## EXHIBIT 22

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## FORMDEF 14A

## READING INTERNATIONAL INC -RDI

Filed: April 25, 2014 (period: April 25, 2014)
Official notification to shareholders of matters to be brought to a vote (Proxy)

## UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

## Washington, D.C. 20549

SCHEDULE 14A

## Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant $\nabla$
Filed by a party other than the Registrant
Check the appropriate box:

$\square$ Preliminary Proxy Statement<br>Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))<br>$\square$ Definitive Proxy Statement<br>$\square$ Definitive Additional Materials<br>$\square$ Soliciting Material under Sec. 240.14a-12

## READING INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

## Payment of Filing Fee (Check the appropriate box):

## $\checkmark$ No fee required

$\square$ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid: $\qquad$
$\square$ Fee paid previously with preliminary materials.
$\square$ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed: $\qquad$ -


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## READING INTERNATIONAL, INC.

 6100 Center Drive, Suite 900 Los Angeles, California 90045
## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON THURSDAY, MAY 15, 2014

## TO THE STOCKHOLDERS:

The 2014 Annual Meeting of Stockholders (the "Annual Meeting") of Reading International, Inc., a Nevada corporation, will be held at 6100 Center Drive, Suite 900, Los Angeles, California 90045, on Thursday, May 15, 2014, at 11:00 a.m., local time, for the following purposes:

1. To elect nine Directors to our Board of Directors to serve until the 2015 Annual Meeting of Stockholders;
2. To act on an advisory vote on executive compensation; and
3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 is enclosed. Only holders of our class B voting common stock at the close of business on April 17, 2014 are entitled to notice of and to vote at the meeting and any adjournment or postponement thereof.

If you hold shares of our class B voting common stock, you will have received a proxy card enclosed with this notice. Whether or not you expect to attend the Annual Meeting in person, please complete, sign, and date the enclosed proxy card and return it promptly in the accompanying postage-prepaid envelope to ensure that your shares will be represented at the Annual Meeting.

By Order of the Board of Directors


James J. Cotter, Sr.
Chairman
April 25, 2014
PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE TO ENSURE THAT YOUR VOTES ARE COUNTED.

READING INTERNATIONAL, INC. 6100 Center Drive, Suite 900 Los Angeles, California 90045

## PROXY STATEMENT

## Annual Meeting of Stockholders

Thursday, May 15, 2014

## INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Reading International, Inc. (the "Company," "Reading," "we," "us," or "our") of proxies for use at our 2014 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Thursday, May 15, 2014, at 11:00 a.m., local time, at 6100 Center Drive, Suite 900, Los Angeles, California, and at any adjournment or postponement thereof. This Proxy Statement and form of proxy are first being sent or given to stockholders on or about April 25, 2014.

At our Annual Meeting, you will be asked to (1) elect nine Directors to our Board of Directors to serve until the 2015 Annual Meeting of Stockholders, (2) act on an advisory vote on executive compensation, and (3) act on any other business that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

As of April 17, 2014, the record date for the Annual Meeting (the "Record Date"), there were outstanding $1,495,490$ shares of our class B voting common stock ("Class B Stock"). James J. Cotter, Sr., our Chairman and Chief Executive Officer, beneficially owned $1,123,888$ shares of our Class B Stock on the Record Date, which shares represent a majority of the outstanding voting rights of the Company. Accordingly, Mr. Cotter, Sr. has the power, acting alone and regardless of the vote of our other stockholders, to determine the outcome of each of the proposals on the agenda for the Annual Meeting. Mr. Cotter, Sr. has advised us that he intends to follow the recommendations of our Board of Directors in casting his votes and to vote in favor of each of the proposals described in this Proxy Statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON MAY 15, 2014 - This Proxy Statement, along with the proxy card, and our Annual Report to Stockholders on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission are available at our website, http://www.readingrdi.com, under "Investor Information."

## VOTING AND PROXIES

## Am I eligible to vote?

If you owned shares of Class B Stock on the Record Date, you are eligible to vote, and you should have received a proxy card enclosed with this notice. If you own Class B Stock and did not receive a proxy card, please contact our Corporate Secretary at (213) 235-2240. Your shares of Class B Stock are entitled to one vote per share.

## What if I own Class A Nonvoting Common Stock?

If you do not own any class B Stock, then you have received this proxy statement only for your information. You and other holders of our class A nonvoting common stock ("Class A Stock") have no voting rights with respect to the matters to be voted on at the Annual Meeting.

## How will my shares be voted if I am a stockholder of record?

If you are a stockholder of record and do not vote via the Internet, by telephone or by returning a signed proxy card, your shares will not be voted unless you attend the Annual Meeting and vote your shares or designate some other person to vote on your behalf by issuance to such person of a valid proxy and such person attends the meeting and votes such shares on your behalf.

If you vote via the Internet or telephone and do not specify contrary voting instructions, your shares will be voted in accordance with the recommendations of our Board of Directors with respect to each of the Proposals. Similarly, if you sign and submit your proxy card with no instructions, your shares will be voted in accordance with the recommendations of our Board of Directors with respect to each of the Proposals.

## If I am a beneficial owner of shares, can my brokerage firm vote my shares?

If you are a beneficial owner and do not vote via the Internet, by telephone or by returning a signed voting instruction card to your broker, your shares may be voted only with respect to so-called routine matters where your broker has discretionary voting authority over your shares. Brokers will have no such discretionary authority to vote on any of the Proposals. We encourage you, therefore, to provide instructions to your brokerage firm by returning the voting instruction card provided by that broker.

## How do I vote in person?

If you are a stockholder of record, you may vote in person by attending the 2014 Annual Meeting.
If your shares are held in the name of a brokerage firm, bank nominee, or other institution, only it can give a proxy with respect to your shares. Accordingly, if you want to vote in person, you will need to bring that proxy with you to evidence your rights to vote such shares. If you do not have record ownership of your shares and want to vote in person at the Annual Meeting, you must obtain a proxy from the record holder of your shares and bring it with you to the Annual Meeting.

## If Iplan to attend the Annual Meeting, should I still submit a proxy?

Whether or not you plan to attend the Annual Meeting, we urge you to submit a proxy. Submission of a proxy will not in any way affect your right to attend the Annual Meeting and vote in person.

## What if I want to revoke my proxy?

You have the right to revoke your proxy at any time before it is voted on your behalfby:

- submitting to our Corporate Secretary at our address at 6100 Center Drive, Suite 900, Los Angeles, California 90045, prior to the commencement of the Annual Meeting, a duly executed instrument dated subsequent to such proxy revoking the same;
- submitting a duly executed proxy bearing a later date; or
- attending the Annual Meeting and voting in person.


## Proxy Solicitation and Expenses

In addition to the solicitation by mail, our employees may solicit proxies in person or by telephone, but no additional compensation will be paid to them for such services. We will bear all the costs of soliciting proxies on behalf of our Board of Directors and will reimburse persons holding shares in their own names or in the names of their nominees, but not owning such shares beneficially, for the expenses of forwarding solicitation materials to the beneficial owners.

## Quorum and Vote Required

The presence in person or by proxy of the holders of a majority of our outstanding shares of Class B Stock will constitute a quorum at the Annual Meeting. Each share of our Class B Stock entitles the holder to one vote on all matters to come before the Annual Meeting.

The following voting rights are associated with respect to the Proposals:

- As to Proposal 1 regarding the election of Directors, you may vote "FOR" or "WITHHOLD" with respect to all or any of the nominees.
- As to Proposal 2 regarding the approval, by non-binding vote, of the compensation of our named executive officers as disclosed in this proxy statement, you may vote "FOR," "AGAINST" or "ABSTAIN." If you elect to abstain, it will have the same effect as an "AGAINST" vote.

An automated system administered by our transfer agent will tabulate votes cast by proxy at the Annual Meeting, and the inspector of elections for the Annual Meeting will tabulate votes cast in person at the Annual Meeting.

## Is my vote kept confidential?

Proxies, ballots and voting tabulations identifying stockholders are kept confidential and will not be disclosed to third parties except as may be necessary to meet legal requirements.

## Nominees for Election

Nine Directors are to be elected at our Annual Meeting to serve until the annual meeting of stockholders to be held in 2015 or until their successors are elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by us "FOR" the election of the nominees below, all of whom currently serve as Directors. The nine nominees for election to the Board of Directors who receive the greatest number of votes cast for the election of Directors by the shares present and entitled to vote will be elected Directors. If any nominee becomes unavailable for any reason, it is intended that the proxies will be voted for a substitute nominee designated by the Board of Directors. We believe the nominees named will be able to serve if elected.

The names of the nominees for Director, together with certain information regarding them, are as follows:

| Name | $\frac{\text { Age }}{}$ | Position |
| :--- | :---: | :--- |
| James J. Cotter, Sr. | 76 | Chairman of the Board and Chief Executive Officer (1) |
| James J. Cotter, Jr. | 44 | Vice Chairman of the Board(2) |
| Ellen M. Cotter | 48 | Director |
| Margaret Cotter | 46 | Director |
| Guy W. Adams | 63 | Director |
| William D. Gould | 75 | Director (3) |
| Edward L. Kane | 76 | Director (1)(2)(4)(5) |
| Douglas J. McEachern | 62 | Director (4) |
| Tim Storey | 56 | Director (4)(5) |

(1) Member of the Executive Committee.
(2) Member of the Tax Oversight Committee.
(3) Lead Independent Director.
(4) Member of the Audit and Conflicts Committee.
(5) Member of the Compensation Committee.

James J. Cotter, Sr.
James J. Cotter, Sr. has been a Director of our Company since 1991, the Chairman of our Board since 1992, and our Chief Executive Officer since December 27, 2000. Mr. Cotter, Sr. also served as our Chief Executive Officer from August 1, 1999 to October 16, 2000, and as a Director of our Company from 1986 to 1988. Mr. Cotter, Sr. is a $50 \%$ owner of Sutton Hill Associates, a general partnership engaged in cinema-related activities primarily with our Company, a $50 \%$ member in Shadow View Land and Farming, LLC, a limited liability company in which our Company owns the remaining membership interest, and the sole voting member of Cotter Enterprises LLC (a family-owned private investment vehicle). Mr. Cotter, Sr. is the father of Ellen M. Cotter, James J. Cotter, Jr., and Margaret Cotter. Mr. Cotter also serves as a Director, officer, and/or manager of all of our consolidated subsidiaries, other than Shadow View Land and Farming, LLC, which is managed by our Company under the supervision of the Audit and Conflict Committee.

Mr. Cotter, Sr. is highly qualified to serve on our Board due to his decades of experience as an executive in the film exhibition and real estate industries, as well as experience in diverse ventures and investments. Mr. Cotter, Sr. has also served on several Boards of public and private companies, primarily engaged in banking and real estate activities. Furthermore, as the largest stockholder of the Company, his
interests are generally aligned with those of the other stockholders of the Company, which enhances his value as a Director. In those situations where there may be a conflict of interest, such matters are referred to our Audit and Conflicts Committee comprised entirely of independent Directors.

## James J. Cotter, Jr.

James J. Cotter, Jr. has been a Director of the Company since March 21, 2002, and was appointed Vice Chairman of the Board in 2007. The Board of Directors appointed Mr. James J. Cotter, Jr. to serve as the Company's President, beginning June 1, 2013. He had been Chief Executive Officer of Cecelia Packing Corporation (a Cotter family-owned citrus grower, packer, and marketer) since July 2004. Mr. Cotter, Jr. served as a Director to Cecelia Packing Corporation from February 1996 to September 1997 and as a Director of Gish Biomedical from September 1999 to March 2002. He was an attorney in the law firm of Winston \& Strawn, specializing in corporate law, from September 1997 to May 2004. Mr. Cotter, Jr. is the son of James J. Cotter, Sr. and the brother of Margaret Cotter and Ellen M. Cotter.

James J. Cotter, Jr. brings to the Board his experience as a business professional and corporate attorney. In addition, with his direct ownership of approximately 671,000 shares of our Company's Class A Common Stock, Mr. Cotter, Jr. is a significant stake holder in our Company. Mr Cotter Jr. also holds options to acquire an additional 22,500 shares of Class A Common Stock.

Ellen M. Cotter
Ellen M. Cotter has been a member of the Board of Directors since March 13, 2013. She joined the Company in March 1998, is a graduate of Smith College and holds a Juris Doctorate from Georgetown Law School. Prior to joining the Company, Ms. Cotter spent four years in private practice as a corporate attorney with the law firm of White \& Case in Manhattan. Ms. Cotter is the daughter of James J. Cotter, Sr. and the sister of James J. Cotter, Jr. and Margaret Cotter.

Ms. Cotter brings to the Board her 15 years of experience working in our Company's cinema operations, both in the United States and Australia. For the past 12 years, she has served as the senior operating officer of our Company's domestic cinema operations. She has also served as the Chief Executive Officer of Reading's subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. With her direct ownership of approximately 674,000 shares of Class A Stock, Ms. Cotter is a significan $t$ stake holder in our Company. Ms. Cotter also holds options to acquire an additional 95,000 shares of Class A Common Stock and 50,000 shares of Class B Voting Common Stock.

Ms. Cotter is a senior executive officer of our Company and, accordingly, will not be paid for her services as a Director, but has been granted the 20,000 stock options customarily granted to all new Directors.

## Margaret Cotter

Margaret Cotter has been a Director of the Company since September 27, 2002. Ms. Cotter is the owner and President of OBI, LLC, a company that provides live theater management services to our live theaters. Pursuant to that management arrangement, Ms. Cotter also serves as the President of Liberty Theaters, the subsidiary through which we own our live theaters. Ms. Cotter manages the real estate which houses each of the four live theaters (without compensation). Ms. Cotter secures leases, manages tenancies, oversees maintenance and regulatory compliance of the properties as well as heads the day to day pre-development process and transition of our properties from live theatre operations to major realty developments. Ms. Cotter was first commissioned to handle these properties by Sutton Hill Associates which subsequently sold the business to Reading with other real estate and theaters in 2000. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and a Board member of the League of OffBroadway Theaters and Producers. Ms. Cotter, a former Assistant District Attorney for King's County in Brooklyn, New

York, graduated from Georgetown University Law Center. She is the daughter of James J. Cotter, Sr. and the sister of James J. Cotter, Jr. and Ellen M. Cotter.

Ms. Cotter brings to the Board her experience as a live theater producer, theater operator and an active member of the New York theatre community, which gives her insight into live theater business trends that affect our business in this sector. Operating and overseeing these properties for over 15 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, with her direct ownership of approximately 655,000 shares of our Company's Class A Common Stock, Ms. Cotter is a significant stake holder in our Company. Ms. Cotter also holds options to acquire an additional 27,500 shares of Class A Common Stock and 35,100 shares of Class B Voting Common Stock.

## Guy W. Adams

Guy W. Adams is a Managing Member of GWA Capital Partners, LLC, a registered investment adviser managing GWA Investments, LLC. The fund invests in various publicly traded securities. Over the past ten years, Mr. Adams has served as an independent Director on the Boards of Directors of Lone Star Steakhouse \& Saloon, Mercer International, Exar Corporation and Vitesse Semiconductor having served in various capacities as lead Director, Audit Committee Chair and/or Compensation Committee Chair. Prior to this Mr. Adams provided investment advice to various family offices as well as investing his own capital in public and private equity transactions.

Mr. Adams received his Bachelor of Science degree in Petroleum Engineering from Louisiana State University and his Masters of Business Administration from Harvard Graduate School of Business Administration.

Mr . Adams brings many years of experience serving as an independent Director on public company Boards, and in investing and providing financial advice in making investments in public companies.

## William D. Gould

William D. Gould has been a Director of the Company since October 15, 2004 and has been a member of the law firm of TroyGould PC since 1986. Previously, he was a partner of the law firm of O'Melveny \& Myers. We have from time to time retained TroyGould PC for legal advice.

As an author and lecturer on the subjects of corporate governance and mergers and acquisitions, Mr. Gould brings to the Board specialized experience as a corporate attorney. Mr. Gould's corporate transactional experience and expertise in corporate governance matters ensures that we have a highly qualified advisor on our Board to provide oversight in such matters.

Edward L. Kane
Edward L. Kane has been a Director of the Company since October 15, 2004. Mr. Kane was also a Director of the Company from 1985 to 1998, and served as President from 1987 to 1988. Mr. Kane currently serves as the Chairman of our Tax Oversight Committee and of our Compensation and Stock Option Committee (which we refer to as our Compensation Committee). He also serves as a member of our Executive Committee and our Audit and Conflicts Committee. Since 1996, Mr. Kane's principal occupation has been healthcare consultant and advisor. In that capacity, he has served as President and sole shareholder of High Avenue Consulting, a healthcare consulting firm, and as the head of its successor proprietorship. At various times during the past three decades, he has been Adjunct Professor of Law at two of San Diego's Law Schools, most recently in 2008 and 2009 at Thomas Jefferson School of Law, and prior thereto at California Western School of Law.

Mr. Kane brings to the Board his many years as a tax attorney and law professor. Mr. Kane's tax law experience has served the Company in its recent tax litigation and his expertise and guidance in such complex matters continue to be invaluable to the Company. Mr. Kane also brings his experience as a past President of Craig Corporation and of Reading Company, two of our corporate predecessors, as well as a former member of the Boards of Directors of several publicly held corporations.

## Douglas J. McEachern

Douglas J. McEachern has been a Director of the Company since May 17, 2012 and Chairman of our Audit and Conflicts Committee since August 1, 2012. He has served as a member of the Board of Directors and of the Audit and Compensation Committee for Willdan Group, a NASDAQ listed engineering company, since 2009. Mr. McEachern is also the Chairman of the Board of Directors of Community Bank in Pasadena, California and a member of its Audit Committee. He also is a member of the Finance Committee of the Methodist Hospital of Arcadia. Since July 2009, Mr. McEachern has also served as an instructor of auditing and accountancy at Claremont McKenna College and of accounting at California State Polytechnic University at Pomona. Mr. McEachern was an audit partner from July 1985 to May 2009 with the audit firm, Deloitte and Touche, LLP, with client concentrations in financial institutions and real estate. Mr. McEachern was also a Professional Accounting Fellow with the Federal Home Loan Bank Board in Washington DC, from June 1983 to July 1985. From June 1976 to June 1983, Mr. McEachern was a staff member and subsequently a manager with the audit firm, Touche Ross \& Co. (predecessor to Deloitte \& Touche, LLP). Mr. McEachern received a B.S. in Business Administration in 1974 from the University of California, Berkeley, and an M.B.A. in 1976 from the University of Southern California.

Mr. McEachern brings to the Board his more than 36 years' experience meeting the accounting and auditing needs of financial institutions and real estate clients, including our Company. Mr. McEachern also brings his experience reporting as an independent auditor to the Boards of Directors of a variety of public reporting companies and as a Board member himself for various companies and not-for-profit organizations.

## Tim Storey

Tim Storey has been a Director of the Company since December 28, 2011. Mr. Storey has served as the sole outside Director of the Company's wholly-owned New Zealand subsidiary since 2006. He has served since April 1, 2009 as a Director of DNZ Property Fund Limited, a commercial property investment fund based in New Zealand and listed on the New Zealand Stock Exchange, and was appointed Chairman of the Board of that company on July 1, 2009 . From 2011 to 2012, Mr. Storey was a Director of NZ Farming Systems Uruguay, also a New Zealand listed company. NZ Farming Systems Uruguay owns and operates dairy farms in Uruguay. Prior to being elected Chairman of DNZ Property Fund Limited, Mr. Storey was a partner in Bell Gully (one of the largest law firms in New Zealand). Mr. Storey is also a principal in Prolex Advisory, a private company in the business of providing commercial advisory services to a variety of clients and related entities. Prolex Advisory has provided consulting services primarily with respect to fund management and commercial property/project transactions across a range of industries including health care, community housing, student accommodations and agriculture.

Mr. Storey brings to the Board many years of experience in New Zealand corporate law and commercial real estate matters. He serves as a Director of our New Zealand subsidiary.

## Attendance at Board and Committee Meetings

During the year ended December 31, 2013, our Board of Directors met five times. The Audit and Conflicts Committee and the Compensation Committee each held six meetings, while the Tax Oversight Committee held five meetings.

Each Director attended at least $75 \%$ of these Board Meetings and at least $75 \%$ of the meetings of all committees on which he or she served.

## Code of Ethics

We have adopted a Code of Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller and Company employees, which is available on our website at www.readingrdi.com.

## Indemnity Agreements

We currently have indemnity agreements in place with each of our current Directors and senior officers, as well as certain of the Directors and senior officers of our subsidiaries. Under these agreements, we have agreed, subject to certain exceptions, to indemnify each of these individuals against all expenses, liabilities and losses incurred in connection with any threatened, pending or contemplated action, suit or proceeding, whether civil or criminal, administrative or investigative, to which such individual is a party or is threatened to be made a party, in any manner, based upon, arising from, relating to or by reason of the fact that such individual is, was, shall be or has been a Director, officer employee, agent or fiduciary of the Company.

## Compensation of Directors

During 2013, all of our Directors, except those who are working executives, received an annual fee of $\$ 35,000$ for their services, including attendance at meetings of the Board and Board committees. In addition, each Director received a one-time payment of $\$ 3,000$. For 2013, the Chairman of our Audit and Conflicts Committee received an additional $\$ 7,000$, the Chairman of our Compensation Committee received an additional $\$ 5,000$, and the Chairman of our Tax Oversight Committee received an additional \$18,000.

Prior to becoming the Company's President on June 3, 2013, James J. Cotter, Jr. received $\$ 59,000$ for his services as Director and Vice Chairman of the Board in 2013.

In addition, upon joining the Board, new Directors receive immediately vested options to purchase 20,000 shares of our Class A Stock at an exercise price equal to the market price of the stock at the date of grant. Our Directors are from time to time granted additional stock options as a part of their continuing compensation for their ongoing participation on our Board of Directors. These awards are based upon the recommendations of our Chairman and principal shareholder, James J. Cotter, Sr., which recommendations are reviewed and acted upon by our entire Board of Directors. Typically, in such cases, each sitting Director (other than Mr. Cotter, Sr., who does not participate in such awards) is awa rded the same number of options, and such options are granted on the same terms. Historically, we have granted our officers and Directors replacement options where their options would otherwise expire with exercise prices that were out of the money at the time of such expiration. Such awards have in each case been recommended by Mr. Cotter, Sr. to our Compensation Committee for the committee's consideration.

## Director Compensation Table

The following table summarizes the Director compensation for the year ended December 31, 2013:

| Name | Fees Earned or <br> Paid in Cash (\$) |  | Option Awards (\$) |  | All Other Compensation (\$) |  | Total (\$) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| James J. Cotter, Sr. (1) | \$ | -- | \$ | -- | \$ | -- | \$ | -- |
| James J. Cotter, Jr. (1) | \$ | 59,000 | \$ | -- | \$ | -- | \$ | 59,000 |
| Ellen M. Cotter (1) | \$ | -- | \$ | 35,000 (4) | \$ | -- | \$ | 35,000 |
| Margaret Cotter (2) | \$ | 38,000 | \$ | 10,000 (5) | \$ | -- | \$ | 48,000 |
| Guy W. Adams (3) | \$ | -- | \$ | -- | \$ | -- | \$ | -- |
| William D. Gould | \$ | 38,000 | \$ | 10,000 (5) | \$ | -- | \$ | 48,000 |
| Edward L. Kane | \$ | 61,000 | \$ | 10,000 (5) | \$ | -- | \$ | 71,000 |
| Douglas J. McEachern | \$ | 45,000 | \$ | 10,000 (5) | \$ | -- | \$ | 55,000 |
| Tim Storey | \$ | 38,000 | \$ | 10,000 (5) | \$ | 21,000 (6) | \$ | 69,000 |
| Alfred Villaseñor (7) | \$ | 38,000 | \$ | 10,000 (5) | \$ | -- | \$ | 48,000 |

(1) Mr. Cotter, Sr. and Ms. Ellen Cotter receive compensation only as executive officers of the Company and not in their capacities as Directors. Prior to becoming the Company's President on June 3, 2013, James J. Cotter, Jr. received $\$ 59,000$ for his services as Director and Vice Chairman of the Board in 2013.
(2) In addition to her Director's fees, Margaret Cotter receives a combination of fixed and incentive management fees under the OBI Management Agreement described under the caption "Certain Transactions and Related Party Transactions - OBI Management Agreement," below.
(3) Mr. Adams joined the Board on January 14, 2014 and was granted 20,000 options on the same date.
(4) As a new Director, Ellen Cotter was granted 20,000 options on March 7, 2013.
(5) Each of these Directors was granted 5,000 options on June 21, 2013.
(6) This amount represents fees paid to Mr. Storey as the sole independent Director of our Company's wholly-owned New Zealand subsidiary.
(7) Alfred Villaseñor, who has been a Director of the Company since 1987, has decided not to put his name forward for re-election this year. Accordingly, his term will end and he will be retiring from our Board, effective upon election of his successor at our upcoming Annual Meeting.

## Board Committees and Corporate Governance

Our Board of Directors has standing Executive, Audit and Conflicts, Compensation, and Tax Oversight Committees. These committees are discussed in greater detail below.

James J. Cotter, Sr. owns beneficially a majority of our Class B Stock and accordingly holds more than $50 \%$ of the voting power for the election of Directors of the Company. Therefore, our Board of Directors, has determined that our Company is a "Controlled Company" under section $5615(\mathrm{c})(1)$ of the listing rules of The NASDAQ Capital Stock Market (the "NASDAQ Rules"). After reviewing the benefits and detriments of taking advantage of the exceptions to the corporate governance rules set forth in section 5605 of the NASDAQ Rules, our Board of Directors in 2009 unanimously determined to take advantage of all of the exceptions from the NASDAQ Rules afforded to our Company as a Controlled Company.

A Controlled Company is not required to have an independent nominating committee or independent nominating process. It was noted by our Directors that the use of an independent nominating committee or independent nominating process would be of limited utility, since any nominee would need to be acceptable to Mr . Cotter, Sr . as our controlling stockholder, in order to be elected. Mr. Cotter, Sr., as the holder of a majority of the voting power of our Company, is able to unilaterally elect candidates to our Board of Directors at our annual meeting or any other meeting where our Directors are to be elected or remove a Director from the

Board of Directors. Historically, Mr. Cotter, Sr. has identified and recommended nominees to our Board of Directors in consultation with our other incumbent Directors.

Our Board of Directors does not have a formal policy with respect to the consideration of Director candidates recommended by our stockholders. No stockholder has, in more than the past ten years, made any proposal or recommendation to the Board as to potential nominees, nor has Mr. Cotter, Sr. ever proposed, in the time he has been our principal or controlling stockholder, any nominee that our remaining Directors have found to be unacceptable. Neither our governing documents nor applicable Nevada law place any restriction on the nomination of candidates for election to our Board of Directors directly by our stockholders. In light of the facts that (i) we are a Controlled Company under the NASDAQ Rules and exempted from the requirements for an independent nominating process and (ii) our governing documents and Nevada law place no limitation upon the direct nomination of Director candidates by our stockholders, our Board of Directors believes there is no need for a formal policy with respect to Director nominations.

Our Board of Directors will consider nominations from our stockholders, provided written notice is delivered to our Secretary at our principal executive offices not less than 120 days prior to the first anniversary of the immediately preceding annual meeting of our stockholders at which Directors are elected, or such earlier date as may be reasonable in the event that our annual stockholders meeting is moved forward. Such written notice must set forth the name, age, address, and principal occupation or employment of such nominee, the number of shares of our common stock that are beneficially owned by such nominee, and such other information required by the proxy rules of the SEC with respect to a nominee of our Board of Directors.

Our Directors have not adopted any formal criteria with respect to the qualifications required to be a Director or the particular skills that should be represented on our Board of Directors, other than the need to have at least one Director and member of our Audit and Conflicts Committee who qualifies as an "audit committee financial expert," and have not historically retained any third party to identify or evaluate or to assist in identifying or evaluating potential nominees. We have no policy of considering diversity in identifying Director nominees.

Five of the current nominees are long-standing incumbent Directors, and all nine nominees were originally recommended by Mr. Cotter, Sr. No other recommendations were received by us with respect to possible nominees to our Board of Director for consideration at our upcoming Annual Meeting of Stockholders.

James J. Cotter, Sr., serves as our Chief Executive Officer and as Chairman of the Board of Directors. We believe this leadership structure is appropriate because it is more efficient than having these roles divided, and, because the firsthand knowledge of our business operations that our Chairman possesses as Chief Executive Officer, better serves our entire Board in its decision making. In lieu of separating the Chief Executive Officer and Chairman functions, the Board has designated William D. Gould to serve as our Lead Independent Director, to chair meetings of the independent Directors, and to act as liaison between our Chairman and our independent Directors.

Our Board of Directors oversees risk by remaining well-informed through regular meetings with management and our Chairman's personal involvement in our day-to-day business including any matters requiring specific risk management oversight. Our Vice-Chairman chairs regular senior management meetings, which are typically held weekly, one addressing domestic issues and the other addressing overseas issues. The risk oversight function of our Board of Directors is enhanced by the fact that our Audit and Conflict Committee is comprised entirely of independent Directors.

We encourage, but do not require, our Board members to attend our annual meeting of stockholders. Six of our nine then-incumbent Directors attended last year's annual meeting.

## Executive Committee

A standing Executive Committee, comprised of Mr. Cotter, Sr., Mr. Kane and Mr. Villaseñor, is authorized, to the fullest extent permitted by Nevada law, to take action on matters between meetings of the full Board of Directors. In recent years, this committee has not been used to take any action on corporate matters. With the exception of matters delegated to the Audit and Conflicts Committee or the Compensation Committee, all matters requiring Board approval have been considered by the entire Board of Directors.

## Audit and Conflicts Committee

Our Board of Directors maintains a standing Audit and Conflicts Committee, which we refer to as the "Audit Committee." The Audit Committee operates under a Charter adopted by the Board of Directors, and is available on our website at www.readingrdi.com. Our Board of Directors has determined that the Audit Committee is comprised entirely of independent Directors, (as defined in section 5605(a)(2) of the NASDAQ Rules), and that Mr. McEachern, the Chairman of our Audit Committee, is qualified as an Audit Committee Financial Expert. With respect to our fiscal year ended December 31, 2013, our Audit and Conflicts Committee was comprised of Messrs. McEachern, Kane, and Storey.

## Audit Committee Report

The following is the report of the Audit Committee of our Board of Directors with respect to our audited financial statements for the fiscal year ended December 31, 2013.

The information contained in this report shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

The purpose of the Audit Committee is to assist the Board in its general oversight of our financial reporting, internal controls and audit functions. The Audit Committee operates under a written Charter adopted by our Board of Directors. The Charter is reviewed periodically and subject to change, as appropriate. The Audit Committee Charter describes in greater detail the full responsibilities of the Audit Committee.

In this context, the Audit Committee has reviewed and discussed the Company's audited financial statements with management and Grant Thornton, LLP, our independent auditors. Management is responsible for: the preparation, presentation and integrity of our financial statements; accounting and financial reporting principles; establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)); establishing and maintaining internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)); evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal control over financial reporting; and evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. Grant Thornton, LLP is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America, as well as an opinion on (i) management's assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting.

The Audit Committee has discussed with Grant Thornton, LLP the matters required to be discussed by Auditing Standard No. 16, "Communications with Audit Committees" and PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements." In addition, Grant Thornton, LLP has provided the Audit Committee with the written disclosures and the letter required by the Independence Standards Board Standard No. 1, as amended, "Independence Discussions with Audit Committees," and the Audit Committee has discussed with Grant Thornton, LLP their firm's independence.

Based on their review of the consolidated financial statements and discussions with and representations from management and Grant Thornton, LLP referred to above, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for fiscal year 2013 for filing with the SEC.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with accounting principles generally accepted in the United States. That is the responsibility of management and the Company's independent registered public accounting firm. In giving its recommendation to the Board of Directors, the Audit Committee relied on (1) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and (2) the report of the Company's independent registered public accounting firm with respect to such financial statements.
Respectfully submitted by the Audit Committee.
Douglas J. McEachern, Chairman
Edward L. Kane
Tim Storey

## Compensation Committee

Our Board of Directors has a standing Compensation Committee comprised entirely of independent Directors. The current members of this committee are Alfred Villaseñor, Tim Storey and Edward L. Kane, who serves as Chairman.

The Compensation Committee evaluates and makes recommendations to the full Board of Directors regarding the compensation of our Chief Executive Officer, James J. Cotter, Sr. and of any Cotter family member, provides from time to time advice to James J. Cotter, Sr. regarding the compensation of other executives, as requested by Mr. Cotter, Sr. , and performs other compensation related functions as delegated. The Compensation Committee Report is shown below under the heading, "Compensation Committee Report."

## Tax Oversight Committee

Given our operations in the United States, Australia, and New Zealand and our historic net operating loss carry forwards, our Board formed a Tax Oversight Committee to review with management and to keep the Board abreast of and informed about the Company's tax planning and such tax issues as may emerge from time to time. This committee is comprised of Messrs. Edward L. Kane and James J. Cotter, Jr. Mr. Kane serves as the Chairman of the committee.

## Vote Required

The nine nominees receiving the greatest number of votes cast at the Annual Meeting will be elected to the Board of Directors.

Mr. Cotter, Sr. has advised us that he intends to vote his shares of Class B Stock in favor of each of our nominees. Since Mr. Cotter, Sr. owned a majority of the outstanding shares of Class B Stock on the Record Date, if he votes all of his shares as he has advised, each of the nominees will be elected regardless of the vote of our other stockholders.

## Recommendation of the Board

## THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE DIRECTOR NOMINEES.

## PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") mandates that our stockholders vote whether to approve, on an advisory or non-binding basis, the compensation of our "named executive officers" as disclosed in this proxy statement. Currently, our named executive officers are Messrs. James J. Cotter, Sr., Ellen M. Cotter, Andrzej Matyczynski, Robert F. Smerling, and Wayne D. Smith. A description of the compensation paid to these individuals is set out below under the heading, "Executive Compensation."

This vote is advisory in nature and therefore not binding on us, our Compensation Committee, or our Board of Directors. Furthermore, this vote is not intended to address any specific item of compensation, but rather the overall compensation of these executive officers and our general compensation policies and practices.

## Vote Required

The affirmative vote of a majority of the shares of our Class B Stock present in person or represented by proxy and entitled to be voted on the proposal at the Annual Meeting is required for advisory approval of this proposal.

Mr. Cotter has indicated that he intends to vote his approximately $70 \%$ of the outstanding shares of our Class B Stock in accordance with the Board of Directors' recommendation and "for" such approval, and if he does, Proposal 2 will be approved.

## Recommendation of the Board

## OUR BOARD RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCL OSURE RULES OF THE SEC.

## BENEFICIAL OWNERSHIP OF SECURITIES

The following table sets forth the shares of Class A Stock and Class B Stock beneficially owned on the Record Date by:

- each of our incumbent Directors and Director nominees;
- each of our named executive officers set forth in the Summary Compensation Table of this Proxy Statement;
- each person known to us to be the beneficial owner of more than $5 \%$ of our Class B Stock; and
- all of our incumbent Directors and executive officers as a group.

Except as noted, we believe that each beneficial owner has sole voting power and sole investment power with respect to the shares shown.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership (1) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Class A Stock |  | Class B Stock |  |
|  | Number of Shares | Percentage of Stock | Number of Shares | Percentage of Stock |
| James J. Cotter, Sr. (2) | 3,024,097 | 13.7\% | 1,123,888 | 70.4\% |
| James J. Cotter, Jr. (3) | 718,232 | 3.3\% | -- | -- |
| Ellen M. Cotter (4) | 768,766 | 3.5\% | 50,000 | 3.2\% |
| Margaret Cotter (5) | 682,870 | 3.1\% | 35,100 | 2.3\% |
| Guy Adams (6) | 20,000 | * | -- | -- |
| William D. Gould (7) | 84,840 | * | -- | -- |
| Edward L. Kane (7) | 65,000 | * | 100 | * |
| Douglas J. McEachern (8) | 29,000 | * | -- | -- |
| Tim Storey (8) | 25,000 | * | -- | -- |
| Alfred Villaseñor (9) | 34,300 | * | -- | -- |
| Andrzej Matyczynski (10) | 73,244 | * | -- | -- |
| Robert F. Smerling (11) | 43,750 | * | -- | -- |
| Wayne Smith | -- | -- | -- | -- |


| Mark Cuban (12) | 72,164 | * | 207,611 | 13.9\% |
| :---: | :---: | :---: | :---: | :---: |
| 5424 Deloache Avenue |  |  |  |  |
| Dallas, Texas 75220 |  |  |  |  |
| PICO Holdings, Inc. and PICO Deferred | N/A | N/A | 97,500 | 6.5\% |
| Holdings, LLC (13) |  |  |  |  |
| 875 Prospect Street, Suite 301 |  |  |  |  |
| La Jolla, California 92037 |  |  |  |  |
| All Directors and Executive Officers as a | 5,534,799 | 24.7\% | 1,209,088 | 71.9\% |
| Group (12 persons)(14) | 5,534,79 |  | 1,209,088 |  |

(1) Percentage ownership is determined based on 22,015,738 shares of Class A Stock and 1,495,490 shares of Class B Stock outstanding on the Record Date. Beneficial ownership is determined in accordance with SEC rules. Shares subject to options that are presently exercisable, or exercisable within 60 days of the Record Date, which are indicated by footnote, are deemed to be beneficially owned by the person holding the options and are deemed to be outstanding in computing the percentage ownership of that person, but not in computing the percentage ownership of any other person. An asterisk (*) denotes beneficial ownership ofless than $1 \%$.
(2) The Class B Stock shown includes 100,000 shares subject to stock options and $1,023,888$ shares owned by the James J. Cotter Living Trust, of which Mr. Cotter, Sr. is the sole trustee. The shares of Class A Stock shown include $1,602,226$ shares owned by the James J. Cotter Living Trust, 29,730 shares held in a pension fund in Mr. Cotter, Sr.'s name, $1,000,000$ shares held by Cotter Enterprises, LLC, of which Mr. Cotter, Sr. is the sole voting member, 289,390 shares held by a trust for Mr. Cotter, Sr.'s grandchildren, of which Mr. Cotter, Sr. is the trustee, and 102,751 held by the James J. Cotter Foundation, of which Mr. Cotter, Sr. is the trustee. Mr. Cotter, Sr. has no pecuniary interest in the shares held by his grandchildren's trust or the James J. Cotter Foundation. Mr. Cotter, Sr.'s pecuniary interest in the shares held by Cotter Enterprises, LLC is limited to 10,000 of the shares held by Cotter Enterprises, LLC, representing his $1 \%$ interest in that entity. The Cotter 2005 Children's Trust U/D/T dated December 31, 2005 (the "Cotter Children's Trust") holds a 99\% non-voting interest in Cotter Enterprises, LLC.
(3) The Class A Stock shown includes 22,500 shares subject to stock options, and excludes any indirect interest in the shares held by Cotter Enterprises, LLC. It also includes 25,000 shares subject to stock options exercisable on June 3, 2014.
(4) The Class A Stock shown includes 95,000 shares subject to stock options, and excludes any indirect interest in the shares held by Cotter Enterprises, LLC. The Class B Stock shown consists of shares subject to stock options.
(5) The Class A Stock shown includes 27,500 shares subject to stock options, and excludes any indirect interest in the shares held by Cotter Enterprises, LLC. The Class B Stock shown consists of shares subject to stock options.
(6) Includes 20,000 shares subject to stock options.
(7) Includes 47,500 shares subject to stock options.
(8) Includes 25,000 shares subject to stock options.
(9) Includes 22,500 shares subject to stock options.
(10) Includes 47,600 shares subject to stock options.
(11) Includes 43,750 shares subject to stock options.
(12) Based on Mr. Cuban's Form 4 filed on July 18, 2011 and Schedule 13-G filed on February 14, 2012.
(13) Based on the PICO Holdings, Inc. and PICO Deferred Holdings, LLC Schedule 13-G filed on February 15, 2011.
(14) The Class A Stock shown includes 423,850 shares subject to stock options and the Class B Stock shown includes 185,100 shares subject to stock options.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers and Directors and persons who own more than $10 \%$ of either class of our common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission. The SEC rules also require such reporting persons to furnish us with a copy of all Section 16(a) forms they file.

Based solely on a review of the copies of the forms we have received and on written representations from certain reporting persons, during 2013, it appears that certain Section 16(a) filings were not timely made. Mr. James J. Cotter, Sr. filed four late reports on Form 4 covering five transactions. M. James J. Cotter, Jr. filed one late report on From 4 and one late report on Form 5 covering two transactions. Ellen M. Cotter filed two late reports on Form 4, pertaining to five transactions. Ms. Margaret Cotter filed one late filing on Form 4 and one late filing on Form 5 pertaining to two transactions. Messrs. William Gould, Edward L. Kane, Douglas J. McEachern and Alfred Villasenor each filed one late Form 4 relating to the grant of Director stock option to them on June 21, 2013. Mr. Andrzej J. Matyczynski made three late filings on form 4 relating to three transactions. Mr. Wayne Smith filed one late filing on from 4 , relating to a single transaction. Generally speaking, these late filing related to the granting or exercise of stock options or stock grants or, in the case of the members of the Cotter family, transfers between affiliates of such Cotter Family Members and did not involve open market transactions.

## EXECUTIVE OFFICERS

The following table sets forth information regarding our executive officers other than James J. Cotter, Sr., James J. Cotter, Jr., and Ellen M. Cotter, whose information is set forth above under "Proposal 1: Election of Directors Nominees for Election."

| Name | Age | $\frac{\text { Title }}{\text { Andrzej Matyczynski }}$ |
| :--- | :---: | :--- |
| Rhief Financial Officer and Treasurer |  |  |
| Robert F. Smerling | 79 |  |
| Wayne Smith | 56 |  |
| President - Domestic Cinemas |  |  |
| Managing Director - Australia and New Zealand |  |  |

Andrzej Matyczynski has served as our Chief Financial Officer and Treasurer of our Company since November 1999. Prior to joining our Company, he spent 20 years in various senior roles throughout the world at Beckman Coulter Inc., a U.S. based multi-national. Mr. Matyczynski earned a Masters Degree in Business Administration from the University of Southern California.

Robert F. Smerling has served as President of our domestic cinema operations since 1994. Mr. Smerling has been in the cinema industry for 56 years and, immediately before joining our Company, served as the President of Loews Theatres Management Corporation.

Wayne D. Smith joined the Company in April 2004 after 23 years with Hoyts Cinemas. During his time with Hoyts, he was a key driver, as Head of Property, in growing the company's Australian and New Zealand operations via an AUD $\$ 250$ million expansion to more than 50 sites and 400 screens. While at Hoyts, his career included heading up the group's car parking company, cinema operations, representing Hoyts as a Director on various joint venture interests, and coordinating many asset acquisitions and disposals the company made.

## EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

## Role and Authority of the Compensation Committee

The Board of Directors of our Company has established a standing Compensation Committee, which we refer to in this section as the "Committee," consisting of two or more of our non-employee Directors. As a Controlled Company, we are exempt from the NASDAQ Rules regarding the determination of executive compensation. The Compensation Committee has no formal charter, and acts pursuant to the general authority delegated to the Committee by our Board of Directors.

The Compensation Committee recommends to the full Board of Directors the compensation of our Chief Executive Officer and of any Cotter family members. Our Board of Directors, with Directors James J. Cotter, Sr., Ellen M. Cotter, Margaret Cotter, and James J. Cotter, Jr. abstaining, typically accepts the recommendation of the Compensation Committee without modification, but reserves the right to modify the recommendations or take other action. James J. Cotter, Sr ., as our Chairman and Chief Executive Officer, has been delegated responsibility by our Board to determine the compensation of our executive officers other than Cotter family members. In his discretion, however, Mr. Cotter, Sr., may seek the advice of the Compensation Committee on matters related to the compensation of other named executive officers. The Board of Directors exercises oversight of Mr. Cotter, Sr.'s executive compensation decisions as a part of his performance as our Company's Chief Executive Officer, and from time to time performs other compensation-related functions.

Throughout this proxy section, the individuals named in the Summary Compensation Table, below, are referred to as the "named executive officers."

## CEO Compensation

The Compensation Committee recommends to the Board of Directors the annual compensation of our Chief Executive Officer, based primarily upon the Compensation Committee's annual review of peer group practices and the advice of an independent third-party compensation consultant who reports directly to the Compensation Committee. Consistent with the above program, the Compensation Committee utilizes three elements -- a base salary cash component, a discretionary annual cash bonus component, and a fixed stock grant component -- with respect to our Chief Executive Officer's compensation. The objective of each element is to reasonably reward Mr. Cotter, Sr. for his performance and leadership.

In 2012, the Compensation Committee engaged Towers Watson, executive compensation consultants, to analyze our Chief Executive Officer's total direct compensation compared to a peer group of companies. In preparing the analyses, Towers Watson, in consultation with our management, including Mr. James J. Cotter, Sr., identified a peer group of companies in the real estate and cinema exhibition industries, our two business segments, based on market value, industry, and business description. The Committee relied upon the Towers Watson 2012 analysis in determining our Chief Executive Officer's compensation for 2013.

In 2007, our Board of Directors approved a supplemental executive retirement plan ("SERP) pursuant to which we agreed to provide Mr. Cotter, Sr., supplemental retirement benefits to reward him for his more than 25 years of service to our Company and its predecessors. The SERP is described in greater detail below under the caption "Supplemental Executive Retirement Plan." As this plan was adopted as a reward for past services and as the amounts to be paid under that plan are determined by application of an already agreed to formula, the Compensation Committee does not take into account the benefits under that plan in determining Mr. Cotter, Sr.'s annual compensation. The amounts reflected in the Executive Compensation Table under the heading "Change in Pension Value and Nonqualified Deferred Compensation Earnings" reflect an actuarial analysis of any increase in the present value of the SERP benefit and reflects the actuarial impact of the payment of Mr. Cotter, Sr.'s cash compensation and changes in interest rates. Since the plan is unfunded, this amount does not reflect any actual payment by our Company into the plan or the value of any assets in the plan (of which there are none). The benefits to Mr. Cotter, Sr. under the plan are tied only to the cash portion of his compensation, and not to compensation in the form of stock options or stock grants.

## 2013 CEO Compensation

For purposes of establishing our Chief Executive Officer's 2013 Compensation, Towers Watson in December 2012 provided the Committee an updated written assessment of Mr. Cotter Sr.'s total direct compensation compared to the following peer group of companies:

Acadia Realty Trust<br>Amalgamated Holdings Ltd.<br>Associated Estates Realty Corp.<br>Bluegreen Corp.<br>Carmike Cinemas Inc.<br>Cedar Shopping Centers Inc.<br>Cinemark Holdings Inc.<br>Entertainment Properties Trust<br>Glimcher Realty Trust<br>IMAX Corporation

The 2012 Towers Watson analysis predicted pay levels of the peer group for 2013 using regression analysis to adjust pay data based on estimated annual revenues of $\$ 250$ million. Towers Watson considers pay levels to be competitive if they are within $15 \%$ (plus or minus) of the levels among the peer companies. According to Towers Watson's assessment, Mr. Cotter Sr.'s overall compensation was in line with the 66th percentile among the peer companies. The Compensation Committee, however, does not target Mr. Cotter Sr.'s compensation to any particular percentile of compensation among the peer companies.

The Company paid Towers Watson a fee of $\$ 24,000$ for its services in preparing the 2012 analysis.
Based on the above 2012 Towers Watson analysis, on January 15, 2013, the Compensation Committee recommended to the Board, and the Board subsequently accepted, the following compensation program for our Chief Executive Officer for 2013.

## Salary:

\$750,000
The Compensation Committee determined to increase Mr. Cotter, Sr.'s 2013 annual base salary from $\$ 700,000$ in 2012 to $\$ 750,000$, or approximately $7 \%$. According to Tower Watson's advice, most of the peer group companies were considering increases in the range of $3 \%$. In deciding to recommend an increase in Mr. Cotter, Sr.'s annual base salary, the Compensation Committee decided to maintain Mr. Cotter Sr'ss overall total compensation increase from 2012 to within the $3 \%$ range, but make the adjustment fully on the base salary. The Compensation Committee also considered the fact that the increase would necessarily result in an increase in Mr. Cotter, Sr.'s SERP, but this did not affect the Compensation Committee's recommendation,
since the SERP is fully vested and, except for changes in benefits resulting from changes in Mr. Cotter, Sr's annual cash compensation, Mr. Cotter, Sr. is no longer accruing additional benefits under the SERP.

Discretionary Cash Bonus: Up to $\$ 500,000$.
The Compensation Committee determined to maintain the upper range of Mr. Cotter, Sr.'s usual discretionary cash bonus for 2013 at the 2012 level. No benchmarks, formulas or quantitative or qualitative measurements of any kind were specified for use in determining the amount of cash bonus to be awarded within this range. In its annual compensation review, the Compensation Committee recommends to the Board the actual amount of the cash bonus, within such range, at its discretion and based solely on its subjective evaluation of our Chief Executive Officer's performance. As it typically has done in the past, in December 2013 the Compensation Committee recommended that the full amount of the discretionary cash bonus be awarded to Mr. Cotter, Sr. for 2013. The Compensation Committee reserved the right to increase the $\$ 500,000$ upper range of discretionary cash bonus amount based upon parameters discussed with Mr. Cotter, Sr .

