MANAGEMENT DISCUSSION SECTION

Good afternoon. My name is Jen and I will be your conference facilitator today. At this time, I would like to welcome everyone to the Regal Entertainment Group third-quarter 2009 earnings release conference call with our hosts Amy Miles, Chief Executive Officer of Regal Entertainment Group, and David Ownby, Chief Financial Officer of Regal Entertainment Group. All lines have been placed on mute to prevent any background noise. After management's remarks, there will be a question and answer period. [Operator Instructions].

I would now like to turn the call over to Don De Laria, Vice President of Investor Relations. Please go ahead, sir.

Don De Laria, Vice President – Investor Relations

Hi and good afternoon. Before we begin today, I'd like to remind our listeners that this conference call contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. All statements other than the statements of historical facts communicated during this conference call may constitute forward-looking statements. These forward-looking statements involve risks and uncertainties. Important factors that can cause actual results to differ materially from the Company's expectations are disclosed in the risk factors contained in the Company's annual report on Form 10-K dated March 2, 2009. All forward-looking statements are expressly qualified in their entirety by such factors.

Now I'll turn the call over to Regal Chief Executive Officer, Amy Miles.

Amy E. Miles, Chief Executive Officer

Thanks, Don. Welcome and thank you for dialing into our third-quarter conference call. Today I will provide an overview of the industry and Regal's third-quarter results, an update with regard to digital cinema and a review of current trends in the industry, including some of our expectations regarding box office trends for the fourth-quarter holiday season.

Following my remarks, David Ownby will provide a summary review of our financial results and, as always, we will conclude the call with a question and answer session. We're happy to report that the strong industry box office results generated during the first half of 2009 continued into the third quarter. Despite difficult comparisons to a strong third quarter in 2008, which included the second highest grossing film of all time, the North American box office revenue for the calendar quarter was off less than 1% and the quarter also included the highest grossing July and the second-highest grossing August and September on record.

Box office results for the quarter benefited from a well-balanced film slate. 17 films grossed over $50 million versus only 11 films in the prior year. And from the -- and also from the studios, they continued their commitment to releasing content in premium priced formats, as four of the top 10 films for the quarter were presented in either IMAX or digital 3-D. We're also happy to report that industry box office results for the first nine calendar months of 2009 have increased approximately 7% over the prior year and that the summer season box office growth of just under 4.3 billion is a new record for the industry.

Some of the highlights for this third quarter include *Harry Potter and the Half-Blood Prince's* 158 million, five-day opening gross and that was highest of the year. *Ice Age: Dawn of the Dinosaurs* was the third highest grossing 3-D film ever and it finished just behind *Monsters vs. Aliens* and *Up*, which were released earlier this year. *Transformers* was released just prior to beginning of the quarter, but went on to become the second highest five-day grossing film ever, as well as the top domestic grossing film of 2009.

During the quarter, 3-D titles continued to resonate with consumers as a total of four significant 3-D films opened in the third quarter of 2009, compared to only one in the third quarter of 2008. *Ice Age 3* generated 32 million of its 42 million during the opening weekend from 3-D sales. And the other big 3-D films in the quarter, *G-Force*, *The Final Destination*, and *Cloudy with a Chance of Meatballs*, also generated between 50 and 75% of their opening weekend gross from the 3-D screens. And David will provide more detail with respect to our fiscal-period results versus the comparable industry metrics and the impact of the premium priced content in just a few moments.

Turning briefly to our third-quarter results, we are pleased to report the following quarterly highlights that demonstrate our commitment to a premium customer experience, as well as efficient theatre operations. We continued to expand our IMAX and 3-D presence in advance of the DCIP [Digital Cinema Implementation Partners LLC] financing. We ended the quarter with 40 IMAX screens and 392 3-D screens. Films released in these formats again had a meaningful impact on our quarterly results. They accounted for over 10% of our admissions revenue and just under half of the 5% increase in our average ticket price.

We generated an increase in our concession per cap of approximately 2% and this was driven by a concession-friendly film slate, as well as selective price increases. Our film and advertising cost as a percentage of admissions revenue declined by 180 basis points and this was due to a more balanced film slate, coupled with our efforts to reduce advertising cost. Our other theatre operating expense per average screen decreased by approximately 3 million and this was driven primarily by a 6% decline in theatre-level payroll cost.

And finally, combining our results for the fiscal second and third quarters, which again would negate the impact of the shift in our fiscal calendar which materially impacted both our second and third quarters, our focus on the premium customer experience helped us grow our adjusted EBITDA despite a 2.5% decline in attendance during that period.

Now with regards to DCIP, the DCIP efforts continue to be focused on the financing process. As a reminder, we currently expect the DCIP structure to include three components: an equity contribution from the three founding members, a junior capital component and a bank credit facility, which will provide total capital of approximately 725 million. The terms of both the exhibitor equity contribution and the junior capital financing have been finalized and these pieces will provide approximately 200 million of the capital necessary to finalize the deal.

DCIP is currently working diligently to secure the third and final piece of the financing, which is the bank credit facility of approximately 525 million. We are encouraged and remain optimistic that the financing will close during the fourth quarter. The efforts obviously continue to be a key focus for the founding members of DCIP and we are ready to move quickly with the rollout once financing is complete.

And additionally, and in order to capitalize on the premium content opportunities presented by films like *A Christmas Carol* and *Avatar* that happen – that are released later this quarter, we have continued to install 3-D capable, 4K Sony digital projectors in advance of the funding and we expect to have approximately 430 3-D screens in operation for the upcoming holiday season. And again, that's an increase of 277 screens since the beginning of the fiscal year.

