SCOTTS LIQUID GOLD INC
Form 10-K
March 31, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number 001-13458

SCOTT S LIQUID GOLD-INC.

(Name of small business as specified in its charter)

Colorado	**84-0920811**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4880 Havana Street, Denver, CO 80239

(Address of principal executive offices and Zip Code)

(303) 373-4860

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: $0.10 Par Value Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ¨ Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

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

The aggregate market value of the common stock held by non-affiliates of the issuer, assuming directors are affiliates, was $2,353,945 on June 30, 2009.

As of March 26, 2010, there were 10,795,000 shares of common stock, $0.10 par value per share, outstanding.

The following documents are incorporated by reference: The Registrant s definitive Proxy Statement for the Annual Meeting of shareholders scheduled to be held on May 13, 2010, is incorporated by reference in Part III.

TABLE OF CONTENTS

		Page
PART I		**1**
Item 1.	Business	1
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	13
Item 2.	Properties	14
Item 3.	Legal Proceedings	14
Item 4.	(Reserved)	15
PART II		**15**
Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	15
Item 6.	Selected Financial Data	17
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	17
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	25
Item 8.	Financial Statements and Supplementary Data	26
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	47
Item 9A.	Controls and Procedures	47
Item 9B.	Other Information	48
PART III		**48**
Item 10.	Directors, Executive Officers and Corporate Governance	48
Item 11.	Executive Compensation	48
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	48
Item 13.	Certain Relationships and Related Transactions, and Director Independence	48
Item 14.	Principal Accountant Fees and Services	48
Item 15.	Exhibits and Financial Statement Schedules	48

Table of Contents

PART I

Item 1. Business

General

Scott s Liquid Gold-Inc., a Colorado corporation, was incorporated on February 15, 1954. Through our wholly-owned subsidiaries, we manufacture and market quality household and skin care products and act as a distributor in the United States of beauty care products contained in individual sachets and manufactured by Montagne Jeunesse and of certain other products. In this Report, collectively, the terms we , us or our refers to Scott s Liquid Gold-Inc. and our subsidiaries. Our business is comprised of two segments, household products and skin care products.

Our household products consist of (a) Scott s Liquid Gold® for wood, a wood preservative and cleaner, sold nationally for over 30 years; (b) a wood wash and wood wipes under the name of Scott s Liquid Gold; (c) Scott s Liquid Gold Mold Control 500, a consumer product that helps rid homes of mold; (d) Touch of Scent®, an aerosol room air freshener; and (e) Clean Screen, a surface cleaner for sensitive electronics introduced in 2009. In early 1992, we entered into the skin care business through our subsidiary, Neoteric Cosmetics, Inc. Our skin care products consist primarily of Alpha Hydrox® products and our Neoteric Diabetic product. In addition to manufacturing the aforementioned skin care products, we further act as the distributor in the United States for other beauty, bath and hair care products manufactured by Montagne Jeunesse, Vivalis Limited (Batiste dry shampoo), COSMEX International (Davinci & Moosehead men s grooming products), Baylis & Harding, and Keyline Brands.

For information on our operating segments, please see Note 8, Segment Information, to our Consolidated Financial Statements.

This report may contain forward-looking statements within the meaning of U.S. federal securities laws. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and our performance inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of each of our significant products in the marketplace; the degree of success of any new product or product line introduction by us; competitive factors; any decrease in distribution of (i.e., retail stores carrying) our significant products; continuation of our distributorship agreement with Montagne Jeunesse; the need for effective advertising of our products; limited resources available for such advertising; new competitive products and/or technological changes; dependence upon third party vendors and upon sales to major customers; changes in the regulation of our products, including applicable environmental regulations; continuing losses which could affect our liquidity; the loss of any executive officer; and other matters discussed in this Report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this Report.

Table of Contents

Strategy

Our strategy is to manufacture and market high quality consumer products which are distinct within each category in which we compete. Scott s Liquid Gold for wood distinguishes itself from competing products as a wood cleaner and preservative, not simply a polish. Mold Control 500 is based on technology developed and patented by a national laboratory. Touch of Scent offers a convenience because it does not require shaking before use and it can be activated by an attractive dispenser which may be mounted on any hard, smooth surface. Clean Screen is an affordable product designed exclusively for today s new sensitive electronics including HDTV screens, flat-screen laptop and computer monitors, intelligent phones, navigation screens and other such devices. With respect to our line of skin care products, Alpha Hydrox was one of the first alpha hydroxy acid skin care products sold to retailers for resale to the public at affordable prices. In 1998, we added a retinol product to our skin care line. In the first half of 1999, we introduced *Neoteric Diabetic Skin Care*®. Since 2001, we have sold Montagne Jeunesse sachets which are reasonably priced and designed for single use by the consumer. We will continue to examine other possible new products which we believe may fit well with our expertise and financial capabilities. We have introduced other new products or variants of products in subsequent years.

The growth in sales of Alpha Hydrox from 1992 through 1996 caused us to make substantial investments in property, plant and equipment to handle that growth and the anticipated future growth of our skin care products. The decline in sales of those products in 1998 through 2004 and in 2006 and 2007, as well as declines in sales of household products, has resulted in efforts by us to maintain or increase sales of the existing products, to introduce new products, and to decrease our costs of doing business. We have introduced new household products each year since 2004, some of which have been discontinued. Additionally, we introduced several new Alpha Hydrox products in 2005, two new Alpha Hydrox products in 2006, and four new Alpha Hydrox products in 2007. We have engaged in cost-cutting programs during 2008 and at various other times since 2000.

Our goal for 2010 is to resume sales growth and attain profitability. To achieve these goals, we will continue to work on expanding the retail presence of products manufactured by others for whom we act as a distributor, as well as expanding the distribution of our Alpha Hydrox and other skin care products, our household products (Scott s Liquid Gold for wood and our mold remediation product Mold Control 500) and introducing at least one new product within our product lines. Further, we will also consider the development of new niche products, remain open to manufacturing private label products for others and explore the possibility of joint ventures and other projects which would utilize our manufacturing or marketing capabilities.

Products

Scott s Liquid Gold for wood, a wood cleaner and preservative, has been our core product since our inception. It has been popular throughout the U.S. for over forty years. Scott s Liquid Gold for wood, when applied to wood surfaces such as furniture, paneling, kitchen cabinets, outside stained doors and decking, penetrates microscopic pores in the surface and lubricates beneath, restoring moisture and, at the same time, minimizes the appearance of scratches, darkening the wood slightly. Scott s Liquid Gold preserves wood s natural complexion and beauty without wax. In May 2004, we commenced the introduction of an additional wood care product in a wipe form; and, in the second quarter of 2005 we introduced a wood wash product, both under the Scott s Liquid Gold product line.

During the second quarter of 2006 we began the introduction of our mold remediation product Mold Control 500 . Scott s Liquid Gold Mold Control 500 is an advanced restoration, remediation and antibacterial disinfectant system designed for consumer use on mildew, fungus, mold and fungal spores.

During the first quarter of 2009 we introduced Clean Screen an affordable cleaner for sensitive electronics such as flat-screen televisions and computer monitors, smart phones, GPS devices, and more. We introduced a line extension of this product in 2010 referenced as Little Clean Screen .

In 1982, we added the room air freshener Touch of Scent to our line of household products. Touch of Scent, available in many fragrances, is intended to be used in conjunction with a decorative dispenser which can be mounted on any hard surface and into which the consumer inserts an aerosol refill unit. At a touch, the dispenser propels the fragrance from a refill unit into the air.

Household products accounted for 50.6% of our consolidated net sales in 2009 and 45.8% in 2008.

In early 1992, we began to market two skin care products under the trade name of Alpha Hydrox. Since that time we have made additions to our skin care products, some of which were discontinued. In 2005, we introduced four new Alpha Hydrox products with refined formulas, and in 2007 we introduced a value priced Alpha Hydrox White line of products. Our Alpha Hydrox skin care products are sold through a wholly-owned subsidiary, Neoteric® Cosmetics, Inc. Except for the Montagne Jeunesse sachets and other products noted below which are distributed by us, our skin care products are manufactured by Neoteric Cosmetics. Several of the Alpha Hydrox products contain alpha hydroxyethanoic acids in low but effective concentrations. Properly blended with a carrier, alpha hydroxyethanoic acids gently slough off dead skin cells to promote a healthier, more youthful appearance and diminish fine lines and wrinkles. Our products with alpha hydroxy acids (AHAs) include facial care products, a body lotion and a foot crème. Our other skin care products do not contain AHAs. These products include Neoteric Diabetic Skin Care, which is a healing crème and a therapeutic moisturizer developed by us to address the skin conditions of diabetics, caused by poor blood circulation, and which contains a patented oxygenated oil technology; an Alpha Hydrox Oxygenated Moisturizer, which is our second skin care product based on the oxygenated oil technology; a Retinol product containing a patented Microsponge technology that softens fine lines and wrinkles; and a body wash. The Montagne Jeunesse sachets, described more below, do not contain AHAs.

In April of 2001, we made our first sale of skin care sachets under a distributorship agreement with Montagne Jeunesse. Our agreement covers sales in the United States. Montagne Jeunesse is a trading division of Medical Express (UK) Ltd., a company located in England. Montagne Jeunesse sachet products are currently sold in over 70 countries around the world. Examples of the Montagne Jeunesse products are a facial scrub, face masks, and a cream for feet. A significant portion of our sales are generated through the distribution of the Montagne Jeunesse products and, therefore, are dependent on the agreement under which they are purchased by us. See Manufacturing and Suppliers below.

Other products distributed in the United States by us as of December 31, 2009 are Batiste dry shampoo in aerosol form for mass merchandise, drug and grocery stores (introduced in the fourth quarter of 2009), and bath, body and hair care products of both Keyline and Baylis & Harding (introduced in 2007). Sales of distributed products other than Montagne Jeunesse products were less than 5% of annual net sales in the year ended December 31, 2009.

Table of Contents

Through our research and development group, we continually consider and evaluate possible new products to be manufactured or sold by us. Generally these products involve household products or skin care products. However, the Company will also consider consumer products in other areas.

Marketing and Distribution

Our products in general are sold nationally, directly and through independent brokers, to mass marketers, drugstores, supermarkets, and other retail outlets and to wholesale distributors. In 2009 and 2008, Wal-Mart Stores, Inc. (Wal-Mart) accounted for approximately 34% and 32% of our sales of household products. With regard to our skin care products, Wal-Mart accounted for approximately 21% of 2009 sales (28% in 2008). Wal-Mart accounted for approximately 27% and 30% of the combined sales of household products and skin care products in 2009 and 2008, respectively. No long-term contracts exist between us and Wal-Mart or any other customer. We permit returns of our products by our customers, a common industry practice. A practice of certain retailers has been to return products that have either been discontinued or not sold after a period of time. We subtract any returns from gross sales in determining our net sales and provide a reserve for such returns which is netted against accounts receivable and gross sales on our financial statements.

We also use our websites for sales of our products. Such sales are approximately 9% of total net sales and continue to show growth year over year.

During the years 2001 through 2004, and again in 2006, 2007 and 2008, we experienced a decrease in the distribution of the Alpha Hydrox products as a result of slowing sales. In 2005, we introduced four new items in our Alpha Hydrox line of cosmetics, which resulted in some increased distribution by selling those products to retail store chains not carrying any of our other Alpha Hydrox products. As a result of decreased sales and our efforts to manage marketing costs, the distribution of Alpha Hydrox is limited to certain retail chains and the Company s websites. If sales of one of our products continue to decline, other retail stores, including potentially Wal-Mart, may discontinue the product. The level of advertising for our products is constrained by our size and financial resources. Any significant decrease in the distribution of skin care products or Scott s Liquid Gold products at retail stores could have a material adverse effect on our sales and operating results.

Our Scott s Liquid Gold wood care products, Mold Control 500 product, and Alpha Hydrox products have been advertised nationally on network television, on cable television, and, at times, in print media. Expenditures for these purposes in 2009 and 2008 were a small amount relative to net sales and these expenditures in prior years. To date, we have not used television advertising for the Montagne Jeunesse products. We periodically review our advertising plans and may revise planned advertising expenditures based upon actual sales results and competitive conditions.

To enable consumers to make informed decisions, our containers and promotional materials note the concentration of alpha hydroxy acid contained in each of our Alpha Hydrox products which contain such acids. We recommend the use of sunscreen in our written directions contained in every box of Alpha Hydrox products with such acids. We do not exaggerate benefits to be expected from the use of our products. We also maintain a 24-hour, toll free telephone number and website for use by consumers of our products.

Table of Contents

Our household (except for the Mold Control 500 product) and skin care products are available in limited distribution in Canada and other foreign countries. Please see Note 8, Segment Information, to the Consolidated Financial Statements for information regarding sales in foreign countries. Currently, foreign sales are made to distributors who are responsible for the marketing of the products, and we are paid for these products in United States currency.

Manufacturing and Suppliers

We own and operate our manufacturing facilities and equipment. With the exception of the products mentioned below, we manufacture all of our products, maintaining a high quality standard. Products manufactured by others include those products for which we act as distributor in the United States, our wood wipes, our Mold Control 500 product, and Little Clean Screen. We fill and package our Mold Control 500 product at our facilities. For all of our products, we must maintain sufficient inventories to ship most orders as they are received. We also manufacture the plastic over-caps for our household products in addition to a plastic dispensing unit for Touch of Scent.

Quality control is enforced at all stages of production, as well as upon the receipt of raw materials from suppliers. Raw materials are purchased from a number of suppliers and, at the present time, are readily available. Since 2007, a designated distributor for E.I. DuPont has been our sole supplier of glycolic acid, which is a type of alpha hydroxy acid used in our Alpha Hydrox products. The supply agreement includes a pass-through license authorizing the use of various cosmetic and anti-aging claims for the alpha hydroxy acid products. Our sole supply for the oxygenated oil used in our Neoteric Diabetic Skin Care product is a French company with which we have a non-exclusive supply agreement. Relations with this and other suppliers are satisfactory.

Most of our manufacturing operations, including most packaging, are highly automated, and, as a result, our manufacturing operations are not labor intensive, nor, for the most part, do they involve extensive training. An addition to our plant facilities, completed in early 1996, greatly increased our capacity to produce skin care products. We currently operate on a one-shift basis. Our manufacturing facilities are capable of producing substantially more quantities of our products without any expansion, and, for that reason, we believe that our physical plant facilities are adequate for the foreseeable future.

In 2001, we commenced purchases of the skin care sachets from Montagne Jeunesse under a distributorship agreement covering the United States. On May 4, 2005, our wholly-owned subsidiary, Neoteric Cosmetics, Inc. (Neoteric), entered into a new distribution agreement with Montagne Jeunesse International Ltd (Montagne Jeunesse) covering our distribution of Montagne Jeunesse products. It replaces a distribution agreement in effect since 2000. In the new agreement, Montagne Jeunesse appoints Neoteric as its exclusive distributor to market and distribute Montagne Jeunesse products in the United States of America. The appointment had an initial term of 18 months, commencing May 3, 2005, and continues in force until terminated by either party by giving to the other party no less than three or six months notice in writing of a termination.

Table of Contents

In the agreement, Neoteric agrees, among other things: Not to distribute during the duration of the agreement and for 36 months thereafter any goods of the same description as and which compete with the Montagne Jeunesse products; to use its best endeavors to develop, promote and sell the products in the United States and to expand the sale of the products to all potential purchasers by all reasonable and proper means; to purchase certain core products; and to maintain an inventory of the products for Neoteric s own account for sale of these products throughout the United States. Montagne Jeunesse undertakes to use all reasonable endeavors to meet all orders for the products to the extent that such orders do not exceed the forecast for each type of the products. Both parties agree to suggested targeted sales for the first five years of the agreement as stated in the agreement. The prices for our purchases of these products are the published list prices as established by Montagne Jeunesse from time to time, with three months written notice of any change in the published list prices. No party may assign or transfer any rights or obligations under the agreement or subcontract the performance of any obligation.

The agreement may also be terminated for a material breach if the breaching party has failed to remedy the breach within 30 days after receipt of notice in writing and for certain other events. Montagne Jeunesse may terminate the agreement (1) if Neoteric changes its organization or methods of business in a way viewed by Montagne Jeunesse as less effective or (2) if there is a change in control of Neoteric.

The principal and controlling owner of Montagne Jeunesse, Gregory Butcher, owned beneficially, to the best of our knowledge, during 2005 more than 5% of our outstanding common stock; to the best of our knowledge, at January 31, 2010, he owned beneficially less than 5.0% of our outstanding common stock.

On April 4, 2006, we entered into a Product Development, Production and Marketing Agreement with Modec, Inc., a Colorado corporation. Pursuant to this Agreement, we purchase from Modec a product for the treatment of mold; we sell this product as Mold Control 500. We fill and package the product at our facilities and market the product to retail stores in North America. The Agreement provides us with a license for this purpose. We are required to use our commercially reasonable efforts to develop a consumer market for the product in the territory. The initial term of the Agreement was until December 31, 2007, which is automatically renewed for successive one-year terms and was thereby renewed on December 31, 2008 and December 31, 2009.

Competition

Our business is highly competitive in both household and skin care products. The wood care, air freshener, and mold treatment product categories are dominated by three to five companies significantly larger than us, each of which produce several products. Irrespective of the foregoing, we maintain a visible position in the wood care category, but do not have sufficient information to make an accurate representation as to the market share of our products. Over the last several years, sales of our air freshener fell off significantly.

The skin care category is also highly competitive. Several competitors are significantly larger than Scott s Liquid Gold-Inc., and each of these competitors produces several products. Some of these companies also produce retinol and alpha hydroxy acid products with which Alpha Hydrox must compete. Because of the number of varied products produced by competitors, we cannot make an accurate representation as to the market share of our skin care products.

Table of Contents

Conforming to our corporate philosophy, we compete on the basis of quality and distinguishing characteristics of our products.

Regulation

We are subject to various federal, state and local laws and regulations that pertain to the type of products we manufacture and sell. Our skin care products containing Alpha Hydroxy Acids (AHAs) are cosmetics within the definition of the Federal Food Drug and Cosmetic Act (FFDCA). The FFDCA defines cosmetics as products intended for cleansing, beautifying, promoting attractiveness or altering the appearance. Our cosmetic products are subject to regulation under the FFDCA and the Fair Packaging and Labeling Act (FPLA), and the regulations promulgated under these acts. The relevant laws and regulations are enforced by the U.S. Food and Drug Administration (FDA). Such laws and regulations govern the ingredients and labeling of cosmetic products and set forth good manufacturing practices for companies to follow. Although FDA regulations require that the safety of a cosmetic ingredient be substantiated prior to marketing, there is no requirement that a company submit the results of any testing performed or any other data or information with respect to any ingredient to the FDA. Prior to marketing our products, we conduct studies to demonstrate that our Alpha Hydrox products do not irritate the skin or eyes. Consistent with regulations, we do not submit the results of our studies to the FDA.

In July 1997, because of questions raised earlier by the FDA and as requested by the FDA, the Cosmetic Ingredient Review Expert Panel(CIR) sponsored by the cosmetic industry issued a report concerning the safety of alpha hydroxy acids. The final report, among other things, concluded that glycolic acid(the type of alpha hydroxy acid that we currently use) is safe for use at concentrations of up to 10%, with a pH level of no less than 3.5 and when directions for use includes the daily use of sun protection. In January 2005, the FDA issued a final guidance to the effect that products containing AHA s should alert users that those products may increase skin sensitivity to sun and possible sunburn and the steps to avoid such consequences. All of our labeling reflects this guidance.

Since 2003, the FDA s National Center for Toxicological Research has been investigating the effect of long term exposure to AHAs. Further, on December 31, 2003, the FDA published a call for data on certain ingredients in various products, including AHAs that are part of wrinkle remover products. Manufacturers were asked to submit any data supporting the reclassification of these cosmetic products as over-the-counter drugs. On October 27, 2008, FDA published a set of Q&As that dealt with both issues. With respect to the drug/cosmetic issue, FDA restated its traditional position that certain AHA products intended for therapeutic use, such as acne treatments or skin lighteners, are considered drugs. Other AHA products, including those marketed by Neoteric, are considered cosmetics. The Q&A also reported on the results of two studies on the issue of skin damage caused by UV rays, and the potential photocarcinogenicity of the AHA product. The studies concluded that applying AHAs to the skin resulted in increasing UV sensitivity, but that the effect was completely reversible. In addition another study on potential photocarcinogenesis found that AHAs had no effect on the process. Accordingly, Neoteric is lawfully marketing its products as cosmetics, and the labeling fully complies with FDA s guidance.

Our advertising is subject to regulation under the Federal Trade Commission Act and related regulations, which prohibit false and misleading claims in advertising. Our labeling and promotional materials are believed to be in full compliance with applicable regulations.

Table of Contents

Many chemicals used in consumer products, some of which are used in several of our product formulations, have come under scrutiny by various state governments and the Congress of the United States in connection with clean air laws. These chemicals are volatile organic compounds (VOCs) that are contained in various categories of consumer products. As a result of these VOC regulations, it has been necessary for us to reformulate some of our products over the years, such as Touch of Scent, Scott s Liquid Gold Aerosol and Pourable, to conform to certain limits set by the California Air Resources Board (CARB), other states and the Environmental Protection Agency. Our household chemical products currently meet the most stringent VOC regulations. CARB, in 2007, adopted changes to California s consumer product regulations that reduced VOC limits for Scott s Liquid Gold pourable formula from 7% to 4%, effective December 31, 2008. This product was re-formulated to meet that limit. The Scott s Liquid Gold wood products now fall under the Wood Cleaner category, rather than Furniture Maintenance, which has a slightly lower VOC limit (Furniture Maintenance VOC limit is 3%).

The CARB regulations concerning VOC content are relevant to our household products, and one of the skin care products will be affected by new limits under CARB. CARB had originally proposed a VOC limit of 10% on skin astringent/toners which are not regulated by the FDA. The approved limit, effective December 31, 2010, is 35%. We currently meet this limit.

Any new or revised regulations of CARB could apply to our products and could potentially require additional reformulation of those products. We continue to monitor all environmental regulatory activities.

Limitations regarding the VOC content of consumer products by both state and federal agencies will continue to be a part of regulatory efforts to achieve compliance for ozone at or near ground level. Under the Clean Air Act Amendments of 1990, the Environmental Protection Agency (EPA) conducted a study on the contribution of consumer products to ozone problems and published regulations in 1998 designed to reduce the VOC content of consumer products. Various states, in addition to California, have enacted or are considering VOC regulations for consumer products. We are unable to predict how many or which other states might enact legislation regulating the VOC content of consumer products or what effect such legislation might have on our household products.

A group of twelve northeastern states and the District of Columbia collectively drafted the Ozone Transport Commission (OTC) Model Consumer Products Rule in 2001, which is a model that members may choose to adopt and which has standards that are substantially the same as the CARB consumer product VOC regulations. More than a majority of the OTC members have adopted the model rule. In 2006, the OTC finalized a new model consumer products rule with an effective date of January 1, 2009. More than a majority of OTC states have adopted the 2006 rule. Scott s Liquid Gold products are not affected by the changes in this new model rule. The OTC considers CARB Consumer Products VOC regulations and we continue to monitor the regulatory activities in these states.

There are also potential regulations in a five state region covered by the Lake Michigan Air Directors Consortium (LADCO), which released an interim report detailing possible strategies for reducing VOC emissions. These states include Illinois, Michigan, Wisconsin, Ohio and Indiana. Michigan and Ohio are the two states in the LADCO group that have promulgated such regulations. Both Michigan s and Ohio s final rules were promulgated in 2007 and both are consistent with the OTC Model Rule.

In January 2008, Illinois EPA submitted a proposed consumer products regulation to the Illinois Pollution Control Board. This proposed regulation appears to be consistent with the OTC Model Rule and other states regulations based on that model.

We believe that we have done all that is necessary to satisfy the current requirements of the Clean Air Act and laws of various state governments. Currently, all of our products may be sold in all areas of the United States.

