

SHARPS COMPLIANCE CORP
Form 10-K
August 26, 2015

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended June 30, 2015
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: 001-34269

SHARPS COMPLIANCE CORP.
(Exact name of registrant as specified in its charter)

Delaware 74-2657168
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

9220 Kirby Drive, Suite 500, Houston, Texas 77054
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (713) 432-0300
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, \$0.01 Par Value	The NASDAQ Capital Market

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ 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 ☐ 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. 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. ý

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company ☒

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

As of December 31, 2014, the aggregate market value of the Registrant’s Common Stock held by non-affiliates was approximately \$54.4 million (based on the closing price of \$4.26 on December 31, 2014 as reported by The NASDAQ Capital Market).

The number of common shares outstanding of the Registrant was 15,386,791 as of August 24, 2015.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant’s Proxy Statement to be filed with the Securities and Exchange Commission pursuant to (1) Regulation 14A for the Annual Meeting of Shareholders to be held on November 19, 2015 are incorporated by reference into Part III.

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains certain forward-looking statements and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "expect," "estimate," "project" and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors, including without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Sharps Compliance Corp. was formed in November 1992 as a Delaware corporation. The information presented herein is for Sharps Compliance Corp. and its wholly owned subsidiaries, Sharps Compliance, Inc. of Texas (dba Sharps Compliance, Inc.), Sharps e-Tools.com, Inc. ("Sharps e-Tools"), Sharps Manufacturing, Inc., Sharps Environmental Services, Inc. (dba Sharps Environmental Services of Texas, Inc.) and Sharps Safety, Inc. (collectively, "Sharps" or the "Company"). Unless the context otherwise requires, "Company," "we," "us" and "our" refer to Sharps Compliance Corp. and its subsidiaries.

The Company provides access to all of its filings with the Securities and Exchange Commission ("SEC") through its website www.sharpsinc.com, as soon as reasonably practicable after the reports are filed with the SEC. The filings are also available via the SEC's website at www.sec.gov/edgar/searchedgar/companysearch.html.

COMPANY OVERVIEW

Sharps Compliance Corp. is a leading full-service national provider of comprehensive waste management services including medical, pharmaceutical and hazardous. Our solutions facilitate the proper collection, containment, transportation and treatment of numerous types of healthcare-related materials, including hypodermic needles, lancets and other devices or objects used to puncture or lacerate the skin, or sharps, hazardous waste and unused consumer dispensed medications and over-the-counter drugs. We serve customers in multiple markets, such as home health care, retail clinics and immunizing pharmacies, pharmaceutical manufacturers, professional offices (physicians, dentists and veterinarians), assisted living and long-term care facilities (assisted living, continuing care, long-term acute care, memory care and skilled nursing), government (federal, state and local), consumers, commercial and agriculture, as well as distributors to many of the aforementioned markets. We assist our customers in determining which of our solution offerings best fit their needs for the collection, containment, return transportation and treatment of medical waste, used healthcare materials, pharmaceutical waste, hazardous waste and unused dispensed medications. Our differentiated approach provides our customers the flexibility to return and properly treat medical waste, used healthcare materials or unused dispensed medications through a variety of solutions and products transported primarily through the United States Postal Service ("USPS"). For customers with facilities or locations that may generate larger quantities of waste, we integrate the route-based pickup service into our complete offering. The benefits of this comprehensive offering include single point of contact, consolidated billing, integrated manifest and proof of destruction repository in addition to our cost savings. Furthermore, we provide comprehensive tracking and reporting tools that enable our customers to meet complex medical, pharmaceutical and hazardous waste disposal and

compliance requirements. We believe the fully-integrated nature of our operations is a key factor leading to our success and continued recurring revenue growth. We continue to take advantage of the many opportunities in all markets served as we educate the market place and as prospective customers become more aware of alternatives to traditional methods of disposal (i.e., route-based pickup services).

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As a leading full-service national provider of comprehensive waste management services including medical, pharmaceutical and hazardous, our key markets include pharmaceutical manufacturers, home healthcare providers, assisted living/long-term care, retail pharmacies and clinics and the professional market, which is comprised of physicians, dentists and veterinary practices. The Company's flagship product, the Sharp® Recovery System, is a comprehensive solution for the containment, transportation, treatment and tracking of medical waste and used healthcare materials. In October 2014, the Company launched MedSafe®, a patent pending solution for the safe collection, transportation and proper disposal of unwanted and expired prescription medications including controlled substances from ultimate users. MedSafe has been designed to meet or exceed the new regulations issued by the Drug Enforcement Administration ("DEA") implementing the Secure and Responsible Drug Disposal Act of 2010 (the "Act"), which became effective October 9, 2014.

Our principal executive offices are located at 9220 Kirby Drive, Suite 500, Houston, Texas. Our telephone number at that location is (713) 432-0300. We currently have 74 full-time employees and 1 part-time employee. We have manufacturing, assembly, distribution and warehousing operations located on Reed Road in Houston, Texas and our corporate offices located on Kirby Drive in Houston, Texas. We own and operate a fully-permitted treatment facility in Carthage, Texas that incorporates our processing and treatment operations. Approximately four years ago, we supplemented the treatment facility's existing incineration process with an autoclave system, which is a cost-effective alternative to traditional incineration that treats medical waste with steam at high temperature and pressure to kill pathogens. The autoclave system is utilized alongside the incinerator for day-to-day operations. We believe that our facility is one of only ten permitted commercial facilities in the United States capable of treating all types of medical waste, used healthcare materials and unused or expired dispensed medications (i.e., both incineration and autoclave capabilities). The Company utilizes six treatment facilities owned by subcontractors of the Company which are located across the country for the proper treatment of medical waste and used healthcare materials generated by certain of our customers. This arrangement not only reduces the Company's return transportation costs associated with its Solutions but also provides back-up treatment facility capabilities in the event of disruption at the Company's treatment facility in Carthage, Texas. In July 2015, the Company acquired a route-based pickup service in Pennsylvania, which serves Pennsylvania, Maryland, and parts of Ohio.

SOLUTIONS OVERVIEW

We offer a broad line of product and service solutions to manage the medical waste and unused dispensed medications generated by our customers. Our primary solutions include the following:

Sharps Recovery System™ (formerly Sharps Disposal by Mail System®): a comprehensive solution for the containment, transportation, treatment and tracking of medical waste and used health care materials generated outside the hospital and large health care facility setting. The Sharps Recovery System includes a securely sealed, leak and puncture resistant sharps container in several sizes ranging from one quart to twenty-eight gallons; USPS-approved shipping box with prepaid priority mail postage; absorbent material inside the container that can safely hold up to 150 milliliters of fluids; a bag for additional containment and complete documentation and tracking manifest. The Sharps Recovery System is transported to our owned or contracted facilities for treatment. Upon treatment or conversion of the waste, we provide electronic proof of receipt and treatment documentation to the customer through our proprietary SharpsTracer® system. We introduced new systems this year to the Sharps Recovery System brand portfolio that are best suited for facilities with multiple treatment rooms. These new systems offer multiple sharps containers with a single return, prepaid return box.

TakeAway Medication Recovery System™: a comprehensive solution that facilitates the proper disposal of unused medications (including controlled substances) from ultimate users. The solution has been designed to meet or exceed the new regulations issued by the DEA implementing the Act, which became effective October 9, 2014. The solution is designed for use in long-term care (on behalf of their patient), hospice and consumer markets.

MedSafe®: a patent-pending solution for the safe collection, transportation and proper disposal of unwanted and expired prescription medications, including controlled substances from ultimate users. MedSafe has been designed to meet or exceed the new regulations issued by DEA implementing the Act, which became effective October 9, 2014. MedSafe is designed for use in retail pharmacies, long-term care facilities, hospice, hospitals/clinics with on-site pharmacies, narcotic treatment facilities and licensed law enforcement.

Route-Based Pickup Service: as a full-service waste management services company, we offer route-based medical and hazardous waste pickup services to customers and prospects that have facilities or branches that generate larger quantities of medical or hazardous waste or where the route-based pickup service is preferred. This blended service of mailback and pickup provides cost-savings benefits by customizing the right solution with each location to reach the best outcome for the customer.

ComplianceTRACSM: a more advanced web-based version of the Company's compliance and training program. ComplianceTRAC is designed to improve worker safety while satisfying applicable Occupational Safety and Health Administration ("OSHA") and other requirements for the end-user. The program includes employee training for Bloodborne pathogens, HHS-compliant HIPAA and Hazardous Communications. The online program also provides access to a database of over a million SDSs (MSDSs), safety plans, regulatory information and facility self-audits. The program is designed to replace outdated hard copy manuals with an updated platform available 24/7.

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Universal Waste Shipback Systems: a jointly-promoted program with Veolia Environmental Services using their RECYCLEPAK solutions for the collection, transportation and recycling of light bulbs, batteries and other mercury-containing devices. The solution is marketed to existing and prospective customers as a complement to the Company's line of medical waste and unused medication management solutions.

Other Solutions: a wide variety of other solutions including TakeAway Environmental Return System™, SharpsTracer®, Sharps Secure® Needle Disposal System™, Complete Needle™ Collection & Disposal System™, Patch-It IV™ Poles, Trip LesSystem®, Sharps® Pump and Asset Return System, Sharps® MWMS™ (a Medical Waste Management System ("MWMS")) and Biohazard Spill Clean-up Kit and Recovery System™.

MARKET OVERVIEW

The Company continues to focus on core markets and solution offerings that fuel growth. Markets served are professional offices, retail pharmacies and clinics, assisted living and long-term care facilities, home healthcare, government, pharmaceutical manufacturers and other commercial organizations that require cost-effective services for managing medical, pharmaceutical and hazardous waste.

The Company believes its growth opportunities are supported by the following:

A large professional market that consists of dentists, veterinarians, clinics, private practice physicians, urgent care facilities, ambulatory surgical centers and others such as acupuncture and tattoo services. This regulated market consists of small to medium quantity generators of medical, pharmaceutical and hazardous waste where we can offer a lower cost to service with solutions to match individual facility needs. The Company addresses this market from two directions: (i) field sales which focuses on larger-dollar and nationwide opportunities where we can integrate the route-based pickup service along with our mailback solutions to create a comprehensive medical waste management offering and (ii) inside and online sales which focus on the individual or small group professional offices.

The shift of healthcare from traditional settings to the retail pharmacy and clinic markets, where the Company focuses on driving increased promotion of the Sharps Recovery System. The number of U.S. retail clinics is projected to increase significantly, as much as 20%-25% per year, driven by the increasing demand of newly insured patients under healthcare reform, as well as patients looking for more convenient care and retail pharmacies increasing the variety and volume of healthcare services they provide. According to the Centers for Disease Control ("CDC"), 25% of flu shots for adults were administered in a retail clinic with the trend expected to increase. In addition to the continued growth in the flu shot business, there are also growth opportunities for more primary care in the retail or alternative site setting and correspondingly growth opportunities for the Company based on its significant presence in the retail market. A recent study shows that Americans visit retail clinics 10 million times a year, which represents only 2% of "all primary care patient encounters."

The passage of new regulations for ultimate user medication disposal allows the Company to offer new solutions (MedSafe and TakeAway Medication Recovery System envelopes) that meet the regulations for ultimate user controlled substances disposal (Schedules II-V) to retail pharmacies. Additionally, with the new regulations, the Company is able to provide the MedSafe and TakeAway Medication Recovery Systems to assisted living and hospice to address a long standing issue within long-term care.

The changing demographics of the U.S. population - one out of five Americans will be 65 years or older by 2030, which will increase the need for cost-effective medical waste management solutions, especially in the long-term care and home healthcare markets. With multiple solutions for managing regulated healthcare-related waste, the Company delivers value as a single-source provider with blended mailback and route-based pickup services matched to on the waste volumes of each facility.

Local, state and federal agencies have growing needs for solutions to manage medical and pharmaceutical waste — the Company's Sharps Recovery System is ideal for as-needed disposal of sharps and other small quantities of medical waste generated within government buildings, schools and communities. The Company also provides TakeAway Medication Recovery System envelopes and MedSafe solutions to government agencies in need of proper and regulatory compliant medication disposal.

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With an increased number of self-injectable medication treatments and local regulations, the Company believes its flagship product, the Sharps Recovery System, continues to offer the best option for proper sharps disposal at an affordable price. The Company delivers premium services to pharmaceutical manufacturers that sell high-dollar, self-injectable medications, which include data management, compliance reporting, fulfillment, proper containment with disposal, branding and conformity with applicable regulations. In addition, the Company provides self-injectors with online and retail purchase options of sharps mailback systems, such as the Sharp Recovery System and Complete Needle Collection & Disposal System, respectively.

A heightened interest by many commercial companies who are looking to improve workplace safety with proper sharps disposal and unused medication disposal solutions — the Company offers a variety of services to meet these needs, including the Sharps Secure Needle Disposal System, Sharps Recovery System, Biohazard Spill Kits and TakeAway Medication Recovery System envelopes.

In July 2015, the Company augmented its network of medical and hazardous waste service providers with an acquisition of a route-based pickup service in the northeast serving Pennsylvania, Maryland and parts of Ohio. Additionally, the Company has begun to service parts of Texas and Louisiana with route-based pickup service. With the addition of these route-based pickup regions and the network of medical and hazardous waste service providers servicing the entire U.S., the Company offers customers a blended product portfolio to effectively manage multi-site and multi-sized locations, including those that generate larger quantities of waste. The network has had a significant positive impact on our pipeline of sales opportunities — over 60% of this pipeline is attributable to opportunities providing comprehensive waste management service offerings where both the mailback and pickup service are integrated into the offering.

The Company has new solution offerings that include ultimate user medication disposal (MedSafe and TakeAway Medication Recovery System) and mailback services for DEA registrant expired inventory of controlled substances (TakeAway Medication Recovery System DEA Reverse Distribution for Registrants).

The Company's strong financial position with a cash balance of \$15.2 million and no debt as of June 30, 2015.

TERMINATED CONTRACT AND LEGAL SETTLEMENT

On January 29, 2009, the Company entered into a five-year contract with the United States Department of Veterans Affairs National Acquisition Center (“VA NAC”) to provide its Sharps MWMS, a rapid-deployment solution designed to provide medical waste collection, storage and treatment in the event of natural disasters, pandemics, man-made disasters or other national emergencies in support of the CDC Division of Strategic National Stockpile. Sharps MWMS also incorporated warehousing, inventory management, training, data and other services necessary to provide a comprehensive solution. Sharps performed under the contract through January 31, 2012. On June 30, 2014, the Company entered an agreement to settle its claims against the United States government and various agencies related to the January 2012 termination of the Company’s February 2009 contract with the CDC. The settlement agreement resulted in a cash payment of \$1.5 million, which was received by the Company in July 2014.

