

REGAL ENTERTAINMENT GROUP  
Form 10-Q  
August 09, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the quarterly period ended June 30, 2005  
Commission file number 001-31315**

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**Regal Entertainment Group**

(Exact name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**02-0556934**

(Internal Revenue Service Employer Identification Number)

**7132 Regal Lane**

**Knoxville, TN**

(Address of Principal Executive Offices)

**37918**

(Zip Code)

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

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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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act): Yes ☒ No ☐

Class A Common Stock 61,601,582 shares outstanding at August 5, 2005

Class B Common Stock 85,436,967 shares outstanding at August 5, 2005

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## PART I FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## REGAL ENTERTAINMENT GROUP

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2005	December 30, 2004
	(in millions, except share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 178.0	\$ 243.9
Trade and other receivables, net	43.3	49.2
Inventories	8.5	7.7
Prepaid expenses and other current assets	11.8	7.4
Assets held for sale	6.6	7.8
Deferred income tax asset	0.9	5.1
TOTAL CURRENT ASSETS	249.1	321.1
PROPERTY AND EQUIPMENT:		
Land	110.2	114.4
Buildings, leasehold improvements and equipment	2,338.1	2,251.6
Construction in progress	22.4	25.7
Total property and equipment	2,470.7	2,391.7
Accumulated depreciation and amortization	(533.0)	(457.0)
Total property and equipment, net	1,937.7	1,934.7
GOODWILL	214.4	213.6
DEFERRED INCOME TAX ASSET	22.7	18.3
OTHER NON-CURRENT ASSETS	46.1	54.7
TOTAL ASSETS	\$ 2,470.0	\$ 2,542.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of debt obligations	\$ 260.4	\$ 260.2
Accounts payable	161.6	182.7
Accrued expenses	40.1	55.6
Income taxes payable	55.8	56.2
Deferred revenue	96.5	88.3
Bankruptcy claims and liabilities	1.1	1.2
TOTAL CURRENT LIABILITIES	615.5	644.2
LONG-TERM DEBT	1,618.7	1,631.0
LEASE FINANCING ARRANGEMENTS	89.6	91.1
CAPITAL LEASE OBLIGATIONS	23.1	23.5
OTHER NON-CURRENT LIABILITIES	76.6	81.6
TOTAL LIABILITIES	2,423.5	2,471.4
MINORITY INTEREST	1.9	2.0
STOCKHOLDERS' EQUITY:		

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	June 30, 2005	December 30, 2004
Class A common stock, \$0.001 par value; 500,000,000 shares authorized, 61,278,780 and 57,243,808 shares issued and outstanding at June 30, 2005 and December 30, 2004, respectively		
Class B common stock, \$0.001 par value; 200,000,000 shares authorized, 85,436,967 shares issued and outstanding	0.1	0.1
Preferred stock, \$0.001 par value; none issued and outstanding		
Additional paid-in capital	14.4	59.1
Retained earnings	36.6	23.2
Unamortized deferred stock compensation	(7.3)	(8.4)
Accumulated other comprehensive income (loss), net	0.8	(5.0)
	<hr/>	<hr/>
TOTAL STOCKHOLDERS' EQUITY	44.6	69.0
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,470.0	\$ 2,542.4
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See accompanying notes to unaudited condensed consolidated financial statements.

## REGAL ENTERTAINMENT GROUP

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except share and per share data)