At its January 15, 2013 meeting, the Compensation Committee also determined to recommend to the Board of Directors an additional 2013 cash bonus to Mr. Cotter, Sr. of up to $\$ 500,000$ based on the achievement of specified criteria relating to the progress of the Company's proposed Cinemas and Union Square developments in New York City.

In subsequent informal discussions among the Compensation Committee members later in 2013, they discussed the progress of the Company's development, which had been delayed temporarily by subway and landmarking issues, as well as the continued importance to the Company of the proposed development and estimated appreciation in the value of the proposed development. The Compensation Committee members also considered the diversion of Mr. Cotter, Sr.'s time and attention by other business of the Company, including the successful sale of the Company's Moonee Ponds Property for AUS $\$ 23$ million, which the Compensation Committee had not considered in recommending the additional $\$ 500,000$ bonus for 2013.

As a result of the above, at a meeting of the Board of Directors on January 14, 2014, the Chairman of the Compensation Committee summarized the discussions among the Compensation Committee members and reported that there was a consensus among the members that Mr. Cotter, Sr . should be awarded the full additional $\$ 500,000$ bonus for 2013 despite the Company's failure to meet certain criteria originally established by the Compensation Committee in January 2013 as the basis for the payment of the additional $\$ 500,000$ bonus for 2013. Based on the Compensation Committee's report and recommendations, the Board of Directors, with Mr. Cotter, Sr. and Mr. Cotter, Jr. and Ellen Cotter abstaining, approved the payment to Mr. Cotter, Sr., of the full $\$ 500,000$ additional bonus for 2013.

Stock Bonus:
\$750,000 (125,209 shares of Class A Stock).
In its meeting on January 15,2013 , the Compensation Committee determined that, so long as Mr. Cotter, Sr.'s employment with the Company was not terminated prior to December 31, 2013 other than as a result of his death or disability, he was to receive 125,209 shares of our Company's Class A Stock: the number of shares of Class A nonvoting common stock equal to $\$ 750,000$ divided by the closing price of the stock on January 15,2013 , the date the Committee approved the stock bonus. These shares were issued on April 8, 2014.

None of our executive officers plays a role in determining the compensation of our Chief Executive Officer. When invited by the Compensation Committee, Mr. Cotter, Sr . attends meetings of the Compensation Committee. In 2013, he attended one such meeting. Before recommending any changes to our Chief Executive Officer's compensation, the Compensation Committee typically discusses the proposed changes with Mr. Cotter, Sr. and Andrzej Matyczynski, our Chief Financial Officer, occasionally attends Compensation Committee meetings as he did in 2013 to provide information as requested by the Committee.

## 2014 CEO Compensation

For purposes of establishing our Chief Executive Officer's 2014 compensation, the Company engaged Towers Watson to generate an updated report, which the Company received on February 26, 2014.

The Company paid Towers Watson $\$ 7,455$ for the updated report.

The Towers Watson analysis focused on the competitiveness of Mr. Cotter, Sr.'s annual base salary, total cash compensation and total direct compensation (i.e., total cash compensation plus expected value of long-term compensation) relative to, with one exception, the same peer group of 19 United States and Australian companies and published compensation survey data, and to the Company's compensation philosophy. The excepted former peer group company was Bluegreen Corp., which was acquired in 2013.

Towers Watson again predicted pay levels by using regression analysis to adjust compensation data based on estimated annual revenues of $\$ 260$ million (i.e., the Company's approximate annual revenues) for all companies, excluding financial services companies. The published survey data was updated to January 1,2014 using an annual update factor of $3 \%$, which reflects the projected 2013 salary budget increase for the arts, entertainment and recreation industry. As in its prior reports to the Company, Towers Watson did not evaluate Mr. Cotter, Sr.'s SERP, because the SERP is fully vested and accrues no additional benefits except as Mr. Cotter, Sr.'s annual cash compensation changes.

The Towers Watson analysis indicated that Mr. Cotter, Sr.'s total direct compensation for 2013, including the $\$ 500,000$ additional cash bonus to Mr . Cotter, Sr ., was in line with the 66 th percentile of the peer group.

The Towers Watson analysis indicated that the peer group data, with the exception of annual base salary, is above Mr. Cotter, Sr.'s annual base salary as it was in 2012 even after the $7 \%$ increase in Mr. Cotter, Sr.'s salary implemented in 2013. The peer group is partially comprised of companies that are larger than Reading and the 66th percentile level tend to reflect the larger peers. However, Towers Watson analysis also indicated that the size of the Company's peers does not materially affect the pay levels at the peer companies. The published survey data of companies of comparable size reviewed by Towers Watson is below the Company's pay levels.

Towers Watson combined the data from the peer group and the published survey data to compile "blended" market data. As compared to the blended market data, Mr. Cotter, Sr's cash compensation is in line with the 66th percentile while the total direct compensation, which includes the expected value of long-term incentive compensation, would have been below the 66th percentile, without the additional $\$ 500,000$ cash bonus paid to Mr. Cotter, Sr. for 2013.

Because our Company is comparable to the smaller companies in the peer group, Towers Watson reviewed whether the size of the proxy peer group of companies had a meaningful impact on reported CEO pay levels, and concluded that there is a weak correlation between company size and CEO compensation. It concluded, therefore, that it is not necessary to separately adjust the peer group data based on the size of our Company, since the peer group was selected based on the acceptable revenue range. The Compensation Committee met on February 27, 2014 to consider the Towers Watson analysis. At the meeting, the Compensation Committee determined to recommend to our Board of Directors the following compensation for our Chief Executive Officer for 2014. The Board met on March 13, 2014 and accepted this recommendation without change.

Salary: $\$ 750,000$

The Compensation Committee recommended maintaining Mr. Cotter, Sr.'s 2014 annual base salary at \$750,000, its 2013 level.

The Compensation Committee determined to increase the upper range of Mr. Cotter, Sr.s usual discretionary cash bonus for 2014 from the 2013 level of $\$ 500,000$ to $\$ 750,000$. The bonus is subject to Mr. Cotter, Sr. being employed by our Company at year-end, unless his employment is terminated earlier due to his death or disability. No other benchmarks, formulas or quantitative or qualitative measurements were specified for use in determining the amount of cash bonus to be awarded within this range. As in the past, the Compensation Committee reserves the right to increase the upper range of discretionary cash bonus amount based upon exceptional results of the Company or Mr. Cotter, Sr.'s exceptional performance as determined in the Compensation Committee's discretion

Stock Bonus: $\quad \$ 1,200,000$ (160,643 shares of Class A Stock).
In its meeting on February 27, 2014, the Compensation Committee determined that, so long as Mr. Cotter, Sr.'s employment with the Company is not terminated prior to December 31, 2014 other than as a result of his death or disability, he is to receive 160,643 shares of our Company's Class A Stock; the number of shares of Class A nonvoting common stock equal to $\$ 1,200,000$ divided by the closing price of the stock on February 27, 2104, the date the Committee approved the stock bonus.

## Compensation of Other Named Executive Officers

Mr. Cotter Sr., our Chairman and Chief Executive Officer, sets the compensation of our executive officers other than himself and the members of his family. Mr. Cotter, Sr.'s decisions are not subject to approval by the Compensation Committee or the Board of Directors, but our Compensation Committee and our Board consider Mr. Cotter, Sr.'s decisions with respect to Executive Compensation in evaluating his performance as our Chief Executive Officer. Mr. Cotter, Sr. has informed the Company that he does not use any formula, benchmark or other quantitative measure to establish or award any component of executive compensation, nor does he consult with compensation consultants on the matter. Mr. Cotter, Sr. has advised the Company that he considers the following guidelines in setting the type and amount of executive compensation:

1. Executive compensation should primarily be used to:

- attract and retain talented executives;
- reward executives appropriately for their individual efforts and job performance; and
- afford executives appropriate incentives to achieve the short-term and long-term business objectives established by management and our Board of Directors.

2. In support of the foregoing, the total compensation paid to our named executive officers should be:

- fair both to our Company and to the named executive officers;
- reasonable in nature and amount; and
- competitive with market compensation rates.

Personal and Company performances are just two factors considered by Mr. Cotter, Sr . in establishing base salaries and awarding discretionary compensation. We have no pre-established policy or target for allocating total executive compensation between base and discretionary or incentive compensation, or between cash and stock-based incentive compensation. Historically, including in 2013, a majority of total compensation to our named executive officers was in the form of annual base salaries and discretionary cash bonuses, although stock bonuses have been granted from time to time under special circumstances. These elements are discussed further below.

Salary: Annual base salary is intended to compensate named executive officers for services rendered during the fiscal year in the ordinary course of performing their job responsibilities. Factors that may be considered by Mr. Cotter, Sr . in setting the base salaries include (i) the negotiated terms of each executive's employment agreement or the original terms of employment; (ii) the individual's position and level of responsibility with our Company; (iii) periodic review of the executive's compensation, both individually and relative to other named executive officers and (iv) a subjective evaluation of individual job performance of the executive.

Cash Bonus: Cash bonuses may supplement the base salaries of our named executive officers and are entirely discretionary on the part of Mr. Cotter, Sr. Factors that may be considered by Mr. Cotter, Sr. in awarding cash bonuses are (i) the level of the executive's responsibilities; (ii) the efficiency and effectiveness with which he or she oversees the matters under his or her supervision; and (iii) the degree to which the officer has contributed to the accomplishment of major tasks that advance the Company's goals.

Stock Bonus: Equity incentive bonuses may be awarded to align our executives' long-term compensation to appreciation in stockholder value over time and, so long as such grants are within the parameters set by our 2010 Stock Incentive Plan, are entirely discretionary on the part of Mr. Cotter, Sr. Other stock grants are subject to Board Approval. Equity awards may include stock options, restricted stock, bonus stock, or stock appreciation rights.

If awarded, it is generally our policy to value stock options and restricted stock at the closing price of our common stock as reported on the NASDAQ Capital Market on the date the award is approved or on the date of hire, if the stock is granted as a recruitment incentive. When stock is granted as bonus compensation for a particular transaction, the award may be based on the market price on a date calculated from the closing date of the relevant transaction. Awards may also be subject to vesting and limitations on voting or other rights.

Andrzej Matyczynski, our Chief Financial Officer, has a written employment agreement with our Company that provides for a specified annual base salary and other compensation as described elsewhere in this proxy statement.

Other than Mr. Cotter, Sr.'s role in setting compensation, none of our executive officers play a role in determining the compensation of our named executive officers.

## Key Person Insurance

Our Company maintains key person life insurance on certain individuals who we believe to be key to our management. These individuals include certain of our current officers, Directors and independent contractors. If such individual ceases to be an employee, Director or independent contractor of our Company, as the case may be, he or she is permitted, by assuming responsibility for all future premium payments, to replace our Company as the beneficiary under such policy. These policies allow each such individual to purchase up to an equal amount of insurance for such individual's own benefit. In the case of our employees, the premium for both the insurance as to which our Company is the beneficiary and the insurance as to which our employee is the beneficiary, is paid by our Company. In the case of named executive officers the premium paid by our Company for the benefit of such individual is reflected in the Compensation Table in the column captioned "All Other Compensation."

## Retirement Benefits

We provide all of our employees, including Mr. Cotter, Sr. and our other named executive officers, a retirement savings plan qualified under Internal Revenue Code section $401(\mathrm{k})$. To be eligible to participate, employees must have completed four months of employment, and must be over 21 years of age. Employees choosing to participate can make contributions to their plan account on a pre-tax basis up to the maximum
annual amount permitted by IRS rulings. The Company usually matches employee contributions dollar-for-dollar up to $3 \%$ of employee wages, then 50 cents per dollar between $3 \%$ and $5 \%$ of employee wages.

## Supplemental Executive Retirement Plan

In March 2007, our Board of Directors approved a Supplemental Executive Retirement Plan ("SERP") pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental retirement benefits to reward him for his more than 25 years of service to our Company and its predecessors. Under the SERP, following his separation from our Company, Mr. Cotter, Sr. will be entitled to receive from our Company for the remainder of his life (with a guaranteed minimum of 180 monthly payments) a monthly payment of the greater of (i) $40 \%$ of his average monthly base salary and cash bonuses over the highest consecutive 36 -month period of earnings prior to Mr. Cotter, Sr.'s separation from service with us or (ii) $\$ 25,000$. The beneficiaries under the SERP may be designated by Mr. Cotter, Sr . or by his beneficiary following his death. The benefits under the SERP are fully vested.

The SERP is unfunded and, as such, the SERP benefits are unsecured, general obligations of our Company. We may choose in the future to establish one or more grantor trusts from which to pay the SERP benefits. The SERP is administered by the Compensation Committee.

## Other Retirement Plans

John Hunter, our former Chief Operating Officer, left the company in June 2013, and in accordance with the provisions of his employment agreement, the Company paid the vested pension benefit of $\$ 400,000$ on February 3, 2014, without interest.

During 2012, Mr. Matyczynski was granted an unfunded deferred compensation plan ("DCP") that is partially vested and will vest further, assuming he remains in our continuous employ. If Mr. Matyczynski is terminated for cause, then the total vested amount reduces to zero. The incremental amount vested each year is subject to review and approval by our Board of Directors (with the concurrence of our Chairman). Assuming no changes in the incremental vesting amount by our Board of Directors, Mr. Matyczynski's DCP will vest as follows:

| Total Vested Amount at <br> the End of Each Vesting <br> Year |  |
| :---: | ---: |
| $\$$ | 300,000 |
| $\$$ | 375,000 |
| $\$$ | 450,000 |
| $\$$ | 525,000 |
| $\$$ | 625,000 |
| $\$$ | 750,000 |
| $\$$ | $1,000,000$ |

Payment of the vested benefit is to be made in three equal annual payments, starting six months after he ceases to be employed by our Company.

We currently maintain no other retirement plan for our named executive officers.

## Tax and Accounting Considerations

Deductibility of Executive Compensation

Subject to an exception for "performance-based compensation," Section $162(\mathrm{~m})$ of the Internal Revenue Code generally prohibits publicly held corporations from deducting for federal income tax purposes annual compensation paid to any senior executive officer to the extent that such annual compensation exceeds $\$ 1.0$ million. The Compensation Committee and our Board of Directors consider the limits on deductibility under Section $162(\mathrm{~m})$ in establishing executive compensation, but retain the discretion to authorize the payment of compensation that exceeds the limit on deductibility under this Section as in the case of Mr. Cotter, Sr.

## Nonqualified Deferred Compensation

We believe we are operating, where applicable, in compliance with the tax rules applicable to nonqualified deferred compensation arrangements.

## Accounting for Stock-Based Compensation

Beginning on January 1, 2006, we began accounting for stock-based payments in accordance with the requirements of Statement of Accounting Standards No. $123(\mathrm{R})$. Our decision to award restricted stock to Mr. Cotter, Sr . and other named executive officers from time to time was based in part upon the change in accounting treatment for stock options. Accounting treatment otherwise has had no significant effect on our compensation decisions.

## Say on Pay and Say When Pay

At our Company's Annual Meeting of Stockholders held on May 19, 2011, we held an advisory vote on executive compensation and an advisory vote on the frequency of future executive compensation advisory votes. Our stockholders voted in favor of our Company's executive compensation and in favor of providing stockholders with an advisory vote on future executive compensation every three years. In light of the voting results and other factors, the Board determined to provide stockholders with an advisory vote on future executive compensation every three years. The Committee reviewed the results of the advisory vote on executive compensation in 2012 and did not make any changes to our compensation based on the results of the vote. The Committee will review the results of the upcoming advisory vote on executive compensation and decide whether any changes should be made going forward.

## Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the "Compensation Discussion and Analysis" required by Item 401 (b) of Regulation S-K and, based on such review and discussions, has recommended to our Board of Directors that the foregoing "Compensation Discussion and Analysis" be included in this Proxy Statement.

Respectfully submitted,
Edward L. Kane, Chairman
Tim Storey
Alfred Villaseñor

## Summary Compensation Table

The following table presents summary information concerning all compensation payable to our named executive officers for services rendered in all capacities during the past three completed fiscal years:

|  | Year | Salary (\$) | $\begin{gathered} \text { Bonus } \\ \text { (\$) } \end{gathered}$ | $\begin{gathered} \text { Stock Awards } \\ \text { (\$) } \\ \hline \end{gathered}$ | Option Awards (\$) | Change in Pension <br> Value and Nonqualified <br> Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| James J. Cotter, Sr. | 2013 | 750,000 | 1,000,000 | 750,000 (1) | -- | 1,455,000 (2) | 25,000 (3) | 3,980,000 |
| Chairman of the Board | 2012 | 700,000 | 500,000 | 950,000 | -- | 2,433,000 | 24,000 | 4,607,000 |
| and Chief Executive | 2011 | 500,000 | 500,000 | 750,000 | -- | -- | 25,000 | 1,775,000 |
| Officer |  |  |  |  |  |  |  |  |
| Andrzej Matyczynski | 2013 | 309,000 | 35,000 | -- | 33,000 | 50,000 (5) | 26,000 (4) | 453,000 |
| Chief Financial Officer | 2012 | 309,000 | -- | -- | 33,000 | 250,000 | 25,000 | 617,000 |
| and Treasurer | 2011 | 309,000 | -- | -- | 31,000 | -- | 22,000 | 362,000 |
| Robert F. Smerling | 2013 | 350,000 | 50,000 | -- | -- | -- | 22,000 (4) | 422,000 |
| President - Domestic | 2012 | 350,000 | 50,000 | -- | -- | -- | 22,000 | 422,000 |
| Cinema Operations | 2011 | 350,000 | 25,000 | -- | -- | -- | 18,000 | 393,000 |
| Ellen M. Cotter | 2013 | 335,000 | -- | -- | -- | -- | 25,000 (4) | 360,000 |
| Chief Operating Officer | 2012 | 335,000 | 60,000 | -- | -- | -- | 25,000 | 420,000 |
| Domestic Cinemas | 2011 | 275,000 | -- | -- | -- | -- | 24,000 | 299,000 |
| Wayne Smith | 2013 | 339,000 | -- | -- | -- | -- | 20,000 (4) | 359,000 |
| Managing Director - | 2012 | 357,000 | 16,000 | -- | 22,000 | -- | 19,000 | 414,000 |
| Australia and New Zealand | 2011 | 353,000 | 26,000 | -- | 33,000 | -- | 40,000 | 452,000 |

(1) Based on closing price of our Class A Nonvoting Common Stock on January 15, 2013
(2) Represents an increase in the actuarial value of Mr. Cotter. Sr.'s SERP at December 31, 2013, as estimated by Towers Watson in January 2014 . As the SERP is unfunded, this does not represent any current payment or contribution by our Company. Rather, it is simply a calculation of the increase in the present value of the formula benefits provided for in the SERP, and reflects items such as the timing of cash compensation payments made to Mr. Cotter, Sr., and interest rates from time to time. No change has been made to the SERP benefits since its inception in 2007.
(3) We own a condominium in West Hollywood, California, which is used as an executive meeting place and office. "All Other Compensation" includes our matching contributions under our $401(\mathrm{k})$ plan, the incremental cost to our Company of providing the use of the West Hollywood Condominium to Mr. Cotter, Sr. , the cost of a Company automobile used by Mr. Cotter, Sr., and health club dues paid by the Company.
(4) Represents our employer's matching contributions under our $401(\mathrm{k})$ plan, key person insurance, and any car allowances.
(5) Represents increases in the value of the DCP for Mr. Matyczynski at December 31, 2013. As this DCP is unfunded, these amounts do not represent any current payment or contribution by our Company. Rather, it is simply a calculation of the increase in the value of the benefits provided for by the DCP.

## Grants of Plan-Based Awards

The following table contains information concerning the stock grants made to our named executive officers for the year ended December 31, 2013:

|  | All Other <br> Stock Awards: <br> Number of <br> Shares of | Grant Date <br> Fair Value of <br> Stock and |
| :---: | :---: | :---: |
| James J. Cotter, Sr. | $\frac{\text { Grant Date }}{1 / 15 / 2013}$ | Stock or Units <br> Option Awards <br> 750,000 |

(1) Represents the value, determined by reference to the closing price of our Class A Stock on January 15, 2013, of shares issued to Mr. Cotter in satisfaction of the stock bonus portion of his compensation package for 2013. This valuation does not reflect any discount for the fact that these shares are restricted and cannot be sold for five years.

## Outstanding Equity Awards

The following table contains information concerning the outstanding option and stock awards of our named executive officers as of December 31,2013:

|  | Option Awards |  |  |  |  | Stock Awards |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Class | Number of Shares Underlying Unexercised Options Exercisable | Number of Shares Underlying Unexercised Options Unexercisable | Option Exercise Price (\$) | $\begin{gathered} \text { Option } \\ \text { Expiration } \\ \text { Date } \\ \hline \end{gathered}$ | Number of Shares or Units of Stock that Have Not Vested | Market Value of Shares or Units that Have Not Vested (\$) |
| James J. Cotter, Sr. | B | 100,000 | -- \$ | \$ 10.24 | 5/9/2017 | -- | -- |
| Ellen M. Cotter | A | 20,000 | -- \$ | \$ 5.55 | 3/16/2018 | -- | -- |
| Ellen M. Cotter | B | 50,000 | -- \$ | \$ 10.24 | 5/9/2017 | -- | -- |
| Andrzej Matyczynski | A | 35,100 | -- \$ | \$ 5.13 | 9/12/2020 | -- | -- |
| Andrzej Matyczynski | A | 12,500 | 37,500 | \$ 6.02 | 8/22/2022 | -- | -- |
| Robert F. Smerling | A | 43,750 | -- \$ | \$ 10.24 | 5/9/2017 | -- | -- |

## Option Exercises and Stock Vested

The following table contains information for our named executive officers concerning the option awards that were exercised and stock awards that vested during the year ended December 31, 2013:

| Name | Option Awards |  |  | Stock Awards |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Number of Shares Acquired on Exercise |  | Realized ercise (\$) | Number of Shares Acquired on Vesting |  | Realized <br> esting (\$) |
| James J. Cotter, Sr. | -- | \$ | -- | 125,209 | \$ | 937,815 |
| Ellen M. Cotter | 75,000 | \$ | 300,750 | -- | \$ | -- |
| Wayne Smith | 50,000 | \$ | 200,500 | -- | \$ | -- |

## Pension Benefits

The following table contains information concerning pension plans for each of the named executive officers for the year ended December 31, 2013:

| Name | Plan Name | Number of Years of Credited Service |  | nt Value of umulated nefit (\$) | Payments <br> During Last Fiscal Year (\$) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| James J. Cotter, Sr. | SERP | 26 |  | 7,398,000 | \$ |  |
| Andrzej Matyczynski | CFO DCP | 4 | \$ | 300,000 | \$ |  |

Payments Upon Termination or Change in Control
We have entered into the following termination arrangements with the following named executive officer:
Andrzej Matyczynski. Pursuant to his employment agreement, Mr. Matyczynski is entitled to a severance payment equal to six months' salary in the event his employment is involuntarily terminated.

Wayne Smith. Pursuant to his employment agreement, Mr. Smith is entitled to a severance payment equal to six months' salary if the Reading Board terminates his employment for not meeting the standards of anticipated performance.

No other named executive officers have termination benefits in their employment agreements. None of our employment agreements with our named executive officers have provisions relating to change in control.

## Compensation Committee Interlocks and Insider Participation

The current members of our Compensation Committee are Alfred Villaseñor, Tim Storey and Edward L. Kane, who serves as Chairman. There are no "interlocks," as defined by the SEC, with respect to any member of our Compensation Committee.

## CERTAIN TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The members of our Audit and Conflicts Committee are Edward Kane, Tim Storey, and Douglas McEachern, who serves as Chairman. Management presents all potential related party transactions to
the Conflicts Committee for review. Our Conflicts Committee reviews whether a given related party transaction is beneficial to our Company, and approves or bars the transaction after a thorough analysis. Only Committee members disinterested in the transaction in question participate in the determination of whether the transaction may proceed.

## Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the leasing with an option to purchase of certain cinemas located in Manhattan including our Village East and Cinemas $1,2 \& 3$ theaters. In connection with that transaction, we also agreed to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by James J. Cotter and a third party and of which Mr. Cotter is the managing member. The Village East is the only cinema that remains subject to this lease and during 2013, 2012, and 2011, we paid rent to SHC for this cinema in the amount of $\$ 590,000$ annually.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for $\$ 5.9$ million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1,2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than $\$ 100,000$ each. We are advised by SHC that they intend to exercise their put option this year. In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas $1,2 \& 3$. In connection with that transaction, we granted to SHC an option to acquire a $25 \%$ interest in the special purpose entity formed to acquire these interests at cost. On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of their $\$ 3.0$ million deposit plus the assumption of its proportionate share of SHP's liabilities giving it a $25 \%$ nonmanaging membership interest in SHP. We manage this cinema property for a management fee equal to $5 \%$ of its gross income.

In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas $1,2 \& 3$. In connection with that transaction, we granted to SHC an option to acquire a $25 \%$ interest in the special purpose entity formed to acquire these interests at cost. On June 28,2007 , SHC exercised this option, paying the option exercise price through the application of their $\$ 3.0$ million deposit plus the assumption of its proportionate share of SHP's liabilities giving it a $25 \%$ non-managing membership interest in SHP.

## OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations are managed by OBI LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of James J. Cotter and a member of our Board of Directors.

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately $21 \%$ of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex
in Chicago on a fee basis based on theater cash flow. In 2013, OBI Management earned $\$ 401,000$, which was $20.1 \%$ of net cash flows for the year. In 2012, OBI Management earned $\$ 390,000$, which was $19.7 \%$ of net cash flows for the year. In 2011, OBI Management earned $\$ 398,000$, which was $19.4 \%$ of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

OBI Management conducts its operations from our office facilities on a rent-free basis, and we share the cost of one administrative employee of OBI Management. Other than these expenses and travel-related expenses for OBI Management personnel to travel to Chicago as referred to above, OBI Management is responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renews automatically each year unless either party gives at least six months' prior notice of its determination to allow the Management Agreement to expire. In addition, we may terminate the Management Agreement at any time for cause.

## Live Theater Play Investment

From time to time, our officers and Directors may invest in plays that lease our live theaters. The play STOMP has been playing in our Orpheum Theatre since prior to the time we acquired the theater in 2001. Messrs. James J. Cotter and Michael Forman own an approximately $5 \%$ interest in that play, an interest that they have held since prior to our acquisition of the theater.

## Shadow View Land and Farming LLC

During 2012, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder, contributed $\$ 2.5$ million of cash and $\$ 255,000$ of his 2011 bonus as his $50 \%$ share of the purchase price of a land parcel in Coachella, California and to cover his $50 \%$ share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which Mr. Cotter owns a $50 \%$ interest. We are the managing member of Shadow View Land and Farming, LLC, with oversight provided by the Audit and Conflicts Committee of our Board of Directors.

## Certain Family Relationships

Mr. Cotter, Sr., our controlling stockholder, has advised the Board of Directors that he considers his holdings in our Company to be long-term investments to be passed onto his heirs. The Directors believe that it is in the best interests of our Company and our stockholders for his heirs to become experienced in our operations and affairs. Accordingly, all of Mr. Cotter, Sr.'s children are currently involved with our Company and all serve on our Board of Directors.

## Certain Miscellaneous Transactions

We have loaned Mr. Robert Smerling, the President of our domestic cinema operations, $\$ 70,000$ pursuant to an interest-free demand loan that antedated the effective date of the Sarbanes-Oxley prohibition on loans to Directors and officers.

## INDEPENDENT PUBLIC ACCOUNTANTS

Our independent public accountants, Grant Thornton, LLP, have audited our financial statements for the fiscal year ended December 31, 2013, and are expected to have a representative present at the Annual Meeting who will have the opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

The aggregate fees for professional services for the audit of our financial statements, audit of internal controls related to the Sarbanes-Oxley Act, and the reviews of the financial statements included in our Forms $10-\mathrm{K}$ and $10-\mathrm{Q}$ provided by Grant Thornton LLP for 2013 and 2012 were approximately $\$ 550,000$ and $\$ 593,000$, respectively.

## Audit-Related Fees

Grant Thornton, LLP did not provide us any audit related services for both 2013 and 2012

## Tax Fees

Grant Thornton, LLP did not provide us any products or any services for tax compliance, tax advice, or tax planning for both 2013 and 2012.

## All Other Fees

Grant Thornton, LLP did not provide us any other services than as set forth above for both 2013 and 2012.

## Pre-Approval Policies and Procedures

Our Audit Committee must pre-approve, to the extent required by applicable law, all audit services and permissible non-audit services provided by our independent registered public accounting firm, except for any de minimis non-audit services. Non-audit services are considered de minimis if (i) the aggregate amount of all such non-audit services constitutes less than $5 \%$ of the total amount of revenues we paid to our independent registered public accounting firm during the fiscal year in which they are provided; (ii) we did not recognize such services at the time of the engagement to be non-audit services; and (iii) such services are promptly submitted to our Audit Committee for approval prior to the completion of the audit by our Audit Committee or any of its member(s) who has authority to give such approval. Our Audit Committee pre-approved all services provided to us by Grant Thornton LLP for 2013 and 2012.

## STOCKHOLDER COMMUNICATIONS

## Annual Report

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 is being provided with this Proxy Statement.

## Stockholder Communications with Directors

It is the policy of our Board of Directors that any communications sent to the attention of any one or more of our Directors in care of our executive offices will be promptly forwarded to such Directors. Such communications will not be opened or reviewed by any of our officers or employees, or by any other Director, unless they are requested to do so by the addressee of any such communication. Likewise, the content of any telephone messages left for any one or more of our Directors (including call-back number, if any) will be promptly forwarded to that Director.

## Stockholder Proposals and Director Nominations

Any stockholder who, in accordance with and subject to the provisions of the proxy rules of the SEC, wishes to submit a proposal for inclusion in our Proxy Statement for our 2015 Annual Meeting of

Stockholders, must deliver such proposal in writing to the Secretary of the Company at the address of our Company's principal executive offices at 6100 Center Drive, Suite 900, Los Angeles, California 90045. Unless we change the date of our annual meeting by more than 30 days from the prior year's meeting, such written proposal must be delivered to us no later than January 6, 2015 to be considered timely. If our 2015 Annual Meeting is not within 30 days of the anniversary of our 2014 Annual Meeting, to be considered timely, stockholder proposals must be received no later than ten days after the earlier of (a) the date on which notice of the 2015 Annual Meeting is mailed, or (b) the date on which the Company publicly discloses the date of the 2015 Annual Meeting, including disclosure in an SEC filing or through a press release. If we do not receive timely notice of a stockholder proposal, the proxies that we hold may confer discretionary authority to vote against such stockholder proposal, even though such proposal is not discussed in our Proxy Statement for that meeting.

Our Board of Directors will consider written nominations for Directors from stockholders. Nominations for the election of Directors made by our stockholders must be made by written notice delivered to our Secretary at our principal executive offices not less than 120 days prior to the first anniversary of the date that this Proxy Statement is first sent to stockholders. Such written notice must set forth the name, age, address, and principal occupation or employment of such nominee, the number of shares of our Company's common stock that is beneficially owned by such nominee and such other information required by the proxy rules of the SEC with respect to a nominee of the Board of Directors.

Under our governing documents and applicable Nevada law, our stockholders may also directly nominate candidates from the floor at any meeting of our stockholders held at which Directors are to be elected.

## OTHER MATTERS

We do not know of any other matters to be presented for consideration other than the proposals described above, but if any matters are properly presented, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their judgment.

## DELIVERY OF PROXY MATERIALS TO HOUSEHOLDS

As permitted by the Securities Exchange Act of 1934, only one copy of the proxy materials are being delivered to our stockholders residing at the same address, unless such stockholders have notified us of their desire to receive multiple copies of the proxy materials.

We will promptly deliver without charge, upon oral or written request, a separate copy of the proxy materials to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies should be directed to our Corporate Secretary by telephone at (213) 235-2240 or by mail to Corporate Secretary, Reading International, Inc., 6100 Center Drive, Suite 900, Los Angeles, California 90045.

Stockholders residing at the same address and currently receiving only one copy of the proxy materials may contact the Corporate Secretary as described above to request multiple copies of the proxy materials in the future.

By Order of the Board of Directors,


James J. Cotter, Sr., Chairman
Dated: April 25, 2014

## PROXY CARD



Electronic Voting Instructions
You can vote by Internet or telephone!
Available 24 hours a day, 7 days a week!
Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.
VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR
Proxies submitted by the Internet or telephone must be received by
1:00 a.m., Central Time, on May 15, 2014.
Vote by Internet
Log on to the Internet and go to
www.investorvote.com/RDI
Follow the steps outlined on the secured website.
Vote by telephone
Call toll free 1-800-652-VOTE (8683) within the USA, US territories \& Canada any time on a touch tone telephone. There is NO CHARGE to you for the call.
Follow the instructions provided by the recorded message.

## Annual Meeting Proxy Card <br> IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. <br> A. Proposals

1. Election of Directors - The Board of Directors recommends a vote FOR all the nominees listed.

| Nominees: | For | Withhold |  | For | Withhold |  | For | Withhold |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 01 - James J. <br> Cotter, Sr . | $\square$ | $\square$ | 02 - James J. | $\square$ | $\square$ | 03 - Ellen | $\square$ | $\square$ |
|  |  |  | Cotter, Jr. |  |  | M. Cotter |  |  |
| 04 - | $\square$ | $\square$ | 05 - Guy W. | $\square$ | $\square$ | 06 - | $\square$ | $\square$ |
| Margaret |  |  | Adams |  |  | William D. |  |  |
| Cotter |  |  |  |  |  | Gould |  |  |
| 07 - Edward | $\square$ | $\square$ | 08 - Douglas | $\square$ | $\square$ | 09-Tim | $\square$ | $\square$ |
| L. Kane |  |  | J. McEachern |  |  | Storey |  |  |

2. Advisory vote on executive officer compensation - The Board of Directors recommends a vote FOR approval of the advisory and non-binding vote on the Company's named executive officer compensation.

For
$\square$

Against
$\square$

Withhold
$\square$
3. Other Business. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting and at and with respect to any and all adjournments or postponements thereof. The Board of Directors at present knows of no other business to be presented by or on behalf of the Company or the Board of Directors at the meeting.
B. Authorized Signatures - This section must be completed for your vote to be counted. - Date and Sign Below

Please date this proxy card and sign above exactly as your name appears on this card. Joint owners should each sign personally. Corporate proxies should be signed by an authorized officer. Executors, administrators, trustees, etc., should give their full titles.

| Date ( $\mathrm{mm} / \mathrm{dd} /$ yyyy $)$ - Please print <br> date below. |
| :--- | | Signature 1 - Please keep signature <br> within the box. |
| :--- | | Signature 2 - Please keep signature <br> within the box. |
| :--- |

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - C ON BOTH SIDES OF THIS CARD.

## PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS - TO BE HELD MAY 15, 2014 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints James J. Cotter, Sr. and Andrzej Matyczynski, and each of them, the attorneys, agents, and proxies of the undersigned, with full powers of substitution to each, to attend and act as proxy or proxies of the undersigned at the Annual Meeting of Stockholders of Reading International, Inc. to be held at the offices of Reading International, Inc., 6100 Center Drive, Suite 900, Los Angeles, California 90045, on Thursday, May 15, 2014 at $11: 00$ a.m., local time, and at and with respect to any and all adjournments or postponements thereof, and to vote as specified herein the number of shares which the undersigned, if personally present, would be entitled to vote.

The undersigned hereby ratifies and confirms all that the attorneys and proxies, or any of them, or their substitutes, shall lawfully do or cause to be done by virtue hereof, and hereby revokes any and all proxies heretofore given by the undersigned to vote at the Annual Meeting. The undersigned acknowledges receipt of the Notice of Annual Meeting and the Proxy Statement accompanying such notice.

THE PROXY, WHEN PROPERLY EXECUTED AND RETURNED PRIOR TO THE ANNUAL MEETING, WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS GIVEN, IT WILL BE VOTED "FOR" PROPOSAL 1, 2 , AND IN THE PROXY HOLDERS' DISCRETION AS TO ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF.

PLEASE SIGN AND DATE ON REVERSE SIDE

## C. Non-Voting Items

Change of Address - Please print new address below.

## Meeting Attendance

Mark the box to the right if you plan to attend the Annual Meeting.

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - C ON BOTH SIDES OF THIS CARD.

## EXHIBIT 23

# Reading International Announces The Passing of James J. Cotter, Sr., the Former Chairman and Chief Executive Officer 

Los Angeles, California, - (BUSINESS WIRE) - September 15, 2014 - Reading International, Inc. (NASDAQ: RDI) is saddened to advise that our controlling shareholder and former Chairman and Chief Executive Officer, James J. Cotter, Sr. has passed away. Mr. Cotter has been the controlling force at our Company for nearly three decades. He will be missed.

He is survived by his three children, each of whom is active in our Company. James J. Cotter, Jr. continues as our Chief Executive Officer and President. Ellen Cotter continues as our Chairman and as the head of our domestic cinema operations. Margaret Cotter continues as our Vice Chairman, and as the head of our live theater operations.

## About Reading International, Inc.

Reading International (http://www.readingrdi.com) is in the business of owning and operating cinemas and developing, owning and operating real estate assets. Our business consists primarily of:

- the development, ownership and operation of multiplex cinemas in the United States, Australia and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed retail centers ("ETRC") in Australia and New Zealand and live theater assets in Manhattan and Chicago in the United States.

Reading manages its worldwide cinema business under various different brands:

- in the United States, under the
- Reading brand (http://www.readingcinemasus.com),
- Angelika Film Center brand (http://www.angelikafilmcenter.com),
- Consolidated Theatres brand (http://www.consolidatedtheatres.com),
- City Cinemas brand (http://www.citycinemas.com),
- Beekman Theatre brand (http://www.beekmantheatre.com),
- The Paris Theatre brand (http://www.theparistheatre.com);
- Liberty Theatres brand (http://www.libertytheatresusa.com); and
- Village East Cinema brand (http://www.villageeastcinema.com)
- in Australia, under the
- Reading brand (http://www.readingcinemas.com.au);
- Newmarket brand (http://www.readingnewmarket.com.au); and
- Red Yard Entertainment Centre (http://www.redyard.com.au)
- in New Zealand, under the
- Reading (http://www.readingcinemas.co.nz);
- Rialto (http://www.rialto.co.nz) brands;
- Reading Properties brand (http://www.readingproperties.co.nz);
- Courtenay Central brand (http://www.readingcourtenay.co.nz);
- Steer n' Beer restaurant brand (http://www.steernbeer.co.nz); and
- Taupo Motel brand (http://www.sailstaupo.co.nz).


## Forward-Looking Statements

Our statements in this press release contain a variety of forward-looking statements as defined by the Securities Litigation Reform Act of 1995. Forward-looking statements reflect only our expectations
regarding future events and operating performance and necessarily speak only as of the date the information was prepared. No guarantees can be given that our expectation will in fact be realized, in whole or in part. You can recognize these statements by our use of words such as, by way of example, "may," "will," "expect," "believe," and "anticipate" or other similar terminology.

These forward-looking statements reflect our expectation after having considered a variety of risks and uncertainties. However, they are necessarily the product of internal discussion and do not necessarily completely reflect the views of individual members of our Board of Directors or of our management team. Individual Board members and individual members of our management team may have different views as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

Among the factors that could cause actual results to differ materially from those expressed in or underlying our forward-looking statements are the following:

- With respect to our cinema operations:
- The number and attractiveness to movie goers of the films released in future periods;
- The amount of money spent by film distributors to promote their motion pictures;
- The licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
- The comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment; and
- The extent to which we encounter competition from other cinema exhibitors, from other sources outside of the home entertainment, and from inside the home entertainment options, such as "home theaters" and competitive film product distribution technology such as, by way of example, cable, satellite broadcast, DVD rentals and sales, and so called "movies on demand;"
- With respect to our real estate development and operation activities:
- The rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
- The extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
- The risks and uncertainties associated with real estate development;
- The availability and cost of labor and materials;
- Competition for development sites and tenants; and
- The extent to which our cinemas can continue to serve as an anchor tenant which will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations;
- With respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:
- Our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
- The relative values of the currency used in the countries in which we operate;
- Changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
- Our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
- Our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health-related problems;
- Changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and subject to influence by numerous factors outside of our control such as changes in government regulation or policy, competition, interest rates, supply, technological innovation, changes in consumer taste and fancy, weather, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment.

Given the variety and unpredictability of the factors that will ultimately influence our businesses and our results of operation, no guarantees can be given that any of our forward-looking statements will ultimately prove to be correct. Actual results will undoubtedly vary and there is no guarantee as to how our securities will perform either when considered in isolation or when compared to other securities or investment opportunities.

Finally, we undertake no obligation to publicly update or to revise any of our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law. Accordingly, you should always note the date to which our forward-looking statements speak.

Additionally, certain of the presentations included in this press release may contain "pro forma" information or "non-US GAAP financial measures." In such case, a reconciliation of this information to our US GAAP financial statements will be made available in connection with such statements.

For more information, contact:
Andrzej Matyczynski, Chief Financial Officer
Reading International, Inc. (213) 235-2240

## EXHIBIT 24

## pp. 915-918 Filed Under Seal

## EXHIBIT 25

## UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION <br> Washington, D.C. 20549 

## FORM 8-K

## Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): June 12, 2015

READING INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada

## (State or Other Jurisdiction of Incorporation)

## 1-8625

(Commission File Number)
6100 Center Drive
Suite 900
Los Angeles, California
(Address of Principal Executive Offices)

95-3885184
(I.R.S. Employer Identification No.)

90045
(Zip Code)
(213) 235-2240
(Registrant's Telephone Number, Including Area Code)
n/a
(Former Name or Former Address, if Changed Since Last Report)
Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):
$\square \quad$ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
$\square \quad$ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
$\square \quad$ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
$\square \quad$ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

## ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On June 12, 2015, the board of directors (the "Board") of Reading International, Inc. ("we," "our," "us," "Reading" or the "company") terminated the employment of James J. Cotter, Jr. as our President and Chief Executive Officer, effective immediately. The Company currently intends to engage the assistance of a leading executive search firm to identify a permanent President and Chief Executive Officer, which will consider both internal and external candidates.

On June 12, 2015, our Board appointed Ellen Marie Cotter, 49, Chairperson of the Board and the Chief Operating Officer of our Domestic Cinemas Division, to serve as our interim President and Chief Executive Officer. No new compensatory arrangements were entered into with Ms. Cotter in connection with her appointment as interim President and Chief Executive Officer.

Ellen Cotter has been a member of the Board since March 7, 2013, and on August 7, 2014 was appointed as its Chairperson. Prior to joining our company in 1998, Ms. Cotter spent four years in private practice as a corporate attorney with the law firm of White \& Case in Manhattan. She is a graduate of Smith College and holds a Juris Doctorate from Georgetown Law School. Ms. Cotter is the sister of James J. Cotter, Jr. and Margaret Cotter.

Under Mr. Cotter, Jr.'s employment agreement with the company, he is entitled to the compensation and benefits he was receiving at the time of a termination without cause for a period of twelve months from notice of termination. At the time of termination, Mr. Cotter Jr.'s annual salary was $\$ 335,000$.

Under his employment agreement, Mr. Cotter, Jr. is required to tender his resignation as a director of our company immediately upon the termination of his employment. After a request to do so, Mr. Cotter, Jr. has not yet tendered his resignation. The company considers such refusal as a material breach of Mr. Cotter, Jr.'s employment agreement, and has given him thirty (30) days in which to resign. If he does not do so, the company will terminate further severance payments, as permitted under the employment agreement.

No new compensatory arrangements were entered into with Mr. Cotter, Jr. in connection with his termination.

## ITEM 8.01 OTHER EVENTS

On June 12, 2015, Mr. Cotter, Jr. filed a lawsuit against us and each of our other directors in the District Court of the State of Nevada for Clark County, titled James J. Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et. al. The lawsuit alleges, among other allegations, that the other directors breached their fiduciary duties in taking the actions to terminate Mr. Cotter, Jr. as President and Chief Executive Officer of the company and that Margaret Cotter and Ellen Cotter aided and abetted the breach of such fiduciary duties of the other directors. The lawsuit seeks damages and other relief, including an injunctive order restraining and enjoining the defendants from taking further action to effectuate or implement the termination of Mr. Cotter, Jr. as President and Chief Executive Officer of the company and a determination that Mr. Cotter, Jr.'s termination as President and Chief Executive Officer is legally ineffectual and of no force or effect. The company believes that numerous of the factual allegations included in the complaint are inaccurate and untrue and intends to vigorously defend against the claims in this action. The company has been informed that the other directors intend to seek indemnification from the Company for any losses arising under the lawsuit, in which case the company will tender a claim under its director and officers liability insurance policy.

## ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) The following exhibit is included with this Report and incorporated herein by reference:

## Exhibit No.

99.1

Description

Press release of Reading International, Inc. of June 15, 2015

## 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.

Dated: June 18, 2015
READING INTERNATIONAL, INC.

By: /s/ William D. Ellis

## William D. Ellis

General Counsel and Secretary

## Exhibit 99.1

## Reading International Announces Appointment of Ellen Cotter as Interim Chief Executive Officer

Los Angeles, California, (Business Wire) June 15, 2015 - Reading International, Inc. (NASDAQ:RDI) announced today that its Board of Directors has appointed Ellen M. Cotter as interim President and Chief Executive Officer, succeeding James J. Cotter. Jr. The Company currently intends to engage the assistance of a leading executive search firm to identify a permanent President and Chief Executive Officer, which will consider both internal and external candidates.

Ms. Cotter is the Chairman of the Board of Directors of the Company and has served as the senior operating officer of the Company's US cinemas operations for the past 14 years. In addition, Ms. Cotter is a significant stockholder in the Company.

Ms. Cotter commented, "James Cotter, Sr., who served as our Company’s Chairman and Chief Executive Officer for over 20 years, grew Reading International, Inc. to a major international developer and operator of multiplex cinemas, live theaters and other commercial real estate assets. I look forward to continuing his vision and commitment to these businesses as we move forward to conduct our search for our next Chief Executive Officer. I will work diligently to ensure that this transition is seamless to all of our stakeholders."

The Company plans to report its second quarter financial results on or before August 10, 2015.

## About Ellen Cotter

Ellen M. Cotter has been a member of our Company's Board of Directors since March 2013, and in August 2014 was appointed as Chairman of the Board. She joined Reading International, Inc. in 1998 and brings to the position her 17 years of experience working in our Company's cinema operations, both in the United States and Australia. For the past 14 years, she has served as the senior operating officer of our Company's domestic cinema operations. Ms. Cotter is a graduate of Smith College and holds a Juris Doctorate from Georgetown Law School. Prior to joining our Company, Ms. Cotter was a corporate attorney with the law firm of White \& Case in New York, New York.

## About Reading International, Inc.

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o Consolidated Theatres brand (http//www.consolidatedtheatres.com);
o City Cinemas brand (http://www.citycinemas com);
o Beekman Theatre brand (http://www.beekmantheatre.com);
o The Paris Theatre brand (http//www theparistheatre.com);
o Liberty Theatres brand (http://libertytheatresusa.com/); and
o Village East Cinema brand (http//villageeastcinema.com)


## Exhibit 99.1

- in Australia, under the o Reading brand (http://www.readingcinemas.com.au); and o Newmarket brand (http://readingnewmarketcom.au)
o Red Yard Entertainment Centre (htp://www.redyard.com.au)
- in New Zealand, under the
o Reading brand (htto://www.readingcinemas.co.mz);
o Rialto brand (htp://www.rialto.co.nz);
o Reading Properties brand (htp://readingproperties.conz);
o Courtenay Central brand (htte://www readingcourtenay co.nz);
o Steer n' Beer restaurant brand (http://steernbeer.co.nz);
Media Contact:
Andrzej Matyczynski
Tel: 213-235-2240


## EXHIBIT 26

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## EXHIBIT 27



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A duly noticed special kelephonic meeting of the Board of Directors of Reading International, Inc. (the "Company") was held on Thursday, August 7, 2014 st approximately 3:00 p.m., Los Angeles local time.

All of the directors, other than James 3 . Cotter, Sr ., were present either in person or by telephone pursuant to a conference connection in which all participants could hear and speak to one another. Also present at the invitation of the Board was S. Craig Tompkins, Esq. who served as secretary for the meeting.

## Call to Order

James I. Cotter, Jr., Vice Chaiman of the Board of Directors, acting as the Vice Chairman of the Company, called the meeting to order at approximately $3: 00 \mathrm{p} . \mathrm{m} .$, Los Angeles time, and took a roll call of attendees confirming their presence and ability to participate.

## Resignation of James j. Cotter, Sr.

Vice-Chairman Cotter advised the Board that, due to illness, his father, James J. Cotter, Sr. was not able to attend the meeting and was resigning effective immediately as Chairman of the Board, as a Director and as Chief Executive Officer of the Company, and as an officer, director and/or manager of each of the Company's subsidiaries.

Vice Chairman Cotter also advised that it was curently contemplated that the chairmauship be rotated among James J. Cotter, Ir., Ellen Cotter and Margaret Cotter annually. Jamęs J. Cotter, Ir., Ellen Cotter and Margaret Cotter further advised the Board that they consider their family's holdings in the Company to be a long term family asset, and that they intand to continue the Company in the direction established by their father, James J. Cotter, Sr. --- as a motions picture exhibition and real estate company.

