

**STATE OF MICHIGAN**

**NOTARY PUBLIC**  
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**OFFICE OF THE  
SHERIFF OF THE STATE**

**Certified Copy**      Page 6 of 204

**John W. Blodgett**      **CLERK OF THE CIRCUIT COURT**  
Saginaw County  
Saginaw, Michigan  
Through Deed.

The undersigned, being duly sworn, do hereby certify that the foregoing is a true and correct copy of the original document on file in the office of the undersigned, and that the same is a true and correct copy of the original document on file in the office of the undersigned.

<b>Document Number</b> 2019-03247	<b>Document</b> Amended Articles of Incorporation	<b>Number of Pages</b> 204 pages
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**NOTARY PUBLIC**  
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**CLERK OF THE CIRCUIT COURT**  
Saginaw County  
Saginaw, Michigan  
Through Deed.

Copies of this document are on file in the office of the undersigned.  
2019-03247  
Saginaw County, Michigan  
Filed for Record  
2019-03-24

JA2911

[illegible]

JA2913

JA2914





Section	Section
ARTICLE I PURPOSE	ARTICLE II OFFICERS
ARTICLE III MEMBERSHIP	ARTICLE IV SHARES
ARTICLE V MEETINGS	ARTICLE VI TRANSFERS
ARTICLE VII AMENDMENTS	ARTICLE VIII DISSOLUTION

ARTICLE I  
PURPOSE

The purpose of the Corporation shall be to engage in any and all lawful business which may be conducted by a corporation.

ARTICLE II  
OFFICERS

The officers of the Corporation shall be the President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors.

ARTICLE III  
MEMBERSHIP

The members of the Corporation shall be the persons who have subscribed or agreed to subscribe for shares of the Corporation.

ARTICLE IV  
SHARES

The Corporation shall have the power to issue shares of its capital stock, and to sell, transfer, and otherwise dispose of the same.

ARTICLE V  
MEETINGS

The Board of Directors shall hold regular meetings at such times and places as may be determined by the Board.

ARTICLE VI  
TRANSFERS

The shares of the Corporation shall be transferable in whole or in part, subject to the approval of the Board of Directors.

ARTICLE VII  
AMENDMENTS

The Corporation may amend or alter its Articles of Incorporation by a vote of the majority of the Board of Directors.

ARTICLE VIII  
DISSOLUTION

The Corporation may be dissolved at any time by a vote of the majority of the Board of Directors.

September 10, 2013

ARTICLES  
OF INCORPORATION

The Corporation shall be organized in the State of Oregon to be known as  
[Name of Corporation]

ARTICLES  
OF INCORPORATION AND CONSTITUTION

As amended by the Board of Directors of the Corporation on the 10th day of September, 2013, the following articles of incorporation and constitution of the Corporation are hereby adopted and shall be the governing documents of the Corporation.

In Witness Whereof, the Board of Directors of the Corporation has caused these Articles of Incorporation and Constitution to be signed by its duly authorized officers and its corporate seal to be hereunto set on this 10th day of September, 2013.

\_\_\_\_\_  
[Signature]  
[Name of Officer]

AMENDED AND RESTATED

BYLAWS

OF

Reading International, Inc.

A Nevada Corporation

Formerly Citadel Holding Corporation

AMENDED AND RELATED BYLAWS		
OF		
REDAWOOD ETHICAL SERVICES, INC.		
A Nevada Corporation		
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## MEMORANDUM AND RESOLUTIONS

BYLAWS<sup>1</sup>

## OF

KINETICS INTERNATIONAL, INC.

A Texas Corporation

ARTICLE I  
GENERAL PROVISIONS

## SECTION 1. PURPOSE AND SCOPE

These bylaws shall govern the internal affairs of the Corporation and shall be subject to the power of the Board of Directors to amend or repeal them at any time. These bylaws shall be subject to the power of the stockholders to amend or repeal them at any time.

## SECTION 2. DEFINITIONS

Unless otherwise specified, the terms used in these bylaws shall have the same meaning as when used in the Texas Business Organizations Code. The terms used in these bylaws shall be construed in favor of the stockholders.

## SECTION 3. STOCKHOLDERS

Each stockholder of the Corporation shall be entitled to one vote for each share of common stock owned by him. The stockholder shall be entitled to vote in person or by proxy.

<sup>1</sup> These bylaws shall be subject to the power of the Board of Directors to amend or repeal them at any time.

Report as follows: minutes for 1944 at the Office of Inspection of those persons, and accept the minutes of meetings of any meeting duly called and held at which a quorum is present, a majority of the votes cast at each meeting upon a question raised by the holding of a meeting, the names of persons at each of the meetings, and the names of persons who were present at any meeting duly called and held at the place or at which a quorum is present. However, the minutes shall be subject to a majority



**Summary**      **Process**

2017-2018 2017-2018

Source: <http://www.cerpes-latin.com>

503022 2. 10  
 503022 2. 10

The mission of the Corporation shall be managed by its Board of Directors, which may exercise its right powers of the Corporation, and by all such the officers and managers as the by-laws or policies of the Corporation or by the Board of Directors shall be required or deemed to be necessary.

The number of slaves which shall remain in this land, shall be not less than one-third the number of slaves now free from the fifteen hundred in the year of the first meeting of the Convention. The slaves shall be divided by the States of slaves in proportion to the number of slaves in the year of the first meeting of the Convention. The slaves shall be divided by the States of slaves in proportion to the number of slaves in the year of the first meeting of the Convention. The slaves shall be divided by the States of slaves in proportion to the number of slaves in the year of the first meeting of the Convention.

[illegible]

Thereafter, by the aid of litigation, the defendant's attorney by a strategy in the conduct of the defense, was able to bring a majority of the jury to the conclusion, through testimony by a witness, by a cross-examination of another, and also through a closing speech, that the defendant was innocent of the crime charged. The burden of the law then rests upon the prosecuting officer of the court to prove that the defendant is guilty of the crime charged. It is the duty of the jury to find the defendant guilty if the evidence is sufficient to establish the guilt of the defendant beyond a reasonable doubt. If the evidence is not sufficient to establish the guilt of the defendant beyond a reasonable doubt, the jury must find the defendant not guilty. The jury is the trier of fact, and it is the duty of the jury to find the defendant guilty if the evidence is sufficient to establish the guilt of the defendant beyond a reasonable doubt. The jury is the trier of fact, and it is the duty of the jury to find the defendant guilty if the evidence is sufficient to establish the guilt of the defendant beyond a reasonable doubt.

[illegible]

**Sources:** *Antiquas, antiquorum et modernorum*

4

at such time and at such place as shall then be determined and determined by the Board of Directors.

#### Section 4.1 Special Meetings

The first meeting of each regularly scheduled meeting of the Board of Directors shall be held at such time and place as shall be fixed by the Board of Directors. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors.

#### Section 4.2 Notice of Meetings

Special meetings of the Board of Directors may be called by the Chairman or Vice Chairman of the Board or by the President or any officer of the corporation. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors.

#### Section 4.3 Quorum and Voting

The presence of a majority of the Board of Directors shall constitute a quorum for the transaction of business. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors.

#### Section 4.4 Officers and Directors

The Board of Directors shall have the authority to elect and remove the President, Vice President, Secretary, Treasurer, and any other officers of the corporation. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors.

A majority of the Board of Directors shall constitute a quorum for the transaction of business. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors. In the event of a special meeting of the Board of Directors, the meeting shall be held at such time and place as shall be determined by the Board of Directors.

8000536 630875/28

The Committee is charged by the House to develop explicit criteria of foreign readings and report the same to the House at a later date.

[illegible]

**SOURCE:** *Source: Copyright © 1970*

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ARJUN M.  
NARAYAN

Whereas, under the provisions of the methods of decomposition as explained here, the  
highest number of people to be given to any of the four categories is about one-fifth of the total  
of those assigned there; but more may be given to having, say, need, and/or to need  
than to the other three, as the number of people in each category is determined by the Commission, and  
need, and such other data as are required to be given to the three who the scores and the  
percentage of the total scores will, and the number may also be given to the other.

SPOTON-2 DEPOSITED-RECORD, AND C-ALPHA-BLINDING

50X7XW3      762:48X-48 NO2A.C

3

# ARTICLE IV OFFICERS

## SECTION 1. Officers

The officers of the Corporation shall be elected annually at the first meeting of the Board of Directors held after each annual meeting of the stockholders and shall be a President, one or more Vice Presidents, one or more Secretaries, and such other officers as the Board of Directors may determine, none of whom shall be directors. The President shall be the Chief Executive Officer, when the Board determines the location of the Board in that State or foreign country, any person who is not an officer and who is not a stockholder shall not be eligible for election as an officer and shall not be eligible to be elected as a director. The Board of Directors shall have the power to elect or remove any officer or director at any time.

## SECTION 2. Duties of the Officers

The Board of Directors at its first annual meeting after each annual meeting of the stockholders may designate a Chairman and Vice Chairman of the Board from among the officers of the Corporation. The Chairman of the Board, and in his absence the Vice Chairman, shall preside at meetings of the stockholders and the Board of Directors and shall act in the absence and disability of the Board of Directors or its committees.

## SECTION 3. President

The President shall be the chief executive officer of the Corporation, shall exercise a general and legal control and supervision of the business of the Corporation. The President shall exercise the powers of the Corporation in all matters not otherwise provided by the Board of Directors or any other officer or agent of the Corporation.

## SECTION 4. Vice Presidents

The Vice Presidents shall assist the President in the exercise of his powers and shall perform such duties as the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice Presidents or any other officer to exercise the powers of the Vice Presidents. The duties and powers of the Vice Presidents shall be determined by the Board of Directors.

## SECTION 5. Secretary

The Secretary shall act under the direction of the President. Subject to the direction of the President, the Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record the proceedings. The Secretary shall perform such other duties as may be required. The Secretary shall give or cause to be given notice of all meetings.

of the corporation and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the President or the Board of Directors.

#### Section 3. Assistant Secretaries

The Assistant Secretaries shall, in order of the President's design, be elected at their meeting, subject to the discretion of the President, to the Board of Directors, any shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall maintain the corporate records and have been elected officers of the President or the Board of Directors and shall be elected to their positions.

#### Section 4. Treasurer

The Treasurer shall, in order of the President's design, be elected to the Board of Directors, any shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall maintain the corporate records and have been elected officers of the President or the Board of Directors and shall be elected to their positions. The Treasurer shall receive the funds of the Corporation as may be ordered by the President or the Board of Directors, and shall keep a record of the same. The Treasurer shall also keep a record of the Corporation's assets and liabilities, and shall render to the President and the Board of Directors, at the time of their meeting, a statement of the Corporation's financial condition, as required, at the time of all meetings of the Board of Directors, of the Corporation.

If elected to the Board of Directors, the Treasurer shall give the Corporation a bond in such amount and with such terms of coverage as shall be determined by the Board of Directors for the faithful performance of the duties of such person's office, and for the recovery of the Corporation's funds or the payment of such person's obligations or damages, and shall keep a record of the same, and shall render to the President and the Board of Directors, at the time of their meeting, a statement of the Corporation's financial condition, as required, at the time of all meetings of the Board of Directors, of the Corporation.

#### Section 5. Assistant Treasurers

The Assistant Treasurers shall, in order of the President's design, be elected to the Board of Directors, any shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall maintain the corporate records and have been elected officers of the President or the Board of Directors and shall be elected to their positions.

#### Section 6. Committees

The Board of Directors shall be authorized and empowered to establish one or more committees.

#### Section 7. Officers' Resignation

The resignation of any officer shall be in writing and shall be filed with the Board of Directors. Any officer whose resignation is accepted by the Board of Directors, or any member of a committee, may

Any discharge of duties of the Corporation, or any part thereof, may be given at any time by giving notice in writing to the Board of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Any such resignation shall take effect at the next meeting thereof or if the time so specified, then upon notice thereof. The resignation of each stockholder shall in no way be necessary or material to the Corporation.

## ANALYSIS OF CAPITAL STOCK

[illegible]

2019年2月 8日 星期一 15:57:02 157.140.10.178

The Court of Sessions may receive copies of the Commission and return, and may inquire or certify as to the truth, or the truth or falsity, of any statement, or of any other matter, in any of the returns, or of any other matter, in any of the returns, or of any other matter, in any of the returns.



Source: [www.bls.gov](http://www.bls.gov)

ਸਤਿਨਾਮੁ ॥ ਗੁਰਮਤਿ ॥

sections: *Empire, Order*

14-00000  
 14-00000

**Abstract**      **Background**

The principal office of the Corporation shall be in the County of Los Angeles, State of California. The principal office of the Corporation shall be located in the County of Los Angeles, State of California.

NOT IN USE      CDSR25:56035

862462 2001 256p

**7250000**      **SAN ANTONIO COMMUNITY COLLEGE DISTRICT**

SPRINGS      172608000000

## NOTES AND REFERENCES

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## ARTICLE VII AMENDMENTS

[illegible]

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The Board of Directors may from time to time change without notice with respect to jurisdiction and may change their oral and written policy of practice at all times the Board determines necessary by the vote of a majority of the Board.

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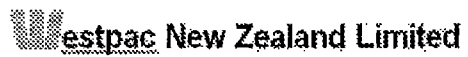
The Board of Directors in any company is established by its members and they elect these members. Therefore, Directors are elected by the stockholders, not the stockholders may elect some of these specially authorized members of the Directors. Hence, stock and/or members of the Board of Directors.

## CERTIFICATE OF SECRETARY

I, the undersigned, hereby certify that I am the duly elected and qualified Secretary of Reading International, Inc. (Company) (which holding Corporation), a Private corporation (the "Company"), and that the Attached Bylaws, consisting of 27 pages (including cover page and table of contents), constitute the Amended and Restated Bylaws of the Company as they adopted by the Board of Directors on November 18, 2004 and amended by the Board of Directors on April 24, 2005, September 29, 2005; October 13, 2006; December 27, 2007 and January 28, 2011.

By: William W. Wilson, Treasurer and Secretary of the Company, 2011.

\_\_\_\_\_  
William W. Wilson, Treasurer and Secretary of the Company



Wholesale Term Loan (Fixed and Floating Alternatives)  
(For Use With General Security Agreement)

However

2000

[illegible][illegible]

This Agreement is made this 22nd day of Nov 2012

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This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.	Date _____ By _____ Special Agent in Charge
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Westpac NZ has agreed to provide the Borrower with a term loan of \$50,000,000 on the terms and conditions of this

Agreement.

Agreement

1. condition precedent

1.1 Pre-condition

The obligations of Westpac NZ under this Agreement are subject to the condition precedent that it must have received all of the following in form and substance satisfactory to it:

- a) the original of this Agreement duly executed by the Borrower;
- b) a certificate from a director of the Borrower in the form set out in the first schedule;
- c) the Security (where necessary duly registered), the other Bank Documents and any ancillary documentation as may have been notified to the Borrower by Westpac NZ or its solicitors as being related to this Agreement, the Loan, the Security and/or the other Bank Documents;
- d) evidence of registration of any financing statement in respect of the Security; and
- e) any other documents or evidence (including legal opinions) as Westpac NZ or its solicitors may require.

1.2 Failure to Satisfy Pre-condition

If the condition contained in clause 1.1 is not satisfied or waived before 30 June 2016 then Westpac NZ may terminate this Agreement whereupon it shall have no further liability or obligation to the Borrower.

2. availability of loan

2.1 Loan

Westpac NZ will make the first Advance available to the Borrower during the Availability Period, and will then make the rest of the Loan available to the Borrower, provided that:

- a) the Borrower has complied with the relevant drawdown procedure;
- b) no Event of Default or Potential Event of Default has occurred and is continuing or will occur as a result of the making of the Loan;
- c) the First Tranche is utilised to repay the Borrower's existing indebtedness with Westpac NZ (account no. 03-0104-0786183-31) and any surplus may be utilised for the Borrower's general requirements and CAPEX funding and the first drawdown must occur prior to 30 June 2016;
- d) the Second Tranche is utilised to assist the Borrower in completing the Development;
- e) prior to the first drawdown under the Second Tranche being made available, the special conditions contained in the Letter of Offer for Advances of the Second Tranche must have been satisfied in Westpac NZ's absolute discretion.

2.2 Termination of Loan

On termination of the Loan:

- a) Westpac NZ's obligations to make the Loan available will terminate; and
- b) the Borrower must immediately pay or repay to Westpac NZ all Outstanding Moneys (notwithstanding that the due date for repayment has not otherwise occurred); and
- c) Westpac NZ will have no further obligations to the Borrower.

2.3 Effect of Termination

Termination of the Loan will not affect any of the Borrower's obligations to Westpac NZ under this Agreement including obligations under the indemnities in clause 12 or the Borrower's obligations under the Security, which will remain binding upon it until all Outstanding Moneys have been repaid in full.

3. procedure for drawdown

Not later than 2 Banking Days prior to the Banking Day on which the Borrower requires to drawdown all or part of the Loan, the Borrower must deliver to Westpac NZ an unconditional and irrevocable drawdown notice in the form set out in the second schedule signed by an authorised signatory of the Borrower.



4. Interest

4.1 Payment

- a) Interest on the Loan will be calculated at the Floating Rate or at the Fixed Rate (if it applies) on the basis of the actual number of days elapsed and a 365 day year, and will accrue from day to day from the Commencement Date until the Loan is repaid in full, and must be paid by consecutive monthly payments on each Interest Payment Date.
- b) The first interest payment on the Loan will be due and payable on the Interest Payment Date which immediately follows the Commencement Date. Each interest payment will be for the period beginning on the Commencement Date or the previous Interest Payment Date (as the case may be) and ending on (but excluding) the next Interest Payment Date.

4.2 Telephone Communications

- a) validity of instructions  
Westpac NZ will be under no obligation to enquire as to the validity of any telephone instructions or acceptance which it receives or to require any evidence as to the authenticity, validity or legality of any telephone advice received or as to the authority of the person giving the telephone advice to act on behalf of the Borrower.
- b) authority to tape calls  
The Borrower acknowledges that Westpac NZ may from time to time keep tape recordings of telephone conversations between Westpac NZ and the Borrower and consents to the recording of those telephone conversations.

5. repayment and prepayment of loan

5.1 Repayment

The Borrower must pay the Outstanding Moneys on the Termination Date.

5.2 Prepayment

- a) notice and prepayment multiples  
The Borrower may prepay all or part of the Loan:  
i. after giving Westpac NZ not less than 6 Banking Days irrevocable notice in writing of its intention to do so and then making payment on the specified date; and  
ii. in multiples of \$10,000.
- b) losses  
On any prepayment made other than at the end of a Floating Rate Period applying to the amount prepaid, the Borrower must at the time of prepayment pay to Westpac NZ any losses, costs, penalties and expenses certified by Westpac NZ to have been sustained or incurred as a consequence of the prepayment.
- c) Interest ceases  
Interest on any amount prepaid will cease to accrue from the date of the prepayment.
- d) redrawing  
Any amount prepaid will be available for redrawing.
- 5.3 Payment  
The Borrower must not later than 3.00 p.m. on the due date for payment of interest or any other Outstanding Moneys, pay to Westpac NZ an amount equal to the amount due in cleared funds in Dollars to the account and/or in the manner Westpac NZ may from time to time advise.  
Amounts due and payable by the Borrower will be debited from the Westpac NZ account nominated by the Borrower. If the Borrower does not nominate an account, Westpac NZ may, at any time, debit from any account of the Borrower with Westpac NZ any amounts due and payable by the Borrower.
- 5.4 Banking Days  
If any payment by the Borrower falls due on a day which is not a Banking Day it must be made on the following Banking Day.
6. fees, charges, expenses and review entitlement

6.1 Fees, Charges and Expenses Payable

The Borrower must pay to Westpac NZ the following:

- a) establishment fee  
A non-refundable establishment fee of \$75,000 payable in one sum on or before execution of this Agreement.

- b) **line of credit charge**  
A line of credit charge payable in arrears with the first charge being in respect of the period from the Commencement Date to the last Banking Day of the month in which that date occurs and thereafter monthly on the last Banking Day of each month through to the Termination Date and calculated at 0.40% per annum on the amount of the Loan.
- c) **expenses**  
The expenses of Westpac NZ and each Officer in relation to:
- i) the preparation, execution and completion of each Bank Document, and any subsequent consent, approval, waiver, amendment or release;
  - ii) any contemplated, attempted or actual enforcement of any Bank Document or the actual or contemplated, attempted or actual exercise or defence of any Power; and
  - iii) any enquiry by a Governmental Agency concerning the Borrower or related to a Bank Document.
- This includes expenses incurred in retaining consultants to evaluate matters of concern to Westpac NZ. It also includes administrative time and costs including the time of Officers and other employees of Westpac NZ (whose time and costs are to be charged at reasonable rates).  
It will include, in each case, legal fees and expenses on a full indemnity basis plus goods and services tax on those amounts.  
All these expenses are payable on demand.
- d) **government charges**  
Any government duties, taxes and charges on the Bank Documents and payments and receipts under them.
- 6.2 **Review of margin**  
Westpac NZ may, by 3 Banking Days' notice to the Borrower, increase or decrease the Margin provided no increase will take effect within 12 months of the Commencement Date.
7. **Interest on arrears**
- 7.1 **Default Interest Payable**  
If the Borrower does not pay any sum payable on the due date, it must pay interest on that overdue sum at the Default Rate from the due date until the Borrower remedies the default and pays all default interest.
- 7.2 **Default in Payment of Interest**  
If the Borrower does not pay any sum on or before 14 days after the date on which payment was due, then the following rules apply:
- a) Interest on all amounts on which interest is payable will be calculated at the Default Rate;
  - b) Interest at the Default Rate:
    - i) will accrue during the period beginning on the date the last payment was due and paid by the Borrower and ending on the date the Borrower remedies the default and pays all default interest. Where no payments have been made by the Borrower, the period begins on the date of drawdown;
    - ii) will be calculated on a daily basis by reference to successive periods of durations selected by Westpac NZ from time to time. Each period will begin on the last day of the previous period except for the first period which will begin on the due date;
    - iii) will be payable on the last day of each period and on the date of receipt of the overdue sum by Westpac NZ. Any interest which is not paid when due will be added to the overdue sum and will itself bear interest under this clause.
8. **undertakings**
- 8.1 **General undertakings**  
The Borrower and the Charging Group (where applicable) undertake to Westpac NZ as follows, except to the extent that Westpac NZ agrees otherwise:
- a) **Personal Property Securities Act 1999**  
Whenever Westpac NZ asks it to do anything to better secure any property which secures or is intended to secure financial accommodation from Westpac NZ (including, without limitation, the Loan), the Borrower must do it (or procure that it is done) immediately at its own cost. This may include signing and delivering documents and anything else that Westpac NZ requires to ensure that Westpac NZ has perfected security interest(s) under the Personal Property Securities Act 1999 ("PPSA").  
The Borrower waives any rights to receive a copy of a verification statement under the PPSA and agrees, to the extent permitted by law, that in respect of any arrangement between the Borrower and Westpac NZ: sections 114(1)(c), 133 and 134 of the PPSA shall not apply;
- i) the Borrower shall have none of the rights referred to in paragraphs (c) to (e) and (h) to (j) of section 137(2) of the PPSA; and

- m) where Westpac NZ has rights in addition to those in Part 9 of the PPSA, those rights shall continue to apply and, in particular, shall not be limited by section 109 of the PPSA.
- The Borrower must, immediately upon request by Westpac NZ, procure from any person considered by Westpac NZ to be relevant to its security position such agreements and waivers (including as equivalent to those above) as Westpac NZ may at any time require.
- b) **project invoices**  
It must ensure that, until such time as the Development has been completed, it promptly provides to Westpac NZ (and in any event within 7 days after being requested by Westpac NZ) copies of project invoices and the Quantity Surveyor's monthly report, which are to be acceptable to Westpac NZ in its absolute discretion.
- c) **valuation**  
It must ensure that, within 46 days of a written request being made by Westpac NZ, Westpac NZ is provided with up-to-date valuations for all assets of the Group secured to Westpac NZ (including the leasehold interests in the cinemas). The valuations must be:  
i) addressed to Westpac NZ;  
ii) provided by a registered valuer acceptable to Westpac NZ; and  
iii) in a format acceptable to Westpac NZ; and  
iv) satisfactory to Westpac NZ in its absolute discretion in all respects.  
Westpac NZ will not request such valuations more than once per year unless, in Westpac NZ's reasonable opinion, there has been a material change in the value of the Group's assets.
- d) **reporting and information**  
It must ensure that the Group provides to Westpac NZ:  
i) as soon as practicable (and in any event not later than 120 days) after the close of each financial year copies of the Group's consolidated balance sheet and profit and loss account for that financial year all of which must be audited unless Westpac NZ agrees otherwise;  
ii) as soon as practicable (and in any event not later than 46 days) after the close of each financial quarter copies of the Group's unaudited management accounts (showing performance against budget for each asset) for that financial quarter;  
iii) prior to the start of each financial year, the Group's financial budget for that financial year, which is to show forecast expenditure on capital items and repairs and maintenance for each asset secured to Westpac NZ together with a brief commentary on such expenditure;  
iv) at the same time the information required by paragraph 6.1(d)(i) is provided to Westpac NZ, a commentary on the Group's capital expenditure and repairs and maintenance undertaken by the Group for that financial year in respect of each asset secured to Westpac NZ; and  
v) promptly (and in any event within 7 days after request by Westpac NZ) any other information in relation to the Group's assets, financial condition or business which Westpac NZ reasonably requests.
- e) **accounting standards**  
It must ensure that the financial statements of the Group, at any time delivered to Westpac NZ:  
i) are prepared in accordance with current accounting practice;  
ii) give a true and fair view of the Group's financial position and operations as at the date, and for the period to which the financial statements relate;  
iii) together with the notes to them, disclose all liabilities (actual or contingent) of the Group; and  
iv) are prepared and delivered to all relevant persons within the period in which they are required by law or under any agreement to be delivered.
- f) **insurance**  
It must ensure that insurance is maintained in respect of the Land for full replacement value (or as agreed by Westpac NZ). It must also take out contractor's all risk insurance during the construction of any improvements. Westpac NZ's interest as mortgagee must be noted on all insurance policies. Copies of such policies are to be provided to Westpac NZ and are to be satisfactory to Westpac NZ in all respects in its absolute discretion.
- g) **acquisition of assets**  
It must, if it uses any part of the Loan to finance the acquisition of an asset in New Zealand in excess of \$5,000,000, provide to Westpac NZ details of such assets and any other documents or information in respect of such asset which Westpac NZ reasonably requests.
- h) **consent required to structure/acquisition**  
No member of the Charging Group can enter into a joint venture, make a material acquisition or provide advances outside the Charging Group (either to related or unrelated parties) without Westpac NZ's prior written consent.
- i) **payments**  
No member of the Charging Group can make any payments (including but not limited to capital reductions, dividends, repayment of loans, interest payments and management fees) to associated or related parties unless Westpac NZ is satisfied that all covenants contained in the Agreement are and will continue to be met following such payment being made.

## 8.2 Financial Covenants

The Borrower undertakes to Westpac NZ as follows, except to the extent that Westpac NZ agrees otherwise:

- a) **Equity ratio**  
It must ensure that the Group maintains, at all times, Shareholders Funds of not less than 40% of Adjusted Tangible Assets. Shareholders Funds is the Group's Adjusted Tangible Assets less Adjusted Total Liabilities. Adjusted Tangible Assets is the aggregate of the consolidated book values of all of the Group's assets excluding assets of an intangible nature, advances to shareholders, investments in related and associate companies and future asset revaluations (except as individually approved by Westpac NZ). Adjusted Total Liabilities is the aggregate of the consolidated book values of all of the Group's liabilities excluding only advances from shareholders. This covenant will be tested quarterly for compliance and will be determined by Westpac NZ in its absolute discretion.
- b) **Interest cover ratio**  
It must ensure that the Group's Earnings for each 12 month period are not less than 2.0 times its Funding Costs for that 12 month period. Earnings is the Group's net profit before Funding Costs, Income Tax, Extraordinaries and management costs (on the basis that management costs are accrued only and not paid externally) and amortisation of goodwill for the relevant financial quarter. Funding Costs comprise all interest, charges and fees related to all funding other than interest on shareholder/related party advances provided such interest is capitalised and not paid outside the Group. Extraordinaries are items that are not expected to occur frequently and are distinct from the Group's ordinary operations.

## 9. deductions from payments

### 9.1 Gross-Up of Borrower's Withholding Tax

The Borrower must not make any payment subject to any condition, restriction or claim it may have against Westpac NZ. The Borrower may only make a withholding or deduction from money it pays to Westpac NZ under this Agreement if that withholding or deduction is required by law. If the law requires the Borrower to make a withholding or deduction then the following rules apply:

- a) the Borrower must make sure that the withholding or deduction is for not more than the minimum amount required by that law;
- b) the Borrower must make sure that the withholding or deduction is paid to the relevant revenue or Governmental Agency by the due date for payment;
- c) the Borrower must send Westpac NZ, within 30 days of the withholding or deduction, a receipt showing that the withholding or deduction has been paid to the relevant revenue or Governmental Agency;
- d) the Borrower must increase the amount it pays to Westpac NZ so that Westpac NZ receives the amount it would have received had there been no withholding or deduction.

### 9.2 Gross-Up for Westpac NZ's Withholding Tax

If the law requires Westpac NZ to make a deduction or withholding from any amount received or receivable by it under this Agreement or any other Bank Document (including any sum received or receivable under this clause 9.2, and excluding any Tax on its overall net income) then the Borrower must increase the amount it pays to Westpac NZ so that Westpac NZ receives the amount it would have received had there been no withholding or deduction.

### 9.3 Indemnity for Tax on Funding

If:

- a) Westpac NZ (or any person on its behalf) is required by law to make a deduction or withholding for, or on account of, Tax or on any other account from an amount paid or payable to a person from whom it has borrowed or obtained moneys to enable it to fund the Loan or any other payment by it under this Agreement or any other Bank Document; and
  - b) as a result Westpac NZ is required to increase its payment, or makes an additional payment, to that person or to a taxation authority,
- then the Borrower will indemnify and hold Westpac NZ harmless against that increased or additional payment and must, on demand by Westpac NZ, pay to Westpac NZ the amount which, after receiving that amount and making that increased or additional payment, will place Westpac NZ in the same position in which it would have been had no increased or additional payment been made.

### 9.4 Tax Credit

If Westpac NZ receives the benefit of a Tax credit, refund or allowance resulting from an increased amount paid by the Borrower under this clause then the following rules apply:

- a) Westpac NZ will provide the Borrower with that part of the Tax credit, refund or allowance that Westpac NZ determines was obtained as a result of the increased amount the Borrower paid;
- b) the amount determined by Westpac NZ will be calculated so Westpac NZ is in no better or worse position than it would have been had no amount been paid by the Borrower under this clause;
- c) Westpac NZ is under no obligation to disclose any information relating to the calculation of its Tax liability or benefits;
- d) this clause does not interfere with Westpac NZ's right to arrange its Tax affairs as it wishes and, in particular, Westpac NZ may apply Tax credits, refunds and allowances available to it as it likes.

10. events of default

At any time after an Event of Default and without prejudice to any other remedies, Westpac NZ may immediately by notice to the Borrower terminate the Loan with the consequences set out in clause 2.2.

11. change in circumstances

11.1 Increased Costs

If as a result of:

- a) Westpac NZ complying with any law; or
- b) any change in or introduction of any law or change in the interpretation or application of any law by any Governmental Agency or court which:
  - i) imposes, modifies or deems applicable any reserve, capital adequacy, prudential deposit, liquidity or similar requirement against assets of, or deposits with any branch of Westpac NZ;
  - ii) impose on Westpac NZ any other requirement with respect to this Agreement or any other Bank Document; or
  - iii) changes the risk weighting for capital adequacy purposes of the Loan;

any of the following occur:

- c) the cost to Westpac NZ of making, funding or maintaining the Loan is increased; or
  - d) the moneys payable to Westpac NZ or the effective return to Westpac NZ under or in connection with this Agreement is reduced; or
  - e) Westpac NZ makes any payment or foregoes any interest or other return on, or calculated by reference to, any sum received or receivable by it under any Bank Document; or
  - f) Westpac NZ is unable to obtain the rate of return on capital (including any notional return on capital calculated on a risk adjusted basis) which it would have received at the date of this Agreement;
- then:
- g) Westpac NZ will use its best efforts promptly to notify the Borrower in writing of those events, provided that failure to do so will not affect Westpac NZ's rights under this clause; and
  - h) the Borrower must pay on demand, from time to time, for the account of Westpac NZ, the amount certified by an Officer which will compensate Westpac NZ for its increased cost, reduction, payment or foregone interest or other return.

11.2 Survival of Obligations

The obligations of the Borrower under clause 11.1 will survive termination of the Loan and payment or repayment of all Outstanding Moneys.

11.3 Re-negotiation of Loan

If an additional amount is required to be paid under clause 11.1 then, without limiting the Borrower's obligations under this Agreement, Westpac NZ will, at the request of the Borrower given within 30 days of notice from Westpac NZ, consult with the Borrower with a view to renegotiating the terms of the Loan in order to mitigate or avoid any additional amounts payable under clause 11.1 provided that nothing in this clause will require Westpac NZ to act to its detriment.

11.4 Illegality

If as a result of:

- a) the introduction or amendment of any law; or
- b) any other circumstance affecting any interbank market or any relevant foreign exchange market generally;

it is unlawful, impracticable or impossible for Westpac NZ to make, lend or allow to remain outstanding the Loan or to comply with its obligations or exercise its rights under this Agreement, then Westpac NZ will as soon as practicable give written notice to the Borrower and Westpac NZ will be entitled, to terminate the Loan, with effect from the date Westpac NZ specifies and with the consequences set out in clause 2.2.

12. Indemnity

12.1 General Indemnity

The Borrower agrees to indemnify Westpac NZ, every Officer and every employee of Westpac NZ upon demand from against any loss, cost, expense, charge, damage, claim or liability which Westpac NZ, an Officer or an employee of Westpac NZ may suffer or incur as a direct or indirect consequence of:

- a)
  - b) the exercise, contemplated exercise or attempted exercise of any Power or the failure to exercise any Power; an Event of Default or Potential Event of Default;
  - c) the receipt of any amount to be paid under any Bank Document on a date other than the due date; or

- d) the Loan requested under clause 3 not being made for any reason (excluding default by Westpac NZ) on the date notified by the Borrower to Westpac NZ as the drawdown date.

**12.2 Examples**

- Without limitation, the indemnity in clause 12.1 will extend to:
- a) any losses, costs, penalties and expenses incurred by reason of the liquidation or re-employment of deposits or other funds acquired or contracted for by Westpac NZ (including loss of margin); and
  - b) any losses, costs, penalties and expenses which may be incurred by Westpac NZ in:
    - i) terminating any options or forward rate agreements or interest or currency swap contracts entered into in connection with the Loan; or
    - ii) in entering into any new contracts which it deems appropriate to protect the return it would otherwise have expected under this Agreement.

**12.3 Currency Indemnity**

- If for any reason:
- a) Westpac NZ receives or recovers an amount under a Bank Document in a currency other than the currency in which it should have been paid and, after Westpac NZ has converted that other currency to the correct currency there is not enough to pay off the full amount then due under the Bank Document; or
  - b) Westpac NZ obtains any judgment or court order against the Borrower in a currency other than the currency in which the Outstanding Moneys are due, and Westpac NZ incurs any loss from the conversion of any amount actually received by it from that other currency to the correct currency,
- then, as a separate and independent indemnity obligation, the Borrower must pay Westpac NZ the full amount of any shortfall or of any such loss incurred by Westpac NZ.

**12.4 Unconditional Indemnities**

The indemnities in this clause 12 are unconditional and irrevocable and will survive termination of the Loan and payment of all Outstanding Moneys and the release of any Security and will not be discharged or impaired by any act, omission, matter or thing which might discharge them but for this provision.

**13. Set off and combination**

**13.1 Set Off**

If the Borrower has any money in any account with Westpac NZ, then Westpac NZ can use it to pay amounts the Borrower owes under this Agreement but need not do so. If the Borrower is in default, Westpac NZ can use money which has not yet matured due and convert money in the account of the Borrower in foreign currencies. To the maximum extent allowed by law, the Borrower gives up any right to set off any amounts Westpac NZ owes it against the Outstanding Moneys.

**13.2 Contingent Amounts**

If at any time an amount is contingently due from the Borrower or an amount due is not quantified, Westpac NZ may retain and withhold repayment of any money in any account of the Borrower and the payment of interest or other moneys pending that amount becoming due and/or being quantified and may set off the maximum liability which may at any time be or become owing to Westpac NZ by the Borrower and in each case without prior notice or demand.

**13.3 Combination**

Subject to any applicable Bank Document, where the Borrower has two or more accounts with Westpac NZ:

- a) Westpac NZ may at any time combine any two or more of those accounts. It may do so without notice and whether or not it has allowed a set-off for a calculation of interest between any of those accounts;
- b) Westpac NZ may at any time combine any two or more of those accounts even where one or more of the combined accounts are in different currencies and may effect currency exchanges appropriate to implement that combination; and
- c) if Westpac NZ combines two or more accounts, it may decline to pay cheques and it may otherwise act as if the combined accounts had always been one account.

**13.4 Contractual Rights**

Westpac NZ's rights under this clause are contractual rights affecting the terms upon which a credit balance is held and the creation of those rights does not constitute the creation of a security interest in respect of that credit balance.

**13.5 Deposits with Westpac NZ**

Any moneys which, pursuant to a Bank Document, are deposited at any time by the Borrower with Westpac NZ (or withheld by Westpac NZ from a payment to the Borrower and retained on deposit with it) must, unless otherwise provided, be held on the following basis:

- a) each deposit and all rights of the Borrower relating to it must be incapable of assignment by the Borrower or of being the subject of a security interest except:
  - i) in favour of Westpac NZ; or
  - ii) with the prior written consent of Westpac NZ; and
- b) the Borrower must have no right to withdraw any moneys from a deposit until all obligations of the Borrower under the Bank Documents (present and future, direct and contingent) have been performed and complied with, except:

- i) as expressly permitted by the terms of any Bank Documents under which that deposit was made;
- ii) for the purpose of complying with its obligations under the Bank Documents; or
- iii) with the prior written consent of Westpac NZ.

**13.6 Interest**

Each amount deposited with Westpac NZ under clause 13.5 will (unless otherwise agreed) bear interest calculated by reference to successive deposit periods of a duration agreed by Westpac NZ and the Borrower (or, in the absence of agreement, as Westpac NZ may nominate). The rate of interest applicable to a deposit period will be as agreed by Westpac NZ and the Borrower (or, in the absence of agreement, as Westpac NZ certifies as applicable to deposits of similar size and maturity placed with it by customers). As long as no Event of Default or Potential Event of Default has occurred (in which case interest is to be added to the deposit) and subject to clause 13.7, that interest is to be paid to the Borrower as it may direct.

**14. protection of officers**

To the extent permitted by law, neither Westpac NZ nor any Officer or Attorney will be liable in respect of any conduct, (including but not limited to the agreement to provide the Loan), omission, delay, negligence or breach of duty in the exercise or failure to exercise a Power or for any loss (including consequential loss) which results. However, Westpac NZ and any Officer or Attorney will be liable where liability arises from its own fraud or wilful misconduct.

**15. no reliance on Westpac NZ**

The Borrower confirms that:

- a) it has not entered into any Bank Document in reliance on, or as a result of any conduct of any kind of or on behalf of Westpac NZ or any Related Company of Westpac NZ (including any advice, warranty, representation or undertaking); and
- b) neither Westpac NZ nor any Related Company of Westpac NZ is obliged to do anything (including disclose anything or give advice), except as expressly set out in the Bank Documents or in writing signed by or on behalf of Westpac NZ or any Related Company of Westpac NZ.

**16. assignment**

**16.1 Westpac NZ may assign**

Westpac NZ can transfer this Agreement and all or part of the Outstanding Money to someone else. If it does, this Agreement and any transferred Bank Document will apply to the transferee as if it was Westpac NZ. To the maximum extent allowed by law, any transfer will be free of any set off, equity or cross claim which the Borrower would have had against Westpac NZ or the transferee of any Bank Document but for this clause.

**16.2 Borrower may not assign**

The Borrower may not assign or otherwise transfer or grant any Security Interest over any of its rights and obligations under this Agreement or any other Bank document.

**16.3 disclosure of information**

Westpac NZ may disclose to a Related Company, potential assignee or transferee of its rights or obligations under any Bank Document or any other relevant party any information about the Borrower as Westpac NZ considers appropriate. However, before disclosing to any potential assignee or transferee Westpac NZ will, in relation to information which is not publicly available:

- a) advise the Borrower of its intention; and
- b) require an undertaking protecting the confidentiality of that information from any potential assignee or transferee or other relevant party.

**17. counterpart execution**

This Agreement may be executed in two or more counterparts, all of which will be deemed to constitute the same instrument. Westpac NZ may accept as an original a facsimile copy of this Agreement executed by the Borrower and a facsimile copy, when taken with a counterpart executed by Westpac NZ, will be deemed to be one original copy of this Agreement.

18. anti-money laundering

The Borrower agrees to provide all information to Westpac NZ which Westpac NZ requires in order to manage its anti-money-laundering and countering terrorism financing obligations, to manage its economic and trade sanctions risks or to comply with any laws, rules or regulations in New Zealand or any other country. The Borrower agrees that Westpac NZ may refuse to establish a business relationship with the Borrower, may be required to delay, defer, stop or refuse to process any transaction, or may terminate its business relationship with the Borrower at any time and without notice, if the Borrower fails to provide this information to Westpac NZ in the manner and timeframe specified by Westpac NZ. The Borrower agrees that Westpac NZ may delay, defer, stop or refuse to process any transaction without incurring any liability if Westpac NZ knows or suspects that:

- a) the transaction will or may breach any laws or regulations in New Zealand or any other country; or
- b) the transaction involves any person (natural, corporate or governmental) that is itself sanctioned, or is connected, directly or indirectly, to any person (natural, corporate or governmental) that is sanctioned, under economic and trade sanctions imposed by any country.

Unless the Borrower has disclosed to Westpac NZ that the Borrower is acting in a trustee capacity or on behalf of another party, the Borrower warrants that the Borrower is acting solely on the Borrower's own behalf in entering into this Agreement.

For each transaction conducted under this Agreement, the Borrower represents and warrants to Westpac NZ that, to best of the Borrower's knowledge, information and belief at the time the transaction takes place, the processing of that transaction by Westpac NZ in accordance with the Borrower's instructions will not breach any laws or regulations in New Zealand or any other country relevant to the transaction.

19. Interpretation

19.1 Definitions

The following definitions apply, unless the context requires otherwise:

**Agreement** means this agreement and any variations or additions to it agreed in writing between the parties;

**Attorney** means a person appointed as attorney under any Bank Document;

**Availability Period** means the period beginning on the date that Westpac NZ confirms to the Borrower that the condition precedent in this Agreement has been satisfied and expiring on 30 June 2019;

- a) **Bank Document** means a document or agreement:
- b) to which Westpac NZ and any one or more of the Borrower and/or any Guarantor are or become parties or purport to be or become parties; or under which obligations arise or are intended to arise from any one or more of the Borrower and/or any Guarantor to, or for the benefit of, Westpac NZ; (in each case whether or not the parties are involved or it arises as a result of an assignment or transfer). It includes this Agreement and any Security;

**Banking Day** means any day (other than a Saturday or Sunday) on which registered banks are open for business of the nature required by this Agreement in Auckland and, if on that day a transfer of funds is to be made under this Agreement, the city to which the funds are to be transferred;

**Commencement Date** means the date the Loan is first drawn down;

**Default Rate** means the aggregate of Westpac NZ's Indicator Lending Rate from time to time and 7% per annum;

**Development** means the development to be carried out on the land at 200 Wakefield Street, Wellington;

**Dollar and \$** means the lawful currency of New Zealand;

**Event of Default** means any of the events described as such in the General Security Agreement, notwithstanding that the General Security Agreement may be wholly or partially satisfied, released, discharged, avoided, replaced, lost or destroyed from time to time;

**First Tranche** means \$35,000,000;

**Floating Rate** means, for each Floating Rate Period, the aggregate of the Margin and Westpac NZ's 90 day bank bill bid rate (rounded upwards to the nearest first decimal place) for bills of a comparable amount to the amount of the Loan at the relevant time on the first day of that Floating Rate Period.