	Quarter Ended June 30, 2005	Quarter Ended July 1, 2004	Two Quarters Ended June 30, 2005	Two Quarters Ended July 1, 2004
<b>REVENUES:</b>				
Admissions	\$ 419.7	\$ 450.2	\$ 808.5	\$ 819.1
Concessions	171.6	179.3	321.2	316.0
Other operating revenue	51.8	43.6	90.4	78.5
<b>TOTAL REVENUE</b>	<b>643.1</b>	<b>673.1</b>	<b>1,220.1</b>	<b>1,213.6</b>
<b>OPERATING EXPENSES:</b>				
Film rental and advertising costs	234.2	243.7	433.1	424.9
Cost of concessions	25.0	26.4	47.4	46.6
Rent expense	76.8	70.3	151.3	139.1
Other operating expenses	166.8	160.1	328.6	317.5
General and administrative expenses	14.4	16.7	31.5	32.3
Depreciation and amortization	48.9	43.3	97.1	86.5
Merger and restructuring expenses and amortization of deferred stock compensation	1.5	1.6	3.2	3.4
Net loss (gain) on disposal and impairment of operating assets	1.3	(2.9)	4.2	(4.0)
Equity in earnings of joint venture including former employee compensation	2.5		2.5	
Gain on lawsuit settlement				(8.2)
<b>TOTAL OPERATING EXPENSES</b>	<b>571.4</b>	<b>559.2</b>	<b>1,098.9</b>	<b>1,038.1</b>
<b>INCOME FROM OPERATIONS</b>	<b>71.7</b>	<b>113.9</b>	<b>121.2</b>	<b>175.5</b>
<b>OTHER EXPENSE (INCOME):</b>				
Interest expense, net	28.3	21.4	56.2	40.6
Minority interest in earnings of consolidated subsidiaries	(0.1)	(0.2)	(0.1)	0.9
Loss on extinguishment of debt		76.0		76.0
Other, net		3.2		6.6
<b>TOTAL OTHER EXPENSE, NET</b>	<b>28.2</b>	<b>100.4</b>	<b>56.1</b>	<b>124.1</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>43.5</b>	<b>13.5</b>	<b>65.1</b>	<b>51.4</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>17.1</b>	<b>6.1</b>	<b>25.6</b>	<b>21.2</b>
<b>NET INCOME</b>	<b>\$ 26.4</b>	<b>\$ 7.4</b>	<b>\$ 39.5</b>	<b>\$ 30.2</b>
<b>EARNINGS PER SHARE:</b>				
Basic	\$ 0.18	\$ 0.05	\$ 0.27	\$ 0.21
Diluted	\$ 0.17	\$ 0.05	\$ 0.26	\$ 0.21
<b>AVERAGE SHARES OUTSTANDING (in thousands):</b>				

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	Quarter Ended June 30, 2005	Quarter Ended July 1, 2004	Two Quarters Ended June 30, 2005	Two Quarters Ended July 1, 2004
Basic	145,955	143,466	145,486	142,852
Diluted	154,976	147,500	154,333	146,580

See accompanying notes to unaudited condensed consolidated financial statements.

## REGAL ENTERTAINMENT GROUP

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Two Quarters Ended June 30, 2005	Two Quarters Ended July 1, 2004
	(in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 39.5	\$ 30.2
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	97.1	86.5
Amortization of deferred stock compensation	2.8	2.8
Minority interest in earnings of consolidated subsidiaries	(0.1)	0.9
Deferred income tax expense (benefit)	(3.8)	0.8
Net loss (gain) on disposal and impairment of operating assets	4.2	(4.0)
Equity in earnings of joint venture including former employee compensation	2.5	
Loss on extinguishment of debt		76.0
Changes in operating assets and liabilities (excluding effects of acquisition and reorganization):		
Trade and other receivables	6.8	3.7
Inventories	(0.8)	(1.9)
Prepaid expenses and other current assets	(0.8)	12.8
Accounts payable	(21.0)	(41.4)
Income taxes payable	10.3	(5.8)
Accrued expenses and other liabilities	(9.7)	3.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	127.0	163.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(75.3)	(46.0)
Proceeds from disposition of assets	11.8	22.6
Cash used for acquisitions, net of cash acquired	(31.7)	(26.9)
Proceeds from sale-leaseback transaction		11.5
Proceeds from disposition of partnership interest		2.8
Decrease in other assets and assets held for sale		(2.5)
Cash used to purchase partnership interest		(9.9)
NET CASH USED IN INVESTING ACTIVITIES	(95.2)	(48.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash used to pay dividends	(87.5)	(769.8)
Proceeds from stock option exercises	13.8	12.6
Net payments on debt obligations	(13.9)	(565.6)
Cash used to purchase treasury shares	(10.0)	
Payment of bankruptcy claims and liabilities	(0.1)	(2.2)
Cash used to redeem senior subordinated notes		(354.4)
Payment of debt acquisition costs and other		(18.8)
Proceeds from Regal Cinemas senior credit facility		1,650.0
NET CASH USED IN FINANCING ACTIVITIES	(97.7)	(48.2)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(65.9)	67.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	243.9	288.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 178.0	\$ 356.1
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 19.7	\$ 15.3
Cash paid for interest	\$ 76.5	\$ 42.7