COMPETITIVE STRENGTHS

We believe our competitive strengths include the following:

Leading full-service national provider of comprehensive and cost-effective waste management services, including medical, pharmaceutical, and hazardous.

We offer a full line of solutions and services that address the proper management of medical waste, used healthcare materials and patient dispensed unused or expired medications (including controlled substances). We offer a blended

product portfolio that includes both a mailback and route-based pickup service to target prospective customers with multi-site and multi-sized locations that may include facilities that generate larger quantities of waste, including medical, pharmaceutical and hazardous. This blended offering includes a single point of contact, consolidated billing, regulatory support and complete integration of our SharpsTracer system. Our proprietary SharpsTracer tracking and documentation systems provide customers a comprehensive electronic record of receipt and treatment of their waste to meet regulatory requirements. The Company's mail or ship-back based services are generally offered at a significantly lower cost as compared to the traditional route-based pickup services for small quantity generators since the Company utilizes the existing infrastructure of USPS or in some cases United Parcel Service ("UPS") for return transportation. While competitors may attempt to replicate our comprehensive solution offerings, we believe the ability to offer such a comprehensive, value-added turnkey solution is a significant competitive advantage. We have only begun to offer this comprehensive solution over the past three years with the primary focus of our marketing efforts on educating the marketplace about us as an alternative to the historical provider of waste services, including medical, pharmaceutical and hazardous.

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Vertically-integrated full-service operations.

Our operations are fully integrated, including manufacturing, assembly, distribution, treatment, online tracking and customer reporting. We have manufacturing, assembly, distribution and warehousing operations in Houston, Texas. We own and operate a fully-permitted treatment facility in Carthage, Texas, that incorporates our processing and treatment operations. Approximately five years ago, we supplemented the treatment facility's existing incineration process with an autoclave system, which is a cost-effective alternative to traditional incineration that treats medical waste with steam at high temperature and pressure to kill pathogens. The autoclave system is utilized alongside the incinerator for day-to-day operations. We believe that our facility is one of only ten permitted commercial facilities in the United States capable of treating all types of medical waste, used healthcare materials and unused or expired medications including controlled substances (i.e., both incineration and autoclave capabilities). The Company, under an agreement with several subcontractors, utilizes six treatment facilities located across the country for the proper treatment of medical waste and used healthcare materials generated by our customers. This has not only reduced the Company's return transportation costs but also provides back-up treatment facility capabilities in the event of disruption at the Company's treatment facility in Carthage, Texas. We track the movement of each shipment from outbound shipping to ultimate treatment and provide confirmation to the customer for their records using our proprietary SharpsTracer tracking and documentation system. We also track treatment volumes associated with pickup services provided as part of our blended product portfolio using SharpsTracer. We also provide customized reporting and comprehensive regulatory support for many of our customers. By controlling all aspects of the process internally, the Company is able to provide a one-stop solution and simplify the tracking and record-keeping processes to meet regulatory requirements for our customers. We believe the fully-integrated nature of our operations is seen by current and prospective customers as a key factor and differentiator leading to our success and leadership position in our industry.

Diverse product markets.

Sharps offers services and products to a wide variety of end markets. The Company's growth strategies are focused on retail pharmacies and clinics, pharmaceutical manufacturers, home healthcare providers, assisted living/long-term care facilities and the professional market, which is comprised of physicians, dentists and veterinary practices. We also serve federal, state and local government agencies and hospitality, which includes hotels, commercial, industrial and agriculture.

Our billings by market for the years ended June 30, 2015, 2014 and 2013 are below (as expressed in percentages of revenues):

	Year Ended June 30,					
	2015	2014	2013			
<u>BILLINGS BY MARKET:</u>						
Retail	28 %	24 %	24 %			
Home Health Care	22 %	27 %	32 %			
Professional	20 %	20 %	18 %			
Pharmaceutical Manufacturer	15 %	14 %	11 %			
Assisted Living	6 %	6 %	7 %			
Government	5 %	2 %	3 %			
Environmental	1 %	3 %	1 %			
Other	3 %	4 %	4 %			
	100 %	100 %	100 %			

Highly scalable business model.

Because of our proven business model, we can add new business while leveraging our existing infrastructure. Our facilities are able to accommodate significant additional volume, incurring only variable costs of transportation and processing. Once we gain a new customer, our profitability typically increases as our customer base grows without additional overhead expense due to the embedded nature of our products and the ease with which we can accommodate additional volume.

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Increased state and federal regulatory attention.

To protect citizens and waste workers from needle stick injuries, nine states have passed legislation or regulations making it illegal to discard used sharps into household trash. Another nine states and the District of Columbia have strict guidelines regarding home sharps disposal. Passed or strict guidelines related to home sharps disposal covers 46% of the U.S. population. In addition to state restrictions on disposal of home-generated sharps by consumers, several counties have passed ordinances requiring businesses that sell syringes to the public, such as retail pharmacies and veterinary clinics to take back those syringes, once used, in regulatory-compliant sharps containers at no charge to the consumer.

In order to reduce accidental poisonings and pollution of our water and municipal water systems, twenty-two states and the District of Columbia have introduced legislation over the last few years intended to manage the disposal of consumer unused medications. Seven states and the District of Columbia have successfully passed such legislation. Passed or pending legislation related to disposal of consumer medications covers 67% of the U.S. population. Further, since 2009, the federal government, nine states and several counties have introduced legislation requiring manufacturer responsibility for consumer generated unused medications. State regulatory agencies are also addressing this issue within the regulated industry. Multiple states now require healthcare providers to avoid sewer and trash disposal of non-hazardous unused medications within their facilities. States such as California, Washington and Minnesota have required assessment and proper treatment by a medical waste disposal company for years. However, other states such as Colorado and Florida are now requiring even small healthcare providers to segregate unused medications for proper disposal. In addition, states are beginning to more closely scrutinize generators returning through reverse distribution unused medications that are actually waste pharmaceuticals and should be disposed of as such. As state and federal enforcement of these statutes increases, more companies could turn to solutions such as ours to help manage their medical waste and regulatory compliance. We believe we are well positioned to benefit given our strict adherence to established standards and extensive documentation and records.

Environmentally-conscious solution provider.

In addition to providing cost-effective solutions for our customers, the Company is committed to discovering new sustainable initiatives that mitigate the effects of potentially hazardous waste on the environment. Our patented Waste Conversion Process™ repurposes regulated medical waste and unused medications into new resources used in industrial applications, such as the generation of electricity or recycled plastics used in the industrial sector. Our Universal Waste Shipback Program recycles the materials in light bulbs, batteries, and other mercury-containing devices for use in new applications. In addition, the use of recycled paper and plastic materials for many of our products further demonstrates our total commitment to environmentally sound business practices. As an organization, the Company is a leading proponent for the development of solutions for the safe disposal of sharps, unused medications (including controlled substances), light bulbs, batteries and other mercury-containing devices in the community and continually works to raise public awareness of the issue.

Experienced and accomplished management team.

Our senior management team has extensive industry experience and is committed to the continued growth and success of our company. Mr. David P. Tusa, CEO and President, in addition to his ten-plus years with the Company has over 20 years of business and public company experience in multiple industries and in companies with revenues up to \$500 million. Mr. Brandon L. Beaver, Senior Vice President of Sales, has broad healthcare sales and sales management experience with the Company and at a variety of firms including AIMS/Allied Care, a third party administrator and managed care company. Ms. Diana P. Diaz, CPA, MBA, Vice President and Chief Financial Officer, has over 25 years of finance, accounting, healthcare and public company industry experience. Mr. Gregory C. Davis, Vice President of Operations, has over 20 years of information technology and operations-related experience. Mr. Khairan Aladwani, Vice President of Assurance/Quality Control, has over 25 years of quality assurance and operations

experience, including medical devices, at a variety of companies both private and public. Mr. Dennis Halligan, Vice President of Marketing, has broad marketing experience with the Company and at a variety of firms, including Stir Creative and R.J. Reynolds.

The Company's Board of Directors oversees CEO and senior management succession planning. The process focuses on building management depth, considers continuity and stability within the Company and responds to Sharps' evolving needs and changing circumstances.

GROWTH STRATEGIES

We plan to grow our business by employing the following primary growth strategies:

Further penetrate existing customers and markets.

Many of our customers who currently use the Sharps Recovery System could also benefit from the TakeAway Medication Recovery System, Medsafe, our hazardous waste solutions, our universal waste solutions or other specialized products. Although currently focused primarily on the proper management of used syringes and needles as well as unused medications (including controlled substances), pharmacies (including chains and mail order), assisted living facilities and other related organizations will develop needs for our other product lines as they expand their patient service offerings. As an entrenched and value-added supplier of treatment solutions, we believe the Company is well-positioned to capture incremental business from our existing customers.

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Over the past three years, the Company has developed a network of medical and hazardous waste service providers including those with route-based pickup services, which allows the Company to serve the entire U.S. medical and hazardous waste market. In July 2015, the Company augmented its network of medical and hazardous waste service providers with an acquisition of a route-based pickup service in the northeast serving Pennsylvania, Maryland, and parts of Ohio. Additionally, the Company has begun to service parts of Texas and Louisiana with route-based pickup service. With the addition of these route-based pickup regions and the network of medical and hazardous waste service providers serving the entire U.S., the Company offers clients a blended product portfolio to effectively target current and prospective customers with multi-site and multi-sized locations including those that generate larger quantities of medical and hazardous waste. The offering includes a single point of contact, consolidated billing, regulatory support and complete integration of our SharpsTracer system. The Company believes the comprehensive offering will continue to assist the Company in landing larger opportunities whereby the customer has both large and small quantity facilities generating medical waste, used healthcare materials and hazardous waste.

We are positive about anticipated growth opportunities in the Retail market. Regarding the future of this market, a recently published report by Accenture cites that the number of U.S. retail clinics are projected to increase significantly, as much as 20%-25% per year, driven by the increasing demand of newly insured patients under healthcare reform as well as patients looking for more convenient care and retail pharmacies increasing the variety and volume of healthcare services they provide. According to the CDC, 22% of flu shots for adults were administered in a retail clinic with the trend expected to increase. In addition to the continued growth in the flu shot business, there are also growth opportunities for more primary care in the retail or alternative site setting and correspondingly growth opportunities for the Company based on its significant presence in the retail market. A recent study shows that Americans visit retail clinics 10 million times a year, which represents only 2% of “all primary care patient encounters.”

Since June 30, 2011, the Company experienced growth of almost sixteen times or \$4.6 million in the pharmaceutical market. We continue to see interest in our patient support program solution offering among pharmaceutical manufacturers as it relates to self-injectable medications especially related to new drug launches. We believe manufacturers are now, more than ever, focused on (i) product differentiation, (ii) improved interaction with patients and (iii) creating a touch point for individual patient follow-up that could lead to improved therapy outcomes. In fiscal year 2012, we launched three new patient support programs announced in August and October 2011. In fiscal year 2015, we launched three additional patient support programs and expect to launch two more patient support programs for new drug therapies over fiscal year 2016. The patient support programs include the direct fulfillment of the Sharps Recovery System to the pharmaceutical manufacturers’ program participants, which provides the proper containment, return and treatment of the needles or injection devices utilized in therapy. Sharps’ proprietary SharpsTracer system tracks the return of the Sharps Recovery System by the patient to the treatment facility and then makes available to the pharmaceutical manufacturer electronic data. This data assists them in monitoring medication discipline and provides them with a touch point for individual patient follow-up, which potentially could lead to better outcomes. We believe the Company is the leader in providing solutions of this type to this market.

Enhance sales and marketing efforts.

Field Sales – The Company maintains a field sales team that focuses on larger dollar and nationwide opportunities in most of the markets served. The field sales team is able to address much larger opportunities where we can integrate the route-based pickup service along with our mailback solutions to create a comprehensive waste management offering. We have seen success with this approach in fiscal years 2013 through 2015 and believe the comprehensive offering capabilities will continue to accelerate revenue growth of the Company.

Web and Inside Sales — Through targeted telemarketing initiatives (inside sales), e-commerce driven website and web-based promotional activities, we believe we can drive significant additional growth as we increase awareness of the Company’s innovative solution offerings with a focus on individual or small group professional offices.

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Improve product and service awareness to attract new customers.

As we grow, we continue to focus additional marketing and sales efforts designed to educate professional offices, retail pharmacies and clinics, assisted living and long-term care facilities, home healthcare, government, pharmaceutical manufacturers and other commercial organizations that require cost-effective services for managing medical, pharmaceutical and hazardous waste of the benefits of our solution offerings and the need for safe, cost-effective and environmentally-friendly methods of waste treatment, including medical, pharmaceutical, and hazardous. We believe that the full-service nature of our solution offerings, ease of our mail and ship-back based delivery system and convenience will attract new customers who are not yet aware of the services we provide. In addition to providing a convenient, cost-effective solution to waste and used healthcare materials treatment, we believe future growth will be driven by the need for our customers to properly document and track the disposal of their waste to maintain compliance with new and existing legislation. We believe our understanding of the legislative process and focus on accurate and thorough electronic tracking of waste disposal or treatment will provide substantial benefits to new customers looking to comply with new standards and promote environmentally cleaner business practices.

Develop new products and services.

We continue to develop new solution offerings including ultimate user medication disposal (MedSafe and TakeAway Medication Recovery System) and mailback services for DEA registrant expired inventory of controlled substances (TakeAway Medication Recovery System DEA Reverse Distribution for Registrants). These innovative product and service offerings allow us to gain further sales from existing customers as well as gain new customers who have a need for more comprehensive products. We will continue our efforts to develop new solution offerings designed to facilitate the proper and cost effective management of medical waste, used healthcare materials, pharmaceutical waste, hazardous waste and unused dispensed medications to better serve our customers and the environment. Additionally, we will continue to seek out and identify prospective new customers and markets for new solutions designed to meet the needs of these new customer segments.