Employees

We employ 65 persons (compared to 66 persons at the end of 2008), 33 in plant and production related functions and 32 in administrative, sales and advertising functions. No contracts exist between us and any union. We monitor wage and salary rates in the Rocky Mountain area and pursue a policy of providing competitive compensation to our employees. The compensation of our executive officers is under the review of the Compensation Committee of our Board of Directors. Fringe benefits for our employees include medical, vision and dental plans, short-term disability, life insurance, a 401(k) plan with matching contributions for lower paid employees (those earning $35,000 or less per annum), an employee stock ownership (ESOP) plan, and a profit sharing plan. We consider our employee relations to be satisfactory.

Patents and Trademarks

At present, we own one patent covering an ingredient used in some of our skin care products. Additionally, we actively use our registered trademarks for Scott s Liquid Gold, Liquid Gold, Touch of Scent, Alpha Hydrox, TriOxygen C®, and Neoteric in the United States and have registered trademarks in a number of additional countries. Our registered trademarks and pending trademark applications concern names and logos relating to our products as well as the design of boxes for certain of our products.

In December 2000 (amended October 1, 2003), we entered into a license agreement with TriStrata Technology, Inc. which owns patents dealing with the use of alpha hydroxy acids for the purpose of reducing the appearance of wrinkles or fine lines. Under the license agreement, Neoteric Cosmetics and its affiliates were granted a non-exclusive license for the life of the patents to make and sell skin care products using alpha hydroxy acids for, among other things, the reduction of the appearance of skin wrinkles and the reduction in the appearance of skin changes associated with aging. The license agreement covered a territory which includes the United States and certain foreign countries. In accordance with the license agreement, Neoteric Cosmetics paid a royalty on net sales of products covered by the agreement. This license agreement was part of the settlement of a lawsuit brought by TriStrata Technology against us and others alleging infringement of patents in selling and promoting skin care products which contain alpha hydroxy acid. By a notice sent to TriStrata Technology, we terminated this license agreement in October of 2007. We rely on a pass-through license from E.I. DuPont (our supplier) for our uses of glycolic acid regarding wrinkle reduction and anti-aging. The pass-through license applies to customers of DuPont. Although DuPont is a long-time supplier of ours, we have no contracts with DuPont other than orders for our purchases.

Available Information and Code of Ethics

We will make available free of charge through the website http://www.businesswire.com/cnn/slgd.htm, this annual report, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to such reports, as soon as reasonably practicable after we electronically file or furnish such material with the Securities and Exchange Commission. These reports are also available through a link on our website. We will provide upon request and at no charge electronic or paper copies of these filings with the Securities and Exchange Commission (excluding exhibits).

We will provide to any person without charge, upon request, a copy of the code of business conduct and ethics which has been adopted by us and which applies to our principal executive officer, principal financial officer and principal accounting officer, among others.

A request for reports filed with the SEC or the code of business conduct and ethics may be made to: Corporate Secretary, Scott s Liquid Gold-Inc., 4880 Havana Street, Denver, Colorado 80239.

Item 1A. Risk Factors.

The following is a discussion of certain risks that may affect our business. These risks may negatively impact our existing business, future business opportunities, our financial condition or our financial results. In such case, the trading price of our common stock could also decline. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also negatively impact our business.

We need to increase our revenues in order to become profitable under our present cost structure.

We have experienced net losses in nine of our last ten years. These losses result primarily from declining sales of our skin care products and our primary household products. Maintaining or increasing our revenues is uncertain and involves a number of factors including consumer acceptance of our products, distribution of our products and other matters described below.

Our cash flow is dependent upon operating cash flow, available cash and borrowing available under the Summit Financial Resources financing agreement.

Because we are dependent on our operating cash flow, any loss of a significant customer, any further decreases in the distribution of our skin care or household products, new competitive products affecting sales levels of our products or any significant expense not included in our internal budget could result in the need to raise cash. The financing agreement with Summit Financial Resources has a term of one year ending March 12, 2010 and which automatically renews for successive one year terms unless either party provides written notice of non-renewal at least 60 days prior to the end of a one-year financing period. Neither party sent such a notice of non-renewal, and therefore the term of the financing agreement has automatically been extended to March 12, 2011. Except for the existing bank debt and the Summit Financial Resources agreement, we have no arrangements for an external financing of debt or equity, and we are not certain whether any such financing would be available on acceptable terms. We have a negative cash flow after taking into account payments of principal and interest on our long-term bank loan. In order to improve our operating cash flow, we need to achieve profitability, and/or further change our costs.

Sale or lease of our real estate is uncertain.

We continue to pursue a sale or lease of all or part of our real estate. The purpose of a sale would be to reduce our fixed costs and to repay bank debt of approximately $4.35 million at December 31, 2009 secured by the real estate. Our ability to complete a sale of the real estate is uncertain and may have been affected by a downturn in the commercial real estate market in the Denver, Colorado area. The purpose of any leases would be to provide additional cash flow for operations and/or to service the aforementioned bank debt. Effective November 1, 2009, we signed (as lessor) a five-year lease with an unrelated, third party for a full-floor of our office building.

Current economic conditions may materially and adversely impact our business.

The turmoil in the investment market of the United States, the tightening of credit and relatively high level of unemployment in the United States have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and possibly a reduction in business activity generally. A continuation of these conditions could have, among other things, the following potential negative effects: A reduction in spending of consumers in general including in the area of household products and skin care products, which could reduce our net sales; the potential increase in bad debts or reserve for bad debts affecting our financial condition or cash flow; and exposure to any increased interest expense to the extent that any financing or refinancing could be at costs higher than our existing debt.

Sales of our existing products are affected by changing consumer preferences.

Our primary market is retail stores in the United States which sell to consumers or end users in the mass market. Consumer preferences can change rapidly and are affected by new competitive products. This situation is true for both skin care and household products and has affected our established products, most significantly our earlier established Alpha Hydrox products. For example, in the skin care area, we believe that our products with AHAs are effective in diminishing fine lines and wrinkles, but consumers may change permanently or temporarily to other products using other technologies or otherwise viewed as new. Any changes in consumer preferences can materially affect the sales and distribution of our products and thereby our revenues and results of operations.

In both skin care and household products, we compete every day against the largest consumer product companies in the United States.

Our large competitors regularly introduce new products and spend considerably more than we do on advertising, particularly television advertising. The distribution of our product and sales can be adversely impacted by the actions of our competitors.

We have limited resources to promote our products with effective advertising.

We sell our products in the consumer retail marketplace. Advertising, particularly television advertising, can be important in reaching consumers, although the effectiveness of any particular advertisement cannot be predicted.

Maintaining or increasing our revenues is dependent on the introduction of new products that are successful in the marketplace.

Sales of our Alpha Hydrox products, Scott s Liquid Gold for wood and Touch of Scent have declined in recent years. In order to address these declines, we have introduced new products, including Montagne Jeunesse sachets in 2001, the wood wipe and wood wash products in 2004 and 2005, our new Alpha Hydrox products in 2005, a value priced Alpha Hydrox White line in 2007, Mold Control 500 in 2006, air freshener products in 2007 and 2008, and in 2009 our product Clean Screen . We plan the introduction of at least one additional product. If we are not successful in making ongoing sales of our newer products to retail store chains or these products are not well received by consumers, our revenues could be materially and adversely affected.

A loss of one or more of our major customers could have a material adverse effect on our product sales.

For more than a majority of our sales, we are dependent upon sales to major customers, including Wal-Mart, which is our largest customer. The easy access of consumers to our products is dependent upon major retail stores and other retail stores carrying our products. The willingness of these customers (i.e., retail stores) to carry any of our products depends on various matters, including the level of sales of the product at the stores. Any declines in sales of a product to consumers can result in the loss of retail stores as our customers and the corresponding decreases in the distribution of the product. It is uncertain whether the consumer base served by these stores would purchase our products at other retail outlets. In the past, sales of our products have been affected by retail store chains which discontinue a product or carry the product in a lesser number of stores.

A significant part of our sales of skin care products are represented by the Montagne Jeunesse products which depend upon the continuation of our distributorship agreement with Montagne Jeunesse.

Our distributorship agreement with Montagne Jeunesse is for a period of 18 months that ended in November, 2006 and continues in force after this initial term subject to the right of either party to terminate the agreement with three or six months notice. As a practical matter, we also believe that the distribution of Montagne Jeunesse sachets is dependent upon our good relationship with Montagne Jeunesse.

We face the risk that raw materials for our products may not be available or that costs for these materials will increase, thereby affecting either our ability to manufacture the products or our gross margin on the products.

We obtain our raw materials from third party suppliers, some of which are sole source suppliers. While there are two suppliers of glycolic acid, we use one supplier. We have no long term contracts with our suppliers; and, if a contract exists, it is subject to termination or cost increases. We may not have sufficient raw materials for production of products manufactured by us if there is a shortage in raw materials or one of our suppliers terminates our relationship. In addition, changing suppliers could involve delays that restrict our ability to manufacture or buy products in a timely manner to meet delivery requirements of our customers. Our suppliers of products which we distribute can also be subject to the same risk with their vendors.

Table of Contents

Our sales are affected adversely by returns.

In our industry, retail customers may be given authorization by the Company to return products. These returns result in refunds, a reduction of our revenues and usually the need to dispose of the resulting inventory at discounted prices. Accordingly, the level of returns can significantly impact our revenues and cash flow. See information about returns in Note 12 to our Consolidated Financial Statements in this Report and Results of Operations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Changes in the regulation of our products, including environmental regulations, could have an adverse effect on the distribution, cost or function of our products.

Regulations affecting our products include requirements of the FDA for cosmetic products and environmental regulations affecting emissions from our products. The FDA has mentioned in the past the treatment of AHA products as drugs, which could make more expensive or prohibitive our production and sale of certain Alpha Hydrox products. Also, in the past, we have changed the formulation of our household products to satisfy environmental regulations and will continue to do so as required.

Any adverse developments in litigation could have a material impact on us.

We are subject to lawsuits from time to time in the ordinary course of business. While we expect those lawsuits not to have a material effect on us, an adverse development in any such lawsuit or the insurance coverage for a lawsuit could materially and adversely affect our financial condition and cash flow.

Any loss of our key executives or other personnel could harm our business.

Our success has depended on the experience and continued service of our executive officers and key employees. If we fail to retain these officers, our ability to continue our business and effectively compete may be substantially diminished. Because of our size, we must rely in many departments within our company on one or two managers; the loss of any one of those could slow our product development, production of a product, and sale and distribution of a product.

Our stock price can be volatile and can decline substantially.

Our stock is traded on the OTC Bulletin Board. The volume of our stock varies but is relatively limited. As a result, any events affecting us can result in volatile movements in the price of our stock and can result in significant declines in the market price of our stock.

Item 1B. Unresolved Staff Comments.
Not applicable.

Table of Contents

Item 2. Properties.

Our facilities, located in Denver, Colorado, are currently comprised of three connected buildings and a parking garage (approximately 261,100 square feet in total) and about 16.2 acres of land, of which approximately 6 acres are available for future sale. These buildings range in age from approximately 12 to 37 years (126,600 square feet having been added in 1995 and 1996). The Denver facility houses our corporate headquarters and all of our operations, and serves as one of several distribution points. We believe that our current space will provide capacity for growth for the foreseeable future. All of our land and buildings serve as collateral under a deed of trust for a $5.2 million bank loan ($4.35 million at December 31, 2009) consummated by us on June 26, 2006.

As indicated in this Report, the Company uses less than the capacity of its facilities and is also interested in reducing its expenses. As part of this process, starting as of July 2007, the Company has engaged a commercial real estate broker, currently CB Richard Ellis, in Denver to explore alternatives. These alternatives include the sale of all or part of the facilities, a sale of all or part of the facilities combined with a leaseback by the Company of the facilities, or a lease of all or part of the facilities by the Company to a third party. There is, however, no assurance that acceptable transactions will be offered or completed.

In October of 2009, we entered into a long-term lease of the second floor of our five-story office building to an established subsidiary of an international company with rental receipts that commenced in November 2009.

Item 3. Legal Proceedings.

Wayne Taylor, et al. v. The Sherwin-Williams Companies, et al.

The Company was served with a complaint February 25, 2009, naming it as a defendant in this personal injury action filed in the Superior Court of New Jersey, Camden County. Plaintiffs Wayne Taylor and Leslie Taylor, his wife, claim that Mr. Taylor has contracted Acute Myelogenous Leukemia (AML) as a result of work related exposure to benzene and that the Company is one of a minimum 15 co-defendant product manufacturers which used benzene in products sold to Mr. Taylor or his employers and used by Mr. Taylor in his work. Plaintiffs allege exposure to defendants products containing benzene and that the exposure caused personal injuries, including AML. Fifty John Doe corporations are asserted to be similarly liable. Claims are asserted against all defendants for negligence, breach of warranty, consumer fraud, intentional tort and loss of consortium. The plaintiffs ask for compensatory damages, treble damages under a New Jersey consumer law, interest, costs of the lawsuit and attorneys fees, all in an unspecified amount. The Company has not accrued any liability for these claims at this time.

The extent of the defense and indemnity obligations of its product liability insurers is to be determined and is uncertain at this time. The Company has submitted the claim to its product liability insurers and believes that insurers will assume the defense of the claim and retain counsel accordingly. The Company believes that Mr. Taylor was not exposed to benzene as the result of use of the Company s products and intends to vigorously defend the action. Although the Company is unable at this time to predict the outcome or to estimate the amount of a potential loss to the Company, if any, in this lawsuit, the Company s management expects at this time that the Company will not incur any material liability in the lawsuit.

Table of Contents

Item 4. (Reserved)

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our $0.10 par value common stock is listed on the OTC Bulletin Board (a regulated quotation service) under the ticker symbol SLGD . The high and low prices of Scott s Liquid Gold-Inc. common stock as traded on the OTC Bulletin Board were as follows. The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

2009			2008		
Three Months Ended	High	Low	Three Months Ended	High	Low
March 31	$ 0.30	$ 0.12	March 31	$ 0.75	$ 0.43
June 30	$ 0.35	$ 0.12	June 30	$ 0.55	$ 0.35
September 30	$ 0.35	$ 0.17	September 30	$ 0.40	$ 0.27
December 31	$ 0.36	$ 0.16	December 31	$ 0.35	$ 0.11

Shareholders

As of March 3, 2010, we had approximately 917 shareholders of record.

Dividends

We did not pay any cash dividends during the two most recent fiscal years. No decision has been made as to future dividends. See Management s Discussion and Analysis or Plan of Operation Liquidity and Capital Resources for information concerning restrictions on dividends.

Table of Contents

Other

Current stock quotes, our SEC filings, quarterly earnings and press releases can be found at: http://www.businesswire.com/cnn/slgd.htm.

Equity Plans

The following table provides, as of December 31, 2009, information regarding our equity compensation plans, which consist of the 1997, 1998, and 2005 Stock Option Plans. The 1997 and 1998 Plans have expired, but options under those Plans remain outstanding. We also have an Employee Stock Ownership Plan which invests only in our common stock, but which is not included in the table below.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,919,650	$ 0.59	515,350
Equity compensation plans not approved by security holders			
Total	1,919,650	$ 0.59	515,350

Stock Purchases

We did not make any repurchases of our outstanding shares during the fourth quarter of 2009.

Stock Contributions

Pursuant to a board resolution on February 24, 2009, we issued and contributed 100,000 shares of our common stock to our Employee Stock Ownership Plan (the Plan). No consideration was paid by the Plan for these contributions. We believe that these contributions were not subject to the securities registration requirements of the Securities Act of 1933 because they did not involve a sale. The contributions of the shares to the Plan may also be exempt from such securities registration as a non-public offering under Section 4(2) of the Securities Act of 1933.

Table of Contents

Item 6. Selected Financial Data

Not applicable.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

General

We manufacture and market both household and skin care products. Our products are sold throughout the United States and Canada and insignificantly in other countries.

Critical Accounting Policies

We have identified the policies below as critical to our business operations and the understanding of our results of operations. These policies involve significant judgments, estimates and assumptions by our management. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the Notes to the Consolidated Financial Statements.

Revenue Recognition

Our revenue recognition policy is significant because the amount and timing of revenue is a key component of our results of operations. We follow guidance issued by the FASB, which requires that a strict series of criteria are met in order to recognize revenue related to product shipment. If these criteria are not met, the associated revenue is deferred until the criteria are met. Generally, these criteria are that there be an arrangement to sell the product, we have delivered the product in accordance with that arrangement, the sales price is determinable, and collectibility is probable.

Our reserves for accounts receivable consist of a bad debt reserve and reserves for returns and customer allowances. Reserves for marketing rebates, pricing allowances and returns, coupons and certain other promotional activities involve estimates made by management based upon an assessment of historical trends, information from customers, and anticipated returns and allowances related to current sales activity. The level of returns and allowances are impacted by, among other things, promotional efforts performed by customers, changes in customers, changes in the mix of products sold, and the stage of the relevant product life cycle. Changes in estimates may occur based on actual results and consideration of other factors that cause returns and allowances. In the event that actual results differ from these estimates, results of future periods may be impacted.

Reserves for bad debts are recorded based on estimates by management including factors surrounding the credit risk of specific customers and historical trends. We have been exposed to potential losses on receivables due from specific customers that have suffered financial difficulties. We have provided reserves against certain receivables from such customers in addition to amounts related to unidentified losses. Those reserves are reduced as those accounts are settled or written off. In the event that actual losses differ from these estimates or there is an increase in exposure relating to sales to specific customers, results of future periods may be impacted. We believe our reserve is adequate to absorb any losses which may arise.

Table of Contents

Income Taxes

As of December 31, 2009, we have net deferred income tax assets of approximately $3,440,700 which primarily relate to net operating loss carryforwards, expenses that are not yet deductible for tax purposes and tax credit carryforwards, offset by deferred income tax liabilities for differences in the book and tax bases of property and equipment. The net deferred tax asset is fully reserved by a valuation allowance. The valuation allowance represents management s determination that we will more likely than not be unable to realize the value of such assets due to the uncertainty of future profitability.

Inventory Valuation and Reserves

Our inventory is a significant component of our total assets. In addition, the carrying value of such inventory directly impacts the gross margins that we recognize when we sell the inventory and record adjustments to carrying values. Our inventory is valued at the lower of cost or market, cost being determined under the first-in, first-out method. We estimate reserves for slow moving and obsolete products and raw materials based upon historical and anticipated sales. In the event that actual results differ from these estimates, results of future periods may be impacted.

Long-Lived Assets

Please refer to Note 1(j) of our Consolidated Financial Statements as to our determination that there has been no impairment in the carrying values of our long-lived assets at December 31, 2009.

Recently Issued Accounting Pronouncements

Please see Note 1 (q) of our Consolidated Financial Statements.

Table of Contents

Results of Operations

During 2009, we experienced a decrease in sales of both our Scott s Liquid Gold household products and our Montagne Jeunesse line of skin care products and a slight increase in net sales of our line of Alpha Hydrox skin care products. Our net loss for 2009 was $1,197,600 versus a loss of $1,497,000 for 2008. The decrease in our loss for 2009 compared to 2008 results from a reduction in our operating costs and expenses which more than mitigated the decrease in sales and gross profit.

Summary of Results as a Percentage of Net Sales

	Year Ended December 31,	
	2009	2008
Net sales		
Scott s Liquid Gold household products	50.6%	45.8%
Skin care products	49.4%	54.2%
Total net sales	100.0%	100.0%
Cost of sales	58.0%	56.9%
Gross profit	42.0%	43.1%
Other revenue	0.2%	0.2%
	42.2%	43.3%
Operating expenses	48.5%	50.6%
Interest expense	2.1%	2.1%
	50.6%	52.7%
Loss before income taxes	(8.4)%	(9.4)%

Our gross margins may not be comparable to those of other entities because some entities include all of the costs related to their distribution network in cost of sales and others, like us, exclude a portion of them (freight out to customers and nominal outside warehouse costs) from gross margin, including them instead in the selling expense line item. See Note 1(p), Operating Costs and Expenses Classification, to the Consolidated Financial Statements in this Report.

Year Ended December 31, 2009

Compared to Year Ended December 31, 2008

Comparative Net Sales

	2009	2008	Percentage Increase (Decrease)
Scott s Liquid Gold and other household products	$ 6,540,000	$ 6,414,100	2.0%
Touch of Scent	633,200	880,000	(28.0)%
Total household products	7,173,200	7,294,100	(1.7)%
Alpha Hydrox and other skin care	3,798,100	3,848,000	(1.3)%
Montagne Jeunesse and other distributed skin care	3,207,500	4,769,700	(32.8)%

Total skin care products	7,005,600	8,617,700	(18.7)%
Total net sales	$ 14,178,800	$ 15,911,800	(10.9)%

Consolidated net sales for 2009 were $14,178,800 versus $15,911,800 for 2008, a decrease of $1,733,000 or about 10.9%. Average selling prices for 2009 were up by $185,000 over those of the comparable period of 2008, prices of household products being up by $107,600, and average selling prices of skin care products being up by $77,400. This increase was primarily due to fewer price promotions on selected products. Co-op advertising, marketing funds, slotting fees and coupon expenses (promotional allowances) paid to retailers were subtracted from gross sales in accordance with current accounting policies totaling $1,209,500 in 2009 versus $1,510,100 in 2008, a decrease of $300,600 or about 19.9%. This decrease consisted of a decrease in coupon expense of $133,900, a decrease in co-op marketing funds of $162,200 and a decrease in slotting fee expenses of $4,500.

From time to time, our customers return product to us. For our household products, we permit returns only for a limited time, and generally only if there is a manufacturing defect. With regard to our skin care products, returns are more frequent under an unwritten industry standard that permits returns for a variety of reasons. In the event a skin care customer requests a return of product, the Company will consider the request, and may grant such request in order to maintain or enhance relationships with customers, even in the absence of an enforceable right of the customer to do so. Some retailers have not returned products to us. Return price credit (used in exchanges typically, or rarely, refunded in cash) when authorized is based on the original sale price plus a handling charge of the retailer that ranges from 8-10%. The handling charge covers costs associated with the return and shipping of the product. Additions to our reserves for estimated returns are subtracted from gross sales.

From January 1, 2007 through December 31, 2009, our product returns (as a percentage of gross revenue) have averaged as follows: household products 0.4%, Montagne Jeunesse products 3.0%, and our Alpha Hydrox and other skin care products 3.8%. The level of returns as a percentage of gross revenue for the household products and Montagne Jeunesse products have remained fairly constant as a percentage of sales over that period while the Alpha Hydrox and other skin care products return levels have fluctuated. More recently, as our sales of the skin care products and number of retailers carrying the products have declined we have seen a decrease in returns as a percentage of gross revenues. The products returned in 2009 (indicated as a percentage of gross revenues) were: household products 0.7%, Montagne Jeunesse products 2.5%, and our Alpha Hydrox and other skin care products 1.9%. We are not aware of any industry trends, competitive product introductions or advertising campaigns at this time which would cause returns as a percentage of gross sales to be materially different for the current fiscal year than for the above averages. Furthermore, the Company s management is not currently aware of any changes in customer relationships that we believe would adversely impact anticipated returns. However, we review our reserve for returns quarterly and we regularly face the risk that the existing conditions related to product returns will change.

During 2009, net sales of skin care products accounted for 49.4% of consolidated net sales compared to 54.2% for 2008. Net sales of these products for those periods were $7,005,600 in 2009 compared to $8,617,700 in 2008, a decrease of $1,612,100 or about 18.7%.

Net sales of Montagne Jeunesse and other distributed products were $3,207,500 in 2009 versus $4,769,700 in 2008, a decrease of $1,562,200 or 32.8%. This decrease in sales was experienced across most lines of distributed products other than the dry shampoo introduced in the fourth quarter of 2009. Montagne Jeunesse sales were impacted in 2009 primarily by our largest customer s decision to substantially reduce the number of facings of this product for everyday business, as well as, the elimination of holiday display orders. Of similar impact to sales was the discontinuation in 2009 of the Davinci and Moosehead lines of men s grooming products by major retailers.