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**Two Quarters  
Ended June 30, 2005**

**Two Quarters  
Ended July 1, 2004**

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See accompanying notes to unaudited condensed consolidated financial statements.



**REGAL ENTERTAINMENT GROUP**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**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 and United Artists Theatre Company ("United Artists") and its subsidiaries. Regal Cinemas' subsidiaries include Regal Cinemas, Inc. and its subsidiaries, which include Edwards Theatres, Inc. ("Edwards"), Regal CineMedia Corporation ("Regal CineMedia" or "RCM"), Hoyts Cinemas Corporation ("Hoyts") and United Artists Theatre Group ("UATG"). The terms Regal or the Company, REH, Regal Cinemas, United Artists, Edwards, Regal CineMedia, Hoyts and UATG 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 6,375 screens in 558 theatres in 40 states as of June 30, 2005. Regal CineMedia, through its investment in National CineMedia, LLC as described below, focuses on the development of ancillary revenues. The Company formally operates on a 52-week fiscal year with each quarter generally consisting of 13 weeks, unless otherwise noted. The Company's fiscal year ends on the first Thursday after December 25, which in certain years results in a 53-week fiscal year. As of the quarter ended March 31, 2005, we operated in two business segments: theatrical exhibition operations and Regal CineMedia. As a result of the formation of National CineMedia, LLC described more fully below and in Note 3 "Formation of National CineMedia, LLC," the Company determined that Regal CineMedia no longer qualifies as a reportable segment under SFAS No. 131, "Disclosures about Segments of Enterprise and Related Information," the established standards for reporting information about operating segments in financial statements. Accordingly, as of June 30, 2005, the Company manages its business under one reportable segment: theatre exhibition operations.

For a discussion of the series of events leading to the formation of the Company and other significant transactions which have occurred through December 30, 2004, please refer to Note 1 to the consolidated financial statements included in Part II, Item 8 of our annual report on Form 10-K filed on March 15, 2005 with the Securities and Exchange Commission (File No. 001-31315) for the fiscal year ended December 30, 2004.

On March 29, 2005, Regal and AMC Entertainment Inc. ("AMC") announced the combination of the operations of RCM and AMC's subsidiary, National Cinema Network, Inc. ("NCN"), into a new joint venture company known as National CineMedia, LLC ("National CineMedia"). National CineMedia provides advertising and event services to Regal's and AMC's theatres, respectively. Pursuant to the joint venture transaction, AMC and Regal, through their subsidiaries, retained all advertising contracts signed on or before the close of business on March 31, 2005, subject to an administrative fee payable to National CineMedia to service such contracts. With respect to advertising contracts entered into by National CineMedia after the close of business on March 31, 2005, AMC and Regal, through their respective theatre exhibition subsidiaries, receive revenue from National CineMedia with respect to advertising and event services at their respective theatres through an agreed upon formula as well as equity in income/loss of National CineMedia. Regal CineMedia Holdings, LLC ("RCH"), a wholly owned subsidiary of RCM, owns 63% of National CineMedia as of June 30, 2005. As of June 30, 2005, RCH's investment in National CineMedia totaled approximately \$6.6 million. See Note 3 "Formation of National CineMedia, LLC" for further discussion of this joint venture arrangement.