**Floating Rate Period** means a period of 3 calendar months provided that:

the first Floating Rate Period will begin on the Commencement Date;



- b) each subsequent Floating Rate Period will begin at the end of the previous one;  
c) any Floating Rate Period which would otherwise end on a day which is not a Banking Day will be extended to the next Banking Day;  
d) if any Floating Rate Period would otherwise extend beyond the Termination Date it will end on the Termination Date;

General Security Agreement means the general security agreement entered into by the Borrower and Westpac NZ and dated on or about the date of this Agreement;

Governmental Agency means any government or any governmental, semi-governmental or judicial entity or authority including any local government, statutory or self-regulatory organisation established, approved or authorised under law, and any stock exchange, in any case having jurisdiction in relation to the affairs of any party to a Bank Document or to whose control or jurisdiction any party to a Bank Document has consented;

Group means Reading New Zealand Limited and its subsidiaries;

Guarantee means any guarantee, indemnity, letter of credit, legally binding letter of comfort or suretyship. It includes any obligation or irrevocable offer to be responsible for a debt (as defined below) or for the insolvency or financial condition of another person. It also includes any other obligation or irrevocable offer to pay a debt or to purchase a debt, to provide funds for the payment or discharge of a debt (whether by the advance of money, the purchase of or subscription for shares, stock or other interests issued by another person, the purchase of assets or services, or otherwise), or to indemnify against the consequences of default in the payment of a debt. For the purposes of this definition *debt* includes any obligation or indebtedness of another person, present or future, actual, prospective or contingent and any capital or premium on shares, stock or other interests issued by another person;

Guarantor means any person who creates or enters into a Guarantee in support of any Outstanding Monies;

Interest Calculation Date means the date falling on the day in each calendar month which numerically corresponds to the Commencement Date provided that where there is no numerically corresponding day in any calendar month then it will be the first day in the next calendar month;

- (a) Interest Payment Date means, unless Westpac NZ shall determine otherwise, the date falling on the day after each Interest Calculation Date provided that:  
(b) where the Interest Calculation Date would otherwise fall on a non-Banking Day then the Interest Payment Date shall be the Banking Day after the next Banking Day; and  
(b) where the Interest Calculation Date would otherwise fall on a Banking Day which immediately precedes a non-Banking Day then the Interest Payment Date shall be the next Banking Day;

Land means any land mortgaged or charged from time to time by any member of the Charging Group to Westpac NZ, together with all buildings and improvements on such land;

Letter of Offer means the letter of offer dated 13 April 2016 from Westpac NZ to the Borrower in relation to the Loan;

Loan means the sum of \$50,000,000 (being the aggregate of the First Tranche and the Second Tranche);

MARGIN means, subject to clause 6.2, 1.75% per annum;

Officer includes each employee of Westpac NZ whose title includes the word *Manager* or occupying an office whose title includes the word *Manager* and any person (who need not be an employee) authorised by Westpac NZ;

Outstanding Monies means, at any time, the Loan outstanding and all other monies payable, including contingently payable, by the Borrower under this Agreement including accrued interest (including default interest), fees, costs and other expenses whether or not those sums are then due and owing;

Potential Event of Default means any event which, with the giving of notice, lapse of time or satisfaction of any condition or happening of any event would constitute an Event of Default;

Power means a power, right, authority, discretion or remedy which is conferred on Westpac NZ, an Officer or an Attorney by a Bank Document or by law in relation to a Bank Document;

Quantity Surveyor means any quantity surveyor approved in writing by Westpac NZ;

Related Company has the meaning given to that term in the Companies Act 1993 but on the basis that *Subsidiary* has the meaning given to it in this Agreement and that *body corporate* includes any entity;

Second Tranche means \$15,000,000;

Security means the General Security Agreement and any other security or undertaking provided by the Borrower or any of the Guarantors or procured by the Borrower to be provided to, or for the benefit of, Westpac NZ from time to time in respect of the Borrower's obligations under this Agreement;

Subsidiary has the meaning given to it in the Financial Reporting Act 1993;

Tax includes any tax, levy, impost, deduction, charge, rate, duty or withholding which is levied or imposed by a Governmental Agency and is required by law to be paid and any related interest, penalty, charge, fee or other amount;  
Termination Date means 31 March 2018.

- 19.2 General
- Headings are for convenience only. They do not affect interpretation. The following rules apply unless the context requires otherwise:
- a) Singular includes the plural and the converse;
    - b) A gender includes all genders;
    - c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
    - d) Reference to a clause or schedule is a reference to a clause of, or a schedule to, this Agreement;
    - e) An example does not limit what else might be included;
  - f) Reference to a party to this Agreement or another agreement or document includes the party's successors and permitted substitutes or assigns;
  - g) Reference to an agreement or document is to the agreement or document as amended, novated, supplemented or replaced from time to time, except to the extent prohibited by this Agreement;
  - h) Reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;
  - i) Reference to an asset includes any real or personal, present or future, tangible or intangible property, right or asset and any right, interest, revenue or benefit in, under or derived from any property right or asset;
    - j) An Event of Default is continuing until it has been waived in writing by Westpac NZ;
  - k) Reference to cleared funds means funds which are freely transferable and immediately available for disbursement;
  - l) Reference to a law includes present or future common or customary law and any statute, statutory instrument, subordinate legislation, regulation, by-law, order or other legislative measure or any judgment or judicial or administrative order or determination or decision, in any jurisdiction;
  - m) Reference to a person includes a natural person, company, corporation, trust, partnership, firm, joint venture or Governmental Agency, in each case whether or not having separate legal personality, and any association of entities;
  - n) Reference to a security interest includes a mortgage, charge (fixed or floating or otherwise), encumbrance, lien, pledge, trust, financial lease, sale and lease back, sale and repurchase, title retention (other than in respect of goods purchased in the ordinary course of trading), charge or similar interest imposed by law, and a preferential arrangement of any kind, the practical effect of which is to secure a creditor;
  - o) Reference to Tax on overall net income of Westpac NZ means tax imposed by the jurisdiction in which Westpac NZ's lending branch is located on all or part of its net income, profits or gains (whether worldwide, or only insofar as such net income, profits or gains are considered to arise in or relate to a particular jurisdiction, or otherwise);
    - p) Reference to writing includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form;
  - q) References to the Guarantor are references to each of them severally as well as to any two or more of them jointly, and the obligations and agreements on their part in this Agreement will bind every two or more of them jointly and each of them severally.
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## Loan Agreement

THIS LOAN AGREEMENT (the "Agreement") is made as of the 26th day of June, 2014, between Santander Bank, N.A., with a place of business at 195 Montague Street, Brooklyn, New York 11201 (hereinafter referred to as "Lender") and Sutton Hill Properties, LLC, a Nevada limited liability company, with a principal place of business at 6100 Center Drive, Suite 900, Los Angeles, California 90045, Attention: Andrzej Maszynski (hereinafter referred to as "Borrower").

## WITNESSETH:

WHEREAS, Lender is the holder of that certain Amended and Restated Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of June 28, 2012, made by the Borrower, as borrower, in favor of lender, as Lender, in the principal amount of \$15,000,000.00, and recorded on July 29, 2012 in the Register's Office of the City and State of New York as CREFN 2012007288512 (together with all extensions, renewals, modifications, substitutions and amendments thereof the "First Mortgage") which secures that certain Second Amended and Restated Promissory Note in the original principal amount of \$15,000,000.00 made by Borrower to the order of Lender (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "First Note"; the First Note, the First Mortgage and any of the loan documents which secure and evidence the indebtedness pursuant to the First Note shall hereinafter be referred to as the "First Mortgage Loan Documents");

WHEREAS, the Borrower desires to borrow and the Lender desires to lend to the Borrower, for Borrower's use, as more particularly set forth herein (the "Loan") in connection with its ownership of the real property located at 1001-1007 Third Avenue, New York, New York 10022 (the "Property"), the principal amount of Six Million and 00100 Dollars (US \$6,000,000.00), subject and pursuant to the terms of this Agreement and of that certain Promissory Note in like amount of even date herewith executed and delivered by the Borrower (the "Note");

WHEREAS, the Note will be secured by, among other things, a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing by and between Borrower and Lender (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "Security Instrument") which upon recording will encumber the Property.

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Note.

NOW, THEREFORE, the parties hereto agree as follows: Article I. THE ADVANCE  
Section 1.01 Advance.

The Lender agrees, upon the terms, and subject to the conditions hereof, to make a one time advance of the proceeds of the Loan (the "Advance") to the Borrower in an amount not to exceed the aggregate principal amount \$6,000,000.00. The Loan (including principal and accrued and unpaid interest) shall be due and payable on July 1, 2016 (the "Maturity Date"). Interest on the Advance shall accrue and be payable in accordance with the terms of the Note.

#### Section 1.02 Manner of Borrowing.

When the Borrower desires to obtain the Advance, it shall give the Lender at least thirty (30) days' prior written notice (a "Notice to Borrow Funds") in the manner hereinafter specified in this Agreement, which Notice to Borrow Funds shall state that it is irrevocable and specify the proposed date of borrowing and the amount thereof and shall constitute the Borrower's affirmation that all representations and warranties contained herein are true and correct and that the Advance shall be subject to all of the Conditions (as hereinafter defined and set forth in this Agreement). The Advance shall be in a whole number and in the minimum amount of \$200,000.00. The Notice to Borrow Funds to be given pursuant to this Section shall be accepted only from those persons authorized to execute same pursuant to a resolution or consent of the Borrower's Manager, a certified copy of which shall be delivered to Lender prior to any request for an Advance which shall include specimen signatures of all parties authorized to execute Notices to Borrow Funds.

The failure of the Lender to make the Advance on the date set forth in the Notice to Borrow Funds shall not subject the Lender to any damages whatsoever provided the Advance is made within a reasonable time after the later in occurrence of the date set forth in the Notice to Borrow Funds or the date all Conditions to the Advance are satisfied; it being expressly acknowledged by the Borrower that such condition is deemed a material inducement to the Lender for entering into the arrangement manifested by this Loan Agreement and the Note.

#### Article II. REPRESENTATIONS AND COVENANTS

##### Section 2.01 Representations.

The Borrower represents and warrants to the Lender that on the date hereof:

(a) The Borrower has the power and authority to execute, deliver and perform this Agreement, and each of the other documents referred in connection therewith, to own its properties and to carry on its business as now conducted;

(b) The execution, delivery and performance of the Note and this Agreement (i) have been duly authorized by all requisite action of the Borrower; (ii) to Borrower's knowledge do not violate any provision of law, (iii) do not violate the Borrower's Certificate of Incorporation or its Operating Agreement; any order of any court or other agency, or any agreement to which the Borrower is a party or by which the Borrower is bound; and (iv) will not be in conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such agreement;

- (c) There are no actions, suits, or proceedings before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality pending against the Borrower which if determined adversely to the Borrower, would have a material adverse effect on the business, properties, operations or conditions, financial or otherwise, of the Borrower;
- (d) No Event of Default has occurred under this Agreement and no default has occurred under any of the other Loan Documents beyond the expiration of any applicable notice, grace or cure period;
- (e) The Borrower makes no claim that the terms of the Note, including without limitation the interest rate thereon, is usurious nor that there exists any offset, deduction or defense with respect to the Borrower's obligations under the Loan Documents;
- (f) The Property is free and clear of any liens, charges or encumbrances other than the First Mortgage;
- (g) To Borrower's knowledge, there are no outstanding judgments against the Borrower which have not been paid;
- (h) The most recent Financial Statements heretofore delivered to the Lender are complete and correct and since the date thereof there has not occurred any material adverse change in the financial condition or operations of the Borrower, Guarantor or the Property from that shown on said Financial Statements;
- (i) Borrower has no knowledge of any impediments to the full and complete performance by the Borrower hereunder or under any of the Loan Documents;
- (j) Neither the Borrower nor any person or entity acting or purporting to act on the Borrower's behalf has dealt with any broker in connection with the making of this loan, except as set forth in the commitment letter of Santander Bank, N.A. addressed to Borrower and dated as of June 11, 2014, as amended by letter agreement, if any. Borrower hereby indemnifies Lender, and agrees to hold Lender harmless, from and against all loss, liability, damage and expense, including reasonable attorneys' fees and expenses, suffered or incurred by Lender by reason of a breach of this representation. This provision will survive the closing and the repayment of the Note;
- (k) The Borrower is a limited liability company duly organized and validly existing under the laws of the State of Nevada and duly authorized to do business in the State of New York pursuant to the laws of the State of New York; and
- (l) That the funds received by the Borrower from the Advance requested hereunder and pursuant to the Note will be expended exclusively in connection with the acquisition of four area rights and/or rights related to future development of the Property as same will be more particularly described in the Security Instrument.

Section 2.02 Curbite Co-owners.

The Borrower covenants and agrees that so long as this Agreement shall remain in effect, Borrower shall:

- (a) Pay all sums due and owing under the Note pursuant to its terms;
- (b) Do or cause to be done all things necessary to preserve and keep in full force and effect its existence under the laws of its state of formation;
- (c) Give prompt notice to the Lender of (i) any proceedings of which the Borrower has notice instituted by or against the Borrower, and (ii) any other action, event or condition of any nature which in either case the management of the Borrower reasonably believes could have, lead to or result in a material adverse effect upon the business, assets or financial condition of the Borrower;
- (d) Refrain from mortgaging, pledging, granting or permitting any security interest, lien or encumbrance of any nature in any amount to exist with respect to any of the Borrower's property including without limitation the Property, except where such security interest, lien or encumbrance is for the benefit of the Lender or has otherwise been approved by the Lender;
- (e) Provide to Lender all of the deliverables as and when required pursuant to Section 2.04 hereina (collectively, the "Financial Statements");
- (f) Perform all of the Borrower's obligations under the First Mortgage encumbering the Property including without limitation, payment of all sums due thereunder, in a timely manner. Upon the maturity (by acceleration or otherwise, or upon prepayment thereof) of the First Mortgage held by Lender (or its assignee) covering the Property, or upon prepayment thereof, all amounts due hereunder shall simultaneously become due and payable;
- (g) Not incur any additional indebtedness except, in the ordinary course of business, with customary time payment arrangements with vendors and suppliers; and
- (h) Pay all sums that may be necessary to be paid in order to enforce the Note and to enforce and/or to record the Security Instrument and any agreement or any other documentation executed and delivered in connection with this Agreement, whether such sums be in the nature of recording fees, mortgage tax or any other expense in connection with such recording.

**Section 2.05 Negative Pledge Covenants.**

The Borrower pledges, covenants and agrees that so long as this Agreement shall remain in effect it shall not, without the prior written consent of the Lender, do any of the following:

- (a) Except as otherwise permitted in the Security Instrument and the First Mortgage, sell, transfer or otherwise convey, either voluntarily or involuntarily, all or any portion of the Property or any interest or estate therein;

- (b) Grant or suffer to exist any mortgage, pledge, lien, secured interest, hypothecation or other encumbrances upon the Property including any personal property owned by the Borrower now or hereafter placed in or attached to and necessarily used in connection with this Property except as maybe approved by Lender; or
- (c) Except for the Master Lease, enter into any leasing arrangement of any kind in respect of all or substantially all of the Property;
- (d) Reduce the rent payable by the tenant pursuant to the Master Lease or enter into any amendments or modifications of the Master Lease;
- (e) Suffer or permit any mechanics' or other statutory lien which is filed against the Property to remain undischarged or not bonded for a period exceeding sixty (60) days beyond the filing date thereof; or
- (f) Grant or suffer to exist any indebtedness (secured or unsecured), other than indebtedness owing to Lender, or grant or suffer to exist any Lien on or with respect to any deposit accounts (other than any Lien in favor of the Lender), whether now owned or hereafter acquired by the Borrower, or pledge, assign or transfer any rights in any deposit accounts, except as may be approved in writing by Lender. "Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

#### Section 2.04 Books and Records.

- (a) Borrower shall keep accurate books and records of account in accordance with generally accepted accounting principles in which full, true and correct entries shall be promptly made with respect to Borrower, the Property and the operation thereof, and will permit all such books and records (including without limitation all contracts, statements, invoices, bills and claims for labor, materials and services supplied for the construction, repair or operation of the Property or the improvements) to be inspected or audited and copies made by Lender and its representatives during normal business hours and at any other reasonable times on at least forty eight (48) hours advance notice. Borrower represents that its chief executive office is as set forth in the introductory paragraph of this Agreement and that all books and records pertaining to the Property are maintained at the Property or at its chief executive office. Borrower will furnish, or cause to be furnished, to Lender on or before ninety (90) calendar days following the end of each calendar year the following items, each certified by Borrower as being true and correct, in such format and in such detail as Lender or its service may reasonably request:
  - (i) a written statement (rent roll) dated as of the last day of each such calendar year identifying each of the Lease by the term, space occupied, rental required to be paid (including percentage rents and tenant sales), security deposit paid, any rental concessions, all rent escalations, any rents paid more than one (1) month in advance, any special provisions or inducements granted to tenants, any

2.04 same as Section 3.4 of the Mortgage

taxes, maintenance and other common charges paid by tenants, all vacancies and identifying any defaults or payment delinquencies thereunder;

- (ii) year-to-date operating statements prepared for each calendar quarter during each such reporting period detailing the total revenues received, total expenses incurred, total cost of all capital improvements, total debt service and total cash flow; and
- (iii) a current personal financial statement of each Guarantor, if applicable, in a form satisfactory to Lender.

(b) Within ninety (90) calendar days following the end of each calendar year, Borrower shall furnish a statement of the financial affairs and condition of the Borrower and the Property including a statement of profit and loss for the Property in such format and in such detail as Lender or its servicer may reasonably request, and setting forth the financial condition and the income and expenses for the Property for the immediately preceding calendar year prepared and audited by an independent certified public accountant. Borrower shall deliver to Lender copies of all income tax returns, requests for extension and other similar items contemporaneously with its delivery of same to the Internal Revenue Service.

(c) Borrower will permit representatives appointed by Lender, including independent accountants, agents, attorneys, appraisers and any other persons, to visit and inspect on at least twenty-four hours advance notice during its normal business hours and at any other reasonable times any of the Property or Borrower's chief executive office and to make photographs thereof, and to write down and record any information such representatives obtain, and shall permit Lender or its representatives to investigate and verify the accuracy of the information furnished to Lender under or in connection with this Agreement or any of the Loan Documents and to discuss all such matters with its officers, employees and representatives. Borrower will furnish to Lender at Borrower's expense all evidence which Lender may from time to time reasonably request as to the accuracy and validity of or compliance with all representations and warranties made by Borrower in the Loan Documents and satisfaction of all conditions contained therein. Any inspection or audit of the Property or the books and records of Borrower, or the procuring of documents and financial and other information, by or on behalf of Lender, shall be at Borrower's expense and shall be for Lender's protection only, and shall not constitute any assumption of responsibility or liability by Lender to Borrower or anyone else with regard to the condition, construction, maintenance or operation of the Property, nor Lender's approval of any certification given to Lender nor relieve Borrower of any of Borrower's obligations. Lender may divulge to any Investor (as hereinafter defined) all such information, and furnish to such Investor copies of any such reports, financial statements, certificates, and documents obtained under any provision of this Agreement, or related agreements and documents, provided that such information shall be provided on a confidential basis.

(d) Without limiting Lender's other rights and remedies under this Agreement and the other Loan Documents, in the event that any statement or document required to be delivered to Lender pursuant to this Section 2.04 is not delivered within thirty (30) days of the date when the same is due "Delinquent Reports") upon fifteen (15) days notice to Borrower, the



Interest Rate (as defined in the Note) shall be increased by adding one quarter percent (0.25%) per annum (i.e. 25 basis points) to the Interest Rate until such time as all Delinquent Reports, in form and substance reasonably satisfactory to Lender, have been delivered to Lender.

#### Article III. CONDITIONS TO ADVANCE

##### Section 3.01 Conditions

The obligation of the Lender to make the Advance is subject to the satisfaction of all of the following conditions precedent (the "Conditions") (each of which is deemed material and none of which may be waived except by an instrument executed by the Lender):

- (i) The Lender shall have received:
    - (1) the irrevocable Notice to Borrow Funds;
    - (2) certified copy of the resolutions or consent adopted by the members of Borrower, in form and substance reasonably satisfactory to Lender authorizing the execution, delivery and performance of the Security Instrument and all of the other related Loan Documents required at the time of the Advance, including, but not limited to the Notice to Borrow Funds;
    - (3) copies of the most recent year end Financial Statements;
    - (4) a certificate from Borrower that all the representations and warranties set forth herein shall be true and correct on and as of such time with the same effect as though such representations and warranties have been made on and as of such time, except to the extent such representations and warranties expressly relate to an earlier date; and
    - (5) a certificate of Borrower, stating no proceedings exist affecting Borrower or the Property that could have a Material Adverse Effect on Borrower, the Loan, the First Mortgage or the Property, and (B) a Certificate from the Guarantors, to the effect that no proceedings exist affecting any Guarantor which could have a material adverse effect on such Guarantor, in each case, which have not been disclosed to Lender in writing.
  - (ii) Borrower shall be in compliance with all the terms and provisions set forth herein on its part to be observed or performed and no "Event of Default" (as hereinafter defined), nor any event which upon notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing either at the time of the Advance or as a result of such borrowing, including but not limited to compliance with all financial reporting requirements set forth herein
  - (iii) Borrower shall be in compliance with all the terms and provisions set forth in the First Mortgage Loan Documents on its part to be observed or performed and no
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"Event of Default" (as defined in the First Mortgage Loan Documents), nor any event which upon notice or lapse of time or both would constitute an Event of Default pursuant to the First Mortgage Loan Documents, shall have occurred and be continuing either at the time of the Advance or as a result of such borrowing, including but not limited to compliance with all financial reporting requirements set forth therein;

(iv) Lender's computation that the Borrower shall maintain a Debt Yield of no less than 11% during the term of the Loan. In the event that Lender shall at any time determine that the Debt Yield is less than 11%, Borrower shall within thirty (30) days of notice and demand by Lender, either reduce the Loan amount (by the payment of principal) or pledge such additional collateral as may be acceptable to Lender in order to maintain the required Debt Yield. Borrower's failure to either reduce the Loan balance as necessary or satisfy Lender's demand for additional collateral acceptable to it within thirty (30) days of notice having been given by Lender, shall be considered an Event of Default hereunder. "Debt Yield" shall mean, as of any date, the quotient (expressed as a percentage) obtained by dividing (i) the net operating income for the twelve (12) month period ending with the most recently completed calendar month by (b) the outstanding principal balance of the Note and the First Note as of such date. Lender's calculation of the Debt Yield, and all component calculations, shall be conclusive and binding on Borrower absent manifest error;

(v) Immediately prior to the Advance, Lender shall cause title company to file and record the Security Instrument substantially in form attached hereto as Exhibit A and related certificates for the Property in the appropriate recording office in New York County. The Borrower shall (i) pay any and all expenses of the Lender incurred in connection with the foregoing matters, including, without limitation, the costs of any title insurance, recording fees, mortgage recording tax, survey, environmental reports and the reasonable fees and expenses of the Lender's counsel and (ii) deliver any documents reasonably requested by the Lender or the title company in connection with effectuating the foregoing matters;

(vi) Lender shall have received a NY ALTA (1992) loan policy of title insurance (the "Loan Title Policy") in the amount of the Advance, substantially in the form attached hereto as Exhibit B issued by the title company to Lender, insuring the Security Instrument as a valid and subsisting second mortgage lien on the Property subject only to standard and customary permitted exceptions, including the lien of the First Mortgage. The Loan Title Policy shall contain such affirmative insurance and endorsements as Lender shall reasonably require;

(vii) opinion(s) of counsel as to the authority, due execution, and enforceability of the Security Instrument and related Loan Documents in form substantially similar to the opinion given in connection with this Agreement or otherwise reasonably acceptable to the Bank;

(viii) a certificate from Borrower and other evidence satisfactory to Lender in its reasonable discretion, including but not limited to, an agreement of purchase and sale in connection with the acquisition of floor area rights and/or air rights and/or other

development or zoning rights that will benefit the Property as same will be more particularly described in the Security Instrument;

(ix) payment to Lender of a standby fee equal to one quarter of one percent (0.25%) of the Unused Portion on the first anniversary of the Loan and every anniversary thereafter until the Loan is paid in full, provided, however, Borrower shall pay Lender a pro rata portion of such standby fee if the Loan is paid in full prior to any given one year anniversary of the Loan. The Unused Portion shall mean the difference, if any, between the maximum aggregate principal amount that may be advanced under the Note and the Advance; and

(x) payment of all of Lender's expenses in connection with the review and Borrower's compliance with the Conditions including but not limited to Lender's reasonable attorneys' fees and expenses.

#### Article IV. DEFAULT

##### Section 4.01 Events of Default.

Each of the following shall constitute an "Event of Default" under this Agreement:

- (a) if any representation or warranty of Borrower or of its members, general partners, principals, affiliates, agents or employees, or of any Guarantor made herein or in the Environmental Indemnity or in any Loan Document, in any guaranty, or in any certificate, report, financial statement or other instrument or document furnished to Lender shall have been false or misleading in any material respect when made;
- (b) The failure to make any payment of principal or interest under the Note on or before the tenth (10<sup>th</sup>) calendar day after the day on which the same is due (without regard to any applicable cure and/or notice period) or if the entire Debt is not paid on or before the Maturity Date, along with applicable prepayment premiums, if any
- (c) if Borrower, or its general partner, member or manager, if applicable, violates or does not comply with any of the provisions of Section 3.3, Section 4.3, or Article 8 hereof, or Article 19 of the Note, or fails to deliver any of the reports required by Section
- (d) If Borrower or any Guarantor shall make an assignment for the benefit of creditors or if Borrower or any Guarantor shall admit in writing its inability to pay, or Borrower's or any Guarantor's failure to pay its debts as they become due;
- (e) if (i) Borrower or any member or manager of Borrower, or any Guarantor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other

similar official for it or for all or any substantial part of its assets, or Borrower or any member or manager of Borrower, or any Guarantor shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any member or manager of Borrower, or any Guarantor any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of ninety (90) calendar days; or (iii) there shall be commenced against Borrower or any member or manager of Borrower or any Guarantor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within ninety (90) calendar days from the entry thereof; or (iv) Borrower or any member or manager of Borrower, or any Guarantor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) Borrower or any member or manager of Borrower, or any Guarantor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(f) The occurrence of any materially adverse change in the financial condition of the Borrower or any Guarantor (for purposes of this Agreement, a "materially adverse change" shall mean one which in the determination of the Lender that, in its sole judgment, impairs the ability of the Borrower or any Guarantor with respect to (i) maintaining and/or operating the Property, (ii) paying all real estate and, related taxes and charges and (iii) meeting all of its financial obligations to the Lender and all other creditors);

(g) The occurrence of any default beyond the expiration of any applicable notice, grace or cure period under (i) any mortgage(s) now or hereafter covering the Property, giving rise to a right to accelerate payment thereof regardless of whether such mortgage(s) is/are held by Lender or a third party or (ii) any other agreement (loan or otherwise) between Lender and Borrower now existing or hereafter made;

(h) The failure to perform any of the other covenants, terms or agreements on the part of the Borrower to be performed hereunder or under any of the other Loan Documents beyond any applicable notice and cure period;

(i) if any federal tax lien is filed against Borrower, any general partner, member or manager of Borrower, any Guarantor or the Property and same is not discharged of record within forty-five (45) calendar days after Borrower becomes aware of such filing; or

U) Any "Event of Default" (as defined in the First Mortgage Loan Documents) or any event which upon notice or lapse of time or both would constitute an Event of Default occurs pursuant to the First Mortgage Loan Documents.

#### Section 4.02 Effect of Default.

(a) Upon the occurrence of an Event of Default, the Lender, in its sole and absolute discretion, may (1) temporarily suspend the extension of credit and refuse to honor any request for an Advance, (2) demand the prepayment of the Advance, (3) pursue any other rights

or remedies available to the Lender under this Agreement or the other Loan Documents, (4) terminate this Agreement and any obligation hereunder to make the Advance by declaring the loan to be immediately due and payable and/or exercising such of the other remedies provided for in the Loan Documents as the Lender may elect. The costs and expenses of Lender incurred in carrying out any or all of the above and enforcing the terms of this Agreement or the Note, including reasonable attorneys' fees, shall be at Borrower's expense.

(b) Without limiting any remedy otherwise available to the Lender, the Borrower shall pay a late charge, to the extent permitted by law, of five (\$.05) cents per each dollar (\$1.00) of each payment received and accepted by the Lender more than ten (10) days after the date it is due, to cover the extra expense involved in handling such delinquent payment.

(c) Anything to the contrary herein notwithstanding, Lender shall give written notice to Borrower with respect to any non-monetary defaults hereunder and Borrower shall have a period of thirty (30) days from the date of such notice to cure the default, if Borrower or any Guarantor, as the case may be, shall continue to be in default under any other term, covenant or condition of this Agreement or any Loan Documents for thirty (30) calendar days after notice from Lender; provided that if such default cannot reasonably be cured within such thirty (30) calendar day period and Borrower (or such Guarantor as the case may be) shall have commenced to cure such default within such thirty (30) calendar day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) calendar day period shall be extended for so long as it shall require Borrower (or such Guarantor as the case may be) in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of sixty (60) calendar days after the notice from Lender referred to above.

(d) If the Borrower fails to observe or perform any of the covenants or agreements on the part of the Borrower to be performed hereunder, then the Lender may, but shall not be obligated to, perform the same and all necessary and all reasonable costs incurred by the Lender in performing the Borrower's covenants and agreements, including reasonable counsel fees, shall be repaid by the Borrower upon demand, together with interest thereon at the default rate under the Note.

Section 4.03 No Waiver.

(e) Any failure of the Lender to exercise its option to declare the loan immediately due and payable, or any forbearance by the Lender before or after any exercise of such option, or any forbearance to exercise any other remedy of the Lender, or any withdrawal or abandonment of the Lender of any of its rights in any one circumstance, shall not be construed as a waiver of any option, power, remedy or right of the Lender hereunder except to the extent, if any, the action of the Lender constitutes an express waiver with respect to such one circumstance. The rights and remedies of the Lender expressed and contained in this Agreement and in the Loan Documents are cumulative and none of them shall be deemed to be exclusive of any other or of any right or remedy the Lender may not or hereafter have in law or in equity. The election of any one or more remedies shall not be deemed to be an election of remedies under any statute, rule, regulation or other law.

(b) The obligations of the Borrower (and the rights and remedies of the Lender against the Borrower) hereunder shall in no way be modified, abrogated, terminated or adversely affected by (i) any forbearance by the Lender in collecting any sums due, or (ii) the granting of any extension of time to perform any obligation hereunder or (iii) any impairment of the collateral, if any, which may now or hereafter be assigned or delivered to Lender to secure payment of the amounts due under the Note or hereunder, by reason of any act, failure to act or negligence of the Lender.

**Article V. MISCELLANEOUS**

**Section 5.01 Notices.**

All notices to be given hereunder shall be delivered by hand, or sent to the party to be notified via certified mail, return receipt requested or sent by a nationally recognized overnight courier which provides evidence of receipt and shall be deemed given when delivered by hand or one (1) day after delivery to such nationally recognized overnight courier or three (3) days after being posted with the United States Postal Service addressed to the parties as follows:

If to the Lender at: Santander Bank, N.A.  
195 Montague Street  
Brooklyn, New York 11201 Attn: Elizabeth Bae

With a copy to: Windels Marx Lane & Mittendorf, LLP  
156 West 56th Street  
New York, New York 10019 Attention: Michele Arbeen, Esq.

If to the Borrower at: Sutton Hill Properties, LLC  
6100 Center Drive  
Suite 900  
Los Angeles, California 90045 Attention: Andrzej Matyczynski

to: Marcus Rosenberg & Diamond LLP 488 Madison Avenue  
New York, New York 10022 Attention: Jeffrey M. Diamond, Esq.

**Section 5.02 Successors and Assigns.**

The terms Borrower and Lender, shall include the named Borrower and the named under and their respective legal representatives, successors and any permitted assigns.

Section 5.03 Severability.

If any one or more of the provisions contained in this Agreement or in any of the Loan Documents shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or enforceability shall not affect any other provision of this Agreement or of the Note or any Loan Document.

Section 5.04 Expenses of Lender.

The Borrower shall pay all out-of-pocket expenses, including but not limited to, reasonable counsel fees incurred by the Lender in connection with the preparation execution and delivery of this Agreement and the enforcement or amendment of any of its rights or provisions hereunder.

Section 5.05 Indemnity.

The Borrower shall indemnify and hold harmless the Lender from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, proceedings, judgments, costs, expenses and disbursements, including but not limited to, counsel fees in any way relating to or arising out of the failure of the Borrower to perform in full its obligations under this Agreement or under any of the Loan Documents.

Section 5.06 Applicable Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles.

Section 5.07 Jurisdiction.

ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, THE PARTIES HEREBY CONSENTING TO THE JURISDICTION THEREOF.

Section 5.08 Waiver of Certain Defenses.

IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT, OR ANY OTHER LOAN DOCUMENT, THE BORROWER WAIVES ANY CLAIM THAT NEW YORK IS AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO INTERPOSE ANY DEFENSE BASED UPON ANY STATUTE OF LIMITATIONS OR ANY CLAIM OF LACHES AND ANY SET-OFF OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION EXCEPT FOR ANY COUNTERCLAIMS DEEMED COMPULSORY UNDER APPLICABLE COURT RULES OR STATUTES.

Section 5.09 Waiver of Jury Trial and Waiver of Certain Damages.

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IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, THE LENDER AND BORROWER MUTUALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY AND BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY CLAIM FOR CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES.

**Section 5.10 Joint and Several Liability.**

If this Agreement is executed by more than one person or entity, all representations, warranties, obligations and covenants made by the Borrower hereunder shall be deemed to have been made by each of such persons and entities and the obligations and duties of such parties hereunder shall be deemed to be joint and several in all respects.

**Section 5.11 Origination Fee.**

This Agreement shall not become effective unless Lender has received, (a) payment of Borrower to Lender of the origination fee to Lender and (b) payment by Borrower of legal fees and expenses incurred by Lender to the Lender's counsel.

**Section 5.12 Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which, when taken together, shall constitute one and the same instrument and shall become effective when copies hereof, when taken together, bear the signatures of each of the parties hereto and it shall not be necessary in making proof of this instrument to produce or account for more than one of such fully executed counterparts.

**Section 5.13 Satisfaction of Note.**

At such time as the First Mortgage or any other mortgage(s) covering the Property, whether held by Lender or another lending institution, becomes due and payable, whether upon the maturity thereof or by acceleration or otherwise, or upon prepayment thereof, the Borrower shall also be required to immediately repay to Lender all amounts outstanding under the Note and this Agreement and if the Advance is not outstanding at such time, no advance shall be available hereunder.

**Section 5.14 Authorization.**

The execution and delivery of this Agreement and the Note referred to herein have been duly authorized by the members of Borrower.

**Section 5.15 Cooperation**

In the event Borrower determines that it would be beneficial to have the proceeds of the Loan in the form of multiple advances, Lender agrees to reasonably cooperate with Borrower with respect to the modification of the Loan Documents to provide for multiple advances subject to Borrowers payment of all costs and expenses in connection with any such modification.

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## Separation and Release Agreement

This Separation and Release Agreement (this "Agreement") dated as of May 30, 2014, will be effective as of the lapse of the Revocation Period set forth in Section 9 hereof (the "Effective Date"), and is made and entered into by and between Andrzej Matyczynski ("Executive" or "you") and Reading International, Inc., a Nevada corporation ("Reading" or the "Company").

RECITALS:

WHEREAS, Executive has been employed by Reading and certain affiliates as its Chief Financial Officer ("CFO"), Treasurer and Corporate Secretary pursuant to the terms of an employment agreement dated October 28, 1999 (the "Employment Agreement");

WHEREAS, you and the Company desire an appropriate strategy for you to retire and amicably end your career with the Company;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. **Resignation as Chief Financial Officer.** Effective immediately upon request of the Company's Chief Executive Officer ("CEO") (the "Resignation Date"), you will resign as the Company's Chief Financial Officer, Treasurer and Corporate Secretary and from any and all other positions that you hold as an officer, director and/or manager of the Company and its various direct and indirect subsidiaries. Your status as a corporate officer, director, manager or any fiduciary position (including as a fiduciary of any employee benefit plans sponsored by the Company or any affiliate) with the Company and all affiliates will end on the applicable Resignation Date and you hereby agree to submit your written resignation from any such offices and positions upon request on or after the Resignation Date, effective as of the Resignation Date. You acknowledge and agree that your Resignation Date may differ from office to office and from position to position.

2. **Transition Period Services.** Commencing on the date of this Agreement and continuing through the Retirement Date (defined below), Executive Agrees to continue to serve as the Company's CFO and Principal Financial Officer for Securities Exchange Act reporting purposes until a successor CFO and/or Principal Financial Officer is appointed and to provide such advice and transition assistance to the Company as the CEO of the Company may reasonably designate from time to time, including to continue to perform the duties of the CFO and Principal Financial Officer during the Transition Period on an "at will" basis (hereinafter, the "Services"). Executive hereby agrees to execute as CFO and Principal Financial Officer all appropriate filings to be made by the Company under the Securities Exchange Act during the period prior to the effective date of the appointment of a successor CFO. The period between the date of this Agreement and the Retirement Date is hereinafter referred to as the "Transition Period." During the Transition Period, Executive's duties will be substantially the same as present, but may be limited from time to time by the CEO. During the Transition Period, you agree to spend sufficient time on Company matters to perform the duties of the CFO and

Principal Financial Officer until a new CFO is appointed and to facilitate an orderly transition of responsibilities to the new CFO and, after a new CFO is appointed, to continue to make yourself available as needed, up to a full time basis, to attend to Company matters as requested from time to time. Unless otherwise specified by the CEO, services will be performed at the Company's executive headquarters building, in space provided by the Company. The Company will provide for parking during the Transition Period. It is anticipated that, unless otherwise agreed, Executive will be available at the Company's executive headquarters building Monday through Thursday of each week. On each Friday during the Transition Period, Executive may provide Services remotely. In providing the Services during the Transition Period, you will continue to be an employee of the Company but will not have the authority to speak on behalf of or bind the Company except as authorized by the CEO of the Company or as required to discharge your duties in connection with providing the Services and performing the duties of the CFO and Principal Financial Officer. All compensation under this Agreement, including any compensation attributable to the Services, will be subject to tax withholding by the Company. The Company may terminate this Agreement immediately and without prior notice if Executive refuses to or is unable to perform the Services or is in breach of any material provision of this Agreement. Termination due to Executive's wrongful refusal to perform any services, material breach of this Agreement or for criminal misconduct involving any felony, or any misdemeanor involving moral turpitude or a criminal violation of federal or state securities laws is referred to herein as "Termination for Cause". Executive's "Retirement Date" will be the last day Services are provided during the period starting on the date of this Agreement and ending on September 1, 2014, or such earlier termination date.

3. Restrictive Covenants . Due to Executive's position with and relationship to the Company and its affiliates, Executive has had, and/or shall have, access to confidential or proprietary data or information of the Company and/or any affiliates of Company. This confidential information includes, but is not limited to, the Company's human resources and Executive-related information, strategic business plans, budgets, financial performance and financial statements, operational information, business and employment contracts, compensation information, and other information that the Company treats as confidential or proprietary. Executive agrees he will not disclose or use the Company's confidential or proprietary information. Executive further agrees that the terms of any and all Company policies regarding trade secrets, confidential or proprietary information will continue to apply to him after the Retirement Date. Executive understands that the Company may seek from a court of competent jurisdiction an injunction to prohibit such disclosure. For so long as Executive is employed by the Company, and for a period of one year after the Retirement Date, Executive shall not directly or indirectly, either alone or in concert with others, solicit or entice any employee of the Company or any of its affiliates, or any independent contractor of the Company or any of its affiliates, which independent contractor is primarily engaged in business related to the Company or any of its affiliates, to leave or cease providing services to the Company or affiliate or to work for anyone in competition with the Company or its affiliates, except for any individual whose employment or business relations with the Company and/or any of its affiliates ceased at least six months prior to Executive's solicitation or enticement of the individual. The provisions of this Section 3 and the Company policies that relate to trade secrets, confidential and proprietary information and non-solicitation of employees will survive the termination of your employment and are incorporated in this Section 3 by reference (the "Restrictive Covenants"). Payments to you under Section 4.1 and Section 4.2 will be conditioned on your continued compliance with

the provisions of the Restrictive Covenants and the provisions of this Agreement. In the event of any violation by you of the Restrictive Covenants or the provisions of this Agreement, no further payments will be made under Section 4.1 and no additional vesting will occur under Section 4.2. Your right to any unpaid payments under Section 4.1 and any unvested equity awards under Section 4.2 will be forfeited.

4. Compensation . In exchange for your Services, the restrictive covenant obligations described above, the Release provided below and satisfaction of all contractual obligations under the terms of the Employment Agreement, you will receive the following compensation and benefit treatment:

4.1 Payments .

(a) *Base Salary; Accrued Obligations* . As consideration for your agreement to provide Services under Section 2 and your agreement to the Restrictive Covenants under Section 3, you will continue to receive your current base salary and employee benefits during the Transition Period. You will continue be paid through the end of the Transition Period or earlier termination of the Agreement. On the Retirement Date, you will receive payment in respect of your accrued and unused vacation, accrued but unpaid base salary through the Retirement Date and reimbursement of unreimbursed business expenses for which substantiation has been submitted in accordance with the Company's policies and procedures (collectively, the "Accrued Obligations"). You acknowledge and agree that as of the date of this Agreement, you have 200 hours of accrued and unused vacation. The amount of accrued and unused vacation will be adjusted for additional accruals and vacation time taken during the Transition Period. You acknowledge and agree that you will consult with the CEO regarding scheduling any vacation time during the Transition Period to accommodate the Company's requirements and to not unduly interfere with the performance of the Services.

(b) *COBRA*. You will be offered the opportunity to receive continuation coverage for yourself and your eligible dependents under the Company's medical and dental plans pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") following the Retirement Date, provided you timely elect and pay for such coverage.

(c) *Severance Pay*. No later than the eighth (8<sup>th</sup>) day following the Retirement Date, provided that there has not been a Termination for Cause and that the executed Reaffirmation Agreement described in Section 7.6 has been delivered to the Company without revocation, you will be entitled to a lump sum payment of severance in an amount equal to \$244,500.00, which is comprised of a "leaving bonus" equivalent to six months of your annual base salary in the amount of \$154,500, an additional "leaving bonus" in the amount of \$50,000 and an additional payment of \$40,000 (collectively, the "Severance Pay"). The Severance Pay will be subject to applicable tax withholding and will be further reduced by \$33,000, representing an offset for repayment of the outstanding loan (which loan was grandfathered under Section 13(k) of the Securities Exchange Act as amended by the Sarbanes-Oxley Act of 2002) to Executive from the Company (the "Loan Offset"). Executive acknowledges and agrees that payment of the Severance Pay, reduced by the Loan Offset, satisfies any and all "leaving

bonus" obligations under the Employment Agreement and is in excess of the amount Executive otherwise would be entitled to.

(d) *Deferred Compensation Plan*. Reference is made to that certain Non-Qualified Deferred Compensation Plan between the Company and the Executive dated as of October 19, 2012 (the "Deferred Compensation Plan"). Provided that there has not been a termination "For Cause" as defined in the Deferred Compensation Plan, Executive will continue to be eligible to receive the benefits of the Deferred Compensation Plan according to its terms. If, in the determination of the Board, Executive has satisfactorily performed the Services and all of Executive's other obligations under this Agreement, and provided that there has been no Termination for Cause under this Agreement and that the executed Reaffirmation Agreement described in Section 7.6 has been delivered to the Company without revocation, the Board of Directors will authorize an allocation under the Deferred Compensation Plan for the 2014 plan year and will make a corresponding contribution to the grantor trust in the amount of \$50,000 (representing a pro-rata amount of the annual allocation and contribution for 2014 through the Retirement Date). The timing and the amount of the distribution under the Deferred Compensation Plan of Executive's vested benefit will be determined according to the terms of the Deferred Compensation Plan.

**4.2 Equity Awards.** All unvested stock options, restricted stock or other equity compensation granted to Executive prior to the Resignation Date will continue to vest through the Retirement Date.

**4.3 Other Compensation Matters.** Notwithstanding anything to the contrary contained in this Agreement (including the Release set forth in Section 7 hereof), you hereby acknowledge that, in connection with your Resignation and Retirement when you cease to be an employee of the Company, you will not be entitled to receive from the Company or an affiliate (i) any additional severance pay or benefits except as provided in Section 4.1 and Section 4.2, or (ii) any retiree termination welfare benefits (other than health care continuation coverage that you may be entitled to elect pursuant to Section 4980B of the Code), in each case including, but not limited to any severance pay or benefits pursuant to the Employment Agreement. Your participation in all Company perquisites will cease as of the Retirement Date.

**5. Nondisparagement.** The Executive agrees to refrain from making any false or misleading statements or comments about the Company and any of its respective affiliates, their officers, directors, personnel, or any of their products and services. The Executive agrees to refrain from making any disparaging remarks to any person (other than comments to Executive's immediate family members or advisers that are made on a confidential basis and are not repeated or published by such persons) about the Company and any of its respective affiliates, their officers, directors, their respective personnel, and their respective products and services, except to the extent otherwise required by applicable law.

6. Cooperation . In order to ensure a smooth transition from Executive's employment with Company, Executive agrees to provide reasonable assistance to and cooperation with Company following the Retirement Date in connection with any Company matters for which Executive had knowledge or responsibility while employed by Company. If Company is involved in any legal action or investigation after Executive's Retirement Date relating to events which occurred during Executive's employment (including without limitation, the Mahulani Investments Limited, Starn O'Toole, the Blumenfeld Enterprises Inc. and the Urquhart matters) Executive will cooperate with the Company to the fullest extent reasonably possible (taking into consideration Executive's schedule and other commitments) in the preparation, prosecution, or defense of the Company's case, including, but not limited to, required travel, appearances and testimony, the execution of affidavits or documents or providing information requested by the Company. Company will reimburse Executive for reasonable pre-approved out-of-pocket expenses and reasonable pre-approved compensation (if Executive is no longer receiving Base Salary or severance payments), based on an hourly rate of \$200 per hour, for time related to such assistance.

7. Release. You hereby acknowledge that the Company's obligations under Section 4 hereof are in excess of any payments or benefits to which you are entitled under law, contract or otherwise and are contingent upon your timely execution of, and failure to revoke this Agreement, including the release of claims set forth in this Section 7 (the "Release"). In the event that you do not timely execute the Agreement or if you timely revoke the Agreement as described below, the Company will have no obligations to you under this Agreement. For purposes of this Section 7, "Released Parties" include the Company and its affiliated companies and their officers, directors, shareholders, employees, agents, representatives, plans, trusts, administrators, fiduciaries, insurance companies, successors, and assigns.

7.1 You, on behalf of yourself and your personal and legal representatives, heirs, executors, successors and assigns, hereby acknowledge full and complete satisfaction of, and fully and forever waive, release, and discharge the Released Parties from any and all claims, causes of action, demands, liabilities, damages, obligations, and debts (collectively referenced as "Claims"), of every kind and nature, whether known or unknown, suspected or unsuspected, that you hold as of the date you sign this Agreement, or at any time previously held against any Released Party, arising out of any matter whatsoever (with the exception of breach of this Agreement). This release specifically includes, but is not limited to, any and all Claims:

(a) Arising out of or in any way related to your employment with or separation of employment from the Company, or any contract or agreement between you and the Company or the termination thereof;

(b) Arising out of or in any way related to any treatment of Executive by any of the Released Parties, which shall include, without limitation, any treatment or decisions with respect to hiring, placement, promotion, discipline, work hours, demotion, transfer, termination, compensation, performance review, or training; (iv) any statements or alleged statements by the Company or any of the Released Parties regarding Executive, whether oral or in writing; (v) any damages or injury that Executive may have suffered, including without limitation, emotional or physical injury, compensatory damages, or lost wages; or (vi) employment discrimination, which shall include, without limitation, any individual or class

claims of discrimination on the basis of age, disability, sex, race, religion, national origin, citizenship status, marital status, sexual preference, or any other basis whatsoever.