Net sales of our Alpha Hydrox and other manufactured skin care products were $3,798,100 in 2009 versus $3,848,000 in 2008, a decrease of $49,900 or 1.3%. The decrease is the result of our decision to discontinue our business relationship with a retail chain where excessive retail support in the form of product returns, marketing co-op funds, coupon and promotion programs and damage claims had made such business unprofitable. While our net sales reflect a decline of $49,900, our gross profit on 2009 sales increased over that of 2008.

Sales of household products for 2009 accounted for 50.6% of consolidated net sales compared to 45.8% for the same period in 2008. These products are comprised of Scott s Liquid Gold wood care products (Scott s Liquid Gold for wood, a wood wash and wood wipes), mold remediation products, Clean Screen, and Touch of Scent products. During 2009 sales of household products were $7,173,200 as compared to $7,294,100 for the same period in 2008, a decrease of $120,900, or 1.7%. Sales of Scott s Liquid Gold and other household products (including Mold Control 500 and Clean Screen) increased by $125,900 in 2009 or 2.0%. The increase in sales was favorably impacted by the introduction of Clean Screen in 2009 with sales of approximately $400,000 offset by decreases in sales of Mold Control 500 and other Scott s Liquid Gold products. Sales of air fresheners were down by $246,800 or 28.0%, primarily due to the discontinuation in 2009 of Cube Scents which had been introduced in the third quarter of 2008.

As sales of a consumer product decline, there is the risk that retail stores will stop carrying the product. The loss of any significant customer for any skin care products, Scott s Liquid Gold wood care or mold remediation products, could have a significant adverse impact on our revenues and operating results.

We also believe that the introduction of successful new products, including line extensions of existing products, such as the wood wash and our mold remediation product, using the name Scott s Liquid Gold , are important in our efforts to maintain or grow our revenue. Late in the fourth quarter of 2006, we introduced two new items within our Alpha Hydrox cosmetic line of products. Late in the fourth quarter of 2007, we introduced new items within the Moosehead Men s grooming products and also products of Baylis & Harding. In early 2008, we introduced bath, body and hair care products manufactured by Keyline Brands. We introduced Clean Screen in the first quarter of 2009, a new household product under the Scott s Liquid Gold brand which is designed for use in cleaning the screens of today s sensitive electronics including televisions, computer monitors and more. Additionally, we regularly review possible additional products to sell through distribution agreements or to manufacture ourselves. To the extent that we manufacture a new product rather than purchase it from external parties, we are also benefited by the use of existing capacity in our facilities. The actual introduction of additional products, the timing of any additional introductions and any revenues realized from new products is uncertain.

On a consolidated basis, cost of goods sold was $8,220,100 for 2009 compared to $9,048,300 for 2008, a decrease of $828,200 or 9.2%, on a sales decrease of 10.9%. As a percentage of consolidated net sales, cost of goods sold was 58.0% in 2009 versus 56.9% in 2008. The cost of goods reflects the combined result of an increase in raw material costs (primarily steel cans), the sale of discontinued products at below our cost of approximately $300,000, and the decrease in sales promotion expenses which increased our revenues and thus affected our margins. We have seen some softening in steel can prices, beginning in the first quarter of 2010.

Operating Expenses, Interest Expense and Other Income

	2009	2008	Percentage Increase (Decrease)
Operating Expenses			
Advertising	$ 369,000	$ 345,300	6.9%
Selling	4,030,800	4,943,100	(18.5)%
General & Administrative	2,478,300	2,760,500	(10.2)%
Total operating expenses	$ 6,878,100	$ 8,048,900	(14.5)%
Interest and Other Income	$ 28,300	$ 23,000	23.0%
Interest Expense	$ 306,500	$ 334,600	(8.4)%

Operating expenses, comprised primarily of advertising, selling and general and administrative expenses, decreased $1,170,800 in 2009, when compared to 2008. The various components of operating expenses are discussed below.

Advertising expenses for 2009 were $369,000 compared to $345,300 for the comparable period of 2008, an increase of $23,700 or 6.9%. As in prior years, we have limited advertising as part of our cost reduction efforts.

Selling expenses for 2009 were $4,030,800 compared to $4,943,100 for 2008, a decrease of $912,300 or 18.5%. That decrease was comprised of a decrease in salaries, fringe benefits and related travel expense of $389,900 primarily because of a decrease in personnel in 2009 versus 2008, a decrease in freight expenses of $264,500 largely resulting from declining fuel prices and the utilization of a third-party logistics firm, a decrease in promotional selling expenses of $175,800 related to reduced sales of Montagne Jeunesse holiday displays, a decrease in commissions of $55,100, a decrease in insurance premiums of $61,600, a decrease in utility costs of $7,300, an increase of $53,400 in programs and expenses associated with our online consumer sales efforts and a net decrease in other selling expenses, none of which by itself is significant, of $11,500.

General and administrative expenses for 2009 were $2,478,300 compared to $2,760,500 for 2008, a decrease of $282,200 or 10.2%. That decrease resulted primarily from a decrease in salaries, fringe benefits and related travel expense of $182,600 associated with a reduction in personnel, a decrease in professional fees and reporting costs of $45,400, a decrease in postage and office supplies of $26,300, a decrease in utility costs of $15,200, a decrease in insurance expense of $6,700, and a net decrease in various other expense items of $6,000.

Interest expense for 2009 was $306,500 and included $79,000 in collateral management fees incurred relative to the sale of accounts receivable invoices to Summit Financial Resources. Interest expense for 2008 was $334,600. The decrease in interest expense reflects the combined effect of a decrease in the outstanding mortgage liability during 2009 versus 2008 and the reduction in the interest rate in effect on that mortgage from 8.25% in 2008, to 5.0% effective beginning on June 28, 2008 and further reduced to 3.25% as of June 28, 2009.

Interest and other income in 2009 of $28,300 included $19,300 of net rental receipts and $9,000 in interest earned on our cash reserves as compared to $23,000 in interest earned on our cash reserves in 2008.

During 2009 and 2008, expenditures for research and development were not material (under 2% of revenues).

Liquidity and Capital Resources

Citywide Loan

On June 28, 2006, we entered into a loan with a fifteen year amortization with Citywide Banks for $5,156,600 secured by the land, building and fixtures at our Denver, Colorado facilities. Interest on the bank loan (3.25% at December 31, 2009) is at the prime rate as published in The Wall Street Journal, adjusted annually each June. This loan requires 180 monthly payments of approximately $38,200. Monthly payments commenced on July 28, 2006. The loan agreement contains a number of covenants, including the requirement for maintaining a current ratio of at least 1:1 and a ratio of consolidated long-term debt to consolidated net worth of not more than 1:1, the aforementioned ratios to be calculated in accordance with U.S. generally accepted accounting principles. We may not declare any dividends that would result in a violation of either of these covenants. Affirmative covenants in the loan agreement concern, among other things, compliance in all material respects with applicable laws and regulations and compliance with our agreements with other parties which materially affect our financial condition. Negative covenants require that we not do any of the following, among other things, without the consent of the Bank: Sell, lease or grant a security interest in assets; engage in any business activity substantially different than those in which we are presently engaged; sell assets out of the ordinary course of business; or purchase another entity or an interest in another entity. The foregoing requirements were met at the end of 2009.

Financing Agreement

On November 3, 2008, effective as of October 31, 2008, we entered into a financing agreement with an asset-based lender for the purpose of improving working capital. An amendment to this agreement was executed March 12, 2009 extending the initial anniversary date to March 12, 2010. The agreement provides for up to $1,200,000 and is secured primarily by accounts receivable, inventory, any lease in which we are a lessor, all investment property and guarantees by our active subsidiaries. Under the financing agreement, the lender will make loans at our request and in the lender s discretion (a) based on purchases of our Accounts by the lender, with recourse against us and an advance rate of 70% (or such other percentage determined by the lender in its discretion), and (b) based on Acceptable Inventory not to exceed certain amounts, including an aggregate maximum of $250,000. The term of the agreement is one year, renewable automatically for additional one-year terms unless either party provides written notice of non-renewal at least 60 days prior to the end of the current financing period. Neither party sent such a notice of non-renewal, and therefore the term of the financing agreement has automatically been extended to March 12, 2011. Advances under the agreement bear interest at a rate of 1% over the prime rate (as published in the Wall Street Journal) for the accounts receivable portion of the advances and 3% over the prime rate for the inventory portion of the borrowings. The prime rate (3.25% as of December 31, 2009) adjusts with changes to the rate. In addition there are collateral management fees of 0.28% for each 10-day period that an advance on an accounts receivable invoice remains outstanding and a 1.35% collateral management fee on the average monthly loan outstanding on the inventory portion of any advance. The agreement provides that no change in control concerning us or any of our active subsidiaries shall occur except with the prior written consent of the lender. Events of default include, but are not limited to, the failure to make a payment when due or a default occurring on any indebtedness of ours. See Note 1(f) regarding the accounting treatment of funds obtained under this agreement.

Liquidity

During 2009, our working capital decreased by $971,300, and concomitantly, our current ratio (current assets divided by current liabilities) decreased from 1.6:1 at December 31, 2008 to 1.3:1 at December 31, 2009. This decrease in working capital is attributable to a net loss in 2009 of $1,197,600, reduction in long-term debt of $337,000, offset by depreciation and amortization in excess of capital additions of $468,900, the granting of stock options valued at $77,600, the issuance of stock to the Employee Stock Option Plan totaling $17,000, and the unrealized loss on investment securities of $200, the latter three items requiring no outlay of cash.

At December 31, 2009, trade and other receivables were $314,400 versus $570,300 at the end of 2008. This decrease of $255,900 is largely due to the increase in the volume of accounts receivable invoices which had been factored as of December 31, 2009. Accounts payable decreased from the end of 2008 through the end of 2009 by $238,900 corresponding primarily with the decrease and timing of purchases of inventory over that period. At December 31, 2009 inventories were $769,900 less than at December 31, 2008, primarily due to a decrease in Montagne Jeunesse and other distributed products as purchases in 2009 were reduced in concert with the lack of holiday display promotions in 2008 and 2009. Prepaid expenses increased from the end of 2008 by $21,600 primarily due to real estate brokerage fees which will be amortized in 2010 against rental receipts to be received over that same period.

In spite of the continuing weak economy in the United States, taking into account two new products introduced in the last half of 2009 and the introduction of a line extension in 2010, our management expects net sales in 2010 will be on par, if not surpass net sales in 2009, a reversal to the trend of the past few years.

Our management also expects that the cost of goods will remain reasonably stable in 2010 compared to 2009. Contributing to significant cost increases in recent years have been the rising costs of steel cans and oils used in our Scott s Liquid Gold for wood products. Oil costs were down significantly in 2009 from 2008, however, it is not possible to predict how stable or volatile oil prices will be in 2010. Management was successful in negotiating better prices on our steel cans for 2010 over 2009 prices. Freight costs in 2009 were down over 2008 in combination with declining fuel prices and contracting with a third party logistics firm. Whether or not such freight savings can be replicated in 2010 is greatly dependent upon the price of oil and fuel in the global markets. We continued our efforts from 2008 into 2009 to reduce operating costs through the elimination or consolidation of staffing and other resources, thus we expect that operating costs in 2010 to remain about the same as in 2009. The existing and any new lease by the Company of space in its office building will increase other income and improve cash flow.

Table of Contents

As indicated above, we have in place a financing agreement, for working capital, with Summit Financial Resources, an asset-based lender. The agreement is for up to $1.2 million and is expected to provide working capital which may be necessary to meet the needs of the Company for 2010. We have, in general, high quality accounts receivable which may be sold pursuant to this agreement. In addition, as much as $250,000 of the $1.2 million may be obtained through the sale of inventory. The Summit Financial Resources agreement has a term of one year which expires March 12, 2010; however, it is automatically renewed for 12 months unless either party elects to cancel in writing at least 60 days prior to the anniversary date. Neither party sent such a notice of non-renewal, and therefore the term of the financing agreement has automatically been extended to March 12, 2011.

We have no significant capital expenditures planned for 2010.

As a result of the foregoing, we expect that our available cash, projected cash flows from operating activities, and borrowings available under the Summit Financial Resources agreement will fund the cash requirements for the year ending December 31, 2010.

In order to improve our liquidity and our operating results, we will also continue to pursue the following steps: the sale or lease of all or a portion of our real estate which we have listed with a real estate firm (see Item 2. Property above), efforts to improve revenues, a further reduction in our fixed operating expense if needed, and potentially the addition of external financing.

Our dependence on operating cash flow means that risks involved in our business can significantly affect our liquidity. Any loss of a significant customer, any further decreases in distribution of our skin care or household products, any new competitive products affecting sales levels of our products, or any significant expense not included in our internal budget could result in the need to raise cash. We have no arrangements for any additional external financing of debt or equity, and we are not certain whether any such financing would be available on acceptable terms. In order to improve our operating cash flow, we need to achieve profitability. Please see Risk Factors in Item 1 above.

The following table sets forth our contractual obligations in the aggregate. We have no capital lease obligations, unconditional purchase obligations or other long-term contractual obligations. Our long-term debt interest rate is a variable rate. The table below assumes a 3.25% annual interest rate for our long-term debt.

CONTRACTUAL OBLIGATIONS

	Payments due by Period				
	Total	**Less than 1-Year**	**1 3 Years**	**4 5 Years**	**After 5 Years**
Long-term debt, including interest	$ 5,230,300	$ 458,200	$ 916,400	$ 916,500	$ 2,939,200
Operating lease obligations	99,200	54,800	34,600	9,800	
Total Contractual Cash Obligations	$ 5,329,500	$ 513,000	$ 951,000	$ 926,300	$ 2,939,200

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Scott s Liquid Gold-Inc.

We have audited the accompanying consolidated balance sheets of Scott s Liquid Gold-Inc. and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders equity and comprehensive income (loss), and cash flows for each of the years in the two-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Scott s Liquid Gold-Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ehrhardt Keefe Steiner & Hottman PC

Denver, Colorado

March 31, 2010

Table of Contents

Consolidated Statements of Operations

	Year ended December 31, 2009	2008
Net sales	$ 14,178,800	$ 15,911,800
Operating costs and expenses:		
Cost of sales	8,220,100	9,048,300
Advertising	369,000	345,300
Selling	4,030,800	4,943,100
General and administrative	2,478,300	2,760,500
	15,098,200	17,097,200
Loss from operations	(919,400)	(1,185,400)
Interest and other income	28,300	23,000
Interest expense	(306,500)	(334,600)
Loss before income taxes	(1,197,600)	(1,497,000)
Income tax expense (Note 5)		
Net loss	$ (1,197,600)	$ (1,497,000)
Net loss per common share (Note 7):		
Basic	$ (0.11)	$ (0.14)
Diluted	$ (0.11)	$ (0.14)
Weighted average shares outstanding:		
Basic	10,779,400	10,621,300
Diluted	10,779,400	10,621,300

See accompanying notes to consolidated financial statements.

Table of Contents

Consolidated Balance Sheets

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 654,100	$ 909,900
Investment securities	4,300	4,500
Trade and other receivables, net of allowance of $59,800 for doubtful accounts	314,400	570,300
Inventories, net (Note 2)	1,984,600	2,754,500
Prepaid expenses	142,300	120,700
Total current assets	3,099,700	4,359,900
Property, plant and equipment, net (Note 3)	11,554,100	12,081,900
Other assets	110,000	51,100
	$ 14,763,800	$ 16,492,900
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,109,900	$ 1,348,800
Accrued payroll and benefits	578,900	691,800
Other accrued expenses	370,000	353,100
Current maturities of long-term debt (Note 4)	319,600	273,600
Total current liabilities	2,378,400	2,667,300
Long-term debt, net of current maturities (Note 4)	4,034,300	4,371,300
Total liabilities	6,412,700	7,038,600
Commitments and contingencies (Notes 4, 6, 9 and 10)		
Shareholders equity (Note 6):		
Common stock; $.10 par value, authorized 50,000,000 shares; issued and outstanding 10,795,000 shares (2009), and 10,695,000 shares (2008)	1,079,500	1,069,500
Capital in excess of par	5,264,300	5,179,700
Accumulated comprehensive income	300	500
Retained earnings	2,007,000	3,204,600
Shareholders equity	8,351,100	9,454,300
	$ 14,763,800	$ 16,492,900

See accompanying notes to consolidated financial statements.

Table of Contents

Consolidated Statements of Shareholders Equity and Comprehensive Income (Loss)

	Common Stock		Capital in Excess of Par	Accumulated Comprehensive Income (loss)	Retained Earnings	Comprehensive Income (loss)
	Shares	Amount				
Balance, December 31, 2007	10,575,000	$ 1,057,500	$ 5,090,100	$ 400	$ 4,701,600	
Stock option exercised	20,000	2,000	7,200			
Stock issued to ESOP Plan	100,000	10,000	15,400			
Stock-based compensation			67,000			
Unrealized gain on investment securities				100		$ 100
Net loss					(1,497,000)	(1,497,000)
Balance, December 31, 2008	10,695,000	$ 1,069,500	$ 5,179,700	$ 500	$ 3,204,600	
Total comprehensive loss						$ (1,496,900)
Stock issued to ESOP Plan	100,000	10,000	7,000			
Stock-based compensation			77,600			
Unrealized loss on investment securities				(200)		$ (200)
Net loss					(1,197,600)	(1,197,600)
Balance, December 31, 2009	10,795,000	$ 1,079,500	$ 5,264,300	$ 300	$ 2,007,000	
Total comprehensive loss						$ (1,197,800)

See accompanying notes to consolidated financial statements.

Table of Contents

Consolidated Statements of Cash Flows

	Year ended December 31, 2009	2008
Cash Flows from Operating Activities:		
Net loss	$ (1,197,600)	$ (1,497,000)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	540,200	560,300
Stock issued to ESOP	17,000	25,400
Stock-based compensation	77,600	67,000
Loss on disposal of assets	900	
Change in assets and liabilities:		
Proceeds from sale of accounts receivable	5,611,500	251,000
Trade and other receivables, net	(5,355,600)	216,100
Inventories, net	769,900	300,000
Prepaid expenses and other assets	(21,600)	113,300
Accounts payable and accrued expenses	(376,100)	(423,100)
Total adjustments to net loss	1,263,800	1,110,000
Net Cash Provided (Used) by Operating Activities	66,200	(387,000)
Cash Flows from Investing Activities:		
Real estate brokerage fees	(24,800)	
Proceeds from sale of securities		50,000
Purchases of property, plant and equipment	(6,200)	(14,000)
Net Cash Provided (Used) by Investing Activities	(31,000)	36,000
Cash Flows from Financing Activities:		
Principal payments on long-term borrowings	(291,000)	(231,600)
Proceeds from exercise of stock option		9,200
Net Cash Used by Financing Activities	(291,000)	(222,400)
Net Decrease in Cash and Cash Equivalents	(255,800)	(573,400)
Cash and Cash Equivalents, beginning of year	909,900	1,483,300
Cash and Cash Equivalents, end of year	$ 654,100	$ 909,900
Supplemental disclosures:		
Cash paid during the year for:		
Interest	$ 307,200	$ 336,100
Non-cash disclosures:		

For the year ended December 31, 2009, the Company had $41,200 of brokerage fees included in accounts payable, related to our leasing out of office space.

See accompanying notes to consolidated financial statements.

Table of Contents

Note 1. Organization and Summary of Significant Accounting Policies

(a) Company Background and Management s Plans

Scott s Liquid Gold-Inc. (a Colorado corporation) was incorporated on February 15, 1954. Scott s Liquid Gold-Inc. and its wholly owned subsidiaries (collectively, we or our) manufacture and market quality household and skin care products, and we fill, package and market our Mold Control 500 product. Since the first quarter of 2001, we have acted as a distributor in the United States of beauty care products contained in individual sachets and manufactured by Montagne Jeunesse. In 2006, 2007 and 2009, we began the distribution of certain other products. Our business is comprised of two segments, household products and skin care products.

We have experienced significant losses over an extended number of years primarily attributable to sales declines and have used a significant amount of our cash reserves to fund operations and for debt service. To address these trends, management implemented cost reduction initiatives, entered into a new financing agreement (Note 4) and continues to focus on old and new product sales and distribution at improved margins to increase our cash provided by operations.

As a result of the foregoing, the Company has successfully reduced operating costs such that 2009 costs reflect approximately a 29% decrease over the average of the previous five years against net sales which have decreased approximately 27% over that same period.

In October, 2009 we executed a five-year lease of the second floor of our five-story office building to an established subsidiary of an international company with rental receipts that commenced in November 2009.

With the cost reductions discussed above fully in effect for 2010 in conjunction with two new product introductions in mid to late 2009 (Clean Screen and Batiste dry shampoo), the leasing out of office space noted above, and the asset-based financing agreement with Summit Financial Resources discussed below in Note 4, the Company expects that available cash, projected cash flows from operating activities, and borrowings available under the Summit Financial Resources agreement will fund the cash requirements for the year ending December 31, 2010.

(b) Principles of Consolidation

Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates. Significant estimates include, but are not limited to, realizability of deferred tax assets, reserves for slow moving and obsolete inventory, customer returns and allowances, coupon redemptions, and bad debts.

(d) Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

(e) Investments in Marketable Securities

We follow FASB authoritative guidance as it relates to accounting for certain investments in debt and equity securities which requires that we classify investments in marketable securities according to management s intended use of such investments. We invest our excess cash and have established guidelines relative to diversification and maturities in an effort to maintain safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. We consider all investments as available for use in our current operations and, therefore, classify them as short-term, available-for-sale investments. Available-for-sale investments are stated at fair value, with unrealized gains and losses, if any, reported net of tax, as a separate component of shareholders equity and comprehensive income (loss). The cost of the securities sold is based on the specific identification method. Investments in corporate and government securities as of December 31, 2009, are scheduled to mature within one year.

(f) Sale of Accounts Receivable

We follow FASB authoritative guidance as it relates to distinguishing between transfers of financial assets that are sales from transfers that are secured borrowings. On November 3, 2008, effective as of October 31, 2008, we established a $1,200,000 factoring line with an asset-based lender (Lender) and secured by accounts receivable, inventory, any lease in which we are a lessor, all investment property and guarantees by our active subsidiaries. This facility enables us to sell selected accounts receivable invoices to the Lender with full recourse against us. These transactions qualify for a sale of assets since (1) we have transferred all of our rights, title and interest in the selected accounts receivable invoices to the Lender, (2) the Lender may pledge, sell or transfer the selected accounts receivable invoices, and (3) we have no effective control over the selected accounts receivable invoices since we are not entitled to nor obligated to repurchase or redeem the invoices before their maturity and we do not have the ability to unilaterally cause the Lender to return the invoices. Under the authoritative guidance, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. During 2009, we sold approximately $8,016,400 of our accounts receivable invoices to the Lender under a financing agreement for approximately $5,611,500. Pursuant to authoritative guidance, we reflected the transaction as a sale of assets and established an accounts receivable from the Lender for the retained amount less the costs of the transaction and less any anticipated future loss in the value of the retained asset. The retained amount is equal to 30% of the total accounts receivable invoice sold to the Lender less 1.12% of the total invoice as a collateral management fee plus a daily finance fee, based on Wall Street Journal prime (3.25% at December 31, 2009) plus 1%, imposed on (a) the net of the outstanding accounts receivable invoices less (b) any retained amounts due to us. The estimated future loss reserve for each receivable included in the estimated value of the retained asset is based on the payment history of the customer. Included in Trade and other receivables at December 31, 2009, we have an outstanding retained receivable of approximately $227,400 representing 30.0% of $757,800 of unsettled receivable invoices sold to the Lender as well as $64,500 due to us resulting from customer remittances paid direct to the Lender on invoices which were not sold to the Lender. Also, at December 31, 2009, approximately $734,000 of this credit line was available for future factoring of accounts receivable invoices.