Following discussion, the following actions were taken by the unanimous vote of the Directors present at the meeting:

[^0]Reading International, Inc.
Minutes Board of Directors Meeting
August 7, 2014
Page 2

Certain directors asked questions which confirmed the non-executive nature of the rotating chairmanship and regarding the compensation to be paid to Mr. Cotter, Sr., given his resignation in mid calendar year. It was determined that all such compensation issues should be delegated to the Compensation Committee for deternination.

## Adioumaneme

There being no further business, the meeting was adjoumed at approximately 5:30, Los Angeles time.


Ellen M. Cotter, Chairman

S. Craig Tompkins, Recording Secretary

## EXHIBIT 28

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## EXHIBIT 29



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5321,2955
Aduy noticed meetmg of the Board of Diectors the "Goard" of Reading internatonat, fnc the "Company") was held in the Compary's oflces in Los Angeles on May 21, 2025 at approximately 13:15 am. (Los Angeles tme).

Present were khem $k$. Coter, Chairgerson of the goand and board members Margaret Cotter, Yice Charperson, James 3. Coter, Ir, Whibm D. Gould, Edward b. Kane, Dour Mickacherm, Tm Storey and Guy Adams.

In attendance at the mutation of the directors were wham D. Ellis, Company secretary and General Counsel, and Crag Tomplins. Abo in attendance at the request of the Charperson were Company counsel, Gary Mchaughm and Frank Reddick, of Akm Gump Strauss Hauer \& Feld, Lup. On behath of sames Cother, hr, Mark Krum of hewis hoca Rotherber Lup was also present.

In advance of the meeting, the Champerson fad distributed to each of the directors a nothe of the meeting and an agenda. in adition, Neal Brokmeyer, counselfor the independent directors, had reported to each of the independent drectors as to a telephone conversauton he had on May 20,2025 wht Mr. Krum, who had intormed Mr. Brockmeyer that it the Board took action at ths meeting on May 21,2035 to terminate Mr, Bmes Cotter's employment with the Company, he would fle a lawsut in Nevada court agamst the directors personally based on an allaged breach of fiduciary duty of care and duty of loyoty. Further, on May 39, 2015, Mr bames Cotter had requested be chairperson to phace on the agenda of this meethe the following matters: fo a report by him on a Review of the Companys Operations and the search for a Drector of Real Estate, (I) employment agreements for Ms, hen Cotter and Mis Margaret Cother and ( 2 ) his reguest that the Company repurchase 100,000 shares of Class Anon-voting stock owned by him.

## colta Order

Ma. Hhen Cotter, Charbersom of the Boab, called the meethg to order at aproximately 1145 am. \{los Angeles tme and did a roll callof the attendees. Ms. Ehen Cotter acted as recording secretary for the meeting and took these minuter.

## Fusenos of Aboryevs

Reading International, Inc.
Minutes Board of Directors Meeting
May 21, 2015
Page 2

Prior to moving to the agenda, the Board took up the question of whether counsel from Lewis Roca Rothgerber and Akin Gump Strauss Hauer \& Feld should participate in the meeting. The Chairperson informed the board that non-board members are entitled to attend the meeting only at the invitation of the Board and that Mr. Krum did not represent the Company and had indicated an intention to file a lawsuit on behalf of Mr. James Cotter against each of the other directors. Following discussion, Mr. Adams made a motion, seconded by Mr. Kane, that Mr. Krum be requested to leave the meeting. Upon a vote of 7-1, with Mr. Cotter voting against, the motion was approved.

The Board then discussed whether it was appropriate for Messrs. Reddick and McLaughlin to be present at the Meeting. The Chairperson stated that Akin Gump Strauss Hauer \& Feld had been engaged by the Company on employment and certain other matters for over ten years and Messrs. Reddick and McLaughlin were present at her request. Following discussion, Mr. McEachern made a motion, seconded by Mr. Kane, to invite Messrs. Reddick and McLaughlin to attend the meeting. By a vote of 5-3, with Messrs. Cotter, Storey and Gould voting against, the motion was adopted.

Mr. Krum then addressed the Board stating that, in his opinion, the Board had not engaged in an adequate process in order to make a determination to terminate Mr. Cotter as Chief Executive Officer and that Messrs. Adams and Kane were not disinterested directors. Mr. Ellis reported that he had consulted the Company's regular Nevada corporate counsel and had been advised that Messrs. Adams and Kane had no conflict that would preclude them as a matter of law in participating in the meeting and voting on any matter with respect to Mr. Cotter.

## Review of Operations

Ms. Ellen Cotter then stated that she would like take up the last item on the agenda, Mr. Cotter's report on operations, out of order as the first order of business. Mr. Cotter stated that he was not prepared to make a presentation on the Company's operations but instead would like to address the Board on his performance as Chief Executive Officer and the reasons he believed it appropriate that he continue in that role. Mr. Cotter then proceeded to speak to the Board at length about his position of President and Chief Executive Officer of the Company. He told the Board that he firmly believed that his father, James J. Cotter, Sr., the Company's former Chairman and Chief Executive Officer, had intended for him to have this role and his continuation as Chief Executive Officer would be consistent with his father's wishes. He also took issue with the independence of Mr. Kane and Mr. Adams and repeated the statements his counsel had addressed to the Board urging that they be disqualified from voting with respect to any action to terminate him as Chief Executive Officer.

The Board then proceeded to discuss at length the performance of Mr. Cotter as Chief Executive Officer and President of the Company since he was appointed in August 7, 2014.

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Reading International, Inc.
Minutes Board of Directors Meeting
May 21, }201
Page 3
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For over the next two hours the Board discussed Mr. James Cotter's performance as Chief Executive Officer. Messrs. Adams and Kane and Madams Ellen Cotter and Margaret Cotter each stated that it would be in the best interests of the Company and its shareholders that the Board conduct a search for a qualified chief executive officer and that Mr. Cotter be relieved of his positions as Chief Executive Officer and President of the Corporation and reviewed the reasons underlying this assessment. As part of that discussion, it was noted that the independent directors had met numerous times to discuss this matter and Mr. Cotter's progress in this role. Messrs. Adams and Kane and Madams Ellen Cotter and Margaret Cotter reviewed their assessment of deficiencies that they observed in Mr. Cotter's leadership, understanding of the Company's business, temperament, managerial skills, decision-making and other attributes in the role of Chief Executive Officer. Messrs. Gould and Storey expressed their views on Mr. Cotter's performance and their conclusion that a decision to make a change in this position would not be in the best interests of the Company at this time.

At approximately 2:00 p.m. (Los Angeles time), Messrs. Gould, Kane, McEachern, Storey and Adams suggested that they continue the discussion in executive session and Ms. Ellen Cotter, Ms. Margaret Cotter, and Messrs. James Cotter, Ellis, Tompkins, McLaughlin and Reddick left the meeting.

## Independent Directors Session

Messrs. Gould, Kane, McEachern, Storey and Adams continued in executive session for the next two hours during which time they continued their review of Mr. James Cotter's performance and the course of action that would be in the best interests of the Company.

Reading International, Inc.
Minutes Board of Directors Meeting
May 21, 2015
Page 4

## Resumption of the Meeting with the Full Board

At approximately 4:00 p.m. (Los Angeles time), Ms. Ellen Cotter, Ms. Margaret Cotter, and Mr. James Cotter rejoined the meeting.

After much further discussion amongst Board members, Mr. Gould suggested that Mr. Cotter continue as President of the Company and the Board commence a search for a new Chief Executive Officer. Mr. Cotter twice refused to continue in the role of President under a new Chief Executive Officer.

After much further discussion, the Board determined to take no action at this meeting with respect to Mr. Cotter's position as Chief Executive Officer and President of the Company and that the Board would reconvene the meeting on May 29, 2015 to continue its deliberations. In the interim, the Directors would be provided the opportunity to reflect on the discussion during the meeting and Mr. Cotter indicated that he would give further consideration to continuing in the role of President of the Company under the leadership of a new Chief Executive Officer. At the request of the Board, Mr. Cotter agreed to maintain during the upcoming week a "low profile," to not take any significant corporate action and take some time out of the office.

## Independent Director Compensation

The Board then discussed the inordinate amount of director time that had been spent addressing the management and personnel issues at the Company.

A motion was made by Mr. McEachern and seconded by Mr. Storey that each of the directors who are not employed by the Company or members of the Cotter family, receive a one-time bonus of $\$ 25,000$ in recognition of the significant additional time required addressing these matters. Upon motion duly made, seconded and unanimously adopted, the Board approved such one-time bonus.

Ms. Ellen Cotter then adjourned the Meeting at approximately 5:00 p.m., to be reconvened on May 29, 2015 at 10:00 arm. (Los Angeles time) at the Company's Los Angeles offices.


Ellen M. Cotter, Chairperson, Recording Secretary

## EXHIBIT 30



Fearking lntarnationat, ires,
May 29, 2015

A duiy noticed meeting of the Board of Directors (the "Board") of Reading internationah he (the "Company") was held in the Company's Los Angeles office on May 21, 2015 and uttimately adjoumed to May 29, 2010 at 11,00 a,m (los Angeles time).

Fresent were Ellan M. Cotter, Chairperson of the Boarc, nnd Board members Margaret Cotter: Vice Chairperson, James , Cotter, Ir. William D, Gould, Edward \& Kane, Doug Mckachern, Tim Storey and Guy Adams. In atendance at the inviation of the drectors was Wham Q . Elle. corporation Secretary and General Counsei.

Prior to the meeting, Neal Brockmeyer, counsel for the independent directors, reported to each of the independent directors as to a telephone conversation he had on May 28,2015 with Mr. Mark Krum of Lewis Roca Rothgerber, counsel for Mr, lames Cotter, is Mr, Brockmever reported that in his conversation, Mr. Krum asserted that Mr. Guy Adams was not a disinterested director and was disqualffed from voting on any matter addressing Mr. Cotter's continued employment by the Company as chief Executve Officer and President He also asked Mr. Brockmeyer if Mr. Brockmeyer was authorized to accept service of process on behat of the mopependent directors of the Company and asked Mr. Erockmeyer to respond by 10.00 am. on May 29, 2015. The substance of Mr. Brockmeyer's report was also shared with Wham Enis, General Counsel of the Company.

## Cabtor Ordes

Ms. Elfen Cotter, Chairperson of the Board, called the meeting to order at approximately 1500 a.m. (Los Angeles time) and did a roll call of the attendees. Mr. Whlimm Ells acted as recording secretary for the meeting and took these minutes.

## Status of Gresicent and chict Sxemutue Officar

The Board continued its discussion of Mr, James Coter, Ir's performance as chief Executive Officer and President of the Company. Prior to adjoumment on May 21, 2015, the Board discussed having Mr. Cotter continue as president of the Company and to immediately commence a search for a new Chief Executive Officer. At that time, Mr. Cotter twice infomed the other directors that he found that arrangement to be unacceptable. Mr. Coter informed

Reading International, Inc.
Minutes Board of Directors Meeting
May 29, 2015
Page 2
the Board that he had given further thought to a role as President and that he would not agree to remain employed as President of the Company under the leadership of a new Chief Executive Officer.

Mr. Adams explained his lack of confidence in Mr. Cotter's ability to "move the Company forward", principally based on Mr. Cotter's lack of leadership skills, understanding of the Company's business, temperament, managerial skills, decision-making and other attributes in the role of Chief Executive Officer and President.

Mr. Adams' then made the following Motion:
I move to remove James Cotter, Jr. from his position as President and Chief
Executive Officer and all other positions he holds with the Company, its subsidiaries and affiliates. Mr. Cotter's employment agreement provides that if he is terminated without cause he is entitled to severance pay. While I personally believe we may have cause in this situation, it is my proposal that we take this action to remove him "without cause" under the terms of his contract, which will provide him the benefit of the contractual severance pay, assuming there is no further breach of the agreement.

The above Motion was seconded by Mr. McEachern.
Before Ms. Ellen Cotter opened the floor to discussion on this Motion, she read the Board the following statement:

I want to disclose for the record, and as all of you know, Margaret Cotter and I have an interest in litigation that has been filed in California and we are now parties to a lawsuit filed in Nevada by our brother concerning shares of stock and options formerly held by our father. Our brother is also interested in this litigation.

Ms. Margaret Cotter confirmed for the Board that this statement also applied to her as well.
Mr. Cotter began the discussion by questioning the independence of Mr. Adams to vote on the Motion. Mr. Ellis told the Board that he had reviewed with the Company's regular Nevada counsel the substance of Mr. Brockmeyer's report on his conversation with Mr. Krum, including the stated reasons that Mr. Adams was allegedly not disinterested and disqualified from voting on the matter before the Board. He reported to the Board that counsel had advised him that, based on the facts outlined by Mr. Krum (which were the same as those asserted by Mr. Cotter at the meeting), Mr. Adams did not have a conflict that would prevent him from voting on the above motion.

Mr. Cotter further reiterated that it was the intention of his father, the former Chairman and CEO of the Company, that he run the Company and that the Board should observe his wishes.

The Board had a lengthy discussion of Mr. Cotter's performance as Chief Executive Officer and President of the Company. Mr. Cotter disputed these characterizations of his performance and stated his belief that he was competent to continue to run the Company.

The Board then discussed various options regarding how the Company's senior management team should be structured, including terminating Mr. Cotter and appointing an interim Chief Executive Officer to run the Company until Mr. Cotter's successor could be appointed, continuing Mr. Cotter in the role as President and commencing a search for a new Chief Executive Officer (which Mr. Cotter had on three different occasions rejected), and deferring any decision with respect to Mr. Cotter's status as an officer of the Company and maintaining the "status quo" until the pending litigation between the members of the Cotter family is resolved, recognizing that the litigation could impact the control of the Company. Directors Storey and Gould urged Mr. Cotter, Ms. Ellen Cotter and Ms. Margaret Cotter to attempt to negotiate a universal settlement that would resolve issues relating to the control of the Company and provide certainty to management and stockholders alike.

Ms. Ellen Cotter then informed the Board that legal counsel for Ms. Ellen Cotter and Ms. Margaret Cotter had contacted Mr. Cotter's counsel during the last week and proposed a settlement of the litigation existing between the three of them and related trusts and estates. It was noted that settlement of the litigation could be beneficial to the Company and its shareholders because it would remove any questions regarding the voting of the Company's common stock held by the trust and estate of Mr. James Cotter, Sr., which represents a control position in the Company and may reduce or eliminate the tension and obstacles to working collaboratively as a team that currently exists among the three litigants.

Ms. Ellen Cotter then reviewed the terms of the proposal made by her and Ms. Margaret Cotter's counsel to Mr. Cotter's counsel to resolve their litigation matters. It was noted that, to the extent the proposal addressed the terms of any settlement of litigation between the family members and their related trusts and estates, it was a matter personal to the Cotter family and not a matter on which the Board would have a view. To the extent that the proposal addressed the structure of the senior management of the Company, that was a matter for the Board of Directors and could not be dictated by the terms of any settlement. However, recognizing the potential benefits to the Company and its stockholders of a settlement of the existing litigation among the Cotter family members and their related trusts and estates, the meeting went into recess at approximately 2:00 p.m. to permit Mr. Cotter and Madams Ellen Cotter and Margaret Cotter to continue their discussion of settlement terms.
The Board meeting reconvened at approximately 6:00 p.m. at the Los Angeles offices of the Company. Present in the Los Angeles office of the Corporation were Ellen M. Cotter, Chairperson of the Board, and Board members Margaret Cotter, Vice Chairperson, James J.

Cotter, Jr. and Guy Adams. Present telephonically. were William D. Gould, Edward L. Kane, Doug McEachern and Tim Storey. In attendance telephonically at the invitation of the directors was William D. Ellis, Company Secretary. Each of the persons in attendance confirmed that they could hear one another.

Ms. Ellen Cotter reported that she, Ms. Margaret Cotter and Mr. James Cotter, Jr. had reached an "agreement-in-principle" regarding their various disputed issues. Ms. Ellen Cotter then proceeded to read the "agreement-in-principle" to the Board. The agreement in principle addressed the terms of the settlement of the litigation matters existing between the three Cotters and related trusts and estates and also addressed Mr. Cotter's continued role as an officer of the Company. Ms. Ellen Cotter acknowledged that she and Ms. Margaret Cotter had no authority to bind the Company or the Board as to matters related to the Company's management structure that were part of the settlement, and the Cotter parties could only agree to vote for the settlement of those issues if the Board indeed approved such matters. She further noted that the "agreement-in-principle" still had to be reviewed by counsel and documented to the Cotters' mutual satisfaction.

## Adjournment

It was then determined to adjourn the meeting and to permit the Cotters to move forward to document their settlement. No action was taken by the board with respect to the motion made earlier in the meeting and no action was taken on any element of the agreement in principle arrived at between the Cotter family members and related trusts and estates.


## EXHIBIT 31

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## EXHIBIT 32

Message

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Reading review
February 15
Preamble

Reading is a great company in a state of change. JCSnr approach needs to be transitioned to a more orthodox governance and management model - a shift from an autocratic/family office approach to a more focussed corporate approach.

The company's strategic direction needs to be reaffirmed; steps need to be taken to maximise shareholder value in managing the cinema and property operations - in particular US cinemas (growth/upgrades, profitability), NY property (ready for implementation) and being prepared for a substantial investment cycle. While not necessarily urgent, steps need to be taken promptly.

All this would be very challenging for any listed company. It is significantly more complex given the "family" involvement - and even more complicated given the litigation and its implications.

Our principal concern (and duty) is to refocus the company and management. We need to focuss and assist the CEO to do that. Given the background circumstances, we have allowed a period of grace while we waited to see how the various dynamics would play out. Some months down the track we have made limited progress - with litigation now underway and likely to last some time, we need to move forward. The situation impacts on the current management of the company, must certainly affect our ability to find new people (and retain existing) and makes us vulnerable in the market - commercially (operationally) and also to shareholders.

## Background

- JCSnr managed in an unorthodox way but worked for him/Reading
- family in business but a work in progress
- JC - introduced but under tutelage - JCSnr saw a longer period of tutelage than was in fact available - JC assumed CEO role on short notice with limited experienced
- EC - intimately involved - position with Bob not resolved
- MC - live theatre position in place; NY property - involved but not integrated - clear JCSnr significant involvement/oversight and only in prepartory phases
- Under JCSnr clear state of flux - CFO position, CT and WS position all unresolved - JH gone (US property role?); new AUS property director in place

Current position

- company wide direction and strategy needs to be reviewed/confirmed stay in cinemas, develop NY property, be prepared to invest cashflow and capital as it becomes available
- issues around senior management team - review and refresh
- US cinemas - viewed by CEO as underpreforming and in need of clearer management and strategy - anticipated need for significant CAPEX
- US property - NY property on cusp of implementation and in need of project management/value maximisation
- Following JCSnr intrim period with limited progress -
- Bedding in period new regime - CEO getting feet under table
- CEO reviewing operations etc
- Potential litigation looming - wait and see developments
- Feb 2015
- Litigation filed - for company limited affect except for
- Company external perception
- If allegations affect CEO ability to proceed
- Indirect implications of uncertainty over contol of stock
- Estate issues of little concern to company
- Leadership -
- CEO inexperienced and needs help to lead/develop leadership role
- Cotter family issues affecting management - Cotter and others
- Need to establish teamwork etc
- Morale poor and needs to be improved
- Company operations -
- Strategy and business review delayed and frustrated
- Significant issues outstanding - executive suite roles
- Cotter rift causing management concerns - litigation likely to esculate this
- Some executives unsettled - EC, Smerling, Tompkins
- US cinema operations affected by uncertainty
- Company in reasonable position to maintain status quo for a period - no major issues looming and reasonable finacial state

Issues

- Litigation may take 1-5 years to resolve
- Company needs to take steps to minimise any fall out from litigation
- Shareholders - Cotters and others
- Governance - board
- Executive team - retaining existing/engaging new executives as envisaged
- Business operations
- Company needs to complete review and implement strategy as a matter of some urgency - not necessarily an immediate problem - but not wise to leave as is till litigation resolved - note CEO now sees urgency here
- Appears to be urgency to advance NY property development strategy things are ready to go and delay may be costly
- wish to maintain status quo as much as possible re Cotter family, pending litigation outcome - note CEO seems of this view
- wish to support and assist JC in CEO role
- need to ensure stability for business - particularly executive staff needed to run the businesses
[Steps - placeholders/thoughts only]
- CEO
- Reconfirm position and support
- Restate CEO reports to board etc
- set delegated authority level
- hire and fire rules
- Restate requirement/timing for
- monthly reporting [done by CEO - but needs tightening/more detail once other division reports are available]
- strategy review, business plan and budgets - done and timing [JC needs more support to get this done]
- engagement CFO/property executive
- approve property executive job description
- EC
- Clarify role?
- Make reporting line to CEO/expectations clear
- Encourage cooperative approch with CEO to formuate business review/planning process
- Provide certainty with employment contract
- MC
- Leave live theatre contract in place but clarify reporting requirements
- Set up services agreement re NY property role - with SL requirements/role/delegated authority level/remuneration
- Require domicile NY
- Curtail her executive role (attending management meetings etc) she retains director role
- Governance
- voting B Stock - standstill arrangement - status quo unless all three Cotters agree [issues principally appointment directors/any sale of business]
- protocol on conflicts/disputes? Independent members override?
- How are meetings chaired?
- Regularity of meetings for oversight
- Salary review for Cotters?
- C Suite
- Set up for stability
- Find CFO, property person
- Clarify roles - particularly Cotters
- Sort out AM, CT and BS positions - seems may need contracts?
- Strategy/business planning/budgets and reporting
- Set up support to get done?
- Review implications of litigation
- PR strategy
- Filings
- Dealing with shareholders
- Stock price implications
- Are we a controlled company?
- Issues for CEO/other officers?
- What are the likely scenarios depending on "who" wins? And thus implications for current status quo position
- Management going forward
- JC AUS visit
- NY property issues - meetings soon?

In The Supreme Court Of The State Of Nevada

## Supreme Court Case No. <br> - 72261

Electronically Filed Feb 012017 11:09 a.m.
Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, Judy
Codding, and Michael Wrotniak,
Petitioners,
vs.
The Eighth Judicial District Court of the State of Nevada, in and for the County of Clark; and THE Honorable Elizabeth Gonzalez, District Judge, Department 11

Respondents,
and
James J. Cotter, Jr., Individually
And Derivatively on Behalf of
Reading International, Inc.,
Real Party in Interest.

## Elizabeth A. Brown

Clerk of Supreme Court

## Appendix to Writ Petition <br> Volume 4 <br> PGS. 751-1000

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Table of Contents to Appendix

| Tab | Document | Date | Vol. | Pages |
| :---: | :---: | :---: | :---: | :---: |
| 01 | Complaint | 06/12/15 | 1 | 01-32 |
| 02 | Plaintiff's Form 4 Filings | $\begin{gathered} \hline 07 / 16 / 15- \\ 12 / 09 / 16 \end{gathered}$ | 1 | 33-54 |
| 03 | RDI's Motion to Compel Arbitration | 08/10/15 | 1 | 55-76 |
| 04 | Petitioner's Motion to Dismiss Complaint | 08/10/15 | 1 | 77-133 |
| 05 | T2's Verified Shareholder Derivative Complaint | 08/28/15 | 1 | 134-151 |
| 06 | Transcript of Hearing on RDI's Motion to Compel Arbitration | 09/01/15 | 1 | 152-162 |
| 07 | Transcript of Hearing on Petitioner's Motion to Dismiss and Plaintiff's Motion for Preliminary Injunction | 09/10/15 | 1 | 163-181 |
| 08 | First Amended Complaint | 10/22/15 | 1 | 182-231 |
| 09 | Court Minutes re: All Pending Motions | 01/19/16 | 1 | 232-233 |
| 10 | T2's First Amended Complaint | 02/12/16 | $\begin{aligned} & 1 \\ & 2 \end{aligned}$ | $\begin{aligned} & 234-250 \\ & 251-272 \end{aligned}$ |
| 11 | RDI Schedule 14A | 05/18/16 | 2 | 273-326 |
| 12 | Press Release Announcing T2's Withdrawal of Derivative Suit Against RDI | 07/13/16 | 2 | 327-328 |
| 13 | Second Amended Verified Complaint | 09/02/16 | 2 | 329-385 |
| 14 | Petitioner's Motion for Summary Judgment (No. 1) re: Plaintiff's Termination and Reinstatement Claims, with Declaration of Noah S. Helpern and supporting exhibits | 09/23/16 | $\begin{aligned} & 2 \\ & 3 \\ & 4 \\ & 5 \end{aligned}$ | $\begin{gathered} \hline 386-500 \\ 501-750 \\ 751-1000 \\ 1001-1198 \end{gathered}$ |
| 15 | Plaintiff's Motion for Partial Summary Judgment, with Declaration of Plaintiff, appendix, and supporting exhibits | 09/23/16 | $\begin{aligned} & 5 \\ & 6 \\ & 7 \end{aligned}$ | $\begin{aligned} & 1199-1250 \\ & 1251-1500 \\ & 1501-1603 \end{aligned}$ |
| 16 | Plaintiff's Opposition to Petitioner's Motion for Summary Judgment (No. 1) re: Plaintiff's Termination and Reinstatement Claims, with appendix and supporting exhibits | 10/13/16 | $\begin{aligned} & 7 \\ & 8 \end{aligned}$ | $\begin{aligned} & 1604-1750 \\ & 1751-1823 \end{aligned}$ |


| Tab | Document | Date | Vol. | Pages |
| :---: | :--- | :---: | :---: | :---: |
| 17 | Petitioner's Opposition to Plaintiff's <br> Motion for Partial Summary Judgment, <br> with Declaration of Noah S. Helpern and <br> supporting exhibits | $10 / 13 / 16$ | 8 | $1824-1943$ |
| 18 | Petitioner's Reply in Support of Their <br> Motion for Summary Judgment (No. 1) <br> re: Plaintiff's Termination and <br> Reinstatement Claims | $10 / 21 / 16$ | 8 | $1944-1975$ |
| 19 | Plaintiff's Reply in Support of His <br> Motion for Partial Summary Judgment, <br> with Appendix A thereto | $10 / 25 / 16$ | 8 | $1976-2000$ |
| 20 | Transcript of Hearing on Motions | $10 / 27 / 16$ | 9 | $2022-2176$ |
| 21 | Order Regarding Petitioner's Motions <br> for Partial Summary Judgment Nos. 1-6 <br> and Motion in Limine to Exclude Expert <br> Testimony | $12 / 20 / 16$ | 9 | $2177-2180$ |
| 22 | Respondent and Counter-Claimant James <br> J. Cotter Jr.'s First Amended Counter- <br> Complaint filed in the Reading Int'l, Inc. <br> v. James J. Cotter arbitration | $01 / 20 / 17$ | 9 | $2181-2215$ |

## Long-Term Leasehold Operating Property

In addition, in certain cases we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2013, we had approximately 155,000 square foot of space subject to such long-term leases.

| Property ${ }^{8}$ | Square Feet of <br> Improvements <br> (rental/entertainment) | Percentage <br> Leased | Gross Book Value <br> (in U.S. Dollars) |
| :---: | :---: | :---: | :---: |
| Manville | $0 / 53000$ | $\mathrm{~N} / \mathrm{A}$ | $\$ 2,321,000$ |
| Tower | $0 / 16000$ | $\mathrm{~N} / \mathrm{A}$ | $\$ 1,017,000$ |
| Village East ${ }^{\text {P }}$ |  |  |  |
| Waurn Ponds | $4000 / 38000$ | $100 \%$ | $\$ 8,454,000$ |
|  | $6000 / 38000$ |  | $\$ 3,961,000$ |

[8] Rental square footage refers to the amount of area available to be rented to third parties, and the percentage leased is the amount of rental square footage currently leased to third parties. A number of our long-term leasehold operating property include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. Book value includes the entire investment in the leased property, including any cinema fit-out. Rental and book value information is as of December 31 , 2013.
[9] The lease of the Village East provides for a call option pursuant to which Reading may purchase the cinema ground lease for $\$ 5.9$ million at the end of the lease term in 2020. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. See Note 25 - Related Parties and Transactions to our 2013 Consolidated Financial Statements.

## Investment and Development Property

We are engaged in several investment and development projects relative to our currently undeveloped parcels of land. In addition, we anticipate that redevelopment of one or more of our existing developed properties may also occur.

| Property ${ }^{10}$ | Acreage | Gross Book Value (in U.S. Dollars) | Status |
| :---: | :---: | :---: | :---: |
| Auburn, Sydney, Australia | 2.6 acres | \$1,824,000 | We are actively pursuing the development of the next phase of this property. |
| Burwood, Victoria, Australia | 50.6 acres | \$46,528,000 | We continue to evaluate our options with regards to this property. |
| Coachella, CA, USA | 202 acres | \$4,047,000 | We continue to evaluate our options with regards to this property. |
| Courtenay Central, Wellington, New Zealand | 1.1 acres | \$6,953,000 | We are actively pursuing the development of the next phase of this property having signed a lease agreement for a Countdown (Woolworths) supermarket to be developed on this site. |
| Lake Taupo, Taupo, New Zealand | 0.5 acre | \$2,304,000 | We are pursuing various options to dispose of this property. |
| Manukau, <br> Auckland, New Zealand | 64 acres zoned agricultural and 6.4 acres zoned light industrial | \$13,993,000 | The bulk of the land is zoned for agriculture and is currently used for horticulture commercial purposes. A development plan has been filed to rezone the property for warehouse, distribution and manufacturing uses. We currently anticipate that this rezoning will be approved. In 2010, we acquired an adjacent property which is zoned industrial, but is currently unimproved. This property links our existing parcel with the existing road network. |
| Moonee Ponds, Victoria, Australia | 3.3 acres | \$11,053,000 | In November 2013, we entered into a definitive purchase and sale agreement to sell our properties located in Moonee Ponds, Victoria, Australia with a scheduled closing date of April 16, 2015 |

[10] A number of our real estate holdings include additional land held for development. In addition, we have acquired certain parcels for future development. The gross book value includes, as applicable, the land, building, development costs, and capitalized interest.

Some of our income operating property and our investment and development property carry various debt encumbrances based on their income streams and geographic locations. For an explanation of our debt and the associated security collateral please see Note 12 - Notes Payable to our 2013 Consolidated Financial Statements.

## Other Property Interests and Investments

We own the fee interest in 11 parcels comprising 195 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. With the exception of certain properties located in Philadelphia (including the raised railroad bed leading to the old Reading Railroad Station), the properties are principally located in rural areas of Pennsylvania and Delaware. Additionally, we own a condominium in the Los Angeles, California area that is used for offsite corporate meetings and by our Chief Executive Officer when he is in town. Except for a negative pledge on the aforementioned Los Angeles condominium, these properties are unencumbered with any debt and are lien free.

## Tax Audit/Litigation

The Internal Revenue Service (the "IRS") has examined the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. These companies are both now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes.

CRG and the IRS agreed to compromise the claims made by the IRS against CRG and the Tax Court's order was entered on January 6, 2011. In the settlement, the IRS conceded $70 \%$ of its claimed adjustment to income. Instead of a claim for unpaid taxes of $\$ 20.9$ million plus interest, the effect of settlement on the Reading consolidated group was to require a total federal income tax obligation of $\$ 5.4$ million, reduced by a federal tax refund of $\$ 800,000$ and increased by interest of $\$ 9.3$ million, for a net federal tax liability of $\$ 13.9$ million as of January 6, 2011. On October 26, 2011, CRG reached an agreement with the IRS for an installment plan to pay off this federal tax liability, including additional interest accruals at the prescribed IRS floating rate. The agreement requires monthly payments of $\$ 290,000$ over a period of approximately five years. As of December 31, 2013 and 2012, after the payments made during 2013 and 2012, respectively, the remaining federal tax obligation was $\$ 8.3$ million and $\$ 10.0$ million, respectively, in tax and interest. Of the $\$ 8.3$ million owed under the installment agreement as of December $31,2013, \$ 3.5$ million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability. Of the $\$ 10.0$ million owed under the installment agreement as of December 31, 2012, $\$ 3.5$ million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability.

The impact of the settlement upon the state taxes of the Reading consolidated group, if the adjustment to income agreed with the IRS were reflected on state returns, would be an obligation of approximately $\$ 1.4$ million in tax plus interest and potential penalty. As of December 31, 2013, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed if a deficiency is asserted.

## Environmental and Asbestos Claims

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2013, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $\$ 15.2$ million (AUS $\$ 17.1$ million) and as of that date we had already incurred a total of $\$ 7.4$ million (AUS $\$ 8.3$ million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as it is anticipated that all of the work will be done in connection with the excavation and other development activity already contemplated for the property.

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

(a) Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

## Market Information

Reading International, Inc., a Nevada corporation ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading" and "we," "us," or "our"), was incorporated in 1999. Historically, we have been listed on the AMEX and due to the 2008 purchase of the AMEX by the NYSE Alternext US ; we were listed on that exchange at December 31, 2008. During July 2009, we moved our listing from NYSE Alternext to NASDAQ.

The following table sets forth the high and low closing prices of the RDI and RDIB common stock for each of the quarters in 2013 and 2012 as reported by NASDAQ:

|  |  | Class A Stock |  |  |  | Class B Stock |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | High |  | Low |  | High |  | Low |  |
| $\underline{2013}$ | Fourth Quarter | \$ | 7.49 | \$ | 6.15 | \$ | 9.00 | \$ | 6.99 |
|  | Third Quarter | \$ | 6.58 | \$ | 6.15 | \$ | 7.99 | \$ | 6.52 |
|  | Second Quarter | \$ | 6.36 | \$ | 5.50 | \$ | 7.40 | \$ | 6.00 |
|  | First Quarter | \$ | 6.08 | \$ | 5.42 | \$ | 7.49 | \$ | 5.65 |
| $\underline{2012}$ | Fourth Quarter | \$ | 6.23 | \$ | 5.48 | \$ | 7.40 | \$ | 5.64 |
|  | Third Quarter | \$ | 6.58 | \$ | 4.73 | \$ | 7.95 | \$ | 5.00 |
|  | Second Quarter | \$ | 5.88 | \$ | 4.62 | \$ | 6.75 | , | 4.53 |
|  | First Quarter | \$ | 4.56 | \$ | 4.12 | \$ | 7.00 |  | 4.26 |

The following table summarizes the securities authorized for issuance under our equity compensation plans:

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants, and rights | Weightedaverage exercise price of outstanding options, warrants, and rights |  | Number of securities remaining available for future issuance under equity compensation plans |
| :---: | :---: | :---: | :---: | :---: |
| Equity compensation plans approved by security holders | 894,950 | \$ | 7.33 | 1,829,436 |
| Total | 894,950 | \$ | 7.33 | 1,829,436 |

## Performance Graph

The following line graph compares the cumulative total stockholder return on Reading International, Inc.'s common stock for the years ended December 31, 2009, 2010, 2011, 2012, and 2013 against the cumulative total return as calculated by the NASDAQ composite, the motion picture theater operator group, and the real estate operator group.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Reading Intemational InC , the NASDAQ Composite Index, Real Estate Operatars Group,

$\square$ Reading Intemational, Inc. - N-NASDAQComposite
$\therefore$ Real Estate Operators Group $\quad-$ - Metion Picture Theater Operators Group

> *W1 ai invested on $12 / 3100$ in stock or index, including reinestment of dividends. Fiscal year ending December 31 .

## Holders of Record

The number of holders of record of our Class A Stock and Class B Stock in 2013 was approximately 3,500 and 300 , respectively. On March 6, 2014, the closing price per share of our Class A Stock was $\$ 7.54$ and the closing price per share of our Class B Stock was $\$ 10.23$.

## Dividends on Common Stock

We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend; however, we review this matter on an ongoing basis.
(b) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

## (c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2011, we purchased 172,300 of Class A Nonvoting shares on the open market for $\$ 747,000$. No shares were purchased during either 2013 or 2012.

## Item 6 - Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Annual Report"), and the related notes to the consolidated financial statements (dollars in thousands, except per share amounts).

|  | 2013 |  | At or for the Year Ended December 31, |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | 2012 |  | 2011 |  | 2010 |  | 2009 |
| Revenue | \$ | 258,221 | \$ | 254,430 | \$ | 244,979 | \$ | 229,322 | \$ | 216,740 |
| Operating income | \$ | 20,935 | \$ | 19,127 | \$ | 18,178 | \$ | 13,069 | \$ | 13,910 |
| Income (loss) from discontinued operations | \$ | -- | \$ | (405) | \$ | 1,888 | \$ | 97 | \$ | 12 |
| Net income (loss) | \$ | 9,145 | \$ | $(1,406)$ | \$ | 10,896 | \$ | $(12,034)$ | \$ | 6,482 |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ | 9,041 | \$ | (914) | \$ | 9,956 | \$ | $(12,650)$ | \$ | 6,094 |
| Basic earnings (loss) per share - continuing operations | \$ | 0.39 | \$ | (0.02) | \$ | 0.36 | \$ | (0.56) | \$ | 0.27 |
| Basic earnings (loss) per share - discontinued operations | \$ | -- | \$ | (0.02) | \$ | 0.08 | \$ | -- | \$ | - |
| Basic earnings (loss) per share | \$ | 0.39 | \$ | (0.04) | \$ | 0.44 | \$ | (0.56) | \$ | 0.27 |
| Diluted earnings (loss) per share - continuing operations | \$ | 0.38 | \$ | (0.02) | \$ | 0.35 | \$ | (0.56) | \$ | 0.27 |
| Diluted earnings (loss) per share - discontinued operations | \$ | -- | \$ | (0.02) | \$ | 0.08 | \$ | -- | \$ | -- |
| Diluted earnings (loss) per share | \$ | 0.38 | \$ | (0.04) | \$ | 0.43 | \$ | (0.56) | \$ | 0.27 |
| Other Information: |  |  |  |  |  |  |  |  |  |  |
| Shares outstanding |  | 23,083,265 |  | 23,083,265 |  | 22,806,838 |  | 22,804,313 |  | 22,588,403 |
| Weighted average number of shares outstanding-basic |  | 23,348,003 |  | 23,028,596 |  | 22,764,666 |  | 22,781,392 |  | 22,580,942 |
| Weighted average number of shares outstanding-diluted |  | 23,520,271 |  | 23,028,596 |  | 22,993,135 |  | 22,781,392 |  | 22,767,735 |
| Total assets | \$ | 386,807 | \$ | 428,588 | \$ | 430,764 | \$ | 430,349 | \$ | 406,417 |
| Total debt | \$ | 168,460 | \$ | 196,597 | \$ | 209,614 | \$ | 228,821 | \$ | 226,993 |
| Working capital (deficit) | \$ | $(71,794)$ | \$ | $(21,415)$ | \$ | $(12,844)$ | \$ | $(57,634)$ | \$ | $(16,229)$ |
| Stockholders' equity | \$ | 121,747 | \$ | 130,954 | \$ | 124,987 | \$ | 112,639 | \$ | 110,263 |
| EBIT | \$ | 24,020 | \$ | 20,416 | \$ | 18,664 | \$ | 13,900 | \$ | 22,618 |
| Depreciation and amortization | \$ | 15,197 | \$ | 16,049 | \$ | 16,595 | \$ | 15,563 | \$ | 15,034 |
| Add: Adjustments for discontinued operations | \$ | -- | \$ | 335 | \$ | 365 | \$ | 351 | \$ | 134 |
| EBITDA | \$ | 39,217 | \$ | 36,800 | \$ | 35,624 | \$ | 29,814 | \$ | 37,786 |
| Debt to EBITDA | \$ | 4.30 | \$ | 5.34 | \$ | 5.88 | \$ | 7.67 | \$ | 6.01 |
| Capital expenditure (including acquisitions) | \$ | 20,082 | \$ | 13,723 | \$ | 9,376 | \$ | 19,371 | \$ | 5,686 |
| Number of employees at $12 / 31$ |  | 2,494 |  | 2,412 |  | 2,263 |  | 2,109 |  | 2,207 |

EBIT presented above represents net income (loss) adjusted for interest expense (calculated net of interest income) and income tax expense. EBIT is presented for informational purposes to show the significance of depreciation and amortization in the calculation of EBITDA. We use EBIT in our evaluation of our operating results since we believe that it is useful as a measure of financial performance, particularly for us as a multinational company. We believe it is a useful measure of financial performance principally for the following reasons:

- since we operate in multiple tax jurisdictions, we find EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions in which we operate.
- in addition, we find EBIT useful as a financial measure that removes the impact from our effective tax rate of factors not directly related to our business operations, such as, whether we have acquired operating assets by purchasing those assets directly, or indirectly by purchasing the stock of a company that might hold such operating assets.
- the use of EBIT as a financial measure also (i) removes the impact of tax timing differences which may vary from time to time and from jurisdiction to jurisdiction, (ii) allows us to compare our performance to
that achieved by other companies, and (iii) is useful as a financial measure that removes the impact of our historically significant net loss carry-forwards.
- the elimination of net interest expense helps us to compare our operating performance to those companies that may have more or less debt than we do.

EBITDA presented above is net income (loss) adjusted for interest expense (again, calculated net of interest income), income tax expense, and in addition depreciation and amortization expense. We use EBITDA in our evaluation of our performance since we believe that EBITDA provides a useful measure of financial performance and value. We believe this principally for the following reasons:

- we believe that EBITDA is an industry comparative measure of financial performance. It is, in our experience, a measure commonly used by analysts and financial commentators who report on the cinema exhibition and real estate industries and a measure used by financial institutions in underwriting the creditworthiness of companies in these industries. Accordingly, our management monitors this calculation as a method of judging our performance against our peers and market expectations and our creditworthiness.
- also, analysts, financial commentators, and persons active in the cinema exhibition and real estate industries typically value enterprises engaged in these businesses at various multiples of EBITDA. Accordingly, we find EBITDA valuable as an indicator of the underlying value of our businesses.

We expect that investors may use EBITDA to judge our ability to generate cash, as a basis of comparison to other companies engaged in the cinema exhibition and real estate businesses and as a basis to value our company against such other companies.

Neither EBIT nor EBITDA is a measurement of financial performance under accounting principles generally accepted in the United States of America and should not be considered in isolation or construed as a substitute for net income or other operations data or cash flow data prepared in accordance with accounting principles generally accepted in the United States for purposes of analyzing our profitability. The exclusion of various components such as interest, taxes, depreciation, and amortization necessarily limit the usefulness of these measures when assessing our financial performance, as not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements to service debt, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail in this Annual Report on Form 10-K.

EBIT and EBITDA also fail to take into account the cost of interest and taxes. Interest is clearly a real cost that for us is paid periodically as accrued. Taxes may or may not be a current cash item but are nevertheless real costs that, in most situations, must eventually be paid. A company that realizes taxable earnings in high tax jurisdictions may be ultimately less valuable than a company that realizes the same amount of taxable earnings in a low tax jurisdiction. EBITDA fails to take into account the cost of depreciation and amortization and the fact that assets will eventually wear out and have to be replaced.

EBITDA, as calculated by us, may not be comparable to similarly titled measures reported by other companies. A reconciliation of net income (loss) to EBIT and EBITDA is presented below (dollars in thousands):

|  | 2013 |  | 2012 |  | 2011 |  | 2010 |  | 2009 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net income (loss) attributable to Reading |  |  |  |  |  |  |  |  |  |  |
| International, Inc. shareholders | \$ | 9,041 | \$ | (914) | \$ | 9,956 | \$ | $(12,650)$ | \$ | 6,094 |
| Add: Interest expense, net |  | 10,037 |  | 16,426 |  | 21,038 |  | 12,286 |  | 14,572 |
| Add: Income tax (benefit) expense |  | 4,942 |  | 4,904 |  | $(12,330)$ |  | 14,264 |  | 1,952 |
| EBIT | \$ | 24,020 | \$ | 20,416 | \$ | 18,664 | \$ | 13,900 | \$ | 22,618 |
| Add: Depreciation and amortization |  | 15,197 |  | 16,049 |  | 16,595 |  | 15,563 |  | 15,034 |
| Adjustments for discontinued operations |  | -- |  | 335 |  | 365 |  | 351 |  | 134 |
| EBITDA | \$ | 39,217 | \$ | 36,800 | \$ | 35,624 | \$ | 29,814 | \$ | 37,786 |

The following review should be read in conjunction with the consolidated financial statements and related notes included in this 2013 Annual Report. Historical results and percentage relationships do not necessarily indicate operating results for any future periods.

## Overview

We are an internationally diversified company principally focused on the development, ownership, and operation of entertainment and real property assets in the United States, Australia, and New Zealand. Currently, we operate in two business segments:

- Cinema Exhibition, through our 56 multiplex theaters, and
- Real Estate, including investment, development, and the rental of retail, commercial and live theater assets.

We believe that these two business segments complement one another, as the comparatively consistent cash flows generated by our cinema operations can be used to fund new cinema business opportunities and the front-end cash demands of our real estate investment and development business.

We manage our worldwide cinema exhibition businesses under various different brands:

- in the US, under the Reading, Angelika Film Center, Consolidated Amusements, and City Cinemas brands;
- in Australia, under the Reading brand; and
- in New Zealand, under the Reading and Rialto brands.

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas. From time to time, we invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. In the current environment, we intend to focus on the development and redevelopment of our existing assets (particularly our New York assets and our Angelika Film Center chain), as well as to continue to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate company and intend to add to stockholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land and brick and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and international assets and operations, and between our cash generating cinema operations and our cash consuming real estate investment and development activities. We believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate operations, our business strategy is unique among public companies.

## Business Climate

Cinema Exhibition - General
After years of uncertainty as to the future of digital exhibition and the impact of this technology on cinema exhibition, it became clear in 2012 that the industry must go digital. We have now completed the conversion of all of our U.S., Australia, and New Zealand cinema operations to digital projection. Over several years, we anticipate
that the cost of this conversion will be covered in substantial part by the receipt of Virtual Print Fees paid by film distributors for the use of such digital projection equipment.

In the case of "in-home" entertainment alternatives, the industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to entertainment programming through cable, satellite, DVD, and internet distribution channels. These alternative distribution channels are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates, and certain distributors are talking about possible simultaneous or near simultaneous releases in multiple channels of distribution. These issues are common to both our domestic and international cinema operations.

Certain new entrants to the cinema exhibition market, as well as certain of our historic competitors, have begun to develop new and to reposition existing cinemas that offer a broader selection of premium seating and food and beverage offerings. These include, in some cases, food service to the seat and the offering of alcoholic beverages. We have for some years offered premium seating and alcoholic beverages in certain of our overseas cinemas. We have also offered café food selections and alcoholic beverages domestically in certain of our Angelika Film Centers. Accordingly, we are experienced in and believe that we can compete effectively with this emerging competition. We are currently reviewing the potential for expanding our offerings at a variety of our domestic cinemas.

## Cinema Exhibition - Australia / New Zealand

The film exhibition industry in Australia and New Zealand is highly concentrated in that Village, Event, and Hoyts (the "Major Exhibitors") control approximately $65 \%$ of the cinema box office in Australia while Event and Hoyts control approximately $55 \%$ of New Zealand's cinema box office. The industry is also vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors (part of Village), also serves as a distributor of film in Australia and New Zealand for Warner Bros. and New Line. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and megaplex cinemas, while the independent exhibitors typically have older and smaller cinemas. In addition, the Major Exhibitors have in recent periods built a number of new multiplexes as joint venture partners or under shared facility arrangements, and have historically not engaged in head-to-head competition.

## Cinema Exhibition - North America

In North America, distributors may find it more commercially appealing to deal with major exhibitors, rather than to deal with independents like us, which tends to compress the supply of screens in a very limited number of markets. This competitive disadvantage has increased significantly in recent periods with the development of mega circuits like Regal and AMC who are able to offer distributors access to screens on a truly nationwide basis, or, on the other hand, to deny access if their desires with respect to film supply are not satisfied.

These consolidations can adversely affect our ability to get film in certain U.S. markets where we compete against major exhibitors. With the restructuring and consolidation undertaken in the industry, and the emergence of increasingly attractive "in-home" entertainment alternatives, strategic cinema acquisitions by our U.S. operation have and can continue to be a way to combat such a competitive disadvantage.

## Real Estate - Australia and New Zealand

Over the past few years, there has been a noted stabilization in real estate market activity resulting in some increases to commercial and retail property values in Australia and to a lesser extent in New Zealand. Both countries have relatively stable economies with varying degrees of economic growth that are mostly influenced by global trends. Also, we have noted that our Australian and New Zealand developed properties have had consistent growth in rentals and values although project commencements have slowed. Once developed, we remain confident that our Australian and New Zealand holdings will continue to provide value and cash flows to our operations.

Real Estate - North America

The commercial real estate market has improved somewhat over the past two years and we have noted some strong increases associated with our real estate located in large urban environments.

## Business Segments

As indicated above, our two primary business segments are cinema exhibition and real estate. These segments are summarized as follows:

## Cinema Exhibition

One of our primary businesses consists of the ownership and operation of cinemas. For a breakdown of our current cinema assets that we own and/or manage please see Item 1 - Our Business of this 2013 Annual Report under the subheading "Our Cinema Exhibition Activities."