Turning briefly to our outlook for the balance of '09, using Regal's fiscal calendar, the industry box office results for the first three and half weeks of the fourth quarter increased approximately 12 to 14% versus the comparable fiscal period in 2008. And as we look forward to the balance of the fourth quarter, we are optimistic about the box office potential of upcoming releases.

The November film slate includes the next installment of *Twilight, New Moon*; *Old Dogs*, which is a sequel to the hit, *Wild Dogs*; and Sony's global adventure film, *2012*. In December, we look forward to *Sherlock Holmes*, the *Alvin and the Chipmunks* sequel, Disney's *Princess and the Frog*, and *Did You Hear about the Morgans*?, starring Hugh Grant and Sarah Jessica Parker.

In addition to the films which will be presented in our traditional 2-D format, we're very excited to debut the two highly anticipated, premium priced 3-D and IMAX titles during the quarter. First, on November 6, *A Christmas Carol*, which is directed by Robert Zemeckis and uses the latest motion capture 3-D and IMAX technology, and then on December 18, the highly anticipated *Avatar* will open in 3-D and IMAX. We expect the popularity and premium pricing on both films to positively impact the quarter. In summary we are obviously pleased with the fiscal year-to-date box office environment and look forward to continued box success during the final quarter of '09.

I'd now like to turn the presentation to David Ownby, our CFO, to discuss the financial performance.

David H. Ownby, Executive Vice President and Chief Financial Officer

Thanks, Amy, and good afternoon, everyone. Today I'll provide a discussion of our fiscal third-quarter results, including the impact of the shift in our fiscal calendar; some additional detail on how premium priced content impacted our results; and finally, an update with respect to our balance sheet and capital expenditures.

For our third fiscal quarter, we generated total revenues of 673.5 million, consisting of 463.4 million from box office revenues, 182.6 million from concession revenue, and 27.5 million of other operating revenues.

As we review our third-quarter results, I want to reiterate the importance of using comparable periods when comparing Regal's results to those of the industry. When measured on a calendar basis, beginning on July 1 and ending on September 30 for both periods, North American box office decreased by less than 1% for the third quarter. Using our fiscal periods, which began on June 27, 2008 and ended on September 25, 2008 last year, and began on July 3, 2009 and ended on October 1, 2009 this year, industry box office revenue for the United States, as reported by Rentrak, decreased approximately 8.3% on a per-screen basis.

Regal's admissions revenue this quarter decreased approximately 10.3%, primarily as a result of our, of a 14.5% decrease in attendance, offset by a 4.9% increase in our ticket price. Our box office performance relative to the industry was again impacted by regional box office variations, particularly in California, where industry box office declined by over 12% as compared to the national average of 8%. While the California market accounted for only 17% of the industry box office revenues, it represented over 21% of Regal's admissions revenue for the quarter.

Although these regional box office variations have caused our box office results to increase slightly less than those for the industry during 2009, our analysis of individual markets around the country continues to indicate that our theatres perform in line with or ahead of the markets in which they are located.

As Amy indicated earlier, our box office results benefited from the strong performance of premium priced films during the quarter. Our combined revenue from IMAX and 3-D films increased by over 100% in the aggregate, as compared to the third quarter of 2008, and represented 10.3% of our total admissions revenue. The box office success of the films available in these formats also accounted for just under half of the 4.9% increase in our average ticket price for the quarter, with our IMAX and 3-D presentations generating average ticket prices of $13.74 and $11.27, respectively.

Concession revenues this quarter decreased 12.9% as a result of the previously mentioned decrease in attendance, offset by a 1.9% increase in concession per caps. The increase in our per caps was primarily driven by selective price increases and a concession-friendly mix of film products. Other operating revenues during the third fiscal quarter of 2009 decreased 11.9% over the comparable quarter of 2008, due primarily to decreases in vendor marketing revenue associated with our decreased attendance.

Now as we turn to our expense line items, film and advertising expense for the quarter represented 52.8% of admissions revenue, an improvement of 180 basis points as compared to the prior-year period, primarily as a result of a more balanced film slate and our efforts to reduce advertising costs. Regal's 85.2% concession margin decreased 30 basis points as a result of the mix of products sold at the concession stand during the quarter. Total rent expense decreased 400,000 or 0.4% on both an aggregate and per-screen basis, due to lower percentage rent resulting from attendance trends in the quarter.

Other operating expenses decreased approximately $3 million or 1.5%, due primarily to a 6% decline in variable theatre-level payroll related to our decrease in attendance. The reduction in payroll cost was partially offset by increased cost associated with higher IMAX and 3-D revenue. The third quarter produced adjusted EBITDA of 105.9 million versus 146.9 million for the same quarter last year and resulted in an adjusted EBITDA margin of 15.7%. As we have discussed in the previous two quarters, the shift in our fiscal calendar has had a significant impact on our reported quarterly results during 2009.

In particular, the calendar shift had a significant positive impact on our second quarter and a corresponding negative impact on our third quarter. As Amy mentioned earlier, analyzing these two quarters on a combined basis negates the impact of the calendar shift and may help investors better understand our performance during the summer box office season. On a combined basis, our total revenue for the second and third quarters grew by approximately 2% over the same period in the prior year and produced total adjusted EBITDA of 273 million and an adjusted EBITDA margin of 18.7%. In addition, the calendar shift has also significantly impacted our year-to-date results. In order to properly illustrate this impact, we have estimated what our year-to-date results would have been if our fiscal calendar had not shifted ahead one week.