(g) Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost (first-in, first-out method) or market. We record a reserve for slow moving and obsolete products and raw materials. We estimate reserves for slow moving and obsolete products and raw materials based upon historical and anticipated sales. Amounts are stated in Note 2.

(h) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost. Depreciation is provided using the straight-line method over estimated useful lives of the assets ranging from three to forty-five years. Building structures and building improvements are estimated to have useful lives of 35 to 45 years and 3 to 20 years, respectively. Production equipment and production support equipment are estimated to have useful lives of 15 to 20 years and 3 to 10 years, respectively. Office furniture and office machines are estimated to have useful lives of 10 to 20 and 3 to 5 years, respectively. Carpeting, drapes and company vehicles are estimated to have useful lives of 5 to 10 years. Maintenance and repairs are expensed as incurred. Improvements that extend the useful lives of the assets or provide improved efficiency are capitalized.

(i) Financial Instruments

Financial instruments which potentially subject us to concentrations of credit risk include cash and cash equivalents, investments in marketable securities, and trade receivables. We maintain our cash balances in the form of bank demand deposits with financial institutions that management believes are creditworthy. As of the balance sheet date and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits. We establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. We have no significant financial instruments with off-balance sheet risk of accounting loss, such as foreign exchange contracts, option contracts or other foreign currency hedging arrangements.

The recorded amounts for cash and cash equivalents, receivables, other current assets, and accounts payable and accrued expenses approximate fair value due to the short-term nature of these financial instruments. Our long-term debt bears interest at a fixed rate that adjusts annually on the anniversary date to a then prime rate. The carrying value of long-term debt approximates fair value as of December 31, 2009 and December 31, 2008.

	Fair Value Measurements at December 31, 2009			
Description	**Total Fair Value**	**Quoted Prices in Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available-for-sale securities	$ 4,300	$ 4,300	$	$
Total	$ 4,300	$ 4,300	$	$

33

Table of Contents

(j) Long-Lived Assets

We follow FASB authoritative guidance as it relates to the proper accounting treatment for the impairment or disposal of long-lived assets. This guidance requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

As of December 31, 2009, due to changes in the real estate market in Denver, Colorado and the continuing economic downturn, we conducted an evaluation into fair value impairment as regards our property, plant and equipment with particular attention to our land and buildings (facilities) which have an original cost of $17,485,800 and a depreciated book value at December 31, 2009 of approximately $10,792,700. For the facilities, we performed an evaluation utilizing an income capitalization model employing rental, vacancy and capitalization rates obtained from independent market data relative to our area of the Denver market as well as the actual rental rate in effect in the current lease of a portion of our office space. This evaluation returned a range of fair value estimates in excess of (a) the carrying value of the facilities and (b) the current listing price for the facilities. We currently have the facilities listed for sale at the price of $11,500,000 for the improved property plus an unstated amount for an unimproved, adjacent 5.5 acre parcel of land with a value estimated by us at $1,200,000. Based upon our evaluation, we find there to be no impairment in the carrying values of our long-lived assets at December 31, 2009; however, the valuation of our facilities can be affected by future events including the commercial real estate market in which our facilities are located.

(k) Income Taxes

We follow FASB authoritative guidance for the accounting for income taxes which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which related temporary differences become deductible. 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.

(l) Revenue Recognition

Revenue is recognized when an arrangement exists to sell our product, we have delivered such product in accordance with that arrangement, the sales price is determinable, and collectibility is probable. Reserves for estimated market development support, pricing allowances and returns are provided in the period of sale as a reduction of revenue. Reserves for returns and allowances are recorded as a reduction of revenue, and are maintained at a level that management believes is appropriate to account for amounts applicable to existing sales. Reserves for coupons and certain other promotional activities are recorded as a reduction of revenue at the later of the date at which the related revenue is recognized or the date at which the sales incentive is offered. At December 31, 2009 and December 31, 2008 approximately $403,000 and $600,000, respectively, had been reserved as a reduction of accounts receivable, and approximately $23,000 and $23,000, respectively, had been reserved as current liabilities. Co-op advertising, marketing funds, slotting fees and coupons are deducted from gross sales and totaled $1,209,500 and $1,510,100 in the twelve months ended December 31, 2009 and 2008, respectively.

Table of Contents

(m) Advertising Costs

Advertising costs are expensed as incurred.

(n) Stock-based Compensation

During 2009, we granted 90,000 options for shares of our common stock to a certain officer and two non-employee directors at $0.17 per share and 3,000 options for shares of our common stock to that certain officer at $0.25 per share. The options which vest ratably over forty-eight months, or upon a change in control, and which expire after five years, were granted at or above the market value as of the date of grant.

The weighted average fair market value of the options granted in the 2009 and 2008 were estimated on the date of grant, using a Black-Scholes option pricing model with the following assumptions:

	2009	2008
Expected life of options (using the simplified method)	4.5 years	4.5 years
Average risk-free interest rate	1.9%	2.4%
Average expected volatility of stock	75%	75%
Expected dividend rate	None	None

Compensation cost related to stock options recognized in operating results (included in general and administrative expenses) under authoritative guidance issued by the FASB was $77,600 in the twelve months ended December 31, 2009. Approximately $124,800 of total unrecognized compensation costs related to non-vested stock options is expected to be recognized over the next forty-three months. In accordance with this same authoritative guidance, there was no tax benefit from recording the non-cash expense as it relates to the options granted to employees, as these were qualified stock options which are not normally tax deductible. With respect to the non-cash expense associated with the options granted to the non-employee directors, no tax benefit was recognized due to the existence of as yet unutilized net operating losses. At such time as these operating losses have been utilized and a tax benefit is realized from the issuance of non-qualified stock options, a corresponding tax benefit may be recognized.

(o) Comprehensive Income

We follow FASB authoritative guidance which establishes standards for reporting and displaying comprehensive income and its components. Comprehensive income includes all changes in equity during a period from non-owner sources.

(p) Operating Costs and Expenses Classification

Cost of sales includes costs associated with manufacturing and distribution including labor, materials, freight-in, purchasing and receiving, quality control, internal transfer costs, repairs, maintenance and other indirect costs, as well as warehousing and distribution costs. We classify shipping and handling costs comprised primarily of freight-out and nominal outside warehousing costs as a component of selling expense on the accompanying Consolidated Statement of Operations. Shipping and handling costs totaled $1,285,600 and $1,561,800, for the year ended December 31, 2009 and 2008, respectively.

Selling expenses consist primarily of shipping and handling costs, wages and benefits for sales and sales support personnel, travel, brokerage commissions, promotional costs, as well as other indirect costs.

Table of Contents

General and administrative expenses consist primarily of wages and benefits associated with management and administrative support departments, business insurance costs, professional fees, office facility related expenses, and other general support costs.

(q) Recently Issued Accounting Pronouncements

In December 2007, the FASB issued new accounting guidance related to the accounting for business combinations and related disclosures. This new guidance addresses the recognition and accounting for identifiable assets acquired, liabilities assumed, and noncontrolling interests in business combinations. The guidance also establishes expanded disclosure requirements for business combinations. The guidance was effective on January 1, 2009, and the Company will apply this new guidance prospectively to all business combinations subsequent to the effective date.

In December 2007, the FASB issued new accounting guidance related to the accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance was effective January 1, 2009 and did not have a material effect on the Company s consolidated financial statements.

In September 2006, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to fair value measurements and related disclosures. This new guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company adopted this new guidance on January 1, 2008, as required for its financial assets and financial liabilities. However, the FASB deferred the effective date of this new guidance for one year as it relates to fair value measurement requirements for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis. The Company adopted these remaining provisions on January 1, 2009. The adoption of this accounting guidance did not have a material impact on the Company s consolidated financial statements.

In May 2009, the FASB issued authoritative guidance which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Other than what has been disclosed in the footnotes, there have been no material events noted in this period which would either impact the results reflected in this report or the Company s results going forward.

In June 2009, the FASB issued an amendment to its pre-existing guidance as it relates to accounting for transfers of financial assets and extinguishments of liabilities. This new guidance, which is effective January 1, 2010, will impact the Company s current accounting treatment as regards the sale of accounts receivable as discussed in Note 1(f). Upon adoption of this new guidance effective with the Company s first quarter 2010, the reporting of the sale of accounts receivable will be treated as a secured borrowing rather than as a sale. As a result, both current assets and current liabilities will be increased in like amounts and the net proceeds received from the sale of accounts receivable will appear as cash provided or used by financing activities rather than as an adjustment to cash provided or used by operating activities. Early adoption of this amended guidance is not permitted. If adopted as of the balance sheet date, the net impact would have been a $343,700 increase in current assets and current liabilities.

In June 2009, the FASB established the FASB *Accounting Standards Codification* (ASC or Codification), officially released on July 1, 2009, as the sole source of authoritative generally accepted accounting principles used by nongovernmental entities in the preparation of financial statements. The Codification is meant to simplify the authoritative accounting guidance by reorganizing US GAAP pronouncements into roughly 90 accounting topics within a consistent structure. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the Company beginning July 1, 2009. The FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates. The FASB will not consider Accounting Standards Updates as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification.

Other Accounting Standards Updates not effective until after December 31, 2009 are not expected to have a significant effect on the Company s consolidated financial position or results of operations.

(r) Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Table of Contents

Note 2: Inventories

Inventories, consisting of materials, labor and overhead at December 31 were comprised of the following:

	2009	2008
Finished goods	$ 1,244,700	$ 1,898,100
Raw materials	1,150,500	1,241,300
Inventory reserve for obsolescence	(410,600)	(384,900)
	$ 1,984,600	$ 2,754,500

Note 3: Property, Plant and Equipment

Property, plant and equipment at December 31 were comprised of the following:

	2009	2008
Land	$ 1,091,500	$ 1,091,500
Buildings	16,394,300	16,394,300
Production equipment	6,018,900	6,027,200
Office furniture and equipment	1,626,000	1,636,400
Other	34,200	34,200
	25,164,900	25,183,600
Less accumulated depreciation	(13,610,800)	(13,101,700)
	$ 11,554,100	$ 12,081,900

Depreciation expense for the years ended December 31, 2009 and 2008, was $533,100 and $556,000, respectively.

Note 4: Debt

We have a term loan agreement in the original amount of $5,156,600 with a commercial bank. The loan agreement with our bank contains affirmative and negative covenants, including the requirement for maintaining a current ratio of at least 1:1 and a ratio of consolidated long-term debt to consolidated net worth of not more than 1:1 and limits the payment of dividends on common stock.

Long-term debt at December 31 is presented below:

	2009	2008
First mortgage loan, secured by land and buildings due June 28, 2021, principal and interest of $38,200 payable monthly, the interest rate is based on prime rate as published in the Wall Street Journal and is adjusted annually in June. The interest rate on this loan at December 31, 2009 was 3.25%	$ 4,353,900	$ 4,644,900
Less current maturities	319,600	273,600
Long-term debt	$ 4,034,300	$ 4,371,300

Maturities of long-term debt for the years 2009 through 2014 are $319,600, $330,200, $341,000, $352,700, and $364,500.

On November 3, 2008, effective as of October 31, 2008, we entered into a financing agreement with an asset-based lender for the purpose of improving working capital. An amendment to this agreement was executed March 12, 2009 extending the initial anniversary date to March 12, 2010. The agreement provides for up to $1,200,000 and is secured primarily by accounts receivable, inventory, any lease in which we are a lessor, all investment property and guarantees by our active subsidiaries. Under the financing agreement, the lender will make loans at our request and in the lender s discretion (a) based on purchases of our Accounts by the lender, with recourse against us and an advance rate of 70% (or such other percentage determined by the lender in its discretion), and (b) based on Acceptable Inventory not to exceed certain amounts, including an aggregate maximum of $250,000. The term of the agreement is one year, renewable for additional one-year terms unless either party provides written notice of non-renewal at least 60 days prior to the end of the current financing period. Neither the lender nor the Company has sent a notice of non-renewal, and therefore the term of the financing agreement has automatically been extended to March 12, 2011. Advances under the agreement bear interest at a rate of 1% over the prime rate (as published in the Wall Street Journal) for the accounts receivable portion of the advances and 3% over the prime rate for the inventory portion of the borrowings. The prime rate (3.25% as of December 31, 2009) adjusts with changes to the rate. In addition there are collateral management fees of 0.28% for each 10-day period that an advance on an accounts receivable invoice remains outstanding and a 1.35% collateral management fee on the average monthly loan outstanding on the inventory portion of any advance. The agreement provides that no change in control concerning us or any of our active subsidiaries shall occur except with the prior written consent of the lender. Events of default include, but are not limited to, the failure to make a payment when due or a default occurring on any indebtedness of ours. See Note 1(f) regarding the accounting treatment of funds obtained under this agreement.

Table of Contents

Note 5: Income Taxes

The provision for income tax for the years ended December 31 is as follows:

	2009	2008
Current provision (benefit):		
Federal	$	$
State		
Total current provision (benefit)		
Deferred provision (benefit):		
Federal	(370,900)	(539,000)
State	(32,000)	(47,000)
Valuation allowance	402,900	586,000
Total deferred provision (benefit)		
Provision (benefit):		
Federal		
State		
Total provision (benefit)	$	$

Income tax expense (benefit) at the statutory tax rate is reconciled to the overall income tax expense (benefit) as follows:

	2009	2008
Federal income tax at statutory rates	$ (407,200)	$ (509,000)
State income taxes, net of federal tax effect	(36,600)	(45,700)
Change in unrecognized benefit	28,800	(42,000)
Other	12,100	10,700
Total	(402,900)	(586,000)
Change in valuation allowance	402,900	586,000
Provision for income taxes	$	$

Deferred income taxes are based on estimated future tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes given the provision of enacted tax laws. The net deferred tax assets and liabilities as of December 31, 2009 and 2008 are comprised of the following:

	2009	2008
Deferred tax assets:		
Net operating loss carryforwards	$ 3,722,500	$ 3,338,500
	223,500	208,500

Tax credit and other carryforwards		
Trade receivables	22,100	22,100
Inventories	125,100	123,900
Accrued vacation	192,700	237,900
Other		

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. In addition, as described further below, the Indenture under which the 9$^1/_8$% Senior Notes are issued 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.

Table of Contents

As further described Note 4 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K, the Company maintains an investment in National CineMedia, a pass-through entity for federal income tax purposes. The Internal Revenue Service ("IRS") is currently examining National CineMedia's 2007 and 2008 income tax returns and, as of December 29, 2011, has proposed an adjustment related to agreements entered into in conjunction with NCM Inc.'s IPO. Management is currently evaluating the proposed adjustment but does not anticipate the adjustment would result in a material change to the Company's results of operations or financial position. The Company believes that it is reasonably possible that an increase in unrecognized tax benefits related to this position may be necessary within the next twelve months, however the amount of such unrecognized tax benefits is not reasonably estimable as of December 29, 2011.

Net cash flows provided by operating activities totaled approximately $353.1 million, $259.4 million and $410.8 million for the Fiscal 2011 Period, the Fiscal 2010 Period and the Fiscal 2009 Period, respectively. The $93.7 million increase in net cash flows generated by operating activities for the Fiscal 2011 Period as compared to the Fiscal 2010 Period increase was caused by a $62.1 million increase in net income excluding non-cash items coupled with a positive fluctuation in working capital activity of approximately $31.6 million. In the Fiscal 2011 Period, a $23.5 million reduction in accrued expenses and other liabilities was the primary driver of working capital activity that negatively impacted cash flow from operating activities by $19.4 million. The reduction in accrued expenses and other liabilities was primarily related to the timing of real estate tax and other lease related payments and the recognition of previously unrecognized tax benefits. In the Fiscal 2010 Period, a $21.4 million increase in trade and other receivables and a $36.1 million reduction in accounts payable were the primary components of working capital activity that negatively impacted cash flows from operating activities by $51.0 million. The increase in trade and other receivables during the Fiscal 2010 Period was primarily associated with increased third party sales of our gift cards and discount tickets during the latter part of 2010 and with the timing of our estimated Federal and state income tax payments. The decrease in accounts payable (primarily film rental liabilities) in the Fiscal 2010 Period was primarily due to lower attendance and box office revenue at our theaters during the latter part of the period coupled with the timing of certain film payments.

The $151.4 million decrease in net cash flows generated by operating activities for the Fiscal 2010 Period as compared to the Fiscal 2009 Period was caused by a $56.3 million reduction in net income excluding non-cash items coupled with negative fluctuations in working capital activity. In the Fiscal 2010 Period, a $21.4 million increase in trade and other receivables and a $36.1 million reduction in accounts payable were the primary components of working capital activity that negatively impacted cash flows from operating activities by $51.0 million. The increase in trade and other receivables during the Fiscal 2010 Period was primarily associated with increased third party sales of our gift cards and discount tickets during the latter part of 2010 and with the timing of our estimated Federal and state income tax payments. The decrease in accounts payable (primarily film rental liabilities) in the Fiscal 2010 Period was primarily due to lower attendance and box office revenue at our theaters during the latter part of the period coupled with the timing of certain film payments. In the Fiscal 2009 Period, a $36.5 million increase in accounts payable was the primary component of working capital activity that positively impacted cash flows from operating activities by $44.1 million. The increase in accounts payable (primarily film rental liabilities) in the Fiscal 2009 Period was primarily due to increased attendance and box office revenue at our theaters in the latter part of the Fiscal 2009 Period and the timing of certain film payments.

Investing Activities

Our capital requirements have historically arisen principally in connection with acquisitions of theatres, new theatre construction, strategic partnerships, adding new screens to existing theatres, upgrading the Company's theatre facilities and replacing equipment. We fund the cost of capital

Table of Contents

expenditures through internally generated cash flows, cash on hand, proceeds from disposition of assets and financing activities.

During June 2011, we completed our deployment of 3D compatible digital projection systems across our circuit. We believe the installation of 3D digital projection systems and IMAX® theatres systems and the conversion of existing auditoriums to RPX_{SM} auditoriums allow us to offer our patrons premium 3D movies and large all-digital format experiences that we believe generate incremental revenue and cash flows for the Company. We are pleased with the benefits and future potential of digital cinema primarily as it relates to 3D film product and other 3D content and with the continued support of 3D and IMAX® film product by the major motion picture studios. As of December 29, 2011, we operated 4,721 screens outfitted with digital projection systems. We expect to outfit substantially all of our screens with digital projection systems by late 2012 or early 2013.

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. We currently expect capital expenditures (net of proceeds from asset sales) for theatre development, expansion, upgrading and replacements to return to more normalized levels and in the range of approximately $105.0 million to $120.0 million in fiscal year 2012, exclusive of acquisitions.

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"). After giving effect to the DCIP Contributions, the Company holds a 46.7% economic interest in DCIP as of December 29, 2011, while continuing to maintain a one-third voting interest along with each of AMC and Cinemark. Since the Company determined that it is not the primary beneficiary of DCIP or any of its subsidiaries, it will continue to account for its investment in DCIP under the equity method of accounting.

DCIP's initial financing described above, coupled with a second round of financing completed in March 2011 (which consisted of a new $220.0 million term loan facility), will cover the cost of conversion to digital projection for our entire circuit. DCIP funds the cost of conversion to digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors, including us. 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 from the effective date of the agreement through the end of the lease term and is, upon certain conditions described below, subject to incremental annual rent of $2,000 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. In the event that the junior capital raised by DCIP in the initial financing transactions remains outstanding at any time on or after the date that is six and a half years after the closing date of March

2010, the holders of the related notes will have the right to require the Company and other participating exhibitors to make incremental minimum rent payments of $2,000 per digital projection system per year through the earlier of the end of the lease term or until such notes are repaid. The Company considers both the $1,000 minimum rental and the incremental minimum rental payment of $2,000 per digital projection system to be minimum rents and accordingly has recorded such rents on a straight-line basis in its consolidated financial statements. 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 the fiscal years ended December 29, 2011 and December 30, 2010, the Company incurred total rent of approximately $7.4 million and $2.0 million, respectively, associated with the leased digital projection systems.

As described more fully in Note 4 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K, during the Fiscal 2011 Period, we received from National CineMedia approximately 0.6 million newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. This transaction caused a proportionate increase in the Company's Additional Investments Tranche and increased our ownership share in National CineMedia to 22.1 million common units. As a result, on a fully diluted basis, we own a 19.9% interest in NCM, Inc. as of December 29, 2011.

During the Fiscal 2011 Period, we announced the creation of Open Road Films. We believe that Open Road Films has a unique opportunity to fill a gap in the marketplace created by the major studios' big-budget franchise film strategy by marketing smaller budget films in a cost-effective manner which we believe will drive additional patrons to our theaters and generate a return on our capital investment. Open Road Films released its first film, *The Killer Elite*, in late September 2011 and its second film, *The Grey*, in January 2012 and expects to eventually distribute approximately eight to ten films per year. As of December 29, 2011, we have invested approximately $20.0 million in cash in Open Road Films and ultimately expect to invest up to $30.0 million in this joint venture. We account for our investment in Open Road Films using the equity method of accounting.

During the quarter ended December 29, 2011, the Company considered various factors pertaining to its investment in RealD, Inc. as part of its ongoing impairment review and determined that an other-than-temporary impairment existed as of December 29, 2011. Such determination was based primarily on the length (approximately six months) of time during which the fair value of the RealD, Inc. investment remained substantially below the recorded investment cost basis of approximately $19.40 per share, the severity of the decline during such period and the prospects of recovery of the investment to its original cost basis. As a result, the Company recorded a $13.9 million other-than-temporary impairment charge to write-down its cost basis in RealD, Inc. (1,222,780 shares) to fair value as of December 29, 2011. The fair value of RealD, Inc. common shares was based on the publicly traded common stock price of RealD, Inc. as of December 29, 2011 of $8.05 per share.

Net cash flows used in investing activities totaled approximately $101.1 million, $82.7 million and $110.5 million for the Fiscal 2011 Period, the Fiscal 2010 Period and the Fiscal 2009 Period, respectively. The $18.4 million increase in cash flows used in investing activities during the Fiscal 2011 Period, as compared to the Fiscal 2010 Period, was primarily attributable to the impact of net proceeds of approximately $66.0 million related to the sale of NCM, Inc.

common stock during the Fiscal 2010 Period, a $14.2 million reduction in proceeds from the disposition of assets during the Fiscal 2011 Period and incremental cash contributions to our various investments in non-consolidated entities during the Fiscal 2011 Period as compared to the Fiscal 2010 Period, partially offset by the impact of the $55.0 million acquisition of eight AMC theatres during the Fiscal 2010 Period, an $11.2 million reduction in capital expenditures during the Fiscal 2011 Period and $2.7 million in proceeds received in connection with a property insurance claim during the Fiscal 2011 Period. Contributing to the $27.8

Table of Contents

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.

Financing Activities

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

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

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

interest in the Collateral (as defined therein) used to secure the obligations under the Amended Senior Credit Facility.

As further described in Note 5 to the 2010 Audited Consolidated Financial Statements, on March 10, 2008, Regal issued $200.0 million aggregate principal amount of the $6^{1}/_{4}$% Convertible Senior

Table of Contents

Notes. Subsequent to the issuance of the $9^{1}/_{8}$%Senior Notes issued during fiscal 2010, the Company used a portion of the net proceeds from the offering to repurchase a total of approximately $125.3 million aggregate principal amount of the $6^{1}/_{4}$% Convertible Senior Notes, in a series of privately negotiated transactions. During March 2011, we redeemed the remaining $74.7 million aggregate principal amount of the $6^{1}/_{4}$% Convertible Senior Notes, at a redemption price of 100% of their principal amount, plus accrued interest.

As of December 29, 2011, we had approximately $998.5 million aggregate principal amount outstanding under the New Term Loans, $534.8 million aggregate principal amount outstanding (including premium) under the $9^{1}/_{8}$% Senior Notes and $392.7 million aggregate principal amount outstanding (net of debt discount) under the $8^{5}/_{8}$% Senior Notes. As of December 29, 2011, we had approximately $2.7 million outstanding in letters of credit, leaving approximately $82.3 million available for drawing under the Revolving Facility.