On December 31, 2013, we acquired a 5 -screen cinema in the U.S. that we previously had managed since 2003. In 2012 , we opened one cinema with 8 screens and closed two cinemas having a total of 8 screens. In 2011 , we purchased one 17 -screen cinema

Our cinema revenue consists of admissions, concessions, and advertising. The cinema operating expense consists of the costs directly attributable to the operation of the cinemas including film rent expense, operating costs, and occupancy costs. Cinema revenue and expense fluctuate with the availability of quality first-run films and the numbers of weeks the first-run films stay in the market.

## Real Estate

For fiscal 2013, our income operating property consisted of the following:

- our Belmont, Western Australia ETRC, our Auburn, New South Wales ETRC and our Wellington, New Zealand ETRC;
- our Newmarket shopping center in Newmarket, Queensland, a suburb of Brisbane
- three single auditorium live theaters in Manhattan (Minetta Lane, Orpheum, and Union Square) and a four auditorium live theater complex in Chicago (The Royal George) and, in the case of the Union Square and the Royal George, their accompanying ancillary retail and commercial tenants;
- a New Zealand commercial property located at Lake Taupo and Australian commercial properties rented to unrelated third parties, to be held for current income and long-term appreciation; and
- the ancillary retail and commercial tenants at some of our non-ETRC cinema properties.

In addition, we had various parcels of unimproved real estate held for development in Australia and New Zealand and certain unimproved land in the United States that was used in our historic activities. We also owned an 8,100 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand, approximately $36 \%$ of which is leased to an unrelated third party.

## Acquisitions

## Operating Assets

On December 31, 2013, we settled a management fee claim that we had against the owner of the Plano, Texas cinema that we had managed since 2003 for a cash receipt of $\$ 1.9$ million. As part of the settlement, we acquired that entity, and through the purchase of that entity acquired the underlying cinema's lease and the associated personal property, equipment, and trade fixtures. Because the fair value of the lease, in light of anticipated rent payments, resulted in a lease liability of $\$ 320,000$ and the acquired net assets, including cash received in connection with the settlement, were valued at $\$ 1.7$ million, we recorded a net gain on acquisition and settlement of $\$ 1.4$ million which is included as other income in our statement of operating income for the year ended December 31,2013. We also acquired in 2013 the $50 \%$ interest we did not own in AFC LLC. In August 2011, we purchased the CalOaks Cinema, our largest multi-screened cinema to date, for $\$ 4.2$ million.

Nonoperating Assets

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202 -acre property, zoned for the development of up to 816 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for $\$ 5.5$ million. The property was acquired as a long-term investment in developable land. Half of the funds used to acquire the land were provided by James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted into a $50 \%$ interest in Shadow View Land and Farming, LLC. We are the managing member of this company.

## Disposals

Moonee Ponds Properties - Held for Sale
In 2013, we entered into a purchase and sale agreement to sell our 3.3-acre properties in Moonee Ponds for AUS $\$ 23.0$ million which is scheduled to close on April 16, 2015 and is classified as land held for sale on our December 31,2013 consolidated balance sheet.

## Indooroopilly Property

On November 20, 2012, we sold our Indooroopilly property for $\$ 12.4$ million (AUS $\$ 12.0$ million). As the book value was $\$ 12.5$ million (AUS $\$ 12.1$ million) for this property, we recorded a loss on sale as an impairment expense of $\$ 318,000$ (AUS $\$ 306,000$ ) for the year ended December 31, 2012 which included the cost to sell the property.

## Taringa Properties

On February 21, 2012, we sold our three properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres for $\$ 1.9$ million (AUS $\$ 1.8$ million). Because the net carrying amounts of these properties were greater than the total sale price, we recorded an impairment expense for these properties of $\$ 369,000$ (AUS $\$ 365,000$ ) for the year ended December 31, 2011.

## Elsternwick Cinema

On April 14, 2011, we sold our $66.7 \%$ share of the 5 -screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for $\$ 1.9$ million (AUS $\$ 1.8$ million) and recognized a gain on sale of a discontinued operation of $\$ 1.7$ million (AUS $\$ 1.6$ million)

## Investment and Development Property

We are engaged in several real estate development projects. For a complete list of these properties with their size, status, and gross book values see Item 2 - Properties under the heading of "Investment and Development Property."

## Critical Accounting Policies

The Securities and Exchange Commission defines critical accounting policies as those that are, in management's view, most important to the portrayal of the company's financial condition and results of operations and the most demanding in their calls on judgment. We believe our most critical accounting policies relate to:

- impairment of long-lived assets, including goodwill and intangible assets;
- tax valuation allowance and obligations; and
- legal and environmental obligations.


## Impairment of long-lived assets, including goodwill and intangible assets

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Pursuant to FASB ASC 360-35, we review internal management reports on a monthly basis as well as monitoring current and potential future competition in film markets for indications of potential impairment. We evaluate our longlived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated, undiscounted future cash flows is less than the carrying amount of the asset, then impairment is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on an appraisal or a discounted cash flow calculation.

For certain non-income producing properties, we obtain appraisals or other evidence to evaluate whether there are impairment indicators for these assets. Based on calculations of current value from appraisals and a sales contract, we recorded impairment losses of $\$ 1.5$ million and $\$ 369,000$ relating to certain of our property and cinema locations for the years ended December 31, 2012 and 2011, respectively. No impairment losses were recorded in 2013. For a further explanation of our 2012 impairment losses see below under the heading "Coachella impairment" and see Note 7 Investment and Development Property to our 2013 Consolidated Financial Statements.

Pursuant to FASB ASC 350-35, goodwill and intangible assets are evaluated annually on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. There was no impairment for the goodwill and intangible assets for the years ended December 31, 2013, 2012, and 2011, respectively.

## Tax valuation allowance and obligations

We record our estimated future tax benefits and liabilities arising from the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards. We estimate the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. As of December 31, 2013, we had recorded approximately $\$ 43.8$ million of deferred tax assets related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards and tax credit carry-forwards. These deferred tax assets were offset by a valuation allowance of $\$ 35.0$ million resulting in a net deferred tax asset of $\$ 8.8$ million. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income. There is no assurance that sufficient future taxable income will be generated to benefit from our tax loss carry-forwards and tax credit carry-forwards.

## Legal and environmental obligations

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust, and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

From time to time, we are involved with claims and lawsuits arising in the ordinary course of our business that may include contractual obligations, insurance claims, tax claims, employment matters, and anti-trust issues, among other matters.

In January 2012, we acquired in a foreclosure auction for $\$ 5.5$ million a 202 -acre property located in Coachella, California zoned for the development of up to 816 single-family residential units. The only other bidder was the holder of the mortgage on the property who bid $\$ 5.46$ million for the property. At the time of the purchase, we knew, based on our due diligence that we were paying more for the property than would be supported by an appraisal done under the Uniform Standards of Professional Appraisal Practice ("USPAP"). However, the amount that we bid was the lowest price at which we were able to acquire the property from the mortgagor. In valuing the property, we took into account a variety of factors, including the fact that the property is located within the City of Coachella, the state of the land use entitlements, and the fact that the prior owner had invested considerable time and money in obtaining the entitlements from the City of Coachella. Since an independent USPAP appraisal of the property produced an appraised value as of December 2012 at $\$ 4.0$ million, we wrote down the book value of the property by $\$ 1.5$ million as of the end of our 2012 fiscal year. As noted below, this property is owned by a limited liability company which is, in turn, $50 \%$ owned by Mr. James J. Cotter who, accordingly, shares in any impairment loss to the extent of his ownership interest.

We acquired the property as a potentially long-term investment based on the expectation that ready-fordevelopment residential real estate will recover in value. As we are not in the business of developing single family residences, it is anticipated that the property will eventually be sold to a developer of this type of property.

We hold the property in a limited liability company, which we manage. This company is owned $50 / 50$ by ourselves and our Chairman and Chief Executive Officer, James J. Cotter. The opportunity to acquire the property was originally presented to Mr. Cotter in his individual capacity and the transaction was approved by our Conflicts Committee, comprised entirely of independent directors.

## Results of Operations

We currently have two operating segments: Cinema Exhibition and Real Estate. Our cinema exhibition segment includes the operations of our consolidated cinemas. Our real estate segment includes the operating results of our commercial real estate holdings, cinema real estate, live theater real estate, and ETRC's.

The tables below summarize the results of operations for our principal business segments for the years ended December 31, 2013, 2012, and 2011 (dollars in thousands).

| Year Ended December 31, 2013 | Cinema Exhibition |  | Real Estate |  | Intersegment Eliminations |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenue | \$ | 239,418 | \$ | 26,456 | \$ | $(7,653)$ | S | 258,221 |
| Operating expense |  | 200,859 |  | 10,830 |  | $(7,653)$ |  | 204,036 |
| Depreciation and amortization |  | 10,741 |  | 4,023 |  | -- |  | 14,764 |
| General and administrative expense |  | 3,273 |  | 644 |  | -- |  | 3,917 |
| Segment operating income | \$ | 24,545 | \$ | 10,959 | \$ | -- | S | 35,504 |
| Year Ended December 31, 2012 |  | ema <br> bition |  | state |  | ment tions |  | Total |
| Revenue | \$ | 234,703 | \$ | 27,256 | \$ | $(7,529)$ | \$ | 254,430 |
| Operating expense |  | 198,040 |  | 11,163 |  | $(7,529)$ |  | 201,674 |
| Depreciation and amortization |  | 11,154 |  | 4,441 |  | -- |  | 15,595 |
| General and administrative expense |  | 2,598 |  | 718 |  | -- |  | 3,316 |
| Impairment expense |  | -- |  | 1,463 |  | -- |  | 1,463 |
| Segment operating income | \$ | 22,911 | \$ | 9,471 | \$ | -- | S | 32,382 |


| Year Ended December 31, 2011 | Cinema <br> Exhibition |  | Real Estate |  | Intersegment Eliminations |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenue | \$ | 225,849 | \$ | 26,562 | \$ | $(7,432)$ | \$ | 244,979 |
| Operating expense |  | 189,647 |  | 10,190 |  | $(7,432)$ |  | 192,405 |
| Depreciation and amortization |  | 11,842 |  | 4,444 |  | -- |  | 16,286 |
| General and administrative expense |  | 2,740 |  | 646 |  | -- |  | 3,386 |
| Impairment expense |  | -- |  | 369 |  | -- |  | 369 |
| Segment operating income | \$ | 21,620 | \$ | 10,913 | \$ | -- | \$ | 32,533 |


| Reconciliation to net income attributable to Reading International, Inc. shareholders: | 2013 |  | 2012 |  | 2011 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total segment operating income | \$ | 35,504 | \$ | 32,382 | \$ | 32,533 |
| Non-segment: |  |  |  |  |  |  |
| Depreciation and amortization expense |  | 433 |  | 454 |  | 309 |
| General and administrative expense |  | 14,136 |  | 12,801 |  | 14,046 |
| Operating income |  | 20,935 |  | 19,127 |  | 18,178 |
| Interest expense, net |  | $(10,037)$ |  | $(16,426)$ |  | $(21,038)$ |
| Other income (loss) |  | 1,876 |  | (563) |  | 1,157 |
| Gain (loss) on sale of assets |  | (56) |  | 144 |  | (67) |
| Income tax benefit (expense) |  | $(4,942)$ |  | $(4,904)$ |  | 12,330 |
| Equity earnings (loss) of unconsolidated joint ventures and entities |  | 1,369 |  | 1,621 |  | $(1,552)$ |
| Income (loss) from discontinued operations |  | -- |  | (85) |  | 232 |
| Gain (loss) on sale of discontinued operation |  | -- |  | (320) |  | 1,656 |
| Net income (loss) | \$ | 9,145 | \$ | $(1,406)$ | \$ | 10,896 |
| Net (income) loss attributable to noncontrolling interests |  | (104) |  | 492 |  | (940) |
| Net income (loss) attributable to Reading International, Inc. common shareholders | \$ | 9,041 | \$ | (914) | \$ | 9,956 |

## Cinema Exhibition Segment

The following tables and discussion that follows detail our operating results for our 2013, 2012, and 2011 cinema exhibition segment (dollars in thousands). All percentages below are expressed as a percent of total revenue, except film rent and advertising cost which is expressed as a percentage of admissions revenue and concession cost which is expressed as a percentage of concessions revenue:

Operating Income by Country for the

| Year Ended December 31, 2013 | United States |  | Australia |  | New Zealand |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Admissions revenue | \$ | 84,725 | \$ | 61,741 | \$ | 15,039 | \$ | 161,505 |
| Concessions revenue |  | 35,056 |  | 24,025 |  | 5,596 |  | 64,677 |
| Advertising and other revenues |  | 6,540 |  | 5,655 |  | 1,041 |  | 13,236 |
| Total revenues |  | 126,321 |  | 91,421 |  | 21,676 |  | 239,418 |
| Film rent and advertising cost |  | 44,284 |  | 29,060 |  | 7,116 |  | 80,460 |
| Concession cost |  | 5,924 |  | 4,847 |  | 1,438 |  | 12,209 |
| Occupancy expense |  | 25,981 |  | 18,371 |  | 3,943 |  | 48,295 |
| Other operating expense |  | 31,930 |  | 22,218 |  | 5,747 |  | 59,895 |
| Total operating expense |  | 108,119 |  | 74,496 |  | 18,244 |  | 200,859 |
| Depreciation and amortization |  | 6,181 |  | 3,603 |  | 957 |  | 10,741 |
| General and administrative expense |  | 2,347 |  | 926 |  | -- |  | 3,273 |
| Segment operating income | \$ | 9,674 | \$ | 12,396 | \$ | 2,475 | \$ | 24,545 |

Operating Data as a Percentage of

| Revenue for Year Ended <br> December 31, 2013 | United States | Australia | New Zealand | Total |
| :--- | ---: | ---: | ---: | ---: |
| Admissions revenue | $67.1 \%$ | $67.5 \%$ | $69.4 \%$ | $67.5 \%$ |
| Concessions revenue | $27.8 \%$ | $26.3 \%$ | $25.8 \%$ | $27.0 \%$ |
| Advertising and other revenue | $5.2 \%$ | $6.2 \%$ | $4.8 \%$ | $5.5 \%$ |
| Total revenue | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ |
| Film rent and advertising cost | $52.3 \%$ | $47.1 \%$ | $47.3 \%$ | $49.8 \%$ |
| Concession cost | $16.9 \%$ | $20.2 \%$ | $25.7 \%$ | $18.9 \%$ |
| Occupancy expense | $20.6 \%$ | $20.1 \%$ | $18.2 \%$ | $20.2 \%$ |
| Other operating expense | $25.3 \%$ | $24.3 \%$ | $26.5 \%$ | $25.0 \%$ |
| Total operating cost and expense | $85.6 \%$ | $81.5 \%$ | $84.2 \%$ | $83.9 \%$ |
| Depreciation and amortization | $4.9 \%$ | $3.9 \%$ | $4.4 \%$ | $4.5 \%$ |
| General and administrative expense | $1.9 \%$ | $1.0 \%$ | $0.0 \%$ | $1.4 \%$ |
| Segment operating income | $7.7 \%$ | $13.6 \%$ | $11.4 \%$ | $10.3 \%$ |

Operating Income by Country for the

| Year Ended December 31, 2012 | United States | Australia | New Zealand | Total |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| Admissions revenue | $\$$ | 78,745 | $\$$ | 68,819 | $\$$ | 13,897 |
| Concessions revenue | 32,219 | 24,564 | 161,461 |  |  |  |
| Advertising and other revenues | 5,433 | 5,266 | 61,049 |  |  |  |
| Total revenues | 116,397 | 99,189 |  | 19,117 | 234,703 |  |
|  |  |  |  |  |  |  |
| Film rent and advertising cost | 40,690 | 32,953 | 6,517 | 80,160 |  |  |
| Concession cost | 5,205 | 4,908 | 1,034 | 11,147 |  |  |
| Occupancy expense | 26,143 | 19,233 | 3,503 | 48,879 |  |  |
| Other operating expense | 29,870 | 23,024 | 4,960 | 57,854 |  |  |
| Total operating expense | 101,908 | 80,118 | 16,014 | 198,040 |  |  |
|  |  |  |  |  |  |  |
| Depreciation and amortization |  | 6,482 | 3,589 | 1,083 | 11,154 |  |
| General and administrative expense |  | 1,937 | 661 |  | -- | 2,598 |
| Segment operating income | $\$$ | 6,070 | $\$$ | 14,821 | $\$$ | 2,020 |

Operating Data as a Percentage of

| Revenue for Year Ended December 31, 2012 | United States | Australia | New Zealand | Total |
| :---: | :---: | :---: | :---: | :---: |
| Admissions revenue | 67.7\% | 69.4\% | 72.7\% | 68.8\% |
| Concessions revenue | 27.7\% | 24.8\% | 22.3\% | 26.0\% |
| Advertising and other revenue | 4.7\% | 5.9\% | 5.0\% | 5.2\% |
| Total revenue | 100.0\% | 100.0\% | 100.0\% | 100.0\% |
| Film rent and advertising cost | 51.7\% | 47.9\% | 46.9\% | 49.6\% |
| Concession cost | 16.2\% | 20.0\% | 24.2\% | 18.3\% |
| Occupancy expense | 22.5\% | 19.4\% | 18.3\% | 20.8\% |
| Other operating expense | 25.7\% | 23.2\% | 25.9\% | 24.6\% |
| Total operating cost and expense | 87.6\% | 80.8\% | 83.8\% | 84.4\% |
| Depreciation and amortization | 5.6\% | 3.6\% | 5.7\% | 4.8\% |
| General and administrative expense | 1.7\% | 0.7\% | 0.0\% | 1.1\% |
| Segment operating income | 5.2\% | 14.9\% | 10.6\% | 9.8\% |


| Operating Income by Country for the <br> Year Ended December 31, 2011 |  |  |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| United States | Australia | New Zealand | Total |  |  |  |
| Admissions revenue | $\$$ | 73,062 | $\$$ | 72,887 | $\$$ | 12,622 |
| Concessions revenue | 28,225 | $\$ 3,306$ | 158,571 |  |  |  |
| Advertising and other revenues | 5,482 | 2,446 | 54,977 |  |  |  |
| Total revenues | 106,769 | 102,019 | 812 | 16,868 | 225,849 |  |
|  |  |  |  | 500 |  |  |
| Film rent and advertising cost | 37,360 | 34,390 | 5,878 | 77,628 |  |  |
| Concession cost | 4,460 | 4,963 | 852 | 10,275 |  |  |
| Occupancy expense | 25,210 | 19,107 | 3,157 | 47,474 |  |  |
| Other operating expense | 27,033 | 22,274 | 4,963 | 54,270 |  |  |
| Total operating expense | 94,063 | 80,734 | 14,850 | 189,647 |  |  |
| Depreciation and amortization |  | 6,525 | 4,218 | 1,099 | 11,842 |  |
| General and administrative expense |  | 1,973 | 691 | 76 | 2,740 |  |
| Segment operating income | $\$$ | 4,208 | $\$$ | 16,569 | $\$$ | 843 |

Operating Data as a Percentage of
Revenue for Year Ended

| December 31, 2011 | United States | Australia | New Zealand | Total |
| :--- | ---: | ---: | ---: | ---: |
| Admissions revenue | $68.4 \%$ | $71.3 \%$ | $74.8 \%$ | $70.2 \%$ |
| Concessions revenue | $26.4 \%$ | $22.8 \%$ | $20.4 \%$ | $24.3 \%$ |
| Advertising and other revenue | $5.1 \%$ | $5.9 \%$ | $4.7 \%$ | $5.4 \%$ |
| Total revenue | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ |
| Film rent and advertising cost | $51.1 \%$ | $47.2 \%$ | $46.6 \%$ | $49.0 \%$ |
| Concession cost | $15.8 \%$ | $21.3 \%$ | $24.7 \%$ | $18.7 \%$ |
| Occupancy expense | $23.6 \%$ | $18.7 \%$ | $18.7 \%$ | $21.0 \%$ |
| Other operating expense | $25.3 \%$ | $21.8 \%$ | $29.4 \%$ | $24.0 \%$ |
| Total operating cost and expense | $88.1 \%$ | $79.0 \%$ | $88.0 \%$ | $84.0 \%$ |
| Depreciation and amortization | $6.1 \%$ | $4.1 \%$ | $6.5 \%$ | $5.2 \%$ |
| General and administrative expense | $1.8 \%$ | $0.7 \%$ | $0.5 \%$ | $1.2 \%$ |
| Segment operating income | $3.9 \%$ | $16.2 \%$ | $5.0 \%$ | $9.6 \%$ |

## Cinema Results for 2013 Compared to 2012

- Cinema revenue increased in 2013 by $\$ 4.7$ million or $2.0 \%$ compared to 2012 . The geographic activity of our revenue can be summarized as follows:
- United States - Revenue in the United States increased by $\$ 9.9$ million or $8.5 \%$. This increase in revenue was predominately attributable to a 440,000 person increase in box office admissions and a $2.6 \%$ increase in the average ticket price coupled with a commensurate increase in concessions revenue. Both of these increases were primarily related to the quality of film product in 2013 compared to the same period in 2012.
- Australia - Revenue in Australia decreased by $\$ 7.8$ million or $7.8 \%$. This decrease in revenue was primarily related to a $5.1 \%$ decrease in the average ticket price resulting from a continued and expanded competitive ticket pricing model; offset in part by, a 60,000 person increase in box office admissions. As noted below, this decrease in revenue was exacerbated by a decrease in the value of the Australian dollar compared to the U.S. dollar for the comparable periods (see below).
- New Zealand - Revenue in New Zealand increased by $\$ 2.6$ million or $13.4 \%$. This increase in revenue was predominately attributable to a year over year 121,000 person increase in admissions; somewhat offset by, a decrease in the average ticket price of $0.4 \%$. The increase in New Zealand admissions was primarily as a result of increased revenues coming from our previously earthquake
damaged New Zealand multiplex. This increase in revenue was somewhat enhanced by an increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
- Operating expense increased in 2013 by $\$ 2.8$ million or $1.4 \%$ compared to 2012 . Year over year operating expense percentage decreased in relation to revenue from $84.4 \%$ to $83.9 \%$.
- United States - Operating expense in the United States increased by $\$ 6.2$ million or $6.1 \%$ primarily related to a $\$ 3.6$ million increase in film rent and advertising primarily associated with the aforementioned increases in revenues from admissions and a $\$ 2.0$ million increase in other operating expense including a $\$ 778,000$ increase in projection costs primarily related to our new digital equipment lease.
- Australia - Operating expense in Australia decreased by $\$ 5.6$ million or $7.0 \%$. This decrease was in line with the above-mentioned decrease in cinema revenue which directly affects film rental costs and exacerbated by the year over year decrease in the value of the Australian dollar compared to the U.S. dollar (see below).
- New Zealand - Operating expense in New Zealand increased by $\$ 2.2$ million or $13.9 \%$. This increase was in line with the above-mentioned increase in cinema revenue which directly affects film rental costs and with the above-mentioned year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
- Depreciation expense decreased in 2013 by $\$ 413,000$ or $3.7 \%$ compared to 2012 . This decrease was primarily related to several of our cinema assets reaching the end of their depreciable lives.
- General and administrative expense increased in 2013 by $\$ 675,000$ or $26.0 \%$ compared to 2012 . This increase was primarily related to an increase in labor expense from our U.S. and Australian cinema operations.
- Australian average exchange rates decreased by $6.5 \%$ from 2012 to 2013 and the New Zealand average exchange rates increased by $1.2 \%$ from 2012 to 2013 both of which had an impact on our statements of operations.
- As a result, cinema exhibition segment operating income increased in 2013 by $\$ 1.6$ million compared to 2012 primarily from the aforementioned increase in revenue from our U.S. and New Zealand cinema operations.


## Cinema Results for 2012 Compared to 2011

- Cinema revenue increased in 2012 by $\$ 8.9$ million or $3.9 \%$ compared to 2011 . The geographic activity of our revenue can be summarized as follows:
- United States - Revenue in the United States increased by $\$ 9.6$ million or $9.0 \%$. This increase in revenue was predominately attributable to a 722,000 person increase in box office admissions and a commensurate increase in admissions and concessions revenue primarily from our 2011 acquisition of the CalOaks cinema in Murrieta, California and from our newly opened AFC Mosaic cinema in the greater Washington D.C. metropolitan area; offset by, a $0.7 \%$ decrease in the average ticket price.
- Australia - Revenue in Australia decreased by $\$ 3.0$ million or $3.0 \%$. This decrease in revenue was primarily related to a 91,000 person decrease in box office admissions coupled with a $3.9 \%$ decrease in the average ticket price resulting from a more competitive ticket pricing model. This decrease included the temporary closure of a cinema in Australia due to renovations during the second quarter. As noted below, there was only a nominal change in the Australian dollar compared to the U.S. do llar for the comparable period (see below).
- New Zealand - Revenue in New Zealand increased by $\$ 2.2$ million or $13.3 \%$. This increase in revenue was predominately attributable to a year over year 236,000 person increase in admissions; offset by, a decrease in the average ticket price of $7.6 \%$ resulting from a more competitive ticket pricing model. The increase in New Zealand admissions was primarily as a result of the reopening of an earthquake damaged New Zealand multiplex in early January 2012. This increase in revenue was somewhat enhanced by an increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
- Operating expense increased in 2012 by $\$ 8.4$ million or $4.4 \%$ compared to 2011 . Year over year operating expense percentage increased in relation to revenue from $84.0 \%$ to $84.4 \%$.
- United States - Operating expense in the United States increased by $\$ 7.8$ million or $8.3 \%$ primarily related to a $\$ 3.3$ million increase in film rent and advertising and a $\$ 3.1$ million increase in other
operating expense both of which were primarily associated with the aforementioned newly acquired and opened cinemas.
- Australia - Operating expense in Australia decreased by $\$ 616,000$ or $0.8 \%$. This decrease was in line with the above-mentioned decrease in cinema revenue which directly affects film rental costs and with the year over year nominal increase in the value of the Australian dollar compared to the U.S. dollar (see below).
- New Zealand - Operating expense in New Zealand increased by $\$ 1.2$ million or $7.8 \%$. This increase was in line with the above-mentioned increase in cinema revenue which directly affects film rental costs offset by the above-mentioned year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
Depreciation expense decreased in 2012 by $\$ 688,000$ or $5.8 \%$ compared to 2011 . This decrease was primarily related to several of our cinema assets reaching the end of their depreciable lives.
- General and administrative expense decreased in 2012 by $\$ 142,000$ or $5.2 \%$ compared to 2011 . This decrease was primarily related to preopening costs in 2011 for a newly opened Australian cinema which did not recur in 2012.
- Australian and New Zealand monthly average exchange rates for 2012 increased by $0.3 \%$ and $2.4 \%$, respectively, from those in 2011 , which had an overall positive impact our statements of operations.
- As a result, cinema exhibition segment operating income increased in 2012 by $\$ 1.3$ million compared to 2011 primarily from the aforementioned increase in revenue from our Australian cinema operations.


## Real Estate Segment

As discussed above, our other business segment is the development and management of real estate. These holdings include our rental live theaters, certain fee owned properties used in our cinema business, and unimproved real estate held for development.

The tables and discussion that follow detail our operating results for our 2013, 2012, and 2011 real estate segment (dollars in thousands). All percentages below are expressed as a percent of total revenue except live theater cost which is expressed as a percentage of live theater rental and ancillary revenue, and property cost which is expressed as a percentage of property rental revenue:

Operating Income by Country for the

| Year Ended December 31, 2013 | United States |  | Australia |  | New Zealand |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Live theater rental and ancillary income | \$ | 3,500 | \$ | -- | \$ | -- | \$ | 3,500 |
| Property rental income |  | 1,692 |  | 14,424 |  | 6,840 |  | 22,956 |
| Total revenues |  | 5,192 |  | 14,424 |  | 6,840 |  | 26,456 |
| Live theater costs |  | 1,574 |  | -- |  | -- |  | 1,574 |
| Property rental cost |  | 316 |  | 2,362 |  | 1,684 |  | 4,362 |
| Occupancy expense |  | 946 |  | 3,139 |  | 809 |  | 4,894 |
| Total operating expense |  | 2,836 |  | 5,501 |  | 2,493 |  | 10,830 |
| Depreciation and amortization |  | 314 |  | 2,635 |  | 1,074 |  | 4,023 |
| General and administrative expense |  | 67 |  | 527 |  | 50 |  | 644 |
| Segment operating income | \$ | 1,975 | \$ | 5,761 | \$ | 3,223 | \$ | 10,959 |

Operating Data as a Percentage of

| Operating Data as a Percentage of <br> Revenue for Year Ended <br> December 31, 2013 | United States | Australia | New Zealand | Total |
| :--- | ---: | ---: | ---: | ---: |
| Live theater rental and ancillary revenue | $67.4 \%$ |  |  | $13.2 \%$ |
| Property rental revenue | $32.6 \%$ | $100.0 \%$ | $100.0 \%$ | $86.8 \%$ |
| Total revenue | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ |
| Live theater cost | $45.0 \%$ |  |  | $45.0 \%$ |


| Property cost |  | 18.7\% | 16.4\% |  | 24.6\% |  |  | 19.0\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Occupancy expense |  | 18.2\% |  | 21.8\% |  | 11.8\% |  | 18.5\% |
| Total operating cost and expense |  | 54.6\% |  | 38.1\% |  | 36.4\% |  | 40.9\% |
| Depreciation and amortization |  | 6.0\% |  | 18.3\% |  | 15.7\% |  | 15.2\% |
| General and administrative expense |  | 1.3\% |  | 3.7\% |  | 0.7\% |  | 2.4\% |
| Impairment expense |  | 0.0\% |  | 0.0\% |  | 0.0\% |  | 0.0\% |
| Segment operating income |  | 38.0\% |  | 39.9\% |  | 47.1\% |  | 41.4\% |
| Operating Income by Country for the Year Ended December 31, 2012 | United States |  | Australia |  | New Zealand |  | Total |  |
| Live theater rental and ancillary income | \$ | 3,416 | \$ | -- | \$ | -- | \$ | 3,416 |
| Property rental income |  | 1,690 |  | 14,536 |  | 7,614 |  | 23,840 |
| Total revenues |  | 5,106 |  | 14,536 |  | 7,614 |  | 27,256 |
| Live theater costs |  | 1,538 |  | -- |  | -- |  | 1,538 |
| Property rental cost |  | 456 |  | 3,262 |  | 1,459 |  | 5,177 |
| Occupancy expense |  | 857 |  | 2,815 |  | 776 |  | 4,448 |
| Total operating expense |  | 2,851 |  | 6,077 |  | 2,235 |  | 11,163 |
| Depreciation and amortization |  | 305 |  | 2,824 |  | 1,312 |  | 4,441 |
| General and administrative expense |  | 100 |  | 535 |  | 83 |  | 718 |
| Impairment expense |  | 1,463 |  | -- |  | -- |  | 1,463 |
| Segment operating income | \$ | 387 | \$ | 5,100 | \$ | 3,984 | \$ | 9,471 |

Operating Data as a Percentage of

| Revenue for Year Ended <br> December 31, 2012 | United States | Australia | New Zealand | Total |
| :--- | ---: | ---: | ---: | ---: |
| Live theater rental and ancillary revenue | $66.9 \%$ |  |  | $12.5 \%$ |
| Property rental revenue | $33.1 \%$ | $100.0 \%$ | $100.0 \%$ | $87.5 \%$ |
| Total revenue | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ |
| Live theater cost | $45.0 \%$ |  |  | $45.0 \%$ |
| Property cost | $27.0 \%$ | $22.4 \%$ | $19.2 \%$ | $21.7 \%$ |
| Occupancy expense | $16.8 \%$ | $19.4 \%$ | $10.2 \%$ | $16.3 \%$ |
| Total operating cost and expense | $55.8 \%$ | $41.8 \%$ | $29.4 \%$ | $41.0 \%$ |
| Depreciation and amortization | $6.0 \%$ | $19.4 \%$ | $17.2 \%$ | $16.3 \%$ |
| General and administrative expense | $2.0 \%$ | $3.7 \%$ | $1.1 \%$ | $2.6 \%$ |
| Impairment expense | $28.7 \%$ | $0.0 \%$ | $0.0 \%$ | $5.4 \%$ |
| Segment operating income | $7.6 \%$ | $35.1 \%$ | $52.3 \%$ | $34.7 \%$ |

Operating Income by Country for the

| Year Ended December 31, 2011 | United States | Australia | New Zealand | Total |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Live theater rental and ancillary income | $\$$ | 3,507 | $\$$ | -- | $\$$ |
| Property rental income | 1,714 | 13,850 | $7,-5$ | 3,507 |  |
| Total revenues | 5,221 | 13,850 | 7,491 | 26,055 |  |
| Live theater costs |  |  |  |  |  |
| Property rental cost | 1,505 | - | - | 1,505 |  |
| Occupancy expense | 124 | 2,507 | 1,375 | 4,006 |  |
| Total operating expense | 845 | 3,121 | 713 | 4,679 |  |


| Depreciation and amortization | 326 | 2,848 | 1,270 | 4,444 |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| General and administrative expense |  | 32 | 554 | 60 | 646 |  |
| Impairment expense | -- | 369 | -- | 369 |  |  |
| Segment operating income | $\$$ | 2,389 | $\$$ | 4,451 | $\$$ | 4,073 |


| Operating Data as a Percentage of <br> Revenue for Year Ended <br> December 31, 2011 | United States | Australia | New Zealand | Total |
| :--- | ---: | ---: | ---: | ---: |
| Live theater rental and ancillary revenue | $67.2 \%$ |  |  | $13.2 \%$ |
| Property rental revenue | $32.8 \%$ | $100.0 \%$ | $100.0 \%$ | $86.8 \%$ |
| Total revenue | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ | $100.0 \%$ |
| Live theater cost | $42.9 \%$ |  |  | $42.9 \%$ |
| Property cost | $7.2 \%$ | $18.1 \%$ | $18.4 \%$ | $17.4 \%$ |
| Occupancy expense | $16.2 \%$ | $22.5 \%$ | $9.5 \%$ | $17.6 \%$ |
| Total operating cost and expense | $47.4 \%$ | $40.6 \%$ | $27.9 \%$ | $38.4 \%$ |
| Depreciation and amortization | $6.2 \%$ | $20.6 \%$ | $17.0 \%$ | $16.7 \%$ |
| General and administrative expense | $0.6 \%$ | $4.0 \%$ | $0.8 \%$ | $2.4 \%$ |
| Impairment expense | $0.0 \%$ | $2.7 \%$ | $0.0 \%$ | $1.4 \%$ |
| Segment operating income | $45.8 \%$ | $32.1 \%$ | $54.4 \%$ | $41.1 \%$ |

## Real Estate Results for 2013 Compared to 2012

- Real estate revenue decreased by $\$ 800,000$ or $2.9 \%$ compared to 2012 . The decrease in revenue was primarily related to the closure of our Courtenay Central parking structure in July 2013 as a result of an earthquake in Wellington, New Zealand. Revenue was also affected by the aforementioned fluctuations in currency exchange rates (see below).
- Operating expense for the real estate segment decreased by $\$ 333,000$ or $3.0 \%$ compared to 2012 . This decrease resulted primarily from a decrease in professional fees from our 2012 legal work associated with protecting the property rights of our Burwood property and with our residual railroad properties and the aforementioned fluctuations in currency exchange rates (see below). These decreases were in part offset by additional costs associated with the start of development work on our Wellington, New Zealand location in 2013.
- General and administrative costs decreased by $\$ 74,000$ or $10.3 \%$ compared to 2012 primarily due to an increase in our allowance for doubtful accounts for our U.S. properties in 2012 which did not recur in 2013.
- Australian average exchange rates decreased by $6.5 \%$ from 2012 to 2013 and the New Zealand average exchange rates increased by $1.2 \%$ from 2012 to 2013 both of which had an impact on our statements of operations.
- As a result of the above, real estate segment income increased by $\$ 1.5$ million or $15.7 \%$ compared to 2012 .


## Real Estate Results for 2012 Compared to 2011

- Real estate revenue increased by $\$ 694,000$ or $2.6 \%$ compared to 2011 . The increase in revenue was primarily related to an increase in rental income from our Australian and New Zealand ETRCs coupled with fluctuations in currency exchange rates (see below); offset by, a decrease in rent from our live theater venues in the U.S.
- Operating expense for the real estate segment increased by $\$ 973,000$ or $9.5 \%$ compared to 2011 . This increase in expense was primarily related to higher repair, maintenance, and insurance costs for our operating properties, from legal costs incurred in 2012 associated with protecting the property rights of our Burwood property and with our residual railroad properties, and the aforementioned fluctuations in currency exchange rates (see below).
- We recorded a real estate impairment loss in 2012 of $\$ 1.5$ million related to our Coachella property (see Note 7 Investment and Development Property to our 2012 Consolidated Financial Statements). As noted above, this property is owned by a limited liability company which is, in turn, $50 \%$ owned by Mr. James J.

Cotter who, accordingly, shares in any impairment loss to the extent of his ownership interest. In 2011 , we recorded a $\$ 369,000$ impairment loss related to our Taringa real estate property. We subsequently sold the Taringa property on February 21, 2012 for $\$ 1.9$ million (AUS $\$ 1.8$ million).

- General and administrative costs increased by $\$ 72,000$ or $11.1 \%$ compared to 2011 primarily due to an increase in our allowance for doubtful accounts for our U.S. properties in 2012
- Australian and New Zealand monthly average exchange rates for 2012 increased by $0.3 \%$ and $2.4 \%$, respectively, from those in 2011 , which had an overall positive impact on our statements of operations.
- As a result of the above, real estate segment income decreased by $\$ 1.4$ million or $13.2 \%$ compared to 2011 .


## Non-Segment Activity

Non-segment expense/income includes expense and/or income that is not directly attributable to our two operating segments.

## 2013 Compared to 2012

- general and administrative expense increased by $\$ 1.3$ million primarily related to an increase in compensation expense, pension costs, and additional audit fees..
- net interest expense decreased by $\$ 6.4$ million compared to 2012 . The decrease in interest expense during the 2013 resulted from an overall decrease in our worldwide debt balances and a decrease in the interest rates on our corporate loans in the U.S. and Australia. Additionally, our interest expense was lower in the 2013 due to a decrease in the fair value of our interest rate swap liabilities in 2013 compared to an increase in these liabilities during the same period in 2012 resulting in a comparative decrease in interest expense from 2012 to 2013.
- the $\$ 1.9$ million in other income during 2013 was primarily related to a $\$ 1.4$ million gain on the acquisition of a cinema and the receipt of insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand (see Note 26 - Casualty Loss to our 2013 Consolidated Financial Statements). The $\$ 563,000$ in other income during 2012 was primarily related to the write off of our GE Capital loan costs at the time of the refinance of our U.S. Corporate Credit Facility with Bank of America; offset by, insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand due to the February 22, 2011 earthquake.
- equity earnings from unconsolidated investments decreased by $\$ 252,000$ primarily related to decrease in income from our Mt. Gravatt investment.


## 2012 Compared to 2011

- general and administrative expense decreased by $\$ 1.2$ million primarily related to the one-time additional labor costs incurred during 2011, associated with the transfer of our accounting functions from the U.S. and Australia to New Zealand not being repeated in 2012, as well as some cost savings resulting from the synergies gained as a result of this move.
- net interest expense decreased by $\$ 4.6$ million compared to 2011 . The decrease in interest expense during 2012 was primarily due to a smaller increase in the fair value of our interest rate swaps in 2012 than that noted for the same period in 2011 and to a decrease in interest rates specifically from our Trust Preferred Securities. Effective May 1,2012, that interest rate changed from a fixed rate of $9.22 \%$, which was in effect for the past five years, to a variable rate of 3 month LIBOR plus $4.00 \%$, which will reset each quarter through the end of the loan, unless we choose to fix the rate again.
- the $\$ 563,000$ in other loss during 2012 was primarily related to the write off of our GE Capital loan costs at the time of the refinance of our U.S. Corporate Credit Facility with Bank of America; offset by, additional insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand due to the February 22, 2011 earthquake. The $\$ 1.2$ million in other income during 2011 was primarily related to insurance proceeds from a partial payment of our business interruption claim for the aforementioned temporary closure of our cinema in Christchurch, New Zealand (see Note 26 - Casualty Loss to our 2012 Consolidated Financial Statements).
- the net income tax expense was $\$ 4.9$ million during 2012 compared to a net income tax benefit of $\$ 12.3$ million during 2011. The year over year change in 2012 was primarily related to a reduction in deferred
tax assets in Australia, caused by the sale of certain assets, plus a reduction in loss carryforwards available to offset future Australia taxable income. For 2011, the change was primarily related to a one-time tax provision adjustment of $\$ 14.4$ million caused by a reduction in the valuation allowance related to our Australian operations (see Note 14 - Income Tax to our 2012 Consolidated Financial Statements).
equity earnings from unconsolidated investments increased by $\$ 3.2$ million primarily related to a $2011 \$ 2.9$ million impairment to our interest in Rialto Entertainment not repeated in 2012.


## Income Taxes

We are subject to income taxation in several jurisdictions throughout the world. Our effective tax rate and income tax liabilities will be affected by a number of factors, such as:

- the amount of taxable income in particular jurisdictions;
- the tax rates in particular jurisdictions;
- tax treaties between jurisdictions;
- the extent to which income is repatriated; and
- future changes in law.

Generally, we file consolidated or combined tax returns in jurisdictions that permit or require such filings. For jurisdictions that do not permit such a filing, we may owe income, franchise, or capital taxes even though, on an overall basis, we may have incurred a net loss for the tax year.

## Net Income Attributable to Reading International, Inc. Common Shareholders

For the years ending 2013, 2012, and 2011 , our consolidated business units produced a net income of $\$ 9.0$ million (primarily driven by a decrease in our interest expense as noted above), a net loss of $\$ 914,000$, and a net income of $\$ 10.0$ million (primarily driven by a decrease in our tax provision of $\$ 14.4$ million caused by a reduction in the valuation allowance related to our Australian operations), respectively, attributable to Reading International, Inc. common shareholders. For many of the years prior to 2013 , we consistently experienced net losses. However, as explained in the Cinema and Real Estate segment sections above, we have generally noted improvements in our segment operating income such that we have a positive segment operating income for each of the years of 2013, 2012, and 2011, that in years past has been negative. Although we cannot assure that this trend will continue, we are committed to the overall improvement of earnings through good fiscal management.

## Business Plan, Liquidity, and Capital Resources of the Company

## Business Plan

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas. From time to time, we invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate company and intend to add to stockholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land and brick and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and international assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We
believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate development operation, our business strategy is unique among public companies.

## Liquidity and Capital Resources

Our ability to generate sufficient cash flows from operating activities in order to meet our obligations and commitments drives our liquidity position. This is further affected by our ability to obtain adequate, reasonable financing and/or to convert non-performing or non-strategic assets into cash.

Currently, our liquidity needs continue to arise mainly from:

- working capital requirements;
- capital expenditures; and
- debt servicing requirements.

With the changes to the worldwide credit markets, the business community is concerned that credit will be more difficult to obtain especially for potentially risky ventures like business and asset acquisitions. However, we believe that our acquisitions over the past few years coupled with our strengthening operational cash flows demonstrate our ability to improve our profitability. We believe that this business model will help us to demonstrate to lending institutions our ability not only to make strategic acquisitions but also to service the associated debt.

## Discussion of Our Statement of Cash Flows

The following discussion compares the changes in our cash flows over the past three years.

## Operating Activities

2013 Compared to 2012. Cash provided by operations was $\$ 25.2$ million in 2013 compared to $\$ 25.5$ million in the 2012. The decrease in cash provided by operations of $\$ 313,000$ was due primarily to a $\$ 5.1$ million increase in operational cash flows; offset by, a $\$ 5.4$ million decrease in cash from changes in operating assets and liabilities

2012 Compared to 2011. Cash provided by operations was $\$ 25.5$ million in 2012 compared to $\$ 24.3$ million in the 2011. The increase in cash provided by operations of $\$ 1.2$ million was due primarily to a $\$ 4.4$ million increase in operational cash flows; offset by, a $\$ 3.2$ million decrease in cash from changes in operating assets and liabilities.

## Investing Activities

Cash used in investing activities was $\$ 6.1$ million in 2013 , $\$ 6.1$ million in 2012 , and $\$ 3.8$ million in 2011. The following summarizes our discretionary investing activities for each of the three years ending December 31, 2013:

The $\$ 6.1$ million cash used in 2013 was primarily related to:

- $\$ 20.1$ million in property enhancements to our existing properties;
offset by
- $\$ 1.6$ million in cash provided from restricted cash;
- $\$ 1.9$ million in cash received associated with a cinema acquisition;
- $\$ 2.0$ million of proceeds from a note receivable; and
- $\$ 8.0$ million of proceeds from time deposits;

The $\$ 6.1$ million cash used in 2012 was primarily related to:

- $\$ 8.2$ million in property enhancements to our existing properties;
- $\$ 8.0$ million to purchase time deposits;
- $\$ 1.8$ million to purchase a note receivable; and
- $\$ 5.5$ million for the purchase of the Coachella land acquisition;
offset by,
- $\$ 14.1$ million of proceeds from the sale of our Taringa and Indooroopilly properties;
- $\$ 382,000$ in return of investment in unconsolidated entities; and
- $\$ 3.0$ million of proceeds from the sale of marketable securities.

The $\$ 3.8$ million cash used in 2011 was primarily related to:

- $\$ 3.9$ million for the purchase of the CalOaks cinema;
- $\quad \$ 5.5$ million in property enhancements to our existing properties;
- $\$ 168,000$ of a change in restricted cash; and
- $\$ 2.8$ million for the purchase of mortgage notes receivable;
offset by,
- $\$ 1.9$ million of net proceeds from the sale of our $66.7 \%$ share of the 5 -screen Elsternwick Classic cinema located in Melbourne, Australia;
- $\$ 143,000$ of proceeds from the sale of marketable securities; and
- $\$ 6.8$ million of proceeds from the payoff of a long-term other receivable associated with our Malulani investment.


## Financing Activities

Cash used in financing activities was $\$ 17.8$ million in 2013, $\$ 12.7$ million in 2012 and $\$ 23.4$ million in 2011. The following summarizes our financing activities for each of the three years ending December 31, 2013:

The $\$ 17.8$ million cash used in 2013 was primarily related to:

- $\$ 28.1$ million of loan repayments including a $\$ 6.4$ million payoff of our former Liberty Theaters Term Loan, a $\$ 6.8$ million payoff of our Sutton Hill Capital Note, $\$ 5.5$ million in payments on our Bank of America Revolver and Line of Credit, $\$ 8.6$ million in payments on our NAB term debt, and a $\$ 592,000$ payoff of the Nationwide Loan 1 ; and
- $\$ 2.1$ million in noncontrolling interests' distributions;
offset by,
- $\$ 12.5$ million of new borrowing including $\$ 5.0$ million from our Bank of America Revolver and $\$ 7.5$ million from our new loan on the Orpheum and Minetta Lane Theatres offset by $\$ 563,000$ of borrowing costs;
- $\$ 263,000$ in noncontrolling interests' contributions; and
- $\$ 248,000$ of proceeds from the exercise of employee stock options.

The $\$ 12.7$ million cash used in 2012 was primarily related to:

- $\$ 62.6$ million of loan repayments including $\$ 15.0$ million to pay off our Eurohypo Cinemas 1, 2, 3 loan, $\$ 32.2$ million to pay off our GE Capital Loan, and $\$ 14.8$ million in payments on our NAB term debt;
offset by,
- $\$ 47.0$ million of new borrowing including $\$ 30.0$ million of loan proceeds from our new Bank of America U.S. Credit Facility and $\$ 15.0$ million of loan proceeds from our new Cinemas 1, 2, 3 loan (both offset by a total of $\$ 782,000$ of capitalized borrowing cost) and $\$ 2.0$ million of borrowing from our Bank of America line of credit;
- $\$ 3.4$ million in noncontrolling interests' contributions; and
- $\$ 308,000$ of proceeds from the exercise of employee stock options.

The $\$ 23.4$ million cash used in 2011 was primarily related to:

- $\$ 126.8$ million of loan repayments including the $\$ 105.8$ million payoff of our Australian BOSI loan, $\$ 5.3$ million in loan repayment on our GE Capital Loan, $\$ 9.7$ million payoff of our NAB revolver, $\$ 3.4$ million loan repayment of our NAB term debt, and $\$ 2.0$ million pay down of our Nationwide Notes;
- $\$ 747,000$ to repurchase our Class A Nonvoting Common Stock; and
- $\$ 654,000$ in noncontrolling interests' distributions.
offset by,
- $\quad \$ 105.3$ million of new borrowing including $\$ 104.2$ million of loan proceeds from our new NAB loan net of $\$ 774,000$ of capitalized borrowing costs and $\$ 1.1$ million of borrowing from our New Zealand credit facility; and
- $\$ 233,000$ in noncontrolling interests' contributions.