If the year-to-date period had started one week earlier and ended one week earlier, we estimate that we would have reported total revenue of approximately 2.2 billion, adjusted EBITDA of approximately 442.6 million, and an adjusted EBITDA margin of 20.1%. We are particularly pleased that our adjusted EBITDA for this period has grown by approximately 10% over the same period in the prior year. We realize that the shift in our fiscal calendar results in a bit of noise in our reported information, and we encourage investors to spend a few extra minutes necessary to understand our calendar mechanics when analyzing our 2009 quarterly results.

Now turning to the balance sheet. We ended the quarter with 192.3 million in cash and a total debt balance of just over 2 billion. As of the end of the quarter, our leverage ratio, as defined by our credit agreement, was just under 3X. Capital expenditures during the quarter totaled 25.4 million and were not offset by any asset sales.

During the quarter, we opened one theatre with 14 screens and closed two theatres with 17 screens, bringing our totals at quarter-end to 548 theatres and 6,775 screens. Based on our development schedule and outlook for the remainder of 2009, we now expect full-year, net capital expenditures to be in a range of 90 to 105 million. In the last quarter of the year, we expect to open two theatres with 21 screens, and close approximately two to three theatres with 28 to 40 screens, which would result in a year-end theatre count of approximately 548 and screen count of approximately 6,768.

And finally, as we look to the balance of the 2009 fiscal year, as a reminder, our fiscal fourth quarter will contain 13 weeks compared to a 14-week quarter in the prior year. We expect the impact of the lost week to be approximately 3 to 3.5 million attendees and encourage investors to factor this expectation into their estimates for the upcoming quarter. As Amy previously stated, we are pleased with our third-quarter results and are optimistic regarding the lineup of films scheduled for release in both premium priced and traditional formats during the remainder of the 2009 fiscal year.

That concludes our prepared remarks and we will now open the lines for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions]. Our first question comes from the line of George Hawkey with Barclays Capital. Please proceed with your question.

<Q – George Hawkey>: Hi. Thanks for taking my question. I actually have two. The first one is about the Regal underperforming the industry on an admissions basis. If I'm not mistaken, looking back at the prior earnings calls, it seems as if the Company's kind of been underperforming relative to the industry for about seven quarters, and that's including this one.

And I understand the issues with the current quarter with California, but I was hoping you could provide some perspective on what may be causing these longer-term trends of industry underperformance, and give us a better understanding of how to think about it going forward?

<A – David Ownby>: Okay. You want to go ahead and ask your second question, too, George and then we're...

<Q – George Hawkey>: Sure. The second question would be, if 3-D and IMAX are 10% of admission revenues right now, going forward how should we think about this? Is it 15, 25, 30? Is there a target for the Company overall?

<A – Amy Miles>: I'll take the first one. Okay, I'm sorry. We were trying to divvy up there how we'd take it. George what we've said before, and I'm not really sure what your sources are for a seven-quarter period, but I think if you look at Regal over a longer-term period, and I'm going back several years, you will see time periods where we've outperformed the industry data and time periods where we've underperformed the national data on a longer-term basis.

I don't see any kind of consistent trend one way or the other. But when I look at that data, I can see both periods is of over-performance or periods of underperformance with respect to the industry. And over time that's been driven by different things: growth rate in our screen count versus the industry; how films will play on a regional basis. And these are all things that we've talked about before in our earnings call.

I guess most recently, and I guess when I think about that, I'm probably in my mind going back three or four quarters, when we analyze the data it seems primarily related to the issues that we've talked about that are more focused in the California area, where we've seen over the time period, over that three to four quarter time period, California has, which again is a significant presence for us, significantly -- by significantly I mean a couple of hundred basis points -- lagged the industry.

And you can see how that has impacted our quarterly results. Again, when we look at the California market and we look at Regal as compared to other theatres -- our theatres in the market versus other theatres in that market, we are in line or outperforming, so it's not an underperformance there. But it is just a significant piece of our revenues and that has impacted us for the past several quarters and we've talked about that on our calls. And I'll just let David answer your question with respect to the premium price.

<A – David Ownby>: Sure. As we move forward, we haven't given any guidance on what we expect in the future in terms of the percentage of our attendees that will be in the premium priced formats. Obviously, we're at about 10% of our box office for this quarter. And that over the next several quarters, as we continue to roll out screens and as the 3-D and IMAX film slate continues to roll out, you'll see that number gradually start to move up. But that's going to continue to be a gradual increase as we roll out those screens and as the film slate rolls out. So...

<Q – George Hawkey>: Great. Thank you very much.

Operator: Thank you. Our next question comes from the line of Tony Wible with Janney Montgomery Scott. Please proceed with your question.

<Q – Tony Wible>: A couple of questions. One, I was wondering if you can just give us a sense for what you think the latest lead time is in getting the projectors once the funds are available and what the latest cost per screen will be between the digital and also the 3-D upgrades?

And then the second question I had is really if, I guess, the film rental rates that you've seen, do you feel like we are at a gross margin level with admissions that is sustainable or do you think the product mix any way starts to go a little bit more towards lower margin, higher film rents? Thank you.

<A – David Ownby>: Tony, I think in terms of the lead time for digital, I think what we said was that once we have funding from DCIP that we can begin rolling out projectors, probably in 60 to 90 days. And then we'll be at a point then where we can start rolling out a fair number of projectors every month. I think we've said up to a 200 a month once we get up and fully rolling and...