192.6

200.2

372.6

351.5

Other operating revenues

36.0

33.8

66.8

59.0

TOTAL REVENUES

723.3

753.3

1,408.2

1,324.2

OPERATING EXPENSES:

Film rental and advertising costs

	265.3
	273.1
	502.1
	469.3
Cost of concessions	
	26.0
	27.3
	49.7
	47.8
Rent expense	
	95.3
	96.8
	189.4
	190.5
	21

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Other operating expenses

184.0

190.0

360.8

365.3

General and administrative expenses (including share-based compensation of \$2.3 and \$2.2 for the quarters ended June 28, 2012 and June 30, 2011, and \$4.6 and \$4.1 for the two quarters ended June 28, 2012 and June 30, 2011, respectively)

16.8

16.0

32.6

32.8

Depreciation and amortization

45.7

49.8

92.6

22

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	101.8
Net loss on disposal and impairment of operating assets	
	2.5
	3.4
	2.5
	10.1
TOTAL OPERATING EXPENSES	
	635.6
	656.4
	1,229.7
	1,217.6
INCOME FROM OPERATIONS	
	87.7
	96.9
	23

178.5

106.6

OTHER EXPENSE (INCOME):

Interest expense, net

34.5

37.6

70.5

76.6

Loss on extinguishment of debt

	21.9
Earnings recognized from NCM	
	(0.6)
)	
	(3.6)
)	
	(14.4)
)	
	(17.2)
)	
Other, net	
	(8.4)
)	
	3.8
	(11.3)
)	
	4.2
TOTAL OTHER EXPENSE, NET	

	25.5
	37.8
	44.8
	85.5
INCOME BEFORE INCOME TAXES	
	62.2
	59.1
	133.7
	21.1
PROVISION FOR INCOME TAXES	
	25.0
	24.3
	50.2
	10.0
	26

NET INCOME

37.2

34.8

83.5

11.1

NONCONTROLLING INTEREST, NET OF TAX

0.1

NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST

\$

37.2

\$

34.8

\$	83.5
----	------

\$	11.2
----	------

AVERAGE SHARES OUTSTANDING (in thousands):

Basic	154,166
-------	---------

	153,566
--	---------

	154,072
--	---------

	153,561
--	---------

Diluted

154,800

154,443

154,778

154,534

EARNINGS PER SHARE OF CLASS A AND CLASS B COMMON STOCK (NOTE 8):

Basic

\$

0.24

\$

0.23

\$

0.54

\$	0.07
Diluted	
\$	0.24
\$	0.23
\$	0.54
\$	0.07
DIVIDENDS DECLARED PER COMMON SHARE	
\$	0.21
\$	0.21
\$	0.42

\$

0.42

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)**REGAL ENTERTAINMENT GROUP****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in millions)

	Quarter Ended June 28, 2012	Quarter Ended June 30, 2011	Two Quarters Ended June 28, 2012	Two Quarters Ended June 30, 2011
NET INCOME	\$ 37.2	\$ 34.8	\$ 83.5	\$ 11.1
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Change in fair value of interest rate swap transactions	1.0	2.1	2.3	7.5
Change in fair value of available for sale securities	1.2	(2.9)	4.9	(2.0)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	2.2	(0.8)	7.2	5.5
TOTAL COMPREHENSIVE INCOME, NET OF TAX	39.4	34.0	90.7	16.6
Comprehensive income attributable to noncontrolling interests				0.1
COMPREHENSIVE INCOME ATTRIBUTABLE TO REGAL ENTERTAINMENT GROUP	\$ 39.4	\$ 34.0	\$ 90.7	\$ 16.7

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)**REGAL ENTERTAINMENT GROUP****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)

	Two Quarters Ended June 28, 2012	Two Quarters Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 83.5	\$ 11.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92.6	101.8
Amortization of debt discount and premium, net	(0.2)	0.4
Amortization of debt acquisition costs	1.8	2.1
Share-based compensation expense	4.6	4.1
Provision for deferred income taxes	9.4	10.5
Net loss on disposal and impairment of operating assets	2.5	10.1
Equity in (earnings) loss of non-consolidated entities	(11.3)	2.6
Excess cash distribution on NCM shares	3.5	3.3
Loss on extinguishment of debt		21.9
Non-cash rent expense	2.8	2.2
Changes in operating assets and liabilities:		
Trade and other receivables	59.1	41.4
Inventories	(1.7)	(0.4)
Prepaid expenses and other assets	(4.8)	(3.6)
Accounts payable	(17.6)	4.6
Income taxes payable	0.5	7.3
Deferred revenue	(16.7)	(19.9)
Accrued expenses and other liabilities	(19.1)	(16.9)
NET CASH PROVIDED BY OPERATING ACTIVITIES	188.9	182.6
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(35.3)	(40.1)
Proceeds from disposition of assets	1.0	12.9
Investment in non-consolidated entities	(5.6)	(32.3)
Distributions to partnership	(0.1)	(0.1)
NET CASH USED IN INVESTING ACTIVITIES	(40.0)	(59.6)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash used to pay dividends	(66.6)	(64.9)
Payments on long-term obligations	(10.5)	(1,253.5)
Proceeds from stock option exercises	2.2	0.1
Cash used to purchase treasury shares and other	(1.7)	(1.2)
Excess tax benefits from share-based payment arrangements	0.5	
Proceeds from Amended Senior Credit Facility		1,006.0
Proceeds from issuance of Regal Entertainment Group 91/8% Senior Notes		261.3
Cash used to redeem 6¼% Convertible Senior Notes		(74.7)
Payment of debt acquisition costs		(5.9)
NET CASH USED IN FINANCING ACTIVITIES	(76.1)	(132.8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72.8	(9.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	253.0	205.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 325.8	\$ 195.5
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (refunded) for income taxes	\$ 27.3	\$ (10.9)
Cash paid for interest	\$ 73.7	\$ 90.4

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SUPPLEMENTAL NON-CASH INVESTING ACTIVITIES:

Investment in NCM	\$	0.8	\$	10.4
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See accompanying notes to unaudited condensed consolidated financial statements.

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REGAL ENTERTAINMENT GROUP

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 28, 2012 AND JUNE 30, 2011

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 6,552 screens in 519 theatres in 37 states and the District of Columbia as of June 28, 2012. The Company formally operates on a 52-week fiscal year with each quarter generally consisting of 13 weeks, unless otherwise noted. The Company's fiscal year ends on the first Thursday after December 25, which in certain years results in a 53-week fiscal year.

For a discussion of significant transactions that have occurred through December 29, 2011, please refer to the notes to the consolidated financial statements included in Part II, Item 8 of our annual report on Form 10-K filed on February 27, 2012 with the Securities and Exchange Commission (the Commission) (File No. 001-31315) for the fiscal year ended December 29, 2011 (the 2011 Audited Consolidated Financial Statements). For a summary of our significant accounting policies, please refer to Note 2 to the 2011 Audited Consolidated Financial Statements.

During the quarter ended March 29, 2012, the Company adopted FASB Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income*, (ASU 2011-05), which amends the presentation of comprehensive income and allows 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. Under ASU 2011-05, the Company 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. ASU 2011-05 became effective for the Company as of the beginning of fiscal 2012 and has been applied retrospectively herein.

The Company has prepared the unaudited condensed consolidated balance sheet as of June 28, 2012 and the unaudited condensed consolidated statements of income, comprehensive income, and cash flows for the quarters and two quarters ended June 28, 2012 and June 30, 2011 in accordance with U.S. generally accepted accounting principles for interim financial information and the rules and regulations of the Commission. Accordingly, certain information and footnote disclosures typically included in an annual report have been condensed or omitted for this quarterly report. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly in all material respects the financial position, results of operations and cash flows for all periods presented have been made. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates

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and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

The December 29, 2011 unaudited condensed consolidated balance sheet information is derived from the 2011 Audited Consolidated Financial Statements. These unaudited condensed consolidated financial statements should be read in conjunction with the 2011 Audited Consolidated Financial Statements and notes thereto. The results of operations for the quarter and two quarters ended June 28, 2012 are not necessarily indicative of the operating results that may be achieved for the full 2012 fiscal year.

Majority-owned subsidiaries that the Company controls are consolidated while those affiliates of which the Company owns between 20% and 50% and does not control are accounted for under the equity method.

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Those affiliates of which the Company owns less than 20% are generally accounted for under the cost method, unless the Company is deemed to have the ability to exercise significant influence over the affiliate, in which case the Company would account for its investment under the equity method. The results of these subsidiaries and affiliates are included in the condensed consolidated financial statements effective with their formation or from their dates of acquisition. Intercompany balances and transactions are eliminated in consolidation.

2. INVESTMENTS

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 Entertainment, Inc. (AMC) and Cinemark, Inc. (Cinemark).

As described further in Note 4 to the 2011 Audited Consolidated Financial Statements, on February 13, 2007, National CineMedia, Inc. (NCM, Inc.), an entity that serves as the sole manager of National CineMedia, completed an IPO of its common stock. In connection with the IPO of NCM, Inc., Regal, AMC and Cinemark amended and restated the operating agreement of National CineMedia and other ancillary agreements. The formation of National CineMedia, related IPO of NCM, Inc. and other related transactions are further described in Note 4 to the 2011 Audited Consolidated Financial Statements.

As described further below, during the quarter ended March 29, 2012, the Company received from National CineMedia approximately 0.1 million newly issued common units of National CineMedia (Additional Investments Tranche) as a result of the annual adjustment provisions of the Common Unit Adjustment Agreement. The Company follows the guidance in ASC 323-10-35-29 (formerly EITF 02-18, *Accounting for Subsequent Investments in an Investee after Suspension of Equity Loss Recognition*) by analogy, which also refers to AICPA Technical Practice Aid 2220.14, which indicates that if a subsequent investment is made in an equity method investee that has experienced significant losses, the investor must determine if the subsequent investment constitutes funding of prior losses. The Company concluded that the construction or acquisition of new theatres that has led to the common unit adjustments included in its Additional Investments Tranche equates to making additional investments in National CineMedia. The Company evaluated the receipt of the additional common units in National CineMedia and the assets exchanged for these additional units and has determined that the right to use its incremental new screens would not be considered funding of prior losses. As such, the Additional Investments Tranche is accounted for separately from the Company's Initial Investment Tranche (as defined and described more fully in Note 4 to the 2011 Audited Consolidated Financial Statements) following the equity method with undistributed equity earnings included as a component of Earnings recognized from NCM in the accompanying unaudited condensed consolidated financial statements.

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Pursuant to the terms of the tax receivable agreement described more fully in Note 4 to the 2011 Audited Consolidated Financial Statements, the Company received payments of \$8.5 million from NCM, Inc. during the quarter ended March 29, 2012 with respect to NCM, Inc.'s 2010 and 2011 taxable years. During the quarter ended March 31, 2011, the Company received payments of \$6.8 million with respect to NCM, Inc.'s 2010 taxable year. Such payments are accounted for using the equity method as described further below.

We account for our investment in National CineMedia following the equity method of accounting and such investment is included as a component of Other Non-Current Assets in the accompanying unaudited condensed consolidated balance sheets. Below is a summary of activity with National CineMedia included in the Company's unaudited condensed consolidated financial statements as of and for the two quarters ended June 28, 2012:

	As of the period ended		For the period ended		
	Investment in NCM	Deferred Revenue	Cash Received (Paid)	Earnings recognized from NCM	Other NCM Revenues
Balance as of December 29, 2011	\$ 76.8	\$ (349.5)	\$	\$	\$
Receipt of additional common units(1)	0.8	(0.8)			
Receipt of excess cash distributions(2)	(1.8)		9.2	(7.4)	
Receipt under tax receivable agreement(2)	(1.7)		8.5	(6.8)	
Revenues earned under ESA(3)			7.1		(7.1)
Amortization of deferred revenue(4)		3.0			(3.0)
Equity in earnings attributable to additional common units(5)	0.2			(0.2)	
Balance as of and for the period ended June 28, 2012	\$ 74.3	\$ (347.3)	\$ 24.8	\$ (14.4)	\$ (10.1)

(1) On March 15, 2012, we received from National CineMedia approximately 0.1 million newly issued common units of National CineMedia in accordance with the annual adjustment provisions of the Common Unit Adjustment Agreement. The Company recorded the additional common units as part of its Additional Investments Tranche at fair value using the available closing stock price of NCM, Inc. as of the date on which the units were received. With respect to the common units received on March 15, 2012, the Company recorded an increase to its investment in National CineMedia of \$0.8 million with a corresponding increase to deferred revenue. The amount is being amortized to advertising revenue over the remaining term (approximately 24 years) of the exhibitor services agreement, between RCI and National CineMedia (ESA) following the units of revenue method as described in (4) below. 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 19.8% interest in NCM, Inc. as of June 28, 2012.

(2) During the two quarters ended June 28, 2012 and June 30, 2011, the Company received \$17.7 million and \$18.9 million, respectively, in cash distributions from National CineMedia (including payments received under the tax receivable agreement).

Approximately \$3.5 million and \$3.3 million of these cash distributions received during the two quarters ended June 28, 2012 and June 30, 2011, 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 unaudited condensed consolidated financial statements.

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(3) The Company recorded other revenues, excluding the amortization of deferred revenue, of approximately \$7.1 million and \$3.7 million for the two quarters ended June 28, 2012 and June 30, 2011, respectively, pertaining to our agreements with National CineMedia, including per patron and per digital screen theatre access fees (net of payments of \$7.4 million and \$7.1 million for the two quarters ended June 28, 2012 and June 30, 2011, 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 unaudited condensed consolidated financial statements.

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(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 unaudited condensed 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 unaudited condensed consolidated financial statements.

In addition, as of June 28, 2012, approximately \$2.5 million and \$1.8 million due from/to National CineMedia were included in Trade and other receivables, net and Accounts payable, respectively. 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.

Summarized unaudited consolidated statements of operations information for National CineMedia for the quarters ended March 29, 2012 and March 31, 2011 is as follows (in millions):

	Quarter Ended March 29, 2012		Quarter Ended March 31, 2011	
Revenues	\$	79.1	\$	70.8
Income from operations		17.0		15.0
Net income		3.2		5.1

As of the date of this quarterly report on Form 10-Q (this Form 10-Q), no summarized financial information for National CineMedia was available for the quarter or two quarters ended June 28, 2012.

Investment in Digital Cinema Implementation Partners

We maintain an investment in Digital Cinema Implementation Partners, LLC, a Delaware limited liability company (DCIP). DCIP is a joint venture company formed by Regal, AMC and Cinemark. Regal holds a 46.7% economic interest in DCIP as of June 28, 2012 and a one-third voting interest along with each of AMC and Cinemark. Since the Company is not the primary beneficiary of DCIP or any of its subsidiaries, it accounts for its investment in DCIP under the equity method of accounting. The Company's investment in DCIP is included as a component of

Other Non-Current Assets in the accompanying unaudited condensed consolidated balance sheets. The changes in the carrying amount of our investment in DCIP for the two quarters ended June 28, 2012 are as follows (in millions):

Balance as of December 29, 2011	\$	48.3
Equity contributions		5.6
Equity in income of DCIP(1)		7.4
Balance as of June 28, 2012	\$	61.3

(1) Represents the Company's share of the net income of DCIP. Such amount is presented as a component of Other, net in the accompanying unaudited condensed consolidated statement of income.

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 equipment lease agreement (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 the 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

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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 two quarters ended June 28, 2012 and June 30, 2011, the Company incurred total rent of approximately \$5.9 million and \$3.0 million, respectively, associated with the leased digital projection systems.

During the two quarters ended June 28, 2012, we installed 1,167 digital projection systems and operated 5,888 screens outfitted with digital projection systems as of June 28, 2012.