As of December 29, 2011, we are in full compliance with all agreements, including all related covenants, governing our outstanding debt obligations.

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. An upgrade or downgrade of the Company's debt ratings, depending on the extent, could affect the cost to borrow funds. There were no upgrades or downgrades to the Company's debt ratings that materially impacted our ability or cost to borrow funds during the fiscal year ended December 29, 2011.

During the Fiscal 2011 Period, Regal paid four quarterly cash dividends of $0.21 per share on each outstanding share of the Company's Class A and Class B common stock, or approximately $129.8 million in the aggregate. On February 13, 2012, 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, 2012, to stockholders of record on March 5, 2012. 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 $204.3 million, $299.5 million and $142.4 million for the Fiscal 2011 Period, the Fiscal 2010 Period and the Fiscal 2009 Period, respectively. The net decrease in cash flows used in financing activities during the Fiscal 2011 Period as compared to the Fiscal 2010 Period of $95.2 million was primarily attributable to a $197.3 million decrease in dividends paid to shareholders during the 2011 Fiscal Period as compared to the 2010 Fiscal Period, $53.9 million less cash used to redeem the Company's remaining $6^{1}/_{4}$% Convertible Senior Notes, the impact of $51.5 million cash used to redeem our $9^{3}/_{8}$% Senior Subordinated Notes (the "Senior Subordinated Notes") during the Fiscal 2010 Period, and lower debt acquisition costs during the Fiscal 2011 Period, partially offset by a $212.5 million of incremental net payments on long-term debt obligations (including the Amended Senior Credit Facility described above). 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 Period, $128.6 million used to repurchase a portion of the 6 1/4% Convertible Senior Notes during the Fiscal

Table of Contents

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.

EBITDA

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was approximately $405.3 million, $487.8 million and $510.3 million for the Fiscal 2011 Period, the Fiscal 2010 Period and the Fiscal 2009 Period, respectively. The decrease in EBITDA in the Fiscal 2011 Period from the Fiscal 2010 Period was primarily attributable to the impact of the gain on sale of NCM, Inc. common stock during the Fiscal 2010 Period, the impairment of our investment in RealD, Inc., and incremental losses from the Company's equity investment in Open Road Films included in "Other, net" during the Fiscal 2011 Period as compared to the Fiscal 2010 Period, partially offset by an increase in operating income for the Fiscal 2011 Period. The Company uses EBITDA as a supplemental liquidity measure because we find it useful to understand and evaluate our capacity, excluding the impact of interest, taxes, and non-cash depreciation and amortization charges, for servicing our debt, paying dividends and otherwise meeting our cash needs, prior to our consideration of the impacts of other potential sources and uses of cash, such as working capital items. We believe that EBITDA is useful to investors for these purposes as well. EBITDA should not be considered an alternative to, or more meaningful than, net cash provided by or used in operating activities, as determined in accordance with U.S. generally accepted accounting principles ("GAAP"), since it omits the impact of interest, taxes and changes in working capital that use or provide cash (such as receivables, payables and inventories) as well as the 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

Table of Contents

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 2011 Period	Fiscal 2010 Period	Fiscal 2009 Period
EBITDA	$ 405.3	$ 487.8	$ 510.3
Interest expense, net	(149.7)	(148.1)	(151.0)
Provision for income taxes	(17.7)	(48.7)	(61.9)
Deferred income taxes	41.3	(7.5)	(1.1)
Changes in operating assets and liabilities	(19.4)	(51.0)	44.1
Loss on extinguishment of debt	21.9	23.5	7.4
Gain on sale of NCM, Inc. common stock		(52.0)	
Impairment of investment in RealD, Inc.	13.9		
Other items, net	57.5	55.4	63.0
Net cash provided by operating activities	$ 353.1	$ 259.4	$ 410.8

Interest Rate Swaps

As described in Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K, During the Fiscal 2009 Period, Regal Cinemas entered into four hedging relationships via four distinct interest rate swap agreements with maturity terms of two to three years each from the respective effective dates of the swaps, which require Regal Cinemas to pay interest at fixed rates ranging from 2.15% to 2.53% and receive interest at a variable rate. These four interest rate swap agreements were designated to hedge $1,000.0 million of variable rate debt obligations at an effective rate 5.82% as of December 30, 2010. On September 30, 2011, one of our interest rate swaps designated to hedge $200.0 million of variable rate debt obligations matured. As a result, the Company's three interest rate swap agreements effective as of December 29, 2011 hedge an aggregate of $800.0 million of variable rate debt obligations at an effective rate of approximately 5.36%.

Under the terms of the Company's effective interest rate swap agreements as of December 29, 2011, Regal Cinemas pays interest at various fixed rates ranging from 2.22% 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 $800.0 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 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 three 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.

Table of Contents

During the quarter ended September 29, 2011, Regal Cinemas entered into an additional hedging relationship via a distinct interest rate swap agreement with an effective date of June 30, 2012 and a maturity term of three years from the effective date of the swap. The swap will require Regal Cinemas to pay interest at a fixed rate of 1.82% and receive interest at a variable rate. The interest rate swap is designated to hedge $200.0 million of variable rate debt obligations. In addition, during the quarter ended December 29, 2011, Regal Cinemas entered into an additional hedging relationship via a distinct interest rate swap agreement with an effective date of December 31, 2012 and a maturity term of three years from the effective date of the swap. The swap will require Regal Cinemas to pay interest at a fixed rate of 1.325% and receive interest at a variable rate. The interest rate swap is designated to hedge $100.0 million of variable rate debt obligations.

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 29, 2011, the Company's estimated contractual cash obligations and commercial commitments over the next several periods are as follows (in millions):

	Payments Due By Period				
	Total	**Current**	**13 - 36 months**	**37 - 60 months**	**After 60 months**
Contractual Cash Obligations:					
Debt obligations(1)	$ 1,944.3	$ 11.9	$ 26.8	$ 22.5	$ 1,883.1
Future interest on debt obligations(2)	828.3	126.5	243.8	236.6	221.4
Capital lease obligations, including	16.9	3.4	6.8	4.7	2.0

interest(3)									
Lease financing arrangements, including interest(3)		98.9		13.2		27.8		23.5	34.4
Purchase commitments(4)		68.2		46.0		22.2			
Operating leases(5)		3,190.8		366.2		705.3		640.6	1,478.7
FIN 48 liabilities(6)									
Other long term liabilities		0.8		0.3		0.5			
Total	$	6,148.2	$	567.5	$	1,033.2	$	927.9	$ 3,619.6

49

Table of Contents

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

(1)
These amounts are included on our consolidated balance sheet as of December 29, 2011. 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 $198.5 million of variable interest rate borrowings under the New Term Loans, $525.0 million outstanding under the 9 1/8% Senior Notes, $400.0 million outstanding under the 8 5/8% Senior Notes, and approximately $11.0 million of other debt obligations) are based on the stated fixed rate or in the case of the $198.5 million of variable interest rate borrowings under the New Term Loans, the current interest rate as of December 29, 2011 (3.37%). Future interest payments on the Company's hedged indebtedness as of December 29, 2011 (the remaining $800.0 million of borrowings under the New Term Loans) are based on (1) the applicable margin (as defined Note 5 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K) as of December 29, 2011 (3.00%) 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 29, 2011. Future interest payments are calculated based on interest rates implicit in the underlying leases, which have a weighted average interest rate of 11.26%, 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.

(4)
Includes estimated capital expenditures and investments to which we were committed as of December 29, 2011, including improvements associated with existing theatres, the construction of new theatres, the estimated cost of ADA related betterments and investments in non-consolidated entities.

(5)
We enter into operating leases in the ordinary course of business. Such lease agreements provide us with the option to renew the leases at defined or then fair value rental rates for various periods. Our future

operating lease obligations would change if we exercised these renewal options or if we enter into additional operating lease agreements. Our operating lease obligations are further described in Note 6 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

(6)
The table does not include approximately $17.3 million of recorded liabilities associated with unrecognized state tax benefits because the timing of the related payments was not reasonably estimable as of December 29, 2011.

(7)
In addition, as of December 29, 2011, Regal Cinemas had approximately $82.3 million available for drawing under the $85.0 million Revolving Facility. Regal Cinemas also maintains a sublimit within the Revolving Facility of $10.0 million for short-term loans and $30.0 million for letters of credit.

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

Table of Contents

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.

Table of Contents

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 New Term Loans bear interest, at Regal Cinemas' option, at either a base rate or an adjusted LIBOR rate or the base rate plus, in each case, an applicable margin.

Under the terms of the Company's effective interest rate swap agreements (which hedge an aggregate of $800.0 million of variable rate debt obligations as of December 29, 2011) 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 2.22% to 2.53% and receives interest at a variable rate based on the 3-month LIBOR.

As of December 29, 2011 and December 30, 2010, borrowings of $998.5 million and $1,232.5 million (net of debt discount), respectively, were outstanding under the New Term Loans at an effective interest rate of 4.96% (as of December 29, 2011) and 5.42% (as of December 30, 2010), after the impact of the interest rate swaps is taken into account. A hypothetical change of 10% in the Company's effective interest rate under the New Term Loans as of December 29, 2011, would increase or decrease interest expense by $5.0 million for the fiscal year ended December 29, 2011.

In addition, the Company is exposed to equity price risk associated with approximately 1.2 million shares of stock held in RealD, Inc. as described further in Note 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).

Table of Contents

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 29, 2011. 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 29, 2011.

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 29, 2011, 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)*

Table of Contents

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 29, 2011 and December 30, 2010, and the related consolidated statements of income, deficit and comprehensive income, and cash flows for each of the years in the three-year period ended December 29, 2011. We also have audited Regal Entertainment Group's internal control over financial reporting as of December 29, 2011, 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.

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 29, 2011 and December 30, 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 29, 2011, 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 29, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP
Knoxville, Tennessee
February 24, 2012

Table of Contents

REGAL ENTERTAINMENT GROUP

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	December 29, 2011	December 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 253.0	$ 205.3
Trade and other receivables	75.2	77.3
Income tax receivable	24.6	18.0
Inventories	14.8	14.7
Prepaid expenses and other current assets	14.1	15.9
Assets held for sale	0.6	1.2
Deferred income tax asset	21.2	14.1
TOTAL CURRENT ASSETS	403.5	346.5
PROPERTY AND EQUIPMENT:		
Land	124.8	129.7
Buildings and leasehold improvements	1,953.8	1,973.6
Equipment	965.7	984.1
Construction in progress	7.1	5.9
Total property and equipment	3,051.4	3,093.3
Accumulated depreciation and amortization	(1,503.2)	(1,402.8)
TOTAL PROPERTY AND EQUIPMENT, NET	1,548.2	1,690.5
GOODWILL	178.8	178.8
INTANGIBLE ASSETS, NET	20.8	22.2
DEFERRED INCOME TAX ASSET	17.3	81.2
OTHER NON-CURRENT ASSETS	172.7	173.4
TOTAL ASSETS	$ 2,341.3	$ 2,492.6
LIABILITIES AND DEFICIT		
CURRENT LIABILITIES:		
Current portion of debt obligations	$ 20.6	$ 95.8
Accounts payable	174.5	162.4
Accrued expenses	69.0	67.5
Deferred revenue	89.6	98.5
Interest payable	47.0	44.8
TOTAL CURRENT LIABILITIES	400.7	469.0
LONG-TERM DEBT, LESS CURRENT PORTION	1,925.0	1,897.7
LEASE FINANCING ARRANGEMENTS, LESS CURRENT PORTION	59.6	66.2
CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	11.1	13.3
NON-CURRENT DEFERRED REVENUE	348.0	342.4
OTHER NON-CURRENT LIABILITIES	169.4	195.7
TOTAL LIABILITIES	2,913.8	2,984.3
DEFICIT:		
Class A common stock, $0.001 par value; 500,000,000 shares authorized, 130,864,513 and 130,594,743 shares issued and outstanding at December 29, 2011 and December 30, 2010, respectively	0.1	0.1

Class B common stock, $0.001 par value; 200,000,000 shares authorized, 23,708,639 shares issued and outstanding at December 29, 2011 and December 30, 2010				
Preferred stock, $0.001 par value; 50,000,000 shares authorized; none issued and outstanding				
Additional paid-in capital (deficit)		(577.6)		(487.6)
Retained earnings		15.7		9.4
Accumulated other comprehensive loss, net		(9.1)		(12.2)
TOTAL STOCKHOLDERS' DEFICIT OF REGAL ENTERTAINMENT GROUP		(570.9)		(490.3)
Noncontrolling interest		(1.6)		(1.4)
TOTAL DEFICIT		(572.5)		(491.7)
TOTAL LIABILITIES AND DEFICIT	$	2,341.3	$	2,492.6

See accompanying notes to consolidated financial statements.

Table of Contents

REGAL ENTERTAINMENT GROUP

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except share and per share data)

	Year Ended December 29, 2011	Year Ended December 30, 2010	Year Ended December 31, 2009
REVENUES:			
Admissions	$ 1,842.6	$ 1,956.3	$ 1,991.6
Concessions	708.0	724.3	775.6
Other operating revenues	131.1	127.3	126.7
TOTAL REVENUES	2,681.7	2,807.9	2,893.9
OPERATING EXPENSES:			
Film rental and advertising costs	953.7	1,026.7	1,046.5
Cost of concessions	96.6	101.1	110.6
Rent expense	381.5	382.3	378.8
Other operating expenses	744.4	784.0	778.5
General and administrative expenses (including share-based compensation of $7.9, $8.4 and $5.9 for the years ended December 29, 2011, December 30, 2010 and December 31, 2009, respectively)	65.8	66.7	64.2
Depreciation and amortization	197.6	213.4	201.9
Net loss on disposal and impairment of operating assets and other	20.8	17.9	34.0
TOTAL OPERATING EXPENSES	2,460.4	2,592.1	2,614.5
INCOME FROM OPERATIONS	221.3	215.8	279.4
OTHER EXPENSE (INCOME):			
Interest expense, net	149.7	148.1	151.0
Loss on extinguishment of debt	21.9	23.5	7.4
Earnings recognized from NCM	(37.9)	(40.8)	(38.6)
Gain on sale of NCM, Inc. common stock		(52.0)	

Impairment of investment in RealD, Inc.		13.9				
Other, net		15.9		11.0		2.4
TOTAL OTHER EXPENSE (INCOME), NET		163.5		89.8		122.2
INCOME BEFORE INCOME TAXES		57.8		126.0		157.2
PROVISION FOR INCOME TAXES		17.7		48.7		61.9
NET INCOME		40.1		77.3		95.3
NONCONTROLLING INTEREST, NET OF TAX		0.2		0.3		0.2
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	$	40.3	$	77.6	$	95.5
EARNINGS PER SHARE OF CLASS A AND CLASS B COMMON STOCK (NOTE 12):						
Basic	$	0.26	$	0.51	$	0.62
Diluted	$	0.26	$	0.50	$	0.62
AVERAGE SHARES OUTSTANDING (in thousands):						
Basic		153,577		153,399		153,062
Diluted		154,556		154,517		154,092
Dividends declared per common share	$	0.84	$	2.12	$	0.72

See accompanying notes to consolidated financial statements.

Table of Contents

REGAL ENTERTAINMENT GROUP

CONSOLIDATED STATEMENTS OF DEFICIT AND COMPREHENSIVE INCOME

(in millions, except per share data)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital (Deficit)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit of Regal Entertainment Group	Noncontrolling Interest	Total Deficit
	Shares	**Amount**	**Shares**	**Amount**						
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
Tax benefits from exercise of stock options, vesting of restricted stock and other					(0.9)			(0.9)		(0.9)
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)
Comprehensive Income:										
Change in fair value of interest rate swap transactions, net of tax							8.0	8.0		8.0
Change in fair value of available for sale securities, net of tax							3.5	3.5		3.5
Other-than-temporary impairment of available for sale securities, net of tax (Note 13)							(8.4)	(8.4)		(8.4)
Net income attributable to controlling interest						40.3		40.3		40.3
Total comprehensive income										43.4
Noncontrolling interest adjustments									(0.2)	(0.2)
Share-based compensation expense					7.4			7.4		7.4
Exercise of stock options	0.1				0.4			0.4		0.4
Tax benefits from exercise of stock options, vesting of restricted stock and other	(0.1)				(2.0)			(2.0)		(2.0)
Issuance of restricted stock	0.3									
Cash dividends declared, $0.84 per share					(95.8)	(34.0)		(129.8)		(129.8)
Balances, December 29, 2011	130.9	$ 0.1	23.8	$	$ (577.6)	$ 15.7	$ (9.1)	$ (570.9)	$ (1.6)	$ (572.5)

See accompanying notes to consolidated financial statements.

Table of Contents

REGAL ENTERTAINMENT GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended December 29, 2011	Year Ended December 30, 2010	Year Ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 40.1	$ 77.3	$ 95.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	197.6	213.4	201.9
Amortization of debt discount and premium, net	0.1	5.9	4.6
Amortization of debt acquisition costs	4.0	6.9	8.9
Share-based compensation expense	7.9	8.4	5.9
Deferred income tax provision (benefit)	41.3	(7.5)	(1.1)
Net loss on disposal and impairment of operating assets and other	20.8	17.9	34.0
Impairment of investment in RealD, Inc.	13.9		
Equity in earnings of non-consolidated entities and other	10.8	5.8	(2.3)
Excess cash distribution on NCM shares	7.6	7.3	6.2
Gain on sale of NCM, Inc. common stock		(52.0)	
Proceeds from business interruption insurance claim	1.3		
Loss on extinguishment of debt	21.9	23.5	7.4
Non-cash rent expense	5.2	3.5	5.9
Changes in operating assets and liabilities (excluding effects of acquisition):			

Trade and other receivables	(9.2)	(21.4)	4.2
Inventories	(0.1)	(2.4)	(4.0)
Prepaid expenses and other assets	2.1	2.0	0.4
Accounts payable	12.1	(36.1)	36.5
Income taxes payable	13.0	1.8	6.1
Deferred revenue	(13.8)	(0.1)	(7.3)
Accrued expenses and other liabilities	(23.5)	5.2	8.2
NET CASH PROVIDED BY OPERATING ACTIVITIES	353.1	259.4	410.8
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(87.2)	(98.4)	(108.8)
Proceeds from disposition of assets	20.5	34.7	0.8
Proceeds from property insurance claim	2.7		
Net proceeds from sale of NCM, Inc. common stock		66.0	
Investment in non-consolidated entities	(37.0)	(29.9)	(2.5)
Cash used for acquisition		(55.0)	
Distributions to partnership	(0.1)	(0.1)	
NET CASH USED IN INVESTING ACTIVITIES	(101.1)	(82.7)	(110.5)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash used to pay dividends	(129.8)	(327.1)	(110.8)
Proceeds from stock option exercises	0.4	0.8	0.1
Proceeds from issuance of Regal Entertainment Group 9$^{1}/_{8}$% Senior Notes	261.3	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	(74.7)	(128.6)	
Cash used to redeem 9$^{3}/_{8}$% Senior Subordinated Notes		(51.5)	
Net payments on long-term	(254.2)	(29.2)	(402.7)

obligations						
Debt discount paid on Amended Senior Credit Facility				(12.5)		
Cash used to purchase treasury shares		(1.3)		(0.9)		(0.4)
Payment of debt acquisition costs		(6.1)		(25.6)		(18.8)
Excess tax benefits from share-based payment arrangements		0.1		0.1		
NET CASH USED IN FINANCING ACTIVITIES		(204.3)		(299.5)		(142.4)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		47.7		(122.8)		157.9
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		205.3		328.1		170.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	253.0	$	205.3	$	328.1
SUPPLEMENTAL CASH FLOW INFORMATION:						
Cash paid (refunded) for income taxes	$	(18.1)	$	68.8	$	39.8
Cash paid for interest	$	149.9	$	114.8	$	124.6
SUPPLEMENTAL NON-CASH INVESTING ACTIVITIES:						
Investment in NCM	$	10.4	$	5.9	$	7.0
Investment in DCIP	$		$	12.6	$	
Property and equipment acquired with debt	$		$	13.3	$	

See accompanying notes to consolidated financial statements.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 29, 2011, December 30, 2010 and December 31, 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 6,614 screens in 527 theatres in 37 states and the District of Columbia as of December 29, 2011. The Company formally operates on a 52-week fiscal year with each quarter generally consisting of 13 weeks, unless otherwise noted. The Company's fiscal year ends on the first Thursday after December 25, which in certain years (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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 29, 2011, 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 29, 2011 and December 30, 2010, the Company capitalized approximately $11.4 million and $9.3 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. The Company capitalizes 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 29, 2011 and December 30, 2010, included in property and equipment is $104.1 million and $104.3 million, respectively, of assets accounted for under capital leases and lease financing arrangements, before accumulated depreciation of $58.2 million and $53.3 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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 $17.9 million, $10.3 million and $15.3 million for the years ended December 29, 2011, December 30, 2010 and December 31, 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 such 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 the determination whether or not to exercise the renewal option. As a result, there are not sufficient economic incentives at the inception of the leases to consider the lease renewal options to be reasonably assured of being exercised and therefore, the initial base term is generally considered 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 29, 2011, December 30, 2010 and December 31, 2009, these rental costs have not been significant to our consolidated financial statements.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 29, 2011 and December 30, 2010 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 29, 2011 and December 30, 2010 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 29, 2011 and December 30, 2010, intangible assets totaled $32.5 million and $32.5 million, respectively, before accumulated amortization of $11.7 million and $10.3 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 in fiscal 2008, 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 was 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 29, 2011, December 30, 2010 and December 31, 2009, the Company recognized $1.4 million, $3.9 million and

$3.8 million of amortization, respectively, related to these intangible assets. The Company did not record an impairment of any intangible assets during the years ended December 29, 2011, December 30, 2010 and December 31, 2009. Estimated amortization

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expense for the next five fiscal years for such intangible assets as of December 29, 2011 is projected below:

	Projected amortization expense (in millions)	
2012	$	1.1
2013		1.1
2014		1.1
2015		1.1
2016		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 29, 2011 and December 30, 2010 were $36.0 million and $51.8 million, respectively, before accumulated amortization of $12.4 million and $19.4 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 29, 2011, the Company holds a 19.9% interest in National CineMedia, LLC ("National CineMedia"), a 46.7% interest in Digital Cinema Implementation Partners, LLC and a 50% interest in Open Road Films (each 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 29, 2011 was approximately $140.1 million.

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 equity prices for its investment in National CineMedia and RealD, Inc. 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

---

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

As described in Note 13 "Fair Value of Financial Instruments," during the quarter ended December 29, 2011, the Company considered various factors pertaining to its investment in RealD, Inc. as part of its ongoing impairment review and determined that an other-than-temporary impairment existed as of December 29, 2011. Such determination was based primarily on the length (approximately six months) of time during which the fair value of the RealD, Inc. investment remained substantially below the recorded investment cost basis of approximately $19.40 per share, the severity of the decline during such period and the prospects of recovery of the investment to its original cost basis. As a result, the Company recorded a $13.9 million other-than-temporary impairment charge to write-down its cost basis in RealD, Inc. (1,222,780 shares) to fair value as of December 29, 2011. The fair value of RealD, Inc. common shares was based on the publicly traded common stock price of RealD, Inc. as of December 29, 2011 of $8.05 per share.

There was no impairment of the Company's other investments during the years December 30, 2010 and December 31, 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," the Company applies 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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 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 and the amount we received for agreeing to the existing exhibitor services 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 29, 2011 and December 30, 2010, approximately $343.5 million and $339.2 million of deferred revenue related to

the ESA was recorded as a component of non-current deferred revenue in the accompanying consolidated balance sheets.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 the Company's theatres and earn concession or ticket awards based on the number of credits accumulated. Because the Company believes that the value of the awards granted to 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 the Regal Crown Club® loyalty program at the time the awards are earned. Historically, and for the years ended December 29, 2011, December 30, 2010 and December 31, 2009, the costs of these awards have not been significant to the Company's 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," we apply the provisions of ASC Subtopic 718-10, *Compensation Stock Compensation Overall*. 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.

