture) (filed as Exhibit 4.1 to our Current Report on Form 8-K (Commission File No. 001-31315) on August 18, 2010, and incorporated herein by reference)
10.1	Regal Entertainment Group Amended and Restated Stockholders' Agreement (filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 26, 2002 (Commission File No. 001-31315), and incorporated herein by reference)
10.2	Lease Agreement, dated as of October 1, 1988, between United Artists Properties I Corp. and United Artists Theatre Circuit, Inc. (filed as Exhibit 10.1 to United Artists Theatre Circuit, Inc.'s Registration Statement on Form S-1 (Commission File No. 33-49598) on October 5, 1992, and incorporated herein by reference)
10.3	Contribution and Unit Holders Agreement, dated as of March 29, 2005, among Regal CineMedia Corporation, National Cinema Network, Inc. and National CineMedia, LLC (filed as Exhibit 10.1 to AMC Entertainment Inc.'s Current Report on Form 8-K (Commission File No. 001-08747) on April 4, 2005, and incorporated herein by reference)
10.4	Third Amended and Restated Limited Liability Company Operating Agreement, dated as of February 13, 2007, by and among American Multi-Cinema, Inc., CineMark Media, Inc., Regal CineMedia Holdings, LLC, and National CineMedia, Inc. (filed as Exhibit 10.1 to National CineMedia, Inc.'s Current Report on Form 8-K (Commission File No. 001-33296) on February 16, 2007 and incorporated herein by reference)
10.5	Exhibitor Services Agreement, dated as of February 13, 2007, by and between National CineMedia, LLC and Regal Cinemas, Inc. (filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 29, 2007 (Commission File No. 001-31315), and incorporated herein by reference)
10.5.1	Amendment to Exhibitor Services Agreement, dated as of November 5, 2008, by and between National CineMedia, LLC and Regal Cinemas, Inc. (filed as Exhibit 10.5.1 to Registrant's Annual Report on Form 10-K filed for the fiscal year ended January 1, 2009 (Commission File No. 001-31315), and incorporated herein by reference)
10.5.2	Second Amendment to Exhibitor Services Agreement, dated as of October 1, 2010, by and between National CineMedia, LLC and Regal Cinemas, Inc. (filed as Exhibit 10.1 to Amendment No. 1 on Form 10-Q/A to the Registrant's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 30, 2010 (Commission File No. 001-31315), and incorporated herein by reference)

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10.6	Confirmation of Convertible Note Hedge, dated as of March 5, 2008, by and between Regal Entertainment Group and Credit Suisse Capital LLC (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on March 10, 2008 and incorporated herein by reference)
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