On April 28, 2005, the Company acquired seven theatres and 76 screens in Maryland, Florida, Pennsylvania and Virginia from R/C Theatres. The purchase price for the acquisition totaled approximately \$31.5 million, subject to post-closing adjustments. The results of operations of the acquired theatre operations have been included in the Company's unaudited condensed consolidated

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financial statements for periods subsequent to April 28, 2005. See Note 2 "Acquisitions" for further discussion of this transaction.

Regal paid two quarterly cash dividends of \$0.30 per share on each outstanding share of the Company's Class A and Class B common stock, including outstanding restricted stock (see Note 6 "Capital Stock and Stock-Based Compensation"), or approximately \$87.5 million in the aggregate, during the two quarters ended June 30, 2005.

Net income and total comprehensive income are the same for the quarter ended July 1, 2004. Total comprehensive income for the quarter ended June 30, 2005 was \$20.5 million and consists of net income of \$26.4 million and approximately \$5.9 million of accumulated other comprehensive loss, net of tax, related to the aggregate unrealized loss on the interest rate swap arrangements during the quarter ended June 30, 2005 as further described in Note 4 "Debt Obligations."

The Company has prepared the unaudited condensed consolidated balance sheet as of June 30, 2005 and the unaudited condensed consolidated statements of operations and cash flows in accordance with accounting principles generally accepted in the United States of America for interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have been made. The December 30, 2004 unaudited condensed consolidated balance sheet information is derived from the audited consolidated financial statements of the Company included in its annual report on Form 10-K for the fiscal year ended December 30, 2004. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto. The results of operations for the quarter and two quarters ended June 30, 2005 are not necessarily indicative of the operating results that may be achieved for the full 2005 fiscal year.

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 presentation.

## 2. ACQUISITIONS

### *Acquisition of R/C Theatres*

On April 28, 2005, the Company acquired seven theatres comprising 76 screens in Maryland, Florida, Pennsylvania and Virginia from R/C Theatres for a purchase price of approximately \$31.5 million, subject to post-closing adjustments. The results of operations of the acquired theatre operations have been included in the Company's unaudited condensed consolidated financial statements for periods subsequent to April 28, 2005. The transaction has been accounted for using the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed for each of the respective theatre locations based on their estimated fair values at the date of acquisition, with the remaining balance allocated to goodwill.

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

Current assets	\$	0.2
Buildings, leasehold improvements and equipment, net		31.2
Goodwill		0.4
Current liabilities		(0.3)
		<hr/>
Total purchase price	\$	31.5
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### *Acquisition of Signature Theatres and Other Fiscal 2004 Acquisitions*

On April 29, 2004, Regal acquired five theatres representing 49 screens in the Northeastern United States. On May 5, 2004, Regal acquired two additional theatres with 26 screens in the Northeastern United States. On September 30, 2004, Regal acquired 30 theatres comprising 309 screens (including two theatres with 30 screens under construction) in California and Hawaii from Signature Theatres. The total aggregate cash purchase price for the combined acquisitions totaled approximately \$223.6 million, including approximately \$196.7 million for the Signature Theatres acquisition. The transactions have been accounted for using the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed for each of the respective theatre locations based on their estimated fair values at the date of acquisition, with the remaining balance allocated to goodwill. The results of operations of the acquired theatre operations have been included in the Company's consolidated financial statements for periods subsequent to the respective acquisition dates.