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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 29, 2011, December 30, 2010 and December 31, 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 29, 2011, December 30, 2010 and December 31, 2009 was $43.4 million, $75.7 million and $95.1 million, respectively. Total comprehensive income consists of net income attributable to controlling interest and other comprehensive income, net of tax, related to the change in the aggregate unrealized gain/loss on the Company's interest rate swap arrangements and the change in fair value of available-for-sale equity securities (including other-than-temporary impairments) during each of the years ended December 29, 2011, December 30, 2010 and December 31, 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 2009 and 2010 consolidated financial statements to conform to the 2011 presentation.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

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 instruments. The Statement expands the current disclosure framework in SFAS No. 133. The Company adopted SFAS No. 161 during the year ended December 30, 2010. 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 became effective for the Company as of the beginning of fiscal 2011.

In June 2011, the FASB issued new guidance under ASC Topic 220, *Presentation of Comprehensive Income*, to amend the presentation of comprehensive income to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This guidance is effective for interim and annual periods beginning after December 15, 2011, and is to be applied retrospectively. Because this guidance impacts presentation only, it will have no effect on our financial condition,

results of operations or cash flows.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles Goodwill and Other (Topic 350) Testing Goodwill for Impairment* ("ASU 2011-08"), to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

required. ASU 2011-08 is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. The Company does not expect the adoption of ASU 2011-08 to have a material effect on its consolidated financial results.

3. ACQUISITIONS

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 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 final allocation of the aggregate cash purchase price to the estimated fair values of the identifiable assets acquired and liabilities assumed at the respective dates of acquisition (in millions):

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

The transaction included the acquisition of certain identifiable intangible assets, consisting of $14.4 million related to favorable leases with a weighted average amortization period of 35 years.

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 as Digital Cinema Implementation Partners, LLC, a Delaware limited liability company ("DCIP"), to create a financing model and establish agreements with major motion picture

studios for the implementation of digital cinema in our theatres. On March 10, 2010, DCIP executed definitive agreements and related financing transactions in connection with the conversion to digital projection. 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

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 were presented as a component of "Net loss on disposal and impairment of operating assets and other" 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 29, 2011, while continuing to maintain a one-third voting interest along with each of AMC and Cinemark. Since the Company determined that it is not the primary beneficiary of DCIP or any of its subsidiaries, it will continue to account for its investment in DCIP under the equity method of accounting. The Company's investment in DCIP is included as a component of "Other Non-Current Assets" in the accompanying consolidated balance sheets. Through December 31, 2009, the Company effected cumulative cash equity contributions totaling $8.0 million and recorded cumulative equity losses in DCIP of $7.3 million. The changes in the carrying amount of our investment in DCIP for the years ended December 29, 2011 and 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
Equity contributions(1)		17.4
Equity in loss of DCIP(2)		(1.2)
Balance as of December 29, 2011	$	48.3

(1)

During the year ended December 29, 2011, the Company effected additional cash investments in DCIP of approximately $17.4 million. 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 years ended December 29, 2011 and December 30, 2010, the Company recorded losses of $1.2 million and $11.0 million, respectively, representing its share of the net loss

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

of DCIP. Such amount is presented as a component of "Other, net" in the accompanying consolidated statements of income.

DCIP funds the cost of conversion to digital projection principally through the collection of virtual print fees from motion picture studios and equipment lease payments from participating exhibitors, including us. In accordance with the Master Lease, the digital projection systems are leased from Kasima, LLC under a twelve-year term with ten one-year fair value renewal options. The Master Lease also contains a fair value purchase option. Under the Master Lease, the Company pays annual minimum rent of $1,000 per digital projection system from the effective date of the agreement through the end of the lease term and is, upon certain conditions described below, subject to incremental annual rent of $2,000 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. In the event that the junior capital raised by DCIP in the initial financing transactions remains outstanding at any time on or after the date that is six and a half years after the closing date of March 2010, the holders of the related notes will have the right to require the Company and other participating exhibitors to make incremental minimum rent payments of $2,000 per digital projection system per year through the earlier of the end of the lease term or until such notes are repaid. The Company considers both the $1,000 minimum rental and the incremental minimum rental payment of $2,000 per digital projection system to be minimum rents and accordingly has recorded such rents on a straight-line basis in its consolidated financial statements. 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 the years ended December 29, 2011 and December 30, 2010, the Company incurred total rent of approximately $7.4 million and $2.0 million, respectively, associated with the leased digital projection systems.

During June 2011, we completed our deployment of 3D compatible digital projection systems to theatres across our circuit. The Company has accelerated depreciation of its owned 35mm film projection equipment that is scheduled to be replaced with leased digital projection systems, with such depreciation occurring over the expected deployment schedule since the Company plans to dispose of such equipment prior to the end of its useful life. To that end, during the years ended December 29, 2011 and December 30, 2010, the Company recorded approximately $7.5 million and $18.9 million, respectively, of accelerated depreciation related to such 35mm film projection equipment. As of December 29, 2011, we operated 4,721 screens outfitted with digital projection systems, 2,784 of which are digital 3D capable.

Summarized unaudited consolidated statement of operations information for DCIP for the years ended December 31, 2011 and 2010 is as follows (in millions):

	Year Ended December 31, 2011	Year Ended December 31, 2010
Net revenues	$ 113.4	$ 32.4
Income from operations	70.5	12.8
Net loss	(2.5)	(24.5)

73

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

Summarized unaudited consolidated balance sheet information for DCIP as of December 31, 2011 and 2010 is as follows (in millions):

	December 31, 2011	December 31, 2010
Current assets	$ 33.0	$ 19.6
Noncurrent assets	1,054.8	512.5
Total assets	1,087.8	532.1
Current liabilities	34.1	39.8
Noncurrent liabilities	963.6	428.4
Total liabilities	997.7	468.2
Members' equity	90.1	63.9
Liabilities and members' equity	1,087.8	532.1

Investment in National CineMedia, LLC

We maintain an investment in National CineMedia, LLC ("National CineMedia" or "NCM"). National CineMedia primarily concentrates on in-theatre advertising for its theatrical exhibition partners, which includes us, AMC and Cinemark.

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. 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. 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.

As a result of the transactions associated with the IPO, the Company reduced its investment in National CineMedia to zero. Accordingly, 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

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.

In connection with the completion of the IPO, the joint venture partners, including RCI, amended and restated their exhibitor services agreements with National CineMedia in exchange for a significant portion of its pro rata share of the IPO proceeds. The modification extended the term of the exhibitor services agreement ("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 $972 for fiscal 2011). 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.

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.

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 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

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 29, 2011, the Company received from National CineMedia approximately 5.1 million newly issued common units of National CineMedia ("Additional Investments Tranche") as a result of the 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 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

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 29, 2011 with respect to NCM, Inc.'s 2009 and 2010 taxable years. During the year ended December 30, 2010, the Company received payments of $7.0 million with respect to NCM, Inc.'s 2008 and 2009 taxable years. Finally, during the year ended December 31, 2009, the Company received payments of $5.7 million with respect to NCM, Inc.'s 2008 taxable year. Such payments are accounted for using the equity method as described further below.

The Company accounts for its investment in National CineMedia following the equity method of accounting and such investment is included as a component of "Other Non-Current Assets" in the consolidated balance sheets. Below is a summary of activity with National CineMedia included in the

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

Company's consolidated financial statements as of and for the years ended December 29, 2011, December 30, 2010 and December 31, 2009 (in millions):

	As of the period ended				For the period ended		
	Investment in NCM	Deferred Revenue	Due to NCM	Cash Received (Paid)	Earnings recognized from NCM	Other NCM Revenues	Gain on sale of NCM, Inc. common stock
Balance as of and for the period ended January 1, 2009	$ 73.1	$ (341.2)	$ (6.7)	$ 42.6	$ (32.9)	$ (14.3)	$
Receipt of additional common units(1)	7.0	(7.0)					
Payments to NCM for Consolidated screen integration(1)			2.6	(3.2)			
Receipt of excess cash distributions(2)	(5.4)			33.9	(28.5)		
Receipt under tax receivable agreement(2)	(0.8)			5.7	(4.9)		
Revenues earned under ESA(3)				8.9		(8.9)	
Amortization of deferred revenue(4)		4.1				(4.1)	
Equity in earnings attributable to additional common units(5)	5.2				(5.2)		
Balance as of and for the period ended December 31, 2009	$ 79.1	$ (344.1)	$ (4.1)	$ 45.3	$ (38.6)	$ (13.0)	$
Receipt of additional common units(1)	5.9	(5.9)					
Payments to NCM for Consolidated screen integration(1)		0.8	2.8	(3.9)			
Receipt of excess cash distributions(2)	(6.3)			36.0	(29.7)		
Receipt under tax receivable agreement(2)	(1.1)			7.0	(5.9)		
				8.1		(8.1)	

Revenues earned under ESA(3)							
Amortization of deferred revenue(4)		4.8				(4.8)	
Equity in earnings attributable to additional common units(5)	5.4				(5.4)		
Redemption/sale of NCM stock(6)	(14.0)			66.0			(52.0)
Change in interest loss	(0.2)				0.2		
Balance as of and for the period ended December 30, 2010	$ 68.8	$ (344.4)	$ (1.3)	$ 113.2	$ (40.8)	$ (12.9)	$ (52.0)
Receipt of additional common units(1)	10.4	(10.4)					
Payments to NCM for Consolidated screen integration(1)			1.3	(1.9)			
Receipt of excess cash distributions(2)	(6.4)			33.3	(26.9)		
Receipt under tax receivable agreement(2)	(1.2)			7.0	(5.8)		
Revenues earned under ESA(3)				9.4		(9.4)	
Amortization of deferred revenue(4)		5.3				(5.3)	
Equity in earnings attributable to additional common units(5)	5.2				(5.2)		
Balance as of and for the period ended December 29, 2011	$ 76.8	$ (349.5)	$	$ 47.8	$ (37.9)	$ (14.7)	$

(1) On March 17, 2011, March 17, 2010 and March 17, 2009, we received from National CineMedia approximately 0.6 million, 0.3 million and 0.5 million, respectively, newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. The Company recorded the additional common units (Additional Investments Tranche) at fair value using the

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

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 to its investment in National CineMedia (along with corresponding increases to deferred revenue) of $10.4 million, $5.9 million and $7.0 million during the years ended December 29, 2011, December 30, 2010 and December 31, 2009, respectively. Such deferred revenue amounts are being amortized to advertising revenue over the remaining term of the ESA between RCI and National CineMedia following the units of revenue method as described in (4) below. These transactions caused a proportionate increase in the Company's Additional Investments Tranche and increased our ownership share in National CineMedia to 22.1 million common units. As a result, on a fully diluted basis, we own a 19.9% interest in NCM, Inc. as of December 29, 2011.

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 the screen integration payment was approximately $8.0 million and was accrued by the Company during 2008. 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 was reflected in interest expense over the life of the related obligation.

(2)
During the years ended December 29, 2011, December 30, 2010 and December 31, 2009, the Company received $40.3 million, $43.0 million, $39.6 million, respectively, in cash distributions from National CineMedia (including payments received under the tax receivable agreement). Approximately $7.6 million, $7.4 million and $6.2 million of these cash distributions received during the years ended December 29, 2011, December 30, 2010 and December 31, 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 components of "Earnings recognized from NCM" in the accompanying consolidated financial statements.

(3)

The Company recorded other revenues, excluding the amortization of deferred revenue, of approximately $9.4 million, $8.1 million and $8.9 million for the years ended December 29, 2011, December 30, 2010 and December 31, 2009, respectively, pertaining to our agreements with National CineMedia, including per patron and per digital screen theatre access fees (net of payments $14.2 million, $14.3 million and $14.8 million for the years ended December 29, 2011, December 30, 2010 and December 31, 2009, respectively) for on-screen advertising time provided to our beverage concessionaire and other NCM revenue. These advertising revenues are presented as a component of "Other operating revenues" in the Company's consolidated financial statements.

(4)
Amounts represent amortization of ESA modification fees received from NCM to advertising revenue utilizing the units of revenue amortization method. These advertising revenues are presented as a component of "Other operating revenues" in the Company's consolidated financial statements.

(5)
Amounts represent the Company's share in the net income of National CineMedia with respect to the Additional Investments Tranche. Such amounts have been included as a component of "Earnings recognized from NCM" in the consolidated financial statements.

(6)
During the quarter ended September 30, 2010, we redeemed 4.3 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 (including underwriter over-allotments) for $16.00 per share, reducing our investment in National CineMedia by $14.0 million, the average carrying amount of the shares sold. We received approximately $66.0 million in proceeds after deducting related fees and expenses payable by us, resulting in a gain on sale of $52.0 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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

4. INVESTMENTS (Continued)

As of December 29, 2011, approximately $1.9 million and $2.0 million due from/to National CineMedia were included in "Trade and other receivables, net" and "Accounts payable," respectively. As of December 30, 2010, approximately $2.1 million and $1.6 million due from/to National CineMedia were included in "Trade and other receivables, net" and "Accounts payable," respectively.

Summarized unaudited consolidated statement of operations information for National CineMedia for the years ended December 30, 2010, December 31, 2009 and January 1, 2009 is as follows (in millions):

	Year Ended December 30, 2010	Year Ended December 31, 2009	Year Ended January 1, 2009
Revenues	$ 427.5	$ 380.7	$ 369.5
Income from operations	190.6	168.2	173.2
Net income	139.5	128.5	95.3

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

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

As of the date of this Form 10-K, no summarized financial information for National CineMedia was available for the year ended December 29, 2011.

Other Investments

During the year ended December 29, 2011, the Company announced the creation of Open Road Films, a new film distribution company jointly owned with AMC. The Company's cumulative cash investment in Open Road Films totaled approximately $20.0 million as of December 29, 2011. The Company accounts for its investment in Open Road Films following the equity method of accounting. For the year ended December 29, 2011, the Company recorded a loss of approximately $14.8 million, representing its share of the net loss of Open Road Films. The carrying value of the Company's investment in Open Road Films as of December 29, 2011 was approximately $5.2 million and is included in the consolidated balance sheet as a component of "Other Non-Current Assets."

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 29, 2011 was approximately $9.8 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., including an other-than-temporary impairment charge of $13.9 million recorded during the quarter ended December 29, 2011. The Company has recorded this investment within "Other Non-Current Assets."

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS

Debt obligations at December 29, 2011 and December 30, 2010 consist of the following (in millions):

	December 29, 2011		December 30, 2010	
Regal Cinemas Amended Senior Credit Facility, net of debt discount	$	998.5	$	1,232.5
Regal $9^{1}/_{8}$% Senior Notes, including premium		534.8		275.0
Regal Cinemas $8^{5}/_{8}$% Senior Notes, net of debt discount		392.7		391.7
Regal $6^{1}/_{4}$% Convertible Senior Notes, net of debt discount				74.4
Lease financing arrangements, weighted average interest rate of 11.26% maturing in various installments through January 2021		66.0		71.5
Capital lease obligations, 8.5% to 10.3%, maturing in various installments through December 2017		13.3		15.4
Other		11.0		12.5
Total debt obligations		2,016.3		2,073.0
Less current portion		20.6		95.8
Total debt obligations, less current portion	$	1,995.7	$	1,977.2

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 amended, restated and refinanced the fifth amended and restated credit agreement (the "Prior Senior Credit Facility") among Regal Cinemas, Credit Suisse, Cayman Islands Branch, and the lenders party thereto. The Amended Senior Credit Facility consisted of a term loan facility (the "Term Facility") in an aggregate principal amount of $1,250.0 million with a final maturity date in November 2016 and a revolving credit facility (the "Revolving Facility") in an aggregate principal amount of $85.0 million with a final maturity date in May 2015. 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 during the year ended December 30, 2010.

On February 23, 2011, Regal Cinemas entered into a permitted secured refinancing agreement (the "Refinancing Agreement") with Regal, the Guarantors, Credit Suisse, and the Lenders, which amended and refinanced 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS (Continued)

(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 amended 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. 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. The Refinancing Agreement also amended the Second Amended and Restated Guaranty and Collateral Agreement, dated May 19, 2010, to exclude Margin Stock (as such term is defined therein) from the grant of the security interest in the Collateral (as such term is defined therein) used to secure the obligations under the Amended Senior Credit Facility.

As described below, in connection with the additional offerings of the Company's 9$^{1}/_{8}$% Senior Notes (defined below) during the year ended December 29, 2011, the Company used a portion of the net proceeds to repay approximately $234.6 million of the Amended Senior Credit Facility. As a result of this repayment, coupled with the execution of the Refinancing Agreement, the Company recorded an aggregate loss on extinguishment of debt of approximately $21.9 million during the year ended December 29, 2011.

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.

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 Amended Senior Credit 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);

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS (Continued)

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 Amended Senior Credit Facility. When there are no longer outstanding loans under the Amended Senior Credit 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.

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.

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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS (Continued)

As of December 29, 2011 and December 30, 2010, borrowings of $998.5 million and $1,232.5 million (net of debt discount), respectively, were outstanding under the New Term Loans at an effective interest rate of 4.96% (as of December 29, 2011) and 5.42% (as of December 30, 2010), after the impact of the interest rate swaps described below is taken into account.

Regal 9¹/₈% Senior Notes On August 10, 2010, Regal entered into an Underwriting Agreement with Credit Suisse Securities (USA) LLC, Barclays Capital Inc., Banc of America Securities LLC and Deutsche Bank Securities Inc., as the 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 9¹/₈% Senior Notes due 2018 (the "9¹/₈% Senior Notes"). On August 16, 2010, the Company issued the 9¹/₈% Senior Notes under the Indenture with Wells Fargo Bank, National Association, as trustee (the "Trustee"). The net proceeds from the offering, after deducting offering expenses paid by the Company, were approximately $269.5 million. The Company used a portion of the net proceeds from the offering to repurchase a portion of the 6¹/₄% Convertible Senior Notes as described below under the heading "Regal 6¹/₄% Convertible Senior Notes."

On January 4, 2011, Regal issued and sold $150.0 million in aggregate principal amount of the Company's 9¹/₈% Senior Notes at a price equal to 104.5% of their face value. The notes were issued under an existing Indenture entered into by and between the Company and the Trustee, as supplemented by the First Supplemental Indenture, dated January 7, 2011. In addition, on February 10, 2011, Regal issued and sold $100.0 million in aggregate principal amount of the Company's 9¹/₈% Senior Notes at a price equal to 104.5% of their face value. The notes were issued on February 15, 2011 under an existing Indenture entered into by and between the Company and the Trustee, as supplemented by the First Supplemental Indenture, and the Second Supplemental Indenture, dated February 15, 2011. The notes issued in 2011 constitute additional securities under the existing Indenture and are treated as a single series with, and have the same terms as, and will be fungible with, the $275.0 million aggregate principal amount of the Company's 9¹/₈% Senior Notes previously issued under the Indenture in 2010. The net proceeds from the 2011 offerings, after deducting underwriting discounts and commissions by the Company, were approximately $257.8 million. The Company used the net proceeds to repay approximately $234.6 million of the Amended Senior Credit Facility and for general corporate purposes.

The 9¹/₈% 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 9¹/₈% Senior Notes mature on August 15, 2018. The 9¹/₈% 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 9¹/₈% 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS (Continued)

to 35% of the original aggregate principal amount of the $9^1/_8$% Senior Notes from the net proceeds of certain equity offerings at the redemption price specified in the Indenture.

If the Company undergoes a change of control (as defined in the Indenture), holders may require the Company to repurchase all or a portion of their $9^1/_8$% Senior Notes at a price equal to 101% of the principal amount of the $9^1/_8$% Senior Notes being repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

The Indenture contains covenants that limit the Company's (and its restricted subsidiaries') ability to, among other things: (i) incur additional indebtedness; (ii) pay dividends on or make other distributions in respect of its capital stock, purchase or redeem capital stock, or purchase, redeem or otherwise acquire or retire certain subordinated obligations; (iii) enter into certain transactions with affiliates; (iv) permit, directly or indirectly, it to create, incur, or suffer to exist any lien, except in certain circumstances; (v) create or permit encumbrances or restrictions on its ability to pay dividends or make distributions on its capital stock, make loans or advances to its subsidiaries (or the Company), or transfer any properties or assets to its subsidiaries (or the Company); and (vi) merge or consolidate with other companies or transfer all or substantially all of its assets. These covenants are, however, subject to a number of important limitations and exceptions. The Indenture contains other customary terms, including, but not limited to, events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding $9^1/_8$% Senior Notes to be due and payable immediately.

Regal Cinemas $8^5/_8$% 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 January 15 and July 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 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. 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 "Note Guarantors"). The guarantees of the 8 5/8% Senior Notes are the Note Guarantors' general senior unsecured obligations and rank

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS (Continued)

equally in right of payment with all of the Note Guarantors' existing and future senior unsecured indebtedness, including the 9$^{1}/_{8}$% Senior Notes and rank senior in right of payment to all of the Note Guarantors' existing and future subordinated indebtedness. The 8$^{5}/_{8}$% Senior Notes are effectively subordinated to all of the Note Guarantors' existing and future secured indebtedness, including the guarantees under the Amended Senior Credit Facility, to the extent of the value of the collateral securing such indebtedness, and are structurally subordinated to all existing and future indebtedness and other liabilities of any of the Note Guarantors' subsidiaries that is not a guarantor of the 8$^{5}/_{8}$% Senior Notes.

Regal 6$^{1}/_{4}$% Convertible Senior Notes On March 10, 2008, Regal issued $200.0 million aggregate principal amount of 6$^{1}/_{4}$% convertible senior notes due March 15, 2011 (the "6$^{1}/_{4}$% Convertible Senior Notes").

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 extinguishment of debt during year ended December 30, 2010. During March 2011, we redeemed the remaining $74.7 million aggregate principal amount of the 6$^{1}/_{4}$% Convertible Senior Notes at a redemption price of 100% of their principal amount, plus accrued interest.

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 resulted in incremental non-cash interest expense. During the years ended December 29, 2011, December 30, 2010 and December 31, 2009, the Company recorded approximately $0.3 million, $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 $1.0 million, $10.1 million and $12.5 million, respectively.

Interest Rate Swaps

During the year ended December 31, 2009, Regal Cinemas entered into four hedging relationships via four distinct interest rate swap agreements with maturity terms of two to three years each from the respective effective dates of the swaps, which require Regal Cinemas to pay interest at fixed rates ranging from 2.15% to 2.53% and receive interest at a variable rate. These four interest rate swap agreements were designated to hedge $1,000.0 million of variable rate debt obligations at an effective rate 5.82% as of December 30, 2010. On September 30, 2011, one of the interest rate swaps designated to hedge $200.0 million of variable rate debt obligations matured. As a result, the

Company's three interest rate swap agreements effective as of December 29, 2011 hedge an aggregate of $800.0 million of variable rate debt obligations at an effective rate of approximately 5.36%.

Under the terms of the Company's effective interest rate swap agreements as of December 29, 2011, Regal Cinemas pays interest at various fixed rates ranging from 2.22% to 2.53% and receives

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS (Continued)

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 $800.0 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 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 three 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.

During the quarter ended September 29, 2011, Regal Cinemas entered into an additional hedging relationship via a distinct interest rate swap agreement with an effective date of June 30, 2012 and a maturity term of three years from the effective date of the swap. The swap will require Regal Cinemas to pay interest at a fixed rate of 1.82% and receive interest at a variable rate. The interest rate swap is designated to hedge $200.0 million of variable rate debt obligations. In addition, during the quarter ended December 29, 2011, Regal Cinemas entered into an additional hedging relationship via a distinct interest rate swap agreement with an effective date of December 31, 2012 and a maturity term of three years from the effective date of the swap. The swap will require Regal Cinemas to pay interest at a fixed rate of 1.325% and receive interest at a variable rate. The interest rate swap is designated to hedge $100.0 million of variable rate debt obligations.