Other Investments

We maintain an investment in Open Road Films, a distribution company jointly owned by us and AMC. The Company's cumulative cash investment in Open Road Films totaled \$20.0 million as of June 28, 2012. We account for our investment in Open Road Films following the equity method of accounting. For the two quarters ended June 28, 2012, the Company recorded income of approximately \$3.8 million, representing its share of the net income of Open Road Films. The carrying value of the Company's investment in Open Road Films as of June 28, 2012 was approximately \$9.0 million and is included in the unaudited condensed 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 Company accounts for its investment in RealD, Inc. as a marketable security. The Company has determined that its RealD, Inc. shares are available-for-sale securities in accordance with ASC Topic 320-10-35-1, therefore unrealized holding gains and losses are reported as a component of accumulated other comprehensive income (loss) until realized. The carrying value of the Company's investment in RealD, Inc. as of June 28, 2012 was approximately \$18.0 million. See Note 10 Fair Value of Financial Instruments for a discussion of fair value estimation methods and assumptions with respect to the Company's investment in RealD, Inc. The Company has recorded this investment within Other Non-Current Assets.

3. DEBT OBLIGATIONS

Debt obligations at June 28, 2012 and December 29, 2011 consist of the following (in millions):

	June 28, 2012	December 29, 2011
Regal Cinemas Amended Senior Credit Facility, net of debt discount	\$ 993.4	\$ 998.5
Regal 91/8% Senior Notes, including premium	534.1	534.8
Regal Cinemas 85/8% Senior Notes, net of debt discount	393.2	392.7
Lease financing arrangements, weighted average interest rate of 11.29%, maturing in various installments through January 2021	63.0	66.0
Capital lease obligations, 8.5% to 10.3%, maturing in various installments through December 2017	11.8	13.3

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Other	10.0	11.0
Total debt obligations	2,005.5	2,016.3
Less current portion	21.4	20.6
Total debt obligations, less current portion	\$ 1,984.1	\$ 1,995.7

Regal Cinemas Sixth Amended and Restated Credit Agreement As described further in Note 5 to the 2011 Audited Consolidated Financial Statements, on May 19, 2010, Regal Cinemas entered into a sixth amended and restated credit agreement (the "Amended Senior Credit Facility"), with Credit Suisse AG, Cayman Islands Branch, as Administrative Agent ("Credit Suisse") and the lenders party thereto (the "Lenders") which amended, restated and refinanced the fifth amended and restated credit agreement (the "Prior Senior Credit Facility") among

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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.

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 (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.

In connection with the additional offerings of the Company s 91/8% Senior Notes (defined below) during the quarter ended March 31, 2011 described below, the Company used a portion of the net proceeds 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 quarter ended March 31, 2011.

As of June 28, 2012 and December 29, 2011, borrowings of \$993.4 million and \$998.5 million (net of debt discount), respectively, were outstanding under the New Term Loans at an effective interest rate of 4.41% (as of June 28, 2012) and 4.96% (as of December 29, 2011), 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 (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 6¼% Convertible Senior Notes as described below under the heading Regal 6¼% 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

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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

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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 91/8% Senior Notes.

Prior to August 15, 2014, the Company may redeem all or any part of the 91/8% Senior Notes at its option at 100% of the principal amount plus a make-whole premium. The Company may redeem the 91/8% Senior Notes in whole or in part at any time on or after August 15, 2014 at the redemption prices specified in the Indenture. In addition, prior to August 15, 2013, the Company may redeem up to 35% of the original aggregate principal amount of the 91/8% 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 91/8% Senior Notes at a price equal to 101% of the principal amount of the 91/8% 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 91/8% Senior Notes to be due and payable immediately.

Regal Cinemas 85/8% Senior Notes On July 15, 2009, Regal Cinemas issued \$400.0 million in aggregate principal amount of the 85/8% Senior Notes due 2019 (the "85/8% Senior Notes") at a price equal to 97.561% of their face value in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). Interest on the 85/8% Senior Notes is payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2010. The 85/8% 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.

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

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

Regal 6¼% Convertible Senior Notes As further described in Note 5 to the 2011 Audited Consolidated Financial Statements, on March 10, 2008, Regal issued \$200.0 million aggregate principal amount of 6¼% convertible senior notes due March 15, 2011 (the 6¼% Convertible Senior Notes).

Subsequent to the issuance of the 91/8% 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 6¼% 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 the year ended December 30, 2010. During March 2011, we redeemed the remaining \$74.7 million aggregate principal amount of the 6¼% Convertible Senior Notes at a redemption price of 100% of their principal amount, plus accrued interest.

Interest Rate Swaps As of June 28, 2012, the Company maintained two effective hedging relationships via two distinct interest rate swap agreements (each maturing June 30, 2012), which require Regal Cinemas to pay interest at various fixed rates ranging from 2.22% to 2.53% and receive interest at a variable rate. These two interest rate swap agreements were designated to hedge \$550.0 million of variable rate debt obligations at an effective rate of approximately 5.36% as of June 28, 2012.

Under the terms of the Company's interest rate swap agreements as of June 28, 2012, Regal Cinemas 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 \$550.0 million of variable rate obligations. The change in the fair values of the interest rate swaps is recorded on the Company's consolidated balance sheet as an asset or liability with the effective portion of the interest rate swaps' gains or losses reported as a component of other comprehensive income (loss) and the ineffective portion reported in earnings (interest expense). As interest expense is accrued on the debt obligation, amounts in accumulated other comprehensive income (loss) related to the designated hedging instruments (the two effective 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.

Below is a summary of the Company's current interest rate swap agreements designated as hedge agreements as of June 28, 2012:

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Nominal Amount		Effective Date	Base Rate	Receive Rate	Expiration Date
\$	250.0 million	June 30, 2009	2.530%	3-month LIBOR	June 30, 2012
\$	300.0 million	June 30, 2009	2.220%	3-month LIBOR	June 30, 2012
\$	200.0 million(1)	June 30, 2012	1.820%	3-month LIBOR	June 30, 2015
\$	100.0 million(1)	December 31, 2012	1.325%	3-month LIBOR	December 31, 2015

- (1) During the year ended December 29, 2011, Regal Cinemas entered into two additional hedging relationships via two distinct interest rate swap agreements with effective dates beginning on June 30, 2012 and December 31, 2012, respectively, and maturity terms ending on June 30, 2015 and December 31, 2015, respectively. These swaps will require Regal Cinemas to pay interest at fixed rates ranging from 1.35% to 1.82% and receive interest at a variable rate. The interest rate swaps are designated to hedge \$300.0 million of variable rate debt obligations.

On March 31, 2012, one of our interest rate swap agreements designated to hedge approximately \$250.0 million of variable rate obligations matured. This swap required Regal Cinemas to pay interest at 2.353% and receive interest of a variable rate.

See Note 10 Fair Value of Financial Instruments for discussion of the Company's interest rate swaps' fair value estimation methods and assumptions.

Other Long-Term Obligations Other long-term obligations not explicitly discussed herein are described in Note 5 to the 2011 Audited Consolidated Financial Statements and incorporated by reference herein.

4. INCOME TAXES

The provision for income taxes of \$25.0 million and \$24.3 million for the quarters ended June 28, 2012 and June 30, 2011, respectively, reflect effective tax rates of approximately 40.2% and 41.1%, respectively. The provision for income taxes of \$50.2 million and \$10.0 million for the two quarters ended June 28, 2012 and June 30, 2011, respectively, reflect effective tax rates of approximately 37.5% and 47.4%, respectively. The decrease in the effective tax rate for the quarter ended June 28, 2012 is primarily attributable to the resolution of certain state and local tax matters during the quarter ended June 30, 2011. The decrease in the effective tax rate for the two quarters ended June 28, 2012 is primarily attributable to changes in uncertain tax positions with state taxing authorities resulting from the lapse of statutes of limitations during the two quarters ended June 28, 2012 and the resolution of certain state and local tax matters during the two quarters ended June 30, 2011. The effective tax rates for the quarters and two quarters ended June 28, 2012 and June 30, 2011 also reflect the impact of certain non-deductible expenses and income tax credits.

In assessing the realizable value of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. The Company has recorded a valuation allowance against deferred tax assets at June 28, 2012 and December 29, 2011 totaling \$16.0 million as management believes it is more likely than not that certain deferred tax assets will not be realized in future tax periods. Future reductions in the valuation allowance associated with a change in management's determination of the Company's ability to realize these deferred tax assets will result in a decrease in the provision for income taxes.

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Exclusive of interest and penalties, gross unrecognized tax benefits associated with state tax positions decreased \$4.7 million during the two quarters ended June 28, 2012 resulting from the expiration of statutes of limitations. Gross unrecognized tax benefits totaled \$17.1 million and \$21.8 million as of June 28, 2012 and December 29, 2011, respectively.

Accrued gross interest and penalties related to unrecognized tax benefits decreased \$1.2 million during the two quarters ended June 28, 2012 resulting primarily from the expiration of statutes of limitations. Accrued gross interest and penalties related to unrecognized tax benefits totaled \$2.4 million and \$3.6 million as of June 28, 2012 and December 29, 2011, respectively.

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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 in Note 2 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 has proposed an adjustment related to agreements entered into in conjunction with NCM Inc.'s initial public offering. 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 June 28, 2012.

5. CAPITAL STOCK AND SHARE-BASED COMPENSATION

Capital Stock

As of June 28, 2012, 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 June 28, 2012, 131,725,779 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 June 28, 2012, all of which are beneficially owned by Anschutz Company (Anschutz). Each share of Class B common stock converts into a single share of Class A common stock at the option of the holder or upon certain transfers of a holder's Class B common stock. Each holder of Class B common stock is entitled to ten votes for each outstanding share of Class B common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Of the authorized shares of the preferred stock, no shares were issued and outstanding as of June 28, 2012. The Class A common stock is entitled to a single vote for each outstanding share of Class A common stock on every matter properly submitted to the stockholders for a vote. Except as required by law, the Class A and Class B common stock vote together as a single class on all matters submitted to the stockholders. The material terms and provisions of the Company's certificate of incorporation affecting the relative rights of the Class A common stock and the Class B common stock are described in Note 9 to the 2011

Audited Consolidated Financial Statements.

Warrants

No warrants to acquire the Company's Class A or Class B common stock were outstanding as of June 28, 2012.

Share-Based Compensation

In 2002, the Company established the Regal Entertainment Group Stock Incentive Plan (the "Incentive Plan"), which provides for the granting of incentive stock options and non-qualified stock options to officers, employees and consultants of the Company. As described below under

Restricted Stock and Performance Share Units, the Incentive Plan also provides for grants of restricted stock and performance shares that are subject to

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restrictions and risks of forfeiture. Readers should refer to Note 9 to the 2011 Audited Consolidated Financial Statements for additional information related to these awards and the Incentive Plan.

On May 9, 2012, the stockholders of Regal approved amendments to the Incentive Plan increasing the number of Class A common stock authorized for issuance under the Incentive Plan by a total of 5,000,000 shares and extending the term of the Plan to May 9, 2022. As a result, 5,359,656 shares remain available for future issuance under the Incentive Plan as of June 28, 2012.

Stock Options

As of June 28, 2012, options to purchase a total of 124,819 shares of Class A common stock were outstanding under the Incentive Plan. There were no stock options granted during the quarters and two quarters ended June 28, 2012 and June 30, 2011 and no compensation expense related to stock options was recorded during the quarters and two quarters ended June 28, 2012 and June 30, 2011.

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 two quarters ended June 28, 2012, the unaudited condensed consolidated statement of cash flows reflects approximately \$0.5 million of excess tax benefits as financing cash flows. Net cash proceeds from the exercise of stock options were \$2.2 million for the two quarters ended June 28, 2012. The actual income tax benefit realized from stock option exercises was approximately \$0.8 million for the same period. For the two quarters ended June 30, 2011, the unaudited condensed consolidated statement of cash flows reflects less than \$0.1 million of excess tax benefits as financing cash flows. Net cash proceeds from the exercise of stock options were \$0.1 million for the two quarters ended June 30, 2011. The actual income tax benefit realized from stock option exercises was approximately \$0.1 million for the same period.

The following table represents stock option activity for the two quarters ended June 28, 2012:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contract Life (Yrs.)
Outstanding options at beginning of period	454,951	\$ 8.69	0.85
Granted during the period			
Exercised during the period	(316,558)	6.83	
Forfeited during the period	(13,574)	8.08	
Outstanding options at end of period	124,819	13.48	1.57
Exercisable options at end of period	124,819	13.48	1.57

Restricted Stock

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The Incentive Plan also 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. During the two quarters ended June 28, 2012, 332,440 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 the Company's Class A common stock on the date of the grants was \$12.30 and \$13.10 per share. The Company assumed forfeiture rates ranging from 0% to 4% for the restricted stock awards.

During the two quarters ended June 28, 2012, the Company withheld approximately 132,940 shares of restricted stock at an aggregate cost of approximately \$1.7 million, as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements related to the vesting of 431,600 restricted stock

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awards. In addition, during the two quarters ended June 28, 2012, 360,489 performance share awards (originally granted on January 14, 2009) were effectively converted to shares of restricted common stock. As of the calculation date, which was January 14, 2012, threshold performance goals for these awards were satisfied, and therefore, all 360,489 outstanding performance shares were converted to restricted shares as of January 14, 2012. These awards are scheduled to fully vest on January 14, 2013, the one year anniversary of the calculation date.

During the quarters ended June 28, 2012 and June 30, 2011, the Company recognized approximately \$1.1 million of share-based compensation expense related to restricted share grants. During the two quarters ended June 28, 2012 and June 30, 2011, the Company recognized approximately \$2.3 million of share-based compensation expense related to restricted share grants. Such expense is presented as a component of General and administrative expenses. The compensation expense for these awards was determined based on the market price of our stock at the date of grant applied to the total numbers of shares that were anticipated to fully vest. As of June 28, 2012, we have unrecognized compensation expense of \$8.8 million associated with restricted stock awards.

The following table represents the restricted stock activity for the two quarters ended June 28, 2012:

Unvested at beginning of period	950,318
Granted during the period	332,440
Vested during the period	(431,600)
Forfeited during the period	(14,762)
Conversion of performance shares during the period	360,489
Unvested at end of period	1,196,885

During the two quarters ended June 28, 2012, the Company paid two cash dividends of \$0.21 on each share of outstanding restricted stock totaling approximately \$0.5 million. During the two quarters ended June 30, 2011, the Company paid two cash dividends of \$0.21 on each share of outstanding restricted stock totaling approximately \$0.4 million.

Performance Share Units

The Incentive Plan also provides for grants in the form of performance share units to officers, directors and key employees. Performance share agreements are entered into between the Company and each grantee of performance share units (each, a Performance Agreement). The original Performance Agreement covered performance share grants issued through the year ended December 31, 2009, as described in Note 9 to the 2011 Audited Consolidated Financial Statements (each, a 2006 Performance Agreement).