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

Current assets	\$	0.1
Land		1.0
Buildings, leasehold improvements and equipment, net		212.5
Goodwill		2.1
Other non-current assets		15.7
Current liabilities		(5.1)
Other non-current liabilities		(2.7)
		<hr/>
Total purchase price	\$	223.6
		<hr/>

### **3. FORMATION OF NATIONAL CINEMEDIA, LLC**

On March 29, 2005, Regal and AMC announced the combination of the operations of RCM and AMC's subsidiary, NCN, into a new joint venture company known as National CineMedia. The new company focuses on the marketing and sale of cinema advertising and promotions products, business communications and training services, and the distribution of digital alternative content. National CineMedia is, subject to limited exceptions, the exclusive provider of advertising and event services to Regal's and AMC's theatres, respectively.

As part of the joint venture transaction, on March 29, 2005, RCM and NCN entered into a Contribution and Unit Holders Agreement with National CineMedia pursuant to which, among other things, RCM and NCN agreed to contribute assets to National CineMedia and National CineMedia agreed to assume specified liabilities of RCM and NCN in consideration for the issuance of equity units by National CineMedia to RCH and NCN, respectively. The assets contributed to National CineMedia by RCM included fixed assets and agreements as well as approximately \$1.3 million in cash. The assets contributed to National CineMedia by NCN included fixed assets and third-party exhibitor service agreements. As of June 30, 2005, RCH owns 63% of the Class A Units of National CineMedia and NCN owns 37% of the Class A Units of National CineMedia. The Company accounts for its investment in National CineMedia using the equity method of accounting and did not recognize any gain or loss resulting from the initial formation of National CineMedia due to the Company's material continued involvement in the operations of National CineMedia. As of June 30, 2005, RCH's investment in National CineMedia totaled approximately \$6.6 million. Such investment is presented as a component of "Other Non-Current Assets" on the accompanying unaudited condensed consolidated balance sheet as of June 30, 2005.

In addition, on March 29, 2005, RCM, AMC's subsidiary, American Multi-Cinemas, Inc., and National CineMedia entered into a Software License Agreement in connection with the licensing of software and related rights ancillary to the use of such software to National CineMedia for the conduct of its business. Pursuant to the other documents entered into in connection with the joint venture transaction, AMC and Regal, through their subsidiaries, retained all advertising contracts signed on or before the close of business on March 31, 2005, subject to a 35% administrative fee payable to National CineMedia to service such contracts. Revenues and expenses attributable to these advertising contracts are recorded as a component of other operating revenues and other operating expenses in the Company's financial statements. For contracts signed by National CineMedia after the close of business on March 31, 2005, AMC and Regal, through their respective theatre exhibition subsidiaries, receive revenue from National CineMedia with respect to advertising and event services at their respective theatres through an agreed upon formula as well as equity in income/loss of National CineMedia. Such formula is based on the weighted average number of screens owned and the number of theatre patrons as between Regal's and AMC's theatres for any measurement period. The Company records net revenues derived from these contracts as a component of other operating revenues in the Company's financial statements. For the quarter ended June 30, 2005, the Company recorded approximately \$0.9 million of equity in income of National CineMedia related to this joint venture.