(c) Arising under or based on the Equal Pay Act of 1963 (EPA); Title VII of the Civil Rights Act of 1964, as amended (Title VII); Section 1981 of the Civil Rights Act of 1866 (42 U.S.C. §1981); the Civil Rights Act of 1991 (42 U.S.C. §1981a); the Americans with Disabilities Act of 1990, as amended (ADA); the Family and Medical Leave Act of 1993, as amended (FMLA); the Genetic Information Nondiscrimination Act of 2008 (GINA); the National Labor Relations Act (NLRA); the Worker Adjustment and Retraining Notification Act of 1988 (WARN); the Uniform Services Employment and Reemployment Rights Act (USERRA); the Rehabilitation Act of 1973; the Occupational Safety and Health Act (OSHA); the Employee Retirement Income Security Act of 1974 (ERISA) (except claims for vested benefits, if any, to which you are legally entitled); the False Claims Act; Title VIII of the Corporate and Criminal Fraud and Accountability Act, as amended (18 U.S.C. §1514A) (Sarbanes-Oxley Act); the federal Whistleblower Protection Act and any state whistleblower protection statute(s); the California Fair Employment and Housing Act or any other federal, state or local law relating to employment or discrimination in employment or any other fair employment practices statute(s) of any state, in all cases arising out of or relating to your employment by Reading or investment in Reading or your services as an officer or employee of Reading or its subsidiaries, or otherwise relating to the termination of such employment or services.

(d) Arising under or based on any other federal, state, county or local law, statute, ordinance, decision, order, policy or regulation prohibiting employment discrimination; providing for the payment of wages or benefits (including overtime and workers' compensation); or otherwise creating rights or claims for employees, including, but not limited to, any and all claims alleging breach of public policy; the implied obligation of good faith and fair dealing; or any express, implied, oral or written contract, handbook, manual, policy statement or employment practice, including, but not limited to, the Employment Agreement; or alleging misrepresentation; defamation; libel; slander; interference with contractual relations; intentional or negligent infliction of emotional distress; invasion of privacy; assault; battery; fraud; negligence; harassment; retaliation; or wrongful discharge; and

(e) Arising under or based on the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended by the Older Workers Benefit Protection Act ("OWBPA"), and alleging a violation thereof by any Released Party, at any time prior to the date you sign this Agreement.

7.2 You agree that, except as set forth in this Agreement, you are not entitled to any payment or benefits from any of the Released Parties, including, but not limited to, any payments or benefits under any plan, program or agreement with any Released Party, including, but not limited to, the Employment Agreement.

7.3 You agree that, this Agreement extinguishes all claims and charges that you could have raised against any of the Released Parties, whether known to you or not. You expressly waive all rights and benefits under Section 1542 of the California Civil Code and any

similar law of any state or territory of the United States. Section 1542 of the California Civil Code provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

7.4 You hereby represent that you know of no claim that you have that has not been released by this Section 7.

7.5 Nothing contained in this Release will (i) release any claim that cannot be waived under applicable law, (ii) release your rights to any benefits under any employee welfare benefit plan of the Company, the 401(k) Plan or with respect to the right to elect health care continuation under COBRA, (iii) release any entitlement to or with respect to indemnification which you may have pursuant to agreement, the Company's bylaws, any policy of insurance maintained by the Company or otherwise under law, or (iv) be construed to release your rights under this Agreement or be construed to prohibit or restrict you in any manner from bringing appropriate proceedings to enforce this Agreement. You acknowledge that your execution of this Agreement terminates any claims you previously held to any and all compensation and employee benefits, other than those specifically identified in this Agreement.

7.6 By signing this Agreement, you represent that you have not commenced or joined in any claim, charge, action or proceeding whatsoever against any of the Released Parties arising out of or relating to any of the matters set forth in this Section 7. You further represent that you will not be entitled to any personal recovery in any action or proceeding that may be commenced on your behalf arising out of the matters released hereby. As a condition to continued receipt of payments under Section 4 after the Retirement Date, you hereby agree to reaffirm the release terms of this Section 7 applicable to the period between execution of this Agreement and the Retirement Date by executing a reaffirmation agreement (the "Reaffirmation Agreement") substantially in the form attached hereto as Schedule A.

#### 8. General Provisions.

8.1 Severability. It is the desire and intent of the parties that the provisions of this Agreement will be enforced to the fullest extent permissible. In the event that any one or more of the provisions of this Agreement will be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder of this Agreement will remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law. Moreover, if any one or more of the provisions contained in this Agreement is held to be excessively broad as to duration, scope, activity or subject, such provisions will be construed by limiting and reducing them so as to be enforceable to the maximum extent compatible with applicable law.

8.2 No Admission. By entering into this Agreement, the parties do not admit to, and expressly deny, any wrongdoing.

**8.3 Return of Property.** You agree to return to the Company, on or prior to the Retirement Date, all files, records, documents, reports, computers and other property of the Company in your possession or control, including, but not limited to, any documents or other materials containing Confidential Information, and you further agree that you will not keep, transfer or use any copies or excerpts of the foregoing items. Executive will be permitted to copy and remove any electronic files on the computer or cell phone that contain his personal information (but not any Confidential Information or proprietary Company information or data), including contact information.

**8.4 Notices.** Any and all notices, requests, demands and other communications provided for by this Agreement will be in writing and will be effective when delivered in person, consigned to a reputable national or international courier service (including Federal Express), and addressed to you at your last known address on the books of the Company or, in the case of the Company, at the Company's principal place of business, attention of the President of the Company, or to such other address as either party may specify by notice to the other actually received.

**8.5 Successors and Assigns.** This Agreement is personal to you and, without the prior written consent of the Company, will not be assignable by you otherwise than by will or the laws of descent and distribution. This Agreement will inure to the benefit of and be enforceable by your legal representatives. This Agreement will inure to the benefit of and be binding upon the Company and its successors and assigns.

**8.6 Governing Law; Captions; Amendment.** This Agreement will be governed by, and construed in accordance with, the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and will have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

**8.7 Code Section 409A Compliance.** The Company and you each hereby affirm that it is their mutual view that the provision of payments and benefits described or referenced herein are either exempt from or intended to be in compliance with the requirements of Section 409A of the Code and the Treasury regulations relating thereto ("Section 409A") and that each party's tax reporting will be completed in a manner consistent with such view. The Company and you each agree that upon the Retirement Date, you will experience a "separation from service" for purposes of Section 409A. Any payments that qualify for the "short-term deferral" exception or another exception under Section 409A will be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement will be treated as a separate payment of compensation. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, fee amounts in Section 4.1 that constitute nonqualified deferred compensation and would otherwise be payable pursuant to this Agreement on account of separation from service during the six-month period immediately following the Retirement Date will instead be paid on the first business day after the date that is six months following the Retirement Date (or death, if earlier). Notwithstanding anything to the contrary in this Agreement, all reimbursements and in-



kind benefits provided under this Agreement will be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (x) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year; (y) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (z) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit. Neither the Company nor its affiliates will be liable in any manner for any federal, state or local income or excise taxes (including but not limited to any taxes under Sections 409A of the Code), or penalties or interest with respect thereto, as a result of the payment of any compensation or benefits hereunder or the inclusion of any such compensation or benefits or the value thereof in your income. You acknowledge and agree that the Company will not be responsible for any additional taxes or penalties resulting from the application of Section 409A.

**8.8 Withholding.** Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all amounts that are required or authorized to be withheld, including, but not limited to, federal, state, local and foreign taxes to be withheld by applicable laws or regulations.

**8.9 Preparation of Agreement.** This Agreement will be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the parties hereto. Regardless of which party initially drafted this Agreement, it will not be construed against any one party, and will be construed and enforced as a mutually-prepared document.

**8.10 Entire Agreement.** This Agreement constitutes the entire agreement between you and the Company with respect to the subjects addressed herein, and together with the Restrictive Covenants that survive, and the Reaffirmation Agreement supersedes all prior agreements, understandings and representations, written or oral, with respect to those subjects, including, but not limited to the, Employment Agreement. Without limiting the generality of the foregoing, you acknowledge that the Employment Agreement will be terminated upon the effectiveness of this Agreement.

**8.11 Legal Fees.** The Company will reimburse you for the legal fees, incurred by you in connection with the negotiation and execution of this Agreement, up to a maximum of \$5,000. Such reimbursement will be made by the Company within twenty business days of your submission to the Company of an invoice or invoices from counsel, which submission will be made no later than June 15, 2014.

**8.12 Counterparts.** This Agreement may be executed in counterparts, each of which will be deemed an original, and which together will be deemed to be one and the same instrument.

**9. Consultation with Attorney; Voluntary Agreement.** You understand and agree that you have the right and have been given the opportunity to review this Agreement and, specifically, the Release set forth in Section 7 above, with an attorney of your choice. You also understand and agree that you are under no obligation to consent to the Release. You

acknowledge that you have read this Agreement and the Release and understand their terms and that you enter into this Agreement freely, voluntarily, and without coercion. You acknowledge that you have been given at least twenty-one (21) days during which to review and consider the provisions of this Agreement and, specifically, the Release set forth in Section 7 above, although you may sign and return it sooner if you so desire. You further acknowledge that you have been advised by the Company that you have the right to revoke this Agreement for a period of seven (7) days after signing it (the "Revocation Period"). You acknowledge and agree that, if you wish to revoke this Agreement, you must do so in a writing, signed by you and received by the Company to the attention of James J. Cotter, Jr., President, no later than 5:00 p.m. Pacific Time on the seventh (7th) day of the Revocation Period. If no such revocation occurs, the General Release and this Agreement will become effective on the eighth (8th) day following your execution of this Agreement. You further acknowledge and agree that, in the event that you revoke this Agreement, it will have no force or effect.

10. Other Representations . You agree to execute such documents and take such actions as may be necessary or desirable to further effectuate the foregoing. Executive, by his initials set forth below, acknowledges and agrees that he was given a copy of this Agreement on the 20th day of May, 2014, to review and consider execution of the terms and conditions contained herein.

/s/ AJM  
Executive's Initials

[Signature page follows]

READ CAREFULLY BEFORE SIGNING

THIS SEPARATION AND RELEASE AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS AND A WAIVER OF YOUR RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT AS WELL AS OTHER FEDERAL, STATE AND LOCAL LAWS PROTECTING EMPLOYEE RIGHTS. IF YOU SIGN THIS AGREEMENT, YOU ARE WAIVING ALL OF YOUR RIGHTS TO ASSERT ANY CLAIMS UNDER THESE LAWS. PLEASE READ THIS AGREEMENT CAREFULLY AND SEEK THE ADVICE OF AN ATTORNEY REGARDING THE LEGAL EFFECT OF SIGNING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year written opposite their signature.

*"Executive"*

Date: May 30, 2014  
Andrzej Matyczynski, an individual

/s/ Andrzej Matyczynski

*"Company"*

Reading International, Inc.

Date: May 30, 2014

By: /s/ James J. Cotter  
James J. Cotter, President

Andrzej Matyczynski EXHIBIT 16.25

Re: Amendment of Separation and Release Agreement

Dear Mr. Matyczynski,

Reference is made to that certain Separation and Release Agreement dated as of May 30, 2014 (the "Separation Agreement"). This letter is to confirm the following:

1. The last sentence of Section 2 is hereby deleted in its entirety and replaced with the following: "Executive's "Termination Date" will be the last day Service are provided during the period starting on the date of this Agreement and ending on December 1, 2014, or such earlier termination date."
2. The third sentence of Section 4.1 (d) is modified to delete the reference to \$50,000 and to replace it with the figure \$68,750
3. Except as specifically provided above, the Separation Agreement remains in full force and effect and has not been modified or amended in any respect, and none of the respective rights or obligations of the parties hereunder have been waived or released.

If this e-mailly states our agreement, please sign and return to us. Thank you for your ongoing time and assistance.

Very truly yours,

/s/ James J. Cotter

James J. Cotter, President

ACCEPTED AND AGREED as of this 6<sup>th</sup> day of August, 2014

/s/ Andrzej Matyczynski

Andrzej Matyczynski

JA2974

SECOND AMENDMENT  
TO  
SEPARATION AND RELEASE AGREEMENT

This second amendment (the "Second Amendment") is entered into as of this 26<sup>th</sup> day of November, 2014, by and between Reading International, Inc. (the "Company") and Andrzej Matyczynski ("Executive") and amends that certain Separation and Release Agreement dated as of May 30, 2014 (the "Initial SRA"), as previously amended by that certain first amendment of Separation and Release Agreement dated effective August 6, 2014 (the "First Amendment" and collectively with the Initial SRA, the "First Amended SRA").

Any defined terms not specifically defined in this Second Amendment have the same meanings as set forth in the First Amended SRA. Except as specifically amended by this Second Amendment, the First Amended SRA remains in full force and effect and has not been modified or amended in any respect, and none of the respective rights or obligations of the parties thereunder have been waived or released.

1. **Retirement Date:** Section 1 of the First Amendment is hereby deleted in its entirety and replaced with the following: "Executive's 'Retirement Date' will be the last day Services are provided during the period starting on the date of this Agreement and ending on June 1, 2015, or such earlier termination date."
2. **Deferred Compensation:** Section 2 of the First Amendment is hereby deleted in its entirety and replaced with the following: "The third sentence of Section 4.1(d) is amended (i) to replace the amount of \$50,000 and the immediately following paragraph with the amount of \$75,000, and (ii) to add the following to the end thereof, 'and will authorize an allocation under the Deferred Compensation Plan for the 2015 plan year and will make a corresponding contribution to the greater trust in the amount of \$31,250 (representing a pro-rata amount of the annual allocation and contribution for 2015 through the Retirement Date).'"
3. Notwithstanding any other provision of the First Amended SRA, it is agreed that Executive may do a majority of his work from his home in Atlanta, Georgia. Executive will only be required to be at the Company's Los Angeles offices for a total of ten (10) weeks (Monday through Thursday). It is anticipated that the parties will work together to schedule such time in full week blocks, one week in one month, two weeks in the next month, one week in the next month, etc. The Company will promptly reimburse Executive for all reasonable travel expenses (against reasonable documentation), including airfare, hotel and car rental (such travel expenses not to exceed \$1,200.00 per weekly trip).

In Witness Whereof this Second Amendment is executed and delivered effective of the date first set forth above.

Reading International, Inc.

By: /s/ James J. Cotter

James J. Cotter, Jr.  
Chief Executive Officer

Executive:

/s/ Andrzej Matyczynski  
Andrzej Matyczynski

THIRD AMENDMENT  
TO  
SEPARATION AND RELEASE AGREEMENT

This Third Amendment to Separation Agreement (this "Third Amendment") is entered into effective as of May 1, 2015, by and between Reading International, Inc. (the "Company") and Andrzej Matyaszynski ("Executive") and amends that certain Separation and Release Agreement dated as of May 30, 2014 (the "Initial SRA"), as previously amended by that certain First Amendment of Separation and Release Agreement dated effective August 6, 2014 (the "First Amendment") and that certain Second Amendment to Separation and Release Agreement dated effective November 26, 2014 (collectively with the Initial SRA and the First Amendment, the "Amended SRA").

Any defined terms not specifically defined in this Third Amendment have the same meanings as set forth in the Amended SRA. Except as specifically amended by this Third Amendment, the Amended SRA remains in full force and effect and has not been modified or amended in any respect, its terms and conditions are incorporated herein by reference, and none of the respective rights or obligations of the parties thereunder has been waived or released.

1. **Retirement Date:** Section 1 of the First Amendment is hereby deleted in its entirety and replaced with the following: "Executive's "Retirement Date" will be the last day Services are provided during the period starting on the date of this Agreement and ending on April 15, 2016, or such earlier termination date (such period, the "Term"). After May 11, 2015, on which date Executive shall cease to serve as the Company's Chief Financial Officer and Treasurer, Executive shall serve as a financial advisor to the Company principally to assist in the transition of the Company to a new chief financial officer and to provide such additional financial advisory services as the Company may from time to time request. It is understood that these services will be provided as a full time employee of the Company; such services being referred to as the "Services" for purposes of this Third Amendment and superseding the prior definition of "Services" as used in the Amended SRA.
2. **Deferred Compensation:** Section 2 of the Second Amendment is hereby deleted in its entirety and replaced with the following: "The third sentence of Section 4.1(d) is amended to change the reference to the "2014 plan year" to the "2015 plan year," to change the reference to "\$30,000" to \$1,500,000, and thereafter to change the reference to "2014" to "2015." In addition, it is agreed that the Company will make a 2015 contribution to Executive's Deferred Compensation plan, in the amount of \$150,000 (\$75,000 more than currently provided for in the Executive's Deferred Compensation Plan).
3. **Vacation:** Notwithstanding any other provision of the Amended SRA, it is agreed that during the Term, Executive may do a majority of his work from his home in Atlanta, Georgia. Executive will only be required to be at the Company's Los Angeles offices for a total of seventeen (17) weeks (Monday through Thursday) between the date hereof and the Retirement Date. It is anticipated that the parties will work together to schedule such time in full week blocks, one week in one month, two weeks in the next month, one week in the next month, etc. The Company will promptly reimburse Executive for all reasonable travel expenses (against reasonable documentation), including airfare, hotel and car rental (such travel expenses not to exceed \$1,500.00 per weekly trip).
4. **Salary:** Section 4.1 of the Original SRA is hereby amended to provide that, effective January 1, 2015 and for the balance of the Term, Executive shall be paid as compensation for the performance of his duties

hereunder and under the Amended SRA, at a rate of \$312,000 per annum, in accordance with the Company's standard payment practices, pro-rated for the period January 1, 2016 through and including April 15, 2016.

5. **Stock Option Vesting:** Of the previously granted unvested Class A Stock options, 12,500 shall continue to vest on August 22, 2015. The balance of Executive's Class A Stock options previously granted, totaling 12,500, shall vest on April 15, 2016, rather than August 22, 2016. As to any Class A Stock options vested as of the Retirement Date, the Executive shall have eighteen (18) months from his Retirement Date to exercise same, rather than three (3) months.
6. **Release:** Executive hereby affirms in all respects his Release of the Released Parties set forth in the Initial SRA as though made on the date hereof, as well as all other terms and conditions of the Amended SRA, including, without limitation, Sections 3, 5 and 6.

In Witness Whereof this Third Amendment is executed and delivered effective of the date first set forth above.

Reading International, Inc.

By: /s/ James J. Cotter

James J. Cotter, Jr.

Chief Executive Officer

Executive:

/s/ Andrzej Matyszczak

Andrzej Matyszczak

Amended and Restated  
Compensatory Arrangements for Executive and Management Employees

**Executive Compensation**

From late January to late February 2016, the Compensation and Stock Options Committee ("Compensation Committee") of Reading International, Inc., ("Reading," "Registrant" or the "Company") met five separate times with Willis Towers Watson, an international compensation consulting firm, the Chief Executive Officer, and legal counsel. As part of its engagement, Willis Towers Watson reviewed the Company's compensation paid to executive and management officers by position, in light of each person's duties and responsibilities. Willis Towers Watson then compared the top executive and management positions at the Company to (i) executive compensation paid by a peer group and (ii) two surveys, the 2015 Towers Watson Data Services Top Management Survey Report and the 2015 Mercer MBD Executive Compensation Survey, in each case, identified by office position and duties performed by the officer. The peer group utilized by Willis Towers Watson included the following companies:

Arcadia Realty Trust  
Associated Estates Realty Corp.  
Carmike Cinemas Inc.  
Cedar Realty Trust Inc.  
Chester Hill Group  
EPR Properties  
Vicinity Centres  
IMAX Corporation

Inland Real Estate Corp.  
Kite Realty Group Trust  
Marcus Corporation  
Pennsylvania Real Estate Investment Trust  
Rambco-Gershenson Properties Trust  
Ursacht Biddle Properties Inc.  
Village Roadshow Ltd.

Willis Towers Watson selected the above peer group because (i) the companies included US and Australian based companies reflecting the Company's geographic operations and/or (ii) the companies were comparable to the Company based on revenue.

The executive pay assessment prepared by Willis Towers Watson measured the executive and management compensation paid by the Company against compensation paid by the peer group companies and the companies listed in the two surveys based on the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile of such peer group and surveyed companies. The 50<sup>th</sup> percentile was the median compensation paid by such peer group and surveyed companies to executives performing similar responsibilities and duties.

In its report to the Compensation Committee, Willis Towers Watson noted that for Company executive officers:

- Base salaries in the aggregate were generally in the competitive zone of the market (1% below the market 50<sup>th</sup> percentile), with certain notable exceptions on a position by position review;
- Total cash compensation (base salary and cash bonus) in the aggregate was 26% below the 50<sup>th</sup> percentile; and
- Total compensation (base salary, cash bonus and long term incentive awards) in the aggregate was 40% below the 50<sup>th</sup> percentile.

The Compensation Committee, recommended, and the Board subsequently adopted, a compensation philosophy for the Company's management team members to:

- Attract and retain talented and dedicated management team members;
- Provide overall compensation that is competitive in its industry;
- Correlate annual cash incentives to the achievement of its business and financial objectives; and
- Provide management team members with appropriate long-term incentives aligned with stockholder value.



As part of the compensation philosophy the Company's compensation focus will be to (1) drive the Company's strategic plan on growth, (2) align officer and management performance with the interests of the Company's stockholders, and (3) encourage retention of officers and management team members.

In furtherance of the compensation policy and as a result of the extensive deliberations, including consideration of the Willis Towers Watson recommendations, the Compensation Committee adopted an executive and management officer compensation structure for 2016 consisting of:

- A base salary comparable with job description and industry standard;
- A short term incentive or cash bonus plan based on a combination of factors including individual performance against corporate goals as well as overall corporate and division performance, with a target bonus to be denominated as a percent of base salary with specific goals weightings and pay-out ranges; or
- A long term incentive or equity awards in line with job description, performance, and industry standards.

The Compensation Committee's intention is that the compensation structure approved for 2016 will remain in place indefinitely. However, it will review performance and results after the first year and thereafter and evaluate from time to time whether enhancements, changes or other compensation structures are in the Company's and its stockholders' best interests.

Reflecting the new approach, the Compensation Committee established (i) annual base salaries at levels that it believed (based heavily on the data provided by Willis Towers Watson) are generally competitive with executives in our peer group and in other comparable publicly-held companies as described in the executive pay assessment prepared by Willis Towers Watson, and (ii) short term incentives in the form of discretionary annual cash bonuses based on the achievement of identified goals and benchmarks. Long-term incentives in the form of employee stock options and restricted stock units will be used as a retention tool and as a means to further align an executive's long-term interests with those of the Company's stockholders, with the ultimate objective of affording our executives an appropriate incentive to help drive increases in stockholder value.

The Compensation Committee will evaluate both executive performance and compensation to maintain the Company's ability to attract and retain highly-qualified executives in key positions and to assure that compensation provided to executives remains competitive when compared to the compensation paid to similarly situated executives of companies with whom we compete for executive talent or that we consider comparable to our company.

#### *Role of Chief Executive Officer in Compensation Decisions*

In connection with the implementation of the new compensation structure, the Compensation Committee conducted the thorough review of executive compensation discussed above. The Compensation Committee engaged in extensive discussions with and considered with great weight the recommendations of the Chief Executive Officer as to compensation for executive and management team members other than for the Chief Executive Officer.

In connection with consideration of 2015 performance bonuses for members of management, the Chief Executive Officer prepared and submitted recommendations for each of the executive and management team members, other than her own. In considering these recommendations, the Compensation Committee had the benefit of its extensive deliberations as well as the data provided by Willis Towers Watson. In executive session, the Compensation Committee approved a 2015 performance bonus for the Chief Executive Officer. At the Compensation Committee's February 17, 2016 meeting, it approved recommendations to the Board of Directors (the "Board") for its February 18, 2016 meeting, at which time the Board approved the same. The Board approval covered certain officers including the five officers set forth below. In addition, our Chief Executive Officer discussed recommendations for other management team members but the Compensation Committee and Board agreed that such positions were within the scope of the Chief Executive Officer's authority and did not require the Compensation Committee or Board approval.

The Compensation Committee expects to perform an annual review of executive compensation, generally in the first quarter of the year following the year in review, with a presentation by the Chief Executive Officer regarding each element of the executive compensation arrangements. At the Compensation Committee's direction, the Chief

Executive Officer prepared an executive compensation review for each executive officer (other than the Chief Executive Officer), as well as the full executive team, which included recommendations for:

- 2016 Base Salary
- A proposed year-end short-term incentive in the form of a target cash bonus based on the achievement of certain objectives; and
- A long-term incentive in the form of stock options and restricted stock units for the year under review.

As part of the compensation review, the Chief Executive Officer may also recommend other changes to an executive's compensation arrangements such as a change to the executive's responsibilities or a change in title. The Compensation Committee will evaluate the Chief Executive Officer's recommendations and, in its discretion, may accept or reject the recommendations, subject to the terms of any written employment agreements.

The Compensation Committee met in executive session without our Chief Executive Officer to consider the Chief Executive Officer's compensation, including base salary, cash bonus and equity award, if any. Prior to such executive sessions, the Compensation Committee interviewed the Chief Executive Officer to obtain a better understanding of factors contributing to the Chief Executive Officer's compensation. With the exception of those executive sessions of the Compensation Committee, as a rule, our Chief Executive Officer participated in all deliberations of the Compensation Committee relating to executive compensation. However, the Compensation Committee will ask the Chief Executive Officer to be excused for certain deliberations with respect to the compensation recommended for Margaret Cotter, the sister of the Chief Executive Officer.

In conjunction with the year-end annual compensation review, or as soon as practicable after the year-end, our Chief Executive Officer will recommend to the Compensation Committee the Company objectives and other criteria to be utilized for purposes of determining cash bonuses for certain senior executive officers. The Compensation Committee, in its discretion, may revise the Chief Executive Officer's recommendations. At the end of the year, the Compensation Committee, in consultation with the Chief Executive Officer, will review each performance goal and determine the extent to which the officer achieved such goals. In establishing performance goals, the Compensation Committee expects to consider whether the goals could possibly result in an incentive for any executives to take unwarranted risks in our Company's business and intend to seek to avoid creating any such incentives.

#### Base Salaries

The Compensation Committee reviewed the executive pay assessment prepared by Willis Towers Watson and other factors and engaged in extensive deliberation and then recommended the following 2016 base salaries (the 2015 base salaries are shown for comparison purposes) for the following officers; the Board approved the recommendations of the Compensation Committee on March 10, 2016; the President and Chief Executive Officer, Chief Financial Officer and the persons identified and Named Executive Officers in the Company's proxy statement dated November 10, 2015 other than our prior Chief Executive Officers James J. Cotter, Sr. and James J. Cotter, Jr.:

Name	Title	2016 Base Salary (\$)	2015 Base Salary (\$)
Ellen Cotter (1)	President and Chief Executive Officer	\$450,000	\$402,000
Devasia Ghose (2)	Chief Financial Officer	400,000	400,000
Andrzej Mastyczynski (3)	EVP Global Operations	336,000	312,000
Robert F. Smerling	President, US Cinemas	375,000	350,000
Wayne Smith	Managing Director, ANZ	A\$370,000	A\$363,360

(1) Ellen M. Cotter was appointed Interim President on June 12, 2015 and President and Chief Executive Officer on January 8, 2016.

- (2) Devasis Ghose was appointed Chief Financial Officer on May 11, 2015. Mr. Ghose is the only executive officer that is a party to an employment agreement.
- (3) Andrzej Matyaszynski was the Company's Chief Financial Officer until May 11, 2015 and thereafter he acted as corporate advisor to the Company. He was appointed EVP-Global Operations on March 10, 2016.
- (4) All dollars are in US dollars except the salary for Wayne Smith is reported in Australian dollars.

#### Short Term Incentives

The Short Term Incentives authorized by the Compensation Committee and the Board provides the Company's executive officers and other management team members, who are selected to participate, with an opportunity to earn an annual cash bonus based upon the achievement of certain Company financial goals, division goals and individual goals, established by the Company's Chief Executive Officer and approved by the Compensation Committee and the Board of Directors (in future years, under the Compensation Committee Charter approved by the Board on March 10, 2016, the Compensation Committee will have full authority to approve these matters). Specifically, a participant in the short term incentive plan will be advised of his or her annual potential target bonus expressed as a percentage of the participant's base salary and by dollar amount. The participant will be eligible for a short term incentive bonus once the participant achieves goals identified at the beginning of the year for a threshold target, the potential target or potential maximum target bonus opportunity. The bonus will vary depending upon the achievements made by the individual participant, the corporate division and the Company. Corporate goals will include levels of earnings before interest, depreciation, taxes and amortization ("non-GAAP Operating Income") and property development milestones. Division goals will include levels of division cash flow and division milestones and individual goals will include unique performance goals specific to the individual's position in the Company. Each of the corporate, division and individual goals carries a different percentage weight in determining the officer's or other team member's bonus for the year.

For 2016, executive officers will have an annual bonus opportunity expressed and determined as a percent of their base salary. This approach also was a recommendation of the Willis Towers Watson report to the Compensation Committee and provided points of reference for our Compensation Committee to compare short-term incentive opportunities for our executive and management team to those in peer and competitor companies.

Ms. Ellen Cotter, President and Chief Executive Officer, has a potential target bonus opportunity of 95% of Base Salary, or \$427,500 at target based upon Ms. Cotter's achievement of her performance goals and the Company's achievement of corporate goals as discussed above. Of that potential target bonus opportunity, a threshold bonus of \$213,750 may be achieved based upon Ms. Cotter's achievement of certain of her performance goals and the Company's achievement of certain of the corporate goals as discussed above, and a potential maximum target of \$641,250 is based on achieving performance goals approved by the Chairman of the Compensation Committee. Ms. Cotter's aggregate annual bonus opportunity can range from \$0 to \$641,250. Mr. Devasis Ghose, Chief Financial Officer, has a potential target bonus opportunity of 50% of Base Salary, or \$200,000 at target, which is based on achievement of his performance goals and the Company's achievement of corporate goals, as discussed above. Mr. Ghose's aggregate annual bonus opportunity can range from \$0 to \$300,000 (the maximum potential target if additional performance goals are met by Mr. Ghose). Mr. Andrzej Matyaszynski, EVP - Global Operations, has a target bonus opportunity of 50% of Base Salary, or \$168,000 at target, which is based on achievement of his performance goals and certain divisional goals. Mr. Matyaszynski's aggregate annual bonus opportunity can range from \$0 to \$252,000 (the maximum potential target if additional performance goals are met by Mr. Matyaszynski). Mr. Robert Smerling, President, US Cinema, has a target bonus opportunity of 30% of base pay, or \$112,500 at target, which is based on achievement of his performance goals, the Company's achievement of corporate goals and certain divisional goals. Mr. Smerling's aggregate annual bonus opportunity can range from \$0 to \$168,750 (the maximum potential target if additional performance goals are met by Mr. Smerling). Mr. Wayne Smith, Managing Director, ANZ, has a target bonus opportunity of 40% of Base Salary, or \$148,000 at target, which is based on achievement of his performance goals, the Company's achievement of corporate goals and certain divisional goals. Mr. Smith's aggregate annual bonus opportunity can range from \$0 to \$222,000 (the maximum potential target if additional performance goals are met by Mr. Smith).

The positions of other management team members have target bonus opportunities ranging from 20% to 30% of Base Salary based on achievement of certain goals. The highest level of achievement a participant may receive is the maximum potential target which is set at 150% of the participant's target bonus amount.

*Long-Term Incentives*

Long-Term Incentives will utilize the equity-based plan under the Company's 2010 Incentive Stock Plan, as amended (the "2010 Plan"). For 2016, executive and management team participants will receive awards in the following forms: 50% time-based restricted stock units and 50% non-statutory stock options. The grants of restricted stock units and options will vest ratably over a four (4) year period with 1/4 <sup>th</sup> vesting on each anniversary date of the grant date.

On March 10, 2016 the following grants were made:

Name	Title	Dollar Amount of Restricted Stock Units (1)	Dollar Amount of Non- Statutory Stock Options (1)
Ellen Cotter	President and Chief Executive Officer	\$150,000	\$150,000
Devasis Ghose (2)	Chief Financial Officer	0	0
Andrzej Matyczynski	EVP Global Operations	37,500	37,500
Robert P. Smetling	President, US Cinema	50,000	50,000
Wayne Smith	Managing Director, ANZ	27,000	27,000

(1) The number of shares of stock to be issued will be calculated using the Black Scholes pricing model as of the date of grant of the award.

(2) Mr. Devasis Ghose was awarded 100,000 non-statutory stock options vesting over a 4 year period on Mr. Ghose's commencement of employment on May 11, 2015.

All long-term incentive awards will be subject to other terms and conditions set forth in the 2010 Plan and award grant.

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thing, act or failure to act whatsoever occurring at any time on or prior to the date of this Agreement that relates to the Theater Management Agreement. OBI herewith by, covenants that it will not, directly or indirectly, sue, commence any proceeding against, or make any demand upon any LITLC Released Party in respect of any of the matters released and discharged pursuant to this Section 3. As a matter of clarification, this release does not release any claims that Margaret Foster, the sole member of LITLC, may have against LITLC, or any of its affiliates, in her individual capacity as an executive or manager of LITLC and/or in her capacity as an officer, director, or shareholder of Reading International, Inc.

4. LITLC does hereby irrevocably, unconditionally, exclusively, knowingly, fully, finally and completely release and discharge OBI and its parents, subsidiaries, divisions, affiliates (that currently exist or may exist in the future), successors, assigns and predecessors and their present and former owners, stockholders, members, managers, directors, officers, employees, agents, attorneys, representatives, successors, beneficiaries, heirs and assigns, individually and collectively (the "OBI Released Parties") from, against and with respect to any and all actions, demands, proceedings, claims of action, complaints, charges, claims, counterclaims, demands, debts, damages, demands, debts, damages, duties, expenses, liabilities, fees, injuries, interest, judgments, liabilities, losses or obligations, penalties, grants, reimbursements, expenses, claims, sums of money and sums of whatever kind or character, whether in law, equity or otherwise, direct or indirect, fixed or contingent, foreseeable or unforeseeable, liquidated or unliquidated, known or unknown, insured or uninsured, asserted or unasserted, absolute or contingent, determined or determinable (including, however, for a claim found by a court of competent jurisdiction that any OBI Released Party has committed fraud or an intentional act causing material financial damage to LITLC), that LITLC or anyone claiming through or under LITLC, ever had, now has, or may hereafter have or acquire, against each OBI Released Party that arises out of or in any way relates, directly or indirectly, in any manner, cause or thing, to or failure to act whatsoever occurring at any time on or prior to the date of this Agreement that relates to the Theater Management Agreement. LITLC irrevocably represents that it will not, directly or indirectly, sue, commence any proceeding against, or make any demand upon any OBI Released Party in respect of any of the matters released and discharged pursuant to this Section 4.


5. OBI and LITLC acknowledge and agree that the Theater Management Agreement constitutes the entire understanding between OBI and LITLC with respect to the subject matter thereof, that OBI and LITLC have performed all of their respective obligations to each other required under the Theater Management Agreement, and LITLC has made all payments required under the Theater Management Agreement other than the Final Payment.

6. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without giving effect to the conflict of laws principles thereof.

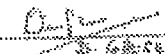
7. This Agreement may be executed in multiple counterparts, each of which shall be deemed to represent the entire Agreement, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties execute this Termination Agreement as of the date first set forth above:

OBI MANAGEMENT, LLC

By:   
Name: Margaret Foster  
Title: Manager

LIBERTY THEATERS, LLC

By:   
Name: Chris Foster  
Title: CEO



567 Collins Street Melbourne VIC 3000  
GPO Box 0025 Melbourne VIC 3001  
Tel +61 3 8872 3000  
Fax +61 3 8872 3010  
www.corbs.com.au

Wynsey Lohmeyer & Associates  
T 08 9471 1111

National Australia Bank Limited  
Reading Entertainment Australia Pty Ltd  
Each Guarantor

## Restatement Deed

*(Guarantees Medium Term & Short Term Debt Facility Agreement)*

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Corn Chambers Westgarth

Date:

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JA2987

15th December 2015

## Parties

National Australia Bank Limited ABN 12 004 044 837 of Pier 3 Level 4, 800 Bourke Street, Docklands, Victoria 3008 ( Bank )

Reading Entertainment Australia Pty Ltd ACN 070 893 008 of 98 York Street, South Melbourne, Victoria 3205 ( Borrower )

Each person listed in schedule 1 (each a Guarantor )

## Agreed terms

### 1 Definitions

In this document words and expressions which are defined or given a specific meaning in the Facility Agreement but which are not defined or given a specific meaning in this document have the same meaning as in the Facility Agreement. Otherwise, terms have the following meanings.

**Facility Agreement**  
The Facility Agreement dated 24 June 2011 between the Bank, the Borrower and the Guarantors, as amended, varied or amended and restated from time to time, including on 14 June 2013 and 27 June 2014.

**PPSA** Personal Property Securities Act (2009) (Cth).

**Restated Facility Agreement**  
The Facility Agreement as varied and restated by this document.

**Variation Date** The date on which Bank notifies the Borrower that the conditions precedent set out in clause 3 are satisfied.

### 2 Consideration

Each party has entered into this document in consideration of each other party agreeing to make the acknowledgements contained in this document and to amend the Facility Agreement in accordance with this document and acknowledges receipt of that consideration.

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### 3 Conditions precedent

The amendments to the Facility Agreement are subject to the conditions precedent that:

- (a) the Bank has received in form and substance satisfactory to the Bank:
  - (i) an original copy of this document, duly executed by the Borrower and each Guarantor;
  - (ii) a non-refundable restructure fee of \$30,000; and
  - (iii) anything which the Bank has reasonably requested that a party provide to it in relation to the Facility Agreement; and
- (b) no Event of Default or Potential Event of Default subsists.

### 4 Variation of Facility Agreement

- (a) On and from the Variation Date the Facility Agreement is varied and restated in the form of annexure A.
- (b) The Borrower and each Guarantor agree to be bound by the Restated Facility Agreement on and from the Variation Date.

### 5 Acknowledgments

The Borrower and each Guarantor:

- (a) acknowledge that nothing in this document or any related financing change statement under the PPS Act releases, terminates or otherwise affects any liabilities of the Borrower to the Bank, or affects its liability under any Transaction Document;
- (b) acknowledge that the Bank has agreed to execute this document at the request of the Borrower and each Guarantor;
- (c) agree to the variation to the Facility Agreement and agrees that each Collateral Security extends to and secures the Borrower's obligations to the Bank under the Transaction Documents, including the Restated Facility Agreement; and
- (d) acknowledge that their obligations (as borrower, guarantor, indemnifier, or otherwise) and the Bank's rights are not affected by anything which might abrogate, prejudice or limit them or the effectiveness of this document, including the failure by any person named as an Original Guarantor to become bound by this document.

### 6 Warranties and representations

#### 6.1 General

The Borrower and each Guarantor warrant and represent to the Bank that:

- (a) at the time of execution, and at the Variation Date:
-

- (i) it has capacity unconditionally to execute, deliver and comply with its obligations under this document and the Transaction Documents to which it is a party (including the Restated Facility Agreement);
- (ii) it has taken all necessary action to authorise the unconditional execution and delivery of, and the compliance with, its obligations under this document and the Transaction Documents (including the Restated Facility Agreement);
- (iii) this document and the Transaction Documents to which it is a party (including the Restated Facility Agreement) are its valid and legally binding obligations and are enforceable against it by each other party in accordance with the terms of this document and the Transaction Documents to which it is a party (including the Restated Facility Agreement), subject to principles of equity and rules affecting creditors' rights generally; and
- (iv) its unconditional execution and delivery of this document and compliance with its obligations under this document and the Transaction Documents (including the Restated Facility Agreement) do not contravene:
  - (A) any law or directive from a government entity;
  - (B) its constituent documents;
  - (C) any agreement or instrument to which it is a party; or
  - (D) any obligation of it to any other person.

**6.2 Survival of warranties**

The warranties and representations in clause 6 survive the execution of this document and the variation and restatement of the Facility Agreement.

**7 General**

**7.1 Construction**

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
  - (b) any gender includes the other genders;
  - (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
  - (d) 'includes' means includes without limitation;
  - (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;
  - (f) a reference to:
-

- (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
- (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
- (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
- (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
- (v) a right includes a benefit, remedy, discretion or power;
- (vi) time is to local time in Melbourne;
- (vii) '\$' or 'dollars' is a reference to Australian currency;
- (viii) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties;
- (ix) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;
- (x) this document includes all schedules and annexures to it; and
- (xi) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document; and
- (g) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

**7.2 Costs and Expenses**

The Borrower must on demand pay and if paid by the Bank reimburse to the Bank:

- (a) the Bank's reasonable costs and expenses (including legal costs and expenses on a full indemnity basis) relating to the negotiation, preparation, execution, stamping and registration of this document; and
- (b) any duties and registration or other fees (including fines and penalties relating to such duties and fees) which are payable or are assessed by a relevant government body or other person to be payable in relation to this document or any transaction contemplated by it.

**7.3 Counterparts**

This document may consist of a number of counterparts and, if so, the counterparts taken together constitute one document.

**7.4 Entire understanding**

- (a) This document contains the entire understanding between the parties as to the subject matter of this document.

- (b) All previous negotiations, understandings, representations, warranties, memoranda or commitments concerning the subject matter of this document are merged in and superseded by this document and are of no effect. No party is liable to any other party in respect of those matters.
- (c) No oral explanation or information provided by any party to another:
  - (i) affects the meaning or interpretation of this document; or
  - (ii) constitutes any collateral agreement, warranty or understanding between any of the parties.

**7.5 Governing law and jurisdiction**

- (a) This document is governed by and is to be construed in accordance with the laws applicable in Victoria.
  - (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Victoria and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.
-

## Schedule 1

### Guarantors

Name	ACN	Particulars for delivery of notices
Reading Entertainment Australia Pty Ltd	070 693 908	Address: 98 York Street, South Melbourne VIC 3206 Australia Fax: 03 9065 0999 Attention: Managing Director, Wayne Smith AND TO: Reading International Inc. Address: 8100 Canler Drive, Suite 900 Los Angeles California 90045 United States of America Fax: +1 213 235 2229 Attention: Chief Financial Officer, Dev Ghose
Australia Country Cinemas Pty Ltd	070 270 349	Same as for Borrower
Australian Equipment Supply Pty Ltd	122 671 420	Same as for Borrower
Brewood Developments Pty Ltd	105 384 905	Same as for Borrower
Epping Cinemas Pty Ltd	073 997 172	Same as for Borrower
Hotel Newmarket Pty Ltd	094 367 969	Same as for Borrower
Newmarket Properties Pty Ltd	105 388 409	Same as for Borrower
Newmarket Properties No. 2 Pty Ltd	109 038 908	Same as for Borrower
Newmarket Properties #3 Pty Ltd	120 697 606	Same as for Borrower
Reading Auburn Pty Ltd	126 697 470	Same as for Borrower
Reading Australia Leasing (BKR) Pty Ltd	107 939 211	Same as for Borrower
Reading Belmont Pty Ltd	126 697 496	Same as for Borrower
Reading Bundaberg 2012 Pty Ltd	122 406 320	Same as for Borrower

Name	ACN	Participate in delivery of notices
(Formerly Reading Moore Ponds Pty Ltd)		
Reading Charlestown Pty Ltd	123 939 483	Same as for Borrower
Reading Cinemas Pty Ltd	073 608 643	Same as for Borrower
Reading Cinemas Management Pty Ltd	122 406 311	Same as for Borrower
Reading Colac Pty Ltd	106 861 081	Same as for Borrower
Reading Dandenong Pty Ltd	129 018 739	Same as for Borrower
Reading Elizabeth Pty Ltd	114 582 089	Same as for Borrower
Reading Exhibition Pty Ltd	103 629 782	Same as for Borrower
Reading Licences Pty Ltd	088 644 805	Same as for Borrower
Reading Malland Pty Ltd	128 037 401	Same as for Borrower
Reading Melton Pty Ltd	109 074 617	Same as for Borrower
Reading Properties Pty Ltd	071 195 429	Same as for Borrower
Reading Properties Indorocopy Pty Ltd as trustee for The Landplan Property Partners Discretionary Trust	121 284 864	Same as for Borrower
Reading Properties Tarlaga Pty Ltd as trustee for the Reading Property Partners No. 1 Discretionary Trust	126 618 483	Same as for Borrower
Reading Property Holdings Pty Ltd	126 299 772	Same as for Borrower
Reading Rouse Hill Pty Ltd	123 245 505	Same as for Borrower
Reading Sunbury Pty Limited	109 074 671	Same as for Borrower
Rhodes Peninsula Cinema Pty Ltd	120 627 612	Same as for Borrower
Westlakes Cinema Pty Ltd	106 531 308	Same as for Borrower
A.C.N. 143 833 096 Pty Ltd	143 633 096	Same as for Borrower



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## Annexure A

Restated Facility Agreement

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587 Collins Street Melbourne VIC 3000  
GPO Box 6925 Melbourne VIC 3001  
Tel +61 3 8672 3000  
Fax +61 3 8672 3010  
www.corrs.com.au

Sydney 7500 7500 7500 7500  
Fax 00

Annexure A - Restated Facility Agreement

National Australia Bank Limited

Reading Entertainment Australia Group

## Corporate Markets Loan & Bank Guarantee Facility Agreement

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#### Real Estate Segment operating income

Real estate segment operating income decreased by \$2.7 million or 28% , to \$6.8 million for 2015 compared to 2014, the decrease was primarily attributable to 11% lower revenue, which was primarily caused by unfavorable currency fluctuations. Total operating costs decreased by \$90,000, mainly due to savings caused by foreign currency exchange fluctuations , partially offset by increased legal costs due to the "STOMP" arbitration. See, "Item 3 – Legal Proceedings".