<Q – Tony Wible>: So, do you anticipate the manufacturers to be able to handle the initial, I guess, release of funds, no scaling issues when it's first made available?

<A – Amy Miles>: I think with respect to -- when you think about the 60 to 90 days for that ramp up time period, we're taking into consideration some of that being manufacturers ramping up.

<Q – Tony Wible>: Okay.

<A – Amy Miles>: So when you think about that 60 to 90 day period, that's what we are allowing for in that time period, Tony.

<Q – Tony Wible>: Great. And has the equipment cost changed much? I know DCIP's kind of dragged on a while, so I was wondering if we can get the latest on the cost for these, those projectors as well as the 3-D systems per screen?

<A – Amy Miles>: Yeah, I think what you can think of is, is the good news is, as DCIP took a couple of years more than we expected, the cost of 4K declined substantially as compared to the 2K cost.

So the good news there from a technology perspective is that narrowing of the gap between 2K and 4K allowed us to move forward in a cost-efficient way and install 4K throughout our circuit, which in our opinion is a much better projection, much higher quality. So I think on the technology front that's been a good point. And then really if you think about 3-D, from an investment perspective for us that's primarily the silver screen. And from Regal's, we have already invested in approximately 1,250 of those screens, so we already have behind us the CapEx associated with the majority of the 3-D costs.

<A – David Ownby>: And then, Tony, I think you asked about film rental rates. And if I understood your question correctly, I think you're asking if the change in mix from more, to more premium priced formats in any way changes our film cost, our film margin. And we certainly don't believe it does. Our film costs have been very stable for a number of years now and we would expect that to continue.

<Q – Tony Wible>: But I was more referring to the title slate. I guess starting in the third quarter, you start to see the drops in production and there's just more of a balance of tent-pole films, which historically the film rental rates are higher on?

<A – Amy Miles>: And there might be just, Tony, a little bit of an anomaly there when you're looking at the third quarter because remember a lot of the third quarter last year was Batman.

<Q – Tony Wible>: Yeah.

<A – Amy Miles>: So, from that perspective, that was on the high end from a cost because that was the second-highest grossing domestic picture of all time. So whenever you have one of those pictures in a quarter, it may not impact you a whole lot for a whole year, but it will impact you for a quarter, so I'm not sure I would necessarily extrapolate anything, any kind of longer-term trend from this quarter. I would think about it being to David's point, an expectation that it will remain stable and the prior year's trends will continue.

<Q – Tony Wible>: Great. Thank you very much.

Operator: Thank you. Our next question comes from the line of James Marsh with Piper Jaffray & Co. Please proceed with your question.

<Q – James Marsh>: Yeah, hi, two quick questions here. One, I was just hoping to circle back on the share loss in the quarter. And if I understood you correctly, David, what you were saying was that you had about 400 basis points of I guess overweight in the California market, right? And then you had 400 basis points of underperformance in that California box office market, right?

<A – David Ownby>: Yeah, that's right.

<Q – James Marsh>: And that, seems like that's far less than 1% of share loss. It seems like there's something else going on there, or am I looking at it the wrong way?

<A – David Ownby>: Yeah, that's just one example, James. Obviously, there are different geographic, there's different box office results from different regions all over the country. Obviously, California's a big part of our circuit, so that is the biggest driver of that difference between the industry decline of 8.3% and our decline of 10.3%. But our, all around the country our footprint does not exactly match the industry footprint. So...

<Q – James Marsh>: Are there other specific markets that are meaningful that you could point out, or do you think it's something like maybe you're losing share in 3-D or ...?

<A – Amy Miles>: No. I think the other thing that I would add there, too, is I think when we – sometimes, James, when we point to California, it's been more a consistent trend. But, say, last quarter -- and, David, help me if I get this wrong -- Washington State was a low quarter for us, and it outperformed this quarter.

<A – David Ownby>: That's right.

<A – Amy Miles>: So, basically, you'll see a lot of things that we talk about from a film mix perspective that'll change quarter to quarter. So again, Washington was one last year that lagged the industry. It outperformed the industry this quarter, so no consistent trend there. New York, we outperformed.

<A – David Ownby>: Yeah. New York has been in line with the national average, but we have for the last several quarters outperformed in New York.

<Q – James Marsh>: Okay.

<A – Amy Miles>: So, I think we just used, to David's point, California, since it's our largest state and ...

<Q – James Marsh>: Okay. I was just trying to get some order of magnitude there.

<A – Amy Miles>: Yeah, and as an example, but other things may underperform or outperform that. What you guys use is the national average, which again, is just the theatres across the U.S. We may not have the same presence in those states, that creates that overall number.

<Q – James Marsh>: Right.

<A – Amy Miles>: And some quarters you have states that are higher and some you have lower. Now California, in fairness, has been underperforming the industry for at least three or four quarters, so that's why we've highlighted it.

<Q – James Marsh>: Okay, all right. Thanks, Amy. And then secondly, just on your IMAX joint ventures, could you remind us how many you have left and are they smaller markets or should we assume a smaller premium? Could you talk just a little bit about that? Is this something that you've considered maybe upsizing since it's been doing well and just whatever feedback you get from consumers regarding the digital IMAX product versus the old film-based IMAX?

<A – David Ownby>: In terms of the number of screens, James, we have 40 today and our agreement with IMAX is to get to 52 by the end of 2010.

<Q – James Marsh>: Okay.

<A – David Ownby>: And I'll let Amy speak to which markets those are in.