In connection with the formation of National CineMedia, on May 11, 2005, Regal Cinemas, Inc. ("RCI") adopted and approved the RCI Severance Plan For Equity Compensation (the "Severance Plan"). Participation in the Severance Plan is limited to employees of RCM, who held an unvested option to purchase shares of Regal's Class A common stock or shares of Regal's restricted Class A common stock pursuant to the terms of the Regal 2002 Stock Incentive Plan (the "Incentive Plan") immediately prior to such employee's termination of employment with RCM and commencement of employment with National CineMedia. Each employee's termination of employment with RCM was effective as of the close of business on May 24, 2005 and commencement of employment with National CineMedia was effective as of the next business day on May 25, 2005. Under the terms of and subject to the conditions to the Severance Plan, each eligible employee who participates in the Severance Plan (a "Participant") is, at the times set forth in the Severance Plan, entitled to a cash payment equal to (1) with respect to each unvested stock option held on May 24, 2005, the difference between the exercise price of such unvested option and \$20.19 (the fair market value of a share of Regal's Class A common stock on May 24, 2005 as calculated pursuant to the terms of the Severance Plan) and (2) with respect to each unvested share of restricted stock, \$20.19 (the fair market value of a share of Regal's Class A common stock on May 24, 2005 as calculated pursuant to the terms of the Severance Plan). In addition, the Severance Plan provides that each Participant who held unvested shares of restricted stock on May 24, 2005, will be entitled to receive payments in lieu of dividend distributions in an amount equal to the per share value of dividends paid on Regal's Class A common stock times the number of shares of such restricted stock. Each such Participant will receive these payments in lieu of dividend distributions until the date that each such Participant's restricted stock would have vested in accordance with the Incentive Plan. Solely for purposes of the calculation of such payments with respect to restricted stock, in the event of any stock dividend, stock split or other change in the corporate structure affecting Regal's Class A common stock, there shall be an equitable proportionate adjustment to the number of shares of restricted stock held by each Participant immediately prior to his or her termination of employment with RCM.

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Each Participant's cash payment will vest according to the year and date on which such unvested options and restricted stock held by such Participant would have vested pursuant to the terms of the Incentive Plan and the related award agreement had employment with RCM not ceased. The total cost of the Severance Plan, including payments in lieu of dividend distributions on restricted stock, is estimated to equal approximately \$15.5 million. Pursuant to the terms of the National CineMedia arrangements, approximately \$4.0 million of such costs associated with the Severance Plan will be funded by National CineMedia. As the Severance Plan provides for payments over future periods that are contingent upon continued employment with National CineMedia, the cost of the Severance Plan will be recorded as an expense over the remaining required service periods. During the quarter ended June 30, 2005, the Company recorded total severance expense of approximately \$3.4 million, including less than \$0.1 million of payments in lieu of dividends, related to the Severance Plan during the quarter ended June 30, 2005.

As part of the joint venture transaction, RCH and NCN, or their respective affiliates, entered into a number of ancillary agreements, including a Limited Liability Company Operating Agreement (the "Operating Agreement") in order to set forth their respective rights and obligations as members in connection with their interests in National CineMedia. The Operating Agreement provides that the board of directors of National CineMedia consist of seven members including three directors designated by NCN, three directors designated by RCH, and Kurt Hall, the Chairman and Chief Executive Officer of National CineMedia. The Operating Agreement also provides that all actions of National CineMedia's board of directors require the vote of six directors.

Effective as of May 25, 2005, Kurt Hall resigned as Co-Chief Executive Officer of Regal and assumed the role of Chairman and Chief Executive Officer of National CineMedia. National CineMedia's headquarters are in Centennial, Colorado with offices in New York City, Chicago, Detroit and Los Angeles.

### 4. DEBT OBLIGATIONS

Debt obligations at June 30, 2005 and December 30, 2004 consist of the following (in millions):

	June 30, 2005	December 30, 2004
Regal 3 <sup>3</sup> / <sub>4</sub> % Convertible Senior Notes	\$ 240.0	\$ 240.0
Regal Cinemas Senior Secured Credit Facility	1,579.9	1,591.9
Regal Cinemas 9 <sup>3</sup> / <sub>8</sub> % Senior Subordinated Notes	51.5	51.5
Lease financing arrangements, 11.5%, maturing in various installments through 2021	92.5	93.8
Capital lease obligations	24.1	24.5
Other	3.8	4.1
	<hr/>	<hr/>
Total debt obligations	1,991.8	2,005.8
Less current portion	(260.4)	(260.2)
	<hr/>	<hr/>
Total debt obligations, net of current maturities	\$ 1,731.4	\$ 1,745.6
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**Regal 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes** On May 28, 2003, Regal issued \$240.0 million aggregate principal amount of 3<sup>3</sup>/<sub>4</sub>% Convertible Senior Notes due May 15, 2008 (the "Convertible Senior