#### Revenue

Real estate revenue for 2015 decreased by 11%, or \$2.8 million, mainly due to an unfavorable currency fluctuations in our foreign operations.

#### Cost of services and products (excluding depreciation and amortization)

Cost of services and products for 2015 increased by 12%, or \$1.2 million. We had lower operating costs after the sale of our Burwood and Moore Park properties , and costs also benefited from the appreciation of the U.S. dollar against the New Zealand and the Australian dollars . However, these lower costs were more than offset by higher legal costs in our live theater business. The legal expenses relate to the costs (litigation and arbitration) associated with the prosecution of certain claims against the producers of STOMP, which is playing at our Orpheum theater . See, "Item 3 – Legal Proceedings".

#### Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2015 decreased by 25%, or \$1.3 million . Depreciation and amortization expense for the twelve-month period decreased by 23%, or \$954,000, mainly due to the appreciation of the U.S. dollar against the New Zealand and Australian dollars . General and administrative expense for 2015 decreased by 30%, or \$315,000, mainly attributable to lower consulting fees in 2015 , and the favorable impact from foreign exchange rate movements.

#### Business Segment Results - 2014 vs. 2013

(Dollars in thousands)	2014		2013		% Change Better/(Worse)	
	Cinema	Real Estate	Cinema	Real Estate	Cinema	Real Estate
Revenue	\$ 237,261	\$ 24,440	\$ 239,118	\$ 26,138	(1)%	(8)%
Segment expenses						
Cost of services and products (excluding depreciation and amortization)	(181,848)	(8,730)	(200,809)	(10,810)	27%	30%
Depreciation and amortization	(11,247)	(8,061)	(10,741)	(4,023)	(3)%	(1)%
General and administrative expense	(14,273)	(7,647)	(19,213)	(844)	(9)%	(86)%
Total segment expenses	(210,110)	(14,873)	(214,873)	(13,497)	2%	4%
Segment operating income	\$ 27,145	\$ 9,567	\$ 24,245	\$ 12,641	12%	(14)%

#### Cinema Exhibition - 2014 vs. 2013

(Dollars in thousands)		2014	% of Revenue	2013	% of Revenue	2014 vs. 2013 Fav/(Unfav)
United States	Admission revenue	\$ 83,197	66%	\$ 84,723	67%	(2)%
	Concessions revenue	11,940	28%	15,018	28%	(1)%
	Advertising and other revenue	6,902	6%	6,319	5%	6%
		\$ 102,039	100%	\$ 106,060	100%	\$ 4,021
Australia	Admission revenue	58,318	66%	61,741	68%	(6)%
	Concessions revenue	24,378	27%	34,812	38%	(11)%
	Advertising and other revenue	6,063	7%	5,611	6%	7%
		\$ 88,759	100%	\$ 102,164	100%	\$ 13,405

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Advertising and other revenue		1994		1993	
		\$	%	\$	%
Advertising and other revenue		21,648	100%	219,417	100%
Administrative revenue		1,265	6%	1,061	5%
Administrative revenue		5,675	26%	5,675	3%
Administrative revenue		15,008	69%	15,009	68%
		28,921	100%	236,153	100%
Cost of services and products (incl. depreciation and amortization)		1994		1993	
		\$	%	\$	%
United States		(6,147)	21%	(6,896)	3%
Cost of services and products (incl. depreciation and amortization)		(6,147)	21%	(6,896)	3%
Other operating expense		(1,017)	4%	(1,017)	0%
Advertising and other revenue		21,648	100%	219,417	100%
Administrative revenue		1,265	6%	1,061	5%
Administrative revenue		5,675	26%	5,675	3%
Administrative revenue		15,008	69%	15,009	68%
		28,921	100%	236,153	100%
New Zealand		1994		1993	
		\$	%	\$	%
Advertising and other revenue		21,648	100%	219,417	100%
Administrative revenue		1,265	6%	1,061	5%
Administrative revenue		5,675	26%	5,675	3%
Administrative revenue		15,008	69%	15,009	68%
		28,921	100%	236,153	100%
Other operating expense		1994		1993	
		\$	%	\$	%
Advertising and other revenue		21,648	100%	219,417	100%
Administrative revenue		1,265	6%	1,061	5%
Administrative revenue		5,675	26%	5,675	3%
Administrative revenue		15,008	69%	15,009	68%
		28,921	100%	236,153	100%
United States		1994		1993	
		\$	%	\$	%
Advertising and other revenue		21,648	100%	219,417	100%
Administrative revenue		1,265	6%	1,061	5%
Administrative revenue		5,675	26%	5,675	3%
Administrative revenue		15,008	69%	15,009	68%
		28,921	100%	236,153	100%
Other operating expense		1994		1993	
		\$	%	\$	%
Advertising and other revenue		21,648	100%	219,417	100%
Administrative revenue		1,265	6%	1,061	5%
Administrative revenue		5,675	26%	5,675	3%
Administrative revenue		15,008	69%	15,009	68%
		28,921	100%	236,153	100%
Total operating income		1994		1993	
		\$	%	\$	%
Advertising and other revenue		21,648	100%	219,417	100%
Administrative revenue		1,265	6%	1,061	5%
Administrative revenue		5,675	26%	5,675	3%
Administrative revenue		15,008	69%	15,009	68%
		28,921	100%	236,153	100%



#### *Cinema segment operating income*

Cinema segment operating income decreased by 11%, or \$2.8 million, to \$27.3 million for 2014 compared to 2013, primarily driven by 2% lower operating expense. Refer below for further detailed explanation.

#### *Revenue*

Cinema revenue for 2014 decreased by \$1.6 million or 0.7% when compared to 2013, primarily attributable to higher ticket prices in Australia and New Zealand, more than offset by the unfavorable impact from foreign exchange movements. Comparing the twelve months of 2014 to the twelve months of 2013, the Australian dollar weakened by 6.8% in 2014 from 2013 while the New Zealand dollar strengthened against the U.S. dollar by 1.2%.

The revenue in the United States for 2014 decreased \$602,000, or 0%. This decrease was partially driven by a reduction in box office revenue of \$1.5 million, in turn driven by an 82,000 admissions reduction, together with a 1.0% reduction in average ticket price, offset by increased concession and café revenues of approximately \$524,000. Revenue in Australia decreased by \$2.9 million or 3.2%. This decrease was primarily due to the strengthening of the U.S. dollar against the Australian dollar in 2014. Local currency box office was consistent with 2013, with a decrease in average ticket price of 4.5% being offset by increased ticket sales of 4.5%. Excluding currency effects, concession revenue was up 7.6%, reflecting increased admission volume and spend per adult. Revenue in New Zealand increased by \$2.0 million or 9.1%. Attendance increased by 18,000 or 5.1%. The majority of this increase was achieved through the opening of our Dunedin cinema. The attendance increase more than offset the local currency reduction in average ticket price of 1.8%. Concession revenue increased by \$879,000 due to the combined positive effect of increased admission volumes, improved spend per patron, and a positive U.S. dollar to NZ dollar exchange rate movement.

#### *Cost of services and products (excluding depreciation and amortization)*

Cost of services and products for 2014 decreased by \$5.0 million or 2%, mainly attributable to foreign currency movements. Cost of services and products in the United States increased by \$1.3 million or 1.2%, primarily related to a \$773,000 decrease in film rent and advertising, together with a decrease of \$280,000 in occupancy related costs, offset by an increase of \$2.1 million in other operating expense, which includes not only increases in labor related costs but also increases in insurance and utilities. Cost of services and products in Australia decreased by \$7.0 million or 9.4%. As with revenue, a significant contributor to the decrease was the strengthening of the U.S. dollar against the Australian dollar in 2014. Film rental costs were also lower due to a lower film rental percentage being achieved. Other operating costs were reduced by \$3.2 million or 14.4%, with many incremental cost improvements, most notably a reduction in marketing costs. Cost of services and products in New Zealand increased by \$743,000 or 4.1%. 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.

Cost of services and products as a percentage of gross revenue improved by 2% to 82%, mainly attributable to the percentage of fixed costs compared to the increases in our revenue streams.

#### *Depreciation, amortization, general and administrative expense*

Depreciation expense increased in 2014 by \$306,000 or 2.8% compared to 2013. This primarily related to digital projection assets receiving their first full year of depreciation in 2014 in Australia and New Zealand.

(Dollars in thousands)		2014	% of Revenue	2013	% of Revenue	2014 vs. 2013 Pct / (Unlvt)
<b>REVENUE</b>						
United States	Live theater rental and auxiliary income	\$ 3,343	63 %	\$ 3,500	67 %	(1) %
	Property rental income	1,232	23 %	1,022	20 %	21 %
Australia	Property rental income	\$ 5,139	100 %	\$ 5,193	100 %	(1) %
	Property rental income	15,464	100 %	14,642	100 %	8 %
New Zealand	Property rental income	\$ 5,917	100 %	\$ 6,049	100 %	(1) %
Total revenue		\$ 24,541	100 %	\$ 26,456	100 %	(8) %
<b>OPERATING EXPENSE</b>						
Cost of services components (incl. depreciation and amortization)						
United States	Live theater cost	\$ (1,177)	(21) %	\$ (1,514)	(29) %	(1) %
	Property cost	2	0 %	(112)	(2) %	31 %
	Occupancy expense	(934)	(19) %	(940)	(18) %	(3) %
Australia	Property cost	(2,229)	(43) %	(2,302)	(44) %	6 %
	Occupancy expense	(2,229)	(43) %	(2,229)	(43) %	0 %
New Zealand	Property cost	\$ (4,063)	(68) %	\$ (5,591)	(92) %	13 %
	Occupancy expense	(1,399)	(23) %	(1,585)	(26) %	8 %
	Occupancy expense	(845)	(14) %	(809)	(13) %	(3) %
	Occupancy expense	(2,443)	(40) %	(2,443)	(40) %	0 %
Total cost of services and products (incl. depreciation and amortization)		\$ (8,770)	(36) %	\$ (10,830)	(41) %	10 %
Depreciation, amortization, and general and administrative expense						
United States	Depreciation and amortization	\$ (327)	(6) %	\$ (314)	(6) %	(4) %
	General and administrative expense	(14)	0 %	(23)	(2) %	36 %
	General and administrative expense	(341)	(7) %	(381)	(7) %	10 %
Australia	Depreciation and amortization	(6,380)	(26) %	(7,032)	(26) %	(10) %
	General and administrative expense	(723)	(3) %	(723)	(3) %	(5) %
	General and administrative expense	(1,559)	(6) %	(1,621)	(6) %	(10) %
New Zealand	Depreciation and amortization	(949)	(16) %	(1,014)	(16) %	12 %
	General and administrative expense	(183)	(3) %	(150)	(2) %	(10) %
	General and administrative expense	(1,694)	(28) %	(1,834)	(28) %	11 %
Total depreciation, amortization, and general and administrative expense		\$ (10,333)	(42) %	\$ (14,602)	(55) %	(16) %
Total operating expense		\$ (19,103)	(78) %	\$ (25,432)	(96) %	4 %
<b>OPERATING INCOME</b>						
United States		\$ 2,224	43 %	\$ 1,975	38 %	13 %
Australia		3,183	38 %	3,161	38 %	(0) %
New Zealand		2,003	37 %	3,223	47 %	(6) %
Total operating income		\$ 9,415	39 %	\$ 10,009	41 %	(14) %

#### Real Estate segment operating income

Real estate segment operating income decreased by \$ 1.5 million or 14% , to \$ 9.5 million for 2014 compared to 2013 , primarily attributable to 8 % lower revenues, partially offset by 4 % lower operating expense . Refer below for further explanation.

#### Revenue

Real estate revenue decreased by \$2.1 million or 8.0% , compared to 2013 , this primarily due to the closure of the Courtenay Central car park building in Wellington, New Zealand. The car park building re-opened in November 2014.

#### Cost of services and products

Cost of services and products for the real estate segment decreased by \$1.1 million or 10 % , compared to 2013 . The main reduction in real estate operating expense was achieved in Australia and was as a result of the sale of our Bluewood property, which led to significantly reduced property taxes compared to 2013 .

#### Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2014 increased by \$436,000 or 9% . This was primarily driven by general and administrative costs increasing by \$ 446 ,000 in Australia , due mainly to personnel changes in the Australian real estate department .

### BUSINESS PLAN, LIQUIDITY AND CAPITAL RESOURCES

#### Business plan

Our cinema exhibition business plan is to enhance our current cinemas where it is financially viable to do so; develop our specialty cinemas in select markets ; expand our food and beverage offering and; continue on an opportunistic basis, to identify, develop, and acquire cinema properties that allow us to leverage our cinema expertise and technology over a larger operating base.

Our real estate business plan, given the substantial increase in residential rents and commercial real estate values in recent periods, is to progress the redevelopment of our Union Square and Cinemas 1,2,3 properties in the US; to build-out our Newmarket and Auburn sites in Australia as well as our Courtenay Central site in New Zealand; and to continue to be sensitive to opportunities to convert our entertainment assets to higher and better uses, or, where appropriate, to dispose of such assets.

We will also continue to investigate potential synergistic acquisitions that may not readily fall into either our cinema or real estate segment .

#### Liquidity and capital resources

Liquidity risk is the risk relating to our ability to meet our financial obligations when they come due. In today's environment, our financial obligations arise mainly from capital expenditure needs , working capital requirements , and debt servicing requirements . We manage the liquidity risk by ensuring our ability to generate sufficient cash flows from operating activities and to obtain adequate, reasonable financing and/or to convert non-performing or non-strategic assets into cash.

The change in cash and cash equivalents is as follows:

(Dollars in thousands)	2015	2014	2013	% Change	
				2015 vs. 2014	2014 vs. 2013
Net cash provided by operating activities	\$ 14,576	\$ 38,343	\$ 25,183	3 %	13 %
Net cash used in investing activities	(29,710)	(9,898)	(6,342)	> 100%	61 %
Net cash provided by financing activities	(87,581)	(5,377)	(77,273)	> 100%	(83) %
Impact of exchange rate on cash	(1,449)	(2,618)	(2,101)	(45) %	25 %
Net change in cash and cash equivalents	\$ (10,364)	\$ 2,450	\$ (13)	> 100%	> 100%

#### *Operating activities*

**2015 vs. 2014:** Cash provided by operating activities for 2015 increased by \$ 231,000 or 1 % , to \$28.6 million, primarily driven by a \$ 6.2 million change in operating assets and liabilities, partially offset by a \$6 . 0 million decrease in operational cash flows.

**2014 vs. 2013:** Cash provided by operating activities for 2014 increased by \$3.2 million or 13% , to \$28.3 million, primarily driven by an increase of \$2.3 million increase in operational cash flows and a \$300,000 change in operating assets and liabilities.

#### *Investing activities*

In 2015, the \$29.7 million of cash used by investing activities was mainly related to the \$53.1 million spent on fixed assets , which included the \$2.43 million (AU\$33.6 million) purchase of the two Cannon Fack centers in Queensland, Australia , as well as enhancements to our existing properties, offset by \$21.9 million dollars received from the sale of the Moonee Ponds properties, the Los Angeles condo and the Lake Taupo sites.

The \$9.9 million of cash used by investing activities in 2014 was primarily related to \$14.9 million in property enhancements to our existing properties, partially offset by the \$ 5.4 million deposit from the sale of our Burwood property.

#### *Financing activities*

The \$2.8 million of cash used in financing activities in 2015 was primarily due to a repayment of debt in the amount of \$24.7 million , as well as \$3.1 million used in our stock buyback program and \$201,000 as part of share option transactions .

In 2014, the \$3.2 million cash used in financing activities was primarily due to a \$4.1 million used in our stock buyback program, offset by \$1.0 million of proceeds from the exercising of employee stock options.

#### **Future liquidity and capital resources**

We manage our cash, investments and capital structure so we are able to meet the short-term and long-term obligations of our business, while maintaining financial flexibility and liquidity. We forecast, analyze and monitor our cash flows to enable investment and financing within the overall constraints of our financial strategy.

At December 31, 2015, our consolidated cash and cash equivalents totaled \$19.7 million. Of this amount, \$6.8 million and \$3 . 6 million were held by our Australian and New Zealand subsidiaries, respectively. Our intention is to reinvest indefinitely Australian earnings but not reinvest indefinitely New Zealand earnings. If the Australian earnings were used to fund U.S. operations, they would be subject to additional income taxes upon repatriation.

Our working capital deficiency increased from \$15.1 million at December 2014 to \$3 8.5 million at December 2015 . This was due to a \$30.5 million reduction in cash primarily due to surplus cash being used to pay down long term debt. This was partially offset by a reduction in short term debt due to the refinancing of the Westpac Corporate Credit facility and the Union Square loan, which is no longer current.

We have historically funded our working capital requirements, capital expenditures and investments in individual properties primarily from a combination of internally generated cash flows and debt . The Company had \$59.9 million unused capacity of available corporate credit facilities at December 31, 2015. In addition, we have \$6.0 million and \$10.3 million unused capacity for certain Cinema 1,2,3 uses and construction funding for New Zealand, respectively.

We expect to refinance the \$15.0 million Cinema 1,2,3 Term Loan prior to its maturity date of July 1, 2016.

## CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

The following table provides information with respect to the maturities and scheduled principal repayments of our recorded contractual obligations as of December 31, 2015:

(Dollars in thousands)	2016	2017	2018	2019	2020	Thereafter	Total
Notes payable	\$ 15,000	\$ 10,000	\$ 20,194	\$ 26,344	\$ —	\$ —	\$ 71,538
Subordinated debt	—	—	—	—	—	27,913	27,913
Payable to customers	4,588	444	684	486	84	1,507	7,713
Lease obligations	50,117	29,998	26,087	23,374	16,712	122,129	248,417
Contractual support to debt <sup>(1)</sup>	6,532	4,918	3,029	2,699	1,196	3,778	25,262
Total	\$ 76,237	\$ 45,412	\$ 50,994	\$ 53,044	\$ 18,292	\$ 163,317	\$ 411,117

(1) Estimated interest on debt is based on the anticipated loan balances for future periods and current applicable interest rates.

### Litigation

We are currently involved in certain legal proceedings and, as required, have accrued estimates of probable and estimable losses for the resolution of these claims.

Where we are the plaintiffs, we expense all legal fees on an on-going basis and make no provision for any potential settlement amounts until received. In Australia, the prevailing party is usually entitled to recover its attorneys' fees, which recoveries typically work out to be approximately 60% of the sums actually spent where first-class legal counsel is engaged at customary rates. Where we are a plaintiff, we have likewise made no provision for the liability for the defendant's attorneys' fees in the event we are determined not to be the prevailing party.

Where we are the defendants, we accrue for probable damages that insurance may not cover as they become known and can be reasonably estimated. In our opinion, any claims and litigation in which we are currently involved are not reasonably likely to have a material adverse effect on our business, results of operations, financial position, or liquidity. It is possible, however, that future results of the operations for any particular quarterly or annual period could be materially affected by the ultimate outcome of the legal proceedings. Please refer to Item 3 – Legal Proceedings in this report for more information.

### Off-Balance Sheet Arrangements

There are no off-balance sheet 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

### Currency and Interest rate risk

The Company's objective in managing exposure to foreign currency and interest rate fluctuations is to reduce volatility of earnings and cash flows in order to allow management to focus on core business issues and challenges.

We currently manage our currency exposure by creating, whenever possible, natural hedges in Australia and New Zealand. This involves local currency sourcing of goods and services, as well as borrowing in local currencies to match revenues and expenses. Since we intend to conduct business on a self-funding basis, (except for funds used to pay an appropriate share of our U.S. corporate overhead), we do not believe that currency fluctuations present a material risk to the Company. As such, we do not use derivative financial instruments to hedge against the risk of foreign currency exposure.

Our U.S. operations are funded in part by the operational results of Australia and New Zealand, and fluctuations in these foreign currencies affect such funding. As we continue to progress with our acquisition and development activities in Australia and New Zealand, the effect of variations in currency values will likely increase.

Our exposure to interest rate risk arises out of our long-term floating-rate borrowings. To manage the risk, we utilize interest rate derivative contracts to convert certain floating-rate borrowings into fixed-rate borrowings. It is the Company's policy to enter into interest rate derivative transactions only to the extent considered necessary to meet its objectives as stated above. The Company does not enter into these transactions or any other hedging transactions for speculative purposes.

#### 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, we have managed the effects of inflation appropriately, and, as a result, it has not had a material impact on our operations and the resulting financial position or liquidity.

#### Accounting Pronouncements Adopted and Issued During 2015

Please see Note 2 – *Summary of Significant Accounting Policies – Accounting Pronouncements Adopted and Issued During 2015* to our consolidated financial statements for information regarding new accounting pronouncements adopted and issued in 2015.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, require significant judgments and estimates on the part of management. For a summary of our significant accounting policies, including the accounting policies discussed below, see Note 2 to the consolidated financial statements.

#### 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 US GAAP, 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 long-lived assets using historical and projected data of cash flow as our primary indicator of potential impairment, and we also 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. No impairment losses were recorded for the years ended December 31, 2015, 2014 or 2013.

Pursuant to US GAAP, 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 present value. The most significant assumptions include our estimated future cash flow, 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, 2015, 2014, and 2013.

#### Tax valuation allowances 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, 2015, we had recorded approximately \$37.1 million of deferred tax assets (net of \$13.4 million deferred tax liabilities) 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 \$11.5 million resulting in a net deferred tax asset of \$25.6 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 contamination. 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.

All of these matters require that we make judgments based on the facts known to us. These judgments are inherently uncertain and can change significantly when additional facts become known. We provide accruals for matters that are either probable or reasonably possible and can be properly estimated as to their expected negative outcome. We do not record expected gains until the proceeds are received by us.

**Item 7A – Quantitative and Qualitative 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; and
- 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, 2015, approximately 46% and 19% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately \$10.4 million in cash and cash equivalents. At December 31, 2014, approximately 44% and 21% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately \$40.1 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenues and expenses, whenever possible, in local currencies. As a result, we have procured in local currencies a majority of our expenses in Australia and New Zealand. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating and interest expenses. Despite this natural hedge, recent movements in foreign currencies have had an effect on our current earnings. Although foreign currency has had an effect on our current earnings, the effect of the translation adjustment on our assets and liabilities noted in our other comprehensive income was a decrease of \$16.5 million for the year ended December 31, 2015. 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 negligible in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our long-term assets 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, and as a result of our issuance of fully subordinated Trust Preferred Securities in 2007, and their subsequent partial repayment, approximately 75% and 52% of our Australian and New Zealand assets, 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 \$13.0 million and \$3.7 million, respectively, and the change in our net income for the year would be \$1.9 million and \$102,000, respectively. Presently, we have no plan to hedge such exposure.

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 \$14.6 million and \$31.1 million as of December 31, 2015 and 2014, 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.

We have a combination of fixed and variable interest rate loans. In connection with our variable interest rate loans, a change of approximately 1% in short-term interest rates would have resulted in approximately \$658,000 increase or decrease in our 2015 interest expense.



**Item 8 – Financial Statements and Supplementary Data**

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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, 2015 and 2014, 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, 2015. Our audits of the basic 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 and financial statement schedule 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, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 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 basic consolidated financial statements taken as a whole, presents 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, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 29, 2016 expressed an adverse opinion.

/s/ GRANT THORNTON LLP  
Los Angeles, California  
April 29, 2016

Reading International, Inc. and Subsidiaries  
Consolidated Balance Sheets as of December 31, 2015 and 2014  
(U.S. dollars in thousands, except share data)

	December 31, 2015	December 31, 2014 (1)
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 15,303	\$ 40,290
Receivables	10,036	11,348
Prepaid expenses	1,022	1,010
Investment in marketable securities	51	54
Investment in non-marketable securities	167	1,435
Prepaid and other current assets	5,429	3,426
Total current assets	36,991	77,631
Operating property, net	210,299	186,889
Investment in non-marketable securities	31,900	38,988
Investment in development property, net	23,002	26,124
Investment in non-marketable securities	5,370	6,399
Investment in Reading International Trust I	838	838
Investment in non-marketable securities	18,915	21,281
Investment in non-marketable securities	9,889	11,486
Investment in non-marketable securities	25,649	22,987
Other assets	6,313	6,313
Total assets	\$ 775,001	\$ 807,586
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 23,639	\$ 19,619
Film rent payable	9,291	8,318
Other current liabilities	13,000	38,101
Taxes payable	5,275	4,593
Deferred current revenue	14,291	14,291
Other current liabilities	7,640	6,969
Total current liabilities	73,431	98,700
Long-term debt	88,818	98,818
Subordinated debt	21,913	21,913
Noncurrent tax liabilities	16,497	11,941
Other liabilities	30,062	33,451
Total liabilities	221,805	265,286
<b>Commitments and contingencies (Note 12)</b>		
Stockholders' Equity:		
Class A non-voting common stock, par value \$0.01, 100,000,000 shares authorized, 21,741,286 issued and outstanding at December 31, 2015 and 22,117,000 issued and outstanding at December 31, 2014	229	228
Class B non-voting common stock, par value \$0.01, 20,000,000 shares authorized, 1,680,290 issued and outstanding at December 31, 2015 and 1,495,499 issued and outstanding at December 31, 2014	19	19
Nonvoting preferred stock, par value \$0.01, 12,000 shares authorized and no issued		
28 outstanding shares at December 31, 2015 and 2014		

Additional paid-in capital	145,815	140,237
Accumulated deficit	(5,476)	(3,491)
Treasury shares	(13,524)	(8,482)
Accumulated other comprehensive income	(1,808)	26,092
Total Reading International, Inc. stockholders' equity	132,865	127,696
Noncontrolling interest	4,322	4,612
Total stockholders' equity	137,187	132,308
Total liabilities and stockholders' equity	\$ 375,691	\$ 401,686

See accompanying notes to consolidated financial statements.

\* Certain prior period amounts have been reclassified to conform to the current period presentation (see Note 2 - *Significant Accounting Policies - Reclassifications*).

Reading International, Inc. and Subsidiaries  
Consolidated Statements of Operations for the Three Years Ended December 31, 2015  
(U.S. dollars in thousands, except share and per share data)

	2015	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>
Revenue:			
Cinema	\$ 242,281	\$ 237,861	\$ 239,418
Media sales	15,042	16,987	18,803
Total revenue	257,323	254,848	258,221
Costs and expenses:			
Cinema	(190,087)	(188,435)	(191,206)
Corporate	(10,848)	(9,770)	(10,810)
Net assets	(14,567)	(15,408)	(15,197)
Depreciation and amortization	(15,653)	(18,207)	(18,093)
General and administrative	(234,169)	(232,575)	(237,286)
Total costs and expenses	75,194	73,173	70,492
Operating income	1,368	662	407
Interest income	(8,543)	(8,693)	(10,449)
Interest expense	11,023	25	(56)
Net gain (loss) on sale of assets	(540)	1,364	1,876
Other income (expense)			
Income before income taxes and equity earnings of unconsolidated joint ventures and entities	26,433	14,844	12,718
Equity earnings of unconsolidated joint ventures and entities	1,248	1,015	1,360
Income before income taxes	27,681	15,859	14,078
Income tax benefit (expense)	(4,943)	5,785	(4,942)
Net income	\$ 22,694	\$ 21,644	\$ 9,145
Less: Net income (loss) attributable to unconsolidated joint ventures	(79)	(57)	(184)
Net income attributable to Reading International, Inc. common shareholders	\$ 22,773	\$ 21,701	\$ 9,041
Basic income per share attributable to Reading International, Inc. shareholders	\$ 0.28	\$ 1.10	\$ 0.39
Diluted income per share attributable to Reading International, Inc. shareholders	\$ 0.27	\$ 1.08	\$ 0.38
Weighted average number of shares outstanding - basic	23,455,618	23,745,221	23,448,003
Weighted average number of shares outstanding - diluted	23,455,618	23,745,221	23,520,271

See accompanying notes to consolidated financial statements.

<sup>(1)</sup> Certain prior period amounts have been restated to conform to the current period presentation (see Note 2 - Significant Accounting Policies - Reclassifications).

Reading International, Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2015  
(U.S. dollars in thousands)

	2015	2014 <sup>(1)</sup>	2013
Net income	\$ 25,074	\$ 11,664	\$ 9,145
Cumulative foreign currency adjustment	(16,488)	(14,285)	(19,368)
Unrealized increase on available-for-sale investments	—	—	—
Accrued pension service benefit (cost)	207	738	(293)
Comprehensive income (loss)	\$ 6,793	\$ 8,117	\$ (10,516)
Less: Net income (loss) attributable to noncontrolling interests	(19)	(57)	104
Less: Comprehensive income (loss) attributable to noncontrolling interests	(46)	(43)	(107)
Comprehensive income (loss) attributable to Reading International, Inc.	\$ 6,548	\$ 7,225	\$ (10,813)

See accompanying notes to consolidated financial statements.

<sup>(1)</sup> Certain prior period amounts have been restated to conform to the current period presentation (see Note 2 - *Significant Accounting Policies - Reclassifications*).

Reading International, Inc. and Subsidiaries  
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2015  
(In thousands)

	Common Stock				Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Reading International Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
	Class A Shares	Class A Per Share	Class B Shares	Class B Per Share							
At December 31, 2012	21,888	\$	22	\$ 2.485	\$	\$ 136,214	\$ (27,991)	\$ (4,215)	\$ 104,018	\$ 1,029	\$ 105,047
Net income	—	—	—	—	—	841	—	—	841	184	1,025
Other comprehensive income	—	—	—	—	—	—	—	(17,854)	(17,854)	—	(17,854)
Stock repurchases and restricted stock compensation expense	—	—	2	—	—	348	—	—	348	—	348
Issued warrants of \$0.01 for the exercise of common stock	—	—	—	—	—	—	—	—	—	—	—
Class A common stock issued for stock issuances and options exercised	788	—	—	—	—	748	—	—	748	—	748
Conversion of preferred stock to common	—	—	—	—	—	(841)	—	—	—	(184)	(1025)
Contributions from noncontrolling shareholders	—	—	—	—	—	—	—	—	—	2,518	2,518
Readjustment to noncontrolling shareholders	—	—	—	—	—	—	—	—	—	(2,102)	(2,102)
At December 31, 2013	22,676	\$	22	\$ 1.495	\$	\$ 137,849	\$ (27,970)	\$ (4,215)	\$ 101,659	\$ 1,447	\$ 103,106
Net income	—	—	—	—	—	—	—	—	—	2,518	2,518
Other comprehensive loss	—	—	—	—	—	—	—	(13,416)	(13,416)	(41)	(13,457)
Stock repurchases and restricted stock compensation expense	—	—	—	—	—	(4,119)	—	—	(4,119)	—	(4,119)
Stock repurchases plan	(132)	—	—	—	—	—	—	(8,819)	(8,819)	—	(8,819)
Class A common stock issued for stock issuances and options exercised	241	—	—	—	—	198	—	—	198	—	198
Contributions from noncontrolling shareholders	—	—	—	—	—	—	—	—	—	322	322
Readjustment to noncontrolling shareholders	—	—	—	—	—	—	—	—	—	(284)	(284)
At December 31, 2014	22,544	\$	22	\$ 1.495	\$	\$ 146,237	\$ (27,970)	\$ (13,234)	\$ 102,863	\$ 1,426	\$ 104,289
Net income (loss)	—	—	—	—	—	—	—	—	—	(16)	(16)
Other comprehensive loss	—	—	—	—	—	—	—	(8,833)	(8,833)	(41)	(8,874)
Stock repurchases and restricted stock compensation expense	—	—	—	—	—	(4,119)	—	—	(4,119)	—	(4,119)
Stock repurchases plan	(240)	—	—	—	—	—	—	(8,119)	(8,119)	—	(8,119)
Class A common stock issued for stock issuances and options exercised	231	—	—	—	—	495	—	—	495	—	495
In kind exchange of cash for the exercise of options not used	891	—	183	—	1,434	—	—	(8,819)	(7,385)	—	(7,385)
Contributions from noncontrolling shareholders	—	—	—	—	—	—	—	—	—	(173)	(173)
At December 31, 2015	23,426	\$	22	\$ 1.495	\$	\$ 142,817	\$ (27,970)	\$ (13,234)	\$ 98,623	\$ 1,272	\$ 99,895

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2015  
(U.S. dollars in thousands)

	2015	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>
<b>Operating Activities</b>			
Net income	\$ 22,694	\$ 25,644	\$ 9,145
Adjustments to reconcile net income to net cash provided by operating activities:			
Foreign currency transactions	—	—	(415)
Depreciation of consolidated joint ventures and entities	(3,294)	(3,018)	(3,399)
Distributions of earnings from unconsolidated joint ventures and entities	1,074	857	1,095
Gain from sale of assets	(11,043)	(25)	—
Gain on cinema acquisition and settlement	—	—	(1,359)
Change in net deferred tax assets	(4,067)	(4,403)	—
Depreciation and amortization	14,582	15,468	15,197
Other amortization	895	2,011	2,001
Stock based compensation expense	1,438	1,413	950
Net change in:			
Receivables	620	(2,753)	281
Prepaid and other assets	(2,310)	(2,092)	(110)
Accounts payable and accrued expenses	6,419	148	556
Payable to related parties	387	311	(13)
Taxes payable	(631)	(4,743)	(3,254)
Deferred revenue and other liabilities	(2,651)	2,617	(270)
Net cash provided by operating activities	28,574	26,343	25,183
<b>Investing Activities</b>			
Cash received from cinema acquisition	—	—	1,394
Acquisition of and contributions to existing property	(13,110)	(14,945)	(10,400)
Change in restricted cash	1,292	(614)	1,409
Proceeds from sales of property	218	218	395
Distributions of investments in unconsolidated joint ventures and entities	31,895	3,482	—
Proceeds from sale of property	—	—	8,000
Proceeds from time deposits	(28,140)	(19,806)	(6,142)
Net cash used in investing activities	(4,945)	(31,070)	(10,444)
<b>Financing Activities</b>			
Repayment of long-term debt	(10,500)	8,173	12,500
Proceeds from borrowings	(248)	(1,310)	(461)
Capitalized borrowing costs	(3,310)	(4,070)	—
Repurchase of Class A Nonvoting Common Stock	482	978	248
Proceeds from the exercise of stock options	17	327	263
Noncontrolling interest contributions	(173)	(223)	(2,164)
Noncontrolling interest distributions	(7,961)	(3,275)	(17,775)
Net cash used in financing activities	(11,442)	(10,130)	(17,389)
Effect of exchange rate on cash	(10,546)	12,532	(815)
Increase (decrease) in cash and cash equivalents	\$ 1,481	\$ 2,670	\$ 6,535
Cash and cash equivalents at the beginning of the period	\$ 15,702	\$ 50,248	\$ 17,666
<b>Supplemental Disclosures</b>			
Interest paid	\$ 9,023	\$ 9,504	\$ 6,933
Income taxes paid, net	\$ 6,953	\$ 6,107	\$ 6,000
<b>Non-Cash Transactions</b>			
Leasehold improvements	\$ 1,314	\$ 4,241	\$ 2,250
Contribution from noncontrolling shareholder in exchange for debt reduction - related party	—	—	101
Conversion of noncontrolling interest to equity	—	—	301
In-kind exchange of stock for the exercise of options, net	1,833	—	—

See accompanying notes to consolidated financial statements.

<sup>(1)</sup> Certain prior period amounts have been reclassified to conform to the current period presentation (see Note 2 - Significant Accounting Policies - Reclassifications).



NOTE 1 - Description of Business and Segment Reporting

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, 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:

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

Reported below are the operating segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer. In addition to the cinema exhibition and real estate activities, we have acquired, and continue to hold, raw land in urban and suburban centers in Australia, New Zealand, and the United States as part of our real estate activities.

The tables below summarize the results of operations for each of our business segments. Operating expense includes costs associated with the day-to-day operations of the cinemas and the management of rental properties, including our live theater assets.

(Dollars in thousands)	2015			2014			2013		
	Cinema	Real Estate	Total	Cinema	Real Estate	Total	Cinema	Real Estate	Total
Revenue	\$ 496.23	\$ 21.10	\$ 517.33	\$ 594.61	\$ 24.44	\$ 619.05	\$ 554.18	\$ 24.56	\$ 578.74
Inter-segment elimination <sup>(a)</sup>	-	-	(6.17)	-	-	(7.61)	-	-	(7.63)
Total revenue	496.23	21.10	517.33	594.61	24.44	619.05	554.18	24.56	578.74
Operating expense									
Cost of services and products (including depreciation and amortization)	(376,345)	(16,548)	(392,893)	(431,480)	(9,232)	(440,712)	(370,265)	(10,830)	(381,095)
Inter-segment elimination <sup>(a)</sup>	-	-	6.57	-	-	7.61	-	-	7.63
Total cost of services and products	(376,345)	(16,548)	(392,893)	(431,480)	(9,232)	(440,712)	(370,265)	(10,830)	(381,095)
Depreciation and amortization	(1,161)	(3,107)	(4,268)	(1,047)	(4,861)	(5,908)	(10,741)	(4,023)	(14,764)
General and administrative expense	(5,000)	(77.8)	(5,077.8)	(12,413)	(1,962)	(14,375)	(6,273)	(444)	(6,717)
Total operating expense	(210,709)	(14,733)	(225,442)	(210,318)	(14,873)	(225,191)	(214,873)	(15,497)	(230,370)
Segment operating income	\$ 279.88	\$ 6.36	\$ 286.24	\$ 163.13	\$ 14.21	\$ 177.34	\$ 183.91	\$ 9.07	\$ 192.98

<sup>(a)</sup> Inter-segment eliminations relates to the internal charge between the two segments where the cinema operates within real estate owned within the group.

A reconciliation of segment operating income to income before income taxes is as follows:

(Dollars in thousands)	2015	2014	2013
Segment operating income	\$ 35,372	\$ 34,418	\$ 35,404
Unallocated corporate expense:			
Depreciation and amortization expense	(144)	(140)	(143)
General and administrative expense	(14,824)	(14,293)	(14,130)
Interest expense, net	(7,901)	(8,000)	(8,030)
Equity earnings of unconsolidated joint ventures and entities	1,204	1,015	1,169
Gain (loss) on sale of assets	33,463	2	(39)
Other income (expense)	(440)	1,646	1,874
Income before income taxes	\$ 23,820	\$ 15,482	\$ 14,002

Assuming cash and cash equivalents are accounted for as corporate assets, total assets by business segment and by country are presented as follows:

(Dollars in thousands)	December 31, 2015	December 31, 2014	December 31, 2013
By region:			
China	\$ 107,808	\$ 107,695	\$ 120,709
Europe	819,833	813,711	878,914
Rest of Asia	47,478	74,114	30,172
Corporate*	375,091	401,586	386,807
Total assets	\$ 1,349,210	\$ 1,397,106	\$ 1,416,602
By country:			
United States	\$ 731,863	\$ 748,798	\$ 780,677
Australia	170,227	178,209	196,029
Rest of World	442,899	469,999	439,896
Total assets	\$ 1,344,990	\$ 1,396,906	\$ 1,416,502

\*Includes cash and cash equivalents of \$19.7 million, \$50.2 million, and \$37.7 million for the years ended December 31, 2015, 2014, and 2013, respectively.

The following table sets forth our operating properties by country:

(Dollars in thousands)	December 31, 2015	December 31, 2014	December 31, 2013
Australia	\$ 106,963	\$ 117,116	\$ 110,040
New Zealand	36,524	19,800	34,319
United States	105,751	72,273	28,101
Total operating property	\$ 249,238	\$ 209,189	\$ 172,460

The table below summarizes capital expenditures for the three years ended December 31, 2015:

(Dollars in thousands)	2015	2014	2013
Property capital expenditures	\$ 12,989	\$ 14,310	\$ 19,918
Corporate capital expenditures	110	604	172
Total capital expenditures	\$ 13,099	\$ 14,914	\$ 20,090

## NOTE 2 – Summary of Significant Accounting Policies

### Significant Accounting Policies

#### Basis of Consolidation

The consolidated financial statements of RDC and its wholly-owned subsidiaries include the accounts of RDGE, CRG, and CDL. Also consolidated are Australia Country Cinemas Pty. Limited, a company in which we own a 75% interest and whose only assets are our leasehold cinemas in Townsville and Dubbo, Australia, Station 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 Paving, LLC in which we own a 50% controlling membership interest and whose only asset is a 202-acre land parcel in Chubbuck, California.

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 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.

#### Accounting Principles

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

#### Reclassifications

Certain reclassifications have been made in the 2014 and 2013 financial statements and notes to conform to the 2015 presentation. These changes include combining certain long-term debt items in the 2014 consolidated balance sheet, changing the line item presentation of "Equity earnings of unconsolidated joint ventures and entities" in the 2014 and 2013 consolidated statements of operations, reclassifying certain amounts in the 2014 consolidated statement of comprehensive income, reclassifying certain current deferred tax balances (see *Accounting Pronouncements Adopted and Issued During 2015*) and combining certain amortization items in the 2014 and 2013 consolidated statements of cash flows. These changes had no impact on our 2014 financial position, or our 2014 and 2013 results of operations and cash flows as previously reported.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and footnotes thereto. Significant estimates include projections we make regarding the recoverability of our assets, valuations of our interest swaps and the recoverability of our deferred tax assets. Actual results may differ from those estimates.

#### 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.

#### 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 refund receivable from our Australian taxing authorities and the management fee receivable from the managed cinemas and property damage insurance recovery proceeds. We have no history of significant bad debt losses and we have established an allowance for accounts that we deem collectible.

#### Investment in Marketable Securities

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. 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 \$12,000 included in other comprehensive income at December 31, 2015. For the years ended December 31, 2015, 2014, and 2013, our net unrealized losses were \$2,000, \$1,000, and \$0, 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.

#### ***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.

#### ***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, 2015 and 2014, our restricted cash balance was \$160,000 and \$1,433,000, respectively.

#### ***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If quoted prices in an active market are available, fair value is determined by reference to these prices. If quoted prices are not available, fair value is determined by valuation models that primarily use, as inputs, market-based or independently sourced parameters, including but not limited to interest rates, volatilities, and credit curves. Additionally, we may reference prices for similar instruments, quoted prices or recent transactions in less active markets. We use prices and inputs that are current as of the measurement date.

Level 1: Quoted (unadjusted) prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in active markets for similar assets and liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity may require significant judgment in order to determine the fair value of the assets and liabilities.

The use of observable and unobservable inputs is reflected in the fair value hierarchy assessment disclosed in the tables within this document.

#### ***Recurring Fair Value Measurements***

##### ***Cash Equivalents***

Our cash equivalents mainly include money market funds and term deposits.

##### ***Investments in Marketable Securities***

Investments in marketable securities primarily consist of investments associated with the ownership of marketable securities in U.S. and New Zealand. These investments are valued based on observable market quotes on the last trading date of the reporting period.

##### ***Derivatives***

Derivative financial instruments are valued based on discounted cash flow models that incorporate observable inputs such as interest rates and yield curves from the derivative counterparties. The credit valuation adjustments associated with our non-performance risk and counterparty credit risk are incorporated in the fair value estimates of our derivatives.

#### ***Nonrecurring Fair Value Measurements***

##### ***Goodwill, Other Intangible Assets, and Long-Lived Assets***

Refer to the "Goodwill, Other Intangible Assets and Long-Lived Assets" below for a description of valuation methodology used for fair value measurements of goodwill, intangible assets and long-lived assets.

##### ***Debt***

Debt includes our secured and unsecured notes payable, trust preferred securities and other debt instruments. The borrowings are valued based on discounted cash flow models that incorporate appropriate market discount rates. We calculated the market discount rate by obtaining period-end treasury rates for fixed-rate debt, or LIBOR for variable-rate debt, for maturities that correspond to the maturities of our debt, adding appropriate credit spreads derived from information obtained from third-party financial institutions. These credit spreads were then accreted into the debt rate, debt maturity, types of borrowings, and the loan-to-value ratios of the debt.

#### **Fair Value of Financial Instruments**

The carrying amounts of our cash equivalents, accounts receivable, accounts payable and film rent payable approximate fair value due to their short-term maturities.

#### **Derivative Financial Instruments**

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. 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 are initially recorded at the lower of cost or fair market value and depreciated over the useful lives of the related assets. 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 centers ("ETCs"), 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.

#### **Goodwill, Other Intangible Assets and 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.

We review internal management reports on a monthly basis as well as monitor current and potential future competition in film markets for indications of potential impairment. We evaluate our long-lived assets and finite lived intangible 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 an 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. No impairment losses were recorded for long-lived and finite lived intangible assets for the years ended December 31, 2015, 2014 or 2013.

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least 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. No impairment losses were recorded for goodwill and indefinite lived intangible assets for the years ended December 31, 2015, 2014, and 2013.

#### **Variable Interest Entity**

The Company enters into relationships or investments with other entities that may be a variable interest entity ("VIE"). A VIE is consolidated in the financial statements if the Company has the power to direct activities that most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Reading International Trust I is a VIE. It is not consolidated in our financial statements but instead accounted for under the equity method of accounting because we are not the primary beneficiary. 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.

#### *Properties Held for Sale*

When a property is classified as held for sale, 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.

#### *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.

#### *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. Net deferred financing costs are included in prepaid and other assets (see Note 8 – *Prepaid and Other Assets*).

#### *Advertising Expense*

We expense our advertising as incurred. The amount of our advertising expense was \$2.3 million, \$2.1 million, and \$3.4 million for the years ended December 2015, 2014, and 2013, respectively.

#### *Legal Settlement Income/Expense*

For the years ended December 31, 2015, 2014, and 2013, we recorded gains(losses) on the settlement of litigation of (\$495,000), (\$83,000), and (\$285,000), 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 4 – *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 improvements	Shorter of the life of the lease or useful life of the improvement
Theater equipment	7 years
Furniture and fixtures	5 - 10 years

#### *Translation Policy*

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 Australian dollar to the U.S. dollar were \$0.7286, \$0.8173 and \$0.8929 as of December 31, 2015, 2014 and 2013 respectively. The exchange rates of the New Zealand dollar to the U.S. dollar were \$0.6842, \$0.7796 and \$0.8229 as of December 31, 2015, 2014 and 2013 respectively.