## Future Liquidity and Capital Resources

During the past 24 months, we have put into place several measures that currently have or will have a positive effect on our overall liquidity, including:

- refinancing our Liberty Theaters loan with a $\$ 7.5$ million loan securitized by our Minetta and Orpheum theatres having a maturity date of June 1,2018.
- replacing our GE Capital Term Loan of $\$ 27.7$ million with a new revolving line of credit from Bank of America (the "BofA Revolver") of $\$ 30.0$ million which has significantly lower principal payments than those of our former GE Capital Term Loan. On March 25, 2013, Bank of America increased the borrowing limit on our BofA Revolver from $\$ 30.0$ million to $\$ 35.0$ million.
- renewing and increasing our existing $\$ 3.0$ million line of credit with Bank of America to $\$ 5.0$ million.
- replacing our Eurohypo AG, New York Branch loan with a new $\$ 15.0$ million Sovereign Bank, N.A. term loan having a one-year term ending on June 27,2013 one year extension option to June 27, 2014 which we exercised in June 2013.
- receiving, on February 8, 2012, an approved amendment from Westpac renewing our existing $\$ 36.9$ million (NZ $\$ 45.0$ million) New Zealand credit facility with a 3 -year $\$ 32.8$ million ( $\mathrm{NZ} \$ 40.0$ million) credit facility.

We believe that we have sufficient borrowing capacity to meet our short-term working capital requirements. To meet our current and future liquidity requirements, we have the following external sources of unused liquidity:

- $\quad \$ 9.9$ million (NZ $\$ 12.0$ million) is available on our New Zealand Corporate Credit facility;
- $\$ 4.5$ million (AUS $\$ 5.0$ million) is available on our NAB revolver facility; and
- $\$ 5.0$ million is available on our Bank of America Line of Credit.

Potential uses for funds during 2014 that would reduce our liquidity, other than those relating to working capital needs and debt service requirements include:

- payments on our legal settlement obligation for the Tax/Audit Litigation;
- the selective development of our currently held for development projects; and
- the acquisition of assets with proven cash flow that we believe to be resistant to the current recessionary trends.

We are in the process of negotiating a renewal of our Australian NAB Corporate Term Loan and Corporate Revolver and are optimistic that a renewal will be consummated by May 31, 2014, on terms that are at least equal to those that are expiring at June 30, 2014. In addition we are seeking a further 12 to 24 month extension on our US

Cinema 1, 2, 3 Term Loan which expires on June 27, 2014 and remain optimistic that this can be achieved by May 31 , 2014 as well.

Our worldwide cash position at December 31,2013 was $\$ 37.7$ million including $\$ 16.4$ million in the U.S., $\$ 12.1$ million in Australia, and $\$ 7.7$ million in New Zealand. As part of our main credit facilities in Australia, New Zealand, and the U.S., we are subject to certain debt covenants which limit the transfer or use of cash outside of the various regional subsidiaries in which the cash is held. As such, at December 31,2013 , we have approximately $\$ 15.8$ million of cash that is not restricted by loan covenants.

Based upon the current levels of the consolidated operations, further anticipated cost savings and future growth, we believe our cash flow from operations, together with both the existing and anticipated lines-of-credit and other sources of liquidity (including future potential asset sales) will be adequate to meet our anticipated requirements for principal repayments, interest payments, and short-term debt maturities plus any other debt service obligations, working capital, capital expenditures and other operating needs.

There can be no assurance, however, that the business will continue to generate cash flow at or above current levels or that estimated cost savings or growth can be achieved. Future operating performance and our ability to service or refinance existing indebtedness will be subject to future economic conditions and to financial and other factors, such as access to first-run films, many of which are beyond our control. If our cash flow from operations and/or proceeds from anticipated borrowings should prove to be insufficient to meet our funding needs, our current intention is either:

- to defer construction of projects currently slated for land presently owned by us;
- to take on joint venture partners with respect to such development projects; and/or
- to sell assets.


## Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at December 31, 2013 (in thousands):

|  | 2014 |  | 2015 |  | 2016 |  | 2017 |  | 2018 |  | Thereafter |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Debt | \$ | 75,538 | \$ | 33,009 | \$ | 3,500 | \$ | 21,000 | \$ | 7,500 | \$ |  | \$ | 140,547 |
| Subordinated notes (trust preferred securities) |  | -- |  | -- |  | -- |  | -- |  | -- |  | 27,913 |  | 27,913 |
| Tax settlement liability |  | 3,480 |  | 2,301 |  | -- |  | -- |  | -- |  | -- |  | 5,781 |
| Pension liability |  | 14 |  | 32 |  | 50 |  | 633 |  | 607 |  | 7,191 |  | 8,527 |
| Lease obligations |  | 33,676 |  | 31,431 |  | 27,777 |  | 25,188 |  | 21,427 |  | 58,410 |  | 197,909 |
| Estimated interest on debt |  | 5,640 |  | 3,744 |  | 3,010 |  | 1,846 |  | 1,238 |  | 9,761 |  | 25,239 |
| Total | \$ | 118,348 | \$ | 70,517 | \$ | 34,337 | \$ | 48,667 | \$ | 30,772 | \$ | 103,275 | \$ | 405,916 |

Estimated interest on long-term debt is based on the anticipated loan balances for future periods calculated against current fixed and variable interest rates.

We adopted FASB ASC 740-10-25 - Income Taxes - Uncertain Tax Positions on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was $\$ 12.5$ million increasing to $\$ 13.7$ million, to $\$ 14.5$ million, and to $\$ 15.3$ million as of December $31,2007,2008$, and 2009 , respectively. As of December 312010 , the gross unrecognized tax benefit increased to $\$ 20.6$ million, substantially as a result of having settled our Tax Audit/Litigation case (see Note 19 - Commitments and Contingencies to our 2013 Consolidated Financial Statements). As of December 31, 2011, the gross unrecognized tax benefit decreased to $\$ 4.1$ million largely because the Tax Audit/Litigation matter is no longer in the nature of an uncertain tax position governed by FASB ASC 740-10-25, but is a fixed and determinable tax liability. As of December 31, 2012 and 2013, the gross unrecognized tax benefit was $\$ 5.3$ million and $\$ 4.0$ million, respectively. We do not expect a significant tax payment related to the $\$ 4.0$ million in uncertain tax positions within the next 12 months.

Unconsolidated Joint Venture Debt

Total debt of unconsolidated joint ventures was $\$ 634,000$ and $\$ 703,000$ as of December 31, 2013 and December 31,2012 , respectively. Our share of unconsolidated debt, based on our ownership percentage, was $\$ 211,000$ and $\$ 234,000$ as of December 31, 2013 and December 31, 2012, respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

## Off-Balance Sheet Arrangements

There are no off-balance sheet transactions, arrangements, or obligations (including contingent obligations) that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in the financial condition, revenue or expense, results of operations, liquidity, capital expenditures, or capital resources.

## Financial Risk Management

Our internally developed risk management procedure, seeks to minimize the potentially negative effects of changes in foreign exchange rates and interest rates on the results of operations. Our primary exposure to fluctuations in the financial markets is currently due to changes in foreign exchange rates between U.S and Australia and New Zealand, and interest rates.

If our operational focus shifts more to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. Historically, we managed our currency exposure by creating natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services as well as borrowing in local currencies. During 2012, we deviated somewhat from this practice by purchasing $\$ 8.0$ million in time deposits denominated in U.S. dollars and held by an Australian bank. As a consequence, at December 31, 2013, we hold $\$ 4.5$ million in Australia and $\$ 495,000$ in New Zealand denominated in U.S. dollars. Also, by paying off our New Zealand debt and paying down on our Australian debt with the proceeds of our TPS in 2007, we added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes and our ability in 2009 to repurchase, at a discount, some of these securities.

Our exposure to interest rate risk arises out of our long-term debt obligations. Consistent with our internally developed guidelines, we seek to reduce the negative effects of changes in interest rates by changing the character of the interest rate on our long-term debt, converting a fixed rate into a variable rate and vice versa. Our internal procedures allow us to enter into derivative contracts on certain borrowing transactions to achieve this goal. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than $75 \%$ of the loan be swapped into fixed rate obligations but we have elected to swap $100 \%$ of the balance. Although our Bank of America Revolver does not require a fixed interest swap agreement, we entered into an approximate three-year $\$ 31.5$ million fixed interest rate swap that has a balance reduction schedule which matches the contraction amortization of the Bank of America Revolver. Effective October 28, 2013, we entered into a three-year $\$ 27.9$ million fixed interest rate swap for our Trust Preferred Securities (see Note 13-Derivative Instruments to our 2013 Consolidated Financial Statements).

In accordance with FASB ASC 815-20 - Derivatives and Hedging, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a $\$ 2.0$ million decrease to interest expense during 2013, a $\$ 1.1$ million increase to interest expense during 2012, and a $\$ 5.0$ increase to interest expense during 2011.

## Inflation

We continually monitor inflation and the effects of changing prices. Inflation increases the cost of goods and services used. Competitive conditions in many of our markets restrict our ability to recover fully the higher costs of acquired goods and services through price increases. We attempt to mitigate the impact of inflation by implementing continuous process improvement solutions to enhance productivity and efficiency and, as a result, lower costs and operating expenses. In our opinion, the effects of inflation have been managed appropriately and as a result, have not had a material impact on our operations and the resulting financial position or liquidity.
Accounting Pronouncements Adopted During 2013

## New Accounting Pronouncements

Please see Note 2 - Summary of Significant Accounting Policies to our 2013 Consolidated Financial Statements.

## Forward-Looking Statements

Our statements in this annual report contain a variety of forward-looking statements as defined by the Securities Litigation Reform Act of 1995. Forward-looking statements reflect only our expectations regarding future events and operating performance and necessarily speak only as of the date the information was prepared. No guarantees can be given that our expectation will in fact be realized, in whole or in part. You can recognize these statements by our use of words such as, by way of example, "may," "will," "expect," "believe," and "anticipate" or other similar terminology.

These forward-looking statements reflect our expectation after having considered a variety of risks and uncertainties. However, they are necessarily the product of internal discussion and do not necessarily completely reflect the views of individual members of our Board of Directors or of our management team. Individual Board members and individual members of our management team may have different view as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

Among the factors that could cause actual results to differ materially from those expressed in or underlying our forward-looking statements are the following:

- with respect to our cinema operations:
the number and attractiveness to movie goers of the films released in future periods;
the amount of money spent by film distributors to promote their motion pictures;
- the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
- the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment;
- the extent to which we encounter competition from other cinema exhibitors, from other sources of outside of the home entertainment, and from inside the home entertainment options, such as "home theaters" and competitive film product distribution technology such as, by way of example, cable, satellite broadcast, DVD and VHS rentals and sales, and so called "movies on demand;" and
- the extent to and the efficiency with which, we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
- the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
- the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
the risks and uncertainties associated with real estate development;
the availability and cost of labor and materials;
competition for development sites and tenants;
environmental remediation issues;
- the extent to which our cinemas can continue to serve as an anchor tenant who will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations; and
- certain of our activities are in geologically active areas, creating a risk of damage and/or disruption of real estate and/or cinema businesses from earthquakes.
- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:
- our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
- the relative values of the currency used in the countries in which we operate;
- changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
- our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
- changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
- changes in applicable accounting policies and practices.

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and subject to influence by numerous factors outside of our control such as changes in government regulation or policy, competition, interest rates, supply, technological innovation, changes in consumer taste and fancy, weather, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment.

Given the variety and unpredictability of the factors that will ultimately influence our businesses and our results of operation, it naturally follows that no guarantees can be given that any of our forward-looking statements will ultimately prove to be correct. Actual results will undoubtedly vary and there is no guarantee as to how our securities will perform either when considered in isolation or when compared to other securities or investment opportunities.

Finally, we undertake no obligation to update publicly or to revise any of our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law. Accordingly, you should always note the date to which our forward-looking statements speak.

Additionally, certain of the presentations included in this annual report may contain "non-GAAP financial measures." In such case, a reconciliation of this information to our GAAP financial statements will be made available in connection with such statements.

## Item 7A - Ouantitative and Oualitative Disclosure about Market Risk

The Securities and Exchange Commission requires that registrants include information about potential effects of changes in currency exchange and interest rates in their Form 10-K filings. Several alternatives, all with some limitations, have been offered. The following discussion is based on a sensitivity analysis, which models the effects of fluctuations in currency exchange rates and interest rates. This analysis is constrained by several factors, including the following:

- it is based on a single point in time.
- it does not include the effects of other complex market reactions that would arise from the changes modeled.

Although the results of such an analysis may be useful as a benchmark, they should not be viewed as forecasts.
At December 31,2013, approximately $55 \%$ and $18 \%$ of our assets (determined by the book value of such assets) were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $\$ 34.5$ million in cash and cash equivalents. At December 31, 2012, approximately $51 \%$ and $18 \%$ of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately $\$ 15.8$ million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenue and expenses, whenever possible, in local currencies. As a result, a majority of our expenses in Australia and New Zealand have been procured in local currencies. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating expense. The resulting natural operating hedge has led to a negligible foreign currency effect on our earnings. As we continue to progress our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be insignificant in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our entertainment complexes in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, approximately $63 \%$ and $48 \%$ of our Australian and New Zealand assets (based on book value), respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by $10 \%$ the resulting change in Australian and New Zealand assets would be $\$ 14.9$ million and $\$ 3.7$ million, respectively, and the change in annual net income would be $\$ 23,000$ and $\$ 21,000$, respectively. At the present time, we have no plan to hedge such exposure. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately $\$ 65.6$ million and $\$ 64.6$ million as of December 31, 2013 and 2012, respectively.

Historically, we maintained most of our cash and cash equivalent balances in short-term money market instruments with original maturities of six months or less. Some of our money market investments may decline in value if interest rates increase. Due to the short-term nature of such investments, a change of $1 \%$ in short-term interest rates would not have a material effect on our financial condition.

The majority of our loans have fixed interest rates; however, one of our international loans has a variable interest rate and a change of approximately $1 \%$ in short-term interest rates would have resulted in approximately $\$ 660,000$ increase or decrease in our 2013 interest expense.

## TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm ..... 55
Consolidated Balance Sheets as of December 31, 2013 and 2012 ..... 56
Consolidated Statements of Operations for the Three Years Ended December 31, 2013 ..... 57
Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2013 ..... 58
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2013 ..... 59
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2013 ..... 60
Notes to Consolidated Financial Statements ..... 61

## Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Reading International, Inc.

We have audited the accompanying consolidated balance sheets of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits of the consolidated financial statements included the financial statement schedule listed in the index appearing under Schedule II. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2014 expressed an unqualified opinion thereon.
/s/ GRANT THORNTON LLP
Los Angeles, California
March 7, 2014

Reading International, Inc. and Subsidiaries
Consolidated Balance Sheets as of December 31, 2013 and 2012
(U.S. dollars in thousands)

December 31,

|  | 2013 |  | 2012 |  |
| :---: | :---: | :---: | :---: | :---: |
| ASSETS |  |  |  |  |
| Current Assets: |  |  |  |  |
| Cash and cash equivalents | \$ | 37,696 | \$ | 38,531 |
| Time deposits |  | -- |  | 8,000 |
| Receivables |  | 9,087 |  | 8,514 |
| Inventory |  | 941 |  | 918 |
| Investment in marketable securities |  | 55 |  | 55 |
| Restricted cash |  | 782 |  | 2,465 |
| Deferred tax asset |  | 3,273 |  | 3,659 |
| Prepaid and other current assets |  | 3,283 |  | 3,576 |
| Total current assets |  | 55,117 |  | 65,718 |
| Operating property, net |  | 191,660 |  | 202,778 |
| Land held for sale |  | 11,052 |  | -- |
| Investment and development property, net |  | 74,230 |  | 94,922 |
| Investment in unconsolidated joint ventures and entities |  | 6,735 |  | 7,715 |
| Investment in Reading International Trust I |  | 838 |  | 838 |
| Goodwill |  | 22,159 |  | 22,898 |
| Intangible assets, net |  | 13,440 |  | 15,661 |
| Deferred tax asset, net |  | 5,566 |  | 8,989 |
| Other assets |  | 6,010 |  | 9,069 |
| Total assets | \$ | 386,807 | \$ | 428,588 |
| LIABLITIES AND STOCKHOLDERS' EQUITY |  |  |  |  |
| Current Liabilities: |  |  |  |  |
| Accounts payable and accrued liabilities | \$ | 18,608 | \$ | 18,909 |
| Film rent payable |  | 6,438 |  | 6,657 |
| Notes payable - current portion |  | 75,538 |  | 19,714 |
| Notes payable to related party - current portion |  | -- |  | 9,000 |
| Taxes payable |  | 8,308 |  | 15,234 |
| Deferred current revenue |  | 11,864 |  | 11,587 |
| Other current liabilities |  | 6,155 |  | 6,032 |
| Total current liabilities |  | 126,911 |  | 87,133 |
| Notes payable - long-term portion |  | 65,009 |  | 139,970 |
| Subordinated debt |  | 27,913 |  | 27,913 |
| Noncurrent tax liabilities |  | 12,478 |  | 8,859 |
| Other liabilities |  | 32,749 |  | 33,759 |
| Total liabilities |  | 265,060 |  | 297,634 |
| Commitments and contingencies (Note 19) |  |  |  |  |
| Stockholders' equity: |  |  |  |  |
| Class A non-voting common stock, par value $\$ 0.01,100,000,000$ shares authorized, 32,254,199 issued and 21,890,029 outstanding at December 31, 2013 and 31,951,945 issued and $21,587,775$ outstanding at December 31, 2012 |  |  |  |  |
| Class B voting common stock, par value $\$ 0.01,20,000,000$ shares authorized and 1,495,490 issued and outstanding at December 31, 2013 and at December 31, 2012 | Class B voting common stock, par value $\$ 0.01,20,000,000$ shares authorized and |  |  | 15 |
| Nonvoting preferred stock, par value $\$ 0.01,12,000$ shares authorized and no issued or outstanding shares at December 31, 2013 and December 31, 2012 |  | -- |  | -- |
| Additional paid-in capital |  | 137,849 |  | 136,754 |
| Accumulated deficit |  | $(57,952)$ |  | $(66,993)$ |
| Treasury shares |  | $(4,512)$ |  | $(4,512)$ |
| Accumulated other comprehensive income |  | 41,515 |  | 61,369 |
| Total Reading International, Inc. stockholders' equity |  | 117,140 |  | 126,856 |
| Noncontrolling interests |  | 4,607 |  | 4,098 |
| Total stockholders' equity |  | 121,747 |  | 130,954 |
| Total liabilities and stockholders' equity | \$ | 386,807 | \$ | 428,588 |

[^1]Reading International, Inc. and Subsidiaries
Consolidated Statements of Operations for the Three Years Ended December 31, 2013
(U.S. dollars in thousands)

|  |  | 2013 | r | ded Decembe | er |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 2012 | 2011 |  |
| Operating revenue |  |  |  |  |  |  |
| Cinema | \$ |  | 239,418 | \$ | 234,703 | \$ | 225,849 |
| Real estate |  | 18,803 |  | 19,727 |  | 19,130 |
| Total operating revenue |  | 258,221 |  | 254,430 |  | 244,979 |
| Operating expense |  |  |  |  |  |  |
| Cinema |  | 193,206 |  | 190,511 |  | 182,215 |
| Real estate |  | 10,830 |  | 11,163 |  | 10,190 |
| Depreciation and amortization |  | 15,197 |  | 16,049 |  | 16,595 |
| General and administrative |  | 18,053 |  | 16,117 |  | 17,432 |
| Impairment expense |  | -- |  | 1,463 |  | 369 |
| Total operating expense |  | 237,286 |  | 235,303 |  | 226,801 |
| Operating income |  | 20,935 |  | 19,127 |  | 18,178 |
| Interest income |  | 407 |  | 800 |  | 1,482 |
| Interest expense |  | $(10,444)$ |  | $(17,226)$ |  | $(22,520)$ |
| Net gain (loss) on sale of assets |  | (56) |  | 144 |  | (67) |
| Other income (expense) |  | 1,876 |  | (563) |  | 1,157 |
| Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities |  | 12,718 |  | 2,282 |  | $(1,770)$ |
| Income tax benefit (expense) |  | $(4,942)$ |  | $(4,904)$ |  | 12,330 |
| Income (loss) before equity earnings (loss) of unconsolidated joint ventures and entities |  | 7,776 |  | $(2,622)$ |  | 10,560 |
| Equity earnings (loss) of unconsolidated joint ventures and entities |  | 1,369 |  | 1,621 |  | $(1,552)$ |
| Income (loss) before discontinued operations |  | 9,145 |  | $(1,001)$ |  | 9,008 |
| Income (loss) from discontinued operations, net of tax |  | -- |  | (85) |  | 232 |
| Gain (loss) on sale of discontinued operations |  | -- |  | (320) |  | 1,656 |
| Net income (loss) | \$ | 9,145 | \$ | $(1,406)$ \$ |  | 10,896 |
| Net (income) loss attributable to noncontrolling interests |  | (104) |  | 492 |  | (940) |
| Net income (loss) attributable to Reading International, Inc. common shareholders |  | 9,041 | \$ | (914) \$ |  | 9,956 |
| Basic income (loss) per common share attributable to Reading International, Inc. shareholders: |  |  |  |  |  |  |
| Earnings (loss) from continuing operations | \$ | 0.39 | \$ | (0.02) \$ |  | 0.36 |
| Earnings (loss) from discontinued operations, net |  | -- |  | (0.02) |  | 0.08 |
| Basic income (loss) per share attributable to Reading International, Inc. shareholders | \$ | 0.39 | \$ | (0.04) \$ |  | 0.44 |
| Diluted income (loss) per common share attributable to Reading International, Inc. shareholders: |  |  |  |  |  |  |
| Earnings (loss) from continuing operations | \$ | 0.38 | \$ | (0.02) \$ |  | 0.35 |
| Earnings (loss) from discontinued operations, net |  | -- |  | (0.02) |  | 0.08 |
| Diluted income (loss) per share attributable to Reading International, Inc. shareholders | \$ | 0.38 | \$ | (0.04) \$ |  | 0.43 |
| Weighted average number of shares outstanding-basic |  | 23,348,003 |  | 23,028,596 |  | 22,764,666 |
| Weighted average number of shares outstanding-diluted |  | 23,520,271 |  | 23,028,596 |  | 22,993,135 |

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2013 (U.S. dollars in thousands)

|  | Years Ended December 31, |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2013 |  | 2012 |  | 2011 |  |
| Net income (loss) | \$ | 9,145 | \$ | $(1,406)$ | \$ | 10,896 |
| Cumulative foreign currency adjustment |  | $(19,368)$ |  | 4,419 |  | 1,028 |
| Reclassification of realized gain on available for sale investments included in net income (loss) |  | -- |  | (109) |  | (25) |
| Unrealized income (loss) on available for sale investments |  | -- |  | 107 |  | (7) |
| Accrued pension service benefit (costs) |  | (593) |  | $(1,980)$ |  | 832 |
| Comprehensive income (loss) | \$ | $(10,816)$ | \$ | 1,031 | \$ | 12,724 |
| Net (income) loss attributable to noncontrolling interests |  | (104) |  | 492 |  | (940) |
| Comprehensive (income) loss attributable to noncontrolling interests |  | 107 |  | (5) |  | (11) |
| Comprehensive income (loss) attributable to Reading International, Inc. | \$ | $(10,813)$ | \$ | 1,518 | \$ | 11,773 |

Reading International, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2013
(In thousands)

|  | Common Stock |  |  |  | $\begin{gathered} \text { Class B } \\ \text { Par } \\ \text { Value } \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { Additional } \\ \text { Paid-In } \\ \text { Capital } \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { Accumulated } \\ \text { Deficit } \\ \hline \end{gathered}$ |  |  |  | Accumulated <br> Other <br> Comprehensive <br> Income/(Loss) |  | Reading International Inc. Stockholders' Equity |  | NoncontrollingInterests |  | Total Stockholders' Equity |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{array}{\|c\|} \begin{array}{c} \text { Class A } \\ \text { Shares } \end{array} \\ \hline 21,309 \\ \hline \end{array}$ | $\begin{gathered} \text { Class A } \\ \text { Par } \\ \text { Value } \end{gathered}$ |  | $\begin{gathered} \begin{array}{c} \text { Class B } \\ \text { Shares } \end{array} \\ \hline 1,495 \end{gathered}$ |  |  |  | asury <br> ock |  |  |  |  |  |  |  |  |  |  |
| At January 1,2011 |  | \$ | 216 |  | \$ | 15 |  |  | \$ | 134,236 | S | $(76,035)$ | \$ | $(3,765)$ | 8 | 57,120 | s | 111,787 | \$ | 852 | \$ | 112,639 |
| Net income | -- |  | -- | -- |  | -- |  | -- |  | 9,956 |  | -- |  | -- |  | 9,956 |  | 940 |  | 10,896 |
| Other comprehensive income, net of tax | -- |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | 1,817 |  | 1,817 |  | 11 |  | 1,828 |
| Stock option and restricted stock compensation expense | -- |  | 4 | -- |  | -- |  | 935 |  | -- |  | -- |  | -- |  | 939 |  | -- |  | 939 |
| Purchase of treasury shares | (172) |  | -- | -- |  | -- |  | -- |  | -- |  | (747) |  | -- |  | (747) |  | -- |  | (747) |
| Class A common stock issued for stock bonuses and options exercised | 174 |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |
| Cinema sale to noncontrolling shareholder | -- |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | (147) |  | (147) |
| Contributions from noncontrolling shareholders |  |  |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  |  |  | 233 |  | 233 |
| Distributions to noncontrolling shareholders | -- |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | (654) |  | (654) |
| At December 31, 2011 | 21,311 | \$ | 220 | 1,495 | \$ | 15 | \$ | 135,171 | \$ | $(66,079)$ | \$ | $(4,512)$ | \$ | 58,937 | \$ | 123,752 | \$ | 1,235 | \$ | 124,987 |
| Net loss | -- |  | -- | -- |  | -- |  | -- |  | (914) |  | -- |  | -- |  | (914) |  | (492) |  | $(1,406)$ |
| Other comprehensive income, net of tax | -- |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | 2,432 |  | 2,432 |  | 5 |  | 2,437 |
| Stock option and restricted stock compensation expense |  |  | 2 | -- |  | -- |  | 1,276 |  | -- |  | -- |  | -- |  | 1,278 |  | -- |  | 1,278 |
| Class A common stock issued for stock bonuses and options exercised | 277 |  | 1 | -- |  | -- |  | 307 |  | -- |  | -- |  | -- |  | 308 |  | -- |  | 308 |
| $\begin{array}{llll} \begin{array}{l} \text { Contributions } \\ \text { shareholders } \end{array} & \text { from } & \text { noncontrolling } \\ \hline \end{array}$ |  |  |  |  |  | -- |  | -- |  | -- |  | -- |  | -- |  |  |  | 3,350 |  | 3,350 |
| At December 31, 2012 | 21,588 | \$ | 223 | 1,495 | \$ | 15 | \$ | 136,754 | \$ | $(66,993)$ | \$ | $(4,512)$ | \$ | 61,369 | \$ | 126,856 | \$ | 4,098 | \$ | 130,954 |
| Net income | -- |  | -- | -- |  | -- |  | -- |  | 9,041 |  | -- |  | -- |  | 9,041 |  | 104 |  | 9,145 |
| Other comprehensive loss, net oftax | -- |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | $(19,854)$ |  | $(19,854)$ |  | (107) |  | (19,961) |
| Stock option and restricted stock compensation expense | -- |  | 2 | -- |  | -- |  | 948 |  | -- |  | -- |  | -- |  | 950 |  | -- |  | 950 |
| In-kind exchange of stock for the exercise of options, net issued | 22 |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |
| Class A common stock issued for stock bonuses and options exercised | 280 |  | -- | -- |  | -- |  | 248 |  | -- |  | -- |  | -- |  | 248 |  | -- |  | 248 |
| Conversion of noncontrolling interest to equity | -- |  | -- | -- |  | -- |  | (101) |  | -- |  | -- |  | -- |  | (101) |  | 101 |  | -- |
| Contributions from noncontrolling <br> shareholders | -- |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | 2,513 |  | 2,513 |
| Distributions to noncontrolling shareholders | -- |  | -- | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | -- |  | $(2,102)$ |  | $(2,102)$ |
| At December 31, 2013 | 21,890 | \$ | 225 | 1,495 | \$ | 15 | \$ | 137,849 | \$ | (57,952) | \$ | $(4,512)$ | \$ | 41,515 | \$ | 117,140 | \$ | 4,607 | \$ | 121,747 |

Reading International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2013
(U.S. dollars in thousands)

|  | Year Ended December 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2013 |  | 2012 | 2011 |
| Operating Activities |  |  |  |  |
| Net income (loss) | \$ | 9,145 \$ | $(1,406)$ \$ | 10,896 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |  |  |  |  |
| (Income) loss recognized on foreign currency transactions |  | (415) | (20) | 16 |
| Equity (earnings) loss of unconsolidated joint ventures and entities |  | $(1,369)$ | $(1,621)$ | 1,552 |
| Distributions of earnings from unconsolidated joint ventures and entities |  | 1,095 | 1,540 | 1,119 |
| Loss provision on impairment of asset |  | -- | 1,463 | 369 |
| (Gain) loss on sale of assets |  | 56 | 176 | $(1,589)$ |
| Change in valuation allowance for net deferred tax assets |  | 2,198 | 1,929 | $(15,028)$ |
| Gain on sale of marketable securities |  | -- | (109) | (25) |
| Gain on cinema acquisition and settlement |  | $(1,359)$ | -- | -- |
| Depreciation and amortization |  | 15,197 | 16,384 | 16,960 |
| Amortization of prior service costs |  | 660 | 304 | 832 |
| Amortization of above and below market leases |  | 413 | 395 | 427 |
| Amortization of deferred financing costs |  | 954 | 1,440 | 1,276 |
| Amortization of straight-line rent |  | 574 | 1,213 | 782 |
| Stock based compensation expense |  | 950 | 1,278 | 939 |
| Changes in assets and liabilities: |  |  |  |  |
| (Increase) decrease in receivables |  | 281 | $(1,449)$ | $(1,468)$ |
| (Increase) decrease in prepaid and other assets |  | (16) | 1,907 | (7) |
| Increase (decrease) in accounts payable and accrued expenses |  | 556 | 1,800 | 833 |
| Increase in film rent payable |  | 133 | 435 | 361 |
| Increase (decrease) in taxes payable |  | $(3,294)$ | $(2,965)$ | 908 |
| Increase (decrease) in deferred revenue and other liabilities |  | (576) | 2,802 | 5,100 |
| Net cash provided by operating activities |  | 25,183 | 25,496 | 24,253 |
| Investing Activities |  |  |  |  |
| Cash paid for acquisitions |  | -- | (5,510) | $(3,917)$ |
| Acquisition deposit paid |  | -- | -- | (200) |
| Cash received from cinema acquisition |  | 1,936 | -- |  |
| Purchases of and additions to operating property |  | $(20,082)$ | $(8,213)$ | $(5,459)$ |
| Change in restricted cash |  | 1,609 | (6) | (168) |
| Purchase of notes receivable |  | -- | $(1,800)$ | $(2,784)$ |
| Proceeds from notes receivable |  | 2,000 | -- | -- |
| Sale of marketable securities |  | -- | 2,974 | 143 |
| Distributions of investment in unconsolidated joint ventures and entities |  | 395 | 382 | -75- |
| Proceeds from sale of property |  | -- | 14,078 | 6,750 |
| Purchase of time deposits |  | -- | $(8,000)$ | -- |
| Proceeds from time deposits |  | 8,000 | -- | -- |
| Cinema sale proceeds from noncontrolling shareholder |  | -- | -- | 1,867 |
| Net cash used in investing activities |  | $(6,142)$ | $(6,095)$ | (3,768) |
| Financing Activities |  |  |  |  |
| Repayment of long-term borrowings |  | $(28,121)$ | $(62,602)$ | (126,780) |
| Proceeds from borrowings |  | 12,500 | 47,007 | 105,311 |
| Capitalized borrowing costs |  | (563) | (782) | (774) |
| Repurchase of Class A Nonvoting Common Stock |  | -- | -- | (747) |
| Proceeds from the exercise of stock options |  | 248 | 308 |  |
| Noncontrolling interest contributions |  | 263 | 3,350 | 233 |
| Noncontrolling interest distributions |  | $(2,102)$ | -- | (654) |
| Net cash used in financing activities |  | $(17,775)$ | (12,719) | $(23,411)$ |
| Effect of exchange rate on cash |  | $(2,101)$ | 252 | (45) |
| Increase (decrease) in cash and cash equivalents |  | (835) | 6,934 | $(2,971)$ |
| Cash and cash equivalents at the beginning of the period |  | 38,531 | 31,597 | 34,568 |
| Cash and cash equivalents at the end of the period | \$ | 37,696 \$ | 38,531 \$ | 31,597 |
| Supplemental Disclosures |  |  |  |  |
| Cash paid during the period for: |  |  |  |  |
| Interest on borrowings | \$ | 6,953 \$ | 14,526 \$ | 16,957 |
| Income taxes |  | 5,903 | 5,666 | 2,688 |
| Non-Cash Transactions |  |  |  |  |
| Contribution from noncontrolling shareholder in exchange for debt reduction -related party | \$ | 2,250 \$ | --\$ | -- |
| Conversion of noncontrolling interest to equity |  | 101 | -- | -- |
| In-kind exchange of stock for the exercise of options, net |  | 301 | -- | -- |
| Contribution from noncontrolling shareholder from bonus accrual |  | -- | 255 | -- |
| Foreclosure of a mortgage note to obtain title of the underlying property |  | -- | - | 1,984 |

See accompanying notes to consolidated financial statements.

## Reading International, Inc. and Subsidiaries <br> Notes to Consolidated Financial Statements

December 31, 2013

## Note 1 - Nature of Business

Reading International, Inc., a Nevada corporation ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading" and "we," "us," or "our"), was incorporated in 1999, and, following the consummation of a consolidation transaction on December 31, 2001 (the "Consolidation"), is now the owner of the consolidated businesses and assets of Reading Entertainment, Inc. ("RDGE"), Craig Corporation ("CRG"), and Citadel Holding Corporation ("CDL"). Our businesses consist primarily of:

- the development, ownership and operation of multiplex cinemas in the United States, Australia, and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States


## Note 2 - Summary of Significant Accounting Policies

## Basis of Consolidation

The consolidated financial statements of RDI and its subsidiaries include the accounts of RDGE, CRG, and CDL. Also consolidated are Australia Country Cinemas Pty, Limited ("ACC"), a company in which we own a $75 \%$ interest and whose only assets are our leasehold cinemas in Townsville and Dubbo, Australia, Sutton Hill Properties, LLC, a company in which we own a $75 \%$ interest and whose only asset is the fee interest in the Cinemas $1,2,3$, and Shadow View Land and Farming, LLC in which we own a $50 \%$ controlling membership interest and whose only asset is a 202 acre land parcel in Coachella, Califormia.

Our investment interests are accounted for as unconsolidated joint ventures and entities, and accordingly, our unconsolidated joint ventures and entities in $20 \%$ to $50 \%$ owned companies are accounted for on the equity method. These investment interests include our

- $25 \%$ undivided interest in the unincorporated joint venture that owns 205-209 East 57th Street Associates, LLC (Place 57) a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan;
- $33.3 \%$ undivided interest in the unincorporated joint venture that owns the Mt. Gravatt cinema in a suburb of Brisbane, Australia;
- $33.3 \%$ undivided interest in Rialto Distribution, an unincorporated joint venture engaged in the business of distributing art film in New Zealand and Australia; and
- $50 \%$ undivided interest in the unincorporated joint venture that owns Rialto Cinemas.


## Refinancing Long-Term Debt

## Australian Credit Facility

Our Australian NAB Corporate Term Loan matures on June 30, 2014. Accordingly, the outstanding balance of this debt of $\$ 56.7$ million (AUS $\$ 63.5$ million) is classified as current on our December 31, 2013 balance sheet. The Australian NAB Corporate Term Loan is secured by the majority of our theater and entertainment-themed retail center ("ETRC") properties in Australia. While no assurances can be given that we will be successful, we are currently in the process of renewing this loan and anticipate that the refinancing will be completed at the latest by May 31, 2014.

Cinemas 1, 2, 3 Term Loan

Our Cinemas 1, 2, 3 Term Loan matures on June 27, 2014. Accordingly, the outstanding balance of this debt of $\$ 15.0$ million is classified as current on our December 31, 2013 balance sheet. While no assurances can be given that we will be successful, we are currently in the process of negotiating an extension of this loan.

## Liberty Theatre Term Loans

On May 29, 2013, we replaced our Liberty Theater Term Loan with a loan securitized by our Orpheum and Minetta Lane theaters, thus releasing the Royal George from the securitization and leaving it unencumbered. This new loan, called the Minetta and Orpheum Theatres Loan, has a note balance of $\$ 7.5$ million. See Note 12 - Notes Payable

## U.S. Credit Facility

On October 31, 2012, we replaced our GE Capital Term Loan of $\$ 27.7$ million with a new credit facility from Bank of America of $\$ 30.0$ million with an interest rate of between $2.50 \%$ and $3.00 \%$ above LIBOR and an expiration date of October 31, 2017. In addition, Bank of America increased our existing $\$ 3.0$ million line of credit to $\$ 5.0$ million. On March 25, 2013, Bank of America extended the borrowing limit on our BofA Revolver from $\$ 30.0$ million to $\$ 35.0$ million. See Note 12 - Notes Payable.

## Cash Position

Our cash position at December 31, 2013 was $\$ 37.7$ million including $\$ 17.9$ million in the U.S., $\$ 12.1$ million in Australia, and $\$ 7.7$ million in New Zealand. As part of our main credit facilities in Australia, New Zealand and the U.S., we are subject to certain debt covenants which limit the transfer or use of cash outside of the various regional subsidiaries in which the cash is held. As such, at December 31,2013, we have approximately $\$ 15.8$ million of cash worldwide that is not restricted by loan covenants.

At December 31, 2013, we had undrawn funds of $\$ 4.5$ million (AUS $\$ 5.0$ million) available under our NAB line of credit in Australia, $\$ 9.9$ million (NZ $\$ 12.0$ million) available under our New Zealand Corporate Credit facility, and $\$ 5.0$ million available under our BofA Revolver in the U.S. Accordingly, we believe that we have sufficient borrowing capacity under our various credit facilities, together with our $\$ 37.7$ million cash balance, to meet our anticipated shortterm working capital requirements.

## Accounting Principles

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

## Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents for which cost approximates fair value.

## Time Deposits

Time deposits are cash depository investments in which the original maturity of the investments is greater than 90 days. During May 2012, we purchased $\$ 8.0$ million in U.S. dollar time deposits in Australia which matured on January 3, 2013 having an interest rate of $0.48 \%$. On December 31,2013, we had the following funds in U.S. dollars: in Australia, $\$ 4.6$ million and in New Zealand, $\$ 495,000$.

## Receivables

Our receivables balance is composed primarily of credit card receivables, representing the purchase price of tickets, concessions, or coupon books sold at our various businesses. Sales charged on customer credit cards are collected when the credit card transactions are processed. The remaining receivables balance is primarily made up of the goods and services tax ("GST") refund receivable from our Australian taxing authorities and the management fee receivable from the managed cinemas. We have no history of significant bad debt losses and we have established an allowance for accounts that we deem uncollectible.

## Inventory

Inventory is composed of concession goods used in theater operations and is stated at the lower of cost (first-in, first-out method) or net realizable value.

## Investment in Marketable Securities

We account for investments in marketable debt and equity securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320-10 - Investments-Debt and Equity Securities ("ASC 320-10"). Our investment in Marketable Securities includes equity instruments that are classified as available for sale and are recorded at market using the specific identification method. In accordance with ASC 320-10, available for sale securities are carried at their fair market value and any difference between cost and market value is recorded as unrealized gain or loss, net of income taxes, and is reported as accumulated other comprehensive income in the consolidated statement of stockholders' equity. Premiums and discounts of any debt instruments are recognized in interest income using the effective interest method. Realized gains and losses and declines in value expected to be other-than-temporary on available for sale securities are included in other expense. We evaluate our available for sale securities for other than temporary impairments at the end of each reporting period. These investments have a cumulative unrealized gain of $\$ 9,000$ included in other comprehensive income at December 31, 2013. For the years ended December $31,2013,2012$, and 2011, our net unrealized losses were $\$ 0, \$ 2,000$, and $\$ 32,000$, respectively. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in interest income.

## Restricted Cash

We classify restricted cash as those cash accounts for which the use of funds is restricted by contract or bank covenant. At December 31, 2013 and 2012, our restricted cash balance was $\$ 782,000$ and $\$ 2.5$ million, respectively.

## Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, restricted cash, and accounts payable approximate fair value due to their short-term maturities. See Note 16 - Fair Value of Financial Instruments.

## Derivative Financial Instruments

In accordance with FASB ASC 815-20 - Derivatives and Hedging ("ASC 815-20"), we carry all derivative financial instruments on our consolidated balance sheets at fair value. Derivatives are generally executed for interest rate management purposes but are not designated as hedges in accordance with ASC 815-20. Therefore, changes in market values are recognized in current earnings.

## Operating property

Operating property consists of land, buildings and improvements, leasehold improvements, fixtures and equipment which we use to derive operating income associated with our two business segments, cinema exhibition and real estate. Buildings and improvements, leasehold improvements, fixtures and equipment initially recorded at the lower of cost or fair market value and depreciated over the useful lives of the related assets. In accordance with US GAAP, land is not depreciated.

## Investment and Development Property

Investment and development property consists of land, new buildings and improvements under development, and their associated capitalized interest and other development costs that we are either holding for development, currently developing, or holding for investment appreciation purposes. These properties are initially recorded at the lower of cost or fair market value. Within investment and development property are building and improvement costs directly associated with the development of potential cinemas (whether for sale or lease), the development of entertainment themed retail centers ("ETRCs"), or other improvements to real property. As incurred, we expense start-up costs (such as pre-opening cinema advertising and training expense) and other costs
not directly related to the acquisition and development of long-term assets. We cease capitalization on a development property when the property is complete and ready for its intended use, or if activities necessary to get the property ready for its intended use have been substantially curtailed. During the year-ended December 31, 2009, we decided to curtail our current development progress on certain Australian and New Zealand land development projects. As a result, these properties are considered held for development and we have not capitalized interest for these projects and will not do so, until the development work recommences.

Incident to the development of our Burwood property, in late 2006, we began various fill and earth moving operations. In late February 2007, it became apparent that our cost estimates with respect to site preparation were low, as the extent of the contaminated soil present at the site, a former brickworks site, was greater than we had originally believed. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of the site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2013, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $\$ 15.2$ million (AUS $\$ 17.1$ million) and as of that date we had incurred a total of $\$ 7.4$ million (AUS $\$ 8.3$ million) of these costs. In accordance with FASB ASC 410-30-25 - Environmental Obligations, contamination clean-up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

## Accounting for the Impairment of Long Lived Assets

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable

Pursuant to FASB ASC 360-35, we review internal management reports on a monthly basis as well as monitoring current and potential future competition in film markets for indications of potential impairment. We evaluate our longlived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated, undiscounted future cash flows is less than the carrying amount of the asset, then impairment is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on an appraisal or a discounted cash flow calculation.

For certain non-income producing properties, we obtain appraisals or other evidence to evaluate whether there are impairment indicators for these assets. Based on calculations of current value from appraisals and a sales contract, we recorded impairment losses of $\$ 1.5$ million and $\$ 369,000$ relating to certain of our property and cinema locations for the years ended December 31, 2012 and 2011, respectively. No impairment losses were recorded in 2013. For a further explanation of our 2012 impairment losses see below under the heading "Coachella impairment" and see Note 7 Investment and Development Property to our 2013 Consolidated Financial Statements.

Pursuant to FASB ASC 350-35, goodwill and intangible assets are evaluated annually on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. There was no impairment for the goodwill and intangible assets for the years ended December 31, 2013, 2012, and 2011, respectively.

## Variable Interest Entity

Our determination of the appropriate accounting method with respect to our investment in Reading International Trust I, which is considered a Variable Interest Entity ("VIE"), is based on FASB ASC 810-10. We account for this VIE, of which we are not the primary beneficiary, under the equity method of accounting.

We determine if an entity is a VIE under FASB ASC 810-10 based on several factors, including whether the entity's total equity investment at risk upon inception is sufficient to finance the entity's activities without additional subordinated financial support. We make judgments regarding the sufficiency of the equity at risk based
first on a qualitative analysis, then a quantitative analysis, if necessary. In a quantitative analysis, we incorporate various estimates, including estimated future cash flows, asset hold periods and discount rates, as well as estimates of the probabilities of various scenarios occurring. If the entity is a VIE, we then determine whether we consolidate the entity as the primary beneficiary. We determine whether an entity is a VIE and, if so, whether it should be consolidated by utilizing judgments and estimates that are inherently subjective. If we made different judgments or utilized different estimates in these evaluations, it could result in differing conclusions as to whether or not an entity is a VIE and whether or not to consolidate such entity. Our investments in unconsolidated entities in which we have the ability to exercise significant influence over operating and financial policies, but do not control, or entities which are variable interest entities in which we are not the primary beneficiary are accounted for under the equity method.

We carry our investment in the Reading International Trust I using the equity method of accounting because we have the ability to exercise significant influence (but not control) over operating and financial policies of the entity. We eliminate transactions with an equity method entity to the extent of our ownership in such an entity. Accordingly, our share of net income (loss) of this equity method entity is included in consolidated net income (loss). We have no implicit or explicit obligation to further fund our investment in Reading International Trust I.

## Goodwill and Intangible Assets

We use the purchase method of accounting for all business combinations. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least annually. Prior to conducting our goodwill impairment analysis, we assess long-lived assets for impairment in accordance with FASB ASC 360-15 Impairment or Disposal of Long-Lived Assets ("ASC 360-15"). We then perform the impairment analysis at the reporting unit level (one level below the operating segment level) (see Note 10 - Goodwill and Intangibles) as defined by FASB ASC 350-35 - Goodwill Subsequent Measurement ("ASC 350-35"). This analysis requires management to make a series of critical assumptions to: (1) evaluate whether any impairment exists; and (2) measure the amount of impairment. We estimate the fair value of our reporting units as compared with their current book value. If the estimated fair value of a reporting unit is less than the book value, then impairment is deemed to have occurred. In estimating the fair value of our reporting units, we primarily use the income approach (which uses forecasted, discounted cash flows to estimate the fair value of the reporting unit).

## Discontinued Operations and Properties Held for Sale

In accordance with ASC 360-15, the revenue, expenses and net gain on dispositions of operating properties and the revenue and expenses on properties classified as held for sale are reported in the consolidated statements of operations as discontinued operations for all periods presented through the date of the respective disposition. The net gain (loss) on disposition is included in the period the property is sold. In determining whether the income and loss and net gain on dispositions of operating properties is reported as discontinued operations, we evaluate whether we have any significant continuing involvement in the operations, leasing or management of the sold property in accordance with FASB ASC 205-20 - Presentation of Financial Statements - Discontinued Operations ("ASC 205-20"). If we were to determine that there was any significant continuing involvement, the income and loss and net gain on dispositions of the operating property would not be recorded in discontinued operations.

A property is classified as held for sale when certain criteria, as set forth under ASC 360-15, are met. At such time, we present the respective assets and liabilities related to the property held for sale separately on the balance sheet and cease to record depreciation and amortization expense. Properties held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell. For a description of the properties previously held for sale see Note 9 - Transfer of Held for Sale Real Estate to Continuing Operations and Related Items. These asset transfers from held for sale to operating resulted in a reclassification of their operating results which is reflected in our December 31, 2013, 2012, and 2011 Consolidated Statements of Operations.

## Revenue Recognition

Revenue from cinema ticket sales and concession sales are recognized when sold. Revenue from gift certificate sales is deferred and recognized when the certificates are redeemed. Rental revenue is recognized on a straight-line basis in accordance with FASB ASC 840-20-25 - Leases Having Both Scheduled Rent Increases and Contingent Rents ("ASC 840-20-25").

## Deferred Leasing/Financing Costs

Direct costs incurred in connection with obtaining tenants and/or financing are amortized over the respective term of the lease or loan on a straight-line basis. Direct costs incurred in connection with financing are amortized over the respective term of the loan utilizing the effective interest method, or straight-line method if the result is not materially different. In addition, interest on loans with increasing interest rates and scheduled principal pre-payments are also recognized on the effective interest method.

## Advertising Expense

We expense our advertising as incurred. The amount of our advertising expense was $\$ 3.4$ million, $\$ 3.8$ million, and $\$ 3.8$ million for the years ended December 2013, 2012, and 2011, respectively.

## Legal Settlement Income/Expense

For the years ended December 31, 2013, 2012, and 2011, we recorded gains/(losses) on the settlement of litigation of $(\$ 285,000)$, $(\$ 194,000)$, and $\$ 0$, respectively, included in other income (expense). Also included in other income/expense for the year ended December 31, 2013 was a $\$ 1.4$ million net gain on acquisition and settlement (see Note 8 - Acquisitions, Disposals, and Assets Held for Sale).

## Depreciation and Amortization

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are generally as follows:

| Building and improvements | $15-40$ years |
| :--- | :--- |
| Leasehold improvement | Shorter of the life of the lease or useful life of the improvement |
| Theater equipment | 7 years |
| Furniture and fixtures | $5-10$ years |

## Translation of Non-U.S. Currency Amounts

The financial statements and transactions of our Australian and New Zealand cinema and real estate operations are reported in their functional currencies, namely Australian and New Zealand dollars, respectively, and are then translated into U.S. dollars. Assets and liabilities of these operations are denominated in their functional currencies and are then translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the reporting period. Translation adjustments are reported in "Accumulated Other Comprehensive Income," a component of Stockholders' Equity.