In 2009, the Company adopted an amended and restated form of Performance Agreement (each, a 2009 Performance Agreement). On January 11, 2012, 326,072 performance 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 2012 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 11, 2015 (the third anniversary of the grant date) set forth in the 2009 Performance Agreement. Such performance shares vest on January 11, 2016 (the fourth anniversary of their respective grant date). The shares are subject to the terms and conditions of the Incentive Plan. The closing price of the Company's Class A common stock on the date of this grant was \$12.30 per share, which approximates the respective grant date fair value of the awards. The Company assumed forfeiture rates ranging from 4% to 8%

for the performance share grants.

Pursuant to the terms and conditions of the 2006 and 2009 Performance Agreements, grantees will be issued shares of restricted common stock of the Company in an amount determined by the attainment of Company performance criteria set forth in each Performance Agreement. The shares of restricted common stock received upon

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attainment of the performance criteria will be subject to further vesting over a period of time, provided the grantee remains a service provider to the Company during such period.

During the quarters ended June 28, 2012 and June 30, 2011, the Company recognized approximately \$1.2 million and \$1.1 million, respectively, of share-based compensation expense related to performance share grants. During the two quarters ended June 28, 2012 and June 30, 2011, the Company recognized approximately \$2.3 million and \$1.8 million, respectively, of share-based compensation expense related to performance share grants. Such expense is presented as a component of General and administrative expenses. As of June 28, 2012, we have unrecognized compensation expense of \$10.6 million associated with performance share units. During the quarter ended March 29, 2012, 224,735 performance share awards were effectively cancelled. These awards were scheduled to vest on January 16, 2012, the one year anniversary of the calculation date. As of the calculation date, which was January 16, 2011, threshold performance goals were not satisfied, and therefore, all 224,735 restricted shares under this performance grant were cancelled as of January 16, 2012. During the quarter ended March 29, 2012, 360,489 performance share awards (originally granted on January 14, 2009) were effectively converted to shares of restricted common stock. As of the calculation date, which was January 14, 2012, threshold performance goals for these awards were satisfied, and therefore, all 360,489 outstanding performance shares were converted to restricted shares as of January 14, 2012.

The following table summarizes information about the Company's number of performance shares for the two quarters ended June 28, 2012:

Unvested at beginning of period	1,227,207
Granted (based on target) during the period	326,072
Cancelled/forfeited during the period	(248,175)
Conversion to restricted shares during the period	(360,489)
Unvested at end of period	944,615

In connection with the conversion of the above 360,489 performance shares, during the quarter ended March 29, 2012, the Company paid a cumulative cash dividend of \$3.68 (representing the sum of all cash dividends paid from January 14, 2009 through January 14, 2012) on each performance share converted, totaling approximately \$1.3 million. The above table does not reflect the maximum or minimum number of shares of restricted stock contingently issuable. An additional 0.5 million shares of restricted stock could be issued if the performance criteria maximums are met.

6. COMMITMENTS 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 \$1.9 million. Under ASC Topic 450, *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

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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.

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 \$2.7 million as of June 28, 2012. 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.

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 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'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. We believe that we are in compliance with such current applicable laws and regulations.

7. RELATED PARTY TRANSACTIONS

During the quarters and two quarters ended June 28, 2012 and June 30, 2011, Regal Cinemas incurred less than \$0.1 million of expenses payable to Anschutz affiliates for certain advertising services. Also during the quarters

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and two quarters ended June 28, 2012 and June 30, 2011, Regal Cinemas received less than \$0.1 million from an Anschutz affiliate for rent and other expenses related to a theatre facility.

During the quarters ended June 28, 2012 and June 30, 2011, the Company received approximately \$0.2 million from an Anschutz affiliate for management fees related to a theatre site in Los Angeles, California. During the two quarters ended June 28, 2012 and June 30, 2011, the Company received approximately \$0.3 million from an Anschutz affiliate for management fees related to a theatre site in Los Angeles, California.

Please also refer to Note 2 Investments for a discussion of other related party transactions associated with our various investments in non-consolidated entities.

8. 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.

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):

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	Quarter Ended June 28, 2012		Quarter Ended June 30, 2011		Two Quarters Ended June 28, 2012		Two Quarters Ended June 30, 2011	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Basic earnings per share:								
Numerator:								
Allocation of undistributed earnings	\$ 31.5	\$ 5.7	\$ 29.4	\$ 5.4	\$ 70.7	\$ 12.8	\$ 9.5	\$ 1.7
Denominator:								
Weighted average common shares outstanding (in thousands)	130,457	23,709	129,857	23,709	130,363	23,709	129,852	23,709
Basic earnings per share	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.23	\$ 0.54	\$ 0.54	\$ 0.07	\$ 0.07
Numerator:								
Allocation of undistributed earnings for basic computation	\$ 31.5	\$ 5.7	\$ 29.4	\$ 5.4	\$ 70.7	\$ 12.8	\$ 9.5	\$ 1.7
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	5.7		5.4		12.8		1.7	
Reallocation of undistributed earnings to Class B shares for effect of other dilutive securities								
Interest expense on 6¼% Convertible Senior Notes								
Allocation of undistributed earnings	\$ 37.2	\$ 5.7	\$ 34.8	\$ 5.4	\$ 83.5	\$ 12.8	\$ 11.2	\$ 1.7
Denominator:								
Number of shares used in basic computation (in thousands)	130,457	23,709	129,857	23,709	130,363	23,709	129,852	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		23,709	
Stock options	11		154		40		156	
Restricted stock and performance shares	623		723		666		817	
Conversion of 6¼% Convertible Senior Notes								
Number of shares used in per share computations (in thousands)	154,800	23,709	154,443	23,709	154,778	23,709	154,534	23,709
Diluted earnings per share	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.23	\$ 0.54	\$ 0.54	\$ 0.07	\$ 0.07

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

9. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). This Update provides a greater level of disaggregated information and enhanced disclosures about valuation techniques and inputs to fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 and became effective for the Company as of April 1, 2010 except for certain disclosure requirements. Disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years and became effective for the Company as of the beginning of fiscal 2011.

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In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurements (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). This Update clarifies the wording and disclosures required in ASC Topic 820, *Fair Value Measurement* (ASC 820), to converge with those used in International Financial Reporting Standards. The update explains how to measure and disclose fair value under ASC 820. However, the FASB does not expect the changes in this update to alter the current application of the requirements in ASC 820. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. ASU 2011-04 became effective for the Company as of the beginning of fiscal 2012.

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 required. ASU 2011-08 is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. ASU 2011-08 became effective for the Company as of the beginning of fiscal 2012.

In December 2011, the FASB issued ASU No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05* (ASU 2011-12). ASU 2011-12 defers the specific requirement within ASU 2011-05 to present on the face of the financial statements items that are reclassified from accumulated other comprehensive income to net income separately with their respective components of net income and other comprehensive income. This guidance is effective for interim and annual periods beginning after December 15, 2011, and is to be applied retrospectively.

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ASU 2011-12 became effective for the Company as of the beginning of fiscal 2012 and has been applied retrospectively.

10. 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:

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 June 28, 2012:

	Total Carrying Value at June 28, 2012	Fair Value Measurements at June 28, 2012 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)	\$ 18.0	\$ 18.0	\$	\$
Total assets at fair value	\$ 18.0	\$ 18.0	\$	\$
Liabilities:				
Interest rate swaps(2)	\$ 11.2	\$	\$ 11.2	\$
Total liabilities at fair value	\$ 11.2	\$	\$ 11.2	\$

(1) The Company maintains an investment in RealD, Inc., an entity specializing in the licensing of 3D technologies. In connection with the RealD, Inc. motion picture license agreement, the Company received 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 falls under Level 1 of the valuation hierarchy. 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, net on a quarterly basis. During the two quarters ended June 28, 2012, the Company recorded an increase to its investment in RealD, Inc. of approximately \$8.1 million and a corresponding entry (\$4.9 million, net of tax) to Accumulated other comprehensive loss, net.

(2) The fair value of the Company's interest rate swaps described in Note 3 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 June 28, 2012, the aggregate fair value the Company's interest rate swaps was determined to be approximately \$(11.2) million, which was recorded as components of Other Non-Current Liabilities (\$6.4 million) and Accrued expenses (\$4.8 million) with a corresponding amount of \$(6.8) million, net of tax, recorded to Accumulated other comprehensive loss, net. 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. These interest rate swaps exhibited no ineffectiveness during the quarters and two quarters ended June 28, 2012 and June 30,

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2011 and accordingly, the net gain on the swaps of \$2.3 million and \$7.5 million, respectively, were reported as a component of other comprehensive income for the two quarters ended June 28, 2012 and June 30, 2011.

There were no changes in valuation techniques during the period. There were no transfers in or out of Level 3 during the two quarters ended June 28, 2012.

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-Lived Assets, Intangible Assets and Other Investments

As further described in Note 2 to the 2011 Audited Consolidated Financial Statements and incorporated by reference herein, the Company regularly reviews long-lived assets (primarily property and equipment), intangible assets and investments in non-consolidated entities accounted for under the equity method, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. When the estimated fair value is determined to be lower than the carrying value of the asset, an impairment charge is recorded to write the asset down to its estimated fair value.

The Company's analysis relative to long-lived assets resulted in the recording of impairment charges of \$2.2 million and \$12.1 million for the two quarters ended June 28, 2012 and June 30, 2011, respectively. The long-lived asset impairment charges recorded were 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.

The Company did not record an impairment of any intangible assets or investments in non-consolidated subsidiaries accounted for under the equity method for the quarters or two quarters ended June 28, 2012 and June 30, 2011.

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

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The fair value of the Amended Senior Credit Facility described in Note 3 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 June 28, 2012 and December 29, 2011. The associated interest rates are based on floating rates identified by reference to market rates and are assumed to approximate fair value. The fair values of the 91/8% Senior Notes and the 85/8% Senior Notes are estimated based on quoted prices (Level 1 inputs as described in ASC Topic 820) for these issuances as of June 28, 2012 and December 29, 2011. The aggregate carrying values and fair values of long-term debt at June 28, 2012 and December 29, 2011 consist of the following:

	June 28, 2012		December 29, 2011	
	(in millions)			
Carrying value	\$	1,920.7	\$	1,926.0
Fair value	\$	2,007.9	\$	1,989.8

11. SUBSEQUENT EVENTS

On June 30, 2012, two of our interest rate swap agreements designated to hedge approximately \$550.0 million of variable rate obligations matured. These swaps required Regal Cinemas to pay interest at 2.53% and 2.22%, respectively, and receive interest of a variable rate.

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On June 30, 2012, one interest rate swap agreement designated to hedge approximately \$200.0 million of variable rate obligations became effective. This swap will require Regal Cinemas to pay interest at 1.82% and receive interest at a variable rate.

On July 26, 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 September 18, 2012, to stockholders of record on September 10, 2012.

12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

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

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

- (i) Regal, identified below as REG Parent Company, which is a guarantor of the 85/8% Senior Notes;
- (ii) Regal Cinemas, identified below as RCC Parent Company, which is the issuer of the 85/8% Senior Notes;
- (iii) The Subsidiary Guarantors, on a combined basis;
- (iv) The Subsidiary Non-Guarantors, on a combined basis, which are subsidiaries that are not guarantors of the 85/8% Senior Notes;
- (v) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Regal, Regal Cinemas, the Subsidiary Guarantors and the Subsidiary Non-Guarantors, (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**CONDENSED CONSOLIDATING BALANCE SHEET INFORMATION****JUNE 28, 2012****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated												
ASSETS																		
CURRENT ASSETS:																		
Cash and cash equivalents	\$	\$	\$	268.8	\$	\$	325.8											
Trade and other receivables, net				40.1			40.7											
Other current assets	4.7			41.2			49.1											
TOTAL CURRENT ASSETS	4.7			350.1			415.6											
Property and equipment, net	20.9			1,443.3		(12.3)	1,488.1											
Goodwill and other intangible assets				192.0			199.1											
Deferred income tax asset				33.9		(23.9)	10.0											
Other non-current assets		1,319.1		941.5		(2,144.9)	193.5											
TOTAL ASSETS	\$	25.6	\$	1,319.1	\$	2,960.8	\$	181.9	\$	(2,181.1)	\$	2,306.3						
LIABILITIES AND EQUITY (DEFICIT)																		
CURRENT LIABILITIES:																		
Current portion of debt obligations	\$	1.9	\$	10.1	\$	13.9	\$	(4.5)	\$	21.4								
Accounts payable		0.2		149.9		6.8				156.9								
Accrued expenses and other liabilities		18.6		24.4		127.8		4.2		(0.2)	174.8							
TOTAL CURRENT LIABILITIES		20.7		34.5		277.7		24.9		(4.7)	353.1							
Long-term debt, less current portion		542.2		1,376.5							1,918.7							
Lease financing arrangements, less current portion				56.0							56.0							
Capital lease obligations, less current portion				8.5		0.9					9.4							
Deferred income tax liability		2.5				21.4		(23.9)										
Other liabilities		0.8		484.8		25.8					511.4							
TOTAL LIABILITIES		566.2		1,411.0		827.0		73.0		(28.6)	2,848.6							
EQUITY (DEFICIT):																		
Stockholders' equity (deficit) of Regal Entertainment Group		(540.6)		(91.9)		2,135.7		108.7		(2,152.5)	(540.6)							
Noncontrolling interest				(1.9)		0.2					(1.7)							
TOTAL EQUITY (DEFICIT)		(540.6)		(91.9)		2,133.8		108.9		(2,152.5)	(542.3)							
TOTAL LIABILITIES AND EQUITY							\$	25.6	\$	1,319.1	\$	2,960.8	\$	181.9	\$	(2,181.1)	\$	2,306.3

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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												
	\$	23.4	\$	1,307.8	\$	2,932.2	\$	182.3	\$	(2,104.4)	\$	2,341.3

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION****QUARTER ENDED JUNE 28, 2012****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated
REVENUES	\$	\$	\$ 666.2	\$ 58.6	\$ (1.5)	\$ 723.3
OPERATING EXPENSES:						
Film rental and advertising costs			244.7	20.6		265.3
Cost of concessions			23.4	2.6		26.0
Rent expense			86.5	9.5	(0.7)	95.3
Other operating expenses			167.0	17.0		184.0
General and administrative expenses	0.2		16.5	1.8	(1.7)	16.8
Depreciation and amortization	0.2		42.9	2.6		45.7
Net loss on disposal and impairment of operating assets and other			2.2	0.3		2.5
TOTAL OPERATING EXPENSES	0.4		583.2	54.4	(2.4)	635.6
INCOME (LOSS) FROM OPERATIONS	(0.4)		83.0	4.2	0.9	87.7
OTHER EXPENSE (INCOME):						
Interest expense, net	12.2	20.8	1.4	0.1		34.5
Earnings recognized from NCM			(0.6)			(0.6)
Other, net	(45.1)	(56.4)	(22.4)		115.5	(8.4)
TOTAL OTHER EXPENSE (INCOME), NET	(32.9)	(35.6)	(21.6)	0.1	115.5	25.5
INCOME BEFORE INCOME TAXES	32.5	35.6	104.6	4.1	(114.6)	62.2
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(4.7)	(8.3)	36.3	1.7		25.0
NET INCOME	37.2	43.9	68.3	2.4	(114.6)	37.2
NONCONTROLLING INTEREST, NET OF TAX						
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 37.2	\$ 43.9	\$ 68.3	\$ 2.4	\$ (114.6)	\$ 37.2