#### *Income Taxes*

We account for income taxes under 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, and are classified as noncurrent on the balance sheets in accordance with current US GAAP (see *Accounting Pronouncements Adopted and Issued During 2015* below). 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.

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 for uncertain tax positions and 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*

The Company presents both basic and diluted earnings per share amounts. Basic EPS is calculated by dividing net income attributable to the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the year, which is calculated using the treasury-stock method for equity-based awards. Common equivalent shares are excluded from the computation of diluted EPS in periods for which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price over the period are anti-dilutive and, accordingly, are excluded from the calculation.

#### *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. 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.

#### **Out-of-Period Adjustment**

In the fourth quarter of fiscal year 2015, we recorded out-of-period adjustments of \$514,000 to decrease our income tax expenses in our consolidated statements of operations. The adjustments, which increased deferred tax asset by \$2,116,000, increased additional paid in capital by \$793,000, increased other comprehensive income by \$1,839,000 and decreased other non-current liabilities by \$1,050,000, were made to correct our income tax and related equity and liability accounts. Of the \$514,000 adjustment to decrease the income tax expense in 2015, \$1,286,000 relates to the adjustment that should have been recorded in 2014, thus reducing our income tax benefit by this amount. The remaining \$1,800,000 relates to income taxes pertaining to years prior to 2014 cumulatively, that would have increased our deferred tax asset by such amount. We determined that the adjustments did not have a material impact to our current or prior period consolidated financial statements.

#### **Accounting Pronouncements Adopted and Issued During 2015**

##### **Adopted:**

On January 1, 2015, the Company adopted changes issued by the Financial Accounting Standards Board's ("FASB") to reporting discontinued operations and disclosures of disposals of components of an entity. These changes require a disposal of a component to meet a higher threshold in order to be reported as a discontinued operation in an entity's financial statements. The threshold is defined as a strategic shift that has, or will have, a major effect on an entity's operations and financial results such as a disposal of a major geographical area or a major line of business. In addition, the following two criteria have been removed from consideration of whether a component meets the requirements for discontinued operation presentation: (i) the operations and cash flows of a disposal component have been or will be eliminated from the ongoing operations of an entity as a result of the disposal transaction, and (ii) an entity will not have any significant continuing involvement in the operations of the disposal component after the disposal transaction. Furthermore, equity method investments now may qualify for discontinued operation presentation. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The adoption of these changes had no material impact on the consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, *Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheets. The amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted and the amendments may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We early adopted this ASU as of December 31, 2015 on a retrospective basis and included the current portion of deferred tax assets within the noncurrent portion of deferred tax assets within our consolidated balance sheets as of December 31, 2015 and 2014. There was no impact on our results of operations as a result of the adoption of this ASU.

##### **Issued:**

On February 25, the FASB released ASU 2016-02, *Leases*, completing its project to overhaul lease accounting. The ASU codifies ASC 842, *Leases*, which will replace the guidance in ASC 840. The new guidance is effective for public business entities in fiscal



years beginning after December 15, 2018. Early adoption is permitted for all entities. The Company is evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities*, effective for the Company on January 1, 2018. The ASU mainly relates to accounting for equity investments (except those accounted for under the equity method or those that result in consolidation of the investee), financial liabilities under the fair value option, and the presentation and disclosure requirements for certain financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The Company is evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, effective for the Company on January 1, 2016. Under the ASU, an acquirer in a business combination transaction must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation or amortization, or other income effects, if any, as a result of the changes to the provisional amounts, calculated as if the accounting had been completed as of the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. The ASU also requires that the acquirer present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-03) - Simplifying the Presentation of Debt Issuance Costs* which requires unamortized debt issuance costs to be presented as a reduction of the corresponding debt liability rather than as a separate asset. In August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. This ASU states that the Securities and Exchange Commission ("SEC") staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are outstanding borrowings under the line-of-credit arrangement. These changes become effective for the Company on January 1, 2016. The adoption of these standards is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under US GAAP. Under the new model, recognition of revenues occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard becomes effective for the Company on January 1, 2018. Early adoption is permitted but cannot be earlier than January 1, 2017. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated financial statements. While we believe the proposed guidance will not have a material impact on our business because our revenue predominantly comes from movie ticket sales and concession purchases, we plan to complete the analysis to ensure that we are in compliance prior to the effective date.

# NOTE 3 – Earnings Per Share

The following table sets forth the computation of basic and diluted EPS and a reconciliation of the weighted average number of common and common equivalent shares outstanding for the three years ended December 31, 2015

(Dollars in thousands, except share and per share data)	2015	2014	2013
Net income	\$ 22,773	\$ 25,701	\$ 9,041
Net income attributable to RDI common stockholders			
Denominator:			
Weighted average shares of common stock – basic	23,293,696	23,451,855	23,348,003
Weighted average shares of common stock – diluted	23,495,618	23,749,221	23,520,271
Basic EPS attributable to RDI common stockholders	\$ 0.98	\$ 1.10	\$ 0.39
Diluted EPS attributable to RDI common stockholders	\$ 0.97	\$ 1.08	\$ 0.38
Amounts excluded from diluted EPS		148,271	678,832

## NOTE 4 – Acquisitions, Disposals, and Assets Held for Sale

### 2015 Transactions

#### *Doheny Condo, Los Angeles*

On February 25, 2015 we sold our Los Angeles Condo for \$3.0 million resulting in a \$2.8 million gain on sale.

#### *Tuupo, New Zealand*

On April 1, 2015, we entered into two definitive purchase and sale agreements to sell our properties in Tuupo, New Zealand for a combined sales price of \$2.3 million (NZ\$3.4 million). The first agreement relates to a property with a sales price of \$1.6 million (NZ\$2.2 million) and a book value of \$1.3 million (NZ\$1.8 million), which closed on April 30, 2015 when we received the sales price in full. The other agreement relates to a property with a sales price of \$821,000 (NZ\$1.2 million) and a book value of \$421,000 (NZ\$615,000) with a closing date of March 31, 2016. This property is classified as held for sale as of December 31, 2015. Only the first transaction qualifies as a sale under US GAAP and New Zealand tax.

#### *Newmarket, Australia*

On November 30, 2015, we completed the purchase of an approximately 23,000 square foot parcel adjacent to our existing Newmarket shopping center in Brisbane, Australia for a total consideration of \$5.5 million (AU\$7.6 million). The acquired land has an existing office building which was vacant at the time of purchase completion. We intend, over time, to integrate this property into our Newmarket development thereby increasing our footprint from approximately 204,000 to 227,000 square feet. The terms and circumstances of this acquisition were not considered to meet the definition of a business combination in accordance with US GAAP.

#### *Cannon Park, Queensland, Australia*

On December 23, 2015, we completed a 100% acquisition of two adjoining ETC's in Townsville, Queensland, Australia for a total of \$24.3 million (AU\$33.6 million) in cash. The total gross leasable area of the two adjoining properties, the Cannon Park City Centre and the Cannon Park Discount Centre, is 133,000 square feet. The Cannon Park City Centre is anchored by a Reading Cinema, which is operated by Reading International's 75% owned subsidiary, Australia Country Cinemas, in which we have a 75% interest, and has three mini-major tenants and ten specialty family oriented restaurant tenants. The Cannon Park Discount Centre is anchored by Kmart Bowling and supported by four other retailers. The properties are located approximately 6 miles from downtown Townsville, the second largest city in Queensland, Australia. This acquisition is consistent with our business plan to own, where practical, the land underlying our entertainment assets.

The acquired assets consist primarily of the land and buildings, which is approximately 98% leased to existing tenants. Tenancies range from having 9 months to 5 years left to run on their leases.

The total purchase price was allocated to the identifiable assets acquired and liabilities assumed based on our preliminary estimates of their fair value on the acquisition date. The Company is in the process of finalizing its allocation and this may result in potential adjustments within the 1-year measurement period from acquisition date. These fair value estimates of the land and building assets acquired have been allocated to the acquired tangible assets. We did not identify any intangible assets or liabilities (above and below-market leases) at the date of acquisition. There was no goodwill recorded as the purchase price did not exceed the fair value estimates of the net acquired assets. Our preliminary purchase price allocation is as follows:

(Dollars in thousands)	US Dollars	AU dollars
Property & Equipment:		
Land	28	38
Building	16,712	23,060
Total purchase price	\$16,740	AU\$23,098

The revenue and earnings from this acquisition, since the acquisition date as included in the consolidated statement of operations for the year ended December 31, 2015, were not significant. Based on the available information provided to us and after exhausting significant efforts to satisfy the pro-forma disclosure requirements assuming the business acquisition happened at the beginning of the year, the Company concluded it to be impracticable to determine and disclose the full-year pro forma combined revenue and earnings for 2015 and 2014.

#### 2014 Transactions

##### Burwood, Australia

On May 12, 2014, we entered into a contract to sell our undeveloped 50.6 acre parcel in Burwood, Victoria, Australia, to an affiliate of Australand Holdings Limited (now known as Frasers Property Australia) for a purchase price of \$47.5 million (AU\$65.0 million).

We received \$5.9 million (AU\$6.5 million) on May 23, 2014. The remaining purchase price of \$42.6 million (AU\$58.5 million) is due on December 31, 2017. The agreement provides for mandatory pre-payments in the event that any of the land is sold by the buyer, any such prepayment being in an amount equal to the greater of (a) 90% of the net sales price or (b) the balance of the purchase price multiplied by a fraction the numerator of which is the square footage of property being sold by the buyer and the denominator of which is the original square footage of the property being sold to the buyer. The agreement does not provide for the payment of interest on the balance owed.

Our book value in the property is \$38.0 million (AU\$52.1 million) and while the transaction was treated as a current sale for tax purposes in 2014, it does not qualify as a sale under US GAAP until the receipt of the payment of the balance of the purchase price due on December 31, 2017 (or earlier depending upon whether any prepayment obligation is triggered). The asset is classified as long-term land held for sale on the consolidated balance sheets as of December 31, 2015 and 2014.

#### 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.

##### Moonsee Ponds, Australia

On October 15, 2013, we entered into a definitive purchase and sale agreement to sell this property for a sales price of \$17.5 million (AU\$23.0 million) payable in full upon closing of the transaction on April 16, 2015. In accordance with the requirements under US GAAP, we recognized a gain of \$8.0 million (AU\$10.3 million) in the second quarter of 2015 upon the receipt of sale proceeds on April 16, 2015.

**NOTE 5 – Property and Equipment**

**Operating Property, Net**

Property associated with our operating activities is summarized as follows:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Land	\$ 33,044	\$ 66,104
Building and improvements	126,622	120,913
Leasehold improvements	86,871	76,813
Furniture and equipment	112,423	107,286
Construction-in-progress	1,822	4,981
Total cost	361,891	341,717
Less accumulated depreciation	(183,009)	(76,829)
Operating property, net	\$ 210,228	\$ 166,889

Depreciation expense for operating property was \$13.6 million, \$14.4 million, and \$14.0 million for 2015, 2014, and 2013, respectively.

**Investment and Development Property**

Investment and development property is summarized as follows:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Land	\$ 21,814	\$ 41,813
Construction-in-progress (including capitalized interest)	1,568	2,291
Investment and development property, net	\$ 23,382	\$ 44,104

**NOTE 6 – 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 Risko Distribution as described below. The table below summarizes our investments in unconsolidated joint ventures and entities:

(Dollars in thousands)	Interest	December 31, 2015	December 31, 2014
Risko Distribution	33.3%	\$ 1,276	\$ 1,564
Risko Clinicas	50.0%	4,094	4,000
Mt. Growth	33.3%	\$ 5,370	\$ 6,169
Total investments		\$ 10,740	\$ 11,733

We recorded our share of equity earnings from our investments in unconsolidated joint ventures and entities as follows:

(Dollars in thousands)	2015	2014	2013
Risko Distribution	\$ 42	\$ 71	\$ 79
Risko Clinicas	116	297	221
805-09 East 57th Street Associates, LLC			33
Mt. Growth	1,045	598	990
Total equity earnings	\$ 1,203	\$ 966	\$ 1,323

#### *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, and record income based on the distributions we receive. We have also fully provided for any losses that may result from the bank guarantee that has been given to Rialto Distribution.

#### *Rialto Cinemas*

We own an undivided 50.6% interest in the assets and liabilities of the Rialto Entertainment joint venture that owns and operates 2 movie theaters, with 13 screens in New Zealand.

#### *Mt. Gravatt*

We own an undivided 33.3% interest in Mt. Gravatt, an unincorporated joint venture that owns and operates a sixteen-screen multiplex cinema in Australia.

#### *Mahulani 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 Mahulani 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 Mahulani 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 2013, 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.

#### NOTE 7 – Goodwill and Intangible Assets

The table below summarizes goodwill by business segment:

	Cinema	Real Estate	Total
(Dollars in thousands)			
Balance at January 1, 2014	\$ 16,301	\$ 534	\$ 16,835
Foreign currency translation adjustment	(878)	—	(878)
Balance at December 31, 2014	\$ 15,423	\$ 534	\$ 15,957
Foreign currency translation adjustment	(1,566)	—	(1,566)
Balance at December 31, 2015	\$ 13,857	\$ 534	\$ 14,391

The Company is required to test goodwill and other intangible assets for impairment on an annual basis and, if current events or circumstances require, on an interim basis. To test the impairment of goodwill, the Company compares the fair value of each reporting unit to its carrying amount, including the goodwill, to determine if there is potential goodwill impairment. A reporting unit is generally one level below the operating segment. The most recent annual assessment occurred in the fourth quarter of 2015. The assessment results indicated that there is no impairment to our goodwill as of December 31, 2015.

The tables below summarize intangible assets other than goodwill:

	December 31, 2015			
	Beneficial Leases	Trade Name	Other Intangible Assets	Total
(Dollars in thousands)				
Right-of-use intangibles	\$ 24,794	\$ 1,289	\$ 496	\$ 26,579
Less: Accumulated amortization	(20,108)	(4,300)	(446)	(24,854)
Net intangible assets other than goodwill	\$ 4,686	\$ 2,989	\$ 50	\$ 7,685

	December 31, 2014			
(Dollars in thousands)	Beneficial Leases	Trade Name	Other Intangible Assets	Total
Cost, net of accumulated amortization	\$ 28,330	\$ 1,254	\$ 473	\$ 30,057
Less: Accumulated amortization	(15,989)	(3,929)	(423)	(20,341)
Net intangible assets, other than goodwill	\$ 12,341	\$ 325	\$ 50	\$ 12,716

We amortize our beneficial leases over the lease period, the longest of which is approximately 24 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, 2015, 2014, and 2013, our amortization expense was \$1.7 million, \$2.0 million, and \$2.2 million, respectively. As of December 31, 2015, the estimated amortization expense in the five succeeding years and thereafter is as follows:

(Dollars in thousands)	Estimated Future Amortization Expense
2016	\$ 1,447
2017	1,263
2018	1,148
2019	815
2020	815
Thereafter	4,193
Total future amortization expense	\$ 9,581

#### NOTE 8 – Prepaid and Other Assets

Prepaid and other assets are summarized as follows:

	December 31, 2015		December 31, 2014	
(Dollars in thousands)				
Prepaid and other current assets	\$	\$ 879	\$	\$ 1,166
Prepaid expenses		1,013		855
Prepaid taxes		2,137		—
Income taxes receivable		1,811		1,811
Prepaid rent		369		369
Deposits		—		—
Total prepaid and other current assets	\$	\$ 5,429	\$	\$ 3,426
Other non-current assets	\$	\$ 1,734	\$	\$ 1,734
Other non-current and non-current asset assets		1,828		2,515
Deferred financing costs, net		—		—
Interest rate cap, net		2,417		2,547
Straight-line rent asset		65		91
Long-term deposits		—		20
Other		1,443		6,315
Total non-current assets	\$	\$ 3,244	\$	\$ 9,192

# NOTES 9 - Income Taxes

Income before income tax expense includes the following:

(Dollars in thousands)	2015	2014	2013
United States	\$ 2,384	\$ 2,318	\$ 2,745
Foreign	23,149	12,066	3,973
Income before income tax expense and equity carveback of unconsolidated joint ventures and entities	\$ 25,413	\$ 14,344	\$ 17,718
Net (income) expense attributable to noncontrolling interests:			
United States	208	208	29
Foreign	(127)	(143)	(129)
Equity carveback and exit on sale of unconsolidated subsidiary:			
United States	--	--	(1)
Foreign	1,504	1,012	1,208
Income before income tax expense, net of non-controlling interests	\$ 27,716	\$ 15,916	\$ 18,905

Significant components of the provision for income taxes are as follows:

(Dollars in thousands)	2015	2014	2013
Current income tax expense:			
Federal	\$ 481	\$ 827	\$ 1,121
State	318	311	435
Foreign	3,120	1,251	1,283
Deferred income tax expense (benefit):			
Federal	458	(10,341)	--
State	(971)	(1,234)	--
Foreign	(1,349)	3,281	2,106
Total	826	(12,374)	2,106
Total income tax expense (benefit)	\$ 4,343	\$ (9,885)	\$ 4,942

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, 2015	December 31, 2014
Deferred Tax Assets:		
Net operating loss carry-forwards	\$ 13,286	\$ 9,218
Alternative minimum tax credit carry-forwards	540	1,440
Compensation and employee benefits	5,531	6,625
Deferred revenues	7,971	7,409
Accrued expenses	3,385	4,769
Accrued taxes	11,264	12,797
Land and property	1,058	724
Other	50,592	53,341
Total Deferred Tax Assets		
Deferred Tax Liabilities:		
Intangibles	(2,321)	(2,217)
Overvaluation of inventories	(4,396)	(5,810)
Notes receivable	(6,696)	(8,097)
Total Deferred Tax Liabilities	(13,413)	(15,124)
Net deferred tax assets before valuation allowances	37,179	38,203
Valuation allowance	(11,530)	(15,916)
Net deferred tax asset	\$ 25,649	\$ 22,287

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. US GAAP presumes that a valuation allowance is required when there is substantial negative evidence about the realization of deferred tax assets, such as a pattern of comprehensive losses in recent years, coupled with facts that suggest such losses may continue. Because such negative evidence is available for our Puerto Rico, New Zealand and US state operations as of December 31, 2015, we recorded a valuation allowance of \$ 11.5 million.

As of December 31, 2015, we had the following carry-forwards:

- approximately \$ 1.1 million in U.S. alternative minimum tax credit carry-forwards with no expiration date;
- approximately \$ 17.5 million in available New Zealand loss carry-forwards with no expiration date;
- approximately \$45 million in New York loss carryforwards expiring in 2034; and,
- approximately \$40 million in New York city loss carryforwards expiring in 2034.

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 described above.

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 is as follows:

(Dollars in thousands)	2015	2014	2013
Reported tax provision	\$ 9,197	\$ 5,471	\$ 4,924
Increase (decrease) in tax expense resulting from:			
Effect on the rate differential	(654)	(232)	3,078
Change in valuation allowance	1,531	(17,187)	(5,852)
Investment tax credits	(5,889)		
State and local tax provision	1,113	575	296
State and local tax credits	(7,639)		
Price year adjustments	(514)	--	--
Unrecognized tax benefits	946	780	3,386
Other	(152)	(450)	(80)
Actual tax provision (benefit)	\$ 4,345	\$ (8,053)	\$ 4,942

The undistributed earnings of the Company's Australian subsidiaries are considered to be indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been provided on such undistributed earnings. Determination of the potential amount of unrecognized deferred U.S. income tax liability and foreign withholding taxes is not practicable because of the complexities associated with a hypothetical calculation.

As part of current taxes payable, we have accrued \$2.5 million in connection with federal and state liabilities arising from the "Tax Audit/Litigation" matter which has now been settled (see Note 12 - Commitments and Contingencies).

The following table is a summary of the activity related to unrecognized tax benefits, excluding interest and penalties, for the years ended December 31, 2015, 2014, and 2013:

(Dollars in thousands)	2015	2014	2013
Unrecognized tax benefits - gross beginning balance	\$ 1,180	\$ 2,160	\$ 2,371
Gross increases - prior period tax provisions	6,679	1,600	(1)
Gross decreases - current period tax provisions	(695)	--	--
Unrecognized tax benefits - gross ending balance	\$ 11,022	\$ 3,760	\$ 2,160

We 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 in Note 12 – *Commitments and Contingencies*.

During the period January 1, 2013 to December 31, 2013 we recorded a decrease to tax interest of approximately \$1.4 million, resulting in a total balance of \$1.8 million in interest. During the period January 1, 2014 to December 31, 2014, we recorded an increase to tax interest of \$3.6 million, resulting in a total balance of \$5.4 million in interest. During the period January 1, 2015 to December 31, 2015, we recorded an increase to tax interest of \$0.5 million, resulting in a total \$5.9 million in interest.

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 \$500,000 to \$1.5 million. The reasons for such change include but are not limited to tax positions expected to be taken during 2016, reevaluation of current uncertain tax positions, and expiring statutes of limitations.

Generally, changes to our federal and most state income tax returns for the calendar year 2010 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 12 – *Commitments and Contingencies*. New Zealand tax returns for the Resolving New Zealand tax consolidated group for 2009 and later are under examination as of December 31, 2015. The income tax returns filed in Australia and Puerto Rico for calendar year 2011 and afterward generally remain open for examination as of December 31, 2015.

# NOTE 10 - Debt

The Company's borrowings, including the impact of interest rate swaps, are summarized below:

December 31, 2015					
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance	Stated Interest Rate	Effective Interest Rate <sup>(1)</sup>
Revolving credit facilities					
Truist Preferred Securitization (USA)	April 30, 2027	\$ 27,913	\$ 27,913	4.23%	5.28%
Bank of America Credit Facility (USA)	March 28, 2019	4,000	18,720	2.75%	3.83%
Bank of America Line of Credit (USA)	October 31, 2017	5,000	2,300	3.42%	3.42%
Cheniere L.P. 2.5 Term Loan (USA)	July 1, 2016	1,188	(1,890)	3.75%	3.75%
Cheniere L.P. 3.1 Line of Credit (USA)	July 1, 2016	6,000	—	3.75%	3.75%
Midstate R. Operating Dividend Loan (USA)	March 1, 2018	1,500	7,500	3.18%	3.00%
Union Square Line of Credit (USA)	June 1, 2017	8,000	8,000	3.63%	3.63%
Revolving credit facilities					
NAB Corporate Term Loan (A1)	June 30, 2019	48,432	26,194	3.06%	3.06%
Wargates Corporate Credit Facility (A2)	March 31, 2015	6,210	7,184	4.49%	4.49%
Total		\$ 207,075	\$ 150,841		

<sup>(1)</sup> Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Truist Preferred Securitization and Bank of America Credit Facility that were outstanding as of December 31, 2015.  
<sup>(2)</sup> The contractual facilities and outstanding balances of the FC denominated borrowings were translated into U.S. dollars based on the applicable exchange rates as of December 31, 2015.

December 31, 2014					
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance	Stated Interest Rate	Effective Interest Rate <sup>(1)</sup>
Revolving credit facilities					
Truist Preferred Securitization (USA)	April 30, 2027	\$ 27,913	\$ 27,913	4.23%	5.28%
Bank of America Credit Facility (USA)	March 28, 2019	4,000	29,190	2.75%	3.83%
Bank of America Line of Credit (USA)	October 31, 2017	5,000	—	3.17%	3.17%
Cheniere L.P. 2.5 Term Loan (USA)	July 1, 2016	1,500	1,600	3.69%	3.69%
Cheniere L.P. 3.1 Line of Credit (USA)	July 1, 2016	6,000	—	3.69%	3.69%
Midstate R. Operating Dividend Loan (USA)	March 1, 2018	1,500	7,200	3.04%	2.94%
Union Square Term Loan (USA)	May 1, 2015	7,200	6,468	5.92%	5.92%
Revolving credit facilities					
NAB Corporate Term Loan (A1)	June 30, 2019	47,403	47,403	5.64%	7.81%
NAB Corporate Credit Facility (A1)	June 30, 2019	8,170	8,170	3.84%	3.84%
Wargates Corporate Credit Facility (A2)	March 31, 2015	21,829	21,829	5.80%	5.80%
Total		\$ 207,518	\$ 164,016		

<sup>(1)</sup> Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Truist Preferred Securitization, Bank of America Credit Facility and NAB Corporate Term Loan.  
<sup>(2)</sup> The contractual facilities and outstanding balances of the FC denominated borrowings were translated into U.S. dollars based on the applicable exchange rates as of December 31, 2014.

#### Debt denominated in USD

##### *Trust Preferred Securities ("TPS")*

On February 5, 2007, we issued \$31.5 million in 20-year fully subordinated notes to a trust that we control, which in turn issued \$31.5 million in securities. Of the \$31.5 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 LIBOR plus 4.00%, which will reset each quarter through the end of the loan unless we exercise our right to re-fix 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 15 -- *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 payment of \$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 these 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 2015, 2014, and 2013, we paid \$1.4 million, \$1.4 million, and \$1.2 million, respectively, in preferred dividends to the unrelated investors that are included in interest expense. At December 31, 2015 and 2014, we had preferred dividends payable of \$198,000 and \$194,000, respectively. Interest payments for this loan are required every three months.

##### *Bank of America Credit Facility*

In November 2014, our Bank of America Credit Facility was refinanced from \$35.0 million to \$55.0 million, bearing an interest rate of LIBOR plus an applicable margin rate (ranging from 3.0% to 2.5%) adjusted quarterly and maturing on November 28, 2019.

##### *Bank of America Line of Credit*

In October 2012, Bank of America renewed and increased our existing \$3.0 million line of credit ("LOC") to \$5.0 million. The LOC bears an interest rate of 3.0% above LIBOR plus a 0.03% unused line fee and will mature on October 31, 2017.

##### *Cinema 1,2,3 Term Loan and Line of Credit*

In June 2014, our controlled subsidiary Sutton Hill Properties, LLC, refinanced its existing \$15.0 million term loan with Sovereign Bank and obtained an additional \$6.0 million LOC for the potential acquisition of air rights to add additional density to any redevelopment of the property (collectively, "New Loan"). The New Loan is collateralized by our Cinema 1,2,3 property and any air rights that we may acquire. The New Loan bears an interest rate of 3.5% above LIBOR and matures on July 1, 2016.

##### *Minetta and Orpheum Theatres Loan*

In May 2013, we refinanced our Liberty Theatres loan with a \$7.5 million loan, secured by our Minetta and Orpheum theatres, thus releasing the Royal George from the security and leaving it unencumbered. This new loan has a maturity date of June 1, 2018, and an interest rate of 2.75% above LIBOR. We have an interest rate cap in place to limit the interest rate on the debt at 6.75%. See Note 15 -- *Derivative Instruments*.

##### *Union Square Theatre Line of Credit*

On June 2, 2015, we replaced our Union Square Term Loan with an \$8.0 million "non-revolving" LOC with East West Bank, collateralized by our Union Square property. The LOC bears an interest rate of 2.93% above the 90-day LIBOR and matures on June 2, 2017, with an option to extend for one additional year.

#### Debt denominated in foreign currencies

##### *Australian NAB Corporate Term Loan and Revolver*

On December 23, 2015, we amended our Reading Entertainment Australia Term Loan and Corporate Credit Facility with NAB, from a three-lined facility comprised of (1) the Bank Bill Discount Facility with a facility limit of AU\$61.3 million, an interest rate of

2.35% above the BBSY, and amortization at AU \$2.0 million per year; (2) the Bill Discount Facility – Revolving with a facility limit of AU \$10.0 million and an interest rate of 1.50% above the BBSY on any undrawn portion; and (3) the Bank Guarantee Facility with a facility limit of AU \$5.0 million, into a corresponding \$48.5 million (AU \$66.5 million) Revolving Corporate Maturity Loan facility. The new facility has an interest rate of 0.35% above BBSY on any outstanding borrowings and an unchanged maturity date of June 30, 2019. In addition, we will incur a facility fee of 0.55% per annum. We also have a \$3.6 million (AU \$5.0 million) Bank Guarantee facility at a rate of 1.50% per annum. The modifications of this particular term loan were not considered to be substantial in accordance with US GAAP.

On June 27, 2014, we refinanced our then existing three tiered credit facility with NAB. It comprised of (1) the Bank Bill Discount Facility with a facility limit of AU\$ 61.3 million, an interest rate of 2.35 % above the BBSY, and amortization at AU \$2.0 million per year; (2) the Bill Discount Facility – Revolving with a facility limit of AU \$10.0 million and an interest rate of 1.50% above the BBSY on any undrawn portion; and (3) the Bank Guarantee Facility with a facility limit of AU \$5.0 million. All three had an expiry date of June 30, 2019.

#### New Zealand Corporate Credit Facility

On May 21, 2015, we refinanced our existing New Zealand Corporate Credit Facility with a \$34.2 million (NZ\$50.0 million) facility with the same bank (Westpac Bank), bearing an interest rate of 1.75% above Bank Bill Bid Rate and maturing on March 31, 2018. The facility is broken into two tranches, one a \$23.9 million (NZ\$35.0 million) credit facility and the second tranche for a \$10.3 million (NZ\$15.0 million) facility to be used for construction funding. No amounts have been drawn under the second tranche to be used for construction funding.

As of December 31, 2015, our aggregate amount of future principal debt payments is estimated as follows:

(Dollars in thousands)	Future Principal Debt Payments
2016	15,000
2017	10,500
2018	21,184
2019	56,344
2020	27,913
Thereafter	
Total future principal debt payments	\$ 130,941

The estimated amount of future principal payments in U.S. dollars is subject to change because the payments in U.S. dollars on the debt denominated in foreign currencies, which represents a significant portion of our total outstanding debt balance, will fluctuate based on the applicable foreign currency exchange rates.

#### NOTE 11 – Pension and Other Liabilities

Other liabilities including pension are summarized as follows:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Current liabilities		
Lease liability	\$ 5,900	\$ 5,900
Accrued pension	1,439	820
Security deposit payable	180	202
Other	21	33
Other current liabilities	\$ 7,640	\$ 6,955
Other liabilities		
Straight-line rent liability	\$ 10,823	\$ 9,046
Accrued pension	8,478	6,540
Lease make-good provision	1,229	4,381
Representations reserve	1,058	1,856
Interest rate swap	156	2,177
Deferred Revenue – Real Estate	4,396	5,081
Acquired leases	866	1,265
Other	911	3,000
Other liabilities	\$ 30,062	\$ 33,561

\*Represents the lease liability of the option associated with the ground lease purchase of the Village West Cinema. See below for more information.  
 \*\*Represents the pension liability associated with the Supplemental Executive Retirement Plan explained below.

#### Lease Liability - 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 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 late Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, Sr. was 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 18 - Related Parties and Transactions). As the option is able to be exercised by SHC starting on July 1, 2013, the lease liability has been classified as part of other current liabilities.

#### Pension Liability - Supplemental Executive Retirement Plan

On August 29, 2014, the Supplemental Executive Retirement Plan ("SERP") that was effective since March 1, 2007, was ended and replaced with a new pension annuity. As a result of the termination of the SERP program, the accrued pension liability of \$7.6 million was reversed and replaced with a new pension annuity liability of \$7.5 million. The valuation of the liability is based on the present value of \$10.3 million discounted at 4.25% over a 15-year term, resulting in a monthly payment of \$56,944 payable to the estate of Mr. Jim Cotter Sr. The discount rate of 4.25% has been applied since 2014 to determine the net periodic benefit cost and plan benefit obligation and is expected to be used in future years. The discounted value of \$2.5 million (which is the difference between the estimated payout of \$10.3 million and the present value of \$7.8 million) will be amortized and expensed based on the 15-year term. In addition, the accumulated actuarial loss of \$3.1 million recorded, as part of other comprehensive income, will also be amortized based on the 15-year term.

As a result of the above, included in our other current and non-current liabilities are accrued pension costs of \$7.8 million and \$7.6 million as of December 31, 2015 and 2014, respectively. The benefits of our pension plans are fully vested and therefore no service costs were recognized 2015 and 2014. Our pension plans are unfunded.

The change in the SERP pension benefit obligation and the funded status are as follows:

	December 31, 2015		December 31, 2014	
(Dollars in thousands)				
Benefit obligation at January 1	\$	7,495	\$	7,199
Interest cost		180		255
Actuarial gain		(168)		(168)
Benefit obligation at December 31	\$	7,715	\$	7,593
Funded status at December 31	\$	(7,715)	\$	(7,593)

Am assets recognized in the balance sheet consists of:

	December 31, 2015		December 31, 2014	
(Dollars in thousands)				
Fixed investments	\$	1,779	\$	1,891
Other liabilities - Non current		6,236		6,240
	\$	7,715	\$	7,593

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

(Dollars in thousands)	December 31, 2015	December 31, 2014
Net periodic benefit cost		
Interest cost	\$ 180	\$ 209
Amortization of prior service cost		254
Amortization of net actuarial gain	207	426
Net periodic benefit cost	\$ 387	\$ 689
Items recognized in other comprehensive income		
Net loss	\$ -	\$ (93)
Amortization of prior service cost		(254)
Amortization of net loss	(207)	(426)
Total recognized in other comprehensive income	\$ (207)	\$ (719)
Total recognized in net periodic benefit cost and other comprehensive income	\$ 180	\$ 151

Items not yet recognized as a component of net periodic pension cost consist of the following:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Unrecognized actuarial loss	\$ 2,848	\$ 3,055
Accumulated other comprehensive loss	\$ 2,848	\$ 3,055

The estimated unrecognized actuarial loss 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 \$287,000.

The following table presents estimated future benefit payments for the next five years and thereafter as of December 31, 2015:

(Dollars in thousands)	Estimated Future Pension Payments
2016	\$ 684
2017	684
2018	684
2019	684
2020	684
Thereafter	3,400
Total pension payments	\$ 7,778

#### Lease Make-Good Provision

The Company recognizes obligations for future make-good costs relating to its leased premises. Each lease is unique to the negotiated conditions with the lessor, but in general most leases require for the removal of cinema related assets and improvements. There are no assets specifically restricted to settle this obligation.

A reconciliation of the beginning and ending carrying amounts of the lease make-good provision is presented in the table:

	As of and for the year ended December 31, 2015	As of and for the year ended December 31, 2014
(Dollars in thousands)		
Opening balance	4,385	\$ -
Liabilities incurred during the year	1,314	4,385
Liabilities settled during the year	(381)	-
Accretion expense	212	-
Effect of change in foreign currency	(302)	-
Ending balance	\$ 5,228	\$ 4,385

#### NOTE 12 - Commitments and Contingencies

##### LEASE COMMITMENTS

The Company has entered into various leases for our cinema exhibition segment because most of our cinemas operate in leased facilities. We also lease office space and equipment under non-cancelable operating leases. As of December 31, 2015, the remaining terms of these leases, inclusive of options, range from 1 to 5 years. All of our leases are accounted for as operating leases and we do not have any capital leases as of December 31, 2015.

We determine the annual base rent expense of our cinemas by amortizing total minimum lease obligations on a straight-line basis over the lease term. Certain of our cinema leases provide for contingent rentals based upon a specified percentage of cinema revenue with a guaranteed minimum. Substantially all of our leases require the payment of property taxes, insurance, and other costs applicable to the property. The base rent and contingent rental expenses are summarized as follows:

(Dollars in thousands)	2015	2014	2013
Base rent expense	\$ 30,505	\$ 30,714	\$ 28,058
Contingent rental expense	1,848	1,223	1,302
Total cinema rent expense	\$ 32,353	\$ 31,937	\$ 29,360

Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following:

(Dollars in thousands)	Minimum Lease Payments at December 31, 2015			
	Ground Lease	Premises Lease	Equipment Lease	Total
2016	\$ 1,429	\$ 23,899	\$ 2,098	\$ 27,426
2017	3,621	23,712	2,665	29,998
2018	3,623	21,453	-	25,076
2019	3,691	19,683	-	23,374
2020	1,398	15,778	-	17,176
Thereafter	11,339	110,790	-	122,129
2021	\$ 21,197	\$ 215,861	\$ 5,363	\$ 242,421

We expect the amount of minimum lease payments will fluctuate depending on the foreign currency exchange rates of the Australian dollar to the U. S. dollar and the New Zealand dollar to the U. S. dollar, mainly because a significant portion of our cinema exhibition business is conducted in Australia and New Zealand. See Note 18 - Related Parties and Transactions for the amount of leases associated with any related party leases.

## LITIGATION

We are currently involved in certain legal proceedings and, as required, have accrued estimates of probable and estimable losses for the resolution of these claims.

Where we are the plaintiffs, we expense all legal fees on an on-going basis and make no provision for any potential settlement amounts until received. In Australia, the prevailing party is usually entitled to recover its attorneys' fees, which recoveries typically work out to be approximately 60% of the amount actually spent where first-class legal counsel is engaged at customary rates. Where we are a plaintiff, we have likewise made no provision for the liability for the defendant's attorneys' fees in the event we are determined not to be the prevailing party.

Where we are the defendants, we accrue for probable damages that insurance may not cover as they become known and can be reasonably estimated. In our opinion, any claims and litigation in which we are currently involved are not reasonably likely to have a material adverse effect on our business, results of operations, financial position, or liquidity. It is possible, however, that future results of the operations for any particular quarterly or annual period could be materially affected by the ultimate outcome of the legal proceedings.

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.

All of these matters require that we make judgments based on the facts known to us. These judgments are inherently uncertain and can change significantly when additional facts become known. We provide accruals for matters that are either probably or reasonably possible and can be properly estimated as to their expected negative outcome. We do not record expected gains until the proceeds are received by us.

## TAX ADJUSTMENTS

The Internal Revenue Service (the "IRS") examined the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. CRG was a stand-alone entity in the year of audit but is now a wholly-owned subsidiary of the Company. In Tax Court, CRG and the IRS agreed to compromise the claims made by the IRS against CRG, and the court order was entered on January 6, 2011. As of December 31, 2015, the remaining federal tax obligation was \$2.5 million, reflecting additional interest accrued during the term of the four-year installment plan. For additional information, see Note 9 -- Income Taxes.

## 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 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.

## DERIVATIVE LITIGATION AND JAMES J. COTTER, JR. ARBITRATION

On June 12, 2015, the Board of Directors terminated James J. Cotter, Jr. as the President and Chief Executive Officer of our Company. That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a derivative action, and titled "James J. Cotter, Jr., Individually and Derivatively on Behalf of Reading International, Inc. vs. Margaret Cotter, et al." Case No. A-15-719868-V, Dept. XI (the "Cotter, Jr. Derivative Action" and the "Cotter, Jr. Complaint," respectively) against the Company and each of our other three sitting Directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gosil, Edward Koss, Douglas McEachron, and Tim Stacey, the "Defendant Directors") in the Eighth Judicial District Court of the State of Nevada for Clark County (the "Nevada District Court"). On October 22, 2015, Mr. Cotter, Jr., amended his complaint to drop his individual claims (the "Amended Cotter, Jr. Derivative Complaint"). Accordingly, the Amended Cotter, Jr. Complaint presently purports to assert only purportedly derivative claims and to seek remedies only on behalf of the Company. The lawsuit currently alleges, among other things, that the Defendant Directors breached their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief Executive Officer.



continuing to make use of the Executive Committee that has been in place for more than the past ten years, making allegedly potentially misleading statements in its press releases and filings with the Securities and Exchange Commission ("SEC"), paying certain compensation to Ms. Ellen Cotter, and allowing the Cotter Estate to make use of Class A Common Stock to pay for the exercise of certain long outstanding stock options held of record by the Cotter Estate. He seeks reinstatement as President and CEO and alleges as damages fluctuations in the price for our Company's shares after the announcement of his termination as President and CEO and certain unspecified damages to our Company's reputation.

In a derivative action, the stockholder plaintiff seeks damages or other relief for the benefit of the Company, and not for the stockholder plaintiff's individual benefit. Accordingly, the Company is, at least in theory, only a nominal defendant in such a derivative action. However, as a practical matter, because Mr. Cotter, Jr. is also seeking, among other things, an order that our Board's determination to terminate Mr. Cotter, Jr. was ineffective and that he be reinstated as the President and CEO of the Company and also disbanding our Board's Executive Committee (an injunctive remedy that, if granted, would be binding on the Company), and as he asserts potentially misleading statements in certain press releases and filings with the SEC, the Company is incurring significant cost and expense defending the decision to terminate Mr. Cotter, Jr. as President and Chief Executive Officer, its board committee structure, and the adequacy of those press releases and filings. Also, the Company continues to incur costs promulgating and responding to discovery demands and satisfying indemnity obligations to the Defendant Directors.

Our directors and officers liability insurer is providing insurance coverage, subject to a \$500,000 deductible (which has now been exhausted) and its standard reservation of rights, with respect to the defense of the Director Defendants. Our new Directors, Dr. Judy Coddling and Mr. Michael Wroblewski, are not named in the Cotter Jr. Derivative Action as they were not Directors at the time of the breaches of fiduciary duty alleged by Mr. Cotter, Jr.

Pursuant to the terms of Mr. Cotter, Jr.'s employment agreement with the Company, disputes relating to his employment are to be arbitrated. Accordingly, on July 14, 2015, the Company filed an arbitration demand with the American Arbitration Association against Mr. Cotter, Jr. The demand seeks declaratory relief, among other things, that Mr. Cotter, Jr.'s employment and employment agreement with the Company have been validly terminated and that the Board of Directors validly removed him from his positions as Chief Executive Officer and President of the Company and positions with the Company's subsidiaries.

Mr. Cotter, Jr. has filed a counter-complaint in the arbitration, asserting claims for breach of his employment contract, declaratory relief, and contractual indemnification. Mr. Cotter, Jr.'s counsel has advised that Mr. Cotter is seeking a variety of damages, including consequential damages, and that such claimed damages total not less than \$1,000,000. On April 19, 2016, Mr. Cotter, Jr. filed an action in the District Court, Clark County, Nevada seeking to recover his costs of defending the Arbitration, plus compensatory damages and interest at the maximum legal rate.

On August 6, 2015, the Company received notice that a Motion to Intervene in the Cotter Jr. Derivative Action and that a proposed derivative complaint had been filed in the Nevada District Court captioned T2 Partners Management, LP, a Delaware limited partnership, doing business as Kase Capital Management; T2 Accredited Fund, LP, a Delaware limited partnership, doing business as Kase Fund; T2 Qualified Fund, LP, a Delaware limited partnership, doing business as Kase Qualified Fund; Tilton Offshore Fund, Ltd., a Cayman Islands exempted company; T2 Partners Management I, LLC, a Delaware limited liability company, doing business as Kase Management; T2 Partners Management Group, LLC, a Delaware limited liability company, doing business as Kase Group; TMC Capital Management, LLC, a Delaware limited liability company; Pacific Capital Management, LLC, a Delaware limited liability company, derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kase, Douglas McEwen, Timothy Storey, William Gould and Does 1 through 100, inclusive, as defendants, and, Reading International, Inc., a Nevada corporation, as Nominal Defendant (the "T2 Derivative Action"). On August 11, 2015, the Court granted the motion of T2 Partners Management, LP et al. (the "T2 Plaintiffs"), allowing these plaintiffs to file their complaint (the "T2 Derivative Complaint").

On September 9, 2015, certain of the Defendant Directors filed a Motion to Dismiss the T2 Derivative Complaint. The Company joined this Motion to Dismiss on September 14, 2015. The hearing on this Motion to Dismiss was vacated as the T2 Plaintiffs voluntarily withdrew the T2 Derivative Complaint, with the parties agreeing that T2 Plaintiffs would have leave to amend the Complaint. On February 12, 2016, the T2 plaintiff filed an amended T2 Derivative Complaint (the "Amended T2 Derivative Complaint").

The T2 Plaintiffs allege in their Amended T2 Derivative Complaint various violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the Defendant Directors. More specifically the T2 Derivative Complaint seeks the reinstatement of James J. Cotter, Jr. as President and Chief Executive Officer and certain monetary damages, as well as equitable injunctive relief, attorney fees and costs of suit. Once again, the Company has been named as a nominal defendant. However, because the T2 Derivative Complaint also seeks the reinstatement of Mr. Cotter, Jr., as our President and CEO, it is being defended by the Company. In addition, the Company continues to incur costs promulgating and responding to discovery demands and satisfying indemnity obligations to the Defendant Directors. The Defendant Directors are the same as named in the Cotter Jr. Derivative Action as well as our two new Directors Dr. Judy Coddling and Michael Wrotniak and Company legal counsel, Craig Tompkins. The cost of the defense of Directors Coddling and Wrotniak is likewise being covered by our Directors and officer's liability insurance carrier with the same reservations of right as in the Cotter Jr. Derivative Action, but without any separate deductible. The cost of the defense of Mr. Tompkins is being covered by the Company under its indemnity agreement with him.

The Amended T2 Derivative Complaint has deleted its request for an order dissolving our Executive Committee and for an order "collapsing the Class A and B stock structure into a single class of voting stock." The Amended T2 Complaint has added a request for an order setting aside the election results from the 2015 Annual Meeting of Stockholders, based on an allegation that Ellen Cotter and Margaret Cotter were not entitled to vote the shares of Class B Common Stock held by the Cotter Estate and the Cotter Trust. The Company and the other defendants contest the allegations of the T2 Plaintiffs. The Company followed applicable Nevada law in recognizing that Ellen Cotter and Margaret Cotter had the legal right and power to vote the shares of Class B Common Stock held of record by the Cotter Estate and the Cotter Trust, and the Independent Inspector of Elections has certified the results of that election. Furthermore, even if the election results were to be overturned or voided, this would have no impact on the current composition of our Board or any action taken by our Board since our 2015 Annual Meeting of Stockholders, as all of the nominees were standing for re-election and accordingly retain their directorships until their replacements are elected. The Company will vigorously contest any assertions by the T2 Plaintiffs challenging the voting at the 2015 Annual Meeting of Stockholders and believes that the court will rule for the Company should this issue ever reach the court. The case is current set for trial in November, 2016. The T2 Plaintiffs have not sought any expedited ruling from the Court with respect to their assertions that Ellen Cotter and Margaret Cotter did not have the right and power to vote the shares of Class B Common Stock held of record by the Cotter Estate and the Cotter Trust.