The carrying value of our Australian and New Zealand assets fluctuates due to changes in the exchange rate between the U.S. dollar and the Australian and New Zealand dollars. The exchange rates of the U.S. dollar to the Australian dollar were $\$ 0.8929$ and $\$ 1.0393$ as of December 31, 2013 and 2012, respectively. The exchange rates of the U.S. dollar to the New Zealand dollar were $\$ 0.8229$ and $\$ 0.8267$ as of December 31, 2013 and 2012, respectively.

## Income Taxes

We account for income taxes under FASB ASC 740-10 - Income Taxes ("ASC 740-10"), which prescribes an asset and liability approach. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense (benefit) is the tax payable (refundable) for the period and the change during the period in deferred tax assets and liabilities.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies. We then include assumptions about the amount of projected future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we use to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss). In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

ASC 740-10 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

We recognize tax liabilities in accordance with ASC 740-10 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

## Earnings Per Share

Basic earnings per share is calculated using the weighted average number of shares of Class A and Class B Stock outstanding during the years ended December 31, 2013, 2012, and 2011, respectively. Diluted earnings per share is calculated by dividing net earnings available to common stockholders by the weighted average common shares outstanding plus the dilutive effect of stock options and unvested restricted stock. We had issued stock options to purchase $709,850,672,350$, and 622,350 shares of Class A Common Stock at December 31, 2013, 2012, and 2011, respectively, at a weighted average exercise price of $\$ 6.66, \$ 6.24$, and $\$ 5.65$ per share, respectively. Stock options to purchase $185,100,185,100$, and 185,100 shares of Class B Common Stock were outstanding at the years ended December $31,2013,2012$, and 2011, respectively, at a weighted average exercise price of $\$ 9.90, \$ 9.90$, and $\$ 9.90$ per share, respectively. In accordance with FASB ASC 260-10 - Earnings Per Share ("ASC 260-10"), for any years that we record losses from continuing operations before discontinued operations, the effect of the stock options and restricted stock are anti-dilutive and accordingly excluded from the diluted earnings per share computation (see Note 4 - Earnings (Loss) Per Share).

## Real Estate Purchase Price Allocation

We allocate the purchase price to tangible assets of an acquired property (which includes land, building and tenant improvements) based on the estimated fair values of those tangible assets assuming the building was vacant. Estimates of fair value for land are based on factors such as comparisons to other properties sold in the same geographic area adjusted for unique characteristics. Estimates of fair values of buildings and tenant improvements are based on present values determined based upon the application of hypothetical leases with market rates and terms.

We record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. We amortize any capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases.

We measure the aggregate value of other intangible assets acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. Management also estimates costs to execute similar leases including leasing commissions, legal, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

We amortize the value of in-place leases to expense over the initial term of the respective leases. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event may the amortization period for intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

These assessments have a direct impact on revenue and net income. If we assign more fair value to the in-place leases versus buildings and tenant improvements, assigned costs would generally be depreciated over a shorter period, resulting in more depreciation expense and a lower net income on an annual basis. Likewise, if we estimate that more of our leases in-place at acquisition are on terms believed to be above the current market rates for similar properties, the calculated present value of the amount above market would be amortized monthly as a direct reduction to rental revenue and ultimately reduce the amount of net income.

## Business Acquisition Valuations

The assets and liabilities of businesses acquired are recorded at their respective preliminary fair values as of the acquisition date in accordance with FASB ASC 805-10 - Business Combinations ("ASC 805-10"). Upon the acquisition of real properties, we allocate the purchase price of such properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above market and below market leases and the value of in-place leases, based in each case on their fair values. We use independent appraisals to assist in the determination of the fair values of the tangible assets of an acquired property (which includes land and building). We also perform valuations and physical counts of property, plant and equipment, valuations of investments and the involuntary termination of employees, as necessary. Costs in excess of the net fair values of assets and liabilities acquired are recorded as goodwill.

We record and amortize above-market and below-market operating leases assumed in the acquisition of a business in the same way as those under real estate acquisitions.

The fair values of any other intangible assets acquired are based on the expected discounted cash flows of the identified intangible assets. Finite-lived intangible assets are amortized using the straight-line method of amortization over the expected period in which those assets are expected to contribute to our future cash flows. We do not amortize indefinite lived intangibles and goodwill.

## Fair Value of Financial Instruments

FASB ASC 820-10 - Fair Value Measurements and Disclosures ("ASC 820-10") defines fair value, establishes a framework for measuring fair value in GAAP and provides for expanded disclosure about fair value

The fair value of our financial assets and liabilities are disclosed in Note 16 - Fair Value of Financial Instruments to our consolidated financial statements. We generally determine or calculate the fair value of financial instruments using quoted market prices in active markets when such information is available or using appropriate present value or other valuation techniques, such as discounted cash flow analyses, incorporating available market discount rate information for similar types of instruments while estimating for non-performance and liquidity risk. These techniques are significantly affected by the assumptions used, including the discount rate, credit spreads, and estimates of future cash flow.

The financial assets and liabilities recorded at fair value in our consolidated financial statements are marketable securities and interest rate swaps/cap. The carrying amounts of our cash and cash equivalents, restricted cash and accounts payable approximate fair value due to their short-term maturities. The remaining financial assets and liabilities that are only disclosed at fair value are comprised of notes payable, TPS, and other debt instruments. We estimated the fair value of our secured mortgage notes payable, our unsecured notes payable, TPS and other debt instruments by performing discounted cash flow analyses using an appropriate market discount rate. We calculated the market discount rate by obtaining period-end treasury rates for fixed-rate debt, or LIBOR rates for variable-rate debt, for maturities that correspond to the maturities of our debt adding an appropriate credit spreads derived from information obtained from third-party financial institutions. These credit spreads take into account factors such as our credit standing, the maturity of the debt, whether the debt is secured or unsecured, and the loan-to-value ratios of the debt.

Assets and liabilities typically recorded at fair value on a non-recurring basis to which ASC 820-10 applies include:

- Non-financial assets and liabilities initially measured at fair value in an acquisition or business combination;
- Long-lived assets measured at fair value due to an impairment assessment under ASC 360-15; and
- Asset retirement obligations initially measured under FASB ASC 410-20 - Asset Retirement Obligations ("ASC 410-20").


## Use of Estimates

The preparation of financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

## Accounting Pronouncements Adopted During 2013

No new pronouncements were adopted during the year ended December 31, 2013

## New Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 is effective for the first interim or annual period beginning on or after December 15, 2013 with early adoption permitted. ASU 2013-11 amends ASC Topic 740, Income Taxes, to provide guidance and reduce diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carry forward exists. We do not anticipate that the application of this standard will impact our company.

## Note 3-Stock Based Compensation and Employee Stock Option Plan

## Stock Based Compensation

As part of his compensation package, Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, was granted $\$ 750,000, \$ 950,000$, and $\$ 750,000$, respectively, of restricted Class A Non-voting Common Stock ("Class A Stock") for each of the years ended December 31, 2013, 2012, and 2011, respectively. The 2013, 2012, and 2011 stock grants of $125,209,217,890$, and 155,925 shares, respectively, were granted with stock grant prices of $\$ 5.99$, $\$ 4.36$, and $\$ 4.81$, respectively. Mr. Cotter's stock compensation is granted fully vested with a five-year restriction on sale. As of December 31, 2013, the 2013 stock grant had not yet been issued to Mr. Cotter. During 2013, we issued to Mr. Cotter 217,890 of Class A Stock for his 2012 vested stock grants which had a stock grant price of $\$ 4.36$ and a grant date fair value of $\$ 950,000$.

During 2012, we issued 9,680 shares as a one-time stock grant of Class A Stock to our employees valued at $\$ 44,000$.

During the years ended December 31, 2013, 2012, and 2011, we recorded compensation expense of $\$ 750,000$, $\$ 994,000$, and $\$ 750,000$, respectively, for the vesting of all our restricted stock grants. The following table details the grants and vesting of restricted stock to our employees (dollars in thousands):

|  | Non-Vested <br> Restricted Stock | Weighted <br> Average Fair <br> Value at Grant <br> Date |  |
| :--- | ---: | ---: | ---: |
| Outstanding - January 1, 2011 | -- | $\$$ | -- |
| Granted | 155,925 | 750 |  |
| Vested | $(155,925)$ | $(750)$ |  |
| Outstanding - December 31, 2011 | -- | $\$$ | -- |
| Granted | 227,570 | 994 |  |
| Vested | $(227,570)$ | $(994)$ |  |
| Outstanding - December 31, 2012 | -- | $\$$ | -- |
| Granted | 125,209 | 750 |  |
| Vested | $(125,209)$ | $(750)$ |  |
| Outstanding - December 31, 2013 | -- | $\$$ | -- |

## Employee Stock Option Plan

We have a long-term incentive stock option plan that provides for the grant to eligible employees, directors, and consultants of incentive or nonstatutory options to purchase shares of our Class A Stock. Our 1999 Stock Option Plan expired in November 2009, and was replaced by our new 2010 Stock Incentive Plan, which was approved by the holders of our Class B Voting Common Stock in May 2010.

FASB ASC 718-10 - Stock Compensation ("ASC 718-10") requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award. We estimate the valuation of stock based compensation using a Black-Scholes option-pricing model.

When our tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. ASC 718-10 requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the years ended December 31, 2013, 2012, and 2011, there was no impact to the consolidated statements of cash flows because there were no recognized tax benefits during these periods.

ASC 718-10 requires companies to estimate forfeitures. Based on our historical experience, we did not estimate any forfeitures for the options granted during the years ended December 31, 2013,2012, and 2011.

In accordance with ASC 718-10, we estimate the fair value of our options using the Black-Scholes option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the
expected stock price volatility, and the expected life of the options. The dividend yield is excluded from the calculation, as it is our present intention to retain all earnings. We estimated the expected stock price volatility based on our historical price volatility measured using daily share prices back to the inception of the Company in its current form beginning on December 31, 2001. We estimate the expected option life based on our historical share option exercise experience during this same period. We expense the estimated grant date fair values of options issued on a straight-line basis over their vesting periods.

No options were granted during 2011. For the 175,000 and 206,000 options granted during 2013 and 2012, respectively, we estimated the fair value of these options at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

|  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |
| :--- | :---: | :---: |
| Stock option exercise price | $\$ 6.19$ | $\$ 5.94$ |
| Risk-free interest rate | $2.25 \%$ | $1.71 \%$ |
| Expected dividend yield | - | - |
| Expected option life | 5.00 yrs | 7.20 yrs |
| Expected volatility | $31.80 \%$ | $32.15 \%$ |
| Weighted average fair value | $\$ 1.98$ | $\$ 2.62$ |

Using the above assumptions and based on our use of the modified prospective method, we recorded $\$ 199,000$, $\$ 285,000$, and $\$ 189,000$ in compensation expense for the total estimated grant date fair value of stock options that vested during the years ended December 31, 2013, 2012, and 2011, respectively. At December 31, 2013, total unrecognized estimated compensation cost related to non-vested stock options granted was $\$ 432,000$ which is expected to be recognized over a weighted average vesting period of 2.15 years.

For the stock options exercised during the years ended December 31, 2013 and 2012, we issued 62,500 and 95,000 shares of Class A Stock for cash to employees of the corporation under this stock based compensation plan with weighted average exercise prices of $\$ 3.98$ and $\$ 4.68$, respectively. No options were exercised in 2011 . The total realized value of stock options exercised during the years ended December 31, 2013 and 2012 was $\$ 133,000$ and $\$ 136,000$, respectively. We recorded cash received from stock options exercised of $\$ 248,000$ and $\$ 308,000$ during the years ended December 31, 2013 and 2012, respectively. In 2013, 75,000 options were exercised having a realized value of $\$ 124,000$ for which we did not receive any cash but the employee elected to exchange 53,136 personally owned shares of the company with a market price of $\$ 5.66$ for the 75,000 shares based on an exercise price of $\$ 4.01$ for the related options. In $2012,41,000$ options were exercised having a realized value of $\$ 103,000$ for which we did not receive any cash but the employee elected to receive the net incremental number of in-the-money shares of 15,822 based on an exercise price of $\$ 4.01$ and a market price of $\$ 6.53$. At December 31, 2013, the intrinsic, unrealized value of all options outstanding, vested and expected to vest, was $\$ 939,000$ of which $68.8 \%$ were currently exercisable.

Pursuant to both our 1999 Stock Option Plan and our 2010 Stock Incentive Plan, all stock options expire within ten years of their grant date. The aggregate total number of shares of Class A Stock and Class B voting common stock authorized for issuance under our 2010 Stock Option Plan is $1,250,000$. At the time that options are exercised, at the discretion of management, we will either issue treasury shares or make a new issuance of shares to the employee or board member. Dependent on the grant letter to the employee or board member, the required service period for option vesting is between zero and four years.

We had the following stock options outstanding and exercisable:

|  | Weighted |  |  |  |  |  |  |  | Weighted Average |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Common Optio <br> Outstan | Stock <br> ding | Average Exercise <br> Price of Options |  |  |  | Commo <br> Exerc <br> Opt | Stock <br> able <br> ns |  | $\xrightarrow{\text { Pr }}$ | cisa |  |
|  | Class A | Class B |  | A |  | ss B | Class A | Class B |  |  |  | ass B |
| Outstanding-January 1, 2011 | 622,350 | 185,100 | \$ | 5.65 | \$ | 9.90 | 449,750 | 150,000 | \$ | 6.22 | \$ | 10.24 |
| No activity during the period | -- | - | \$ |  | \$ | -- |  |  |  |  |  |  |
| Outstanding-December 31, 2011 | 622,350 | 185,100 | \$ | 5.65 | \$ | 9.90 | 544,383 | 167,550 | \$ | 5.86 | \$ | 10.05 |
| Granted | 206,000 | -- | \$ | 5.94 | \$ |  |  |  |  |  |  |  |
| Exercised | $(136,000)$ |  | \$ | 4.68 | \$ | -- |  |  |  |  |  |  |
| Expired | $(20,000)$ | -- | \$ | 3.75 | \$ | -- |  |  |  |  |  |  |
| Outstanding - December 31, 2012 | 672,350 | 185,100 | \$ | 6.24 | \$ | 9.90 | 546,350 | 185,100 | \$ | 6.26 | \$ | 9.90 |
| Granted | 175,000 | -- | \$ | 6.19 | \$ | -- |  |  |  |  |  |  |
| Exercised | $(137,500)$ |  | \$ | 4.00 | \$ | -- |  |  |  |  |  |  |
| Outstanding - December 31, 2013 | 709,850 | 185,100 | \$ | 6.66 | \$ | 9.90 | 490,350 | 185,100 | \$ | 6.85 | \$ | 9.90 |

The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at December 31, 2013 and 2012 were approximately 4.70 and 5.32 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at December 31,2013 and 2012 was approximately 3.63 and 4.28 years, respectively.

## Note 4 - Earnings (Loss) Per Share

For the three years ended December 31, 2013, we calculated the following earnings (loss) per share (dollars in thousands, except per share amounts):


For the years ended December 31, 2013 and 2011, the weighted average common stock - dilutive included 172,268 and 228,469 , respectively, of incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock. For the year ended December 31, 2012, we recorded a loss from continuing operations. As such, the 284,054 of incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock were excluded from the computation of diluted loss per share because they were anti-dilutive in that period. In addition, $847,891,791,286$, and 734,906 of out-of-the-money stock options were excluded from the computation of diluted earnings (loss) per share for the years ended December 31, 2013, 2012, and 2011, respectively. The total number of in-the-money stock options, out-of-the-money stock options, and unissued restricted Class A Stock that
could potentially dilute basic earnings per share was $1,020,159,1,075,340$, and 963,375 for the years ended December 31, 2013, 2012, and 2011, respectively.

## Note 5 - Prepaid and Other Assets

Prepaid and other assets are summarized as follows (dollars in thousands):


## Note 6 - Operating Property

Property associated with our operating activities is summarized as follows (dollars in thousands):

|  | December 31, |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Operating property | $\$$ | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |  |
| Land |  | 65,578 | $\$$ | 69,370 |
| Building and improvements |  | 123,061 | 136,225 |  |
| Leasehold improvements |  | 46,330 | 45,391 |  |
| Fixtures and equipment | 106,099 | 108,169 |  |  |
| Total cost |  | 341,068 | 359,155 |  |
| Less: accumulated depreciation |  | $(149,408)$ | $(156,377)$ |  |
| Operating property, net | $\$$ | 191,660 | $\$$ | 202,778 |

Depreciation expense for operating property was $\$ 14.0$ million, $\$ 14.9$ million, and $\$ 14.9$ million for the three years ended December 31, 2013, 2012, and 2011, respectively.

In 2011, we recorded impairment losses totaling $\$ 65,000$ on two of our cinema properties. We did not record an impairment charge for our operating assets during 2013 or 2012.

## Note 7 - Investment and Development Property

Investment and development property is summarized as follows (dollars in thousands):

|  | December 31, |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Investment and Development Property | $\$$ | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |  |
| Land | $\$ 9,550$ | $\$$ | 77,020 |  |
| Construction-in-progress (including capitalized interest) |  | 14,680 | 17,902 |  |
| Investment and development property, net | $\$$ | 74,230 | $\$$ | 94,922 |

During the year-ended December 31, 2009, we decided to curtail our current development progress on certain Australian and New Zealand land development projects. As a result, we did not capitalize interest on these projects during 2013, 2012, and 2011 and we will not capitalize interest for these projects until development work recommences.

## Coachella, California Land

Based on a December 2012 appraisal, the fair value of our Coachella property was $\$ 4.0$ million resulting in a $\$ 1.5$ million impairment to the carrying value of the asset. As noted below, this property is $50 \%$ owned by Mr. James J. Cotter who shares in any impairment loss to the extent of his ownership interest.

## Note 8 - Acquisitions, Disposals, and Assets Held for Sale

## 2013 Transactions

## Plano Cinema

On December 31, 2013, we settled a management fee claim that we had against the owner of the Plano, Texas cinema that we had managed since 2003 for a cash receipt of $\$ 1.9$ million. As part of the settlement, we acquired that entity, and through the purchase of that entity acquired the underlying cinema's lease and the associated personal property, equipment, and trade fixtures. Because the fair value of the lease, in light of anticipated rent payments, resulted in a lease liability of $\$ 320,000$ and the acquired net assets, including cash received in connection with the settlement, were valued at $\$ 1.7$ million, we recorded a net gain on acquisition and settlement of $\$ 1.4$ million.

## Property Held for Sale - Moonee Ponds

On October 15, 2013, we entered into a definitive purchase and sale agreement with Moonee Ponds Pty Ltd, an affiliate of Leighton Properties Pty Ltd, for the sale of our properties located in Moonee Ponds, Victoria, Australia. The agreement calls for a sale price of AUS $\$ 23.0$ million payable in full on April 16, 2015. Leighton Properties Pty Ltd. has guaranteed the purchaser's performance. Our attorney has received from the purchaser bank guaranties and checks to the value of AUS $\$ 2.3$ million representing the agreed upon $10 \%$ deposit. These amounts will be held by our attorney and released to us upon settlement on April 16,2015. Prior to settlement, Reading retains title to the properties, is responsible for their costs (including taxes and utilities), and is entitled to receive all of their revenues (the properties are currently used as a parking lot). The properties comprise approximately 3.3 acres and are carried on our books at $\$ 11.6$ million (AUS $\$ 12.4$ million) at December 31, 2013 which is classified as land held for sale on our December 31, 2013 consolidated balance sheet. The historical operations of this property were as an non-attendant parking lot which are not material and thus not separately presented as discontinued operations.

## 2012 Transactions

On November 20, 2012, we sold our Indooroopilly property for $\$ 12.4$ million (AUS $\$ 12.0$ million). As its book value at the time of sale was $\$ 12.5$ million (AUS $\$ 12.1$ million), we recorded a loss on sale in the form of an impairment expense of $\$ 318,000$ (AUS $\$ 306,000$ ) for the year ended December 31, 2012 which included the cost to sell the property. The operational results are included in income (loss) from discontinued operations on our Consolidated Statements of Operations for the years ended December 31, 2012, and 2011, respectively. The condensed statement of operations for Indooroopilly is as follows (dollars in thousands):

|  |  | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ |  |
| :--- | ---: | ---: | ---: | ---: |
| Revenue | $\$$ | 793 | $\$$ | 825 |
| Less: operating expense |  | 560 | 593 |  |
| Less: impairment expense | 318 | -- |  |  |
| Income (loss) from discontinued operations, net of tax | $\$$ | $(85)$ | $\$$ | 232 |

## Taringa - Sale

On February 21, 2012, we sold our three properties of approximately 1.1 acres in the Taringa area of Brisbane, Australia for $\$ 1.9$ million (AUS $\$ 1.8$ million). Because the net carrying amounts of these properties were greater than the total sale price, we recorded an impairment expense for these properties of $\$ 369,000$ (AUS $\$ 365,000$ ) for the year ended December 31, 2011.

Coachella, California Land-Acquisition
On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202 -acre property, zoned for the development of up to 816 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for $\$ 5.5$ million. The property was acquired as a long-term investment in developable land. Half of the funds used to acquire the land were provided by Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted on January 18, 2012 into a $50 \%$ interest in Shadow View Land and Farming, LLC. We are the managing member of this company. See Note 20 - Noncontrolling Interests.

## 2011 Transactions

## Cal Oaks Cinema - Acquisition

On August 25, 2011, we purchased a 17 -screen multiplex in Murrieta, California (the "CalOaks Cinema") for $\$ 4.2$ million.

Elsternwick Classic Cinema - Sale

On April 14, 2011, we sold our $66.7 \%$ share of the 5 -screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for $\$ 1.9$ million (AUS $\$ 1.8$ million) and recognized a gain on sale of a discontinued operation of $\$ 1.7$ million (AUS $\$ 1.6$ million).

## Note 9 - Transfer of Held for Sale Real Estate to Continuing Operations and Related Items

## 2013 and 2012 Transactions

There were no transfers of held for sale real estate to continuing operations or related items in 2013 or 2012.

## 2011 Transactions

## Lake Taupo Motel

During the fourth quarter of 2010, we listed for sale the residential units of our Lake Taupo property and the adjoining 1.0 -acre parcel located in Lake Taupo, New Zealand. A portion of this property was previously
improved with a motel in which we recently renovated the property's units to be condominiums and have enhanced the property value with residential apartment entitlements for the adjoining vacant land. At December 31, 2011, we had not yet sold the property. Pursuant to ASC $360-10-45$, as twelve months had passed since this announcement and we did not meet the criteria to classify this property as held for sale. As a result of the transfer of the asset from held for sale to continuing operations, we recorded a loss for 2011 of $\$ 37,000(\mathrm{NZ} \$ 48,000)$ to measure the property at the lower of its carrying amount, adjusted for depreciation and amortization expense that would have been recognized had the asset been continuously classified as a continuing operational asset, or its fair value at the date of the decision not to sell. We continue to discuss with potential buyers and plan to monetize the property in time.

## Burwood Development Property

In May 2010, we announced our intent to sell and began actively marketing our 50.6 -acre Burwood development site in suburban Melbourne. At June 30, 2011, we had not yet achieved that aim. Pursuant to ASC 360-1045 , as twelve months had passed since this announcement and we did not meet the criteria to classify this property as held for sale, we reclassified the current carrying value of this property of $\$ 53.4$ million (AUS $\$ 52.1$ million) from assets held for sale to investment and development property on our December 31, 2011 consolidated balance sheet. We continue to evaluate our options concerning this property.

## Note 10 - Goodwill and Intangible Assets

Goodwill associated with our business combinations is tested for impairment at the beginning of the fourth quarter with continued evaluation through the end of the fourth quarter of every year. The fair value estimates of each of our reporting units is based on the projected profits and cash flows of the related assets using each reporting unit's weighted average cost of capital as a discount rate. As a result of this test, whereby the Step 1 Test was passed for all reporting units, it was determined that there is no impairment to our goodwill as of December 31, 2013 or 2012.

At December 31, 2013 or 2012, our goodwill consisted of the following (dollars in thousands):

| 2013 | Cinema |  | Real Estate |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance as of January 1,2013 | \$ | 17,674 | \$ | 5,224 | \$ | 22,898 |
| Foreign currency translation adjustment |  | (739) |  | -- |  | (739) |
| Balance at December 31, 2013 | \$ | 16,935 | \$ | 5,224 | \$ | 22,159 |
| 2012 | Cinema |  | Real Estate |  | Total |  |
| Balance as of January 1,2012 | \$ | 17,053 | \$ | 5,224 | \$ | 22,277 |
| Foreign currency translation adjustment |  | 621 |  | -- |  | 621 |
| Balance at December 31,2012 | \$ | 17,674 | \$ | 5,224 | \$ | 22,898 |

We have intangible assets other than goodwill that are subject to amortization which are being amortized over various periods (dollars in thousands):

| As of December 31, 2013 | BeneficialLeases |  | Trade Name |  | $\begin{gathered} \text { Other } \\ \text { Intangible } \\ \text { Assets } \\ \hline \end{gathered}$ |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Gross carrying amount | \$ | 24,223 | \$ | 7,254 | \$ | 455 | \$ | 31,932 |
| Less: Accumulated amortization |  | 14,520 |  | 3,517 |  | 455 |  | 18,492 |
| Total, net | \$ | 9,703 | \$ | 3,737 | \$ | -- | \$ | 13,440 |
| As of December 31, 2012 | BeneficialLeases |  | Trade Name |  | Other <br> Intangible <br> Assets |  | Total |  |
| Gross carrying amount | \$ | 24,284 | \$ | 7,254 | \$ | 458 | \$ | 31,996 |
| Less: Accumulated amortization |  | 12,873 |  | 3,059 |  | 403 |  | 16,335 |
| Total, net | \$ | 11,411 | \$ | 4,195 | \$ | 55 | \$ | 15,661 |

We amortize our beneficial leases over the lease period, the longest of which is approximately 30 years; our trade name using an accelerated amortization method over its estimated useful life of 45 years; and our option fee and other intangible assets over 10 years. For the years ended December 31, 2013, 2012, and 2011, our amortization expense was $\$ 2.2$ million, $\$ 2.2$ million, and $\$ 2.4$ million, respectively. The estimated amortization expense in the five succeeding years and thereafter is as follows (dollars in thousands):

| Year Ending December 31, |  |  |
| :--- | ---: | ---: |
| 2014 | $\$$ | 1,994 |
| 2015 |  | 1,921 |
| 2016 |  | 1,724 |
| 2017 | 1,327 |  |
| 2018 |  | 1,211 |
| Thereafter | 5,263 |  |
| Total future amortization expense | $\$$ | 13,440 |

## Note 11 - Investments in and Advances to Unconsolidated Joint Ventures and Entities

Investments in and advances to unconsolidated joint ventures and entities are accounted for under the equity method of accounting except for Rialto Distribution as described below. As of December 31, 2013 and 2012, these investments in and advances to unconsolidated joint ventures and entities include the following (dollars in thousands):

|  | Interest | December 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 2013 |  | 2012 |  |
| Rialto Distribution | 33.3\% | \$ | -- | \$ | -- |
| Rialto Cinemas | 50.0\% |  | 1,571 |  | 1,561 |
| 205-209 East 57 ${ }^{\text {4 }}$ Street Associates, LLC | 25.0\% |  | -- |  | 60 |
| Mt. Gravatt | 33.3\% |  | 5,164 |  | 6,094 |
| Total investments |  | \$ | 6,735 | \$ | 7,715 | unconsolidated joint ventures and entities as follows (dollars in thousands):


|  | Year Ended December 31, |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 3}$ |  | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ |  |
| Rialto Distribution | $\$$ | 159 | $\$$ | 199 | $\$$ |
| Rialto Cinemas |  | 221 | 209 | $(72)$ |  |
| 205-209 East 57 |  |  |  |  |  |
| Mt. Street Associates, LLC | $(1)$ | 27 | 33 |  |  |
| Total investor share of earnings | 990 | 1,186 | 1,038 |  |  |
| Rialto Cinemas impairment recorded at investor level | 1,369 | 1,621 | 1,382 |  |  |
| Total equity earnings |  | -- | -- | $(2,934)$ |  |

Rialto Distribution
Due to significant losses in years past, we determined that the goodwill associated with Rialto Distribution's investment in the film distribution business was fully impaired. As a result of these losses, as of January 1,2010, we treat our interest as a cost method interest in an unconsolidated joint venture. For the years ended December 31, 2013, 2012, and 2011 we received $\$ 159,000(\mathrm{NZ} \$ 195,000)$, $\$ 199,000(\mathrm{NZ} \$ 245,000)$, and $\$ 383,000$ ( $\mathrm{NZ} \$ 500,000$ ), respectively, in distributions from our interest in Rialto Distribution which we recorded as earnings at the time of receipt.

Rialto Cinemas

We own an undivided $50 \%$ interest in the assets and liabilities of the Rialto Entertainment joint venture and treat our interest as an equity method interest in an unconsolidated joint venture. Subsequent to the February 22, 2011 earthquake in Christchurch, the joint venture obtained a termination agreement with the landlord associated with the Christchurch cinema lease (see Note 26 - Casualty Loss). As of December 31, 2013, following the closure of three cinemas with 15 screens, the joint venture owned two cinemas with 13 screens in the New Zealand cities of Auckland and Dunedin. As part of our investment impairment analysis for 2011, we determined that the value of our investment was impaired. For this reason, we recorded an impairment charge to our investment in Rialto Cinemas of $\$ 2.9$ million (NZ $\$ 3.8$ million) during December 31, 2011 and included it in our equity loss from unconsolidated joint ventures and entities for the year ended December 31, 2011.

## 205-209 East 57th Street Associates, LLC

We own a non-managing $25 \%$ membership interest in 205-209 East 57th Street Associates, LLC a limited liability company formed to redevelop our former cinema site at 205 East 57 th Street in Manhattan.

During the fourth quarter of 2010 , the last residential condominium was sold for $\$ 900,000$ from which we recorded earnings of $\$ 64,000$ and received distributions totaling $\$ 293,000$. During 2012 , as a consequence of a purchaser's dispute, a condominium which was previously sold was repurchased, renovated, and resold for a small gain resulting in additional earnings to us of $\$ 27,000$. We do not anticipate any further income or expense from this investment.

## Mt. Gravatt

We own an undivided $33.3 \%$ interest in Mt. Gravatt, an unincorporated joint venture that owns and operates a 16 -screen multiplex cinema in Australia. The condensed balance sheets and statements of operations of Mt. Gravatt are as follows (dollars in thousands):

Mt. Gravatt Condensed Balance Sheet Information

|  | December 31, |  |  |
| :--- | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |  |
| Current assets | $\$$ | 887 | $\$ 8318$ |
| Noncurrent assets | 3,288 | 4,078 |  |
| Current liabilities | 751 | 1,111 |  |
| Noncurrent liabilities | 30 | 43 |  |
| Members' equity | 3,394 | 4,242 |  |

Mt. Gravatt Condensed Statements of Operations Information

|  | December 31, |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  |  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ |  |
| Total revenue | $\$$ | 12,949 | $\$$ | 15,236 | $\$$ |
| Net income |  | 2,923 |  | 3,513 | 3,097 |
|  |  |  |  |  |  |

## Malulani Investments, Limited

On June 26, 2006, we acquired for $\$ 1.8$ million, an $18.4 \%$ interest in a private real estate company. On July 2, 2009, Magoon Acquisition and Development, LLC ("Magoon LLC") and we entered into a settlement agreement (the "Settlement Terms") with respect to a lawsuit against certain officers and directors of Malulani Investments, Limited ("MIL"). Under the Settlement Terms, Magoon LLC and we received $\$ 2.5$ million in cash, a $\$ 6.8$ million three-year $6.25 \%$ secured promissory note issued by The Malulani Group ("TMG"), and a ten-year "tail interest" in MIL and TMG in exchange for the transfer of all ownership interests in MIL and TMG held by both Magoon, LLC and RDI and for the release of all claims against the defendants in this matter. A gain on the transfer of our ownership interest in MIL of $\$ 268,000$ was recognized during 2009 as a result of this transaction. The tail interest allows us to participate in certain distributions made or received by MIL, TMG, and in certain cases, the shareholders of TMG. The tail interest, however, continues only for a period of ten years and we cannot assure that we will receive any distributions from this tail interest. During 2011, we received $\$ 191,000$ in interest on the
promissory note, and, on June 14, 2011, we received $\$ 6.8$ million of principal and interest owed on this note. We believe that further amounts are owed under the note and we have begun litigation to collect such amounts. Any further collections will be recognized when received.

## Combined Condensed Financial Information

The combined condensed financial information for all of the above unconsolidated joint ventures and entities accounted for under the equity method is as follows; therefore, these financials only exclude Rialto Distribution (dollars in thousands):

## Condensed Balance Sheet Information

|  | December 31, |  |  |
| :--- | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 3}$ |  | $\mathbf{2 0 1 2}$ |
| Current assets | $\$, 255$ | $\$$ | 3,488 |
| Noncurrent assets | 5,934 | 6,621 |  |
| Current liabilities | 2,516 | 2,197 |  |
| Noncurrent liabilities |  | 670 | 751 |
| Members' equity | 6,002 | 7,161 |  |

Condensed Statements of Operations Information

|  | December 31, |  |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
|  |  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |  | $\mathbf{2 0 1 1}$ |  |
| Total revenue | $\$$ | 23,070 | $\$$ | 26,138 | $\$$ | 28,017 |
| Net income |  | 3,598 |  | 4,590 | 4,021 |  |

## Note 12 -Notes Payable

Notes payable are summarized as follows (dollars in thousands):

| Name of Note Payable or Security | $\begin{gathered} \text { December 31, } \\ 2013 \end{gathered}$ | $\begin{gathered} \text { December 31, } \\ 2012 \end{gathered}$ | Maturity Date | $\begin{gathered} \text { December 31, } \\ 2013 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2012 \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Trust Preferred Securities | 4.24\% | 4.31\% | April 30, 2027 | \$ | 27,914 | \$ | 27,913 |
| Australian NAB Corporate Term Loan | 5.09\% | 5.82\% | June 30, 2014 |  | 56,699 |  | 75,349 |
| Australian NAB Corporate Revolver | 5.09\% | 5.82\% | June 30, 2014 |  | -- |  | -- |
| Australian Shopping Center Loans | -- | -- | November 1, 2014 |  | 89 |  | 208 |
| New Zealand Corporate Credit Facility | 4.80\% | 4.70\% | March 31, 2015 |  | 23,041 |  | 23,148 |
| US Bank of America Revolver | 2.67\% | 3.26\% | October 31, 2017 |  | 31,500 |  | 30,000 |
| US Bank of America Line of Credit | 3.17\% | 3.21\% | October 31, 2017 |  | -- |  | 2,007 |
| US Cinema 1, 2, 3 Term Loan | 5.21\% | 5.24\% | June 27, 2014 |  | 15,000 |  | 15,000 |
| US Liberty Theaters Term Loan | -- | 6.20\% | April 1, 2013 |  | -- |  | 6,429 |
| US Minetta \& Orpheum Theatres Loan | 2.91\% | -- | June 1, 2018 |  | 7,500 |  | -- |
| US Nationwide Loan 1 | -- | 8.50\% | February 21, 2013 |  | -- |  | 593 |
| US Sutton Hill Capital Note - Related Party | -- | 8.25\% | June 18, 2013 |  | -- |  | 9,000 |
| US Union Square Theatre Term Loan | 5.92\% | 5.92\% | May 1, 2015 |  | 6,717 |  | 6,950 |
| Total |  |  |  | \$ | 168,460 | \$ | 196,597 |

## Trust Preferred Securities

On February 5, 2007, we issued $\$ 51.5$ million in 20 -year fully subordinated notes to a trust that we control, which in turn issued $\$ 51.5$ million in securities. Of the $\$ 51.5$ million, $\$ 50.0$ million in TPS were issued to unrelated investors in a private placement and $\$ 1.5$ million of common trust securities were issued by the trust to Reading called "Investment in Reading International Trust I" on our balance sheet. Effective May 1, 2012, the interest rate on our Trust Preferred Securities changed from a fixed rate of $9.22 \%$, which was in effect for five years, to a
variable rate of three month $\operatorname{LBBOR}$ plus $4.00 \%$, which will reset each quarter through the end of the loan unless we exercise our right to refix the rate at the current market rate at that time. Effective October 28, 2013, we entered into a fixed interest rate swap of $\$ 27.9$ million at $1.20 \%$ plus the $4.00 \%$ margin, expiring on October 31, 2017, see Note 13 Derivative Instruments. There are no principal payments due until maturity in 2027 when the notes and the trust securities are scheduled to be paid in full. We may pay off the debt after the first five years at $100 \%$ of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a number of affirmative and negative covenants designed to monitor our ability to service the debt. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. However, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years (through December 31, 2017), in consideration of the payment of $\$ 1.6$ million, consisting of an initial payment of $\$ 1.1$ million, a payment of $\$ 270,000$ made in December 2011, and a contractual obligation to pay $\$ 270,000$ in December 2014.

During the first quarter of 2009, we took advantage of the then current market illiquidity for securities such as our TPS to repurchase $\$ 22.9$ million in face value of those securities through an exchange of $\$ 11.5$ million worth of marketable securities purchased during the period for the express purpose of executing this exchange transaction with the third party holder of these TPS. During the twelve months ended 2009, we amortized $\$ 106,000$ of discount to interest income associated with the holding of these securities prior to their extinguishment. On April 30, 2009, we extinguished $\$ 22.9$ million of these TPS, which resulted in a gain on retirement of subordinated debt (TPS) of $\$ 10.7$ million net of loss on the associated write-off of deferred loan costs of $\$ 749,000$ and a reduction in our Investment in Reading International Trust I from $\$ 1.5$ million to $\$ 838,000$.

During the years ended December 31, 2013, 2012, and 2011, we paid $\$ 1.2$ million, $\$ 1.9$ million, and $\$ 2.5$ million, respectively, in preferred dividends to the unrelated investors that are included in interest expense. At December 31,2013 and 2012, we had preferred dividends payable of $\$ 191,000$ and $\$ 198,000$, respectively. Interest payments for this loan are required every three months.

## Australia

NAB Australian Corporate Term Loan
On June 24, 2011, we replaced our Australian Corporate Credit Facility of $\$ 115.8$ million (AUS $\$ 110.0$ million) with BOS International ("BOSI") with a new credit facility from National Australia Bank ("NAB") of $\$ 110.5$ million (AUS $\$ 105.0$ million). NAB provided us term debt of $\$ 94.7$ million (AUS $\$ 90.0$ million) and $\$ 9.5$ million (AUS $\$ 9.0$ million) in line of credit which we used combined with our cash of $\$ 1.6$ million (AUS $\$ 1.5$ million) to pay off our $\$ 105.8$ million (AUS $\$ 100.5$ million) of outstanding BOSI debt.

The NAB three-tiered credit facility (the "NAB Credit Facility") has a term of three years, due and payable June 30,2014 , and comprised of a term loan with a December 31, 2013 balance of $\$ 56.7$ million (AUS $\$ 63.5$ million); a $\$ 4.5$ million (AUS $\$ 5.0$ million) revolving facility for which we do not have a balance at December 31, 2013; and a $\$ 8.9$ million (AUS $\$ 10.0$ million) guarantee facility. During 2013, to support a guarantee on the Australian digital projection conversion, we transferred $\$ 4.5$ million (AUS $\$ 5.0$ million) of our revolving facility to the guarantee facility. This transfer will remain in place until we refinance the NAB Credit Facility during 2014. This loan to Reading Entertainment Australia commenced on June 24, 2011 with an interest rate of between $2.90 \%$ and $2.15 \%$ above the BBSY bid rate. This credit facility is secured by substantially all of our cinema assets in Australia and is only guaranteed by several of our wholly owned Australian subsidiaries. The NAB Credit Facility requires annual principal payments of between $\$ 6.3$ million (AUS $\$ 7.0$ million) and $\$ 8.0$ million (AUS $\$ 9.0$ million) which we anticipate will be paid from Reading Entertainment Australia operating cash flows. The covenants of the NAB Credit Facility include a fixed charge coverage ratio, a debt service cover ratio, an operating leverage ratio, a loan to value ratio, and other financial covenants. Additionally, the NAB Credit Facility allows us to transfer only $\$ 3.6$ million (AUS $\$ 4.0$ million) per year outside of Australia. In December 2012, as part of the sale of our Indooroopilly property, we paid down $\$ 6.3$ million (AUS $\$ 6.0$ million) on our NAB term loan.

In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement which swaps over $100 \%$ of our $\$ 56.7$ million (AUS $\$ 63.5$ million) variable rate term loan (decreasing in line with scheduled principal repayments) based on BBSY, for a $5.50 \%$ fixed rate. For further information regarding our swap agreements, see Note 13 Derivative Instruments.

As indicated above, this NAB Credit Facility matures on June 30, 2014. Accordingly, the outstanding balance of this debt of $\$ 56.7$ million (AUS $\$ 63.5$ million) is classified as current on our December 31, 2013 balance sheet. While no assurances can be given that we will be successful, we are currently in the process of renewing this loan and anticipate that the refinancing will be completed at the latest by May 31,2014.

## Australian Shopping Center Loans

In July 2004, as part of the acquisition of the Anderson Cinema Circuit, we assumed the three loans on the Epping, Rhodes, and West Lakes properties. The total amount assumed on the transaction date was $\$ 1.5$ million (AUS $\$ 2.1$ million) and the loans carry no interest as long as we make timely principal payments of approximately $\$ 89,000$ (AUS $\$ 100,000$ ) per year. Early repayment is possible without penalty. The only recourse on default of these loans is the security on the properties.

## New Zealand

## New Zealand Corporate Credit Facility

On February 8, 2012, we received an approved amendment from Westpac renewing our existing $\$ 36.9$ million (NZ $\$ 45.0$ million) New Zealand credit facility with a 3 -year credit facility. The renewed facility called for a decrease in the overall facility by $\$ 4.1$ million ( $\$ 5.0$ million) to $\$ 32.8$ million ( $\mathrm{NZ} \$ 40.0$ million), an increase in the facility margin of $0.55 \%$ to $2.00 \%$, and the line of credit charge increase from $0.30 \%$ to $0.40 \%$. The facility is secured by substantially all of our New Zealand assets, but has not been guaranteed by any entity other than several of our New Zealand subsidiaries. The facility includes various affirmative and negative financial covenants designed to protect the bank's security regarding capital expenditures and the repatriation of funds out of New Zealand. Also included in the restrictive covenants of the facility is the restriction of transferring funds from subsidiary to parent.

## US

Bank of America Revolver
On October 31, 2012, we replaced our GE Capital Term Loan of $\$ 27.7$ million with a new credit facility from Bank of America (the "BofARevolver") of $\$ 30.0$ million with an interest rate of between $2.50 \%$ and $3.00 \%$ above LIBOR and an expiration date of October 31, 2017. Although the new credit facility does not require a fixed interest swap agreement, we have continued to use the existing fixed interest rate swap of $\$ 29.1$ million until its term date of December 31,2013. Effective December 31, 2013, we replaced this swap with a $\$ 31.5$ million fixed interest rate swap, see Note 13 Derivative Instruments. The BofA Revolver requires borrowing limit reductions of $\$ 3.0$ million per year with a balloon payment of $\$ 18.0$ million at the expiration date. The BofA Revolver contains other customary terms and conditions, including representations and warranties, affirmative and negative covenants, events of default and indemnity provisions. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level.

On March 25, 2013, Bank of America extended the borrowing limit on our BofA Revolver from $\$ 30.0$ million to $\$ 35.0$ million and we borrowed $\$ 5.0$ million on this revolver. On April 1, 2013, we used $\$ 2.3$ million of the revolver proceeds to partially repay our US Liberty Theaters Term Loan.

As part of the negotiations of the BofA Revolver, we entered into a master operating equipment lease financing agreement with Banc of America Leasing \& Capital, LLC to finance the acquisition of up to $\$ 15.5$ million in digital projection equipment for our U.S. cinema operations. See Note 17 - Lease Agreements.

## Bank of America Line of Credit

On October 31, 2012, Bank of America renewed and increased our existing $\$ 3.0$ million line of credit to $\$ 5.0$ million. The LOC carries an interest rate equal to BBA LIBOR floating plus a $3.50 \%$ margin and an unused line fee of $0.03 \%$. The agreement is in effect till October 31, 2017 and is potentially renewable at that date. The undrawn balance of this LOC is $\$ 5.0$ million at December 31, 2013.

On June 28, 2012, Sutton Hill Properties LLC ("SHP"), one of our consolidated subsidiaries, paid off its Eurohypo AG, New York Branch loan with a new $\$ 15.0$ million term loan (the "Sovereign Bank Loan") from Sovereign Bank, N.A. The Sovereign Bank Loan had a one-year term ending on June 27, 2013, with a one-year extension option to June 27, 2014 subject to an extension fee equal to $1.00 \%$ of the ending principal balance and a compliance requirement with certain special covenants. We exercised this option in June 2013. As the extensions mature on June 27, 2014, we have classified the $\$ 15.0$ million as a current liability. While no assurances can be given that we will be successful, we are currently in the process of renegotiating this loan. The terms of the loan require interest only payments at LIBOR plus a $5.00 \%$ margin to be calculated and paid monthly. This loan is secured by SHP's interest in the Cinemas $1,2, \& 3$ land and building. Covenants include maintaining a loan to value ratio of at least $50 \%$ of fair market value and an $11 \%$ debt yield (with a numerator of the cash available for debt service and a denominator of the outstanding principal balance of the loan). The Sovereign Bank Loan is further secured by a guaranty provided by Reading International, Inc. and by its noncontrolling interest member, Sutton Hill Capital, LLC.

## Minetta and Orpheum Theatres Loan

On May 29, 2013, we refinanced our Liberty Theaters loan with a $\$ 7.5$ million loan securitized by our Minetta and Orpheum theatres, thus releasing the Royal George from the securitization and leaving it unencumbered. This new loan has a maturity date of June 1,2018 , and an interest rate of LIBOR plus a $2.75 \%$ margin with a LIBOR rate cap of $4.00 \%$ plus the $2.75 \%$ margin. See Note 13 - Derivative Instruments.

## Nationwide Loan 1

On February 22, 2008, our subsidiary entered into a five-year promissory note (the "Nationwide Note 1") with Nationwide Theatres Corp of $\$ 21.0$ million associated with the acquisition of 15 motion picture theaters and theaterrelated assets from Pacific Theatres Exhibition Corp. The Nationwide Note 1 was subject to certain purchase price related adjustments. Through December 31, 2010, these adjustments resulted in a net reduction in principal of $\$ 20.4$ million comprised of a reduction in the amount of $\$ 6.3$ million in 2008 , a further reduction of $\$ 226,000$ during the first quarter of 2009 , an additional advance of $\$ 3.0$ million in 2009 (such advance was used to pay down a portion of the GE Capital Term Loan discussed above), a $\$ 4.4$ million reduction during the first quarter of 2010 in which Nationwide Theaters Corp. and Reading agreed to reduce the seller's note, and finally a $\$ 12.5$ million reduction in September 2010.

The Nationwide Note 1 had an interest (i) as to $\$ 4.5$ million of principal at the annual rates of $7.50 \%$ for the first three years and $8.50 \%$ thereafter and (ii) as to $\$ 13.0$ million of principal at the annual rates of $6.50 \%$ through July 31 , 2009 and $8.50 \%$ thereafter. Accrued interest was due and payable on February 21, 2011 and thereafter on the last day of each calendar quarter, commencing on June 30, 2011. Pursuant to the Nationwide Note 1 agreement, we paid off the $\$ 593,000$ balance of this loan on February 21, 2013.

## Sutton Hill Capital Note

On June 18, 2013, we repaid the SHC Note 2 for $\$ 9.0$ million. As the debtor on this note was Sutton Hill Properties, LLC, in which we have a $75 \%$ interest, the note was, in effect, paid $\$ 6.75$ million by us and $\$ 2.25$ million by our co-investor

## Union Square Theatre Term Loan

On April 30, 2010, we refinanced the loan secured by our Union Square property with another lender. The new loan for $\$ 7.5$ million has a five-year term with a fixed interest rate of $5.92 \%$ per annum and an amortization payment schedule of 20 years with a balloon payment of approximately $\$ 6.4$ million at the end of the loan term.

## Summary of Notes Payable

Our aggregate future principal loan payments are as follows (dollars in thousands):

| Year Ending December 31, |  |  |
| :--- | ---: | ---: |
| 2014 | $\$$ | 75,538 |
| 2015 | 33,009 |  |
| 2016 | 3,500 |  |
| 2017 |  | 21,000 |
| 2018 | 7,500 |  |
| Thereafter |  | 27,913 |
| Total future principal loan payments | $\$$ | 168,460 |

Since approximately $\$ 79.8$ million of our total debt of $\$ 168.5$ million at December 31, 2013 consisted of debt denominated in Australian and New Zealand dollars, the U.S dollar amounts of these repayments will fluctuate in accordance with the relative values of these currencies.

## Note 13 - Derivative Instruments

We are exposed to interest rate changes from our outstanding floating rate borrowings. We manage our fixed to floating rate debt mix to mitigate the impact of adverse changes in interest rates on earnings and cash flows and on the market value of our borrowings. From time to time, we may enter into interest rate hedging contracts, which effectively convert a portion of our variable rate debt to a fixed rate over the term of the interest rate swap.