<A – Amy Miles>: Yeah. We're just continuing to evaluate our markets as we move forward and some of these markets, some of our IMAX target markets will be some of our newer build, James, and then we're going back into some of our existing markets and filling in the gap where we do not have that IMAX presence today. But you can think about us, at least over the nearer term, having a slate that we will add 10 to 12 additional IMAXs.

<Q – James Marsh>: Okay, but is there any difference in market size? Like did you roll out the bigger markets first and the last 12 markets will be materially smaller, or is it kind of a mixed bag?

<A – Amy Miles>: It's probably a mixed bag because, remember, some of this is new building.

<Q – James Marsh>: Right.

<A – Amy Miles>: So it's just where we're targeting our new building, not necessarily filling in our existing theatre base. But it's also tied to our new build. A lot of that's in existing markets. It's just part of our new build strategy. So I would say it's pretty similar to what we've already done.

<Q – James Marsh>: Okay. And then the feedback from moviegoers, do you get any negative feedback on the digital IMAX experience relative to the print format?

<A – Amy Miles>: No, nothing like you see in the press.

<Q – James Marsh>: Okay, all right. Thank you very much.

<A – Amy Miles>: Uh huh.

Operator: Thank you. Our next question comes from the line of Eric Handler with MKM Partners. Please proceed with your question.

<Q – Eric Handler>: Yes, hi. Thanks for taking my call. Two questions for you. First, one of the reasons for the under-indexing is, for admissions revenues, the industry shrink count's been growing about 1%, where you on a net basis have been flat to down anywhere from 1 to 2%. At what point do your net closures sort of become net openings in your growth plan?

And then secondly, with regard to your other operating expenses for the theatres, I believe that's where your payments go for your revenue-sharing agreements with RealD and IMAX. Could you just sort of give us a sense of the magnitude of that for the other operating expenses?

<A – David Ownby>: We'll go with the second one there first. Eric, in terms of our other operating expenses, the kind of magnitude that's related to 3-D and IMAX, this quarter that number was about $2.5 million, so – and that's an increase of I think about $1 million over the same period last year.

<A – Amy Miles>: Okay and then, Eric, I think what you're thinking about -- how do you think about Regal's screen count in the future? So, one thing I will point out is -- and a lot of times I know we all look at our numbers on a per-screen basis, but, remember, as we're closing theatres, those typically do 45 to 50% of our per-screen average from an attendance perspective, where a newer screen does 125 to 130% of our per-screen average from an attendance perspective. So, even a flat screen count is a more productive asset base for the Company.

But I think when you are starting to see some recovery in the real estate market, over the next couple of years you'll see Regal be in a position where -- and let's maybe forecast that it's not 2010, that's too soon, but maybe that's the 2011-2012 period -- where you'll start to see an increase in our building over and above our closures. So, you should start to see that about that timeframe.

And then we also expect, the rest of the industry is also experiencing, as we speak, a slowdown in their own development, which also helps Regal from that perspective. It's not like the rest of the industry is building and we're not.

<Q – Eric Handler>: Right. No, I get that. Okay.

<A – Amy Miles>: But to your point, and thanks, we're adding that when we're talking about over time what can make the difference between a Regal admissions number and an industry admissions number is growth in screen base also.

<Q – Eric Handler>: Okay. Thanks, Amy.

Operator: Thank you. Our next question comes from David Miller with Caris & Company. Please proceed with your question.

<Q – David Miller>: Yeah. Hi, a couple of questions. Amy, the interest in *Avatar* just seems to be absolutely off the charts. And we could be looking at maybe another $1 billion grosser here worldwide, which of course, that's what James Cameron's last film did -- obviously it did a lot more than that. But given that, do you see a higher 3-D up-charge at around, say, the $4 or even the $4.50 level, or are you going to assess that once we get to December 18? And then I have a couple of follow-ups. Thanks.

<A – Amy Miles>: Okay. I think really at this point, I think what *Avatar* does is it's going to be a very good measure for the industry to show what can happen when you have a high budget, technology changing 3-D film. I think right now, where there's limited amount of 3-D screens in the market, you probably will not see much change in pricing for *Avatar*. Now hopefully the results of *Avatar* give us good data, where in the future we can continue to look at the premium, so I think it's going to be very helpful from that perspective. But, between now and December, I do not see a substantial change in premium pricing as it relates to *Avatar*.

<Q – David Miller>: Okay. And then can you just refresh my memory on DCIP? With regard to virtual-print fees, have all six major studios, plus Lionsgate, come in with a virtual-print fee agreement or is there still one holdout there?

<A – Amy Miles>: Right now, we have the critical mass that is necessary to raise the financing and that critical mass includes five of the major studios, plus Lionsgate.

<Q – David Miller>: Okay, so there's still a holdout?

<A – Amy Miles>: Yes.

<Q – David Miller>: And then also about six blocks south of here in Los Angeles you guys look like you're getting ready to open up a very nice facility at L.A. LIVE. David, is your screen count of 6,768 in the fourth quarter, does that include L.A. LIVE or not?

<A – David Ownby>: That screen count does not include L.A. LIVE. That is a theatre that we have a management agreement for, so it's not, we do not include those theatres in our screen count.

<Q – David Miller>: Okay, fair enough. And then finally, David, could you just talk about the debt extinguishment charge and what was going on there?