The Company believes that the claims set forth in the Amended Cotter Jr. Derivative Complaint and the Amended T2 Derivative Complaint are entirely without merit and seek equitable remedies for which no relief can be given. The Company intends to defend vigorously against any claims against our officers and directors and against any attempt to reinstate Mr. Cotter, Jr. as President and Chief Executive Officer or to effect any changes in the rights of our Company's stockholders.

#### THE STOMP ARBITRATION

In April 2015, Liberty Theatre, LLC ("Liberty"), a wholly owned subsidiary of the Company, commenced an American Arbitration Association arbitration proceeding (Case No. 01-15-0003-3728) against The Stomp Company Limited Partnership (the "Producer") in response to the Producer's purported termination of their license agreement with Liberty relating to the long playing show STOMP. Liberty sought specific performance, injunctive and declaratory relief and damages. The Producer counterclaimed for unspecified damages, alleging that Liberty has interfered with the Producer's endeavors to move the show to another Off-Broadway theater. The Producer based its purported termination of the license agreement upon the alleged deficient condition of the Orpheum Theater, in which STOMP has been playing for more than the past 20 years.

On December 18, 2015, the Arbitrator issued his Partial Final Award of Arbitration, providing for, among other things (i) the issuance of a permanent injunction prohibiting the Producer from "transferring or taking actions to market, promote, or otherwise facilitate any transfer of STOMP to another theatre in New York City having fewer than 500 seats without Liberty's prior written consent", (ii) the Producer's Notice of Termination purportedly terminating the parties' license agreement was invalid, null and void and the License Agreement remains in full force and effect, and (iii) the award to Liberty of its reasonable attorneys' fees in an amount to be determined by the Arbitrator. The Company expects the final award of attorneys' fees to be decided during the second quarter of 2016.

In explaining his decision to award Liberty its reasonable attorneys' fees, the Arbitrator stated as follows: "Liberty is entitled to such an award [of attorneys' fees] not only because it is the prevailing party in this proceeding, but because [the Producer] unfairly disparaged the Orpheum and caused Liberty to incur attorneys' fees in order to address and resolve [the Producer's] groundless and frivolous allegations with respect to the Orpheum's condition, Liberty's performance under the License Agreement, and Stomp's reasons for seeking to transfer STOMP to a larger theatre."

# NOTE 13 -- Noncontrolling Interests

As of December 31, 2015, the noncontrolling interests in our consolidated subsidiaries are comprised of the following:

- Australia Country Cinemas Pty Ltd. -- 25% noncontrolling interest owned by Panorama Cinemas for the 21st Century Pty Ltd.;
- Shadow View Land and Farming, LLC -- 50% noncontrolling membership interest owned by the estate of Mr. James J. Cotter, Sr.; and
- Sutton Hill Properties, LLC -- 25% noncontrolling interest owned by Sutton Hill Capital, LLC.

The components of noncontrolling interest are as follows:

	December 31, 2015		December 31, 2014	
(Dollars in thousands)				
AFC LLC	\$	118	\$	410
Australian Country Cinemas, Pty Ltd		366		2,008
Shadow View Land and Farming, LLC		2,013		2,102
Sutton Hill Properties, LLC	\$	4,371	\$	4,672
Noncontrolling interest in consolidated subsidiaries				

The components of income / (loss) attributable to noncontrolling interests are as follows:

	2015		2014		2013	
(Dollars in thousands)						
AFC LLC	\$	126	\$	143	\$	129
Australian Country Cinemas, Pty Ltd		(77)		(91)		(29)
Shadow View Land and Farming, LLC		(128)		(136)		(148)
Sutton Hill Properties, LLC	\$	679	\$	(57)	\$	184
Noncontrolling interest in consolidated subsidiaries						

## 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 at December 31, 2013 was reflected as a change in our additional paid in capital.

## Shadow View Land and Farming, LLC

This land is held in Shadow View Land and Farming, LLC, in which the Cotter Estate or the Cotter Trust now owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC. We consolidate the Cotter Estate's and/or the Cotter Trust's interest in the property and its expenses with that of our interest and show their interest as a noncontrolling interest. Note 4 -- *Acquisitions, Disposals, and Assets Held for Sale*.

## 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 10 -- *Debt*).

# NOTE 14 – Equity and Stock-Based Compensation

## Former Executive Stock-Based Compensation

As part of his compensation package, Mr. James J. Cotter, Sr., our now deceased former Chairman of the Board and Chief Executive Officer, was granted restricted Class A Non-voting Common Stock ("Class A Stock") for 2014 and 2013. Mr. Cotter, Sr.'s stock compensation was granted fully vested with a five-year restriction on sale and the applicable compensation expense was recorded in the year of grant. The 2014 stock grants were issued in the first quarter of 2015. The table below summarizes the fair value on grant date recognized as compensation, the number of shares granted, and the fair value of stock per share for the years ended December 31, 2014 and 2013:

	Fair Value	Number of Shares	Fair Value Per Share
2014	\$ 1206,000	160,648	\$ 7.50
2013	750,000	125,208	5.99

## Employee and Director Stock Option Plan

The Company may grant stock options and other share-based payment awards of our Class A Stock to eligible employees, D Instructors, and consultants under the 2010 Stock Incentive Plan. The aggregate total number of shares of the Class A Nonvoting Common Stock authorized for issuance under our 2010 Stock Incentive Plan is 1,250,000. As of December 31, 2015, we had 551,800 shares remaining for future issuances.

Stock options are generally granted at exercise prices equal to the grant-date market prices and expire no later than ten years from the grant date. In recent periods, we have typically limited the exercise period of granted options to five years. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options ranges from zero to four years. 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 option holder.

We estimate the grant-date fair value of our options using the Black-Scholes option-valuation 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. We expense the estimated grant-date fair values of options over the vesting period on a straight-line basis. Based on our historical experience and the relative market price to strike price of the options, we have not heretofore estimated any forfeitures of vested or unvested options.

The weighted average assumptions used in the option-valuation model were as follows:

	2015	2014	2013
Stock option exercise price	\$ 13.30	\$ 8.26	\$ 6.33
Risk-free interest rate	2.23%	2.53%	2.23%
Expected dividend yield			
Expected option life in years	4	5	5
Expected volatility	31.88%	31.19%	31.80%
Weighted average fair value	\$ 3.82	\$ 2.76	\$ 1.98

We recorded compensation expense of \$282,308, \$146,000, and \$199,000 for 2015, 2014, and 2013, respectively. At December 31, 2015, the total unrecognized estimated compensation cost related to non-vested stock options was \$576,248 which is expected to be recognized over a weighted average vesting period of 1.83 years. Cash and other consideration received from option exercises during 2015, 2014, and 2013 totaled \$3.0 million, \$ 978,000, and \$ 248,000, respectively.

The following is a summary of the status of RDI's outstanding stock options :

Outstanding Stock Options							
	Number of Options		Weighted Average Exercise Price		Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value	
	Class A	Class B	Class A	Class B		Class A & B	Class A & B
Outstanding - January 1, 2013	812,500	185,100	\$ 6.24	\$ 9.90			
Granted	175,000	--	6.19	--			
Expired	(172,200)	--	4.00	--			\$ 133,000
Outstanding - December 31, 2013	709,850	185,100	\$ 6.66	\$ 9.90	4.70	\$	938,503
Granted	90,000	--	8.26	--			
Expired	(137,500)	--	6.21	--			\$ 374,022
Outstanding - December 31, 2014	568,250	185,100	\$ 6.88	\$ 9.90	2.40	\$	4,197,000
Granted	(12,000)	--	13.34	--			
Expired	(185,685)	(185,100)	6.09	9.90			\$ 327,170
Outstanding - December 31, 2015	466,565	--	\$ 8.68	\$ --	2.89	\$	2,188,011

The following is a summary of the status of RDI's vested stock options :

Vested Stock Options							
	Number of Options		Weighted Average Exercise Price		Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value	
	Class A	Class B	Class A	Class B		Class A & B	Class A & B
December 31, 2013	224,200	--	\$ 7.64	\$ --	7.77	\$	1,807,931
December 31, 2014	348,000	185,100	6.92	9.90	3.63		2,476,230
December 31, 2015	450,130	185,100	6.81	9.90	3.11		666,030

#### Common Stock Repurchase

On May 16, 2014, the Company's Board of Directors authorized management, at its discretion, to spend up to an aggregate of \$10.0 million to acquire shares of the Company's common stock. This approved stock repurchase plan supersedes and effectively cancels the program that was approved by the Board of Directors on May 14, 2004, which allowed management to purchase up to 350,000 shares of Reading's common stock.

The repurchase program allows Reading to repurchase its shares in accordance with the requirements of the SEC on the open market, in block trades and in privately negotiated transactions, depending on market conditions and other factors. All purchases are subject to the availability of shares at prices that are acceptable to Reading, and accordingly, no assurances can be given as to the timing or number of shares that may ultimately be acquired pursuant to this authorization.

The Company repurchased its common stock as follows :

	Shares Acquired	Share Price	Total Paid (in thousands)
2013	340,107	\$ 13.95	\$ 3,109
2014	437,251	9.42	4,070
2015	672,354	\$ 30.28	\$ 2,178

# Accumulated Other Comprehensive Income

The following table summarizes the changes in each component of accumulated other comprehensive income attributable to RDI:

(Dollars in thousands)	Foreign Currency Items	Unrealized Gains (Losses) on Available-for-Sale Investments	Accrued Pension Service Costs	Total
Balance at January 1, 2015	\$ 11,064	\$ 10	\$ (3,039)	\$ 8,035
Net current-period other comprehensive income	(16,442)	2	207	(16,233)
Balance at December 31, 2015	\$ (5,378)	\$ 12	\$ (2,832)	\$ (8,198)

## NOTE 15 -- Derivative Instruments

We enter into interest rate derivative instruments to hedge the interest rate risk that results from the characteristics of our floating-rate borrowings. Our use of derivative transactions is intended to reduce long-term fluctuations in cash flows caused by market movements. All derivative instruments are recorded on the balance sheet at fair value with changes in fair value recorded to interest expense in the consolidated statements of operations. As of December 31, 2015, we have not designated any of our derivatives as accounting hedges.

The Company's derivative positions measured at fair value are summarized in the following tables:

December 31, 2015					
(Dollars in thousands)	Notional	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Interest rate swap	\$ 25,413	\$ 1	\$ 1	\$ 126	\$ 1
Interest rate cap	7,500	—	1	—	—
December 31, 2014					
(Dollars in thousands)	Notional	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Interest rate swap	\$ 10,248	\$ 1	\$ 1	\$ 1,151	\$ 1
Interest rate cap	7,500	—	—	24	—

The following table summarizes the unrealized gains or losses due to changes in fair values of the derivatives that are recorded in interest expense in the consolidated statements of operations, for 2015, 2014, and 2013:

(Dollars in thousands)	2015	2014	2013
Net unrealized gains (or losses) on interest rate derivatives	\$ (3,091)	\$ (1,014)	\$ 2,642

# NOTE 16 - Fair Value Measurement

## Recurring Fair Value Measurement

The following tables summarize our financial assets and financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(Dollars in thousands)	Recurring Fair Value Measurement at December 31, 2015				
	Level 1	Level 2	Level 3	Total	
<b>Assets</b>					
Investments	\$ 51	\$ -	\$ -	\$ 51	\$ 51
<b>Liabilities</b>					
Derivatives		(150)	-		(150)
Total recorded at fair value	\$ 51	\$ (150)	\$ -	\$ (99)	\$ (99)

(Dollars in thousands)	Recurring Fair Value Measurement at December 31, 2014				
	Level 1	Level 2	Level 3	Total	
<b>Assets</b>					
Investments	\$ 54	\$ -	\$ -	\$ 54	\$ 54
<b>Liabilities</b>					
Derivatives		(2,177)	-		(2,177)
Total recorded at fair value	\$ 54	\$ (2,177)	\$ -	\$ (2,123)	\$ (2,123)

## Non-recurring Fair Value Measurement

The following tables provide information about financial assets and liabilities not carried at fair value on a non-recurring basis in our consolidated balance sheets:

(Dollars in thousands)	Carrying Value	Fair Value Measurement at December 31, 2015				
		Level 1	Level 2	Level 3	Total	
<b>Financial assets</b>						
Cash and Cash equivalents	\$ 19,702	\$ 19,702	\$ -	\$ -	\$ 19,702	\$ 19,702
Accounts receivable	10,016	10,016	-	-	10,016	10,016
Restricted Cash	160	160	-	-	160	160
<b>Financial liabilities</b>						
Accounts and film cost payable	\$ 32,929	\$ 32,929	\$ -	\$ -	\$ 32,929	\$ 32,929
Notes payable	105,018	-	-	89,554	89,554	89,554
Subordinated debt	27,913	-	-	13,338	13,338	13,338

(Dollars in thousands)	Carrying Value	Fair Value Measurement at December 31, 2014			
		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash and cash equivalents	\$ 50,248	\$ 50,248	\$ —	\$ —	\$ 50,248
Available-for-sale securities	11,448	11,448	—	—	11,448
Restricted Cash	1,433	1,433	—	—	1,433
<b>Financial liabilities</b>					
Accounts and film rent payable	\$ 28,845	\$ 28,845	\$ —	\$ —	\$ 28,845
Notes payable	136,173	—	—	116,115	116,115
Subordinated debt	27,913	—	—	10,096	10,096

#### NOTE 17 - Future Minimum Rental Income

Real estate revenue amounted to \$15.0 million, \$16.9 million, and \$18.8 million, for the years ended December 31, 2015, 2014, and 2013, respectively. As of December 31, 2015, future minimum rental income under all contractual operating leases is summarized as follows:

(Dollars in thousands)	Future Minimum Rental Income
2016	\$ 7,917
2017	6,181
2018	5,898
2019	4,938
2020	3,913
Thereafter	16,380
<b>Total</b>	<b>\$ 45,227</b>

#### NOTE 18 - Related Parties and Transactions

##### Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the master 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 (i) 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 (ii) to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by the Cotter Estate or the Cotter Trust and a third party.

As previously reported, over the years, two of the cinemas subject to the master leasing agreement have been redeveloped and one (the Cinema 1, 2 & 3 discussed below) has been acquired. The Village East is the only cinema that remains subject to this master lease. We paid an annual rent of \$390,000 for this cinema to SHC in each of 2015, 2014, and 2013. During this same period, we received management fees from the 86th Street Cinema of \$151,000, \$123,000 and \$183,000.

In 2005, we acquired (i) from a third party the fee interest underlying the Cinemas 1,2,3 and (ii) from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinema 1,2,3. The ground lease estate and the improvements acquired from SHC were originally a part of the master lease transaction, discussed above. In connection with that transaction, we granted to SHC an option to acquire at cost a 25% interest in the special purpose entity (Sutton Hill Properties, LLC) formed to acquire these fee, leasehold and improvements interests. On June 28, 2007, SHC exercised this option, paying \$3.0 million and assuming a proportionate share of SHP's liabilities. At the time of the option exercise and the closing of the acquisition of the 25% interest, SHP had debt of \$26.9 million, including a \$2.9 million, non-interest bearing intercompany loan from the Company. As of December 31, 2015, SHP had debt of \$19.4 million (again, including the intercompany loan). Since the acquisition by SHC of its 25% interest, SHP has covered its operating costs and debt service through cash flow from the Cinema 1,2,3, (i) borrowings from third parties, and (ii) pro-



rate contributions from the members. We receive a management fee equal to 5% of SHP's gross income for managing the cinema and the property, amounting to \$153,000, \$123,000 and \$183,000 in 2015, 2014 and 2013 respectively. This management fee was modified in 2015, as discussed below, retroactive to December 1, 2014.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema by 10 years, with a new termination date of June 30, 2020. This amendment was reviewed and approved by our Audit and Conflicts Committee. 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 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 11 - *Pension and Other Liabilities*).

In February 2015, we and SHP entered into an amendment to the management agreement dated as of June 27, 2007 between us and SHP. The amendment, which was retroactive to December 1, 2014, memorialized our undertaking to SHP with respect to \$750,000 (the "Renovation Funding Amount") of renovations to Cinemas 1, 2 & 3 funded or to be funded by us. In consideration of our funding of the renovations, our annual management fee under the management agreement was increased commencing January 1, 2015 by an amount equivalent to 100% of any incremental positive cash flow of Cinemas 1, 2, 3 over the average annual positive cash flow of the Cinemas 1, 2, 3 over the three-year period ended December 31, 2014 (not to exceed a cumulative aggregate amount equal to the Renovation Funding Amount), plus a 15% annual cash-on-cash return on the balance outstanding from time to time of the Renovation Funding Amount, payable at the time of the payment of the annual management fee. Under the amended management agreement, we are entitled to retain ownership of (and any right to depreciate) any furniture, fixtures and equipment purchased by us in connection with such renovation and have the right (but not the obligation) to remove all such furniture, fixtures and equipment (at our own cost and expense) from the Cinemas upon the termination of the management agreement. The amendment also provides that, during the term of the management agreement, SHP will be responsible for the cost of repair and maintenance of the renovations. In 2015, we received a management fee of \$153,000. This amendment was approved by SHC and by the Audit and Conflicts Committee of our Board of Directors.

#### OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations were, until recently, managed by Off-Broadway Investments, LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of the late Mr. James J. Cotter, Sr., the sister of Ellen Cotter and James Cotter, Jr., and a member of our Board of Directors. That Management Agreement was terminated effective March 10, 2016 in connection with the resignation by our Company of Margaret Cotter as a full time employee.

The Theater Management Agreement generally provided for the payment of a combination of fixed and incentive fees for the management of our four live theaters. Historically, these fees have equated to approximately 21% of the net cash flow generated by these properties. We currently estimate that fees to be paid to OBI for 2015 will be approximately \$589,000. We paid \$397,000 and \$401,000 in fees with respect to 2014, and 2013, respectively. We also reimbursed OBI for certain travel expenses, shared the cost of an administrative assistant and provided office space at our New York offices. The increase in the payment to OBI for 2015 was attributable to work done by Margaret Cotter, working through OBI with respect to the development of our Union Square and Cinemas 1, 2&3 properties.

OBI Management historically conducted its operations from our office facilities on a cost-free basis, and we shared the cost of one administrative employee of OBI Management. 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. Other than these expenses, OBI Management was responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renewed 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 could terminate the Management Agreement at any time for cause.

Effective March 10, 2016, Margaret Cotter became a full time employee of the Company and the Management Agreement was terminated. As Executive Vice-President Real Estate Management and Development - NYC, Ms. Cotter will continue to be responsible for the management of our live theater assets, will continue her role leading up the pre-redevelopment of our New York Properties and will become our senior executive responsible for the actual redevelopment of our New York properties. Pursuant to the termination agreement (which is currently being finalized as of the date of the audit report), Ms. Cotter will be giving up any right she might otherwise have, through OBI, to income from STOMP.

Ms. Cotter's compensation as Executive Vice-President was set as part of an extensive executive compensation process. For 2016, Ms. Cotter's base salary will be \$350,000, she will have a short-term incentive target bonus opportunity of \$105,000 (30% of her base salary), and she was granted a long-term incentive of a stock option for 19,921 shares of Class A common stock and 4,184 restricted stock units under the Company's 2016 Stock Incentive Plan, as amended, which long-term incentives vest over a four-year period.

#### 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. The Cotter Estate or the Cotter Trust and Mr. Michael Foreman own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater. Refer to Item 3 – *Legal Proceedings* for more information about the show STOMP.

#### Shadow View Land and Farming LLC

During 2012, Mr. James J. Cotter, Sr., our then Chairman, Chief Executive Officer and controlling shareholder, contributed \$2.5 million 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 the Cotter Estate or the Cotter Trust owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC (see Note 13 – *Noncontrolling Interests*). The property is held debt free, and operating and holding costs are covered by member contributions. The Audit and Conflicts Committee of the Board of Directors is charged with responsibility for oversight of our management of the management of Shadow View.

#### Document Storage Agreement

In consideration of the payment of \$100 per month, our Company has agreed to allow Ellen Cotter and Margaret Cotter to keep certain files related to the Cotter Estate and/or the Cotter Trust at our Los Angeles Corporate Headquarters.

#### NOTE 19 – Casualty Loss

On July 21, 2013, Wellington, New Zealand experienced a strong earthquake that damaged our parking structure adjacent to our Courtyard Central ETC. The parking structure reopened in November 2014. As of December 31, 2015, the car park has been repaired and strengthened to its pre-earthquake strength of 35% of code and work continues to bring this up to 70% of code.

#### NOTE 20 – Unaudited Quarterly Financial Information

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2015</b>				
Revenue	\$ 60,584	\$ 72,802	\$ 57,788	\$ 66,149
Net income	3,102	16,106	128	3,728
Net income attributable to KDI shareholders	3,118	15,997	381	3,777
Basic earnings per share	0.13	0.68	0.02	0.14
Diluted earnings per share	0.13	0.68	0.02	0.14
<b>2014</b>				
Revenue	\$ 58,033	\$ 69,922	\$ 65,031	\$ 61,743
Net income	(290)	4,733	3,939	14,186
Net income (loss) attributable to KDI shareholders	(215)	4,757	3,939	17,220
Basic earnings (loss) per share	(0.01)	0.18	0.17	0.74
Diluted earnings (loss) per share	(0.01)	0.20	0.17	0.72

**NOTE 2.1 – Subsequent Events**

***Bank of America Credit Facility***

On March 3, 2016, we amended our \$55,000,000 Bank of America credit facility to permit real property acquisition loans subject to the proviso that the consolidated leverage ratio would be reduced by 0.25 from the established levels in the credit facility during the period of such borrowing subject further to a repayment of such borrowings on the earlier of the eighteen months from the date of such borrowing or the maturity date of the credit agreement. Such modification is not considered to be substantial in accordance with US GAAP.

***Acquisition of New Corporate Headquarters in Los Angeles***

On April 11, 2016, we purchased for \$ 11.2 million a 24,000 square foot Class B office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California. We intend to use approximately 50% of the leasable area for our headquarters offices and to lease the remainder to unaffiliated third parties. We anticipate, when the move is complete and the excess space is leased, we will be able to reduce our headquarters occupancy cost by approximately \$350,000 per annum. The Company is in the process of obtaining a mortgage on this office building.

***Updates to the Redevelopment Project of Union Square New York***

On March 22, 2016, we received the unanimous approval of the Board of Standards and Appeals of our application for the variances needed to redevelop our Union Square property for retail and office uses. This is the last major regulatory hurdle to commencement of construction. While our plans still must be approved by the New York City Department of Buildings, we do not currently anticipate encountering any material issues. On March 28, 2016, we entered into a construction management agreement for preconstruction services with an affiliate of CNY.

**Schedule II - Valuation and Qualifying Accounts**

	Balance at January 1	Additions	Deductions	Balance at December 31
<b>Allowance for doubtful accounts</b>				
2013	\$ 394	\$ 789	\$ 340	\$ 843
2014	\$ 375	\$ 297	\$ 86	\$ 586
2015	\$ 209	\$ 413	\$ 318	\$ 304
<b>Tax valuation allowance</b>				
2013	\$ 15,016	\$ -	\$ 3,009	\$ 12,007
2014	\$ 34,022	\$ -	\$ 18,086	\$ 15,936
2015	\$ 37,903	\$ -	\$ 1,891	\$ 36,012

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure  
None.

#### **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 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. As reported in our September 30, 2014 10-Q filing and further noted in our December 31, 2014 10-K filing, our management identified a material weakness in our internal control over financial reporting in the area of income taxes based on our discovery that our audited consolidated financial statements for the fiscal year ended December 31, 2013 erroneously omitted a \$1.4 million tax effect of a 2013 year-end transaction by one of our Reading Australia subsidiaries. As a means of remedying the material weakness in 2014 and improving our controls and procedures, we engaged tax advisors from a Big 4 international public accounting firm in 2015 to provide technical guidance and to provide tax accounting advisory services as of December 31, 2015, which we considered as part of our remedial controls related to income taxes. We, together with our tax advisors, have an extensive background in tax accounting & international tax and are assisted by senior team members in the U.S., Australia & New Zealand. Our management believes that we have not yet fully remediated the material weakness in our internal control over financial reporting for income taxes (relating to certain book-tax basis differences mostly originating in prior years). As a result of our review, we noted adjustments to our 2014 results as follows: Decrease in Tax Expenses of \$514,000, Increase in Deferred Tax Assets of \$2,116,000, Increase in Adjusted Paid-in Capital of \$793,000. In cases in Other Comprehensive Income of \$1,859,000 and a Decrease in Other Non-Current Liabilities of \$1,050,000. Of the \$514,000 adjustment to decrease the income tax expense in 2015, \$1,286,000 relates to the adjustment that should have been recorded in 2014, thus reducing our income tax benefit by this amount. The remaining \$1,800,000 relates to income taxes pertaining to years prior to 2014 cumulatively, that would have increased our deferred tax asset as by such amount. These adjustments have been incorporated into our 2015 financial statements as they did not have a material effect on our financial position or results of operations as reflected in our 2014 financial statements.

In light of the foregoing, our management concluded that our internal controls over financial reporting were not effective as of December 31, 2015. As a means of fully remedying the material weaknesses identified in 2014 and 2015 and improve our controls and procedures around the income taxes area, we will add personnel, technology, and technical resources to our tax department specifically in the tax provisioning process and we will continue to engage qualified tax advisors to provide timely technical guidance and oversight in the income tax area. As the remediation efforts are ongoing, the material weakness disclosure remains in place until we have sufficient efficacy of such remediation.

The effectiveness of our internal control over financial reporting as of December 31, 2015 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, and 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 our evaluation that the controls over income taxes need to be further enhanced during 2016, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not 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**

The continuing enhancements, described above, to controls relating to tax provisioning as part of the remediation of the material weakness existing at December 31, 2015, are the only changes in internal control over financial reporting that have occurred during the quarter ended December 31, 2015 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, 2015, based on criteria established in the 2013 *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 authorization 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.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment.

The Company identified a material weakness related to the internal controls over the accounting and reporting for income taxes. In our opinion, because of the effect of the material weakness described on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued 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, 2015. The material weakness identified above was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 consolidated financial statements, and this report does not affect our report dated April 29, 2016 which expressed an unqualified opinion on those financial statements. We do not express an opinion or any other form of assurance on management's plan for remediation of the above mentioned material weakness.

/s/ GRANT THORNTON LLP  
Los Angeles, California  
April 29, 2016



## Item 10 – Directors, Executive Officers and Corporate Governance

## Directors

We have nine Directors. The names of our Directors, together with certain information regarding them, are as follows:

Name	Age	Position
Ellen M. Cotter	40	Chairperson of the Board and Chief Executive Officer and President (1)
Guy W. Adams	65	Director (1) (2)
Andy Corbitt	71	Director (2)
James J. Cotter, Jr.	46	Director (3)
Margaret Cotter	48	Vice Chairperson of the Board and Executive Vice President, Real Estate Management and Development (NYC) (1)
William D. Gould	77	Director (4)
Edward L. Kane	78	Director (1) (2) (3) (4)
Douglas J. Molnichen	64	Director (5)
Michael Weintraub	69	Director (4)

(1) Member of the Executive Committee.

(2) Member of the Compensation and Stock Options Committee.

(3) Member of the Tax Oversight Committee.

(4) Lead Independent Director.

(5) Member of the Audit and Conflicts Committee.

**Ellen M. Cotter.** Ellen M. Cotter has been a member of our Board of Directors since March 13, 2013, and currently serves as a member of our Executive Committee. Ms. Cotter was appointed Chairperson of our Board on August 7, 2014 and served as our interim President and Chief Executive Officer from June 12, 2015 until January 8, 2016, when she was appointed our permanent President and Chief Executive Officer and President. She joined the Company in March 1998. Ms. Cotter is a graduate of Smith College and holds a Juris Doctor 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 New York City. Ms. Cotter is the sister of Margaret Cotter and James J. Cotter, Jr. For more than the past ten years, Ms. Cotter served as the Chief Operating Officer ("COO") of our domestic cinema operations, in which capacity she had, among other things, responsibility for the acquisition and development, marketing and operation of our cinemas in the United States. Prior to her appointment as COO of Domestic Cinemas, she spent a year in Australia and New Zealand, working to develop our cinema and real estate assets in those countries. Ms. Cotter is the Co-Executor of her father's estate, which is the record owner of 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Cotter is also a Co-Trustee of the James J. Cotter, Sr. Trust, which is the record owner of 696,080 shares of Class B Stock (representing an additional 44.0% of such Class B Stock).

Ms. Cotter brings to our Board her 18 years of experience working in our Company's cinema operations, both in the United States and Australia. 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. In addition, with her direct ownership of 799,765 shares of Class A Stock and 50,000 shares of Class B Stock and her positions as Co-Executor of her father's (James J. Cotter, Sr.) estate and Co-Trustee of the James J. Cotter, Sr. Trust, Ms. Cotter is a significant stakeholder in our Company. Ms. Cotter is well recognized in and a valuable liaison to the film industry. In recognition of her contributions to the independent film industry, Ms. Cotter was awarded the first Gotham Appreciation Award at the 2015 Gotham Independent Film Awards. She was also inducted that same year into the ShowEast Hall of Fame.

**Guy W. Adams.** Guy W. Adams has been a Director of the Company since January 14, 2014, and currently serves as the chair of our Executive Committee and is a member of our Compensation and Stock Options Committee (the "Compensation Committee"). For more than the past ten years, he has been a Managing Member of GWA Capital Partners, LLC, a registered investment adviser managing GWA Investments, LLC, a fund investing in various publicly traded securities. Over the past fifteen years, Mr. Adams has served as an independent director on the boards of directors of Lone Star Steakhouse & Saloon, Menor International, Etec Corporation and Vitesse Semiconductor. At these companies, he has held a variety of board positions, including lead director, audit committee chair and compensation committee chair. He has spoken on corporate governance topics before such groups as the Council of Institutional Investors, the USC Corporate Governance Summit and the University of Delaware Distinguished Speakers Program. Mr. Adams provides investment advice to private clients and currently invests his own capital in .

public and private equity transactions. He has served as an advisor to James J. Cotter, Sr. and continues to provide professional advisory services to various enterprises now owned by either the James J. Cotter, Sr. Estate or the James J. Cotter, Sr. Trust. 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 with respect to investments in public companies.

**Dr. Judy Coddling.** Dr. Judy Coddling has been a Director of our Company since October 5, 2015, and currently serves as a member of our Compensation Committee. Dr. Coddling has been a Director of our Company since October 5, 2015. Dr. Coddling is a globally respected education leader. From October 2010 until October 2015 she served as the Managing Director of "The System of Courses," a division of Pearson, PLC (NYSE:PSO), the largest education company in the world that provides education products and services to institutions, governments and direct to individual learners. Prior to that time, Dr. Coddling served as the Chief Executive Officer and President of America's Choice, Inc., which she founded in 1998, and which was acquired by Pearson in 2010. America's Choice, Inc. was a leading education company offering comprehensive, proven solutions to the complex problems educators face in the era of accountability. Dr. Coddling has a Doctorate in Education from University of Massachusetts at Amherst, and completed postdoctoral work and served as a teaching associate in Education at Harvard University where she taught graduate level courses focused on moral leadership. Dr. Coddling has served on various boards, including the Board of Trustees of Curtis School, Los Angeles, CA (2011 to present) and the Board of Trustees of Educational Development Center, Inc. (EDC) since 2012. Through family estates, Dr. Coddling has been and continues to be involved in the real estate business, through the ownership of hotels, shopping centers and buildings in Florida and the exploration of mineral, oil and gas rights in Maryland and Kentucky.

Dr. Coddling brings to our Board her experience as an entrepreneur, as an author, advisor and researcher in the areas of leadership training and decision-making as well as her experience in the real estate business.

**James J. Cotter, Jr.** James J. Cotter, Jr. has been a Director of our Company since March 21, 2002, and currently serves as a member of our Tax Oversight Committee. The Tax Oversight Committee has been inactive since November 2, 2015, in anticipation that its functions will move to the Audit and Conflicts Committee (the "Audit Committee") under its new charter. Mr. Cotter, Jr. served as our Vice Chairperson from June 2007 until August 7, 2014. Mr. Cotter, Jr. served as our President from June 1, 2013 through June 12, 2015 and as our Chief Executive Officer from August 7, 2014 through June 12, 2015. He is currently the lead director of Cecelia Packing Corporation (a Cotter family-owned citrus grower, packer and marketer) and served as the Chief Executive Officer of that company from July 2004 until 2013. Mr. Cotter, Jr. served as a Director of Cecelia Packing Corporation from February 1996 to September 1997 and as a Director of Ciba Biomedical from September 1999 to March 2002. He was an attorney in the law firm of Winston & Strawn (and its predecessor), specializing in corporate law, from September 1997 to May 2004. Mr. Cotter, Jr. is the brother of Margaret Cotter and Ellen M. Cotter. Mr. Cotter, Jr. has advised the Company that he is a Co-Trustee of the James J. Cotter, Sr. Trust, which is the record owner of 696,080 shares of Class B Stock (representing 44.0% of such Class B Stock). The Company understands that Mr. Cotter's status as a trustee of the James J. Cotter, Sr. Trust is disputed by his sisters, Ellen M. Cotter and Margaret Cotter. See Item 3 - Legal Proceedings for additional information.

James J. Cotter, Jr. brings to our Board his experience as a business professional and corporate attorney, as well as his many years of experience in, and knowledge of, the Company's business and affairs. In addition, with his direct ownership of 859,286 shares of our Company's Class A Common Stock and his position as Co-Trustee of the James J. Cotter, Sr. Trust, Mr. Cotter, Jr. is a significant stakeholder in our Company. Further, depending on the outcome of ongoing Trust Litigation, in the future Mr. Cotter, Jr. may be a controlling stockholder in the Company.

**Margaret Cotter.** Margaret Cotter has been a Director of our Company since September 27, 2002, and on August 7, 2014 was appointed Vice Chairperson of our Board and currently serves as a member of our Executive Committee. On March 10, 2016, our Board appointed Ms. Cotter as Executive Vice President-Real Estate Management and Development-NYC. In this position, Ms. Cotter is responsible for the management of our live theater properties and operations, including oversight of the development of our Union Square and Cinespace 1, 2, 3 properties. Ms. Cotter is the owner and President of OBI, LLC ("OBI"), which, from 2002 until her appointment as Executive Vice President - Real Estate Management and Development, NYC, managed our live-theater operations under a management agreement. Pursuant to the OBI management agreement, Ms. Cotter also served as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. The OBI management agreement was terminated with Ms. Cotter's appointment as Executive Vice President Real Estate Management and Development-NYC. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and is a board member of the League of Off-Broadway Theaters and Producers. Ms. Cotter, a former Assistant District Attorney for Kings County in Brooklyn, New York, graduated from Georgetown University and Georgetown University Law Center. She is the sister of Ellen M. Cotter and James J. Cotter, Jr. Ms. Margaret Cotter is a Co-Executor of her father's estate, which is the record owner of 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Margaret Cotter is also a Co-Trustee of the James J. Cotter, Sr. Trust, which is the record owner of 696,080 shares of Class B Voting Common Stock (representing an additional 41.4% of such Class B Stock).

Ms. Cotter brings to the Board her experiences 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 17 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, with her direct ownership of 804,173 shares of Class A Stock and 35,100 shares of Class B Stock and her positions as Co-Executor of her father's estate and Co-Trustee of the James J. Cotter, Sr. Trust, Ms. Cotter is a significant stakeholder in our Company.

**William D. Gould.** William D. Gould has been a Director of our Company since October 15, 2004, and currently serves as our Lead Independent Director. Mr. Gould 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. Total fees payable to Mr. Gould's law firm for [calendar year] 2015 were \$61,000.84. Mr. Gould is an author and lecturer on the subjects of corporate governance and mergers and acquisitions. Mr. Gould brings to our Board more than fifty years of experience as a corporate lawyer and advisor focusing on corporate governance, mergers and acquisitions.

**Edward L. Kane.** Edward L. Kane has been a Director of our Company since October 15, 2004. Mr. Kane was also a Director of our Company from 1985 to 1998, and served as President from 1987 to 1988. Mr. Kane currently serves as the chair of our Compensation Committee, and until its disbandment in January 2016, as chair of our Tax Oversight Committee. He also serves as a member of our Executive Committee and our Audit Committee. The Tax Oversight Committee has been inactive since November 2, 2015, in anticipation that its functions will move to the Audit Committee under its new charter. Mr. Kane practiced as a tax attorney for many years in San Diego, California. Since 1996, Mr. Kane has acted as a consultant and advisor to the health care industry, serving as the President and sole shareholder of High Avenue Consulting, a healthcare consulting firm, and as the head of its successor proprietorship. During the 1990s, Mr. Kane also served as the Chairman and CEO of ASMG Outpatient Surgical Centers in southern California, and he served as a director of BDI Investment Corp., which was a regulated investment company, based in San Diego. For over a decade, he was the Chairman of Kane Miller Books, an award-winning publisher of children's books. At various times during the past three decades, Mr. Kane 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.

In addition to his varied business experience, Mr. Kane brings to our Board his many years as a tax attorney and law professor. 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 his experience as a former member of the boards of directors of several publicly held corporations.

**Douglas L. McEachern.** Douglas L. McEachern has been a Director of our Company since May 17, 2012 and Chair of our Audit Committee since August 1, 2012. He has served as a member of the board and of the audit and compensation committee for Willdan Group, a NASDAQ listed engineering company, since 2009. From June 2011 until October 2015, Mr. McEachern was a director of Community Bank in Pasadena, California and a member of its audit committee. Mr. McEachern served as the chair of the board of Community Bank from October 2013 until October 2015. He also is a member of the finance committee of the Methodist Hospital of Arcadia. From September 2009 to December 2015, Mr. McEachern served as an instructor of auditing and accountancy at Claremont McKenna College. Mr. McEachern was an audit partner from July 1985 to May 2009 with the audit firm of 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 of 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 our Board his more than 38 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.

**Michael Wrotniak.** Michael Wrotniak has been a Director of our Company since October 12, 2015, and has served as a member of our Audit Committee since October 25, 2015. Since 2009, Mr. Wrotniak has been the Chief Executive Officer of Amisco Resources, LLC ("Amisco"), a privately held international commodities trading firm. Mr. Wrotniak joined Amisco in 1991 and is credited with expanding Amisco's activities in Europe and Asia. By establishing a joint venture with a Swiss engineering company, as well as creating partnerships with Asia-based businesses, Mr. Wrotniak successfully diversified Amisco's product portfolio. Mr. Wrotniak became a partner of Amisco in 2002. Mr. Wrotniak has been for more than the past six years, a trustee of St. Joseph's Church in Brewsterville, New York, and is a member of the Board of Advisors of the Little Sisters of the Poor at their nursing home in the Bronx, New York since approximately 2004. Mr. Wrotniak graduated from Georgetown University in 1989 with a B.S. in Business Administration (cum laude).

Mr. Wrotniak is a specialist in foreign trade, and brings to our Board his considerable experience in international business, including foreign exchange risk mitigation.

James J. Cotter, Sr. Trust. Please see footnote 12 of the Beneficial Ownership of Securities table for information regarding the election of Ellen M. Cotter, Margaret Cotter and James J. Cotter, Jr. to the Board.

#### Executive Officers

The following table sets forth information regarding our executive officers, other than Ellen M. Cotter and Margaret Cotter, whose information is set forth above under "Directors."

Name	Age	Title
Dev Ghose	52	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
Robert F. Smetling	61	President - Domestic Cinema
Wayne D. Smith	56	Managing Director - Australia and New Zealand
Andrzej J. Matczynski	63	Executive Vice President - Global Operations

**Devasis ("Dev") Ghose.** Dev Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015, Executive Vice President on March 10, 2016 and Corporate Secretary on April 28, 2016. Over the past 25 years, Mr. Ghose served as Executive Vice President and Chief Financial Officer in a number of senior finance roles with three NYSE-listed companies: Silex Healthcare Group (a health services company, now part of Genesis Healthcare) from 2008 to 2013, Shurgard Storage Centers, Inc. (an international company focused on the acquisition, development and operation of self-storage centers in the US and Europe, now part of Public Storage) from 2004 to 2006, and HCP, Inc., (which invests primarily in real estate serving the healthcare industry) from 1986 to 2003, and as Managing Director-International for Green Street Advisors (an independent research and trading firm concentrating on publicly traded real estate corporate securities in the US & Europe) from 2006 to 2007. Prior thereto, Mr. Ghose worked for 10 years for PricewaterhouseCoopers in the U.S. from 1975 to 1985, and KPMG in the UK. He qualified as a Certified Public Accountant in the U.S. and a Chartered Accountant in the U.K., and holds an Honors Degree in Physics from the University of Delhi, India and an Executive M.B.A. from the University of California, Los Angeles.

**Robert F. Smetling.** Robert F. Smetling has served as President of our domestic cinema operations since 1994. Mr. Smetling has been in the cinema industry for 58 years and, immediately before joining our Company, served as the President of Loews Theaters Management Corporation.

**Wayne D. Smith.** Wayne D. Smith joined our Company in April 2004 as our Managing Director - Australia and New Zealand, after 23 years with Hoyts Cinemas. During his time with Hoyts, he was a key driver, as Head of Property, in growing that 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.

**Andrzej J. Matczynski.** On March 10, 2016, Mr. Matczynski was appointed as our Executive Vice President—Global Operations. From May 11, 2015 until March 10, 2016, Andrzej J. Matczynski acted as the Strategic Corporate Advisor to the Company. Mr. Matczynski served as our Chief Financial Officer and Treasurer from November 1999 until May 11, 2015 and as Corporate Secretary from May 10, 2011 to October 20, 2014. 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. Matczynski earned a Master's Degree in Business Administration from the University of Southern California.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and Directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission (the "SEC") and to provide us with copies of those filings. Based solely on our review of the copies received by us and on the written representations of certain reporting persons, we believe that the following Forms 3 and 4 for transactions that occurred in 2015 were not filed or filed later than is required under Section 16(a) of the Securities Exchange Act of 1934:

Filer	Form	Transaction Date	Date of Filing
Andrzej J. Matczynski	2	September 31, 2015	Not Filed
Andrzej J. Matczynski	4	December 31, 2014	Not Filed
Andrzej J. Matczynski	2	September 31, 2013	Not Filed
Mark Cohen	4	November 11, 2015	Not Filed
James J. Cotter, Sr. Trust	2	September 31, 2014	October 9, 2015
James J. Cotter Living Trust	3	September 15, 2014	October 9, 2015

William G. Chitt	4	April 15, 2015	October 2, 2015
Margaret Collier	4	April 1, 2015	October 9, 2015
William G. Chitt	4	April 15, 2015	October 2, 2015
James J. Collier Jr.	4	March 10, 2014	March 15, 2014
James J. Collier Jr.	4	November 22, 2013	December 2, 2013
James J. Collier Jr.	4	August 17, 2013	August 24, 2013
James J. Collier Jr.	4	July 16, 2013	July 15, 2013
James J. Collier Jr.	4	June 24, 2013	July 15, 2013
James J. Collier Jr.	4	October 2, 2013	July 15, 2013
Wayne Smith	4	July 16, 2013	July 31, 2013

- (1) This transaction was reported on Form 5 on April 22, 2016, which is later than required under Section 16(a) of the Securities Exchange Act of 1934.  
(2) This transaction was reported on Form 5 on March 17, 2015, which is later than required under Section 16(a) of the Securities Exchange Act of 1934.  
(3) This transaction was reported on Form 5 on March 12, 2014, which is later than required under Section 16(a) of the Securities Exchange Act of 1934.  
(4) This transaction was reported on Form 5 on February 19, 2016, which is later than required under Section 16(a) of the Securities Exchange Act of 1934.  
(5) An additional Form 4 for Mr. Collier Jr. was reported with a typographical error in the transaction date. The transaction date was reported as December 1, 2012, but should have been reported as December 1, 2015. This Form 4 was timely filed on December 5, 2015.  
(6) Pursuant to Form 4/A filed August 24, 2015, the earliest transaction date was changed from July 1, 2015 to June 30, 2015.  
(7) Pursuant to Form 4/A filed November 17, 2015, the earliest transaction date was changed from July 1, 2015 to June 4, 2015.

In addition to the above, the following Form 5 for transactions that occurred in 2013, 2014 and 2015 were filed later than is required under Section 16(a) of the Securities Exchange Act of 1934.

Filer	Form	Transaction Date	Date of Filing
Andrew J. Mayerswald	5	December 31, 2014	March 11, 2015
Andrew J. Mayerswald	5	December 31, 2013	March 12, 2014
Mark Cuban	5	November 11, 2015	February 19, 2016

Insofar as we are aware, all required filings have now been made.

#### Code of Ethics

We have adopted a Code of Ethics designed to help our Directors and employees resolve ethical issues. Our Code of Ethics applies to all Directors and employees, including the Chief Executive Officer, the Chief Financial Officer, principal accounting officer, controller and persons performing similar functions. Our Code of Ethics is posted on our website at <http://www.readingair.com/Governance/Documents>.

The Board has established a means for employees to report a violation or suspected violation of the Code of Ethics anonymously. In addition, we have adopted a "Whistleblower Policy," which is posted on our website, at <http://www.readingair.com/Governance/Documents>, that establishes a process by which employees may anonymously disclose to the Audit Committee alleged fraud or violations of accounting, internal accounting controls or auditing matters.

#### Audit Committee

The Audit Committee operates pursuant to Charter adopted by our Board that is available on our website at [http://www.readingair.com/Committee\\_Charters](http://www.readingair.com/Committee_Charters). The Audit Committee reviews, considers, negotiates and approves or disapproves related party transactions (see the discussion in the section entitled "Certain Relationships and Related Party Transactions" below). In addition, the Audit Committee is responsible for, among other things, (i) reviewing and discussing with management the Company's financial statements, earnings press releases and all internal controls reports, (ii) appointing, compensating and overseeing the work performed by the Company's independent auditors, and (iii) reviewing with the independent auditors the findings of their audits.

#### Item 11 – Executive Compensation

##### Compensation Discussion and Analysis

##### Role and Authority of the Compensation Committee

Our Board has established a standing Compensation Committee consisting of three of our non-employee Directors. As a Controlled Company, we are exempt from the NASDAQ Listing Rules regarding the determination of executive compensation solely by independent directors. Notwithstanding such exemption, we adopted a Compensation Committee charter on March 10, 2016.

requiring our Compensation Committee members to meet the independence rules and regulations of the Securities Exchange Commission and the Nasdaq Stock Market.