For our Australian borrowings, we are presently required to swap no less than $75 \%$ of our drawdowns under our Australian Corporate Credit Facility into fixed interest rate obligations. In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement, which swaps more than $100 \%$ of our variable rate term loan based on BBSY for a $5.50 \%$ fixed rate loan which steps down commensurate with the payments of the loan balance. At the time of entering into this NAB swap, our existing BOSI swap was "in-the-money" by $\$ 160,000$. In lieu of a cash payment for the in-the-money BOSI swap, we negotiated a slightly lower fixed swap rate by $0.05 \%$ for our new NAB fixed rate swap.

Although our Bank of America Revolver does not require a fixed interest swap agreement, effective December 31,2013 , we entered into an approximate three-year $\$ 31.5$ million fixed interest rate swap that has a balance reduction schedule which matches the contraction amortization of the Bank of America Revolver.

Effective October 28, 2013, we entered into a three-year $\$ 27.9$ million fixed interest rate swap for our Trust Preferred Securities.

As a result of these swap and loan agreements, we pay a total fixed interest rate of $7.90 \%(5.50 \%$ swap contract rate plus a $2.40 \%$ margin under the loan) for our NAB Loan, a total fixed interest rate of $3.65 \%(1.15 \%$ swap contract rate plus a $2.50 \%$ margin under the loan) for our BofA Loan, and a total fixed interest rate of $5.20 \%$ ( $1.20 \%$ swap contract rate plus a $4.00 \%$ margin under the loan) for our Trust Preferred Securities instead of the obligatorily disclosed loan rates of $5.09 \%, 2.67 \%$, and $4.24 \%$, respectively, as indicated in Note 12 - Notes Payable.

Finally, as part of our new US Minetta and Orpheum Theatres Loan, we entered into a five-year LIBOR rate cap of $4.00 \%$ with a loan margin of $2.75 \%$ (see Note 12 - Notes Payable).

The following table sets forth the terms of our interest rate swap derivative instruments at December 31, 2013:

|  |  | Receive Variable |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Type of Instrument | Notional Amount | Pay Fixed Rate | Rate | Maturity Date |
| Interest rate swap | \$62,057,000 | 5.500\% | 2.690\% | June 30, 2016 |
| Interest rate swap | \$31,500,000 | 1.150\% | 0.169\% | October 31,2017 |
| Interest rate swap | \$27,913,000 | 1.200\% | 0.236\% | October 31,2017 |
| Interest rate cap | \$7,500,000 | 4.000\% | n/a | June 1,2018 |

In accordance with FASB ASC 815-20 - Derivatives and Hedging, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a $\$ 2.0$ million decrease to interest expense
during 2013, a $\$ 1.1$ million increase to interest expense during 2012, and a $\$ 5.0$ increase to interest expense during 2011. At December 31, 2013 and 2012, we recorded the fair market value of our interest rate swaps of $\$ 3.3$ million and $\$ 5.9$ million, respectively, as other long-term liabilities. In accordance with FASB ASC 815-20, we have not designated any of our current interest rate swap positions as financial reporting hedges.

## Note 14 -Income Taxes

Income (loss) before income tax expense includes the following (dollars in thousands):

|  | Year Ended December 31, |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2013 |  | 2012 |  | 2011 |  |
| United States | \$ | 8,745 | \$ | 836 | \$ | $(1,391)$ |
| Foreign |  | 3,973 |  | 1,446 |  | (379) |
| Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities | \$ | 12,718 | \$ | 2,282 | \$ | $(1,770)$ |
| Net (income) expense attributable to noncontrolling interests: |  |  |  |  |  |  |
| United States |  | 24 |  | 578 |  | (604) |
| Foreign |  | (128) |  | (86) |  | (336) |
| Equity earnings and gain on sale of unconsolidated subsidiary: |  |  |  |  |  |  |
| United States |  | (1) |  | 27 |  | 33 |
| Foreign |  | 1,370 |  | 1,594 |  | $(1,585)$ |
| Gain on sale of discontinued operation: |  |  |  |  |  |  |
| United States |  | -- |  | -- |  | -- |
| Foreign |  | -- |  | (405) |  | 1,888 |
| Income (loss) before income tax expense | \$ | 13,983 | \$ | 3,990 | \$ | $(2,374)$ |

Significant components of the provision for income taxes are as follows (dollars in thousands):

|  | Year Ended December 31, |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2013 |  | 2012 |  | 2011 |  |
| Current income tax expense |  |  |  |  |  |  |
| Federal | \$ | 1,121 | \$ | 964 | \$ | 1,332 |
| State |  | 432 |  | 584 |  | 531 |
| Foreign |  | 1,283 |  | 1,370 |  | 1,067 |
| Total |  | 2,836 |  | 2,918 |  | 2,930 |
| Deferred income tax expense (benefit) |  |  |  |  |  |  |
| Federal |  | -- |  | -- |  | -- |
| State |  | -- |  | -- |  | -- |
| Foreign |  | 2,106 |  | 1,986 |  | $(15,260)$ |
| Total |  | 2,106 |  | 1,986 |  | $(15,260)$ |
| Total income tax expense (benefit) | \$ | 4,942 | \$ | 4,904 | \$ | $(12,330)$ |

Deferred income taxes reflect the "temporary differences" between the financial statement carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, adjusted by the relevant tax rate. The components of the deferred tax assets and liabilities are as follows (dollars in thousands):

|  | December 31, |  |  |
| :--- | ---: | ---: | ---: |
| Components of Deferred Tax Assets |  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |
| Deferred Tax Assets: | $\$ 1,228$ | $\$$ | 31,040 |
| Net operating loss carry-forwards |  | 2,915 | 3,578 |
| Impairment reserves | 3,291 | 3,118 |  |


| Compensation and employee benefits | 3,867 | 3,242 |  |
| :--- | ---: | ---: | ---: |
| Deferred revenue and expense | 2,398 | 2,688 |  |
| Land, tangible assets, and option real properties | 5,477 | 2,882 |  |
| Other | 3,685 | 4,003 |  |
| Total Deferred Tax Assets | 42,861 | 50,551 |  |
| Valuation allowance | $(34,022)$ | $(37,903)$ |  |
| Net deferred tax asset | 8 | 8,839 | $\$$ |

In accordance with FASB ASC 740-10 - Income Taxes ("ASC 740-10"), we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. ASC 740-10 presumes that a valuation allowance is required when there is substantial negative evidence about realization of deferred tax assets, such as a pattern of losses in recent years, coupled with facts that suggest such losses may continue. Because of such negative evidence available for the U.S., Puerto Rico, and New Zealand, as of December 31, 2013, we recorded a valuation allowance of $\$ 34.0$ million. After consideration of a number of factors for the Reading Australia group, including its recent history of financial income, its expected future earnings, the increase in market value of its real estate assets, and having executed a credit facility of over $\$ 100.0$ million to resolve potential liquidity issues, the Company determined as of July 1,2011 that it was more likely than not that deferred tax assets in Reading Australia group will be realized. Accordingly, we reversed the full valuation allowance in Australia, resulting in a net deferred tax asset of $\$ 14.4$ million as of December 31, 2011, with approximately $\$ 3.4$ million classified as current and $\$ 11.0$ million as non-current.

As of December 31, 2013, we had U.S. net operating loss carry-forwards of $\$ 15.2$ million, of which $\$ 8.7$ million expire between 2025 and 2030, while $\$ 6.5$ million expire between 2030 and 2035.

In addition to the above net operating loss carry-forwards having expiration dates, we have the following carryforwards that have no expiration date at December 31, 2013:

- approximately $\$ 3.3$ million in U.S. alternative minimum tax credit carry-forwards;
- approximately $\$ 26.0$ million in Australian ordinary and capital loss carry-forwards, including accrued but unpaid interest on loans from its US parent company; and
- approximately $\$ 11.8$ million in New Zealand loss carry-forwards.

We disposed of our Puerto Rico operations during 2005 and plan no further investment in Puerto Rico for the foreseeable future. We have approximately $\$ 14.1$ million in Puerto Rico loss carry-forwards expiring no later than 2018. No material future tax benefits from Puerto Rico loss carry-forwards can be recognized by the Company unless it re-enters the Puerto Rico market for which the Company has no current plans.

We expect no other substantial limitations on the future use of U.S. or foreign loss carry-forwards except as may occur for certain losses occurring in New Zealand related to the Landplan operations, which may only be used to offset income and gains from those particular activities, and cannot be shared with their respective consolidated group.
U.S. income taxes have not been recognized on the temporary differences between book value and tax basis of investment in foreign subsidiaries. These differences become taxable upon a sale of the subsidiary or upon distribution of assets from the subsidiary to U.S. shareholders. We expect neither of these events will occur in the foreseeable future for any of our foreign subsidiaries.

The provision for income taxes is different from amounts computed by applying U.S. statutory rates to consolidated losses before taxes. The significant reason for these differences follows (dollars in thousands):

|  | Year Ended December 31, |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
|  |  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |  |  |
| Expected tax provision (benefit) | $\$$ | 4,894 | $\$$ | 1,397 | $\$$ |
| Increase (decrease) in tax expense resulting from: |  |  |  |  | $(831)$ |

Increase (decrease) in tax expense resulting from:

| Change in valuation allowance | $(3,882)$ | $(558)$ | $(15,260)$ |
| :--- | :---: | ---: | ---: |
| Expired foreign loss carry-forward | -- | -- | 1,100 |
| Foreign tax provision | 3,389 | 3,356 | 1,067 |
| Tax effect of foreign tax rates on current income | $(294)$ | $(126)$ | 24 |
| State and local tax provision | 296 | 408 | 361 |
| Tax/Audit Litigation Settlement | 1,140 | 1,140 | 1,375 |
| Effect of tax rate change | -- | -- | -- |
| Other items | $(601)$ | $(713)$ | $(166)$ |
| Actual tax provision (benefit) | $\$$ | 4,942 | $\$$ |

Pursuant to ASC 740-10, a provision should be made for the tax effect of earnings of foreign subsidiaries that are not permanently invested outside the United States. Our intent is that earnings of our foreign subsidiaries are not permanently invested outside the United States. Current earnings were available for distribution in the Reading Australia consolidated group of subsidiaries as of December 31, 2013. There is no withholding tax on dividends paid by an Australian company to its $80 \%$ or more U.S. public company shareholder, thus we have not provided foreign withholding taxes for these current retained earnings. We believe the U.S. tax impact of a dividend from our Australian subsidiary, net of loss carry forward and potential foreign tax credits, would not have a material effect on the tax provision as of December 312013.

We have accrued $\$ 20.8$ million in income tax liabilities as of December 31,2013, of which $\$ 8.3$ million has been classified as current taxes payable and $\$ 12.5$ million have been classified as non-current tax liabilities. As part of current taxes payable, we have accrued $\$ 3.5$ million in connection with federal and state liabilities arising from the "Tax/Audit Litigation" matter which has now been settled (see Note 19 - Commitments and Contingencies). As part of noncurrent tax liabilities, we have accrued an additional $\$ 11.5$ million related to the "Tax Audit/Litigation" matter. Amounts assessed by the IRS and expected to be assessed by state income tax agencies in connection with the "Tax Audit/Litigation" matter are no longer recorded under the cumulative probability approach prescribed by FASB ASC 740-10-25 but are recorded as a fixed and determinable liability. We believe the $\$ 20.8$ million in tax liabilities represents an adequate provision for our income tax exposures.

The following table is a summary of the activity related to unrecognized tax benefits, excluding interest and penalties, for the years ending December 31, 2013, December 31, 2012, and December 31, 2011 (dollars in thousands):

|  | Year Ended <br> December 31, <br> $\mathbf{2 0 1 3}$ | Year Ended <br> December 31, <br> $\mathbf{2 0 1 2}$ | Year Ended <br> December 31, <br> $\mathbf{2 0 1 1}$ |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Unrecognized tax benefits - gross beginning balance | $\$$ | 2,171 | $\$$ | 1,974 | $\$$ |
| Gross increases - prior period tax provisions | $(11)$ | 197 | 8,058 |  |  |
| Gross increases - current period tax positions | -- | -- | -- |  |  |
| Settlements | -- | -- | $(6,235)$ |  |  |
| Statute of limitations lapse | -- | -- | -- |  |  |
| Unrecognized tax benefits - gross ending balance | $\$$ | 2,160 | $\$$ | 2,171 | $\$$ |

In accordance with FASB ASC 740-10-25 - Income Taxes - Uncertain Tax Positions ("ASC 740-10-25") we elected to record interest and penalties related to income tax matters as part of income tax expense.

We had approximately $\$ 10.8$ million and $\$ 11.4$ million of gross tax benefits as of the adoption date and December 31, 2007, respectively, plus $\$ 1.7$ million and $\$ 2.3$ million of tax interest unrecognized on the financial statements as of each date, respectively. The gross tax benefits mostly reflect operating loss carry-forwards and the IRS Tax Audit/Litigation case described below.

We recorded a reduction to our gross unrecognized tax benefits of approximately $\$ 3.4$ million and an increase to tax interest of approximately $\$ 8.8$ million during the period January 1, 2010 to December 31, 2010 and the total balance at December 31, 2010 was approximately $\$ 20.6$ million (of which approximately $\$ 12.6$ million represents $\mathbb{R S}$ interest). Having settled the Tax Audit/Litigation matter described in Note 19 - Commitments and

Contingencies, we further recorded a net reduction to our gross unrecognized tax benefits of approximately $\$ 6.1$ million and a reduction to tax interest of approximately $\$ 10.4$ million during the period January 1, 2011 to December 31, 2011, resulting in a total balance at December 31, 2011 of approximately $\$ 4.1$ million, consisting of $\$ 1.9$ million tax and $\$ 2.2$ million interest. Of the $\$ 4.1$ million gross unrecognized tax benefit at December 31, 2011, approximately $\$ 3.0$ million would impact the effective tax rate if recognized. During the period January 1, 2012 to December 31, 2012 we recorded an increase of $\$ 0.2$ million to our gross unrecognized tax benefits and an increase to tax interest of approximately $\$ 1.1$ million, resulting in a total balance of $\$ 5.3$ million consisting of $\$ 2.1$ million in tax and $\$ 3.2$ million in interest. Of the $\$ 5.3$ million gross unrecognized tax benefit at December 31, 2012, approximately $\$ 4.3$ million would impact the effective rate if recognized. During the period January 1, 2013 to December 31, 2013 we recorded no material change to our gross unrecognized tax benefits and a decrease to tax interest of approximately $\$ 1.4$ million, resulting in a total balance of $\$ 3.9$ million consisting of $\$ 2.1$ million in tax and $\$ 1.8$ million in interest. Of the $\$ 3.9$ million gross unrecognized tax benefit at December 31, 2013, approximately $\$ 2.9$ million would impact the effective rate if recognized.

It is difficult to predict the timing and resolution of uncertain tax positions. Based upon the Company's assessment of many factors, including past experience and judgments about future events, it is probable that within the next 12 months the reserve for uncertain tax positions will increase within a range of $\$ 0.5$ million to $\$ 1.5$ million. The reasons for such change include but are not limited to tax positions expected to be taken during 2013, revaluation of current uncertain tax positions, and expiring statutes of limitation.

Our company and subsidiaries are subject to U.S. federal income tax, income tax in various U.S. states, and income tax in Australia, New Zealand, and Puerto Rico.

Generally, changes to our federal and most state income tax returns for the calendar year 2007 and earlier are barred by statutes of limitations. Certain U.S. subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. Those deficiencies have been settled, as discussed in "Tax Audit/Litigation," Note 19 - Commitments and Contingencies. Our income tax returns for Australia filed since inception in 1995 are generally open for examination. The income tax returns filed in New Zealand and Puerto Rico for calendar year 2007 and afterward remain open for examination as of December 31, 2013.

## Note 15-Other Liabilities

Other liabilities are summarized as follows (dollars in thousands):

|  | December 31, |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 3}$ |  |  |  |
| Current liabilities |  |  | $\mathbf{2 0 1 2}$ |  |
| Lease liability | $\$$ | 5,900 | $\$$ | 5,855 |
| Security deposit payable |  | 246 | 174 |  |
| Other | $\$$ | 6,155 | $\$$ | 6,032 |
| Other current liabilities |  |  |  |  |
| Other liabilities | 6 | 6,748 | $\$$ | 6,480 |
| Foreign withholding taxes |  | 9,259 | 8,893 |  |
| Straight-line rent liability |  | 1,656 | 1,656 |  |
| Environmental reserve | 8,527 | 6,976 |  |  |
| Accrued pension |  | 3,288 | 5,855 |  |
| Interest rate swap | 1,797 | 2,078 |  |  |
| Acquired leases |  | 875 | 1,191 |  |
| Other payable |  | 599 | 630 |  |
| Other |  | 32,749 | $\$$ | 33,759 |
| Other liabilities | $\$$ |  |  |  |

## Village East Purchase Option

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30,2020 . The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 1, 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for $\$ 5.9$ million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than $\$ 100,000$ each. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we have recorded the Village East Cinema building as a property asset of $\$ 4.7$ million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding lease liability of $\$ 5.9$ million presented under other liabilities which accreted up to the $\$ 5.9$ million liability till July 1, 2013 (see Note 25 - Related Parties and Transactions). As the option is able to be exercised starting on July 1, 2013, we classified the $\$ 5.9$ million lease liability as a current liability.

## Note 16 - Fair Value of Financial Instruments

ASC 820-10 applies to existing accounting pronouncements in which fair value measurements are already required and defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements.

ASC 820-10 (see Note 2 -Summary of Significant Accounting Policies) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

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.

We use appropriate valuation techniques based on the available inputs to measure the fair values of our assets and liabilities. When available, we measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements - are based on market quotes of our marketable securities.
Level 2 Fair Value Measurements - Interest Rate Swaps and cap - The fair value of interest rate swaps and cap are estimated using internal discounted cash flow calculations based upon forward interest rate curves, which are corroborated by market data, and quotes obtained from counterparties to the agreements.

Level 3 Fair Value Measurements - Impaired Property - For assets measured on a non-recurring basis, such as real estate assets that are required to be recorded at fair value as a result of an impairment, our estimates of fair value are based on management's best estimate derived from evaluating market sales data for comparable properties developed by a third party appraiser and arriving at management's estimate of fair value based on such comparable data primarily based on properties with similar characteristics. For the years ended December 31, 2012 and 2011, the fair value of our impaired properties was estimated to be $\$ 4.1$ million and $\$ 1.9$ million, respectively, which we used to record our impairment expense and was based on level 3 inputs in developing management's estimate of fair value. For the year ended December 31, 2011, the fair value of our Rialto Cinemas investment was $\$ 1.6$ million ( $\mathrm{NZ} \$ 2.0$ million) resulting in an impairment charge of $\$ 2.9$ million ( $\mathrm{NZ} \$ 3.8$ million). We did not record an impairment charge for our properties during 2013.

As of December 31, 2013, we held certain items that are required to be measured at fair value on a recurring basis. These included available for sale securities and interest rate derivative contracts. Derivative instruments are related to our economic hedge of interest rates. Our available-for-sale securities primarily consist of investments associated with the ownership of marketable securities in Australia.

The fair values of the interest rate swap and cap agreements are determined using the market standard methodology of discounting the future expected cash receipts or payments that would occur if variable interest rate fell above or below the strike rate of the interest rate swap and cap agreements. The variable interest rates used in the calculation of projected receipts or payments on the interest rate swap and cap agreements are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820-10, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2013, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation and determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold.

On a recurring basis, we used the above methods and assumptions on the following items to measure fair value subject to the disclosure requirements of ASC 820-10 at December 31, 2013 and 2012, respectively (dollars in thousands):

| Financial Instrument | Level | Book Value |  |  |  | Fair Value |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 2013 |  | 2012 |  | 2013 |  | 2012 |
| Investment in marketable securities | 1 | \$ | 55 | \$ | 55 | \$ | 55 | \$ | 55 |
| Interest rate cap asset | 2 | \$ | 75 | \$ | -- | \$ | 75 | \$ | -- |
| Interest rate swap liabilities |  | \$ | 3,288 | \$ | 5,855 | \$ | 3,288 | \$ | 5,855 |

## Financial Instruments Disclosed at Fair Value

The following table sets forth the carrying value and the fair value of our financial assets and liabilities at December 31,2013 and 2012 (dollars in thousands):

| Financial Instrument |  | Book Value |  |  |  | Fair Value |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Level | 2013 |  | 2012 |  | 2013 |  | 2012 |  |
| Cash | 1 | \$ | 37,696 | \$ | 38,531 | \$ | 37,696 | \$ | 38,531 |
| Time deposits | 1 | \$ | -- | \$ | 8,000 | \$ | -- | \$ | 8,000 |
| Accounts receivable | 1 | \$ | 9,087 | \$ | 8,514 | \$ | 9,087 | \$ | 8,514 |
| Other assets - notes receivable | 1 | \$ | -- | \$ | 2,000 | \$ | -- | \$ | 2,000 |
| Restricted cash | 1 | \$ | 782 | \$ | 2,465 | \$ | 782 | \$ | 2,465 |
| Accounts and film rent payable | 1 | \$ | 25,046 | \$ | 25,566 | \$ | 25,046 | \$ | 25,566 |
| Notes payable | 3 | \$ | 140,547 | \$ | 159,684 | \$ | 121,411 | \$ | 154,795 |
| Notes payable to related party | N/A | \$ | -- | \$ | 9,000 | \$ | N/A | \$ | N/A |
| Subordinated debt | 3 | \$ | 27,913 | \$ | 27,913 | \$ | 11,067 | \$ | 12,268 |

For purposes of this fair value disclosure, we based our fair value estimate for notes payable and subordinated debt on our internal valuation whereby we apply the discounted cash flow method to our expected cash flow payment due under our existing debt agreements based on a representative sample of our lenders' market interest rate quotes as of December 31, 2013 and 2012, respectively, for debt with similar risk characteristics and maturities.

## Note 17 - Lease Agreements

Most of our cinemas conduct their operations in leased facilities. Sixteen of our twenty operating multiplexes in Australia, four of our seven cinemas in New Zealand, and all but one of our cinemas in the United States are in leased facilities. These cinema leases have remaining terms inclusive of options of 1 to 37 years. Certain of our cinema leases provide for contingent rentals based upon a specified percentage of theater revenue with a guaranteed minimum. Substantially all of our leases require the payment of property taxes, insurance, and other costs applicable to the property. We also lease office space and equipment under non-cancelable operating leases. All of our leases are accounted for as operating leases and accordingly, we have no leases of facilities that require capitalization.

We determine the annual base rent expense of our cinemas by amortizing total minimum lease obligations on a straight-line basis over the lease terms. Base rent expense and contingent rental expense under the operating leases totaled approximately $\$ 32.1$ million and $\$ 1.3$ million for 2013, respectively; $\$ 32.6$ million and $\$ 1.7$ million for 2012, respectively; and $\$ 31.2$ million and $\$ 1.6$ million for 2011, respectively. Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following at December 31, 2013 (dollars in thousands):

|  | Minimum Ground <br> Lease Payments | Minimum Premises <br> Lease Payments | Equipment <br> Lease |  | Total Minimum <br> Lease Payments |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| 2014 | $\$$ | 2,592 | $\$$ | 28,381 | $\$$ | 2,703 |
| 2015 |  | 2,591 | 26,137 |  | 2,703 | 33,676 |
| 2016 | 2,656 | 22,427 | 2,694 | 31,431 |  |  |
| 2017 | 2,751 | 19,744 | 2,693 | 27,777 |  |  |
| 2018 | 2,759 | 16,054 | 2,614 | 25,188 |  |  |
| Thereafter | 8,671 | 49,739 |  | 21,427 |  |  |
| Total minimum lease payments | $\$$ | 22,020 | $\$$ | 162,482 | $\$$ | 13,407 |

Since approximately $\$ 75.7$ million of our total minimum lease payments of $\$ 197.9$ million as of December 31, 2013 consisted of lease obligations denominated in Australian and New Zealand dollars, the U.S dollar amounts of these obligations will fluctuate in accordance with the relative values of these currencies. See Note 25 -Related Parties and Transactions for the amount of leases associated with any related party leases.

## Digital Projection Equipment Lease

Effective December 1, 2012, we entered into a 5 -year digital projection equipment lease obligation with Banc of America Leasing \& Capital, LLC enabling us to convert substantially all of our U.S. cinemas to digital projection. The equipment lease agreement requires that we make lease payments of $\$ 218,000$ per month for the next 60 months after which we can either purchase the equipment at a market price or renew the lease for an undetermined length of time. This lease qualifies as an operating lease and is recorded accordingly.

## Note 18 - Pension Liabilities

## Supplemental Executive Retirement Plan

In March 1, 2007, the Board of Directors of Reading International, Inc. ("Reading") approved a Supplemental Executive Retirement Plan ("SERP") pursuant to which Reading has agreed to provide James J. Cotter, its Chief Executive Officer and Chairman of the Board of Directors, supplemental retirement benefits effective March 1, 2007. Under the SERP, Mr. Cotter will receive a monthly payment of the greater of (i) $40 \%$ of the average monthly earnings over the highest consecutive 36 -month period of earnings prior to Mr. Cotter's separation from service with Reading or (ii) $\$ 25,000$ per month for the remainder of his life, with a guarantee of 180 monthly payments following his separation from service with Reading or following his death. The beneficiaries under the SERP may be designated by Mr. Cotter or by his beneficiary following his or his beneficiary's death. The benefits under the SERP are fully vested as of March 1, 2007.

The SERP initially will be unfunded, but Reading may choose to establish one or more grantor trusts from which to pay the SERP benefits. As such, the SERP benefits are unsecured, general obligations of Reading. The SERP is administered by the Compensation Committee of the Board of Directors of Reading. In accordance with FASB ASC 715-$30-05$ - Defined Benefit Pension Plans ("ASC 715-30-05"), the initial pension benefit obligation of $\$ 2.7$ million was included in our other liabilities with a corresponding amount of unrecognized prior service cost included in accumulated other comprehensive income on March 1, 2007. The initial benefit obligation was based on a discount rate of $5.75 \%$ and a compensation increase rate of $3.5 \%$. The $\$ 2.7$ million is being amortized as a prior service cost over the estimated service period of 10 years combined with an annual interest cost. For the years ended December 31, 2013, 2012, and 2011 , we recognized $\$ 202,000, \$ 149,000$, and $\$ 195,000$, respectively, of interest cost and $\$ 304,000$ of amortized prior service cost per year. For the years ended December 31, 2013 and 2012, we recognized $\$ 356,000$ and $\$ 0$ of amortized net gains. The balance of the other liability for this pension plan was $\$ 7.4$ million and $\$ 5.9$ million at December 31, 2013 and 2012 , respectively, and the accumulated unrecognized prior service costs included in other comprehensive income balance was $\$ 3.8$ and $\$ 3.2$ million at December 31, 2013 and 2012, respectively. The December 31, 2013 and 2012 values of the SERP are based on a discount rate of $4.25 \%$ and $3.40 \%$, respectively, and an annual compensation growth rate of $7.50 \%$ and $3.50 \%$, respectively.

The change in the SERP pension benefit obligation and the funded status for the year ending December 31,2013 and 2012 are as follows (dollars in thousands):

| Change in Benefit Obligation | For the year ending <br> December 31, 2013 |  |
| :--- | ---: | ---: |
| Benefit obligation at January 1,2013 | $\$, 944$ |  |
| Interest cost |  | 202 |
| Actuarial gain | 1,252 |  |
| Benefit obligation at December 31, 2013 | 7,398 |  |
| Funded status at December 31,2013 | $(7,398)$ |  |


| Change in Benefit Obligation | For the year ending <br> December 31, 2012 |  |
| :--- | ---: | ---: |
| Benefit obligation at January 1,2012 | $\$ 3,511$ |  |
| Interest cost |  | 149 |
| Actuarial gain | 2,284 |  |
| Benefit obligation at December 31, 2012 | 5,944 |  |
| Funded status at December 31,2012 | $(5,944)$ |  |

## Amount recognized in balance sheet consists of (dollars in thousands):

|  | AtDecember 31, <br> $\mathbf{2 0 1 3}$ | At December 31, <br> $\mathbf{2 0 1 2}$ |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Current liabilities | $\$$ | 15 | $\$$ | 14 |
| Noncurrent liabilities |  | 7,383 | 5,930 |  |

Items not yet recognized as a component of net periodic pension cost consist of (dollars in thousands):

|  | At December 31, <br> $\mathbf{2 0 1 3}$ | At December 31, <br> $\mathbf{2 0 1 2}$ |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Unamortized actuarial loss | $\$$ | 3,166 | $\$$ | 2,269 |
| Prior service costs | 627 | 931 |  |  |
| Accumulated other comprehensive loss | 3,793 | 3,200 |  |  |

The components of the net periodic benefit cost and other amounts recognized in other comprehensive income are as follows (dollars in thousands):

| Net periodic benefit cost | For the year ending <br> December 31, 2013 | For the year ending <br> December 31, 2012 |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Interest cost | $\$$ | 202 | $\$$ | 149 |
| Amortization of prior service costs |  | 304 | 304 |  |
| Amortization of net gain | $\$$ | 356 | -- |  |
| Net periodic benefit cost | 862 | $\$$ | 453 |  |

Other changes in plan assets and benefit obligations recognized in other comprehensive income

| Net loss | 1,253 | \$ | 2,284 |
| :---: | :---: | :---: | :---: |
| Amortization of prior service cost | (304) |  | (304) |
| Amortization of net loss | (356) |  | -- |
| Total recognized in other comprehensive income | 593 | \$ | 1,980 |
| Total recognized in net periodic benefit comprehensive income | 1,455 | \$ | 2,433 |

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year will be $\$ 356,000$ and $\$ 304,000$, respectively.

The following weighted average assumptions were used to determine the plan benefit obligations at December 31,2013 and 2012:

| Discount rate | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |
| :--- | :--- | :--- |
| Rate of compensation increase | $7.25 \%$ | $3.40 \%$ |

The following weighted-average assumptions were used to determine net periodic benefit cost for the year ended December 31, 2013 and 2012:

| Discount rate | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |
| :--- | :--- | :---: |
| Expected long-term return on plan assets | $3.40 \%$ | $4.25 \%$ |
| Rate of compensation increase | $0.00 \%$ | $0.00 \%$ |
| On Pension | $3.50 \%$ | $3.50 \%$ |

## Other Pension Liabilities

In addition to the aforementioned SERP, we have defined contribution pension plans for selected current and former executives of our corporation resulting in a pension liability of $\$ 1.1$ million and $\$ 1.0$ million at December 31 2013 and 2012, respectively. These pensions accrued $\$ 95,000$ and $\$ 204,000$ of pension expense for the years ended December 31, 2013 and 2012, respectively.

The benefit payments for all of our pensions, which reflect expected future service, as appropriate, are expected to be paid over the following periods (dollars in thousands):

|  | Pension Payments |  |
| :--- | ---: | ---: |
| 2014 | $\$$ | 14 |
| 2015 | 32 |  |
| 2016 | 50 |  |
| 2017 | 633 |  |
| 2018 | 607 |  |
| Thereafter | 6,191 |  |
| Total pension payments | $\$ 8$ | 8,527 |

## Note 19-Commitments and Contingencies

## Unconsolidated Joint Venture Loans

The following section describes any loans associated with our investments in unconsolidated joint ventures. As these investments are unconsolidated, any associated bank loans are not reflected in our Consolidated Balance Sheet at December 31,2013. Each loan is without recourse to any assets other than our interests in the individual joint venture.

Rialto Distribution. We are the 33.3\% co-owners of the assets of Rialto Distribution. At December 31, 2013 and 2012, Rialto Distribution had a bank line of credit of $\$ 1.6$ million ( $\mathrm{N} Z \$ 2.0$ million) and $\$ 1.7$ million ( $\mathrm{NZ} \$ 2.0$ million), respectively, and had an outstanding balance of $\$ 634,000(\mathrm{NZ} \$ 770,000)$ and $\$ 703,000$ ( $\mathrm{NZ} \$ 850,000$ ), respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

## Tax Audit/Litigation

The Internal Revenue Service (the "RS") has examined the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG"), a Nevada Corporation with no operating assets, for its tax year ended June 30, 1997. These
companies are both now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes.

CRG and the IRS agreed to compromise the claims made by the IRS against CRG and the Tax Court's order was entered on January 6,2011. In the settlement, the $\operatorname{IRS}$ conceded $70 \%$ of its claimed adjustment to income. Instead of a claim for unpaid taxes of $\$ 20.9$ million plus interest, the effect of settlement on the Reading consolidated group was to require a total federal income tax obligation of $\$ 5.4$ million, reduced by a federal tax refund of $\$ 800,000$ and increased by interest of $\$ 9.3$ million, for a net federal tax liability of $\$ 13.9$ million as of January 6, 2011. On October 26, 2011, CRG reached an agreement with the IRS for an installment plan to pay off this federal tax liability, including additional interest accruals at the prescribed IRS floating rate. The agreement requires monthly payments of $\$ 290,000$ over a period of approximately five years. As of December 31, 2013 and 2012, after the payments made during 2013 and 2012, respectively, the remaining federal tax obligation was $\$ 8.3$ million and $\$ 10.0$ million, respectively, in tax and interest. Of the $\$ 8.3$ million owed under the installment agreement as of December $31,2013, \$ 3.5$ million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability. Of the $\$ 10.0$ million owed under the installment agreement as of December 31, 2012, $\$ 3.5$ million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability.

The impact of the settlement upon the state taxes of the Reading consolidated group, if the adjustment to income agreed with the IRS were reflected on state returns, would be an obligation of approximately $\$ 1.4$ million in tax plus interest and potential penalty. As of December 31, 2013, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed when a deficiency is asserted.

## Environmental and Asbestos Claims

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as a brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2013, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $\$ 15.2$ million (AUS $\$ 17.1$ million) and as of that date we had incurred a total of $\$ 7.4$ million (AUS $\$ 8.3$ million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as it is anticipated that all of the work will be done in connection with the excavation and other development activity already contemplated for the property.

## Note 20 - Noncontrolling interests

As of December 31, 2013, the noncontrolling interests in our consolidated subsidiaries are comprised of the following:

- $25 \%$ noncontrolling interest in Australian Country Cinemas by 21 st Century Pty, Ltd
- $50 \%$ noncontrolling membership interest in Shadow View Land and Farming, LLC owned by Mr. James J. Cotter, Sr.; and
- $25 \%$ noncontrolling interest in the Sutton Hill Properties, LLC owned by Sutton Hill Capital, LLC

The components of noncontrolling interest are as follows (dollars in thousands):

|  | December 31, |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
|  |  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |  |
| AFC LLC | $\$$ | -- | $\$$ | 1,737 |
| Australian Country Cinemas |  | 532 | 601 |  |
| Shadow View Land and Farming, LLC |  | 1,862 | 1,912 |  |
| Sutton Hill Properties |  | 2,213 | $(152)$ |  |
| Noncontrolling interests in consolidated subsidiaries | $\$$ | 4,607 | $\$$ | 4,098 |

The components of income attributable to noncontrolling interests are as follows (dollars in thousands)

|  | Year Ended December 31, |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  |  | $\mathbf{2 0 1 3}$ | $\mathbf{2 0 1 2}$ |  | $\mathbf{2 0 1 1}$ |
| AFC LLC | $\$$ | 173 | $\$$ | 612 | $\$$ |
| Australian Country Cinemas |  | 129 | 86 | 909 |  |
| Elsternwick unincorporated joint venture | - | - | 311 |  |  |
| Shadow View Land and Farming, LLC |  | $(50)$ | $(843)$ | 25 |  |
| Sutton Hill Properties |  | $(148)$ | $(347)$ | -- |  |
| Net income attributable to noncontrolling interest | $\$$ | 104 | $\$$ | $(492)$ | $\$$ |

## AFC LLC Acquisition of Noncontrolling Interest

On June 28, 2013, we acquired the interest in AFC LLC that we did not already own in consideration of the release of certain claims we held against the owner of that interest under a guaranty agreement. The removal of the AFC LLC noncontrolling interest balance of $\$ 101,000$ was reflected as a change in our additional paid in capital pursuant to FASB ASC 810-10-45

## Sutton Hill Properties

On June 18, 2013, our co-investor, having a $25 \%$ interest in our Sutton Hill Properties subsidiary, contributed $\$ 2.25$ million toward the payoff of our SHC Note 2 for $\$ 9.0$ million resulting in a $\$ 2.25$ million contribution of capital to Sutton Hill Properties (See Note 12 - Notes Payable)

## Shadow View Land and Farming, LLC

During the 2012, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder, contributed $\$ 2.5$ million of cash and $\$ 255,000$ of his 2011 bonus as his $50 \%$ share of the purchase price of a land parcel in Coachella, California and to cover his $50 \%$ share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which Mr. Cotter owns a $50 \%$ interest. We are the managing member of Shadow View Land and Farming, LLC. However, as Mr. Cotter is considered to be our controlling shareholder, pursuant to FASB ASC 810-10-05, we have consolidated Mr. Cotter's interest in the
property and its expenses with that of our interest and shown his interest as a noncontrolling interest. Note $8-$ Acquisitions, Disposals, and Assets Held for Sale.

## Elsternwick Sale

On April 14, 2011, we sold our $66.7 \%$ share of the 5 -screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for $\$ 1.9$ million (AUS $\$ 1.8$ million) and recognized a gain on sale of a discontinued operation of $\$ 1.7$ million (AUS $\$ 1.6$ million).

## Note 21 - Total Reading International, Inc. Stockholders' Equity

Our common stock trades on the NASDAQ under the symbols RDI and RDIB which are our Class A (non-voting) and Class B (voting) stock, respectively. Our Class A (non-voting) has preference over our Class B (voting) shares upon liquidation. No dividends have ever been issued for either share class.

## 2013 Common Stock Activity

During 2013 , we issued 217,890 of Class A Stock to an executive employee associated with his prior years' stock grants.

62,500 options were exercised during 2013 having an intrinsic value of $\$ 133,000$ for which we received $\$ 248,000$ of cash. Additionally, 75,000 options were exercised during 2013 having an intrinsic value of $\$ 124,000$ for which we did not receive any cash but the employee elected to exchange 53,136 personally owned shares of the company at a market price of $\$ 5.66$ per share for the 75,000 shares based on an exercise price of $\$ 4.01$ for the related options.

## 2012 Common Stock Activity

During 2012 , we issued 155,925 of Class A Stock to an executive employee associated with his prior years' stock grant, and, during 2012, we issued 9,680 as a one-time stock grant of Class A Stock to our employees valued at $\$ 44,000$ which we accounted for as compensation expense.

95,000 options were exercised during 2012 having a realized value of $\$ 136,000$ for which we received $\$ 308,000$ of cash. Additionally, 41,000 options were exercised during 2012 having a realized value of $\$ 103,000$ for which we did not receive any cash but the employee elected to receive the net incremental number of in-the-money shares of 15,822 based on a $\$ 4.01$ and a market price of $\$ 6.53$.

## 2011 Common Stock Activity

During 2011 , we issued 174,825 of Class A Stock to certain executive employee associated with his prior years' stock grants.

During 2011, we purchased 172,300 of Class A Stock on the open market for $\$ 747,000$.
$\left.\begin{array}{lccccr} & & \begin{array}{c}\text { Unrealized } \\ \text { Gain and } \\ \text { Losses on }\end{array} \\ \text { Available-for- }\end{array} \quad \begin{array}{c}\text { Accrued } \\ \text { Pension }\end{array}\right]$

## Note 22 - Business Segments and Geographic Area Information

The table below sets forth certain information concerning our cinema operations and our real estate operations (which includes information relating to both our real estate development, retail rental and live theater rental activities) for the three years ended December 31, 2013 (dollars in thousands):

| Year Ended December 31, 2013 | Cinema <br> Exhibition |  | Real Estate |  | Intersegment Eliminations |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenue | \$ | 239,418 | \$ | 26,456 | \$ | $(7,653)$ | \$ | 258,221 |
| Operating expense |  | 200,859 |  | 10,830 |  | $(7,653)$ |  | 204,036 |
| Depreciation and amortization |  | 10,741 |  | 4,023 |  | -- |  | 14,764 |
| General and administrative expense |  | 3,273 |  | 644 |  | -- |  | 3,917 |
| Segment operating income | \$ | 24,545 | \$ | 10,959 | \$ | -- | \$ | 35,504 |
| Year Ended December 31, 2012 |  | $\begin{aligned} & \text { 1ema } \\ & \text { ibition } \end{aligned}$ | Real Estate |  | Intersegment Eliminations |  | Total |  |
| Revenue | \$ | 234,703 | \$ | 27,256 | \$ | $(7,529)$ | \$ | 254,430 |
| Operating expense |  | 198,040 |  | 11,163 |  | $(7,529)$ |  | 201,674 |
| Depreciation and amortization |  | 11,154 |  | 4,441 |  | -- |  | 15,595 |
| General and administrative expense |  | 2,598 |  | 718 |  | -- |  | 3,316 |
| Impairment expense |  | -- |  | 1,463 |  | -- |  | 1,463 |
| Segment operating income | \$ | 22,911 | \$ | 9,471 | \$ | -- | \$ | 32,382 |
| Year Ended December 31, 2011 | Cinema <br> Exhibition |  | Real Estate |  | Intersegment Eliminations |  | Total |  |
| Revenue | \$ | 225,849 | \$ | 26,562 | \$ | $(7,432)$ | \$ | 244,979 |
| Operating expense |  | 189,647 |  | 10,190 |  | $(7,432)$ |  | 192,405 |
| Depreciation and amortization |  | 11,842 |  | 4,444 |  | -- |  | 16,286 |
| General and administrative expense |  | 2,740 |  | 646 |  | -- |  | 3,386 |
| Impairment expense |  | -- |  | 369 |  | -- |  | 369 |
| Segment operating income | \$ | 21,620 | \$ | 10,913 | \$ | -- | \$ | 32,533 |


| Reconciliation to net income attributable to Reading International, Inc. shareholders: | 2013 |  | 2012 |  | 2011 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total segment operating income | \$ | 35,504 | \$ | 32,382 | \$ | 32,533 |
| Non-segment: |  |  |  |  |  |  |
| Depreciation and amortization expense |  | 433 |  | 454 |  | 309 |
| General and administrative expense |  | 14,136 |  | 12,801 |  | 14,046 |
| Operating income |  | 20,935 |  | 19,127 |  | 18,178 |
| Interest expense, net |  | $(10,037)$ |  | $(16,426)$ |  | $(21,038)$ |
| Other income (loss) |  | 1,876 |  | (563) |  | 1,157 |
| Gain (loss) on sale of assets |  | (56) |  | 144 |  | (67) |
| Income tax benefit (expense) |  | $(4,942)$ |  | $(4,904)$ |  | 12,330 |
| Equity earnings (loss) of unconsolidated joint ventures and entities |  | 1,369 |  | 1,621 |  | $(1,552)$ |


| Income (loss) from discontinued operations |  | - | $(85)$ | 232 |
| :--- | :---: | :---: | :---: | ---: |
| Gain (loss) on sale of discontinued operation | -- | $(320)$ | 1,656 |  |
| Net income (loss) | $\$$ | $9,145 \$$ | $(1,406) \$$ | 10,896 |
| Net (income) loss attributable to noncontrolling interests |  | $(104)$ | 492 | $(940)$ |
| Net income (loss) attributable to <br> common shareholders |  |  |  |  |


|  |  | December 31, |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| Summary of assets: |  | $\mathbf{2 0 1 3}$ |  | 2012 |  | $\mathbf{2 0 1 1}$ |
| Segment assets | $\$$ | 347,637 | $\$$ | 408,667 | $\$$ | 414,608 |
| Corporate assets |  | 39,170 |  | 19,921 |  | 16,156 |
| Total Assets | $\$$ | 386,807 | $\$$ | 428,588 | $\$$ | 430,764 |


|  |  | December 31, |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| Summary of capital expenditures: | $\mathbf{2 0 1 3}$ | 2012 | 2011 |  |  |  |
| Segment capital expenditures | $\$$ | 19,910 | $\$$ | 13,390 | $\$$ | 8,419 |
| Corporate capital expenditures |  | 172 |  | 333 |  | 957 |
| Total capital expenditures | $\$$ | 20,082 | $\$$ | 13,723 | $\$$ | 9,376 |

The cinema results shown above include revenue and operating expense directly linked to our cinema assets. The real estate results include rental income from our properties and live theater venues and operating expense directly linked to our property assets.

The following table sets forth the book value of our operating property by geographical area (dollars in thousands):

## December 31.

2013 $\qquad$

| Australia | $\$$ | 97,240 | $\$$ | 106,020 |
| :--- | ---: | ---: | ---: | ---: |
| New Zealand |  | 36,319 |  | 35,456 |
| United States |  | 58,101 | 61,302 |  |
| Total operating property | $\$$ | 191,660 | $\$$ | 202,778 |

The following table sets forth our revenue by geographical area (dollars in thousands):

|  | December 31, |  |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
|  |  | $\mathbf{2 0 1 3}$ |  | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ |  |
| Australia | $\$$ | 100,399 | $\$$ | 108,320 | $\$$ | 110,742 |
| New Zealand |  | 26,310 |  | 24,608 | 22,247 |  |
| United States |  | 131,512 |  | 121,502 | 111,990 |  |
| Total revenue | $\$$ | 258,221 | $\$$ | 254,430 | $\$$ | 244,979 |

## Note 23 - Unaudited Quarterly Financial Information (dollars in thousands, except per share amounts)

| 2013 | First Quarter |  | Second Quarter |  | Third Quarter |  | Fourth Quarter |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenue | \$ | 59,567 | \$ | 69,642 | \$ | 65,472 | \$ | 63,540 |
| Net income (loss) | \$ | (671) | \$ | 4,176 | \$ | 2,431 | \$ | 3,209 |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ | (668) | \$ | 4,135 | \$ | 2,393 | \$ | 3,181 |
| Basic earnings (loss) per share | \$ | (0.03) | \$ | 0.18 | \$ | 0.10 | \$ | 0.14 |
| Diluted earnings (loss) per share | \$ | (0.03) | \$ | 0.18 | \$ | 0.10 | \$ | 0.13 |
| 2012 |  |  |  |  |  |  |  |  |
| Revenue | \$ | 62,431 | \$ | 62,948 | \$ | 63,934 | \$ | 65,117 |
| Net income (loss) | \$ | (109) | \$ | 224 | \$ | 396 | \$ | $(1,917)$ |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ | (239) | \$ | 239 | \$ | 363 | \$ | $(1,277)$ |
| Basic earnings (loss) per share | \$ | (0.01) | \$ | 0.01 | \$ | 0.02 | \$ | (0.06) |
| Diluted earnings (loss) per share | \$ | (0.01) | \$ | 0.01 | \$ | 0.02 | \$ | (0.06) |

## Note 24 - Future Minimum Rental Income

Real estate revenue amounted to $\$ 18.8$ million, $\$ 19.7$ million, and $\$ 19.1$ million, for the years ended December 31, 2013, 2012, and 2011, respectively. Future minimum rental income under all contractual operating leases is summarized as follows (dollars in thousands):

| Year Ending December 31, |  |  |
| :--- | ---: | ---: |
| 2014 | $\$$ | 8,605 |
| 2015 |  | 7,934 |
| 2016 | 6,662 |  |
| 2017 |  | 5,216 |
| 2018 | 4,125 |  |
| Thereafter | $\$$ | 21,203 |
| Total future minimum rental income | 53,745 |  |

## Note 25 - Related Parties and Transactions

## Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the leasing with an option to purchase of certain cinemas located in Manhattan including our Village East and Cinemas 1,2 \& 3 theaters. In connection with that transaction, we also agreed to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by James J. Cotter and a third party and of which Mr. Cotter is the managing member. The Village East is the only cinema that remains subject to this lease and during 2013 2012, and 2011, we paid rent to SHC for this cinema in the amount of $\$ 590,000, \$ 590,000$, and $\$ 590,000$, respectively.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for $\$ 5.9$ million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1,2013 and December 4, 2019.

SHC's put option may be exercised on one or more occasions in increments of not less than $\$ 100,000$ each. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we recorded the Village East Cinema building as a property asset of $\$ 4.7$ million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding capital lease liability of $\$ 5.9$ million presented under other liabilities (see Note 15 - Other Liabilities).

In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas $1,2 \& 3$. In connection with that transaction, we granted to SHC an option to acquire a $25 \%$ interest in the special purpose entity formed to acquire these interests at cost. On June 28,2007 , SHC exercised this option, paying the option exercise price through the application of their $\$ 3.0$ million deposit plus the assumption of its proportionate share of SHP's liabilities giving it a $25 \%$ non-managing membership interest in SHP.

## OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations are managed by OBI LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of James J. Cotter and a member of our Board of Directors.

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately $21 \%$ of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex in Chicago on a fee basis based on theater cash flow. In 2013, OBI Management earned $\$ 401,000$, which was $20.1 \%$ of net cash flows for the year. In 2012, OBI Management earned $\$ 390,000$, which was $19.7 \%$ of net cash flows for the year. In 2011 , OBI Management earned $\$ 398,000$, which was $19.4 \%$ of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

OBI Management conducts its operations from our office facilities on a rent-free basis, and we share the cost of one administrative employee of OBI Management. Other than these expenses and travel-related expenses for OBI Management personnel to travel to Chicago as referred to above, OBI Management is responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renews automatically each year unless either party gives at least six months' prior notice of its determination to allow the Management Agreement to expire. In addition, we may terminate the Management Agreement at any time for cause.