<A – David Ownby>: Sure. If you remember back in July of this year, we issued some new high yield bonds and we used the proceeds to pay down our existing senior credit facility by about $380 million. And when we did that, we had to write-off the portion of our debt acquisition costs that were associated with our senior credit, with that portion of our senior credit facility. And that amounted to $7.4 million.

<Q – David Miller>: Got you. Super. Thank you very much.

<A – David Ownby>: You bet.

Operator: Thank you. Our next question comes from the line of Ben Mogil with Thomas Weisel Partners. Please proceed with your question.

<Q – Benjamin Mogil>: Hi, guys. Good afternoon, thanks for taking the call.

<A – David Ownby>: Hey, Ben.

<Q – Benjamin Mogil>: Hi, guys. So, a couple of questions. The industry per screen data that you were quoting, David, I think down 8.3. Am I correct that the aggregate is down about 8?

<A – David Ownby>: Yeah, the aggregate for the United States I think is down just under 8.

<Q – Benjamin Mogil>: And I guess the 7.3 number that we see quoted from Box Office Mojo includes Canada and those Canadians saw a lot of movies in the third quarter?

<A – David Ownby>: That's correct.

<Q – Benjamin Mogil>: You know those Canadians. And I apologize if I missed what you -- I sort of had trouble hearing it -- what was the average ticket price for IMAX and 3-D in the quarter?

<A – David Ownby>: For IMAX, Ben, it was $13.74.

<Q – Benjamin Mogil>: Okay.

<A – David Ownby>: And for RealD or 3-D, digital 3-D, it was $11.27.

<Q – Benjamin Mogil>: Okay. Great. Thanks. I want to talk a little bit more about California. I know obviously it's being talked a lot on this call. Cinemark's got about 20% of their screen base from California as well. Are you guys in the same markets or are they more Northern California, you are more Southern?

<A – Amy Miles>: We share the same markets, but we have a higher concentration -- I mean, we're more spread out geographically in California than they are.

<Q – Benjamin Mogil>: Okay, because the issue of California tends to be more of a focus on your calls then theirs. Are the markets that they are concentrated within holding up better? Like I'm kind of curious, within California, is San Fran holding up better than, say, Central California? Can you give us any kind of -- given how big California is, can you give us any kind of color within the state?

<A – Amy Miles>: Yeah. I think it's not so much between California -- and again to your point, we are more, we do have a different spread in California. But one thing that we have seen -- and this is really something Cinemark should speak to, but on their behalf -- we've seen Texas really has, the state of Texas has a strong box office performance above the industry throughout this fiscal year. So again, their -- in addition to California, their highest presence is obviously Texas, and what we have seen for the state of Texas for the industry throughout this fiscal year is an over-performance as compared to the industry.

<Q – Benjamin Mogil>: Okay. And, but going back to California -- and I realize they've gotten like 27 points in Texas, so even, that'll obviously offset California.

<A – Amy Miles>: Yeah, and it sure can.

<Q – Benjamin Mogil>: Within California itself, are you seeing regionally any kind of trends, big market, small market, northern, south, coast, non-coast? Kind of curious?

<A – David Ownby>: No, Ben, really, up and down the state of California the performance in the different areas has not been that different.

<Q – Benjamin Mogil>: Okay. And then I think lastly, and then I'll let someone else obviously get on the queue.

<A – Amy Miles>: The only -- and Ben, I'm sorry, I will just add this. The only thing that we think about with respect to California, it is a state that does have probably a few -- I mean, it does have higher unemployment. It has been more impacted by the housing market. I can't say that that's why we're seeing what we see in California, but it is a dynamic that does exist in that state.

And so, obviously -- and that's why I tried to point out earlier, when you look at the Company, we have a large geographic dispersion, and so over time, sometimes we've performed in line or above the industry, or sometime below. But I do believe when California starts to see recovery, you'll see improvement in that market.

<Q – Benjamin Mogil>: And that California number of down 12, that was against your box office for your quarter, so versus like 8%. Is that fair to say?

<A – Amy Miles>: Yes.

<A – David Ownby>: That's correct.

<Q – Benjamin Mogil>: I just wanted to make sure it wasn't against the national average of basically flat.

<A – Amy Miles>: No.

<Q – Benjamin Mogil>: Last question, then I promise I'll let someone get on the queue. Industry for your quarter -- fourth quarter to-date -- I think it's only four weeks or something like that -- up 12.8%. Are you tracking close to that?

<A – David Ownby>: We have not done that analysis yet, Ben.

<A – Amy Miles>: I would expect, based on where we have been tracking for the third quarter -- I mean for the second and third quarter -- there wouldn't be anything different about California per se in the first three weeks. So, I would expect that it's probably similar at this point to about where the third quarter is.

<Q – Benjamin Mogil>: Okay. Great. That's it for me. Thanks, guys.

Operator: Thank you. Our next question comes from the line of Barton Crockett with Lazard Capital Markets. Please proceed with your question.

<Q – Barton Crockett>: Okay, great. Thanks for taking the question. I wanted to ask about the, a little bit about your view on the studio release schedule. There's been a lot of noise about reductions in films for 2010, 2011 from the major studios. And I was wondering if you could give us an update on your perspective on what you see for the lineup of product and are the reductions really, do you think, kind of in small movies and we're still kind of seeing no impact on the box office? Is there going to be any change in the mix of movies that come to theatres and the number of movies? If you could elaborate on that, that'd be helpful.

<A – Amy Miles>: Yeah, I think, again, that's something that you hear a lot about in the press and some of that with respect to, I'm going to say, smaller budget movies probably does exist, where you'll see some reduction. But, remember, each year, out of the 4 to 600 movies that are made, only about 120 or so of those pictures really generate our box office dollars.