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION****QUARTER ENDED JUNE 30, 2011****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
REVENUES	\$	\$	\$ 692.1	\$ 62.8	\$ (1.6)	\$ 753.3
OPERATING EXPENSES:						
Film rental and advertising costs			250.9	22.2		273.1
Cost of concessions			24.5	2.8		27.3
Rent expense			87.9	9.6	(0.7)	96.8
Other operating expenses			171.9	18.1		190.0
General and administrative expenses	0.1		15.6	1.9	(1.6)	16.0
Depreciation and amortization	0.2		46.8	2.8		49.8
Net loss on disposal and impairment of operating assets			3.3	0.1		3.4
TOTAL OPERATING EXPENSES	0.3		600.9	57.5	(2.3)	656.4
INCOME (LOSS) FROM OPERATIONS	(0.3)		91.2	5.3	0.7	96.9
OTHER EXPENSE (INCOME):						
Interest expense, net	12.3	23.8	1.4	0.1		37.6
Earnings recognized from NCM			(3.6)			(3.6)
Other, net	(42.3)	(55.8)	(14.8)		116.7	3.8
TOTAL OTHER EXPENSE (INCOME), NET	(30.0)	(32.0)	(17.0)	0.1	116.7	37.8
INCOME BEFORE INCOME TAXES	29.7	32.0	108.2	5.2	(116.0)	59.1
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(4.7)	(9.4)	36.3	2.1		24.3
NET INCOME	34.4	41.4	71.9	3.1	(116.0)	34.8
NONCONTROLLING INTEREST, NET OF TAX						
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 34.4	\$ 41.4	\$ 71.9	\$ 3.1	\$ (116.0)	\$ 34.8

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION****TWO QUARTERS ENDED JUNE 28, 2012****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
REVENUES	\$	\$	\$ 1,297.3	\$ 113.9	\$ (3.0)	\$ 1,408.2
OPERATING EXPENSES:						
Film rental and advertising costs			463.2	38.9		502.1
Cost of concessions			44.7	5.0		49.7
Rent expense			171.8	19.0	(1.4)	189.4
Other operating expenses			327.4	33.4		360.8
General and administrative expenses	0.3		32.0	3.5	(3.2)	32.6
Depreciation and amortization	0.3		87.1	5.2		92.6
Net loss on disposal and impairment of operating assets			2.2	0.3		2.5
TOTAL OPERATING EXPENSES	0.6		1,128.4	105.3	(4.6)	1,229.7
INCOME (LOSS) FROM OPERATIONS	(0.6)		168.9	8.6	1.6	178.5
OTHER EXPENSE (INCOME):						
Interest expense, net	24.5	43.0	2.7	0.3		70.5
Earnings recognized from NCM			(14.4)			(14.4)
Other, net	(99.3)	(123.2)	(50.4)		261.6	(11.3)
TOTAL OTHER EXPENSE (INCOME), NET	(74.8)	(80.2)	(62.1)	0.3	261.6	44.8
INCOME BEFORE INCOME TAXES	74.2	80.2	231.0	8.3	(260.0)	133.7
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(9.3)	(17.2)	73.4	3.3		50.2
NET INCOME	83.5	97.4	157.6	5.0	(260.0)	83.5
NONCONTROLLING INTEREST, NET OF TAX						
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 83.5	\$ 97.4	\$ 157.6	\$ 5.0	\$ (260.0)	\$ 83.5

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF INCOME INFORMATION****TWO QUARTERS ENDED JUNE 30, 2011****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated
REVENUES	\$	\$	\$ 1,218.6	\$ 108.5	\$ (2.9)	\$ 1,324.2
OPERATING EXPENSES:						
Film rental and advertising costs			432.2	37.1		469.3
Cost of concessions			43.0	4.8		47.8
Rent expense			173.1	18.8	(1.4)	190.5
Other operating expenses			330.5	34.8		365.3
General and administrative expenses	0.2		32.2	3.3	(2.9)	32.8
Depreciation and amortization	0.3		95.5	6.0		101.8
Net loss on disposal and impairment of operating assets			10.0	0.1		10.1
TOTAL OPERATING EXPENSES	0.5		1,116.5	104.9	(4.3)	1,217.6
INCOME (LOSS) FROM OPERATIONS	(0.5)		102.1	3.6	1.4	106.6
OTHER EXPENSE (INCOME):						
Interest expense, net	24.4	49.1	2.8	0.3		76.6
Earnings recognized from NCM			(17.2)			(17.2)
Other, net	(26.5)	(46.4)	(27.6)		126.6	26.1
TOTAL OTHER EXPENSE (INCOME), NET	(2.1)	2.7	(42.0)	0.3	126.6	85.5
INCOME (LOSS) BEFORE INCOME TAXES	1.6	(2.7)	144.1	3.3	(125.2)	21.1
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(9.3)	(27.6)	45.4	1.5		10.0
NET INCOME	10.9	24.9	98.7	1.8	(125.2)	11.1
NONCONTROLLING INTEREST, NET OF TAX			0.1			0.1
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 10.9	\$ 24.9	\$ 98.8	\$ 1.8	\$ (125.2)	\$ 11.2

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME INFORMATION****QUARTER ENDED JUNE 28, 2012****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated
NET INCOME	\$ 37.2	\$ 43.9	\$ 68.3	\$ 2.4	\$ (114.6)	\$ 37.2
OTHER COMPREHENSIVE INCOME, NET OF TAX:						
Change in fair value of interest rate swap transactions	1.0	1.0			(1.0)	1.0
Change in fair value of available for sale securities	1.2	1.2	1.2		(2.4)	1.2
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	2.2	2.2	1.2		(3.4)	2.2
TOTAL COMPREHENSIVE INCOME, NET OF TAX	39.4	46.1	69.5	2.4	(118.0)	39.4
Comprehensive income attributable to noncontrolling interests						
COMPREHENSIVE INCOME ATTRIBUTABLE TO REGAL ENTERTAINMENT GROUP	\$ 39.4	\$ 46.1	\$ 69.5	\$ 2.4	\$ (118.0)	\$ 39.4

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME INFORMATION
QUARTER ENDED JUNE 30, 2011
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated
NET INCOME	\$ 34.4	\$ 41.4	\$ 71.9	\$ 3.1	\$ (116.0)	\$ 34.8
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:						
Change in fair value of interest rate swap transactions	2.1	2.1			(2.1)	2.1
Change in fair value of available for sale securities	(2.9)	(2.9)	(2.9)		5.8	(2.9)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(0.8)	(0.8)	(2.9)		3.7	(0.8)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	33.6	40.6	69.0	3.1	(112.3)	34.0
Comprehensive income attributable to noncontrolling interests						
COMPREHENSIVE INCOME ATTRIBUTABLE TO REGAL ENTERTAINMENT GROUP	\$ 33.6	\$ 40.6	\$ 69.0	\$ 3.1	\$ (112.3)	\$ 34.0

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME INFORMATION****TWO QUARTERS ENDED JUNE 28, 2012****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated
NET INCOME	\$ 83.5	\$ 97.4	\$ 157.6	\$ 5.0	\$ (260.0)	\$ 83.5
OTHER COMPREHENSIVE INCOME, NET OF TAX:						
Change in fair value of interest rate swap transactions	2.3	2.3			(2.3)	2.3
Change in fair value of available for sale securities	4.9	4.9	4.9		(9.8)	4.9
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	7.2	7.2	4.9		(12.1)	7.2
TOTAL COMPREHENSIVE INCOME, NET OF TAX	90.7	104.6	162.5	5.0	(272.1)	90.7
Comprehensive income attributable to noncontrolling interests						
COMPREHENSIVE INCOME ATTRIBUTABLE TO REGAL ENTERTAINMENT GROUP	\$ 90.7	\$ 104.6	\$ 162.5	\$ 5.0	\$ (272.1)	\$ 90.7

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME INFORMATION****TWO QUARTERS ENDED JUNE 30, 2011****(in millions)**

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated
NET INCOME	\$ 10.9	\$ 24.9	\$ 98.7	\$ 1.8	\$ (125.2)	\$ 11.1
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:						
Change in fair value of interest rate swap transactions	7.5	7.5			(7.5)	7.5
Change in fair value of available for sale securities	(2.0)	(2.0)	(2.0)		4.0	(2.0)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	5.5	5.5	(2.0)		(3.5)	5.5
TOTAL COMPREHENSIVE INCOME, NET OF TAX	16.4	30.4	96.7	1.8	(128.7)	16.6
Comprehensive income attributable to noncontrolling interests			0.1			0.1
COMPREHENSIVE INCOME ATTRIBUTABLE TO REGAL ENTERTAINMENT GROUP	\$ 16.4	\$ 30.4	\$ 96.8	\$ 1.8	\$ (128.7)	\$ 16.7

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
TWO QUARTERS ENDED JUNE 28, 2012
(in millions)

	REG Parent Company	RCC Parent Company	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (22.7)	\$	\$ 207.0	\$ 4.6	\$	\$ 188.9
Cash Flows from Investing Activities:						
Capital expenditures			(32.2)	(3.1)		(35.3)
Proceeds from disposition of assets			1.0			1.0
Investment in DCIP and other			(5.7)			(5.7)
NET CASH USED IN INVESTING ACTIVITIES			(36.9)	(3.1)		(40.0)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(66.6)					(66.6)
Cash received (paid) to/from REG Parent Company	89.2	(89.2)				
Cash received (paid) to/from subsidiary		89.2	(89.2)			
Payments on long-term obligations	(0.9)		(9.6)			(10.5)
Proceeds from stock option exercises and other	2.7					2.7
Cash used to purchase treasury shares	(1.7)					(1.7)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	22.7		(98.8)			(76.1)
NET INCREASE IN CASH AND CASH EQUIVALENTS			71.3	1.5		72.8
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			197.5	55.5		253.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	\$	\$ 268.8	\$ 57.0	\$	\$ 325.8

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION****TWO QUARTERS ENDED JUNE 30, 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	\$ (14.3)	\$	\$ 193.9	\$ 3.0	\$	\$ 182.6
Cash Flows from Investing Activities:						
Capital expenditures			(37.8)	(2.3)		(40.1)
Proceeds from disposition of assets			12.8	0.1		12.9
Investment in DCIP and other			(32.4)			(32.4)
NET CASH USED IN INVESTING ACTIVITIES			(57.4)	(2.2)		(59.6)
Cash Flows from Financing Activities:						
Cash used to pay dividends	(64.9)					(64.9)
Cash received (paid) to/from REG Parent Company	(101.4)	101.4				
Cash received (paid) to/from subsidiary		(101.4)	101.4			
Payments on long-term obligations	(0.8)		(1,252.7)			(1,253.5)
Cash used to purchase treasury shares	(1.2)					(1.2)
Proceeds from Amended Senior Credit Facility			1,006.0			1,006.0
Proceeds from issuance of Regal Entertainment Group 91/3% Senior Notes	261.3					261.3
Cash used to redeem 61/4% Convertible Senior Notes	(74.7)					(74.7)
Payment of debt acquisition costs and other	(4.0)		(1.8)			(5.8)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	14.3		(147.1)			(132.8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			(10.6)	0.8		(9.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			152.5	52.8		205.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	\$	\$ 141.9	\$ 53.6	\$	\$ 195.5

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

Some of the information in this Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under Management's Discussion and Analysis of Financial Condition and Results of Operations, may constitute forward-looking statements. In some cases you can identify these forward-looking statements by words like may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential or continue or the negative of those words and other comparable words. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those indicated in these statements as a result of certain factors as more fully discussed under the heading Risk Factors contained in our annual report on Form 10-K filed on February 27, 2012 with the Commission (File No. 001-31315) for the Company's fiscal year ended December 29, 2011. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein.

Overview and Basis of Presentation

We conduct our operations through our wholly owned subsidiaries. We operate the largest and most geographically diverse theatre circuit in the United States, consisting of 6,552 screens in 519 theatres in 37 states and the District of Columbia as of June 28, 2012. We believe the size, reach and quality of our theatre circuit provide an exceptional platform to realize economies of scale from our theatre operations. We also maintain an investment in National CineMedia, which concentrates on in-theatre advertising. The Company manages its business under one reportable segment: theatre exhibition operations.

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

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

For a summary of industry trends as well as other risks and uncertainties relevant to the Company, see Business Industry Overview and Trends and Risk Factors contained in our annual report on Form 10-K for the fiscal year ended December 29, 2011 and incorporated herein by reference and Results of Operations below.

Critical Accounting Estimates

For a discussion of accounting policies that we consider critical to our business operations and the understanding of our results of operations and affect the more significant judgments and estimates used in the

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preparation of our unaudited condensed consolidated financial statements, please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates contained in our annual report on Form 10-K for the fiscal year ended December 29, 2011 and incorporated by reference herein. As of June 28, 2012, there were no significant changes in our critical accounting policies or estimation procedures.

Significant Events

For a discussion of other significant operating, financing and investing transactions which have occurred through December 29, 2011, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources included in Part II, Item 7 of our annual report on Form 10-K for the fiscal year ended December 29, 2011 and incorporated herein by reference.

During the two quarters ended June 28, 2012 (Fiscal 2012 Period), we continued to make progress with respect to the following strategic initiatives:

- We demonstrated our commitment to providing incremental value to our stockholders. Total cash dividends distributed to our stockholders during the Fiscal 2012 Period totaled approximately \$66.6 million.
- We continued to actively manage our asset base by closing 8 underperforming theatres with 62 screens, ending the Fiscal 2012 Period with 519 theatres and 6,552 screens.
- We continued to embrace innovative concepts to deliver a premium movie-going experience for our customers on three complementary fronts:

Our IMAX® footprint consisted of a total of 68 IMAX® screens as of June 28, 2012. We believe that expanding our IMAX® footprint will continue to have a positive impact on our operating results and to that end, we expect to expand our IMAX® footprint to between 70 to 75 auditoriums by the end of 2012. During the Fiscal 2012 Period, we added our proprietary large screen format known as Regal Premium Experience (RPXSM) to ten auditoriums, bringing our total to 27 RPXSM screens as of June 28, 2012. We have been encouraged by the results of RPXSM screens and expect to expand our RPXSM footprint to between 30 and 35 auditoriums by the end of 2012. We believe the installation of IMAX® theatres systems and the conversion of existing auditoriums to RPXSM auditoriums allow us to offer our patrons premium movies and all-digital large format experiences that generate incremental revenue and cash flows for the Company.