## Live Theater Play Investment

From time to time, our officers and directors may invest in plays that lease our live theaters. The play STOMP has been playing in our Orpheum Theatre since prior to the time we acquired the theater in 2001. Messrs. James J. Cotter and Michael Forman own an approximately $5 \%$ interest in that play, an interest that they have held since prior to our acquisition of the theater.

## Shadow View Land and Farming LLC

During 2012, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder, contributed $\$ 2.5$ million of cash and $\$ 255,000$ of his 2011 bonus as his $50 \%$ share of the purchase price of a land parcel in Coachella, California and to cover his $50 \%$ share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which Mr. Cotter owns a $50 \%$ interest. We are the managing member of Shadow View Land and Farming, LLC (see Note 20 - Noncontrolling Interests).

## Note 26 - Casualty Loss

## Wellington, New Zealand Parking Structure

On July 21, 2013, Wellington, New Zealand experienced a strong earthquake that damaged our parking structure adjacent to our Courtenay Central shopping center. The parking structure has been closed pending repairs to the structure. We estimate the cost to repair the structure will be approximately $\$ 2.0$ million ( $\mathrm{NZ} \$ 2.5$ million) of which our earthquake insurance will cover approximately $\$ 1.5$ million ( $\mathrm{N} Z \$ 1.8$ million) after our $\$ 584,000$ ( $\mathrm{NZ} \$ 710,000$ ) insurance deductible. For the year ended December 31, 2013, we recorded a casualty loss of $\$ 49,000$ ( $\mathrm{NZ} \$ 59,000$ ) based on the associated net book value of the property as an other income (expense) and a $\$ 1.5$ million ( $\mathrm{N} Z \$ 1.8$ million) insurance receivable in our current receivables at December 31, 2013. Our reduction in operating income will also be offset somewhat by our business interruption insurance subject to the relevant deductible.

## Christchurch, New Zealand Cinemas

Our 8-screen complex in Christchurch, New Zealand, was damaged as a result of the devastating earthquake suffered by that city on February 22, 2011. We have earthquake and lost profits insurance on that facility for which we have received to date $\$ 1.1$ million (NZ $\$ 1.3$ million) which is included in our 2011 other income (expense). We are awaiting a final settlement payment on this claim for a nominally estimated amount to be received in 2014. This cinema was reopened on November 17, 2011, but, as a result of a December 23, 2011 earthquake, the cinema was again temporarily closed for approximately two weeks.

Additionally, the 3 -screen complex in Christchurch, New Zealand owned by our Rialto Cinemas joint venture entity ("Rialto Cinemas"), was damaged as a result of the devastating earthquake suffered by that city on February 22, 2011, and has been closed since that date. Pursuant to the lease on the property, in May 2011, Rialto Cinemas gave notice to the landlord that Rialto Cinemas would be terminating the cinema lease. Rialto Cinemas and the landlord have terminated the lease under agreeable terms and did not result in a significant reduction to the value of our investment in the Rialto Cinemas joint venture relative to its carrying value.

## Schedule II - Valuation and Oualifying Accounts



## Item 9A - Controls and Procedures

## Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f), including maintenance of (i) records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, and (ii) policies and procedures that provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (b) our receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors and (c) we will prevent or timely detect unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of the inherent limitations of any system of internal control. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses of judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper overriding of controls. As a result of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on our evaluation under the COSO framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2013. The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

## Disclosure Controls and Procedures

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A disclosure committee consisting of the principal accounting officer, general counsel, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(e) and 15d-15(e) as of the end of the period covered by this report.

## Changes in Internal Controls Over Financial Reporting

No changes in internal control over financial reporting occurred during the quarter ended December 31, 2013, that have materially affected, or are likely to materially affect, our internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm

## Board of Directors and Stockholders

Reading International, Inc.

We have audited the internal control over financial reporting of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in the 1992 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control-Integrated Framework ssued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013 and our report dated March 7, 2014 expressed an unqualified opinion on those financial statements.
/s/ Grant Thornton LLP
Los Angeles, California
March 7, 2014

## PART III

## Items 10, 11, 12, 13 and 14

Information required by Part II (Items 10, 11, 12, 13 and 14) of this From $10-\mathrm{K}$ is hereby incorporated by reference from the Reading International, Inc.'s definitive Proxy Statement for its 2014 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

## PART IV

## Item 15 - Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1. Financial Statements

The following financial statements are filed as part of this report under Item 8 -Financial Statements and Supplementary Data.
Description
Reports of Independent Registered Accounting Firm (page 55)
Consolidated Balance Sheets as of December 31, 2013 and 2012 (page 56)
Consolidated Statements of Operations for the Three Years Ended December 31, 2013 (page 57)
Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2012 (page 58)
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2013 (page 59)
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2013 (page 60)
Notes to Consolidated Financial Statements (page 61)
2. Financial Statements and Schedules for the years ended December 31, 2013, 2012, and 2011

Schedule II - Valuation and Qualifying Accounts (page 102)
Financial Statements of Mt. Gravatt Cinemas Joint Venture (page 108)
3. Exhibits (Listed by numbers corresponding to Item 601 of Regulation $S$ - $K$ (page 125)
(b) Exhibits Required by Item 601 of Regulation S-K

See Item (a) 3. above.
(c) Financial Statement Schedule

See Item (a) 2. above.

Following are financial statements and notes of Mt. Gravatt Cinemas Joint Venture for the periods indicated. We are required to include in our Report on Form 10-K audited financial statements for the years ended December 31, 2012, and 2011. The financial statements for 2013 are unaudited.

Mt. Gravatt Cinemas Joint Venture
Statements of Comprehensive Income
For the Years Ended December 31, 2013, 2012 and 2011


Other comprehensive income
Other comprehensive income for the period

| Total comprehensive income for the period | $\$$ | $3,018,381$ | $\$$ | $3,390,207$ | $\$$ | $2,948,343$ |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture
Statements of Changes in Equity
For the Years Ended December 31, 2013, 2012 and 2011

| In AUSS |  | Birch Carroll \& Coyle Limited | Reading <br> Exhibition <br> Pty Ltd |  | Village Roadshow Exhibition Pty Ltd |  | Total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Members' Equity at December 31, 2010 | \$ | 1,297,924 | \$ | 1,297,924 | \$ | 1,297,924 | \$ | 3,893,772 |
| Member distributions |  | $(700,000)$ |  | $(700,000)$ |  | $(700,000)$ |  | (2,100,000) |
| Total other comprehensive income |  | -- |  | -- |  | -- |  | -- |
| Profit for the period |  | 982,781 |  | 982,781 |  | 982,781 |  | 2,948,343 |
| Total comprehensive income for the period |  | 982,781 |  | 982,781 |  | 982,781 |  | 2,948,343 |
| Members' Equity at December 31, 2011 | \$ | 1,580,705 | \$ | 1,580,705 | \$ | 1,580,705 | \$ | 4,742,115 |
| Member distributions |  | (1,350,000) |  | $(1,350,000)$ |  | $(1,350,000)$ |  | $(4,050,000)$ |
| Total other comprehensive income |  | -- |  | -- |  | -- |  | --- |
| Profit for the period |  | 1,130,069 |  | 1,130,069 |  | 1,130,069 |  | 3,390,207 |
| Total comprehensive income for the period |  | 1,130,069 |  | 1,130,069 |  | 1,130,069 |  | 3,390,207 |
| Members' Equity at December 31, 2012 | \$ | 1,360,774 | \$ | 1,360,774 | \$ | 1,360,774 | \$ | 4,082,322 |
| Member distributions (unaudited) |  | (1,100,000) |  | $(1,100,000)$ |  | $(1,100,000)$ |  | (3,300,000) |
| Total other comprehensive income (unaudited) |  | -- |  | -- |  | -- |  | -- |
| Profit for the period (unaudited) |  | 1,006,127 |  | 1,006,127 |  | 1,006,127 |  | 3,018,381 |
| Total comprehensive income for the period (unaudited) |  | 1,006,127 |  | 1,006,127 |  | 1,006,127 |  | 3,018,381 |
| Members' Equity at December 31, 2013 (unaudited) | \$ | 1,266,901 | \$ | 1,266,901 | \$ | 1,266,901 | \$ | 3,800,703 |

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture

## Statements of Financial Position

As at December 31, 2013 and 2012

| In AUS\$ | Note |  | $\begin{gathered} 2013 \\ \text { unaudited) } \end{gathered}$ | 2012 |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| ASSETS |  |  |  |  |  |
| Cash and cash equivalents | 8 | \$ | 694,392 | \$ | 898,217 |
| Trade receivables | 9 |  | 172,293 |  | 196,598 |
| Inventories | 10 |  | 126,947 |  | 173,411 |
| Total current assets |  |  | 993,632 |  | 1,268,226 |
| Property, plant and equipment | 11 |  | 3,681,951 |  | 3,923,871 |
| Total non-current assets |  |  | 3,681,951 |  | 3,923,871 |
| Total assets |  | \$ | 4,675,583 | \$ | 5,192,097 |
| Trade and other payables | 12 | \$ | 636,832 | \$ | 878,026 |
| Employee benefits | 13 |  | 172,496 |  | 162,961 |
| Deferred revenue | 14 |  | 32,297 |  | 27,683 |
| Total current liabilities |  |  | 841,625 |  | 1,068,670 |
| Employee benefits | 13 |  | 33,255 |  | 41,105 |
| Total non-current liabilities |  |  | 33,255 |  | 41,105 |
| Total liabilities |  |  | 874,880 |  | 1,109,775 |
| Net assets |  | \$ | 3,800,703 | \$ | 4,082,322 |
| Equity |  |  |  |  |  |
| Contributed equity |  |  | 202,593 |  | 202,593 |
| Retained earnings |  |  | 3,598,110 |  | 3,879,729 |
| Total equity |  | \$ | 3,800,703 | \$ | 4,082,322 |

The accompanying notes are an integral part of these financial statements.

## Mt. Gravatt Cinemas Joint Venture

## Statements of Cash Flows

For the Years Ended December 31, 2013, 2012 and 2011

| In AUSS | Note |  | $\begin{gathered} 2013 \\ \text { (unaudited) } \end{gathered}$ |  | 2012 |  | 2011 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Cash flows from operating activities |  |  |  |  |  |  |  |
| Cash receipts from customers |  | \$ | 14,986,613 | \$ | 16,091,198 | \$ | 14,889,678 |
| Cash paid to suppliers and employees |  |  | $(11,600,009)$ |  | $(11,971,304)$ |  | $(11,450,521)$ |
| Net cash provided from operating activities | 18 |  | 3,386,604 |  | 4,119,894 |  | 3,439,157 |
| Cash flows from investing activities |  |  |  |  |  |  |  |
| Acquisition of property, plant and equipment | 11 |  | $(302,351)$ |  | $(783,266)$ |  | $(1,309,432)$ |
| Interest received | 7 |  | 11,922 |  | 21,256 |  | 58,301 |
| Net cash used in investing activities |  |  | $(290,429)$ |  | $(762,010)$ |  | $(1,251,131)$ |
| Cash flows from financing activities |  |  |  |  |  |  |  |
| Distributions to Joint Venturers |  |  | $(3,300,000)$ |  | $(4,050,000)$ |  | $(2,100,000)$ |
| Net cash used in financing activities |  |  | $(3,300,000)$ |  | (4,050,000) |  | $(2,100,000)$ |
| Net increase/ (decrease) in cash and cash equivalents |  |  | $(203,825)$ |  | (692,116) |  | 88,024 |
| Cash and cash equivalents at 1 January |  |  | 898,217 |  | 1,590,333 |  | 1,502,309 |
| Cash and cash equivalents at 31 December | 8 | \$ | 694,392 | \$ | 898,217 | \$ | 1,590,333 |

The accompanying notes are an integral part of these financial statements.

## Mt. Gravatt Cinemas Joint Venture

## Notes to Financial Statements

December 31, 2013

## 1. Reporting entity

Mt. Gravatt Cinemas Joint Venture (the "Joint Venture") is a legal joint venture between Birch Carrol \& Coyle Ltd, Reading Exhibition Pty Ltd and Village Roadshow Exhibition Pty Ltd. The Joint Venture is domiciled and provides services solely in Australia. The address of the Joint Venture's registered office is 227 Elizabeth Street, Sydney NSW 2000. The Joint Venture primarily is involved in the exhibition of motion pictures at one cinema site.

The joint venture is to continue in existence until the Joint Venture is terminated and associated underlying assets have been sold and the proceeds of sale distributed upon agreement of the members. All distributions of earnings are required to be agreed upon and distributed evenly to the three Joint Venturers. The three Joint Venturers will evenly contribute any future required contributions.

## 2. Basis of presentation

## (a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

The financial year end of the Joint Venture is 30 June. For purposes of the use of these financial statements by one of the Joint Venturers, these financial statements have been prepared on a 12-month period basis ending on 31 December.
(b) Basis of measurement

The financial statements have been prepared on the historical cost basis. The methods used to measure fair values are discussed further in Note 4, Determination of fair values.

## (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is also the Joint Venture's functional currency. Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated.

## (d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 15 Financial instruments.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Joint Venture has not elected to early adopt any accounting standards and amendments. See Note 3(n).

## (a) Financial instruments

Non-derivative financial instruments comprise trade receivables, cash and cash equivalents, and trade payables.
Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Joint Venture becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Joint Venture's contractual rights to the cash flows from the financial assets expire or if the Joint Venture transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Joint Venture commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Joint Venture's obligations specified in the contract expire, are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Joint Venture's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(k), Finance income.

## (b) Property, plant and equipment

## (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation.
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of selfconstructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Costs also may include purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Joint Venture and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:
Leasehold improvementsShorter of estimated useful life and term of lease
Plant and equipment 3 to 20 years
Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

## (c) Leased assets

Leases in which the Joint Venture assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Joint Venture's statement of financial position.

## (d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## (e) Impairment

## (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against the relevant asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## (ii) Non-financial assets

The carrying amounts of the Joint Venture's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (f) Employee benefits

## (i) Long-term employee benefits

The Joint Venture's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted.
(ii) Termination benefits

Termination benefits are recognised as an expense when the Joint Venture is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Joint Venture has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.
(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries, and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Joint Venture expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

## (g) Provisions

A provision is recognised if, as a result of a past event, the Joint Venture has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## (h) Contributed equity

The Joint Venture is comprised of three parties who share an equal ownership over the Joint Venture. The Contributed Equity amount represents the initial investment in the partnership. Distribution to the partners are made on behalf of the Joint Venture and are recognised through retained earnings.

## (i) Revenue

## Rendering of service/sale of concessions

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and value rebates. Revenues are generated principally through admissions and concession sales with proceeds received in cash at the point of sale. Service revenue also includes product advertising and other ancillary revenues, such as booking fees, which are recognised as income in the period earned. The Joint Venture recognises payments received attributable to the advertising services provided by the Joint Venture under certain vendor programs as revenue in the period in which services are delivered.

## (j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease on a basis that is representative of the pattern of benefit derived from the leased property.

## (k) Finance income

Finance income comprises interest income on cash held in financial institutions. Interest income is recognised as it accrues in profit or loss using the effective interest method.

## I) Taxes

## (i) Goods and service tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## (ii) Income tax

Under applicable Australian law, the Joint Venture is not subject to tax on earnings generated. Accordingly the Joint Venture does not recognise any income tax expense, or deferred tax balances. Earnings of the Joint Venture are faxed at the Joint Venturer level

## m) Film expense

Film expense is incurred based on a contracted percentage of box office results for each film. The Joint Venture negotiates terms with each film distributor on a film-by-film basis. Percentage terms are based on a sliding scale, with the Joint Venture subject to a higher percentage of box office results when the film is initially released and declining each subsequent week. Different films have different rates dependent upon the expected popularity of the film, and forecasted success.

## (n) New standards and interpretations not yet adopted

The Joint Venture does not consider that any standards of interpretations issued by IASB or the IFRIC, either applicable in the current year or not yet applicable, have, or will have, a significant impact on the financial statements.

## (o) Amounts paid or payable to the auditor

The amounts paid or payable to the auditor for the audit of these financial statements has been borne by one of the Joint Venturers for which these financial statements have been prepared. The auditor provided non-audit service in the current period to the value of $\$ 19,700$ (unaudited).

| In AUSS |  | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ |  |
| :--- | :--- | :--- | :--- | :--- |
| Audit fees | $\$$ | -- | $\$$ | 57,500 |

## 4. Determination of fair values

A number of the Joint Venture's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

## (i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

## (ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 5. Revenue from rendering of services

| In AUS $\$$ | $\mathbf{2 0 1 3}$ <br> (unaudited) |  |  |  |  | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ |
| :--- | ---: | ---: | ---: | ---: | :---: | :---: | :---: |
| Box office revenue | $8,526,341$ | $9,508,154$ | $9,019,423$ |  |  |  |  |
| Screen advertising | 331,472 | 286,501 | 249,524 |  |  |  |  |
| Booking fees | 218,025 | 268,180 | 200,017 |  |  |  |  |
| Other cinema services | 689,249 | 626,605 | 553,890 |  |  |  |  |
|  | $\$ 9,765,087$ | $\$$ | $10,689,440$ | $\$$ |  |  |  |

## 6. Personnel expenses

| In AUS $\$$ | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ |  |
| :--- | ---: | ---: | ---: | ---: |
| Wages and salaries | $1,603,620$ | $1,767,789$ | $1,846,267$ |  |
| Change in liability for annual leave | 56,011 | 65,274 | 57,628 |  |
| Change in liability for long-service leave | 22,239 | 12,452 | 21,295 |  |
|  | $\$$ | $1,681,870$ | $\$$ | $1,845,515$ |$\$$| $1,925,190$ |
| :--- |

## 7. Finance income

| In AUS $\$$ |  | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ |
| :--- | ---: | ---: | ---: | ---: |
| Interest income on cash at bank: | 11,922 | 21,256 | 58,301 |  |

8. Cash and cash equivalents

| In AUS $\$$ | Note |  | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ |
| :--- | :---: | ---: | ---: | ---: |
| Cash at bank and on hand | 15 | 694,392 | 898,217 |  |
| Cash and cash equivalents in the statement of cash flows |  | $\$$ | 694,392 | $\$$ |

The Joint Venture's exposure to interest rate risk is disclosed in Note 15(e), Financial instruments, Market risk.

## 9. Trade and other receivables

| InAUS $\$$ | Note |  | $\mathbf{2 0 1 3}$ <br> (unaudited) |
| :--- | :---: | ---: | :---: |
| Trade receivables | 15 | 172,293 | $\mathbf{2 0 1 2}$ |
|  |  | $\$$ | 172,293 |

The Joint Venture's trade receivables relate mainly to the Joint Venture's screen advertiser and credit card companies.

The Joint Venture's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 15(c), Financial instruments, Credit risk.

## 10. Inventories

| In AUS $\$$ |  | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ |
| :--- | ---: | ---: | ---: |
| Concession stores at cost | 126,947 | 173,411 |  |

## 11. Property, Plant, and Equipment

| In AUS\$ |  | Plant and Equipment |  | Leasehold mprovements |  | Capital WIP |  | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Cost |  |  |  |  |  |  |  |  |
| Balance at January 1,2012 |  | 10,458,263 |  | 2,787,784 |  | 242,446 |  | 13,488,493 |
| Additions |  | -- |  | -- |  | 783,266 |  | 783,266 |
| Transfers |  | 94,123 |  | 4,900 |  | $(99,023)$ |  | -- |
| Balance at December 31,2012 | \$ | 10,552,386 | \$ | 2,792,684 | \$ | 926,689 | \$ | 14,271,759 |
| Balance at January 1, 2013 (unaudited) |  | 10,552,386 |  | 2,792,684 |  | 926,689 |  | 14,271,759 |
| Additions (unaudited) |  | 1,106,833 |  | 118,843 |  | -- |  | 1,225,676 |
| Transfers (unaudited) |  | -- |  | -- |  | $(923,325)$ |  | $(923,325)$ |
| Balance at December 31, 2013 (unaudited) | \$ | 11,659,219 | \$ | 2,911,527 | \$ | 3,364 | \$ | 14,574,110 |
| In AUS\$ |  | Plant and Equipment |  | Leasehold Improvements |  | Capital WIP |  | Total |
| Accumulated depreciation |  |  |  |  |  |  |  |  |
| Balance at January 1,2012 |  | $(8,688,701)$ |  | $(1,061,838)$ |  | -- |  | $(9,750,539)$ |
| Depreciation and amortisation |  | $(492,890)$ |  | $(104,459)$ |  | -- |  | $(597,349)$ |
| Balance at December 31, 2012 | \$ | $(9,181,591)$ | \$ | $(1,166,297)$ | \$ | -- | \$ | $(10,347,888)$ |


|  |  |  |  |  |
| :--- | :---: | :---: | :---: | ---: |
| Balance at January 1,2013 (unaudited) | $(9,181,591)$ | $(1,166,297)$ | -- | $(10,347,888)$ |
| Depreciation and amortisation (unaudited) | $(436,407)$ | $(107,864)$ | -- | $(544,271)$ |
| Balance at December31, 2013 (unaudited) | $\$$ | $(9,617,998) \$$ | $(1,274,161) \$$ | $--\$(10,892,159)$ |


| In AUSS | Plant and <br> Equipment | Leasehold <br> Improvements | Capital WIP | Total |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| Carrying amounts | $\$$ |  |  |  |  |  |
| At January 1,2012 | $\$, 769,563$ | $\$$ | $1,725,946$ | $\$$ | 242,446 | $\$$ |
| At December 31,2012 | $1,370,795$ | $1,626,387$ | 926,689 | $3,923,871$ |  |  |
| At January 1,2013 (unaudited) | $1,370,795$ | $1,626,387$ | 926,689 | $3,923,871$ |  |  |
| At December 31,2013 (unaudited) | $2,041,221$ | $1,637,366$ | 3,364 | $3,681,951$ |  |  |

## 12. Trade and other payables

| InAUS $\$$ | Note |  | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ |
| :--- | ---: | ---: | ---: | ---: |
| Trade payables |  | 221,732 | 413,082 |  |
| Non-trade payables and accruals | 15 | 415,100 | 464,944 |  |
|  | $\$$ | 636,832 | $\$$ | 878,026 |

The Joint Venture's exposure to liquidity risk related to trade and other payables is disclosed in Note 15 (d), Financial instruments, Liquidity risk. Trade payables represents payments to trade creditors. The Joint Venture makes these payments through the managing party's shared service centre and is charged a management fee for these services. Disclosure regarding the management fee is made in Note 19, Related parties.

## 13. Employee benefits

Current

| In AUS\$ |  | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ |
| :--- | ---: | ---: | ---: |
| Liability for annual leave | 96,527 | 102,540 |  |
| Liability for long-service leave | $\$ 75,969$ | 60,421 |  |
|  | 172,496 | $\$$ | 162,961 |
| Non-current |  |  |  |
| In AUS\$ | $\mathbf{2 0 1 3}$ |  |  |
| Liability for long-service leave | (unaudited) | $\mathbf{2 0 1 2}$ |  |
|  | 33,255 | 41,105 |  |


| In AUS $\$$ | $\mathbf{2 0 1 3}$ <br> (unaudited) |  | $\mathbf{2 0 1 2}$ |
| :--- | ---: | ---: | ---: |
| Deferred revenue | 32,297 | 27,683 |  |
|  | $\$$ | 32,297 | $\$$ |

Deferred revenue mainly consists of advance funds received from vendors for the exclusive rights to supply certain concession items. Revenue is recognised over the term of the related contract on a straight-line basis and is classified as service revenue.

## 15. Financial instruments

## (a) Overview

This note presents information about the Joint Venture's exposure to financial risks, its objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Joint Venture's activities expose it to the following financial risks;

- credit risk;
- liquidity risk; and
- market risk.


## (b) Risk management framework

The Joint Venturers' have overall responsibility for the establishment and oversight of the risk management framework and are also responsible for developing and monitoring risk management policies

Risk management policies are established to identify and analyse the risks faced by the Joint Venture to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Joint Venture's activities. The Joint Venture, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Joint Venturers' oversee how management monitors compliance with the Joint Venture's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Joint Venture.

There were no changes in the Joint Venture's approach to capital management during the year.

## (c) Credit risk

Credit risk is the risk of financial loss to the Joint Venture if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Joint Venture's receivables from customers.

The Joint Venture's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Joint Venture's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customers that are graded as "high risk" are placed on a restricted customer list, and monitored by the Joint Venturers.

The Joint Venture operates under the managing Joint Venturer's credit policy under which each new customer is analysed individually for creditworthiness before the Joint Venture's standard payment and delivery terms and conditions are offered. The Joint Venture's review includes external ratings, when available, and in some
cases bank references. Purchase limits are established for each customer. These limits are reviewed periodically. Customers that fail to meet the Joint Venture's benchmark creditworthiness may transact with the Joint Venture only on a prepayment basis.

## Exposure to credit risk

The carrying amount of the Joint Venture's financial assets represents the maximum credit exposure. The Joint Venture's maximum exposure to credit risk at the reporting date was:

|  |  | Carrying Amount <br> In AUS $\$$ |  |  |
| :--- | :---: | :---: | ---: | :---: |
| Note |  | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ |  |
| Trade receivables | 9 | $\$$ | 172,293 | $\$$ |
| Cash and cash equivalents | 8 | 694,592 | 898,217 |  |

The Joint Venture's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was

|  | Carrying Amount <br> In AUS $\$$ |  | $\mathbf{2 0 1 3}$ <br> (unaudited) |
| :--- | ---: | ---: | ---: |
| Screen advertisers | 109,310 | $\mathbf{2 0 1 2}$ |  |
| Credit card companies | 56,537 | 114,4181 |  |
| Games, machine and merchandising companies | 6,446 | 9,999 |  |
|  | 172,293 | $\$$ | 196,598 |

## Impairment losses

None of the Company's trade receivables are past due (2012: \$nil). There were no allowances for impairment at 31 December 2013 (unaudited) or 2012.

## (d) Liquidity risk

Liquidity risk is the risk that the Joint Venture will encounter difficulties in meeting its financial obligations as they fall due. The Joint Venture's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Joint Venture's reputation.

The only financial liabilities are trade and other payables all of which are contractually due within 12 months. The carrying value of such liabilities at 31 December 2013 is $\$ 636,830$ (unaudited) and 2012: $\$ 878,026$.
(e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Joint Venture's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Joint Venture is not subject to market risks relating to foreign exchange rates or equity prices. Furthermore, the Joint Venture does not use derivative, financial instruments to hedge fluctuations in interest rates.

## Interest rate risk

At the reporting date the interest rate profile of the Joint Venture's interest-bearing financial instruments was:

| Variable rate instruments | Carrying amount |  |  |  |
| :--- | ---: | ---: | ---: | :---: |
| In AUS $\$$ | $\mathbf{2 0 1 3}$ |  |  |  |
| Cash at bank | $\$$ | 694,392 | $\$$ |  |
| (unaudited) | $\mathbf{2 0 1 2}$ |  |  |  |

The Joint Venture held no fixed rate instruments during financial years 2013 (unaudited) or 2012.

## (f) Fair values

## Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| In AUS \$ | $\begin{gathered} 2013 \\ \text { (unaudited) } \end{gathered}$ |  |  |  | 2012 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Carrying amount |  | Fair value |  | Carrying amount |  | Fair value |  |
| Trade receivables | \$ | 172,293 | \$ | 172,293 | \$ | 196,598 | \$ | 196,598 |
| Cash and cash equivalents |  | 694,392 |  | 694,392 |  | 898,217 |  | 898,217 |
| Trade and other payables |  | 636,830 |  | 636,830 |  | 878,026 |  | 878,026 |

The basis for determining fair values is disclosed in Note 4, Determination of fair values.

## (g) Capital

Capital consists of contributed equity and retained earnings. The contributed equity amount represents the initial investment in the partnership. The Managing Committee's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of the business. There were no externally imposed capital requirements during the financial years 2013 (unaudited) or 2012.

## 16. Operating leases

## Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| In AUS $\$$ | $\mathbf{2 0 1 3}$ <br> (unaudited) | $\mathbf{2 0 1 2}$ |  |
| :--- | ---: | ---: | ---: |
| Less than one year | $1,277,755$ | $1,277,754$ |  |
| Between one and five years | $5,083,014$ | $5,111,016$ |  |
| More than five years | -- | $1,225,244$ |  |
| Total | \$ | $6,360,769$ | $\$$ |

The Joint Venture leases the cinema property under a long term operating lease.

## 17. Contingencies and capital commitments

The nature of the Joint Venture's operations results in claims for personal injuries (including public liability and workers compensation) being received from time to time. As at period end there were no material current or ongoing outstanding claims.

## 18. Reconciliation of cash flows from operating activities

| In AUS\$ | Note |  | $\begin{gathered} 2013 \\ \text { (unaudited) } \\ \hline \end{gathered}$ |  | 2012 |  | 2011 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Cash flows from operating activities |  |  |  |  |  |  |  |
| Profit for the period |  | 3,018,381 |  |  | 3,390,207 |  | 2,948,343 |
| Adjustments for: |  |  |  |  |  |  |  |
| Depreciation and amortisation | 11 |  |  | 544,271 |  |  | 597,349 |  | 555,594 |
| Interest received | 7 | $(11,922)$ |  |  | $(21,256)$ | $(58,301)$ |  |
| Operating profit before changes in working capital |  | \$ | 3,550,730 | \$ | 3,966,300 | \$ | 3,445,636 |
| Change in trade receivables | 9 |  | 24,305 |  | $(53,110)$ |  | $(53,892)$ |
| Change in inventories | 10 |  | 46,464 |  | $(19,512)$ |  | 81,620 |
| Change in trade and other payables | 12 |  | $(241,194)$ |  | 220,135 |  | 7,388 |
| Change in employee benefits | 13 |  | 1,685 |  | 17,466 |  | 9,195 |
| Change in deferred revenue | 14 |  | 4,614 |  | $(11,385)$ |  | (50,790) |
| Net cash from operating activities |  | \$ | 3,386,604 | \$ | 4,119,894 | \$ | 3,439,157 |

## 19. Related parties

## Entities with joint control or significant influence over the Joint Venture.

The managing Joint Venturer is paid an annual management fee, which is presented separately in the statement of comprehensive income. The management fee paid is as per the Joint Venture agreement and is to cover the costs of managing and operating the cinema complex and providing all relevant accounting and support services. The management fee is based on a contracted base amount, increased by the Consumer Price Index for the City of Brisbane as published by the Australian Bureau of Statistics on an annual basis. Such management fee agreement is binding over the life of the agreement which shall continue in existence until the Joint Venture is terminated under agreement by the Joint Venturers.

As of31 December 2013 (unaudited) the management fee payable was $\$ 26,040$ (2012: Nil).

## 20. Subsequent events

Subsequent to 31 December 2013 (unaudited), there were no events which would have a material effect on these financial statements.

The Management Committee and Joint Venturers
Mt. Gravatt Cinemas Joint Venture:

## Report on the Financial Statements

We have audited the accompanying financial statements of Mt. Gravatt Cinemas Joint Venture, which comprise the statement of financial position as of December 31, 2012 and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2012 and 2011, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2012 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## /s/ KPMG

Sydney, Australia
March 4, 2013

## Exhibits

| 3.1 | Certificate of Amendment and Restatement of Articles of Incorporation of Reading International, Inc., a Nevada corporation, as filed with the Nevada Secretary of State on May 22, 2003 (filed as Exhibit 3.8 to the Company's report on Form 10-Q for the period ended June 30, 2009, and incorporated herein by reference). |
| :---: | :---: |
| 3.2 .1 | Amended and Restated Bylaws of Reading International, Inc., a Nevada corporation (filed as Exhibit 3.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference). |
| 3.2 .2 | Amended Article V of the Amended and Restated Bylaws of Reading International, Inc. (filed as exhibit 3.2 to the Company's report on Form 8-K dated December 27, 2007, and incorporated herein by reference). |
| 3.3 | Articles of Merger of Craig Merger Sub, Inc. with and into Craig Corporation (filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 ). |
| 3.4 | Articles of Merger of Reading Merger Sub, Inc. with and into Reading Entertainment, Inc. (filed as Exhibit 3.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001). |
| 4.1* | 1999 Stock Option Plan of Reading International, Inc., as amended on December 31, 2001 (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed on January 21, 2004, and incorporated herein by reference). |
| 4.2 | Form of Preferred Securities Certificate evidencing the preferred securities of Reading International Trust I (filed as Exhibit 4.1 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference). |
| 4.3 | Form of Common Securities Certificate evidencing common securities of Reading International Trust I (filed as Exhibit 4.2 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference). |
| 4.4 | Form of Reading International, Inc. and Reading New Zealand, Limited, Junior Subordinated Note due 2027 (filed as Exhibit 4.3 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference). |
| 4.5 | Form of Indenture (filed as Exhibit 4.4 to the Company's report on Form S-3 on October 20, 2009, and incorporated herein by reference). |
| 4.6* | 2010 Stock Incentive Plan (filed as Exhibit 4.1 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference). |
| 4.7* | Form of Stock Option Agreement (filed as Exhibit 4.2 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference). |
| 4.8* | Form of Stock Bonus Agreement (filed as Exhibit 4.3 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference). |
| 4.9* | Form of Restricted Stock Agreement (filed as Exhibit 4.4 to the Company's report on Form S-8 on May 26,2010 , and incorporated herein by reference). |
| 4.10* | Form of Stock Appreciation Right Agreement (filed as Exhibit 4.5 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference). |
| 4.11* | Amendment to the 2010 Stock Incentive Plan (filed as Appendix A of the Company's proxy statement on April 29, 2011, and incorporated here by reference). |
| 10.1* | Employment Agreement, dated October 28, 1999, among Craig Corporation, Citadel Holding Corporation, Reading Entertainment, Inc., and Andrzej Matyczynski (filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference). |
| 10.2 | Amended and Restated Lease Agreement, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference). |

Amended and Restated Citadel Standby Credit Facility, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.4 Amended and Restated Security Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.5 Amended and Restated Pledge Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.6 Amended and Restated Intercreditor Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. and Nationwide Theatres Corp. (filed as Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.7 Guaranty dated July 28, 2000 by Michael R. Forman and James J. Cotter in favor of Citadel Cinemas, Inc. and Citadel Realty, Inc. (filed as Exhibit 10.45 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.8 Theater Management Agreement, effective as January 1, 2002, between Liberty Theaters, Inc. and OBI LLC (filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
Omnibus Amendment Agreement, dated as of October 22, 2003, between Citadel Cinemas, Inc., Sutton Hill Capital, L.L.C., Nationwide Theatres Corp., Sutton Hill Associates, and Reading International, Inc. (filed as Exhibit 10.49 to the Company's report on Form 10-Q for the period ended September 30, 2003, and incorporated herein by reference).
10.10 Assignment and Assumption of Lease between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005 (filed as exhibit 10.56 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
10.11 License and Option Agreement between Sutton Hill Properties, LLC and Sutton Hill Capital L.L.C. dated as of September 19, 2005 (filed as exhibit 10.57 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).

Second Amendment to Amended and Restated Master Operating Lease dated as of September 1, 2005 (filed as exhibit 10.58 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).

Purchase Agreement, dated February 5, 2007, among Reading International, Inc., Reading International Trust I, and Kodiak Warehouse JPM LLC (filed as Exhibit 10.1 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).

Amended and Restated Declaration of Trust, dated February 5, 2007, among Reading International Inc., as sponsor, the Administrators named therein, and Wells Fargo Bank, N.A., as property trustee, and Wells Fargo Delaware Trust Company as Delaware trustee (filed as Exhibit 10.2 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
10.15 Indenture among Reading International, Inc., Reading New Zealand Limited, and Wells Fargo Bank, N.A., as indenture trustee (filed as Exhibit 10.4 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
10.16* Employment Agreement, dated December 28, 2006, between Reading International, Inc. and John Hunter (filed as Exhibit 10.66 to the Company's report on Form 10-K for the year ended December 31, 2006, and incorporated herein by reference).
10.17 Reading Guaranty Agreement dated February 21, 2008 among Consolidated Amusement Theatres, Inc., a Nevada corporation, General Electric Capital Corporation, and GE Capital Markets, Inc. (filed as Exhibit 10.73 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).
10.18

Pledge and Security Agreement dated February 22, 2008 by Reading Consolidated Holdings, Inc. in favor of Nationwide Theatres Corp (filed as Exhibit 10.74 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).

| 10.19 | Promissory Note dated February 22, 2008 by Reading Consolidated Holdings, Inc. in favor of <br> Nationwide Theatres Corp. (filed as Exhibit 10.75 to the Company's report on Form 10-K for the year <br> ended December 31, 2007, and incorporated herein by reference). |
| :--- | :--- |
| $10.20^{*}$ | Form of Indemnification Agreement, as routinely granted to the Company's officers and directors (filed <br> as Exhibit 10.77 to the Company's report on Form 10-Q for the period ended September 30, 2008, and <br> incorporated herein by reference). |
| 10.21 | Third Amendment to Amended and Restated Master Operating Lease Agreement, dated June 29, 2010, <br> between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.21 to the Company's <br> report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference). |
| 10.22 | Amended and Restated Purchase Money Installment Sale Note, dated September 19, 2005, as amended <br> and restated as of June 29, 2010, by Sutton Hill Properties, LLC in favor of Sutton Hill Capital, L.L.C. |
| (filed as Exhibit 10.22 to the Company's report on Form 10-K for the year ended December 31, 2010, |  |
| and incorporated herein by reference). |  |

31.1 Certification of Principal Executive Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2 Certification of Principal Financial Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1 Certification of Principal Executive Officer dated March 7, 2014 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2 Certification of Principal Financial Officer dated March 7, 2014 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS XBRL Instance Document
101.SCH XBRL Taxonomy Extension Schema
101.CAL XBRL Taxonomy Extension Calculation
101.DEF XBRL Taxonomy Extension Definition
101.LAB XBRL Taxonomy Extension Labels
101.PRE XBRL Taxonomy Extension Presentation
*These exhibits constitute the executive compensation plans and arrangements of the Company.

## 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.

## READING INTERNATIONAL, INC.

(Registrant)

| Date: March 7,2014 | By: $\quad$ | $\frac{\text { /s/Andrzej Matyczynski }}{}$ |
| :--- | :--- | :--- |
|  |  | Andrzej Matyczynski |
|  |  | Chief Financial Officer and Treasurer |
|  | (Principal Financial and Accounting Officer) |  |

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

| Signature | Title(s) | Date |
| :---: | :---: | :---: |
| /s/ James J. Cotter | Chairman of the Board and Director and Chief Executive Officer | March 7, 2014 |
| James J. Cotter |  |  |
| /s/ Andrzej Matyczynski | Principal Financial and Accounting Officer | March 7, 2014 |
| Andrzej Matyczynski |  |  |
| /s/ Guy W. Adams | Director | March 7, 2014 |
| Guy Adams |  |  |
| /s/ Ellen M. Cotter | Director | March 7, 2014 |
| Ellen Cotter |  |  |
| /s/ James J. Cotter, Jr. | Director | March 7, 2014 |
| James J. Cotter, Jr. |  |  |
| /s/ Margaret Cotter | Director | March 7, 2014 |
| Margaret Cotter |  |  |
| /s/William D. Gould | Director | March 7, 2014 |
| William D. Gould |  |  |
| /s/Edward L. Kane | Director | March 7, 2014 |
| Edward L Kane |  |  |
| /s/ Douglas J. McEachern | Director | March 7, 2014 |
| Douglas J. McEachern |  |  |
| /s/ Tim Storey | Director | March 7, 2014 |
| Tim Storey |  |  |
| /s/ Alfred Villaseñor | Director | March 7, 2014 |
| Alfred Villaseñor |  |  |

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
I, James J. Cotter, certify that:

1) I have reviewed this Form 10-K of Reading International, Inc.;
2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

## /s/ James J. Cotter

James J. Cotter
Chief Executive Officer
March 7, 2014

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrzej Matyczynski, certify that:

1) I have reviewed this Form 10-K of Reading International, Inc.;
2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

## /s/ Andrzej Matyczynski

Andrzej Matyczynski
ChiefFinancial Officer
March 7, 2014

## CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form $10-\mathrm{K}$ for the fiscal year ended December 31, 2013 (the "Report"), I, James J. Cotter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. $\S 1350$, as adopted pursuant to $\S 906$ of the Sarbanes-Oxley Act of 2002 , that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

## /s/ James J. Cotter

## James J. Cotter

Chief Executive Officer
March 7, 2014

## CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

 ( 18 U.S.C. SECTION 1350)In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2013 (the "Report"), I, Andrzej Matyczynski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. $\S 1350$, as adopted pursuant to $\S 906$ of the Sarbanes-Oxley Act of 2002 , that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

## /s/ Andrzej Matyczynski

Andrzej Matyczynski
ChiefFinancial Officer
March 7, 2014

## READING INTERNATIONAL, INC. - LIST OF SUBSIDIARIES

Subsidiary (Jurisdiction of Incorporation)
A.C.N. 143633096 Pty Ltd (Australia)

AHGP, Inc. (Delaware)
AHLP, Inc. (Delaware)
Angelika Film Center Mosaic, LLC (Nevada)
Angelika Film Centers (Dallas), Inc. (Texas)
Angelika Film Centers (Plano) LP (Nevada)
Angelika Plano Beverage LLC (Texas)
Australia Country Cinemas Pty Ltd (Australia)
Australian Equipment Supply Pty Ltd (Australia)
Bayou Cinemas LP (Delaware)
Bogart Holdings Ltd (New Zealand)
Burwood Developments Pty Ltd (Australia)
Carmel Theatres, LLC (Nevada)
Citadel Agriculture, Inc. (California)
Citadel Cinemas, Inc. (Nevada)
Citadel Realty, Inc. (Nevada)
City Cinemas, LLC (Nevada)
Consolidated Amusement Holdings, LLC (Nevada)
Consolidated Cinema Services, LLC (Nevada)
Consolidated Cinemas Kapolei, LLC (New Zealand)
Consolidated Entertainment, LLC (Nevada)
Courtenay Car Park Ltd (New Zealand)
Craig Corporation (Nevada)
Darnelle Enterprises Ltd (New Zealand)
Dimension Specialty, Inc. (Delaware)
Epping Cinemas Pty Ltd (Australia)
Gaslamp Theatres, LLC (Nevada)
Hope Street Hospitality, LLC (Delaware)
Hotel Newmarket Pty Ltd (Australia)
Kaahumanu Cinemas, LLC (Nevada)
Kahala Cinema Company LLC (Nevada)
Liberty Live, LLC (Nevada)
Liberty Theaters, LLC (Nevada)
Liberty Theatricals, LLC (Nevada)
Minetta Live, LLC (Nevada)
Movieland Cinemas (NZ) Ltd (New Zealand)
New Zealand Equipment Supply Limited (New Zealand)
Newmarket Properties \#3 Pty Ltd (Australia)
Newmarket Properties No. 2 Pty Ltd (Australia)
Newmarket Properties Pty Ltd (Australia)
Orpheum Live, LLC (Nevada)
Port Reading Co (New Jersey)
Queenstown Land Holdings Ltd (New Zealand)
RDI Employee Investment Fund LLC (California)
Reading Arthouse Distribution Ltd (New Zealand)
Reading Auburn Pty Ltd (Australia)
Reading Australia Leasing (E\&R) Pty Ltd (Australia)
Reading Belmont Pty Ltd (Australia)
Reading Capital Corporation (Delaware)

Reading Center Development Corporation (Pennsylvania)
Reading Charlestown Pty Ltd (Australia)
Reading Cinemas Courtenay Central Ltd (New Zealand)
Reading Cinemas Management Pty Ltd (Australia)
Reading Cinemas NJ, Inc. (Delaware)
Reading Cinemas of Puerto Rico, Inc. (Puerto Rico)
Reading Cinemas Pty Ltd (Australia)
Reading Cinemas Puerto Rico LLC (Nevada)
Reading Cinemas USA LLC (Nevada)
Reading Colac Pty Ltd (Australia)
Reading Company (Pennsylvania)
Reading Consolidated Holdings (Hawaii), Inc. (Hawaii)
Reading Consolidated Holdings, Inc. (Nevada)
Reading Courtenay Central Limited (New Zealand)
Reading Dandenong Pty Ltd (Australia)
Reading Dunedin Limited (New Zealand)
Reading Elizabeth Pty Ltd (Australia)
Reading Entertainment Australia Pty Ltd (Australia)
Reading Exhibition Pty Ltd (Australia)
Reading Foundation, LTD (Nevada)
Reading Holdings, Inc. (Nevada)
Reading International Cinemas LLC (Delaware)
Reading International Services Company (California)
Reading Licenses Pty Ltd (Australia)
Reading Maitland Pty Ltd (Australia)
Reading Malulani, LLC (Nevada)
Reading Management NZ Limited (New Zealand)
Reading Melton Pty Ltd (Australia)
Reading Moonee Ponds Pty Ltd (Australia)
Reading Murrieta Theater, LLC (Nevada)
Reading New Lynn Limited (New Zealand)
Reading New Zealand Ltd (New Zealand)
Reading Pacific LLC (Nevada)
Reading Properties Indooroopilly Pty Ltd (Australia)
Reading Properties Lake Taupo Ltd (New Zealand)
Reading Properties Manukau Ltd (New Zealand)
Reading Properties New Zealand Ltd (New Zealand)
Reading Properties Pty Ltd (Australia)
Reading Properties Taringa Pty Ltd (Australia)
Reading Property Holdings Pty Ltd (Australia)
Reading Queenstown Ltd (New Zealand)
Reading Real Estate Company (Pennsylvania)
Reading Restaurants New Zealand Limited (New Zealand)
Reading Rouse Hill Pty Ltd (Australia)
Reading Royal George, LLC (Delaware)
Reading Sunbury Pty Ltd (Australia)
Reading Theaters, Inc. (Delaware)
Reading Wellington Properties Ltd (New Zealand)
Rhodes Peninsula Cinema Pty Ltd (Australia)
Rialto Brands Ltd (New Zealand)
Rialto Cinemas Ltd (New Zealand)
Rialto Distribution Ltd (New Zealand)
Rialto Entertainment Ltd (New Zealand)
Ronwood Investments Ltd (New Zealand)
Rydal Equipment Co. (Pennsylvania)
S Note Liquidation Company, LLC (Nevada)

Sails Apartments Management Ltd (New Zealand)
Shadow View Land and Farming, LLC (Nevada)
Sutton Hill Properties, LLC (Nevada)
Tobrooke Holdings Ltd (New Zealand)
Trans-Pacific Finance Fund I, LLC (Delaware)
Trenton-Princeton Traction Company (New Jersey)
Twin Cities Cinemas, Inc. (Delaware)
US Agricultural Investors, LLC (Delaware)
US Development, LLC (Nevada)
US International Property Finance Pty Ltd (Australia)
Washington and Franklin Railway Company (Pennsylvania)
Westlakes Cinema Pty Ltd (Australia)
Wilmington and Northern Railroad Company (Pennsylvania)

## Consent of Independent Registered Public Accounting Firm

We have issued our reports dated March 7, 2014, with respect to the consolidated financial statements, schedule and internal control over financial reporting included in the Annual Report of Reading International, Inc. on Form 10-K for the year ended December 31, 2013. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Reading International, Inc on Form S-8 (File No. 333-36277) and on Form S-3 (File No. 333162581).
/s/ GRANT THORNTON LLP

Los Angeles, California
March 7, 2014

## Consent of Independent Auditor

The Management Committee and Joint Venturers
Mt. Gravatt Cinemas Joint Venture:
We consent to the incorporation by reference in the registration statements No. 333-167101 on Form S-8 of Reading International, Inc., of our report dated March 4, 2013 with respect to the statement of financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2012 and the related statements of comprehensive income, changes in equity, and cash flows for years ended December 31, 2012 and 2011, which report appears in the December 31, 2013, annual report on Form $10-\mathrm{K}$ of Reading International, Inc
/s/ KPMG
Sydney, Australia
March 7, 2014

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Cotter, certify that:

1) I have reviewed this Form 10-K of Reading International, Inc.;
2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

## T/s/ James J. Cotter

James J. Cotter
Chief Executive Officer
March 7, 2014

I, Andrzej Matyczynski, certify that:

1) I have reviewed this Form 10-K of Reading International, Inc.;
2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
/s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer
March 7, 2014

## CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form $10-\mathrm{K}$ for the fiscal year ended December 31, 2013 (the "Report"), I, James J. Cotter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to $\S 906$ of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
/s/ James J. Cotter
James J. Cotter
Chief Executive Officer
March 7, 2014

## CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2013 (the "Report"), I, Andrzej Matyczynski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. $\S 1350$, as adopted pursuant to $\S 906$ of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
/s/Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer
March 7, 2014

[^0]:    $\Rightarrow$ James 3 . Cotter, Ir. was appointed to serve as the Company's chief executive officer;
    $\Rightarrow$ Ellen Cotter was elected to serve as Chaiman of the Board; and
    $>$ Following the resignation of James $J$. Cotter, Ir. as the Vice-Chaiman of the Board, Margaret Cotter was elecied to serve as Vice-Chairman of the Board.

[^1]:    See accompanying notes to consolidated financial statement