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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

5. DEBT OBLIGATIONS (Continued)

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)		
2012	$ 11.9	$ 3.4	$ 13.2	$ 28.5
2013	12.1	3.4	13.9	29.4
2014	14.7	3.4	13.9	32.0
2015	12.4	2.4	12.2	27.0
2016	10.1	2.3	11.3	23.7
Thereafter	1,883.1	2.0	34.4	1,919.5
Less: debt discount	(7.3)			(7.3)
Less: interest on capital leases and lease financing arrangements		(3.6)	(32.9)	(36.5)
Totals	$ 1,937.0	$ 13.3	$ 66.0	$ 2,016.3

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 29, 2011, are summarized for the following fiscal years (in millions):

2012	$ 366.2
2013	357.1
2014	348.2
2015	331.6
2016	309.0
Thereafter	1,478.7
Total	$ 3,190.8

Rent expense under such operating leases amounted to $381.5 million, $382.3 million and $378.8 million for the years ended December 29, 2011, December 30, 2010 and December 31, 2009, respectively. Contingent rent expense was $20.4 million, $22.4 million and $22.3 million for the years ended December 29, 2011, December 30, 2010 and December 31, 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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

6. LEASES (Continued)

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 29, 2011, 11 theatres were subject to the sale leaseback transaction and approximately $26.9 million in principal amount of pass-through certificates were outstanding.

7. INCOME TAXES

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

	Year ended December 29, 2011	Year ended December 30, 2010	Year ended December 31, 2009
Federal:			
Current	$ (21.3)	$ 41.4	$ 51.3
Deferred	44.0	0.4	0.4
Total Federal	22.7	41.8	51.7
State:			
Current	(2.3)	14.8	11.7
Deferred	(2.7)	(7.9)	(1.5)
Total State	(5.0)	6.9	10.2
Total income tax provision	$ 17.7	$ 48.7	$ 61.9

During the years ended December 29, 2011, December 30, 2010 and December 31, 2009, a current tax benefit of $0.4 million, $0.7 million and $0.3 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 29, 2011	Year ended December 30, 2010	Year ended December 31, 2009
Provision calculated at federal statutory income tax rate	$ 20.2	$ 44.1	$ 55.0
State and local income taxes, net of federal benefit	(3.3)	5.8	7.2
Federal hiring credits	(1.1)	(0.3)	(0.3)
Other	1.9	(0.9)	
Total income tax provision	$ 17.7	$ 48.7	$ 61.9

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

7. INCOME TAXES (Continued)

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

	December 29, 2011	December 30, 2010
Deferred tax assets:		
Net operating loss carryforward	$ 35.9	$ 35.8
Excess of tax basis over book basis of intangible assets	11.0	21.3
Deferred revenue	139.5	137.6
Deferred rent	52.7	52.2
Other	25.5	26.9
Total deferred tax assets	264.6	273.8
Valuation allowance	(16.0)	(15.6)
Total deferred tax assets, net of valuation allowance	248.6	258.2
Deferred tax liabilities:		
Excess of book basis over tax basis of fixed assets	(61.4)	(79.5)
Excess of book basis over tax basis of investments	(146.9)	(81.4)
Other	(1.8)	(2.0)
Total deferred tax liabilities	(210.1)	(162.9)
Net deferred tax asset	$ 38.5	$ 95.3

At December 29, 2011, the Company had net operating loss carryforwards for federal income tax purposes of approximately $61.6 million with expiration commencing in 2018 and tax credit carryforwards for federal income tax purposes of approximately $0.8 million expiring in 2031. 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 maintains a valuation allowance against deferred tax assets of $16.0 million and $15.6 million as of December 29, 2011 and December 30, 2010, 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 ended December 29, 2011, the valuation allowance was increased by $1.0 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 29, 2011 would not be realized. Also during the year ended

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

7. INCOME TAXES (Continued)

December 29, 2011, the valuation allowance was decreased by $0.6 million primarily related to the realization of certain state net operating losses created in years ended before December 29, 2011.

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 29, 2011 and December 30, 2010 was as follows (in millions):

	Year Ended December 29, 2011	Year Ended December 30, 2010
Beginning balance	$ 29.7	$ 30.2
Decreases related to prior year tax positions	(3.0)	
Increases related to current year tax positions	0.1	1.6
Lapse of statute of limitations	(5.0)	(2.1)
Ending balance	$ 21.8	$ 29.7

Exclusive of interest and penalties, it is reasonably possible that gross unrecognized tax benefits associated with state tax positions will decrease between $8.0 million and $8.5 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 29, 2011 and December 30, 2010, were $12.4 million and $17.6 million, respectively. Additionally, the total net unrecognized tax benefits that would result in an increase to the valuation allowance if recognized at December 29, 2011 and December 30, 2010 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 29, 2011 and December 30, 2010, the Company has accrued gross interest and penalties of approximately $3.6 million and $6.9 million, respectively. The total amount of interest and penalties recognized in the statement of income for the years ended December 29, 2011, December 30, 2010 and December 31, 2009 was $(0.8) million, $1.1 million and $3.1 million, respectively.

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 2008, and with limited exceptions, is not subject to state income tax examinations for years before 2007. 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.

As further described Note 4 "Investments," the Company maintains an investment in National CineMedia, a pass-through entity for federal income tax purposes. The Internal Revenue Service ("IRS") is currently examining National CineMedia's 2007 and 2008 income tax returns and, as of December 29, 2011, has proposed an adjustment related to agreements entered into in conjunction with NCM Inc.'s IPO. Management is currently evaluating the proposed adjustment but does not anticipate the adjustment would result in a material change to the Company's results of operations or financial position. The Company believes that it is reasonably possible that an increase in unrecognized tax

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

7. INCOME TAXES (Continued)

benefits related to this position may be necessary within the next twelve months, however the amount of such unrecognized tax benefits is not reasonably estimable as of December 29, 2011.

8. LITIGATION AND CONTINGENCIES

The Company is presently involved in various judicial, administrative, regulatory and arbitration proceedings concerning matters arising in the ordinary course of business operations, including but not limited to, personal injury claims, landlord-tenant disputes, employment and other contractual matters, some of which are described below. Many of these proceedings are at preliminary stages, and many of these cases seek an indeterminate amount of damages.

With respect to certain matters described herein, management has estimated the upper end of the range of reasonably possible loss to be approximately $2.5 million. Under ASC Topic 450, *Contingencies Loss Contingencies*, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." Thus, references to the upper end of the range of reasonably possible loss for cases in which the Company is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the Company believes the risk of loss is more than slight.

Management is unable to estimate a range of reasonably possible loss for cases described below in which damages have not been specified and (i) the proceedings are in early stages, (ii) there is uncertainty as to the likelihood of a class being certified or the ultimate size of the class, (iii) there is uncertainty as to the outcome of pending appeals or motions, (iv) there are significant factual issues to be resolved, and/or (v) there are novel legal issues presented. However, for these cases, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on the Company's financial condition, though the outcomes could be material to the Company's operating results for any particular period, depending, in part, upon the operating results for such period.

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

In prior years, private litigants and the Department of Justice ("DOJ") had filed claims against the Company alleging that a number of 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. From time

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

8. LITIGATION AND CONTINGENCIES (Continued)

to time, the Company receives claims that the stadium seating offered by theatres allegedly violates the ADA. In these instances, the Company seeks to resolve or dismiss these claims based on the terms of the DOJ settlement or under applicable ADA standards.

The Company believes that it is in substantial compliance with all current applicable regulations relating to accommodations for the disabled. The Company intends to comply with future regulations in this regard and except as set forth above, does not currently anticipate that compliance will require the Company to expend substantial funds.

In addition, from time to time, the Company receives letters from the state officials in states where we operate theatres regarding investigation into the accessibility of theatres to persons with visual impairments or that are deaf or hard of hearing. 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 open captioning may not be required by the ADA. However, by so stating, the DOJ has implied that closed captioning may be required. The Company believes it provides the members of the visually and hearing impaired communities with reasonable access to the movie-going experience but has announced its intention to deploy new digital captioning and descriptive video systems during 2012 and 2013 that should meet all such potential requirements or expectations of any federal, state or individual concerns. The Company expects the capital outlay with respect to these systems to be approximately $11.5 million.

The Company's 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.

In situations where management believes that a loss arising from such proceedings is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range and no amount within the range is more probable than another. As additional information becomes available, any potential liability related to these proceedings is assessed and the estimates are revised, if necessary. The amounts reserved for such proceedings (primarily landlord-tenant disputes) totaled approximately $8.2 million as of December 29, 2011. Management believes any additional liability with respect to these claims and disputes will not be material in the aggregate to the Company's consolidated financial position, results of operations or cash flows.

The Company has entered into employment contracts (the "employment contracts)," with four of its current executive officers, Ms. Miles and Messrs. 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

8. LITIGATION AND CONTINGENCIES (Continued)

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 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. Dunn, Ownby and Brandow, in the aggregate, if such executives were terminated (in the event of a change of control) would be approximately $9.4 million.

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.

On December 20, 2011, Michael L. Campbell resigned from his position as Executive Chairman of the Company, effective December 28, 2011. Mr. Campbell will continue to serve as a member of the Board of Directors of the Company (the "Board") and has transitioned to a non-executive role as Chairman of the Board of the Company. In connection with his resignation, Mr. Campbell and the Company terminated the Amended and Restated Executive Employment Agreement, dated May 5, 2009, by and between the Company and Mr. Campbell, and entered into a Separation and General Release Agreement, dated December 20, 2011 (the "Agreement"), as described below.

94

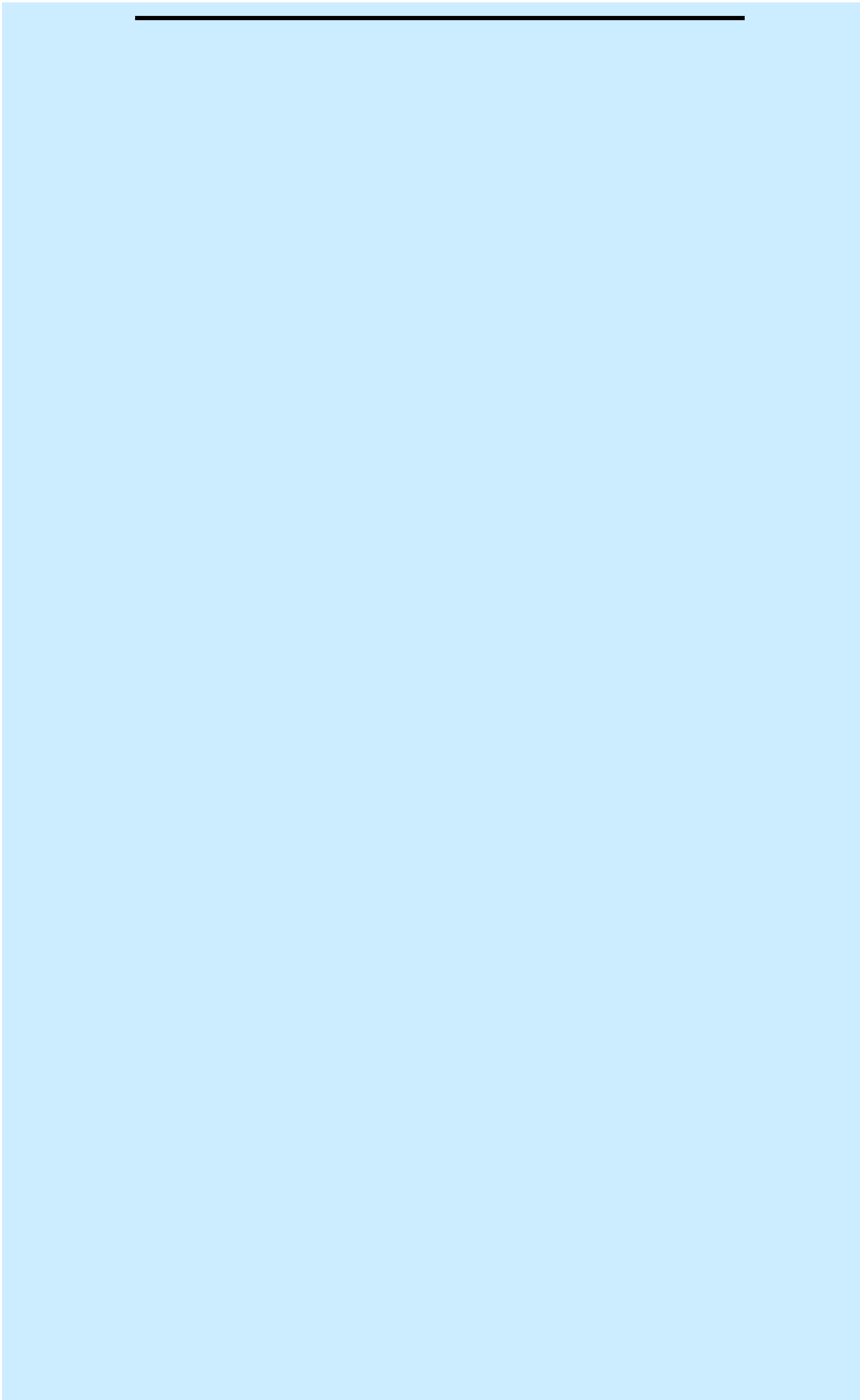

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

8. LITIGATION AND CONTINGENCIES (Continued)

Under the Agreement, the Company paid Mr. Campbell his base salary through December 28, 2011 and his annual bonus for fiscal 2011 in the amount of $800,000. In exchange for his continuing service as Chairman of the Board, the Company will also pay Mr. Campbell a $100,000 annual cash retainer and make annual grants to him of restricted shares of Class A common stock of the Company having, at the time of grant, a fair market value of $200,000. In addition, Mr. Campbell's unvested equity awards, comprised of 122,916 unvested restricted shares and 169,682 unvested performance shares as of December 29, 2011, remained outstanding. Mr. Campbell will be considered in service for purposes of vesting in these equity awards as long as he continues to be a member of the Board. If Mr. Campbell's service on the Board terminates other than due to his voluntary resignation from the Board or his declining to be nominated for an additional term, then his unvested restricted shares will become fully vested and his unvested performance shares will remain outstanding and will vest to the extent that the as-adjusted EBITDA targets applicable to such performance shares are achieved.

9. CAPITAL STOCK AND SHARE-BASED COMPENSATION

Capital Stock

As of December 29, 2011, the Company's authorized capital stock consisted of:

500,000,000 shares of Class A common stock, par value $0.001 per share;

200,000,000 shares of Class B common stock, par value $0.001 per share; and

50,000,000 shares of preferred stock, par value $0.001 per share.

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 29, 2011, 130,864,513 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 29, 2011, all of which are held by Anschutz Company. Each share of Class B common stock converts into a single share of Class A common stock at the option of the holder or upon certain transfers of a holder's Class B common stock. Each holder of Class B common stock is entitled to ten votes for each outstanding share of Class B common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Of the authorized shares of the

preferred stock, no shares were issued and outstanding as of December 29, 2011. The Class A common stock is entitled to a single vote for each outstanding share of Class A common stock on every matter properly submitted to the stockholders for a vote. Except as required by law, the Class A and Class B common stock vote together as a single class on all matters submitted to the stockholders. The material terms and provisions of the Company's certificate of incorporation affecting the relative rights of the Class A common stock and the Class B common stock are described 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 a single share of Class A common stock at the option of the holder or upon a transfer of the holder's Class B

95

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

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

common stock, other than to certain transferees. Each holder of Class A common stock will be entitled to a single 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 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 29, 2011, 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 29, 2011, December 30, 2010 and December 31, 2009.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

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

Warrants

No warrants to acquire the Company's Class A or Class B common stock were outstanding as of December 29, 2011.

Dividends

Regal paid four quarterly cash dividends of $0.21 per share on each outstanding share of the Company's Class A and Class B common stock, or approximately $129.8 million in the aggregate, during the year ended December 29, 2011. 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 1, 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. Finally, 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.

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 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 $4.4134 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 29, 2011 and after giving effect to the antidilution adjustments and the May 11, 2005 amendment to the Incentive Plan, options to purchase a total of 454,951 shares of Class A common stock were outstanding under the Incentive

Plan, and 1,109,763 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 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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

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

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.

Stock Options

Stock option grants 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. There were no stock options granted during the years ended December 29, 2011, December 30, 2010 and December 31, 2009. During the year ended December 31, 2009, the Company recognized approximately $0.2 million 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 years ended December 29, 2011 and December 30, 2010.

The Company receives 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. The Company is 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 29, 2011, the accompanying 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 $0.4 million for the year ended December 29, 2011. 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 29, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life (Yrs.)
Outstanding options at beginning of year	526,742	$ 8.38	1.80
Granted during the year			
Exercised during the year	(65,380)	6.18	
Forfeited during the year	(6,411)	9.12	
Outstanding options at end of year	454,951	$ 8.69	0.85
	454,951	$ 8.69	0.85

Exercisable options at end of year

The aggregate intrinsic value of options outstanding and exercisable at December 29, 2011 was approximately $1.8 million. Total intrinsic value of options exercised was $0.5 million, $0.5 million and $0.1 million, for the years ended December 29, 2011, December 30, 2010, and December 31, 2009, respectively. As of December 29, 2011 and December 30, 2010, the Company had no nonvested stock options outstanding.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

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

Restricted Stock

The Incentive Plan 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 2008, 817,717 shares were granted under the Incentive Plan at nominal cost to officers, key employees and certain directors. The closing price of the Company's Class A common stock on the date of grant ranged from $17.07 to $22.40 per share.

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. On January 12, 2011, 349,856 restricted shares were granted under the Incentive Plan at nominal cost to officers, directors and key employees. These awards vest 25% at the end of each year for four years in the case of officers and key employees and vest 100% at the end of one year in the case of directors. The closing price of our Class A common stock on the date of this grant was $10.01 per share on January 14, 2009, $14.72 per share on January 13, 2010 and $12.21 per share on January 12, 2011. 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 29, 2011, December 30, 2010 and December 31, 2009, the Company withheld approximately 99,217 shares, 62,171 shares and 40,629 shares, respectively, of restricted stock at an aggregate cost of approximately $1.3 million, $0.9 million and $0.4 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 29, 2011, December 30, 2010 and December 31, 2009, the Company recognized approximately $4.4 million, $4.4 million and $3.8 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 the Company's stock at the date of grant applied to the total numbers of shares that were anticipated to fully vest. As of December 29, 2011, we have unrecognized compensation expense of

$7.1 million associated with restricted stock awards.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

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

The following table represents the restricted stock activity for the years ended December 29, 2011, December 30, 2010 and December 31, 2009:

	Year Ended December 29, 2011	Year Ended December 30, 2010	Year Ended December 31, 2009
Unvested at beginning of year:	971,110	971,568	637,615
Granted during the year	349,856	289,679	521,618
Vested during the year	(323,880)	(283,108)	(183,458)
Forfeited during the year	(46,768)	(7,029)	(4,207)
Unvested at end of year	950,318	971,110	971,568

During the year ended December 29, 2011, the Company paid four cash dividends of $0.21 on each share of outstanding restricted stock totaling approximately $0.8 million.

Performance Share Units

The Incentive Plan also provides for grants in the form of performance share units to officers, directors and key employees. Performance share agreements are entered into between the Company and each grantee of performance share units (each, a "Performance Agreement"). The initial original Performance Agreement covered performance share grants issued through the year ended December 31, 2009 (each, a "2006 Performance Agreement"). 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 2008, 843,660 performance shares were granted under the Incentive Plan at nominal cost to officers and key employees. The closing price of the Company's Class A common stock on the date of grant ranged from $17.07 to $22.25 per share. Each performance share represented 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 ultimately earned was 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. As of December 29, 2011, no shares were earned under these grants as a result of performance criteria not achieved at the respective calculation dates.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

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

In 2009, the Company 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 the Incentive Plan, at nominal cost to officers and key employees. In addition, on January 13, 2010, 311,953 performance shares were granted under the Incentive Plan, at nominal cost to officers and key employees. Finally, on January 12, 2011, 376,902 preferred shares were granted under the incentive plan at nominal cost to officers and key employees. Under the 2009 Performance Agreement, which is described in the section entitled "Compensation Discussion and Analysis Elements of Compensation Performance Shares," of our 2011 proxy statement, each performance share represents the right to receive from 0% to 150% of the target numbers of shares of restricted Class A common stock. The number of shares of restricted common stock earned will be determined based on the attainment of specified performance goals by January 14, 2012 (the third anniversary of the grant date for the January 14, 2009 grant), January 13, 2013 (the third anniversary of the grant date for the January 13, 2010 grant) and January 12, 2014 (the third anniversary of the grant date for the January 12, 2011 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 the Company's Class A common stock on the date of this grant was $10.01 per share on January 14, 2009, $14.72 per share on January 13, 2010 and $12.21 per share on January 12, 2011, which approximates the respective grant date fair value of the awards.

As of the respective grant dates, the aggregate fair value of the performance share awards was determined to be $23.4 million, which includes related dividends on shares estimated to be 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 29, 2011, December 30, 2010 and December 31, 2009, the Company recognized approximately $3.5 million, $4.0 million and $2.0 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 29, 2011, we have unrecognized compensation expense of $9.1 million associated with the performance share units.

The following table summarizes information about the Company's number of performance shares for the years ended December 29, 2011, December 30, 2010 and December 31, 2009:

	Year Ended December 29, 2011	**Year Ended December 30, 2010**	**Year Ended December 31, 2009**
Unvested at beginning of year:	1,115,363	999,330	793,005
Granted (based on target) during the	376,902	311,953	401,907

year			
Cancelled/forfeited during the year	(265,058)	(195,920)	(195,582)
Unvested at end of year	1,227,207	1,115,363	999,330

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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, Regal Cinemas incurred capitalized costs of $1.2 million to Qwest Communications, which was affiliated with Anschutz, 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.

During each of the years ended December 29, 2011, December 30, 2010 and December 31, 2009, Regal Cinemas incurred approximately $0.1 million of expenses payable to Anschutz affiliates for certain advertising services. Also during each of the years ended December 29, 2011, December 30, 2010 and 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 each of the years ended December 29, 2011, December 30, 2010 and 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 years ended December 29, 2011, December 30, 2010 and December 31, 2009, the Company received approximately $0.5 million, $0.5 million and $0.1 million, respectively, from an Anschutz affiliate for management fees related to a theatre site in Los Angeles, California. As of December 31, 2009, the Company was due approximately $0.6 million from the Anschutz affiliate related to certain reimbursable costs (primarily pre-opening costs) associated with the theatre. This amount was paid to Regal during the 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 year ended December 31, 2009.

11. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Company sponsors an employee benefit plan, the Regal Entertainment Group 401(k) Plan (the "401k Plan") under section 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of substantially all employees. The 401k Plan provides that participants may contribute up to 50% of their compensation, subject to Internal Revenue Service limitations. The 401k 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 $2.9 million, $2.8 million and $2.6 million to the 401k Plan in 2011, 2010 and 2009, respectively.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

11. EMPLOYEE BENEFIT PLANS (Continued)

Union-Sponsored Plans

Certain of our theatre employees are covered by various union-sponsored pension and health and welfare plans. Company contributions into these plans are determined in accordance with provisions of negotiated labor contracts. Contributions to such plans aggregated $0.1 million, $0.2 million and $0.3 million for the years ended December 29, 2011, December 30, 2010 and December 31, 2009, respectively.