Prior to the adoption of our Compensation Committee Charter on March 10, 2016, it was our practice that the Compensation Committee would recommend to the full Board the compensation of our Chief Executive Officer and of the other Cotter family members who serve as officers of our Company. Our Board, with the Cotter family Directors abstaining, typically accepted without modification the compensation recommendations of the Compensation Committee, but reserved the right to modify the recommendations or take other compensation actions of its own. Prior to his resignation as our Chief Executive Officer, Mr. James J. Cotter, Sr. was delegated responsibility by our Board for determining the compensation of our executive officers other than himself and his family members. The Board exercised oversight of Mr. Cotter, Sr.'s executive compensation decisions as a part of his performance as our former Chief Executive Officer.

Earlier this year, our Board adopted a number of actions intended to bring certain of our governance practices into line with best practices, including substantial steps in the area of Executive Compensation, which are discussed below under "2016 and Future Compensation Structure." First, this discussion will address our executive compensation for 2015.

#### 2015 EXECUTIVE COMPENSATION

The individuals named in the Summary Compensation Table, below, are referred to as the "named executive officers."

##### CFO Compensation

As a matter of general practice prior to 2016, the Compensation Committee recommended to our Board 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 engaged annually to assist the Compensation Committee. The Compensation Committee had established three components of our Chief Executive Officer's compensation—a base cash salary, a discretionary annual cash bonus, and a fixed stock grant. The objective of each element was to reasonably reward our Chief Executive Officer for his or her performance and leadership.

The Compensation Committee engaged executive compensation consultants Willis Towers Watson (now known as Willis Towers Watson) in 2012 to analyze our Chief Executive Officer's total direct compensation compared to a peer group of companies. In preparing that analysis, Willis Towers Watson, in consultation with our management, including 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.

Prior to this work commenced in early 2016, Willis Towers Watson had most recently updated its analysis of our Chief Executive Officer's compensation in 2014, when Mr. Cotter, Sr. held that position. The Willis 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 a peer group of 17 United States and Australian companies and published compensation survey data, and to our Company's compensation philosophy, which was to target Mr. Cotter, Sr.'s total direct compensation to the 66th percentile of the peer group. The peer group consisted of the following 17 companies:

Acadia Realty Trust	Inland Real Estate Corp.
Amalgamated Holdings Ltd.	Kite Realty Group Trust
Associated Estates Realty Corp.	LTC Properties Inc.
Carmike Cinemas Inc.	Ramco-Gershenson Properties Trust
Cedar Shopping Centers Inc.	Regal Entertainment Group
Cineplex Holdings Inc.	The Marcus Corporation
Entertainment Properties Trust	Upreti-Biddle Properties Inc.
Glimcher Realty Trust	Village Roadshow Ltd.
IMAX Corporation	

Following his appointment on August 7, 2014 as our Chief Executive Officer and until his termination from that position on June 12, 2015, James J. Cotter, Jr. continued to receive the same base salary of \$335,000 that he had previously been receiving in his capacity as our President. Mr. Cotter, Jr. was not awarded a discretionary cash bonus for 2014 or 2015.

On June 12, 2015, our Board appointed Ellen M. Cotter 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, and she continued to receive the same base salary of \$402,000 that she received at the time of her appointment.

In early 2016, the Compensation Committee, with the assistance of Willis Towers Watson and Ms. Cotter, adapted new procedures regarding officer compensation. As a part thereof, unlike prior years, the Compensation Committee evaluated the performance of our Chief Executive Officer and our named executive officers and determined their 2015 cash bonus awards. Having had the benefit of further analysis of the Company's executive compensation and revisions of the Company's compensation philosophy, the Compensation Committee approved a \$250,000 bonus for Ellen M. Cotter for her 2015 performance as interim President and Chief Executive Officer.

#### *Total Direct Compensation*

In 2015, we and our Compensation Committee had no policy regarding the amount of salary and cash bonus paid to our Chief Executive Officer or other named executive officers in proportion to their total direct compensation.

#### *Compensation of Other Named Executive Officers*

Until the reassessment of compensation practices in early 2016, the compensation of the Cotter family members as executive officers of our Company was determined by the Compensation Committee based on the same compensation philosophy used to determine Mr. Cotter, Sr.'s compensation prior to his retirement. The Cotter family members' respective compensation packages each consisted of a base cash salary, discretionary cash bonus and, on occasion, discretionary grants of stock options.

Historically, our Chief Executive Officer determined the base salaries of our executive officers other than himself and members of his family. Our Chief Executive Officer considered 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.

##### *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 performance were just two factors historically considered in establishing base salaries. We had 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 2015, a majority of total compensation to our named executive officers has been 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 of our executive compensation are discussed further below.

**Salary:** Annual base salary was intended to compensate named executive officers for services rendered during the fiscal year in the ordinary course of performing their job responsibilities. Factors considered in setting the base salaries prior to 2015 included (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 our other named executive officers, and (iv) a subjective evaluation of individual job performance of the executive.

**Cash Bonus:** Historically, we had awarded annual cash bonuses to supplement the base salaries of our named executive officers, and our Board delegated to our former Chief Executive Officer, Mr. Cotter, Sr., the authority to determine in his discretion the annual cash bonuses, if any, to be paid to our executive officers other than the Cotter family executives.

In early 2016, following the reassessment of the Company's compensation structure discussed below, the Compensation Committee, meeting in executive session, approved a 2015 performance bonus for the Chief Executive Officer as well as our other named executive officers.

**Stock Bonus:** Equity incentive bonuses were available for award to align our executives' long-term compensation to appreciation in stockholder value over time. Historically awards have not been granted on any fixed schedule, but instead were granted from time to time to new hires and for the recognition and retention of executives.

If awarded, it has generally been our policy to value stock options and restricted stock at the closing price of our common stock as reported on the NASDAQ Stock Market on the date the award was approved or on the date of hire, if the stock is granted as a recruitment incentive. When stock was granted as bonus compensation for a particular transaction, the award may have been based on the market price on a date calculated from the closing date of the relevant transaction. Stock options granted to our employees generally have a five year term and vest over four years in equal installments upon the annual anniversaries of the date of the grant, subject to continued employment upon each vesting date. Awards may also have been subject to vesting and limitations on voting or other rights.

As discussed below, our Board substantially changed these practices for 2016 and future years.

Other than James Cotter, Jr.'s role as Chief Executive Officer and thereafter, Mr. Ellen M. Cotter's role as Chief Executive Officer, none of our executive officers played a role in determining the compensation of our named executive officers during 2015.

#### 2015 Base Salaries and Bonuses

We have historically established base salaries and target discretionary cash bonuses for our named executive officers through negotiations with the individual named executive officer, generally at the time the named executive officer commenced employment with us, subject to additional increases from time to time based on performance and tenure, with the intent of providing annual cash compensation at a level sufficient to attract and retain talented and experienced individuals.

Our Compensation Committee recommended and our Board approved the following base salaries for Mr. Cotter, Jr. and Ellen M. Cotter for 2015:

	2014 Base Salary (\$)	2015 Base Salary (\$)
Ellen M. Cotter <sup>(1)</sup>	335,000	402,000
James J. Cotter, Jr. <sup>(2)</sup>	335,000	335,000 <sup>(3)</sup>

(1) Ellen M. Cotter was appointed Interim President and Chief Executive Officer on June 12, 2015 and President and Chief Executive Officer on January 8, 2016.

(2) James J. Cotter, Jr. served as President from June 1, 2013 through June 12, 2015, and Chief Executive Officer from August 7, 2014 through June 12, 2015. Mr. Cotter, Jr. had an annual base salary of \$335,000 for 2015. When his employment ended, Mr. Cotter, Jr. earned a prorated base salary of \$395,417 for 2015, which includes his severance payment paid through the end of July 2015.

With the exception of Mr. Ghose, who was appointed Chief Financial Officer on May 11, 2015, Mr. Matyuzynski, whose base salary was \$324,000 in 2015, and Mr. Smith, whose base salary was \$274,897, the base salaries of four other named executive officers generally remained at the levels established for 2014, as shown in the following table:

	2014 Base Salary (\$)	2015 Base Salary (\$)
David Ghose <sup>(1)</sup>	257,692	257,692 <sup>(1)</sup>
Andrzej J. Matyuzynski <sup>(2)</sup>	309,000	324,000
William Killa <sup>(3)</sup>	250,000	250,000
Robert F. Sauerling	350,000	350,000
William Smith <sup>(4)</sup>	274,897 <sup>(4)</sup>	274,897 <sup>(4)</sup>

(1) David Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015. For 2015, Mr. Ghose earned a prorated base salary of \$257,692.

(2) Andrzej J. Matyuzynski, our former Chief Financial Officer, Treasurer and Corporate Secretary, has a written agreement with our Company that provides certain severance and deferred compensation benefits. Mr. Matyuzynski resigned as Corporate Secretary on October 20, 2014 and as our Chief Financial Officer and Treasurer effective May 11, 2015, however he continued as an employee to assist in the transition of our new Chief Financial Officer, and was appointed Executive Vice President—Global Operations on March 10, 2016. Under Mr. Matyuzynski's employment contract, upon his retirement and provided there has been no termination, for reasons, he will become entitled under his agreement to a lump-sum severance payment of \$50,000, subject to certain offsets, and to the payment of his vested benefit under his deferred compensation plan discussed below in this section.

(3) William Killa submitted his resignation on February 18, 2016, effective March 11, 2016. For 2014, Mr. Killa earned a prorated base salary of \$71,795.

(4) Mr. Smith's salary was paid in Australian Dollars in the amounts of AUD\$359,250 in 2014 (shown in the table in U.S. Dollars using exchange rate 0.9027), and AUD\$365,500 in 2015 (shown in the table in U.S. Dollars using exchange rate 0.7524). Prior to 2015, all named executive officers were eligible to receive a discretionary annual cash bonus. Cash bonuses are typically prorated to reflect a partial year of service.



In connection with consideration of 2015 performance bonuses for members of management, the Chief Executive Officer prepared and submitted recommendations for each of the executive and management team members, other than herself. In considering these recommendations, the Compensation Committee had the benefit of its extensive deliberations as well as the data provided by Willis Towers Watson. In executive session, the Compensation Committee considered and approved a 2015 performance bonus for the Chief Executive Officer. The proposed bonus amounts were reviewed and approved by the Board in February 2016. The Board approval covered the named executive officers set forth below, as well as select other officers and executives.

The following are the 2015 Performance Bonuses approved pursuant to the above process:

2015 Performance Bonus	
Name	(\$)
Ellis M. Cotter	250,000
Dev Ghose	75,000
Andrew J. Mithrasani	0
William Ellis	0
James J. Cotter Jr.	75,000
Robert F. Smerling	75,000
William Smith	75,000

- (1) Pursuant to his employment agreement, in 2015 Mr. Ellis received a guaranteed bonus of \$60,000, and as such, it was not subject to the process above. Mr. Ellis submitted his resignation on February 18, 2016.
- (2) Mr. Smith's bonus was paid in Australian Dollars in the amount of AUD\$95,000 (shown in the table in U.S. Dollars using exchange rate 0.7324).

In the past, we have offered stock options and stock awards to our employees, including named executive officers, as the long-term incentive component of our compensation program. We sometimes granted equity awards to new hires upon their commencing employment with us and from time to time thereafter. Our stock options allow employees to purchase shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant and may or may not be intended to qualify as "incentive stock options" for U.S. federal income tax purposes. Generally, the stock options we granted to our employees vest over four years in equal installments upon the annual anniversaries of the date of grant, subject to their continued employment with us on each vesting date.

#### Employment Agreements

**James J. Cotter Jr.** On June 12, 2015, the Board terminated the employment of James J. Cotter, Jr. as our President and Chief Executive Officer. 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, and the Company paid Mr. Cotter Jr. severance payments in the amount of \$43,750. A dispute has arisen between the Company and Mr. Cotter as to whether the Company is required to continue to make these payments, which dispute is currently subject to arbitration.

**Dev Ghose.** On April 20, 2015, we entered into an employment agreement with Mr. Dev Ghose, pursuant to which he agreed to serve as our Chief Financial Officer for a one-year term commencing on May 11, 2015. The employment agreement provides that Mr. Ghose is to receive an annual base salary of \$400,000, with an annual target bonus of \$200,000, and employee benefits in line with those received by our other senior executives. Mr. Ghose was also granted stock options to purchase 100,000 shares of Class A Stock at an exercise price equal to the closing price of our Class A Stock on the date of grant and which will vest in equal annual increments over a four-year period, subject to his remaining in our continuous employ through each annual vesting date.

Under his employment agreement, we may terminate Mr. Ghose's employment with or without cause (as defined) at any time. If we terminate his employment without cause or fail to renew his employment agreement upon expiration without cause, Mr. Ghose will be entitled to receive severance in an amount equal to the salary and benefits he was receiving for a period of 12 months following such termination or non-renewal. If the termination is in connection with a "change of control" (as defined), Mr. Ghose would be entitled to severance in an amount equal to the compensation he would have received for a period two years from such termination.

**William D. Ellis.** On October 20, 2014, we entered into an employment agreement with Mr. William D. Ellis, which was amended in September 2015, pursuant to which he agreed to serve as our General Counsel for a term of three years. The employment agreement provided that Mr. Ellis was to receive an annual base salary of \$350,000, with an annual guaranteed bonus of at least \$60,000. In addition, Mr. Ellis was granted stock options to purchase 60,000 shares of Class A Stock at an exercise price equal to the closing price of our Class A Stock on the date of grant and which will vest in equal annual increments over a three-year period, subject to his remaining in our continuous employ through each annual vesting date.

On February 18, 2016, William D. Ellis submitted his resignation as our General Counsel and Corporate Secretary. On March 11, 2016, we entered into an agreement with Mr. William D. Ellis, pursuant to which, in consideration of the payment to Mr. Ellis of \$205,010 (to be paid in 19 equal semi-monthly installments of \$10,790) and the vesting of options to acquire 20,000 shares of our Class A Common Stock on October 15, 2016, Mr. Ellis has agreed to be available to advise us on matters on which he previously worked until December 31, 2016. Mr. Ellis' last day of employment was March 11, 2016.

**Andrzej J. Matyaszewski.** Mr. Matyaszewski, our former Chief Financial Officer, Treasurer and Corporate Secretary, has a written agreement with our Company that provides for a lump-sum severance payment of \$50,000, provided there has been no termination for cause and subject to certain effects, and to the payment of his vested benefit under his deferred compensation plan discussed below in the section entitled "Other Elements of Compensation." Mr. Matyaszewski resigned as our Corporate Secretary on October 20, 2014 and as our Chief Financial Officer and Treasurer effective May 11, 2015, but continued as an employee in order to assist in the transition of our new Chief Financial Officer. He was appointed EVP-Global Operations in March 2016.

## 2016 AND FUTURE COMPENSATION STRUCTURE

### Background

In early 2016, our Compensation Committee conducted a thorough evaluation of our compensation policy for executive officers and outside directors to establish a plan that encompasses best corporate practices consistent with our best interests. Our Compensation Committee undertook to review, evaluate, revise and recommend the adoption of new compensation arrangements for our executive and management officers and outside directors. In January 2016, our Compensation Committee retained the international compensation consulting firm of Willis Towers Watson as its advisor in this process and also relied on the advice of our legal counsel, Greenberg Traurig, LLP.

### Compensation Committee Charter

On February 29, 2016, our Board adopted the Charter of the Compensation Committee, or the Compensation Committee Charter. In keeping with our intent to implement best practices, the Compensation Committee Charter delegated the following responsibilities to our Compensation Committee:

- in consultation with our senior management, to establish our compensation philosophy and objectives;
- to review and approve all compensation, including salary, bonus, incentive and equity compensation, for our CEO and our executive officers, provided that our CEO may not be present during voting or deliberations on his or her compensation;
- to approve all employment agreements, severance arrangements, change in control provisions and agreements and any special or supplemental benefits applicable to our CEO and other executive officers;
- to approve and adopt, on behalf of our Board, incentive compensation and equity-based compensation plans, or, in the case of plans requiring stockholder approval, to review and recommend such plan to the stockholders;
- to review and discuss with our management and our counsel and auditors, the disclosures made in Compensation Discussion and Analysis and advise our Board whether, in the view of the Committee, the Compensation Discussion and Analysis is, in form and substance, satisfactory for inclusion in our annual report on Form 10-K and proxy statement for the annual meeting of stockholders;
- to prepare an annual compensation committee report for inclusion in our proxy statement for the annual meeting of stockholders in accordance with the applicable rules of the Securities and Exchange Commission ("SEC");
- to periodically review and reassess the adequacy of this charter and recommend any proposed changes to the Board for approval;
- to administer our equity-based compensation plans, including the grant of stock options and other equity awards under such plans, the exercise of any discretion accorded to the administrator of all such plans and the interpretation of the provisions of such plans and the terms of any awards made under the plans; and
- to consider the results of the most recent stockholder advisory vote on executive compensation required by Section 14A of the Securities Exchange Act of 1934 when determining compensation policies and making decisions on executive compensation.

Under the Compensation Committee Charter, "executive officer" is defined to mean the chief executive officer, president, chief financial officer, chief operating officer, general counsel, principal accounting officer, any executive vice president of the Company and any Managing Director of Reading Entertainment Australia Pty Ltd and/or Reading New Zealand, Ltd.; provided that any compensation determinations pertaining to Ellen M. Cotter and Margaret Cotter will be subject to review and approval by our Board.

As noted above, the Compensation Committee Charter was adopted as part of our Board's implementation of additional corporate best practices measures. The Compensation Committee Charter will apply for the remainder of 2016 and the future, subject

to further amendments and modifications by our Board. The Compensation Committee charter is available on our website at [http://www.usadnord.com/Committee\\_Charters](http://www.usadnord.com/Committee_Charters).

The Compensation Committee reviews compensation policies and practices affecting employees in addition to those applicable to executive officers. The Compensation Committee has determined that it is not reasonably likely that our compensation policies and practices for its employees would have a material adverse effect on our Company.

#### *Executive Compensation*

In early 2016, our Compensation Committee met with Willis Towers Watson, our Chief Executive Officer, and our legal counsel, to review the Company's compensation levels, programs and practices. As part of its engagement, Willis Towers Watson reviewed our compensation paid to executive and management officers by position, in light of each person's duties and responsibilities. Willis Towers Watson then compared our top executive and management positions to (i) executive compensation paid by a peer group and (ii) two surveys, the 2015 Willis Towers Watson Data Services Top Management Survey Report and the 2015 Mercer MBD Executive Compensation Survey, in each case, identified by office position and duties performed by the officer. The peer group utilized by Willis Towers Watson included the following 15 companies:

Arcadia Realty Trust  
Associated Estates Realty Corp.  
Carmike Cinemas Inc.  
Cedar Realty Trust Inc.  
Chester Hall Group  
EPR Properties  
Violocity Centres  
IMAX Corporation

Inland Real Estate Corp.  
Kite Realty Group Trust  
Marcus Corporation  
Pennsylvania Real Estate Investment Trust  
Rumco-Gershenson Properties Trust  
Unisud Fiddle Properties Inc.  
Village Roadshow Ltd.

Willis Towers Watson selected the above peer group because (i) the companies included were based in the U.S. and Australia, reflecting our geographic operations and (ii) the companies were comparable to us based on revenue.

The executive pay assessment prepared by Willis Towers Watson measured our executive and management compensation against compensation paid by peer group companies and the companies listed in the two surveys based on the 25th, 50th and 75th percentile of such peer group and surveyed companies. The 50th percentile was the median compensation paid by such peer group and surveyed companies to executives performing similar responsibilities and duties.

The Willis Towers Watson assessment compared the base salary, the short term incentive (cash bonus) and long term incentive (equity awards) of the peer and surveyed companies to the base salary, short term incentive and long term incentive provided to our executives. The assessment concluded that, except in a few positions, we were generally competitive in base salary, however, we were not competitive when short-term incentives and long term incentives were included in the total compensation paid to our executives and management.

As a result of the foregoing factors, Willis Towers Watson recommended that we:

- Implement a formal annual incentive opportunity for all executives; and
- Implement a regular annual grant program for long-term incentives.

Our Compensation Committee recommended, and our Board subsequently adopted, a compensation philosophy for our management team members to:

- Attract and retain talented and dedicated management team members;
- Provide overall compensation that is competitive in its industry;
- Correlate annual cash incentives to the achievement of its business and financial objectives; and
- Provide management team members with appropriate long-term incentives aligned with stockholder value.

As part of the compensation philosophy, our compensation focus will be to (1) drive our strategic plan on growth, (2) align officer and management performance with the interests of our stockholders, and (3) encourage retention of our officers and management team members.

In furtherance of the compensation policy and as a result of the extensive deliberations, including consideration of the Willis Towers Watson recommendations, our Compensation Committee adopted an executive and management officer compensation structure for 2016 consisting of:

- A base salary comparable with job description and industry standard.

- A short-term incentive plan based on a combination of factors including overall corporate and division performance as well as individual performance with a target bonus opportunity to be denominated as a percent of base salary with specific goals, weightings and pay-out ranges; and
- A long-term incentive or equity awards in line with job description, performance, and industry standards.

Our Compensation Committee's intention is that the compensation structure approved for 2016 will remain in place indefinitely. However, it will review performance and results after the first year and thereafter and evaluate from time to time whether enhancements, changes or other compensation structures are in our and our stockholders' best interests.

Reflecting the new approach, our Compensation Committee established (i) 2016 annual base salaries at levels that it believed (based heavily on the data provided by Willis Towers Watson) are generally competitive with executives in our peer group and in other comparable publicly-held companies as described in the executive pay assessment prepared by Willis Towers Watson, (ii) short-term incentives in the form of discretionary annual cash bonuses based on the achievement of identified goals and benchmarks, and (iii) long-term incentives in the form of employee stock options and restricted stock units will be used as a retention tool and as a means to further align an executive's long-term interests with those of our stockholders, with the ultimate objective of affording our executives an appropriate incentive to help drive increases in stockholder value.

Our Compensation Committee will evaluate both executive performance and compensation to maintain our ability to attract and retain highly-qualified executives in key positions and to assure that compensation provided to executives remains competitive when compared to the compensation paid to similarly situated executives of companies with whom we compete for executive talent or that we consider comparable to our company.

#### *Role of Chief Executive Officer in Compensation Decisions*

In connection with the implementation of the new compensation structure, our Compensation Committee conducted the thorough review of executive compensation discussed above. Our Compensation Committee engaged in extensive discussions with and considered with great weight the recommendations of the Chief Executive Officer as to compensation for executive and management team members other than for the Chief Executive Officer.

Our Compensation Committee expects to perform an annual review of executive compensation, generally in the first quarter of the year following the year in review, with a presentation by the Chief Executive Officer regarding each element of the executive compensation arrangements. At our Compensation Committee's direction, our Chief Executive Officer prepared an executive compensation review for each executive officer (other than the Chief Executive Officer), as well as the full executive team, which included recommendations for:

- 2016 Base Salary
- A proposed year-end short-term incentive in the form of a target cash bonus based on the achievement of certain objectives; and
- A long-term incentive in the form of stock options and restricted stock units for the year under review.

As part of the compensation review, our Chief Executive Officer may also recommend other changes to an executive's compensation arrangements such as a change in the executive's responsibilities. Our Compensation Committee will evaluate the Chief Executive Officer's recommendations and, in its discretion, may accept or reject the recommendations, subject to the terms of any written employment agreements.

Our Compensation Committee met in executive session without our Chief Executive Officer to consider the Chief Executive Officer's compensation, including base salary, cash bonus and equity award. If any. Prior to such executive sessions, our Compensation Committee interviewed our Chief Executive Officer to obtain a better understanding of factors contributing to the Chief Executive Officer's compensation. With the exception of these executive sessions of our Compensation Committee, as a rule, our Chief Executive Officer participated in all deliberations of the Compensation Committee relating to executive compensation. However, our Compensation Committee also asked our Chief Executive Officer to be excused for certain deliberations with respect to the compensation recommended for Margaret Cotter, the sister of our Chief Executive Officer.

In conjunction with the year-end annual compensation review, or as soon as practicable after the year-end, our Chief Executive Officer will recommend to our Compensation Committee our objectives and other criteria to be utilized for purposes of determining cash bonuses for certain senior executive officers. Our Compensation Committee, in its discretion, may revise the Chief Executive Officer's recommendations. At the end of the year, our Compensation Committee, in consultation with our Chief Executive Officer, will review each performance goal and determine the extent to which the officer achieved such goals. In establishing performance goals, our Compensation Committee expects to consider whether the goals could possibly result in an incentive for any executives to take unwarranted risks in our Company's business and intend to seek to avoid creating any such incentives.

## Base Salaries

Our Compensation Committee reviewed the executive pay assessment prepared by Willis Towers Watson and other factors and engaged in extensive deliberation and then recommended the following 2016 base salaries (the 2015 base salaries are shown for comparison purposes) for the following officers. Our Board approved the recommendations of our Compensation Committee on March 10, 2016 for the President and Chief Executive Officer, Chief Financial Officer and our named executive officers other than William D. Ellis and our prior Chief Executive Officers James J. Cotter, Sr. and James J. Cotter, Jr.

Name	Title	2015 Base Salary <sup>(1)</sup>	2016 Base Salary <sup>(2)</sup>
Brian Cotter <sup>(3)</sup>	President and Chief Executive Officer	\$465,000	\$450,000
Dev Ghose <sup>(4)</sup>	EVP, Chief Financial Officer, Treasurer and Corporate Secretary	400,000	400,000
Andrzej J. Matczynski <sup>(5)</sup>	EVP, Global Operations	194,000	136,000
Robert F. Smierling	President, US Cincerus	150,000	175,000
Wayne Smith	Managing Director, Australia and New Zealand	194,887 <sup>(6)</sup>	282,191 <sup>(6)</sup>

(1) Brian M. Cotter was appointed Interim President and Chief Executive Officer on June 12, 2015 and President and Chief Executive Officer on January 8, 2016.

(2) Devans Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015. For 2015, Mr. Ghose earned a prorated base salary of \$257,692.

Andrzej J. Matczynski was the Company's Chief Financial Officer and Treasurer until May 11, 2015 and thereafter he acted as Strategic Corporate Advisor to the Company. He was appointed EVP-Global Operations on March 10, 2016. In 2015, Mr. Smith was paid in Australian dollars in the amount of AUD\$365,360 (shown in U.S. dollars in the table above, using the conversion rate of 0.7524). In 2016, Mr. Smith will be paid in Australian dollars in the amount of AUD\$370,000 (shown above in U.S. dollars using the exchange rate of 0.76347).

## Short Term Incentives

The Short Term Incentives authorized by our Compensation Committee and our Board provides our executive officers and other management team members, who are selected to participate, with an opportunity to earn an annual cash bonus based upon the achievement of certain company financial goals, division goals and individual goals, established by our Chief Executive Officer and approved by our Compensation Committee and our Board (in future years, under the Compensation Committee Charter approved by our Board on March 10, 2016, our Compensation Committee will have full authority to approve these matters). Specifically, a participant in the short-term incentive plan will be advised of his or her annual potential target bonus expressed as a percentage of the participant's base salary and by dollar amount. The participant will be eligible for a short-term incentive bonus once the participant achieves goals identified at the beginning of the year for a threshold target, the potential target or potential maximum target bonus opportunity. The bonus will vary depending upon the achievements made by the individual participants, the division and the corporation. Corporate goals for 2016 will include levels of earnings before interest, depreciation, taxes and amortization ("non-GAAP Operating Income") and property development milestones. Division goals for 2016 will include levels of division cash flow and division milestones and individual goals will include specific unique performance goals specific to the individual's position with us. Each of the corporate, division and individual goals carries a different percentage weight in determining the officer's or other team member's bonus for the year.

Ms. Brian M. Cotter, our President and Chief Executive Officer, has a potential target bonus opportunity of 95% of Base Salary, or \$427,500 at target based on Ms. Cotter's achievement of her performance goals and over achievement of corporate goals discussed above. Of that potential target bonus opportunity, a threshold bonus of \$213,750 may be achieved based upon Ms. Cotter's achievement of certain performance goals and our achievement of certain corporate goals, and a potential maximum target of \$641,250 is based on achieving additional performance goals. Ms. Cotter's aggregate annual bonus opportunity can range from \$0 to \$641,250. Mr. Dev Ghose, our EVP, Chief Financial Officer, Treasurer and Corporate Secretary, has a potential target bonus opportunity of 50% of Base Salary, or \$200,000 at target, which is based on achievement of his performance goals and our achievement of corporate goals, as discussed above. Mr. Ghose's aggregate annual bonus opportunity can range from \$0 to \$300,000 (the maximum potential target if additional performance goals are met by Mr. Ghose). Mr. Andrzej J. Matczynski, our EVP - Global Operations, has a target bonus opportunity of 50% of Base Salary, or \$168,000 at target, which is based on achievement of his performance goals, our achievement of corporate goals and certain divisional goals. Mr. Matczynski's aggregate annual bonus opportunity can range from \$0 to \$252,000 (the maximum potential target if additional performance goals are met by Mr. Matczynski). Mr. Robert Smierling, President, US Cincerus, has a target bonus opportunity of 30% of base pay, or \$112,500 at target.

which is based on achievement of his performance goals, our achievement of corporate goals and certain divisional goals. Mr. Smierling's aggregate annual bonus opportunity can range from \$0 to \$168,750 (the maximum potential target if additional performance goals are met by Mr. Smierling). Mr. Wayne Smith, Managing Director, Australia New Zealand, has a target bonus opportunity of 40% of Base Salary, or A\$148,000 at target, which is based on achievement of his performance goals, our achievement of corporate goals and certain divisional goals. Mr. Smith's aggregate annual bonus opportunity can range from A\$0 to A\$222,000 (the maximum potential target if additional performance goals are met by Mr. Smith). The positions of other management team members have target bonus opportunities ranging from 20% to 30% of Base Salary based on achievement of certain goals. The highest level of achievement, participants may be eligible to receive up to a maximum of 150% of his or her target bonus amount.

#### Long-Term Incentives

Long-Term Incentives will utilize the equity-based plan under our 2010 Incentive Stock Plan, as amended (the "2010 Plan"). For 2015, executive and management team participants will receive awards in the following forms: 50% time-based restricted stock units and 50% non-statutory stock options. The grants of restricted stock units and options will vest ratably over a four (4) year period with 1/4th vesting on each anniversary date of the grant date.

On March 10, 2016, the following grants were made:

Name	Title	Dollar Amount of Restricted Stock Units	Dollar Amount of Non-Statutory Stock Options (1)
Mark M. Chize	President and Chief Executive Officer	\$150,000	\$450,000
Doreen O'Connell	COO, Chief Financial Officer, Treasurer and Corporate Secretary	0	0
Robert P. Smierling	COO, Chief Financial Officer	\$1,000	\$1,000
Robert P. Smierling	President, US Country	\$0,000	\$0,000
Wayne Smith	Managing Director, Australia New Zealand	\$148,000	\$148,000

- (1) The number of shares of stock to be issued will be calculated using the Black-Scholes pricing model as of the date of grant of the award.  
(2) Mr. Doreen O'Connell was awarded 100,000 non-statutory stock options vesting over a 4-year period commencing on Mr. O'Connell's first day of employment on May 11, 2015.  
(3) Although Mr. Smith was paid 50% of \$ 75,000 in Australia Dollars, the amount shown above is quoted in U.S. Dollars.

All long-term incentive awards will be subject to other terms and conditions set forth in the 2010 Plan and award grant.

#### Other Elements of Compensation

##### Retirement Plans

We maintain a 401(k) retirement savings plan that allows eligible employees to defer a portion of their compensation, within limits prescribed by the Internal Revenue Code, on a pre-tax basis through contributions to the plan. Our named executive officers other than Mr. Smith, who is a non-resident of the U.S., are eligible to participate in the 401(k) plan on the same terms as other full-time employees generally. Currently, we match contributions made by participants in the 401(k) plan up to a specified percentage, and those matching contributions are fully vested as of the date on which the contribution is made. We believe that providing a vehicle for tax-deferred retirement savings through our 401(k) plan, and making fully vested matching contributions, adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies.

##### Other Retirement Plans

During 2012, Mr. Matyeyowski was granted an unfunded, nonqualified deferred compensation plan ("DCP") that was partially vested and was to vest further so long as he remained in our continuous employ. The DCP allowed Mr. Matyeyowski to defer part of the cash portion of his compensation, subject to annual limits set forth in the DCP. The funds held pursuant to the DCP are not segregated and do not accrue interest or other earnings. If Mr. Matyeyowski were to be terminated for cause, then the total vested amount would be reduced to zero. The incremental amount vested each year was made subject to review and approval by our Board. Please see the "Nonqualified Deferred Compensation" table for additional information. In addition, Mr. Matyeyowski is entitled to a

lump-sum severance payment of \$50,000, provided there has been no termination for cause and subject to certain offsets, upon his retirement.

Upon the termination of Mr. Matyozynski's employment, he will also be entitled under the DCP agreement to payment of the vested benefits under his DCP in annual installments following the later of (a) 30 days following Mr. Matyozynski's 65th birthday or (b) six months after his separation from service for reasons other than his death or termination for cause. The DCP was to vest over 7 years and with full vesting to occur in 2019 at \$1,000,000 in deferred compensation. However, in connection with his changed employment to EVP - Global Operations, the Company and Mr. Matyozynski agreed that the Company would cease making contributions to the DCP on April 15, 2016 and that the final contributions by the Company to the DCP would be \$150,000 for 2015, and \$21,875 for 2016, satisfying the Company's total contribution obligations under the DCP at an amount of \$621,875.

The DCP is an unfunded contractual obligation of the Company. DCP benefits are paid from the general assets of the Company. However, the Company reserves the right to establish a grantor trust from which DCP benefits may be paid.

In March 2016, the Compensation Committee approved a one-time retirement benefit for Robert Smerling, President, Cinema Operations, due to his significant long term service to the Company. The retirement benefit an amount equal to the average of the two highest total cash compensation (base salary plus cash bonus) years paid to Mr. Smerling in the then most recently completed five year period.

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

#### Key Person Insurance

We maintain life insurance on certain individuals who we believe to be key to our management. In 2015, these individuals included James J. Cotter, Jr. (through September 13, 2015), Ellen M. Cotter, Margaret Cotter, William Ellis, Dev Ghose, Andrzej Matyozynski, Robert Smerling, Craig Tompkins and Wayne Smith. If such individual ceases to be our employee, Director or independent contractor, as the case may be, she or he 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 we are the beneficiary and the insurance as to which our employee is the beneficiary, is paid by us. In the case of named executive officers, the premium paid by us for the benefit of such individual is reflected in the Compensation Table in the column captioned "All Other Compensation."

#### Employee Benefits and Perquisites

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as all full-time employees generally. We do not generally provide our named executive officers with perquisites or other personal benefits. Historically, many of our other named executive officers also received an automobile allowance. The table below shows our allowances granted to certain officers under their employment agreements or arrangements. From time to time, we may provide other perquisites to one or more of our other named executive officers.

Officer	Annual Allowance (\$)
Dev Ghose	12,000
William Ellis (1)	15,000
Andrzej J. Matyozynski	12,000
Ellen M. Cotter	13,500
James J. Cotter, Jr.	15,000
Robert F. Smerling	18,500

(1) Mr. Ellis and Mr. Cotter, Jr. are no longer employees of the Company.

#### Tax and Accounting Considerations

##### Deductibility of Executive Compensation

Subject to an exception for "performance-based compensation," Section 162(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. Our Compensation Committee and our Board consider the

limits on deductibility under Section 162(m) in establishing executive compensation, but retain the discretion to authorize the payment of compensation that exceeds the limit on deductibility under this Section.

#### Nonqualified Deferred Compensation

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

#### Step on Pay

At our Annual Meeting of Stockholders held on May 15, 2014, we held an advisory vote on executive compensation. Our stockholders voted in favor of our Company's executive compensation. The Compensation Committee reviewed the results of the advisory vote on executive compensation in 2014 and did not make any changes to our compensation based on the results of the vote. We expect that our next advisory vote of our stockholders on executive compensation will be at our 2017 Annual Meeting of Stockholders.

#### Executive Compensation

This section discusses the material components of the compensation program for our executive officers named in the 2015 Summary Compensation Table below. In 2015, our named executive officers and their positions were as follows:

- Ellen M. Colter, Chairperson of the Board, President and Chief Executive Officer, interim President and Chief Executive Officer, Chief Operating Officer—Domestic Cinemas and Chief Executive Officer of Consolidated Entertainment, LLC.
- Dev Ghose, EVP, Chief Financial Officer and Treasurer.
- William Ellis, General Counsel and Corporate Secretary.
- Robert F. Storchling, President—Domestic Cinemas Operations.
- Wayne Smith, Managing Director—Australia and New Zealand.
- James J. Colter, Jr., former Vice Chairman, President and Chief Executive Officer.
- Andrzej J. Matyczynski, former Chief Financial Officer, Treasurer and Corporate Secretary.

#### Summary Compensation Table

The following table shows the compensation paid or accrued during the last three fiscal years ended December 31, 2015 to (i) Mr. James J. Colter, Jr., who served as our principal executive officer until June 12, 2015, (ii) Ellen M. Colter, who served as our interim principal executive officer from June 12, 2015 through December 31, 2015, (iii) Mr. Andrzej J. Matyczynski, who served as our Chief Financial Officer and Treasurer until May 11, 2015, (iv) Mr. Dev Ghose, who served as our Chief Financial Officer starting May 11, 2015, and (v) the other three most highly compensated persons who served as executive officers in 2015. The following executives are herein referred to as our "named executive officers."

	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) (1)	Option Awards (\$) (1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Ellen M. Colter <sup>(i)</sup>	2015	402,000	250,000	--	--	--	25,465 <sup>(v)</sup>	677,465
Interim President and Chief Executive Officer, Chief Operating Officer - Domestic Cinemas	2014	335,000	--	--	--	--	75,390 <sup>(v)</sup>	410,390
	2013	335,000	--	--	--	--	24,915 <sup>(v)</sup>	359,915
James J. Colter, Jr. <sup>(iii)</sup>	2015	195,417	--	--	50,007 <sup>(v)</sup>	--	16,161 <sup>(v)</sup>	261,605
Former President and Chief Executive Officer	2014	335,000	--	--	50,007 <sup>(v)</sup>	--	26,031 <sup>(v)</sup>	411,038
	2013	195,417	--	--	29,182 <sup>(v)</sup>	--	9,346 <sup>(v)</sup>	255,945
Dev Ghose <sup>(iv)</sup>	2015	257,692	75,000	--	382,334	--	15,790 <sup>(v)</sup>	407,005
Chief Financial Officer and Treasurer	2014	--	--	--	--	--	--	--
	2013	--	--	--	--	--	--	--
Andrzej J. Matyczynski <sup>(ii)</sup>	2015	324,000	--	33,010	150,000 <sup>(v)</sup>	27,140 <sup>(v)</sup>	--	534,150
Former Chief Financial Officer and Treasurer	2014	308,640	--	33,010	150,000 <sup>(v)</sup>	26,580 <sup>(v)</sup>	--	518,230
	2013	308,640	35,000	--	33,010	50,000 <sup>(v)</sup>	25,755 <sup>(v)</sup>	452,405

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William Ellis	2013	350,000	60,000	57,194	28,330	495,504
General Counsel <sup>(1)</sup>	2014	71,795	10,000	9,532	2,500	93,827
	2013	--	--	--	--	--
Robert F. Smelling	2013	350,000	75,000	--	22,899	447,899
President - Domestic	2014	350,000	65,000	--	22,421	437,421
China Operations	2013	350,000	25,000	--	21,981	396,981
Wayne Smith <sup>(1)</sup>	2013	274,897	71,478	--	1,600	348,975
Managing Director -	2014	324,295	72,216	--	2,140	398,651
Australia and New Zealand	2013	340,395	48,420	--	2,015	390,830

(1) Amounts represent the aggregate grant date fair value of awards computed in accordance with ASC Topic 718, excluding the effects of any estimated forfeitures. The assumptions used in the valuation of these awards are discussed in Note 3) to our consolidated financial statements. Amounts do not include the value of restricted stock units that will not vest within 60 days following the date of which this information is provided.

(2) Mr. Ellis, M. Cotter was appointed our interim President and Chief Executive Officer on June 12, 2015.

(3) Includes our matching employer contributions under our 401(k) plan, the imputed tax of key person insurance, and any automobile allowances. A slice from the car allowances only the employer contributions for the 401(k) plan exceeded \$10,000, are table below. See the table in the section entitled Employee Benefits and Perquisites for the amount of each individual's car allowance.

Employer Contribution for 401(k) Plan			
Name	2015	2014	2013
Eric M. Glone	\$15,400	\$10,400	\$10,400
James J. Cotter, Jr.	6,700	10,400	0
Dee Chute	4,200	0	0
Andrew J. Matyszczyk	10,600	10,400	10,200
William Ellis	10,500	0	0
Robert F. Smelling	0	0	0
Wayne Smith	0	0	0

(4) Includes a \$50,000 tax gross-up for taxes incurred as a result of the exercise of nonqualified stock options that were intended to be treated as incentive stock options.

(5) Mr. Cotter, Jr. served as our Chief Executive Officer until June 12, 2015. In the case of Mr. Cotter Jr., the "All Other Compensation" column includes \$63,730 in severance payment paid pursuant to Mr. Cotter Jr.'s employment agreement. Of this amount, the Company has a claim against Mr. Cotter Jr. for approximately \$ 18,000, which, if the Company is successful in this claim, may be recovered from Mr. Cotter Jr. For additional information, see the information set forth in Note 3, Legal Proceedings.

(6) Mr. Glone became Chief Financial Officer and Treasurer on May 11, 2015, as such, he was paid a prorated amount of his \$400,000 salary for 2015.

(7) Mr. Matyszczyk resigned as our Chief Financial Officer and Treasurer on May 11, 2015, and acted as our Strategic Corporate Advisor until March 10, 2016.

(8) Represents the increase in the vested benefit of the DCP for Mr. Matyszczyk. Payment of the vested benefit under his DCP will be made in accordance with the terms of the DCP.

(9) Mr. Cotter, Jr. had an annual base salary of \$335,000 for 2015. As his employment ended in June 2015, Mr. Cotter, Jr. earned a prorated base salary of \$195,417 for 2015, which includes his severance payment paid through the end of July 2015.

(10) Mr. Ellis became General Counsel and Corporate Secretary on October 28, 2014 as such he was paid a prorated amount of his \$350,000 salary in 2014. Mr. Ellis submitted his resignation on February 18, 2016.

(11) Mr. Smith is paid in Australian Dollars. Amounts in the table above are shown in U.S. Dollars, using the conversion rates of 0.9084 for 2013, 0.9027 for 2014 and 0.7554 for 2015.

#### 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, 2015:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Underlying Options (#)(2)	Exercises or Base Price of Option Award (\$/Share)(3)	Grant Date Fair Value of Stock and Option Award (\$)(4)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
James F. Cotter, Jr.											
Wayne Smith	1-13-2016							100,000		15.42	\$1,542,334
Andrew J. Matyszczyk											
William H. Hill											
Robert R. Seering											
Wayne Smith (1)	1-16-2016							4,000			\$61,680

- (1) Mr. Wayne Smith was issued an award of restricted Class A Common Stock, which vests in equal installments on May 15, 2015 and May 15, 2016. The closing price per share for the Class A Common Stock on the date of grant was \$14.00. The awards issued to Mr. Wayne Smith are related to his prior-year performance.
- (2) Mr. Dev Ghose was issued an option to purchase 100,000 shares of Class A Common Stock at the commencement of his employment, which award vests in four equal installments.
- (3) Options are granted with an exercise price equal to the closing price per share on the date of grant.
- (4) Represents the total option value estimated as per ASC 718.

#### Nonqualified Deferred Compensation

Name	Executive contributions in 2015	Regulated contributions in 2015	Aggregate earnings in 2015	Aggregate withdrawals/distributions	Aggregate balance at December 31, 2015
(1)	(2)	(3)	(4)	(5)	(6)
Andrew J. Matyszczyk	0	3,100,000	0	0	3,100,000

See Item 11 - Other Retirement Plans for a description of the DCP.

#### 2010 Equity Incentive Plan

On May 13, 2010, our stockholders approved the Plan at the annual meeting of stockholders in accordance with the recommendation of the Board of Directors of the Company. The Plan provides for awards of stock options, restricted stock, bonus stock, and stock appreciation rights to eligible employees, Directors, and consultants. The Board of Directors approved an amendment to the Plan to permit the award of restricted stock units on March 10, 2016. The Plan permits issuance of a maximum of 1,250,000 shares of Class A Stock. The Plan expires automatically on March 11, 2020.

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 of the Plan, historically were 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 Stock 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.

#### Outstanding Equity Awards

The following table sets forth outstanding equity awards held by our named executive officers as of December 31, 2015 under the Plan:

#### Outstanding Equity Awards at Year Ended December 31, 2015

	Class	Option Awards				Stock Awards	
		Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units that Have Not Vested (\$)
James J. Cotter, Jr.	A	36,000	10,000	\$5.31	06/03/2018	0	0
Ellen M. Cotter	A	20,000	—	5.55	01/05/2018	0	0
William Ellis III	A	8,513	40,000	2.94	12/31/2016	0	0
Dennis Chase	A	25,000 <sup>(1)</sup>	75,000	12.42	05/10/2020	0	0
Andrzej J. Matyczynski	A	25,000	—	8.02	06/29/2017	0	0
Robert F. Smierling	A	43,750	—	10.24	05/08/2017	0	0
Wayne Smith	A	—	—	—	—	5,000	15,000

- (1) Mr. Cotter, Jr. has stated that he has exercised options to acquire 50,000 shares of Class A Stock at an exercise price of \$5.31 per share, expiring February 6, 2018, of an original stock option grant of 100,000 Class A Stock. Mr. Cotter, Jr. exercised 50,000 stock options in June 2015. The Company's position is that all unvested options expired upon the termination of Mr. Cotter, Jr.'s employment. The matter is under review by the Company.
- (2) Mr. Ellis resigned effective March 11, 2016. As part of his separation agreement, 20,000 of the 40,000 remaining unvested shares will vest on October 20, 2016. Thereafter, no additional options will vest.
- (3) 25,000 of Mr. Chase's options will vest on May 11, 2016.
- (4) Mr. Smith was granted 6,000 restricted shares of Class A stock on July 16, 2015, which vest over two years in annual installments.