And when we did an analysis not too long ago, Ben, I think when we looked at wide releases -- I'm sorry, I said Ben. I was one question behind, so, sorry, Barton. But when we looked at the wide release schedule, there was only a difference of four films in between the two years, and that's with respect to 2008. So we did a lot of that work for DCIP and there was only a four-film difference.

So, particularly as you're looking at the 2010 calendar, we just don't really see that, and product and content is always going to be important to the studios, not just for the theatrical release, but it drives a lot of their ancillary revenues. So the studios, in our opinion, have always found a way to produce content.

<Q – Barton Crockett>: Okay, great. And then, if you could talk a little bit about the M&A environment? I mean, there was obviously news from National Amusements, they're not really selling much at this point, but do you see anything there or anywhere else that might potentially be interesting for you guys over the next year on the M&A front? I mean, does it look pretty cool or do you think there might be stuff that's interesting?

<A – Amy Miles>: Yeah, I think we'll, I think there could be some interesting stuff maybe towards the end of next year. You can never really predict timing, but I'm saying that only because I think now and for at least the first half of the year, a lot of the focus is going to be on the digital effort.

So what we will be focusing on internally is maximizing our revenues from a digital perspective. And as we get six months into the rollout and we get, and we're moving forward, hopefully you'll be in a place where the M&A environment looks favorable for the industry.

<Q – Barton Crockett>: And to understand what you said about that DCIP facility as it exists now, the $200 million equity from the three founding partners is how you put it now. Can you just...?

<A – Amy Miles>: That includes both the equity from the founding partners, as well as that junior or mezzanine level of capital. In the aggregate, that's $200 million. The majority of that is third-party, not founding member.

<Q – Barton Crockett>: And the founding member contributions still looks like projectors basically or the....?

<A – Amy Miles>: Yeah. It will be the equipment primarily. We may all, or we may have some cash to put in there. It's not going to be material to the Company, but it's primarily going to consist of the investments we have all made in projector and other digital equipment.

<Q – Barton Crockett>: And if the financing is done in November as you expect, how long do you think it would take to hit the 1,500 3-D screen target that you guys have put out there?

<A – Amy Miles>: You know what? We should end the year at approximately 430 3-D screens, so we're getting close to being a third of the way there by the time that we end 2009. So, you would hope as we get closer to the end of 2010, we'll be a long way towards our 3-D goal. And the good news is ultimately we'd like to get to the 1,500 screen count, but you can make a significant difference from a circuit perspective well before you get to that 1,500 number.

<Q – Barton Crockett>: Okay. That's great. Thanks a lot.

Operator: Thank you. Our next question comes from the line of Matthew Harrigan with Wunderlich Securities. Please proceed with your question.

<Q – Matthew Harrigan>: Good afternoon. If you do get this DCIP financing closed, the game changes pretty quickly in terms of the 3-D bottleneck if you're rolling out 200 screens a month. I know right now that the prime focus has to be on the new product, but you did have those Disney re-releases on Toy Story that did decent, if not spectacular, numbers. Could you give us a little bit more comment on that? And do you think that the re-releases, even apart from animation, are going to become a little bit more ubiquitous as you go forward?

And then the second question is, is there anything happening on the health-care side that's going to affect your employee cost under the certain scenarios. And then lastly, this is -- maybe I should take this off-line, but I got a little noise on your ending screen count. I thought you said 6,668 and I just wanted to make sure that was the right number.

<A – David Ownby>: You mean the ending screen count for this quarter?

<Q – Matthew Harrigan>: For the end of the year.

<A – David Ownby>: Yeah, 6,768.

<Q – Matthew Harrigan>: 6,768. Okay. I got confused. Thank you.

<A – Amy Miles>: And going back to the first part of your question there, as it relates to the re-release market, we have always said that we believe, once you had enough screens out there, that the studios would -- I mean this is found money, when you think about it, and *Toy Story* exceeded our expectations with respect to what it generated and you have seen, even historically, pictures like Star Wars that were re-released with just additional footage, that have substantially outperformed expectations for those pictures, and that's not even including what could happen from a 3-D perspective.

So, you're right. The focus today is on the new products, but as the screen count continues to increase, I think the studios will take advantage of the re-release market and we believe that's one of the, that's going to be part of the upside with respect to 3-D. It's hard to put a number to it, but the good news is, particularly with Toy Story, when you can see those type of numbers on that release, that bodes well for the studios to continue to invest in re-release-type product. So, again, it's hard to put a number to it, but we do believe that's a big part of the opportunity.

The health care's moving around a lot right now, so it's hard to say exactly what that final proposal will be. With to how it stands today at this point, we do not see a significant impact. But again, that's a moving target with respect to ultimately what's going to happen from a final health-care perspective.

<Q – Matthew Harrigan>: Great. Thank you.

Operator: Thank you. Our next question comes from the line of David Gober with Morgan Stanley. Please proceed with your question.

<Q – David Gober>: Hi, guys. Thanks for taking the question. Earlier in the year, we heard a lot of noise from DreamWorks and Fox on some of the terms of the 3-D economics, particularly on premiums and who pays for the glasses. Just curious, as things move along and as DCIP comes closer, has there been any change in those discussions? Do you guys feel like the economics are relatively well-baked at this point? Any potential changes or pressures that you guys are seeing from the studios? And, on the advertising side, you guys mentioned that there had been an effort to reduce ad spending. Just curious if you could give any sense of what advertising is or, and maybe was, as a percentage of total revenues?