During the quarter ended September 29, 2011, the Company received a notice of a written demand for payment of a complete withdrawal liability assessment from a collectively-bargained multiemployer pension plan, Pension and Welfare Funds of Moving Picture Machine Operators Union of Greater New York, Local 306 ("Local 306" or the "Plan") (Employment Identification No. 131665124), that covers certain of its unionized theatre employees. The Company made a complete withdrawal from Local 306 during the year ended December 29, 2011. Based on the payment schedule that the Company received from Local 306, the Company holds the option of providing a lump sum settlement payment of approximately $2.6 million, the estimated withdrawal liability recorded as of December 29, 2011. The certified zone status for Local 306 was red for 2011 and 2010. The expiration dates of the collective-bargaining agreements requiring contributions to the Plan were June 22, 2010 and January 11, 2011. The Company's contributions to Local 306 were less than $0.1 million for the years ended December 29, 2011 and December 30, 2010 and $0.2 million for the year ended December 31, 2009, which did not exceed five percent of total contributions to the Plan during such years. Finally, as of December 29, 2011, there was no funding improvement or rehabilitation plan associated with Local 306 nor have any surcharges been paid by the Company to the Plan.

In addition, the Company has established an estimated withdrawal liability of approximately $0.9 million related to nine other insignificant union-sponsored multiemployer pension and health and welfare plans where it has ceased or expects to cease making contributions as of December 29, 2011.

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 assumed conversion of the 6$^1/_4$% Convertible Senior Notes and the warrant issued in connection with the 6$^1/_4$% Convertible Senior Notes. The dilutive effect of outstanding stock options, restricted shares, performance shares, and the 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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

12. EARNINGS PER SHARE (Continued)

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.

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 29, 2011		Year Ended December 30, 2010		Year Ended December 31, 2009	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic earnings per share:						
Numerator:						
Allocation of undistributed earnings	$ 34.1	$ 6.2	$ 65.6	$ 12.0	$ 80.7	$ 14.8
Denominator:						
Weighted average common shares outstanding (in thousands)	129,868	23,709	129,690	23,709	129,353	23,709
Basic earnings per share	$ 0.26	$ 0.26	$ 0.51	$ 0.51	$ 0.62	$ 0.62
Numerator:						
Allocation of undistributed earnings for basic computation	$ 34.1	$ 6.2	$ 65.6	$ 12.0	$ 80.7	$ 14.8
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	6.2		12.0		14.8	

Reallocation of undistributed earnings to Class B shares for effect of other dilutive securities				(0.2)		(0.1)
Interest expense on 6¼% Convertible Senior Notes	(1)		(1)		(1)	
Allocation of undistributed earnings	$ 40.3	$ 6.2	$ 77.6	$ 11.8	$ 95.5	$ 14.7
Denominator:						
Number of shares used in basic computation (in thousands)	129,868	23,709	129,690	23,709	129,353	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	147		163		143	
Restricted stock and performance shares	832		955		887	
Conversion of 6¼% Convertible Senior Notes	(1)		(1)		(1)	
Number of shares used in per share computations (in thousands)	154,556	23,709	154,517	23,709	154,092	23,709
Diluted earnings per share	$ 0.26	$ 0.26	$ 0.50	$ 0.50	$ 0.62	$ 0.62

---

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

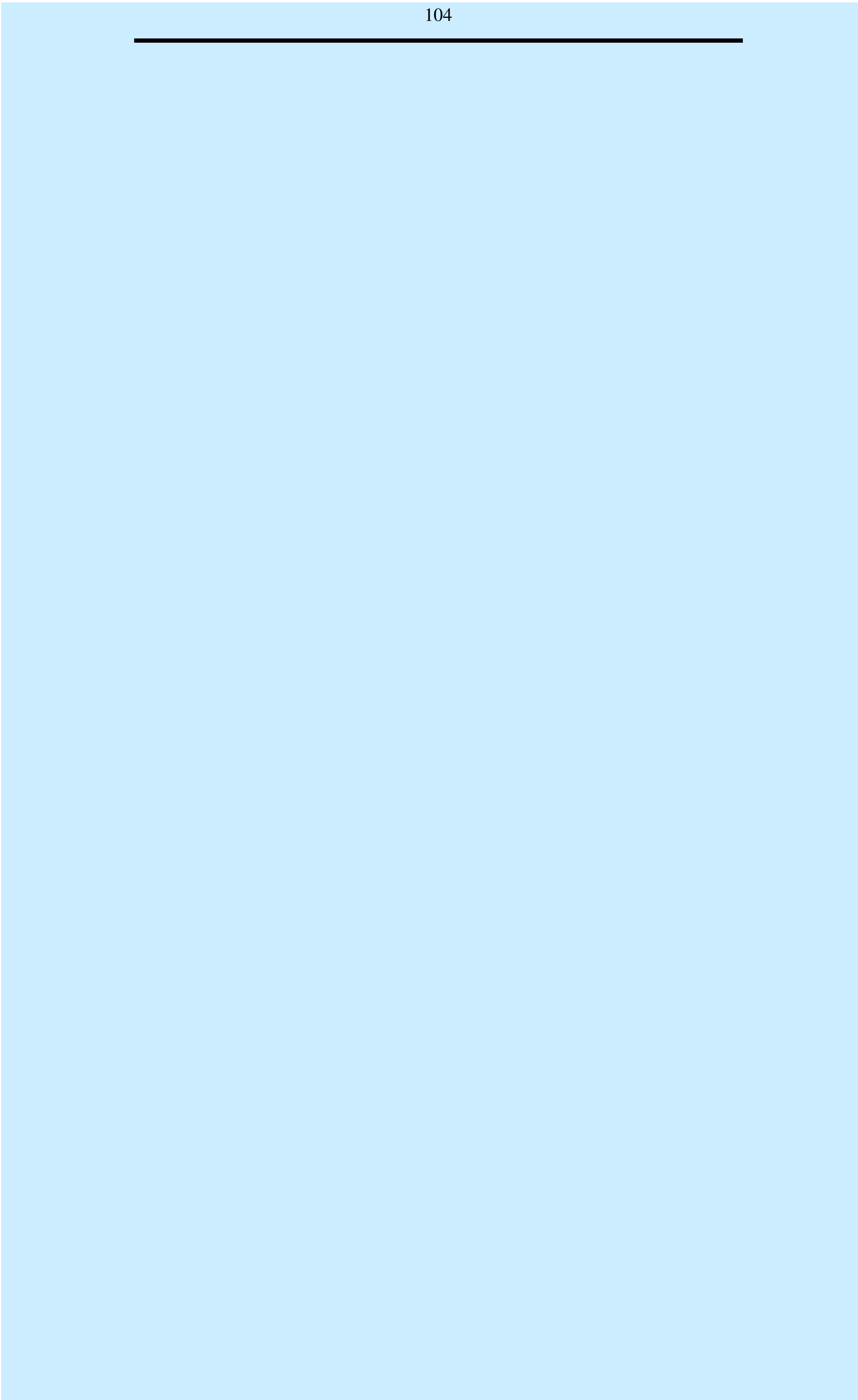
104

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

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 29, 2011:

	Total Carrying Value at December 29, 2011	Fair Value Measurements at December 29, 2011 Using		
		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)	$ 9.8	$ 9.8	$	$
Total assets at fair value	$ 9.8	$ 9.8	$	$
Liabilities:				
Interest rate swaps(2)	$ 15.0	$	$ 15.0	$
Total liabilities at fair value	$ 15.0	$	$ 15.0	$

(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

1,222,780 shares of RealD, Inc. common stock during fiscal 2010. The fair value of the RealD, Inc. shares is determined using RealD, Inc.'s publicly traded common stock price, which currently falls under Level 1 of the valuation hierarchy. The RealD, Inc. shares previously fell under Level 2 of the valuation hierarchy due to a lock-up period to which the Company was subject. Such lock-up period expired in July 2011. The held shares of RealD, Inc. stock are accounted for as available-for-sale equity securities and 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. During the quarter ended December 29, 2011, the Company considered various factors pertaining to its investment in RealD, Inc. as part of its ongoing impairment review and determined that an other-than-temporary impairment existed as of December 29, 2011. Such determination was based primarily on the length (approximately six months) of time during which the fair value of the RealD, Inc. investment remained substantially below the recorded investment cost basis of approximately $19.40 per share, the severity of the decline during such period and the

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

prospects of recovery of the investment to its original cost basis. As a result, the Company recorded a $13.9 million other-than-temporary impairment charge to write-down its cost basis in RealD, Inc. (1,222,780 shares) to fair value as of December 29, 2011. The fair value of RealD, Inc. common shares was based on the publicly traded common stock price of RealD, Inc. as of December 29, 2011 of $8.05 per share.

(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 29, 2011, the aggregate fair value the Company's interest rate swaps was determined to be approximately $(15.0) million, which was recorded as components of "Other Non-Current Liabilities" ($4.5 million) and "Accrued expenses" ($10.5 million) with a corresponding amount of $(9.1) million, net of tax, recorded to "Accumulated other comprehensive loss, net." As of December 30, 2010, the aggregate fair value of the Company's interest rate swaps was determined to be approximately $(28.2) million, which was recorded as components of "Other Non-Current Liabilities" ($24.6 million) and "Accrued expenses" ($3.6 million) with a corresponding amount of $(17.1) million, net of tax, recorded to "Accumulated other comprehensive loss, net." These interest rate swaps exhibited no ineffectiveness during the years ended December 29, 2011, December 30, 2010 and December 31, 2009 and accordingly, the net gain (loss) on the swaps of $8.0 million, $(6.8) million and $(1.6) million, respectively, were reported as a component of other comprehensive loss for the years ended December 29, 2011, December 30, 2010 and December 31, 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 New Term Loans and the Revolving Facility, is estimated based on quoted prices (Level 2 inputs as described in ASC Topic 820) as of December 29, 2011 and December 30, 2010. The associated interest rates are based on floating rates identified by reference to market rates and are assumed to approximate fair value. The fair values of the $9^1/_8$% Senior Notes, the $8^5/_8$% Senior Notes 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 29, 2011 and December 30, 2010.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The aggregate carrying values and fair values of long-term debt at December 29, 2011 and December 30, 2010 consist of the following:

	December 29, 2011	December 30, 2010
	(in millions)	
Carrying value	$ 1,926.0	$ 1,973.6
Fair value	$ 1,989.8	$ 2,026.6

14. SUBSEQUENT EVENTS

Restricted Stock and Performance Share Grants

On January 11, 2012, 327,287 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 $12.30 per share.

Also on January 11, 2012, 326,072 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 11, 2015 (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 $12.30 per share.

On February 13, 2012, 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, 2012, to stockholders of record on March 5, 2012.

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;

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

(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.

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION DECEMBER 29, 2011 (in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$	$	$ 197.5	$ 55.5	$	$ 253.0
Trade and other receivables, net			98.5	1.3		99.8
Other current assets			45.7	5.0		50.7
TOTAL CURRENT ASSETS			341.7	61.8		403.5
Property and equipment, net	21.2		1,501.0	38.4	(12.4)	1,548.2
Goodwill and other intangible assets			192.5	7.1		199.6
Deferred income tax asset	2.2		38.0		(22.9)	17.3
Other non-current assets		1,307.8	859.0	75.0	(2,069.1)	172.7
TOTAL ASSETS	$ 23.4	$ 1,307.8	$ 2,932.2	$ 182.3	$ (2,104.4)	$ 2,341.3
LIABILITIES AND EQUITY (DEFICIT)						
CURRENT LIABILITIES:						
Current portion of debt obligations	$ 1.9	$ 10.1	$	$ 13.4	$ (4.8)	$ 20.6
Accounts payable	0.3		164.0	10.2		174.5
Accrued expenses and other liabilities	47.6	28.4	154.6	4.2	(29.2)	205.6

TOTAL CURRENT LIABILITIES	49.8	38.5	318.6	27.8	(34.0)	400.7
Long-term debt, less current portion	543.9	1,381.1				1,925.0
Lease financing arrangements, less current portion			59.6			59.6
Capital lease obligations, less current portion			10.0	1.1		11.1
Deferred income tax liability				22.9	(22.9)	
Other liabilities	0.6		490.9	25.9		517.4
TOTAL LIABILITIES	594.3	1,419.6	879.1	77.7	(56.9)	2,913.8
EQUITY (DEFICIT):						
Stockholders' equity (deficit) of Regal Entertainment Group	(570.9)	(111.8)	2,054.9	104.4	(2,047.5)	(570.9)
Noncontrolling interest			(1.8)	0.2		(1.6)
TOTAL EQUITY (DEFICIT)	(570.9)	(111.8)	2,053.1	104.6	(2,047.5)	(572.5)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 23.4	$ 1,307.8	$ 2,932.2	$ 182.3	$ (2,104.4)	$ 2,341.3

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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	157.2	33.2	159.2	7.0	(145.8)	210.8

other liabilities						
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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION
YEAR ENDED DECEMBER 29, 2011
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
REVENUES	$	$	$ 2,466.6	$ 221.1	$ (6.0)	$ 2,681.7
OPERATING EXPENSES:						
Film rental and advertising costs			877.6	76.1		953.7
Cost of concessions			86.9	9.7		96.6
Rent expense			347.0	37.3	(2.8)	381.5
Other operating expenses			674.3	70.1		744.4
General and administrative expenses	0.4		64.6	6.8	(6.0)	65.8
Depreciation and amortization	0.5		186.0	11.1		197.6
Net loss on disposal and impairment of operating assets and other			20.7	0.1		20.8
TOTAL OPERATING EXPENSES	0.9		2,257.1	211.2	(8.8)	2,460.4
INCOME (LOSS) FROM OPERATIONS	(0.9)		209.5	9.9	2.8	221.3
OTHER EXPENSE (INCOME):						
Interest expense, net	48.9	94.5	5.6	0.7		149.7
Loss on extinguishment of debt			21.9			21.9
Impairment of investment in RealD, Inc.			13.9			13.9
Earnings recognized from NCM			(37.9)			(37.9)
Other, net	(71.3)	(136.9)	(74.5)		298.6	15.9
TOTAL OTHER EXPENSE (INCOME), NET	(22.4)	(42.4)	(71.0)	0.7	298.6	163.5

INCOME (LOSS) BEFORE INCOME TAXES		21.5		42.4		280.5		9.2		(295.8)		57.8
PROVISION FOR (BENEFIT FROM) INCOME TAXES		(18.5)		(25.7)		57.2		4.7				17.7
NET INCOME (LOSS)		40.0		68.1		223.3		4.5		(295.8)		40.1
NONCONTROLLING INTEREST, NET OF TAX						0.2						0.2
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	$	40.0	$	68.1	$	223.5	$	4.5	$	(295.8)	$	40.3

111

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 and other			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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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 and other			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	87.3	90.8	369.1	4.9	(394.9)	157.2

TAXES						
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

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 2009

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED DECEMBER 29, 2011
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 27.4	$	$ 320.1	$ 5.6	$	$ 353.1
Cash Flows from Investing Activities:						
Capital expenditures			(82.5)	(4.7)		(87.2)
Proceeds from disposition of assets			18.7	1.8		20.5
Investment in DCIP and other			(34.4)			(34.4)
NET CASH USED IN INVESTING ACTIVITIES			(98.2)	(2.9)		(101.1)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(129.8)					(129.8)
Cash received (paid) to/from REG Parent Company	(77.5)	77.5				
Cash received (paid) to/from subsidiary		(77.5)	77.5			
Proceeds from issuance of Regal Entertainment Group $9^1/8$% Senior Notes	261.3					261.3
Cash used to redeem $6^1/4$% Convertible Senior Notes	(74.7)					(74.7)
Net payments on long-term obligations	(1.6)		(252.6)			(254.2)
Cash used to purchase treasury shares	(1.3)					(1.3)

Payment of debt acquisition costs and other	(3.8)		(1.8)			(5.6)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(27.4)		(176.9)			(204.3)
NET DECREASE IN CASH AND CASH EQUIVALENTS			45.0	2.7		47.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			152.5	52.8		205.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	$	$ 197.5	$ 55.5	$	$ 253.0

114

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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	Subsidiary Non-Guarantors	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 and other	(5.5)		(20.1)			(25.6)
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 YEAR			267.7	60.4		328.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	$	$ 152.5	$ 52.8	$	$ 205.3

115

Table of Contents

REGAL ENTERTAINMENT GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 29, 2011, December 30, 2010 and December 31, 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	Subsidiary Non-Guarantors	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	(0.4)					(0.4)
Payment of debt acquisition costs and other	0.1		(18.8)			(18.7)

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

116

Table of Contents

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 29, 2011, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of December 29, 2011, 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 and 54 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 29, 2011 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 and 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.

Table of Contents

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 I 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 9, 2012 and to be filed with the Commission within 120 days after December 29, 2011.

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 2011," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report") to be held on May 9, 2012 and to be filed with the Commission within 120 days after December 29, 2011.

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 9, 2012 and to be filed with the Commission within 120 days after December 29, 2011.

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 9, 2012 and to be filed with the Commission within 120 days after December 29, 2011.

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 9, 2012 and to be filed with the Commission within 120 days after December 29, 2011.

Table of Contents

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 29, 2011 and December 30, 2010	55
Regal's Consolidated Statements of Income for the fiscal years ended December 29, 2011, December 30, 2010 and December 31, 2009	56
Regal's Consolidated Statements of Deficit and Comprehensive Income for the fiscal years ended December 29, 2011, December 30, 2010 and December 31, 2009	57
Regal's Consolidated Statements of Cash Flows for the fiscal years ended December 29, 2011, December 30, 2010 and December 31, 2009	58
Notes to Regal's Consolidated Financial Statements	59

(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) Financial Statement Schedules: The audited financial statements of National CineMedia (the "National CineMedia Financial Statements") were not available as of the date of this annual report on Form 10-K. In accordance with Rule 3-09(b)(1) of Regulation S-X, our Form 10-K will be amended to include the National CineMedia Financial Statements within 90 days after the end of the Company's fiscal year.

Table of Contents

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)

Table of Contents

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)
4.3.2	Permitted Secured Refinancing Agreement, dated February 23, 2011, among Regal Cinemas Corporation, Regal Entertainment Group, Regal Entertainment Holdings, Inc., the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch and the lenders party thereto (filed as Exhibit 4.1 to our Current Report on Form 8-K (Commission File No. 001-31315) on February 25, 2011, and incorporated herein by reference)
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 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)

Table of Contents

Exhibit Number	Description
4.10.1	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)
4.11	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)
4.11.1	First Supplemental Indenture, dated January 7, 2011, between Regal Entertainment Group and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.2 to our Current Report on Form 8-K (Commission File No. 001-31315) on January 7, 2011, and incorporated herein by reference)
4.11.2	Second Supplemental Indenture, dated February 15, 2011, between Regal Entertainment Group and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.3 to our Current Report on Form 8-K (Commission File No. 001-31315) on February 15, 2011, and incorporated herein by reference)
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)

Table of Contents

Exhibit Number	Description
10.6*	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)
10.6.1*	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)
10.6.2*	Form of Restricted Stock 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 March 2, 2006, and incorporated herein by reference)
10.6.3*	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)
10.6.4*	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)
10.7*	Amended and Restated Executive Employment Agreement, dated May 5, 2009, by and between Regal Entertainment Group and Amy E. Miles (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 6, 2009, and incorporated herein by reference)
10.8*	Amended and Restated Executive Employment Agreement, dated May 5, 2009, by and between Regal Entertainment Group and Gregory W. Dunn (filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 6, 2009, and incorporated herein by reference)
10.9*	Executive Employment Agreement, dated May 5, 2009, by and between Regal Entertainment Group and David H. Ownby (filed as Exhibit 10.4 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 6, 2009, and incorporated herein by reference)
10.10*	Executive Employment Agreement, dated January 13, 2010, by and between Regal Entertainment Group and Peter B. Brandow (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on January 19, 2010, and incorporated herein by reference)

10.11*	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)
10.12*	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)
10.13*	Form of Indemnity Agreement (filed as Exhibit 10.15 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)

Table of Contents

Exhibit Number	Description
10.14*	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)
10.15	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)
10.16	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)
10.17*	Separation and General Release Agreement with Michael L. Campbell, dated December 20, 2011 (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on December 22, 2011, and incorporated herein by reference)
12.1	Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of the Registrant
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of Regal
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of Regal
32	Section 1350 Certifications
101	Financial statements from the annual report on Form 10-K of Regal Entertainment Group for the fiscal year ended December 29, 2011, filed on February 27, 2012, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Deficit and Comprehensive Income (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements tagged as blocks of text

---

*

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.

Table of Contents

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 27, 2012

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	Chairman of the Board of Directors	February 27, 2012
/s/ AMY E. MILES Amy E. Miles	Chief Executive Officer (Principal Executive Officer)	February 27, 2012
/s/ DAVID H. OWNBY David H. Ownby	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 27, 2012
/s/ THOMAS D. BELL, JR. Thomas D. Bell, Jr.	Director	February 27, 2012
/s/ CHARLES E. BRYMER Charles E. Brymer	Director	February 27, 2012
/s/ STEPHEN A. KAPLAN Stephen A. Kaplan	Director	February 27, 2012

/s/ DAVID KEYTE David Keyte	Director	February 27, 2012

Table of Contents

Signature	Title	Date
/s/ LEE M. THOMAS Lee M. Thomas	Director	February 27, 2012
/s/ JACK TYRRELL Jack Tyrrell	Director	February 27, 2012
/s/ NESTOR R. WEIGAND, JR. Nestor R. Weigand, Jr.	Director	February 27, 2012
/s/ ALEX YEMENIDJIAN Alex Yemenidjian	Director	February 27, 2012

Table of Contents

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)

Table of Contents

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)
4.3.2	Permitted Secured Refinancing Agreement, dated February 23, 2011, among Regal Cinemas Corporation, Regal Entertainment Group, Regal Entertainment Holdings, Inc., the guarantors party thereto, Credit Suisse AG, Cayman Islands Branch and the lenders party thereto (filed as Exhibit 4.1 to our Current Report on Form 8-K (Commission File No. 001-31315) on February 25, 2011, and incorporated herein by reference)
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)

128

Table of Contents

Exhibit Number	Description
4.10	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)
4.10.1	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)
4.11	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)
4.11.1	First Supplemental Indenture, dated January 7, 2011, between Regal Entertainment Group and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.2 to our Current Report on Form 8-K (Commission File No. 001-31315) on January 7, 2011, and incorporated herein by reference)
4.11.2	Second Supplemental Indenture, dated February 15, 2011, between Regal Entertainment Group and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.3 to our Current Report on Form 8-K (Commission File No. 001-31315) on February 15, 2011, and incorporated herein by reference)
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)

Table of Contents

Exhibit Number	Description
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)
10.6*	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)
10.6.1*	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)
10.6.2*	Form of Restricted Stock 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 March 2, 2006, and incorporated herein by reference)
10.6.3*	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)
10.6.4*	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)
10.7*	Amended and Restated Executive Employment Agreement, dated May 5, 2009, by and between Regal Entertainment Group and Amy E. Miles (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 6, 2009, and incorporated herein by reference)
10.8*	Amended and Restated Executive Employment Agreement, dated May 5, 2009, by and between Regal Entertainment Group and Gregory W. Dunn (filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 6,

	2009, and incorporated herein by reference)
10.9*	Executive Employment Agreement, dated May 5, 2009, by and between Regal Entertainment Group and David H. Ownby (filed as Exhibit 10.4 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on May 6, 2009, and incorporated herein by reference)
10.10*	Executive Employment Agreement, dated January 13, 2010, by and between Regal Entertainment Group and Peter B. Brandow (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on January 19, 2010, and incorporated herein by reference)

Table of Contents

Exhibit Number	Description
10.11*	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)
10.12*	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)
10.13*	Form of Indemnity Agreement (filed as Exhibit 10.15 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)
10.14*	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)
10.15	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)
10.16	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)
10.17*	Separation and General Release Agreement with Michael L. Campbell, dated December 20, 2011 (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (Commission File No. 001-31315) on December 22, 2011, and incorporated herein by reference)
12.1	Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of the Registrant
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of Regal
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of Regal
32	Section 1350 Certifications
101	Financial statements from the annual report on Form 10-K of Regal Entertainment Group for the fiscal year ended December 29, 2011, filed on February 27, 2012, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the

Consolidated Statements of Deficit and Comprehensive Income
(iv) the Consolidated Statements of Cash Flows and (v) the Notes to
Consolidated Financial Statements tagged as blocks of text

---

*
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.