Second, to continually address consumer trends and customer preferences, we have expanded our menu of food and beverage products to include hot made-to-order meals, customizable coffee, healthy snacks, alcohol and other specialty products in select theatres. To that end, during the Fiscal 2012 Period, we offered expanded food items in 42 theatres and also offered beer and wine in other locations. We expect to offer expanded food items in approximately 40 to 50 additional theatres during the second half of 2012. We believe that the enhancement of our food and beverage offerings has had a positive effect on our operating results and we expect to continue to invest in such food and beverage offerings

in our theatres.

Third, we continued our focus on interactive marketing programs aimed at increasing attendance and enhancing the overall customer experience. For example, during the Fiscal 2012 Period, we launched a new mobile application designed to give customers quick access to box office information via their Apple iPhone® or Android™ phone. The application provides customers the ability to find films, movie information, showtimes, special offers from Regal and purchase tickets for local theatres, thereby expediting the admissions process. Additionally, the application will

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help customers stay up-to-date on the latest coupons, sweepstakes, and Regal Crown Club® loyalty program promotions.

- Finally, we continue to 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 theatres and generate a return on our capital investment. Open Road Films' fiscal 2012 period highlights include the theatrical and DVD release of *The Grey* and the DVD release of *Killer Elite*. Open Road Films expects to distribute a total of approximately six to eight films during fiscal 2012 and eventually distribute approximately eight to ten films per year. As of June 28, 2012, our cumulative cash investment in Open Road Films totaled \$20.0 million. We believe our investment in Open Road Films will generate incremental value for our stockholders.

Results of Operations

Based on our review of industry sources, North American box office revenues for the time period that corresponds to Regal's second fiscal quarter of 2012 were estimated to have decreased by approximately three percent in comparison to the second quarter of 2011. The industry's box office results for the second quarter of 2012 were negatively impacted by difficult comparisons generated from strong attendance experienced in the second quarter of 2011, but benefited from the success of premium format pictures released during the second quarter of 2012, most notably, *The Avengers*.

The following table sets forth the percentage of total revenues represented by certain items included in our unaudited condensed consolidated statements of income for the quarter ended June 28, 2012 (Q2 2012 Period), the quarter ended June 30, 2011 (Q2 2011 Period), the Fiscal 2012 Period and the two quarters ended June 30, 2011 (Fiscal 2011 Period) (dollars in millions, except average ticket prices and average concessions per patron):

	Q2 2012 Period		Q2 2011 Period		Fiscal 2012 Period		Fiscal 2011 Period	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue
Revenues:								
Admissions	\$ 494.7	68.4%	\$ 519.3	68.9%	\$ 968.8	68.8%	\$ 913.7	69.0%
Concessions	192.6	26.6	200.2	26.6	372.6	26.5	351.5	26.5
Other operating revenues	36.0	5.0	33.8	4.5	66.8	4.7	59.0	4.5
Total revenues	723.3	100.0	753.3	100.0	1,408.2	100.0	1,324.2	100.0
Operating expenses:								
Film rental and advertising costs(1)	265.3	53.6	273.1	52.6	502.1	51.8	469.3	51.4
Cost of concessions(2)	26.0	13.5	27.3	13.6	49.7	13.3	47.8	13.6
Rent expense(3)	95.3	13.2	96.8	12.9	189.4	13.4	190.5	14.4
Other operating expenses(3)	184.0	25.4	190.0	25.2	360.8	25.6	365.3	27.6
General and administrative expenses (including share-based compensation expense of \$2.3 and \$2.2 for the Q2 2012 Period and the Q2 2011 Period, respectively, and \$4.6 and \$4.1 for the Fiscal 2012 Period and	16.8	2.3	16.0	2.1	32.6	2.3	32.8	2.5

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the Fiscal 2011 Period, respectively)(3)								
Depreciation and amortization(3)	45.7	6.3	49.8	6.6	92.6	6.6	101.8	7.7
Net loss on disposal and impairment of operating assets(3)	2.5	0.3	3.4	0.5	2.5	0.2	10.1	0.8
Total operating expenses(3)	635.6	87.9	656.4	87.1	1,229.7	87.3	1,217.6	91.9
Income from operations(3)	87.7	12.1	96.9	12.9	178.5	12.7	106.6	8.1
Interest expense, net(3)	34.5	4.8	37.6	5.0	70.5	5.0	76.6	5.8
Loss on extinguishment of debt(3)							21.9	1.7
Earnings recognized from NCM(3)	(0.6)	0.1	(3.6)	0.5	(14.4)	1.0	(17.2)	1.3
Provision for income taxes(3)	25.0	3.5	24.3	3.2	50.2	3.6	10.0	0.8
Net income attributable to controlling interest(3)	\$ 37.2	5.1%	\$ 34.8	4.6%	\$ 83.5	5.9%	\$ 11.2	0.8%
Attendance (in thousands)	54,297	*	59,342	*	108,018	*	105,608	*
Average ticket price(4)	\$ 9.11	*	\$ 8.75	*	\$ 8.97	*	\$ 8.65	*
Average concessions per patron(5)	\$ 3.55	*	\$ 3.37	*	\$ 3.45	*	\$ 3.33	*

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* *Not meaningful*

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

Admissions

During the Q2 2012 Period, total admissions revenues decreased \$24.6 million, or 4.7%, to \$494.7 million, from \$519.3 million in the Q2 2011 Period. An 8.5% decrease in attendance, partially offset by a 4.1% increase in average ticket prices, led to the decrease in the Q2 2012 Period admissions revenues. We believe that our attendance is primarily dependent upon the commercial appeal of content released by the motion picture studios. Attendance for the Q2 2012 Period in comparison to that of the Q2 2011 Period was negatively impacted by difficult comparisons generated from strong attendance experienced in the Q2 2011 Period, but benefited from commercial success of *The Avengers* released during the Q2 2012 Period. For the Q2 2012 Period, the 4.1% average ticket price increase was due to the success of premium-priced films exhibited during the period and from selective price increases identified during our ongoing periodic pricing reviews (which include analysis of various factors such as general inflationary trends and local market conditions). Based on our review of certain industry sources, the decrease in our admissions revenues on a per screen basis was in line with the industry's per screen results for the Q2 2012 Period as compared to the Q2 2011 Period.

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Total admissions revenues increased \$55.1 million during the Fiscal 2012 Period, or 6.0%, to \$968.8 million, from \$913.7 million in the Fiscal 2011 Period primarily due to a 2.3% increase in attendance coupled with a 3.7% increase in average ticket prices. The Fiscal 2012 Period increase in attendance was primarily attributable to strong attendance from premium format pictures during the period, including *The Avengers* and *The Hunger Games*, and the commercial appeal of the other top tier films exhibited during the Fiscal 2012 Period as compared to that of the Fiscal 2011 Period. The primary driver of the increase in our Fiscal 2012 Period average ticket price was an increase in the percentage of our admissions revenues generated by premium-priced films exhibited during the period, coupled with price increases identified during our ongoing periodic pricing reviews.

Concessions

Total concessions revenues decreased \$7.6 million, or 3.8%, to \$192.6 million during the Q2 2012 Period, from \$200.2 million for the Q2 2011 Period. During the Fiscal 2012 Period, total concessions revenues increased \$21.1 million, or 6.0%, to \$372.6 million, from \$351.5 million in the Fiscal 2011 Period. Average concessions revenues per patron during the Q2 2012 Period increased 5.3%, to \$3.55, from \$3.37 for the Q2 2011 Period and increased 3.6%, to \$3.45 during the Fiscal 2012 Period, from \$3.33 in the Fiscal 2011 Period. The decrease in total concessions revenues during the Q2 2012 Period was attributable to the aforementioned decline in attendance during the period, partially offset by an increase in average concessions revenues per patron. The increase in total concessions revenues during the Fiscal 2012 Period was attributable to the aforementioned increase in attendance during the period coupled with an increase in average concessions revenues per patron. The increase in average concessions revenues per patron for the Q2 2012 Period and the Fiscal 2012 Period was primarily a result of an increase in popcorn and beverage sales volume during the Q2 2012 Period and the Fiscal 2012 Period.

Other Operating Revenues

During the Q2 2012 Period, other operating revenues increased \$2.2 million, or 6.5%, to \$36.0 million, from \$33.8 million in the Q2 2011 Period. Other operating revenues increased \$7.8 million, or 13.2%, to \$66.8 million during the Fiscal 2012 Period, from \$59.0 million for the Fiscal 2011 Period. Included in other operating revenues are the theatre access fees paid by National CineMedia (net of payments for onscreen advertising time provided to our beverage concessionaire), revenues from our vendor marketing programs and other theatre revenues, including revenue related to our gift card and discount ticket programs. The increase in other operating revenues during the Q2 2012 Period and the Fiscal 2012 Period was primarily driven by increases in theatre access fees, incremental revenues from our vendor marketing programs and other theatre revenues, partially offset by a slight decline in advance ticketing revenues.

Film Rental and Advertising Costs

Film rental and advertising costs as a percentage of admissions revenues increased to 53.6% during the Q2 2012 Period from 52.6% in the Q2 2011 Period and for the Fiscal 2012 Period, increased to 51.8% from 51.4% in the Fiscal 2011 Period. The increase in film rental and advertising costs as a percentage of box office revenues during the Q2 2012 Period was primarily attributable to higher film costs associated with the success of *The Avengers* and other top tier films exhibited during the Q2 2012 Period. The increase in film rental and advertising costs as a percentage of box office revenues during the Fiscal 2012 Period was primarily attributable to higher film costs associated with the success of the top tier films exhibited during the Fiscal 2012 Period.

Cost of Concessions

During the Q2 2012 Period, cost of concessions decreased \$1.3 million, or 4.8%, to \$26.0 million as compared to \$27.3 million during the Q2 2011 Period. Cost of concessions increased \$1.9 million, or 4.0%, to \$49.7 million during the Fiscal 2012 Period, from \$47.8 million in the Fiscal 2011 Period. Cost of concessions as a percentage of concessions revenues for the Q2 2012 Period was approximately 13.5%, compared to 13.6% during the Q2 2011 Period. For the Fiscal 2012 Period, cost of concessions as a percentage of concession revenues was approximately 13.3% compared to 13.6% for the Fiscal 2011 Period. The decrease in cost of concessions as a percentage of concessions revenues during the Q2 2012 Period and the Fiscal 2012 Period was primarily related to

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an increase in the amount of vendor marketing revenue recorded as a reduction of cost of concessions during such periods, partially offset by slightly higher raw material costs for certain items.

Rent Expense

Rent expense decreased \$1.5 million, or 1.5%, to \$95.3 million in the Q2 2012 Period, from \$96.8 million in the Q2 2011 Period. During the Fiscal 2012 Period, rent expense totaled \$189.4 million, a decrease of \$1.1 million, or 0.6% from the Fiscal 2011 Period. The decrease in rent expense during the Q2 2012 Period was primarily related to lower contingent rent associated with decreased admissions and concessions revenues during the period and the reduction in our screen count subsequent to the end of the Q2 2011 Period. The decrease in rent expense during the Fiscal 2012 Period was primarily attributable to the reduction in our screen count subsequent to the end of the Q2 2011 Period, partially offset by higher contingent rent during the Fiscal 2012 Period.

Other Operating Expenses

Other operating expenses decreased \$6.0 million, or 3.2%, to \$184.0 million in the Q2 2012 Period, from \$190.0 million in the Q2 2011 Period. During the Fiscal 2012 Period, other operating expenses decreased \$4.5 million, or 1.2%, to \$360.8 million, from \$365.3 million in the Fiscal 2011 Period. The decrease in other operating expenses during the Q2 2012 Period and the Fiscal 2012 Period was attributable to a reduction in theatre level payroll, certain non-rent occupancy costs, partially offset by an increase in costs associated with higher premium-priced film revenues.

General and Administrative Expenses

For the Q2 2012 Period, general and administrative expenses increased \$0.8 million, or 5.0%, to \$16.8 million as compared to \$16.0 million in the Q2 2011 Period. General and administrative expenses decreased \$0.2 million, or 0.6%, to \$32.6 million during the Fiscal 2012 Period, from \$32.8 million in the Fiscal 2011 Period. The increase in general and administrative expenses during the Q2 2012 Period was primarily attributable to increases in professional service fees and other corporate expenses during the period.

Depreciation and Amortization

Depreciation and amortization expense decreased \$4.1 million, or 8.2%, to \$45.7 million for the Q2 2012 Period, from \$49.8 million in the Q2 2011 Period. During the Fiscal 2012 Period, depreciation and amortization expense decreased \$9.2 million, or 9.0%, to \$92.6 million, from \$101.8 million in the Fiscal 2011 Period. The decrease in depreciation and amortization expense during the Q2 2012 Period and the Fiscal 2012 Period as compared to the Q2 2011 Period and the Fiscal 2011 Period was primarily due to a reduction in depreciation related to the replacement of owned 35mm film projectors with leased digital projection systems and lower depreciation associated with the reduction in our screen count subsequent to the end of the Q2 2011 Period

Income from Operations

During the Q2 2012 Period, income from operations decreased \$9.2 million, or 9.5%, to \$87.7 million, from \$96.9 million in the Q2 2011 Period. Income from operations increased \$71.9 million, or 67.4%, to \$178.5 million during the Fiscal 2012 Period, from \$106.6 million in the Fiscal 2011 Period. The decrease in income from operations during the Q2 2012 Period as compared to the Q2 2011 Period was primarily attributable to the decline in total revenues, partially offset by reductions in certain variable operating expense line items described above. The increase in income from operations during the Fiscal 2012 Period as compared to the Fiscal 2011 Period was primarily attributable to the increase in total revenues and a \$7.6 million lower loss on disposal and impairment of operating assets, partially offset by increases in certain Fiscal 2012 Period variable operating expense line items described above.

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Interest Expense, net

Net interest expense totaled \$34.5 million for the Q2 2012 Period, which represents a decrease of \$3.1 million, or 8.2%, from the Q2 2011 Period. During the Fiscal 2012 Period, net interest expense decreased \$6.1 million, or 8.0%, to \$70.5 million, from \$76.6 million in the Fiscal 2011 Period. The decrease in net interest expense during the Q2 2012 Period and the Fiscal 2012 Period was principally due to a lower effective interest rate on our Term Facility as a result of a change in our interest rate swap portfolio during fiscal 2011, lower non-cash interest expense and a reduction in interest expense resulting from the repurchases of our 6¼% Convertible Senior Notes during the quarter ended March 31, 2011.