<A – Amy Miles>: I think with respect to the first -- well, I'm sorry. You want to go ahead and take the second part?

<A – David Ownby>: No, go ahead.

<A – Amy Miles>: Okay. There is a – it's business as usual from our perspective with respect to any kind of the 3-D – I mean, I'm sorry, the 3-D glasses or anything there. I think you heard some conversation and some press around that. It seems like it was about the time that we did ShoWest. All subsequent pictures, all pictures that happened subsequent to those discussions have been business as usual, and we will expect that continue in the future.

<A – David Ownby>: And, David, just from an advertising cost perspective, we haven't disclosed the breakdown between the film and advertising, but the advertising is obviously a smaller component of that number. And really our efforts in the last year or so have revolved around looking for ways to maybe change the format in which we advertise.

For example, we've come out of the newspaper in some markets or we've decreased our presence in the newspaper in some markets. And then we've moved to more maybe Internet or other types of advertising that typically are cheaper forms of advertising.

<Q – David Gober>: Okay. And then just on a -- a follow-up on the overall lease or facility lease expense. I think you guys had made a comment about the decline there, but I might have just missed it. Any color you guys can give on why that number declined year-over-year?

<A – David Ownby>: Sure. In all periods, a portion of our rent, and typically that number is around 5% of our rent, is percentage based, so it fluctuates up and down with our revenue. And since our revenue this particular quarter was down, the portion of our rent that is percentage based was also down.

<Q – David Gober>: Okay. Great. Thanks.

Operator: Thank you. Our next question comes from the line of Eric Wold with Merriman Curhan Ford. Please proceed with your question.

<Q – Eric Wold>: Thank you, and good afternoon. A couple of questions. You mentioned that you expect to get to the 433 screens by the end of the year, and then you'll -- once the DCIP financing comes, 60, 90 days after that and you'll going to start ramping.

Can you talk about -- assuming we get DCIP financing around the end of the year, let's say around the holidays, what would your kind of installation trend kind of look like between the holiday period to 4/30? And kind of that 60-to-90 day period, do you kind of slow down to a relatively minor level or you kind of keep installing at the same pace, kind of regardless of the financing level?

<A – David Ownby>: Yeah, Eric, once we get to 430, that's been kind of our commitment prefinancing, so really we'll stop at 430 until the financing is complete. And, again, we're optimistic that'll be in Q4 of this year, before the year is out. So, that would put us back beginning with installations probably late first quarter or at the start of the second quarter.

<Q – Eric Wold>: Okay. So, when you talk about the 60-to-90 day kind of ramp period to start installations, that's kind of a 60-to-90 period of no installations until you start installing, and not kind of a ramp up period?

<A – David Ownby>: That's correct.

<Q – Eric Wold>: Okay. And then, as you said in that earlier comment about the extra week, or the lack of a week in this quarter versus last year. So, the right way to think about that is kind of an expectation for quarterly box office attendance growth for you guys in Q4, and take out the 3 to 3.5 million versus last year attendees?

<A – David Ownby>: That's exactly right, Eric.

<Q – Eric Wold>: Okay. Then last question on interest expense. I know there's a -- the transaction is done in the quarter and you had the tick up of interest expense sequentially. What would be a good level, kind of backing out any noise in the quarter of kind of your one-time issues, or kind of the overlaps or anything like that, is a good kind of run rate of interest expense going forward in Q4?

<A – David Ownby>: Sure, Eric. This quarter, you're right, we'd have a little bit of noise in there. Both we have the new bond partial, part way through the quarter, and we also had some old swaps rolling off at the end of Q3 and some new swaps coming on. So, we've given guidance for Q4 of 38 million of interest expense and, again, that includes about 3.4 million of non-cash interest. And when you think about 2010 and forward, you can kind of use that 38 million as somewhat of a run rate and we'll give some more specific guidance for 2010 on our fourth-quarter call.

<Q – Eric Wold>: Perfect. Thanks, guys.

<A – David Ownby>: All right.

Operator: Thank you. Our final question comes from the line of George Hawkey with Barclays Capital. Please proceed with your question.

<Q – George Hawkey>: Thanks for taking my question again. I had one final question actually about the dividend and potential for a special dividend. I know you have talked about it in the past, but I just wanted to get management's commentary on what you're thinking about for 2010 and potential increase to the current $0.72? Thanks.

<A – Amy Miles>: The good news here with respect to the Company's cash flow is we are progressing with respect to DCIP, so as we move into 2010 and we're ramping up and generating incremental cash flow -- I'm sorry, we're ramping up our screen count and starting to see the benefit in our cash flow with respect to the 3-D and other premium, we've always said that we will evaluate our dividends as we see continued increase in 2010.

So we will continue to look at the dividend as we move forward. And again, we're always looking at what's the best way to provide shareholder return. Are there acquisition opportunities, are there other 3-D opportunities? And those will be part of the analysis. But as we move forward to '010 and start to see the benefit of 3-D, we will constantly be evaluating our dividend policy.

<Q – George Hawkey>: Great. Thank you.

<A – Amy Miles>: Uh huh.

Operator: Thank you. Ladies and gentlemen, at this time I would like to turn the conference back to management for any closing comments.

Amy E. Miles, Chief Executive Officer

Thank you for dialing in this afternoon and we look forward to a good fourth quarter. Thank you. Bye bye.

Operator: Thank you. Ladies and gentlemen, this concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.