Earnings Recognized from NCM

Earnings recognized from NCM decreased \$3.0 million to \$0.6 million in the Q2 2012 Period, from \$3.6 million in the Q2 2011 Period. Earnings recognized from NCM decreased \$2.8 million, or 16.3%, to \$14.4 million in the Fiscal 2012 Period, from \$17.2 million in the Fiscal 2011 Period. The Company received \$0.6 million and \$2.5 million, respectively, in cash distributions from National CineMedia during the Q2 2012 Period and Q2 2011 Period. Approximately \$0.1 million and \$0.4 million, respectively, of these cash distributions received during the Q2 2012 Period and the Q2 2011 Period were recognized as a reduction in our investment in National CineMedia. The Company received \$17.7 million and \$18.9 million, respectively, in cash distributions from National CineMedia (including payments received of \$8.5 million and \$6.8 million, respectively, under the tax receivable agreement described more fully in Note 4 to the 2011 Audited Consolidated Financial Statements) during the Fiscal 2012 Period and Fiscal 2011 Period. Approximately \$3.5 million and \$3.3 million, respectively, of these cash distributions received during the Fiscal 2012 Period and the Fiscal 2011 Period were recognized as a reduction in our investment in National CineMedia. The remaining amounts were recognized in equity income during each of these periods and have been included as a component of Earnings recognized from NCM in the accompanying unaudited condensed consolidated financial statements.

Income Taxes

The provision for income taxes of \$25.0 million and \$24.3 million for the Q2 2012 Period and the Q2 2011 Period, respectively, reflect effective tax rates of approximately 40.2% and 41.1%, respectively. The provision for income taxes of \$50.2 million and \$10.0 million for the Fiscal 2012 Period and the Fiscal 2011 Period, respectively, reflect effective tax rates of approximately 37.5% and 47.4%, respectively. The decrease in the effective tax rate for the Q2 2012 Period compared to the Q2 2011 Period was primarily attributable to the resolution of certain state and local tax matters during the Q2 2011 Period. The decrease in the effective tax rate for the Fiscal 2012 Period was primarily attributable to changes in uncertain tax positions with state taxing authorities resulting from the lapse of statutes of limitations during the Fiscal 2012 Period and the resolution of certain state and local tax matters during the Fiscal 2011 Period. The effective tax rates for all periods presented also reflect the impact of certain non-deductible expenses and income tax credits.

Net Income Attributable to Controlling Interest

During the Q2 2012 Period, net income attributable to controlling interest totaled \$37.2 million, which represents an increase of \$2.4 million, from net income attributable to controlling interest of \$34.8 million in the Q2 2011 Period. Net income attributable to controlling interest for the Fiscal 2012 Period was \$83.5 million, which represents an increase of \$72.3 million, from net income attributable to controlling interest of

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\$11.2 million during the Fiscal 2011 Period. The increase in net income attributable to controlling interest for the Q2 2012 Period was primarily attributable to incremental equity earnings generated by our investments in Open Road Films and DCIP during the Q2 2012 Period (included in Other, net) and lower interest expense, partially offset by a decrease in operating income during the Q2 2012 Period and lower earnings recognized from National CineMedia as described above. The increase in net income attributable to controlling interest for the Fiscal 2012 Period was primarily attributable to an increase in operating income as described above, the Fiscal 2011 Period loss on debt extinguishment associated with the Amended Senior Credit Facility, incremental income from the Company's equity method investments during the Fiscal 2012 Period and lower interest expense, partially offset by lower earnings recognized from National CineMedia during the Fiscal 2012 Period.

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Liquidity and Capital Resources

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

As further described in Note 2 Investments, the Company maintains an investment in National CineMedia, a pass-through entity for federal income tax purposes. The IRS is currently examining National CineMedia's 2007 and 2008 income tax returns and 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 June 28, 2012.

Net cash flows provided by operating activities totaled approximately \$188.9 million and \$182.6 million for the Fiscal 2012 Period and the Fiscal 2011 Period, respectively. The \$6.3 million increase in net cash flows generated by operating activities for the Fiscal 2012 Period as compared to the Fiscal 2011 Period was caused by a \$19.1 million increase in net income excluding non-cash items partially offset by a negative fluctuation in working capital activity of approximately \$12.8 million. Working capital activity was primarily impacted by negative fluctuations in accounts payable activity (primarily film rental liabilities) and income taxes payable, partially offset by positive fluctuations in trade and other receivables during the Fiscal 2012 Period as compared to the Fiscal 2011 Period. The negative fluctuation in accounts payable activity was primarily due to the timing of film and certain other vendor payments associated with decreased attendance and admissions revenues at our theaters during the latter part of the Fiscal 2012 Period.

Investing Activities

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

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We maintain an investment in DCIP, a joint venture company formed by Regal, AMC and Cinemark. During the two quarters ended June 28, 2012, the Company effected equity contributions of approximately \$5.6 million to DCIP, and expects to make additional equity contributions in the future. DCIP's initial financing, 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 two quarters ended June 28, 2012 and June 30, 2011, the Company incurred total rent of approximately \$5.9 million and \$3.0 million, respectively, associated with the leased digital projection systems. As of June 28, 2012, we operated 5,888 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.

During the year ended December 29, 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 RPXSM auditoriums allow us to offer our patrons premium 3D movies and large all-digital format experiences that generate incremental revenue and cash flows for the Company.

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 caused a temporary slowdown in our building program in fiscal 2010 and 2011. 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 \$95.0 million to \$110.0 million in fiscal year 2012, exclusive of acquisitions.

As described more fully in Note 2 Investments, during the Fiscal 2012 Period, we received from National CineMedia approximately 0.1 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 19.8% interest in NCM, Inc. as of June 28, 2012.

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During the fiscal 2011, we announced the creation of Open Road Films. We continue to believe that Open Road Films has a unique opportunity to fill a gap in the marketplace created by the major studios' big-budget franchise film strategy by marketing smaller budget films in a cost-effective manner which we believe will drive additional patrons to our theaters and generate a return on our capital investment. Open Road Films expects to

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eventually distribute approximately eight to ten films per year. As of June 28, 2012, we have invested \$20.0 million in cash contributions in Open Road Films and ultimately expect to invest up to \$30.0 million in this new joint venture. We account for our investment in Open Road Films using the equity method of accounting.

Net cash flows used in investing activities totaled approximately \$40.0 million and \$59.6 million for the Fiscal 2012 Period and the Fiscal 2011 Period, respectively. The \$19.6 million decrease in cash flows used in investing activities during the Fiscal 2012 Period, as compared to the Fiscal 2011 Period, was primarily attributable to a \$26.7 million decrease in cash contributions to our various investments in non-consolidated entities during the Fiscal 2012 Period as compared to the Fiscal 2011 Period, partially offset by a \$7.1 million increase in net capital expenditures during the Fiscal 2012 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 with Regal, the Guarantors, Credit Suisse, and the Lenders, which amends and refinances the Term Facility under the Amended Senior Credit Facility described further in Note 5 to the 2011 Audited Consolidated Financial Statements. Pursuant to the Refinancing Agreement, Regal Cinemas consummated a permitted secured refinancing of the Term Facility in the amount of \$1,006.0 million, and in accordance therewith, the Lenders advanced the New Term Loans in an aggregate principal amount of \$1,006.0 million with a final maturity date in August 2017. Together with other amounts provided by Regal Cinemas, proceeds of the New Term Loans were applied to repay all of the outstanding principal and accrued and unpaid interest on the Term Facility under the Amended Senior Credit Facility in effect immediately prior to the making of the New Term Loans.

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

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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 of June 28, 2012, we had approximately \$993.4 million aggregate principal amount outstanding under the New Term Loans, \$534.1 million aggregate principal amount outstanding (including premium) under the 91/8% Senior Notes and \$393.2 million aggregate principal amount outstanding (net of debt discount) under the 85/8% Senior Notes. As of June 28, 2012, 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 June 28, 2012, we are in full compliance with all agreements, including all related covenants, governing our outstanding debt obligations.

On July 26, 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 September 18, 2012, to stockholders of record on September 10, 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 \$76.1 million and \$132.8 million for the Fiscal 2012 Period and the Fiscal 2011 Period, respectively. The \$56.7 million decrease in cash flows used in financing activities during the Fiscal 2012 Period as compared to the Fiscal 2011 Period was primarily attributable to a decrease in net payments on long-term debt obligations of \$237.0 million, the impact of \$74.7 million of cash used to redeem our 6¼% Convertible Senior Notes during the Fiscal 2011 Period and the impact of cash used for debt acquisition costs during the Fiscal 2011 Period, partially offset by the impact of receiving \$261.3 million in gross proceeds from the issuance of our 91/8% Senior Notes in the Fiscal 2011 Period.

On June 27, 2012, we filed with the Commission an automatic shelf registration statement for well-known seasoned issuers on Form S-3ASR (Registration No. 333-182383-01). This registration statement enables us to offer to sell, from time to time, debt securities, Class A common stock, preferred stock, warrants, depositary shares, purchase contracts or units. The shelf registration statement will also permit our subsidiary, Regal Cinemas, to offer to sell, from time to time, debt securities, that may be guaranteed by us. Pursuant to the rules governing automatic shelf registration statements, we will file a prospectus supplement and advise the Commission of the amount and type of securities each time we issue or guarantee securities under this registration statement. As of June 28, 2012, we have not issued any securities under this automatic shelf registration statement.

EBITDA

Earnings before interest, taxes and depreciation and amortization (EBITDA) was approximately \$142.4 million and \$146.5 million for the Q2 2012 Period and the Q2 2011 Period, respectively, and \$296.8 million and \$199.6 million for the Fiscal 2012 Period and the Fiscal 2011 Period, respectively. The decrease in EBITDA for the Q2 2012 Period as compared to the Q2 2011 Period was primarily attributable to a decrease in operating income, lower earnings recognized from National CineMedia, partially offset by incremental equity income generated by our investments in Open Road Films and DCIP during the Q2 2012 Period. The increase in EBITDA for the Fiscal 2012 Period was primarily

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attributable to an increase in operating income for the Fiscal 2012 Period as compared to the Fiscal 2011 Period, the impact of the \$21.9 million (\$13.6 million after related tax effects) loss on debt extinguishment recorded during the Fiscal 2011 Period, and incremental income from the Company's equity method investments during the Fiscal 2012 Period, partially offset by lower earnings recognized from National CineMedia during the Fiscal 2012 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,

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capital expenditures and other cash commitments from time to time as described in more detail elsewhere in this Form 10-Q, does not represent how much discretionary cash we have available for other purposes. Nonetheless, EBITDA is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community all of whom believe, and we concur, that these measures are critical to the capital markets analysis of our ability to service debt, fund capital expenditures, pay dividends and otherwise meet cash needs, respectively. We also evaluate EBITDA because it is clear that movements in these non-GAAP measures impact our ability to attract financing and pay dividends. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. A reconciliation of EBITDA to net cash provided by operating activities is calculated as follows (in millions):

	Q2 2012 Period		Q2 2011 Period		Fiscal 2012 Period		Fiscal 2011 Period	
EBITDA	\$	142.4	\$	146.5	\$	296.8	\$	199.6
Interest expense, net		(34.5)		(37.6)		(70.5)		(76.6)
Provision for income taxes		(25.0)		(24.3)		(50.2)		(10.0)
Deferred income taxes		1.7		23.4		9.4		10.5
Changes in operating assets and liabilities		(12.0)		22.0		(0.3)		12.5
Loss on extinguishment of debt								21.9
Other items, net		(1.2)		10.4		3.7		24.7
Net cash provided by operating activities	\$	71.4	\$	140.4	\$	188.9	\$	182.6

Contractual Cash Obligations and Commitments

For a summary of our contractual cash obligations and commitments and off-balance sheet arrangements as of December 29, 2011, please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations Contractual Cash Obligations and Commitments contained in our annual report on Form 10-K for the fiscal year ended December 29, 2011 and incorporated by reference herein. As of June 28, 2012, there were no material changes outside the ordinary course of our business in our contractual cash obligations and commitments. We believe that the amount of cash and cash equivalents on hand, cash flow expected from operations and availability under our Revolving Facility will be adequate for the Company to execute its business strategy and meet anticipated requirements for lease obligations, capital expenditures, working capital and debt service for the next 12 months.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements relevant to our operations, please refer to the information provided under Note 9 Recent Accounting Pronouncements of our notes to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 (Financial Statements) of this Form 10-Q, which information is incorporated by reference herein.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Under the terms of the Company's effective interest rate swap agreements (which hedge an aggregate of \$550.0 million of variable rate debt obligations as of June 28, 2012) described in Note 3 Debt Obligations, 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.

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As of June 28, 2012 and December 29, 2011, borrowings of \$993.4 million and \$998.5 million (net of debt discount), respectively, were outstanding under the New Term Loans at an effective interest rate of 4.41% (as of June 28, 2012) and 4.96% (as of December 29, 2011), 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 June 28, 2012, would increase or decrease interest expense by \$1.1 million for the quarter ended March 29, 2012.

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 10 Fair Value of Financial Instruments. Such shares of stock are accounted for as available for sale securities with recurring fair value adjustments recorded as a component of accumulated other comprehensive loss/income (net of related tax effects).

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Commission under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the Commission's rules and forms, and that information is accumulated and communicated to our management, including our principal executive, principal financial and principal accounting officers (whom we refer to in this periodic report as our Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Certifying Officers, the effectiveness of our disclosure controls and procedures as of June 28, 2012, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of June 28, 2012, our disclosure controls and procedures were effective.

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

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information required to be furnished by us under this Part II, Item 1 (Legal Proceedings) is incorporated by reference to Note 6 Commitments and Contingencies of our notes to the accompanying unaudited condensed consolidated financial statements included in Part I, Item 1 (Financial Statements) of this quarterly report on Form 10-Q.

Item 1A. RISK FACTORS

There have been no material changes from risk factors as previously disclosed in our annual report on Form 10-K filed on February 27, 2012 with the Commission (File No. 001-31315) for the fiscal year ended December 29, 2011.

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Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 6. EXHIBITS

Exhibit Number	Description
10.1	2002 Stock Incentive Plan of the Company, as amended (incorporated herein by reference from Appendix B to the Company's Proxy Statement on Schedule 14A filed with the Commission on April 20, 2012).
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 quarterly report on Form 10-Q of Regal Entertainment Group for the quarter ended June 28, 2012, filed on August 7, 2012, formatted in XBRL: (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) the Unaudited Condensed Consolidated Statements of Income, (iii) the Unaudited Condensed Consolidated Statements of Comprehensive Income, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows and (v) the Notes to Unaudited Condensed Consolidated Financial Statements tagged as detailed text.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGAL ENTERTAINMENT GROUP

Date: August 7, 2012

By: /s/ AMY E. MILES
Amy E. Miles
Chief Executive Officer (Principal Executive Officer)

Date: August 7, 2012

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

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EXHIBIT INDEX

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