#### 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, 2015:

Name	Class	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
James J. Cotter, Jr.	B	100,000	1,074,000	—	—
James J. Cotter, Jr. <sup>(1)</sup>	A	50,000	315,500	—	—
James J. Cotter, Jr.	A	12,500	46,875	—	—
James J. Cotter, Jr.	A	10,000	83,500	—	—
William Ellis III	B	35,000	212,500	—	—
Andrzej J. Matyczynski	A	15,100	180,063	—	—

- (1) Mr. Cotter, Jr. has stated that he has exercised options to acquire 50,000 shares of Class A Stock at an exercise price of \$5.31 per share, expiring February 6, 2018, of an original stock option grant of 100,000 Class A Stock. Mr. Cotter, Jr. exercised 50,000 stock options in June 2015. The Company's position is that all unvested options expired upon the termination of Mr. Cotter, Jr.'s employment. The matter is under review by the Company.

#### Pension Benefits

The following table contains information concerning pension plans for each of the named executive officers for the year ended December 31, 2015:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit as of 12/31/2015 (\$)	Payments During Last Fiscal Year (\$)
Andrzej J. Matyczynski	DCP	6	600,000	\$ —

Potential Payments upon Termination of Employment or Change in Control

The following paragraphs provide information regarding potential payments to each of our named executive officers in connection with certain termination events, including a termination related to a change of control of the Company, as of December 31, 2015:

**Mr. Dev Ghose—Termination without Cause.** Under his employment agreement, we may terminate Mr. Ghose's employment with or without cause (as defined) at any time. If we terminate his employment without cause or fail to renew his employment agreement upon expiration without cause, Mr. Ghose will be entitled to receive severance in an amount equal to the salary and benefits he was receiving for a period of 12 months following such termination or non-renewal. If the termination is in connection with a "change of control" (as defined), Mr. Ghose would be entitled to severance in an amount equal to the compensation he would have received for a period two years from such termination.

**Mr. William Ellis—Termination without Cause.** Mr. Ellis resigned his employment effective March 11, 2016. We have entered into a separation agreement with Mr. Ellis which provides, among other things, that, in consideration of the payment to Mr. Ellis of \$205,010 (to be paid in 19 equal semi-monthly installments of \$10,790) and the vesting of options to acquire 20,000 shares of our Class A Common Stock on October 15, 2016, Mr. Ellis has agreed to be available to advise us on matters on which he previously worked until December 31, 2016. Mr. Ellis' employment agreement contained a noncompetition clause that did not extend beyond his termination.

**Mr. Wayne Smith—Termination of Employment for Failing to Meet Performance Standards.** If Mr. Smith's employment is terminated by the Board for failing to meet the standards of his anticipated performance, Mr. Smith will be entitled to a severance payment of six months' base salary.

**Mr. Andrzej J. Matyaszynski—Deferred Compensation Benefits.** During 2012, Mr. Matyaszynski was granted an unfunded, nonqualified deferred compensation plan ("DCP") that was partially vested and was to vest further so long as he remained in our continuous employ. If Mr. Matyaszynski were to be terminated for cause, then the total vested amount would be reduced to zero. The incremental amount vested each year was made subject to review and approval by our Board. Please see the "Nonqualified Deferred Compensation" table for additional information.

Upon the termination of Mr. Matyaszynski's employment, he will be entitled under the DCP agreement to payment of the vested benefits under his DCP in annual installments following the later of (a) 30 days following Mr. Matyaszynski's 63rd birthday or (b) six months after his separation from service for reasons other than his death or termination for cause. The DCP was to vest over 7 years and with full vesting to occur in 2019 at \$1,000,000 in deferred compensation. However, in connection with his employment as EVP Global Operations, the Company and Mr. Matyaszynski agreed that the Company would cease making contributions to the DCP on April 15, 2016 and that the final contributions by the Company to the DCP would be \$150,000 for 2015 and \$21,875 for 2016, satisfying the Company's obligations under the DCP. Mr. Matyaszynski's agreement contains noncompetition provisions that extend for one year after his retirement.

Under Mr. Matyaszynski's agreement, on his retirement date and provided there has not been a termination for cause, Mr. Matyaszynski will be entitled to a lump sum severance payment in an amount equal to \$50,000, less certain offsets.

**Robert F. Smedley—Retirement Benefit.** In March 2016, the Compensation Committee approved a one-time retirement benefit for Robert Smedley, President, Cinema Operations, due to his significant long-term service to the Company. The retirement benefit is the average of the two highest total cash compensation (base salary plus cash bonus) years paid to Mr. Smedley in the then most recently completed five year period.

No other named executive officers currently have employment agreements or other arrangements providing benefits upon termination or a change of control. The table below shows the maximum benefits that would be payable to each person listed above in the event of such person's termination without cause or termination in connection with a change in control, if such events occurred on December 31, 2015, assuming the transaction took place on December 31, 2015 at price equal to the closing price of the Class A stock, which was of \$13.11.

Mr. Ellis' agreement terminated when his employment ended as of March 11, 2016. As such, his information is excluded from the table below.

	Payable on upon Termination without Cause (3)			Payable upon Termination in Connection with a Change in Control (4)			Payable upon Retirement (5)
	Severance Payments	Value of Vested Stock Options	Value of Health Benefits	Severance Payments	Value of Vested Stock Options	Value of Deferred Stock Options Accrued	
Eric Cline	0	18,200	0	0	18,200	0	0
Dev Glaze	400,000	0	23,040	800,000	0	0	0
Wanda Smith	115,000	39,130	0	0	18,110	39,130	0
Andrzej J. Matysniak	50,000 <sup>(1)</sup>	177,250	0	0	177,250	0	600,000
Robert F. Smierling	0	125,560	0	0	125,560	0	415,000 <sup>(2)</sup>

(1) Mr. Matysniak's severance payment is payable upon his retirement, and is subject to certain offsets as set forth in his agreement, and is subject to certain offsets.

(2) Mr. Smierling's one-time retirement benefit is based on the average of the two highest total cash compensation years paid to Mr. Smierling in the most recently completed five-year period. The figure quoted in the table represents the average of total compensation paid for years 2015 and 2014.

(3) Represents value of stock grants.

#### Director Compensation Table

The following table sets forth information concerning the compensation to persons who served as our non-employee Directors during 2015 for their services as Directors.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Julie Coddling	11,907	0	0	11,907
Margaret Cotter <sup>(4)</sup>	35,000	7,656	0	42,656
Ellen W. Adams <sup>(4)</sup>	15,000	7,656	0	22,656
William D. Gould	80,000	7,656	0	87,656
Edward J. Kane	84,000	7,656	0	91,656
Douglas J. McEachern	82,000	7,656	0	89,656
Pat Stacey <sup>(4)</sup>	112,500	7,656 <sup>(2)</sup>	21,196 <sup>(3)</sup>	141,352
Michael Wrotniak	11,005	0	0	11,005
Total				

(1) Fair value of the award computed in accordance with FASB ASC Topic 718.

(2) Until March 10, 2016, in addition to her Director's fees, Ms. Margaret Cotter received 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. Stacey served on our Board and Compensation Committee through October 11, 2015.

(4) Represents fees paid to Mr. Stacey as the sole independent Director of our Company's wholly owned New Zealand subsidiary.

#### Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently composed of Mr. Kane, who serves as Chair, Mr. Adams and Dr. Coddling. Mr. Stacey, who served on our Board until October 11, 2015, served on our Compensation Committee until that date. None of the members of the Compensation Committee was an officer or employee of the Company at any time during 2015. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has or had one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

# REPORT OF THE COMPENSATION COMMITTEE

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 that the foregoing "Compensation Discussion and Analysis" be included in this Form 10-K.

Respectfully submitted,  
Edward L. Kane, Chair  
Guy W. Adams  
Judy Coddling

## Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Equity Compensation Plan Information

The following table sets forth, as of December 31, 2015, a summary of certain information related to our equity incentive plans under which our equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	836,505	\$ 2.68	527,398
Equity compensation plans not approved by security holders			
Total	836,505		

(1) These plans are the Company's 1999 Stock Option Plan and 2010 Stock Incentive Plan.

(2) Represents outstanding options only.

### BENEFICIAL OWNERSHIP OF SECURITIES

Except as described below, the following table sets forth the shares of Class A Stock and Class B Stock beneficially owned on April 22, 2016 by:

- each of our incumbent Directors and Director nominees;
- each of our incumbent executive officers and named executive officers set forth in the Summary Compensation Table of this Form 10-K;
- 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 incumbent executive officers as a group.

Except as noted, and except pursuant to applicable community property laws, we believe that each beneficial owner has sole voting power and sole investment power with respect to the shares shown. An asterisk (\*) denotes beneficial ownership of less than 1%.

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
<b>Directors and Named Executive Officers</b>				
Philip M. Condit (2)(12)	3,194,965	14.3	1,175,888	59%
James J. Oetzer, Jr. (12)(13)	3,184,916	14.2	694,000	41.4
Michael C. Malone (2)(14)	3,336,012	14.6	1,144,988	56%

Guy W. Adams (6)	7,000	*	--	--
John Corbitt (7)	2,000	*	--	--
William D. Gould (4)	56,540	*	--	--
Robert L. Kane (5)	31,800	*	10	*
Andrew J. Marczynski (16)	50,000	*	--	--
Michael Wroniak (10)	2,000	--	--	--
Robert F. Shilling (12)	41,750	*	--	--
Wayne Smith (11)	1,000	*	--	--
William Hill (13)	20,000	*	--	--
Dan Glasse (18)	25,000	--	--	--
James J. Cotter Living Trust (12)	1,897,649	8.3	696,088	41.4
James J. Cotter, Jr. (12)	1,209,088	13	475,858	28.8
Mark Cohen (14)	72,164	*	201,913	12.4
5424 Deloache Avenue Dallas, Texas 75220				
PHX Holdings, Inc. and PHX Limited Holdings LLC (15)			117,500	7.0
815 Broadway Street, Suite 101 San Jose, California 95131				
James J. Cotter Foundation	107,751	*	--	--
Cotter 2003 Grandchildren's Trust	289,390	13	--	--
All Directors and executive officers as a group (14 persons) (18)	5,907,094	22.9	1,209,088	71.9

- (1) Percentage ownership is determined based on 21,654,302 shares of Class A Stock and 1,080,390 shares of Class B Stock outstanding on March 31, 2016. Beneficial ownership has been determined in accordance with SEC rules. Shares subject to options that are currently exercisable, or exercisable within 60 days following the date as of which this information is provided, and not subject to repurchase as of that date, which are indicated by footnotes, 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.
- (2) The Class A Stock shown includes 20,000 shares subject to stock options as well as 799,765 shares held directly. The Class A Stock shown also includes 107,751 shares held by the James J. Cotter Foundation (the "Cotter Foundation"). Ellen M. Cotter is Co-Trustee of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown also includes 297,070 shares that are part of the Estate of James J. Cotter, Deceased (the "Cotter Estate") that is being administered in the State of Nevada and 70,750 shares from the Cotter Profit Sharing Plan. On December 22, 2014, the District Court of Clark County, Nevada, appointed Ellen M. Cotter and Margaret Cotter as co-executors of the Cotter Estate. As such, Ellen M. Cotter would be deemed to beneficially own such shares. The shares of Class A Stock shown also include 1,897,649 shares held by the James J. Cotter Living Trust (the "Living Trust"). See footnote (12) to this table for information regarding beneficial ownership of the shares held by the Living Trust. As Co-Trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (12). Together Margaret Cotter and Ellen M. Cotter beneficially own 1,209,088 shares of Class B Stock.
- (3) The Class A Stock shown includes 116,000 shares subject to stock options as well as 894,175 shares held directly. The Class A Stock shown also includes 289,390 shares held by the Cotter 2003 Grandchildren's Trust and 29,750 shares from the Cotter Profit Sharing Plan. Margaret Cotter is Co-Trustee of the Cotter 2003 Grandchildren's Trust and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown includes 297,070 shares of Class A Stock that are part of the Cotter Estate. As Co-Executors of the Cotter Estate, Ms. Cotter would be deemed to beneficially own such shares. The shares of Class A Stock shown also include 1,897,649 shares held by the Living Trust. See footnote (12) for information regarding beneficial ownership of the shares held by the Living Trust. As Co-Trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (12). Together Margaret Cotter and Ellen M. Cotter beneficially own 1,209,088 shares of Class B Stock.
- (4) The Class A Stock shown includes 19,000 shares subject to stock options.
- (5) The Class A Stock shown includes 4,000 shares subject to stock options.
- (6) The Class A Stock shown includes 29,000 shares subject to stock options.
- (7) The Class A Stock shown consists of 41,750 shares subject to stock options.
- (8) The Class A Stock shown consists of 2,000 shares subject to stock options.
- (9) The Class A Stock shown consists of 2,000 shares subject to stock options.
- (10) The Class A Stock shown consists of 2,000 shares subject to stock options.
- (11) The Class A Stock shown consists of 3,000 restricted stock grants.
- (12) On June 5, 2013, the Declaration of Trust establishing the Living Trust was amended and restated (the "2013 Restatement") to provide that, upon the death of James J. Cotter, Sr., the Trust's shares of Class B Stock were to be held in a separate trust, to be known as the "Reading Voting Trust," for the benefit of the

- grandchildren of Mr. Cotter, Sr. Mr. Cotter, Sr. passed away on September 13, 2014. The 2013 Restatement who names Margaret Cotter the sole trustee of the Reading Voting Trust and names James J. Cotter, Jr. as the first alternate trustee in the event that Ms. Cotter is unable or unwilling to act as trustee. The trustees of the Living Trust, as of the 2013 Restatement, were Ellen M. Cotter and Margaret Cotter. On June 19, 2014, Mr. Cotter, Sr. signed a 2014 Partial Amendment to Declaration of Trust (the "2014 Amendment") that names Margaret Cotter and James J. Cotter, Jr. as the co-trustees of the Reading Voting Trust and provides that, in the event they are unable to agree upon an important trust decision, they shall rotate the trusteeship between them annually on each January 1st. It further directs the trustees of the Reading Voting Trust to, among other things, vote the Class B Stock held by the Reading Voting Trust in favor of the appointment of Ellen M. Cotter, Margaret Cotter and James J. Cotter, Jr. to our Board and to take all actions to rotate the chairmanship of our Board among the three of them. The 2014 Amendment states that James J. Cotter, Jr., Ellen M. Cotter and Margaret Cotter are Co-Trustees of the Living Trust. On February 6, 2015, Ellen M. Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles, captioned In re James J. Cotter Living Trust dated August 1, 2000 (Case No. RP139753). The Petition, among other things, seeks relief that could determine the validity of the 2014 Amendment and who between Margaret Cotter and James J. Cotter, Jr. will have authority as trustee or co-trustee of the Reading Voting Trust to vote the shares of Class B Stock shown (in whole or in part) and the scope and extent of such authority. Mr. Cotter, Jr. has filed an opposition to the Petition. The \$96,000 shares of Class B Stock shown in the table as being beneficially owned by the Living Trust are reflected on the Company's stock register as being held by the Living Trust and not by the Reading Voting Trust. The information in the table reflects direct ownership of the 160,000 shares of Class B Stock by the Living Trust in accordance with the Company's stock register and beneficial ownership of such shares as being held by each of the three principal Co-Trustees, Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter, who, unless a court determines otherwise, are deemed to share voting and investment power of the shares held by the Living Trust.
- (13) The Class A Stock shown includes 25,000 shares subject to stock options as well as 770,186 shares held directly. The Class A Stock shown also includes 289,340 shares held by the Cotter 2003 Grandchildren's Trust and 107,791 held by the Cotter Foundation. Mr. Cotter, Jr. is Co-Trustee of the Cotter 2003 Grandchildren's Trust and of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Mr. Cotter, Jr. disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any, in such shares. The Class A Stock shown also includes 1,897,649 shares held by the Living Trust, which became irrevocable upon Mr. Cotter, Sr.'s death on September 13, 2014. See footnote (12) above for information regarding beneficial ownership of the shares held by the Living Trust. As Co-Trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (12). The Class A Stock shown includes 770,186 shares pledged as security for a margin loan.
- (14) Based on Mr. Cotter's Form 5 filed with the SEC on February 19, 2016 and Schedule 13D/A filed on February 22, 2016.
- (15) Based on the PICO Holdings, Inc. and PICO Deferred Holdings, LLC Schedule 13G filed with the SEC on January 14, 2009.
- (16) The Class A Stock shown includes 25,000 shares subject to stock options.
- (17) The Class A Stock shown includes 8,815 shares subject to stock options.
- (18) The Class A Stock shown includes 222,565 shares subject to options not exercisable.

## Item 13 – Certain Relationships and Related Transactions, and Director Independence

### CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The members of our Audit Committee are Douglas McEachern, who serves as Chair, Edward Kane and Michael Wroblek. Management presents all potential related party transactions to the Audit Committee for review. Our Audit 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. See the discussion entitled "Review, Approval or Ratification of Transactions with Related Persons" on page (11) for additional information regarding the review process.

#### Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the master leasing, with an option to purchase, of certain cinemas located in Manhattan including six Village East and Cinemas 1, 2, 3 theaters. In connection with that transaction, we also agreed (i) 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 (ii) to manage the 86th Street Cinemas on a fee basis. SHC is a limited liability company owned in equal shares by the Cotter Estate and a third party.

As previously reported, over the years, two of the cinemas subject to the master leasing agreement have been redeveloped and one (the Cinemas 1, 2, 3 discussed below) has been acquired. The Village East is the only cinema that remains subject to this master lease. We paid an annual rent of \$590,000 for this cinema to SHC in each of 2015, 2014, and 2013. During this same period, we received management fees from the 86 Street Cinemas of \$151,000, \$123,000 and \$183,000.

In 2005, we acquired (i) from a third party the fee interest underlying the Cinemas 1, 2, 3 and (ii) from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1, 2, 3. The ground lease estate and the improvements acquired from SHC were originally a part of the master lease transaction, discussed above. In connection with that transaction, we granted to SHC an option to acquire at cost a 25% interest in the special purpose entity (Sutton Hill Properties, LLC ("SHP")) formed to acquire these fee, leasehold and improvements interests. On June 28, 2007, SHC exercised this option, paying \$3.0 million and assuming a proportionate share of SHP's liabilities. At the time of the option exercise and the closing of the acquisition of the 25% interest, SHP had debt of \$25.9 million, including a \$2.9 million, non-interest bearing intercompany loan from the Company. As of December 31, 2015, SHP had debt of \$19.4 million (again, including the intercompany loan). Since the acquisition by SHC of its 25% interest, SHP has covered its operating costs and debt service through cash flow from the Cinemas 1, 2, 3, (i) borrowings from third parties, and (ii) pro-rata contributions from the members. We receive an annual management fee equal to 5% of SHP's gross



income for managing the cinema and the property, amounting to \$153,000, \$123,000 and \$183,000 in 2015, 2014 and 2013 respectively. This management fee was modified in 2015, as discussed below, retroactive to December 1, 2014.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema by 10 years, with a new termination date of June 30, 2020. This amendment was reviewed and approved by our Audit Committee. 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 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 11 – *Pension and Other Liabilities*).

In February 2015, SHP and we entered into an amendment to the management agreement dated as of June 27, 2007 between SHP and us. The amendment, which was retroactive to December 1, 2014, memorialized our undertaking to SHP with respect to \$750,000 (the "Renovation Funding Amount") of renovations to Cinemas 1, 2, 3 funded or to be funded by us. In consideration of our funding of the renovations, our annual management fee under the management agreement was increased commencing January 1, 2015 by an amount equivalent to 100% of any incremental positive cash flow of Cinemas 1, 2, 3 over the average annual positive cash flow of the Cinemas 1, 2, 3 over the three-year period ended December 31, 2014 (not to exceed a cumulative aggregate amount equal to the Renovation Funding Amount), plus a 15% annual cash-on-cash return on the balance outstanding from time to time of the Renovation Funding Amount, payable at the time of the payment of the annual management fee. Under the amended management agreement, we are entitled to retain ownership of (and any right to depreciable) any furniture, fixtures and equipment purchased by us in connection with such renovation and have the right (but not the obligation) to remove all such furniture, fixtures and equipment (at our own cost and expense) from the Cinemas upon the termination of the management agreement. The amendment also provides that, during the term of the management agreement, SHP will be responsible for the cost of repair and maintenance of the renovations. In 2015, we received a management fee of \$153,000. This amendment was approved by SHC and by the Audit Committee of our Board of Directors.

#### OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations were, until recently, managed by Off-Broadway Investments, LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of the late Mr. James J. Cotter, Sr., the sister of Ellen M. Cotter and James Cotter, Jr., and a member of our Board of Directors. The Management Agreement was terminated effective March 10, 2016 in connection with the retention by our Company of Margaret Cotter as a full time employee.

The Theater Management Agreement generally provided for the payment of a combination of fixed and incentive fees for the management of four live theaters. Historically, these fees have equated to approximately 21% of the net cash flow generated by these properties. We currently estimate that fees to be paid to OBI for 2015 will be approximately \$389,000. We paid \$397,000 and \$401,000 in fees with respect to 2014, and 2013, respectively. We also reimbursed OBI for certain travel expenses, shared the cost of an administrative assistant and provided office space at our New York offices. The fees payable to OBI for the period January 1, 2016 through and including March 9, 2016, will be prorated.

OBI Management historically conducted its operations from our office facilities on a rent-free basis, and we shared the cost of one administrative employee of OBI Management. 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. Other than these expenses, OBI Management was responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renewed 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 could terminate the Management Agreement at any time for cause.

Effective March 10, 2016, Margaret Cotter became a full time employee of the Company and the Management Agreement was terminated. As Executive Vice President Real Estate Management and Development - NYC, Ms. Cotter will continue to be responsible for the management of our live theater assets, will continue her role heading up the pre-redevelopment of our New York Properties and will be our senior executive responsible for the actual redevelopment of our New York properties. Pursuant to the termination agreement, Ms. Cotter has given up any right she might otherwise have, through OBI, to income from STOMP.

Ms. Cotter's compensation as Executive Vice-President was set as part of an extensive executive compensation process. For 2016, Ms. Cotter's base salary will be \$350,000, she will have a short term incentive target bonus opportunity of \$105,000 (30% of her base salary), and she was granted a long term incentive of a stock option for 19,921 shares of Class A common stock and 4,184

restricted stock units under the Company's 2010 Stock Incentive Plan, as amended, which long term incentives vest over a four year period.

#### 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. The Cotter Estate or the Cotter Trust and Mr. Michael Forman own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater. Refer to Item 3 -- *Legal Proceedings* for more information about the show STOMP.

#### Shadow View Land and Farming, LLC

Director Guy Adams has performed consulting services for James J. Cotter, Sr., with respect to certain holdings that are now controlled by the Cotter Estate and/or the Cotter Trust (collectively the "Cotter Interests"). These holdings include a 50% non-controlling membership interest in Shadow View Land and Farming, LLC (the "Shadow View Investment" and "Shadow View" respectively), certain agricultural interests in Northern California (the "Cotter Farms") and certain land interests in Texas (the "Texas Properties"). In addition, Mr. Adams is the CFO of certain captive insurance entities, owned by a certain trust for the benefit of Ellen M. Cotter, James J. Cotter, Jr. and Margaret Cotter (the "captive insurance entities").

Shadow View is a consolidated subsidiary of the Company. The Company has from time to time made capital contributions to Shadow View. The Company has also, from time to time, as the managing member, funded on an interim basis certain costs incurred by Shadow View, ultimately billing such costs through to the two members. The Company has never paid any remuneration to Shadow View. Mr. Adams' consulting fees with respect to the Shadow View Interest were to have been measured by the profit, if any, derived by the Cotter Interests from the Shadow View Investment. He has no beneficial interest in Shadow View or the Shadow View Investment. His consulting fees with respect to Shadow View were equal to 5% of the profit, if any, derived by the Cotter Interests from the Shadow View Investment after recognition of its investment plus a return of 10%. To date, no profits have been generated by Shadow View and Mr. Adams has never received any compensation with respect to these consulting services. His consulting fee would have been calculated only after the Cotter Interests had received back their costs and expenses and two times their investment in Shadow View. Mr. Adams' consulting fees would have been 2.5% of the then-profit, if any, recognized by Shadow View, considered as a whole.

The Company and its subsidiaries (i) do not have any interest in, (ii) have never conducted any business with, and (iii) have not made any payments to, the Cotter Family Farm, the Texas Properties and/or the captive insurance entities.

#### Document Storage Agreement

In consideration of the payment of \$100 per month, our Company has agreed to allow Ellen Cotter and Margaret Cotter to keep certain files related to the Cotter Estate and/or the Cotter Trust at our Los Angeles Corporate Headquarters.

#### Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee has adopted a written charter, which includes responsibility for approval of "Related Party Transactions." Under its charter, the Audit Committee performs the functions of the "Conflicts Committee" of the Board and is delegated responsibility and authority by the Board to review, consider and negotiate, and to approve or disapprove on behalf of the Company the terms and conditions of any and all Related Party Transactions (defined below) with the same effect as though such actions had been taken by the full Board. Any such matter requires no further action by the Board in order to be binding upon the Company, except in the case of a matter that, under applicable Nevada Law, cannot be delegated to a committee of the Board and must be determined by the full Board. In those cases where the authority of the Board cannot be delegated, the Audit Committee nevertheless provides its recommendation to the full Board.

As used in the Audit Committee's Charter, the term "Related Party Transaction" means any transaction or arrangement between the Company on one hand, and on the other hand (i) any one or more directors, executive officers or stockholders holding more than 10% of the voting power of the Company (or any spouse, parent, sibling or heir of any such individual), or (ii) any one or more entities under common control with any one of such persons, or (iii) any entity in which one or more such persons holds more than a 10% interest. Related Party Transactions do not include matters related to employment or employee compensation related issues.

The charter provides that the Audit Committee reviews transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the Audit Committee takes into account, among other factors it deems appropriate:

- the approximate dollar value of the amount involved in the transaction and whether the transaction is material to us;

- whether the terms are fair to us, have resulted from arm's length negotiations and are on terms at least as favorable as would apply if the transaction did not involve a Related Person;
  - the purpose of, and the potential benefits to us of, the transaction;
  - whether the transaction was undertaken in our ordinary course of business;
  - the Related Person's interest in the transaction, including the approximate dollar value of the amount of the Related Person's interest in the transaction without regard to the amount of any profit or loss;
  - required public disclosure, if any; and
- any other information regarding the transaction or the Related Person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

#### Director Independence

The Company has elected to take the "controlled company" exception under applicable listing rules of The NASDAQ Stock Market (the "NASDAQ Listing Rules"). Accordingly, the Company is exempted from the requirement to have an independent nominating committee and to have a board composed of at least a majority of independent directors. We are nevertheless nominating six independent directors for election to our Board. We have an Audit and Conflicts Committee (the "Audit Committee") and a Compensation Committee composed entirely of independent directors. We have a four-member Executive Committee composed of our Chairperson and Vice-Chairperson and two independent directors (Messrs. Guy W. Adams and Edward L. Kane). Due to this structure, the concurrence of at least one independent member of the Executive Committee is required in order for the Executive Committee to take action.

We believe that our Directors bring a broad range of leadership experience to our Company and regularly contribute to the thoughtful discussion involved in effectively overseeing the business and affairs of the Company. We believe that all Board members are well engaged in their responsibilities and that all Board members express their views and consider the opinions expressed by other Directors. Six Directors on our Board are independent under the NASDAQ Listing Rules and SEC rules, and William D. Gould serves as the lead director among our independent Directors. In that capacity, Mr. Gould chairs meetings of the independent Directors and acts as liaison between our Chairperson of the Board and interim Chief Executive Officer and our independent Directors. Our independent Directors are involved in the leadership structure of our Board by serving on our Audit Committee, the Compensation Committee and the Tax Oversight Committee, each of which has a separate independent chairperson. Nominations to our Board for the Annual Meeting were made by our entire Board, consisting of a majority of independent Directors.

**Audit Committee.** Our Board has determined that the Audit Committee is composed entirely of independent Directors (as defined in section 3605(a)(2) of the NASDAQ Listing Rules), and that Mr. McEachern, the Chair of our Audit Committee, is qualified as an Audit Committee Financial Expert. Our Audit Committee is currently composed of Mr. McEachern, who serves as Chairperson, Mr. Kane and Mr. Wroblek. Mr. Storey, who served on our board through October 11, 2015, served on our Audit Committee through the same date. The Audit Committee held four meetings during 2015. For additional information, see the Audit Committee section of Item 10 – Directors, Executive Officers and Corporate Governance, above.

**Compensation Committee.** The Compensation Committee is currently composed of Mr. Kane, who serves as Chairperson, Mr. Adams and Dr. Coddling. Mr. Storey served on our Compensation Committee through October 11, 2015. The Compensation Committee's charter is available on our website at <http://www.readiness.com/compensation-stock-options-committee/>. The Compensation Committee evaluates and makes recommendations to the full Board regarding the compensation of our Chief Executive Officer and other executive officers (including the Cotter family members). In addition, the Compensation Committee establishes the Company's general compensation philosophy and objectives (in consultation with management), approves and adopts on behalf of the Board incentive compensation and equity-based compensation plans, subject to stockholder approval as required, and performs other compensation related functions as delegated by our Board. The Compensation Committee held three meetings during 2015.

#### Item 14 – Principal Accounting Fees and Services

##### Summary of Principal Accounting Fees for Professional Services Rendered

Our independent public accountants, Grant Thornton LLP, have audited our financial statements for the fiscal year ended December 31, 2015, 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.

##### Audit Fees

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-K and 10-Q provided by Grant Thornton LLP for 2015 and 2014 were approximately \$931,500 and \$661,700, respectively.

**Audit-Related Fees**

Grant Thornton LLP did not provide us any audit related services for 2015 or 2014.

**Tax Fees**

Grant Thornton LLP did not provide us any products or any services for tax compliance, tax advice, or tax planning for 2015 or 2014.

**All Other Fees**

Grant Thornton LLP did not provide us any services for 2015 or 2014, other than as set forth above.

**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 members who has authority to give such approval. Our Audit Committee pre-approved all services provided to us by Grant Thornton LLP for 2015 and 2014.

**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

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2015, and 2014

Consolidated Statements of Operations for the Three Years Ended December 31, 2015

Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2015

Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2015

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2015

Notes to Consolidated Financial Statements

2. *Financial Statements and Schedules for the years ended December 31, 2015, 2014, and 2013*

Schedule II – Valuation and Qualifying Accounts

3. *Exhibits*

(b) Exhibits

See Item (a) 3. above.

(c) Financial Statement Schedule

See Item (a) 2. above.

# Exhibits

- 3.1 + Amended and Restated Articles of Incorporation of Reading International, Inc., a Nevada corporation, effective as of August 6, 2014 .
- 3.2.1 + Amended and Restated Bylaws of Reading International, Inc., a Nevada corporation, effective as of October 5, 2015.
- 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\* 2010 Stock Incentive Plan and related forms of (i) Stock Option Agreement, (ii) Stock Bonus Agreement, (iii) Restricted Stock Agreement, and (iv) Stock Appreciation Right Agreement (filed as Exhibits 4.1, 4.2, 4.3, 4.4 and 4.5, respectively, to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
- 4.3\* Amendment to the 2010 Stock Incentive Plan effective May 19, 2011 (filed as Appendix A of the Company's proxy statement on April 29, 2011, and incorporated here by reference).
- 4.4\* First Amendment to the 2010 Stock Incentive Plan dated as of March 16, 2016 (filed as Exhibit 10 to the Company's report on Form 8-K filed on March 15, 2016, and incorporated herein by reference) .
- 4.5 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).
- 4.6 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).
- 4.7 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).
- 4.8 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).
- 10.1 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).
- 10.2 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).
- 10.3 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).
- 10.4 Third Amendment to Amended and Restated Master Operating Lease Agreement, dated June 29, 2010, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.21 to the Company's report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference).
- 10.5 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).
- 10.6 Theater Management Agreement, effective as January 1, 2002, between Liberty Theaters, Inc. and OBILLC (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).
- 10.7 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) .  
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) .
- 10.9+ Amended and Restated Corporate Markets Loan & Bank Guarantee Facility Agreement dated December 23, 2015, among Reading Entertainment Australia Pty Ltd and National Australia Bank Limited.
- 10. 10+ Wholesale Term Loan Facility dated May 21, 2015, among Reading Courtenay Central Limited and Westpac New Zealand Limited.

10.11+	Loan agreement dated June 26, 2014, between Santander Bank, N.A. and Sutton Hill Properties, LLC.
10.13	Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banco of America Leasing & Capital, LLC (filed as Exhibit 10.31 to the Company's report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference).
10.14	Amendment dated October 31, 2012 to the Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banco of America Leasing & Capital, LLC (filed as Exhibit 10.32 to the Company's report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference).
10.15*	Form of Indemnification Agreement, as routinely granted to the Company's Officers and Directors (filed as Exhibit 10.77 to the Company's report on Form 10-Q for the period ended September 30, 2008, and incorporated herein by reference).
10.16*	Employment Agreement between Reading International, Inc. and Devisia Ghose, Chief Financial Officer (filed as Exhibit 10.1 to the Company's report on Form 10-Q for the period ended March 31, 2015, and incorporated herein by reference).
10.17*	Employment Agreement between Reading International, Inc. and William D. Ellis, General Counsel (filed as Exhibit 10.1 to the Company's report on Form 10-Q for the period ended September 30, 2015, and incorporated herein by reference).
10.18*	Separation and Release Agreement dated March 11, 2016 between Reading International, Inc. and William D. Ellis (filed as Exhibit 12.1 to the Company's report on Form 8-K filed on March 15, 2016, and incorporated herein by reference).
10.19**	Separation and Release Agreement dated May 30, 2014 between Reading International, Inc. and Andrzej Matyczynski.
10.20**	First Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of August 6, 2014.
10.21**	Second Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of November 26, 2014.
10.22**	Third Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of May 1, 2015.
10.23**	Amended and Restated Compensatory Arrangements for Executive and Management Employees dated as of March 28, 2016.
10.24+	OB1 Termination Agreement and Release
21 +	List of Subsidiaries.
23.1 +	Consent of Independent Registered Public Accounting Firm, Grant Thornton LLP.
31.1 +	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 +	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 +	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 +	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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.

\*\*These exhibits are filed herewith.

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: April 29, 2016

By:

/s/ Devasis Ghose

Devasis Ghose

Chief Financial Officer and Treasurer

(Principal Financial 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.

<u>Signature</u>	<u>Title(s)</u>	<u>Date</u>
/s/ Ellen M. Cotter	President, Chief Executive Officer and Chairman of the Board and Director	April 29, 2016
Ellen M. Cotter	(Principal Executive Officer)	
/s/ Devasis Ghose	Chief Financial Officer and Treasurer	April 29, 2016
Devasis Ghose	(Principal Financial Officer)	
/s/ Steve Lucas	Vice President, Controller and Chief Accounting Officer	April 29, 2016
Steve Lucas	(Principal Accounting Officer)	
/s/ Margaret Cotter	Vice Chairman of the Board and Director	April 29, 2016
Margaret Cotter		
	Director	
James J. Cotter		
	Director	
Guy W. Adams		
/s/ William D. Gould	Director	April 29, 2016
William D. Gould		
/s/ Edward L. Knoe	Director	April 29, 2016
Edward L. Knoe		
/s/ Douglas J. McEschen	Director	April 29, 2016
Douglas J. McEschen		
/s/ Dr. Judy Coddling	Director	April 29, 2016
Dr. Judy Coddling		
/s/ Michael Wroblewski	Director	April 29, 2016
Michael Wroblewski		



IN THE SUPREME COURT OF NEVADA

JAMES J. COTTER, JR., derivatively on  
behalf of Reading International, Inc.,

Appellant,

v.

MARGARET COTTER, ELLEN  
COTTER, GUY ADAMS, EDWARD  
KANE, DOUGLAS McEACHERN,  
WILLIAM GOULD, JUDY CODDING,  
MICHAEL WROTNIAK,

Respondents,

and

READING INTERNATIONAL, INC., a  
Nevada Corporation,

Nominal Defendant.

Electronically Filed  
Jan 22 2019 12:40 p.m.  
Elizabeth A. Brown  
Clerk of Supreme Court  
Supreme Court Case No: 75053

**JOINT APPENDIX IN SUPPORT OF  
APPELLANT'S OPENING BRIEF**

**VOLUME XII (JA2751-3000)**

Steve Morris, Esq. (#1543)  
Akke Levin, Esq. (#9102)  
Morris Law Group  
411 E. Bonneville Ave., Ste. 360  
Las Vegas, NV 89101  
Telephone: (702) 474-9400

Attorneys for Appellant  
James J. Cotter, Jr.

# JOINT APPENDIX IN SUPPORT OF APPELLANT'S OPENING BRIEF

## CHRONOLOGICAL INDEX

Date	Description	Vol. #	Page Nos.
2015-06-12	Complaint	I	JA1-JA29
2015-06-16	AOS William Gould	I	JA30-JA31
2015-06-18	Amended AOS – Timothy Storey	I	JA32-JA33
2015-06-18	Amended AOS - Guy Adams	I	JA34-JA35
2015-06-18	Amended AOS - Edward Kane	I	JA36-JA37
2015-06-18	Amended AOS - Ellen Cotter	I	JA38-JA39
2015-06-18	Amended AOS - RDI	I	JA40-JA41
2015-06-18	Amended AOS - Margaret Cotter	I	JA42-JA43
2015-06-18	Amended AOS - Douglas McEachern	I	JA44-JA45
2015-10-22	First Amended Verified Complaint	I	JA46-JA95
2015-11-10	Scheduling Order and Order Setting Civil Jury Trial, Pre-Trial Conference and Calendar Call	I	JA96-JA99
2016-03-14	Answer to First Amended Complaint filed by Margaret Cotter, Ellen Cotter, Douglas McEachern, Guy Adams, and Edward Kane	I	JA100-JA121
2016-03-29	Reading International, Inc. ("RDI")'s Answer to James J. Cotter, Jr.'s First Amended Complaint	I	JA122-JA143
2016-04-05	Judy Coddling and Michael Wrotniak's Answer to First Amended Complaint	I	JA144-JA167
2016-09-02	Second Amended Verified Complaint	I	JA168-JA224
2016-09-23	Defendant William Gould's MSJ (pages 1 through 19)	I	JA225-JA250
2016-09-23	Defendant William Gould's MSJ (pages 20 through 39)	II	JA251-JA263

# JOINT APPENDIX IN SUPPORT OF APPELLANT’S OPENING BRIEF

Date	Description	Vol. #	Page Nos.
2016-09-23	Appendix of Exhibits to Defendant William Gould’s MSJ (through Exhibit 23)	II	JA264-JA268
2016-09-23	Exhibit A – Declaration of William Gould ISO MSJ	II	JA269-JA272
2016-09-23	Exhibit B – Declaration of Shoshana E. Bannett ISO William Gould’s MSJ	II	JA273-JA279
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## CERTIFICATE OF SERVICE

I certify that on the 22nd day of January 2019, I served a copy of **JOINT APPENDIX IN SUPPORT OF APPELLANT'S OPENING BRIEF VOLUME XII (JA2751-3000)** upon all counsel of record:

☒ By mailing it by first class mail with sufficient postage prepaid to the following address(es); via email and/or through the court's efilng service:

Stan Johnson  
Cohen-Johnson, LLC  
255 East Warm Springs Road, Ste. 110  
Las Vegas, NV 89119

Christopher Tayback  
Marshall Searcy  
Quinn Emanuel Urquhart & Sullivan LLP  
865 South Figueroa Street, 10th Floor  
Los Angeles, CA 90017  
[christayback@quinnemanuel.com](mailto:christayback@quinnemanuel.com)  
[marshallsearcy@quinnemanuel.com](mailto:marshallsearcy@quinnemanuel.com)

*Attorneys for Respondents Edward Kane,  
Douglas McEachern, Judy Coddling, and  
Michael Wrotniak*

Ara H. Shirinian, Settlement Judge  
10651 Capesthorpe Way  
Las Vegas, Nevada 89135  
[arashirinian@cox.net](mailto:arashirinian@cox.net)

Mark Ferrario  
Kara Hendricks  
Tami Cowden  
Greenberg Traurig, LLP  
10845 Griffith Peak Dr.  
Las Vegas, NV 89135  
*Attorneys for Nominal  
Defendant Reading  
International, Inc.*

By: /s/ Patricia A. Quinn  
An employee of Morris Law Group

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<i>Kahn v. Roberts, No. C.A. 12324,</i> 1995 WL 745056 (Del. Ch. Dec. 6, 1995) .....	14, 15
<i>LaMantia v. Redisi,</i> 118 Nev. 27 (2002) .....	11
<i>McMillan v. Intercargo Corp.,</i> 768 A.2d 492 (Del. Ch. 2000) .....	15
<i>Posadas v. City of Reno,</i> 109 Nev. 448 (1993) .....	11
<i>Seibert v. Harper &amp; Row, Publishers, Inc.,</i> No. CIV. A. 6639, 1984 WL 21874 (Del. Ch. Dec. 5, 1984) .....	18
<i>Shoen v. SAC Holding Corp.,</i> 122 Nev. 621 (2006) .....	12, 13, 14, 17
<i>Shuck v. Signature Flight Support of Nev., Inc.,</i> 126 Nev. 434 (2010) .....	11

1	<i>Stewart v. Kroeker</i> , No. CV04-2130L, 2006 WL 167938 (W.D. Wash. Jan. 23, 2006).....	17
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3	<i>Unitrin, Inc. v. Am. Gen. Corp.</i> , 651 A.2d 1361 (Del. 1995) .....	12
4	<i>In re Walt Disney Co. Derivative Litig.</i> , 906 A.2d 27 (Del. 2006) .....	20
5		
6	<i>Wood v. Safeway, Inc.</i> , 121 Nev. 724 (2005) .....	11, 12
7	<i>In re ZAGG Inc. S'holder Derivative Action</i> , No. 15-4001, 2016 WL 3389776 (10th Cir. June 20, 2016).....	17
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#### Statutes

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10	Nev. Rev. Stat. § 78.138(7).....	2, 17, 18
11	Nevada Rule of Civil Procedure 56 .....	ii, 11
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## MEMORANDUM OF POINTS AND AUTHORITIES

### I. INTRODUCTION

Among the laundry list of claims in the Second Amended Complaint are allegations that some or all of the Individual Defendants breached their fiduciary duties because:

- they approved the exercise of an option by the Estate of James Cotter, Sr., using Class A shares;
- they allegedly awarded Margaret Cotter a position she was not qualified to hold;
- they awarded compensation packages to Ellen Cotter and Margaret Cotter;
- they allegedly gifted \$200,000 to Margaret Cotter; and
- they allegedly gifted \$50,000 to Guy Adams.

The Court should grant summary judgment in favor of the Individual Defendants because there is no disputed material fact as to any of these claims. The *only evidence* relating to these allegations shows that all members of Reading International, Inc.'s ("RDI" or the "Company") Board of Directors (the "RDI Board" or "Board") acted rationally and in an informed manner at all times and that the Company suffered no injury. Plaintiff's unsupported allegations, suspicions, and conspiracy theories are not evidence.

Though Plaintiff alleges that virtually every action taken by any Reading Director was to serve the whims and desires of Ellen and Margaret Cotter, the evidence shows just the opposite. The above-referenced decisions were made pursuant to long-standing Company and Board practices, after conferring with outside consultants, after reviewing relevant contracts and documents, after extensive Board and committee discussions about the Company's best interests, and in service of maximizing the long-term value of the Company to its stockholders. Plaintiff may genuinely believe that Ellen and Margaret Cotter should not hold any power at the Company, but the evidence shows his view is, for good reasons, not shared by the Board. Similarly, Plaintiff may be frustrated that he got fired and Ellen and Margaret Cotter received compensation packages, but each and every one of the Board's compensation decisions was supported by research, documentation, and precedent.

1 Under the business judgment rule, directors may not be held liable for their decision-  
2 making—even if their decisions are wrong—except under very limited circumstances. None of  
3 those circumstances are present here. Moreover, Nevada law provides an additional protection  
4 to members of boards of directors. Under Nevada Revised Statute § 78.138(7), a director cannot  
5 be personally liable for breach of fiduciary duty unless “the breach of those duties involved  
6 intentional misconduct, fraud or a knowing violation of law.” Nev. Rev. Stat. § 78.138(7). Here,  
7 Plaintiff cannot produce cognizable evidence to support an allegation of an actionable breach of  
8 duty by any director. Finally, even if Plaintiff could overcome the business judgment rule and  
9 Nevada Revised Statute § 78.138(7), his claims would still fail because he cannot show that  
10 Reading was injured, a deficiency fatal to his breach of fiduciary duty claims.

## 11 **II. FACTUAL BACKGROUND**

### 12 **A. The RDI Board, Through the Compensation and Stock Options Committee,** 13 **Approves the Estate’s Option Exercise**

14 Until his death on September 13, 2014, James J. Cotter, Sr. was the Company’s  
15 controlling stockholder. (Attached Declaration of Noah S. Helpert (“HD”) ¶ 2.)<sup>1</sup> Mr. Cotter,  
16 Sr. had the sole power to vote more than two-thirds (approximately 66.9%) of the outstanding  
17 voting stock (*i.e.*, Class B shares) of the Company. (*Id.*) Upon Mr. Cotter, Sr.’s death, these  
18 shares were divided between his Living Trust (696,080 shares) and his Estate (427,808 shares).  
19 (*Id.*) Based upon this division, the Living Trust was vested with approximately 41.4% of the  
20 voting power, and the Estate with approximately 25.5%. (*Id.*) The total number of outstanding  
21 Reading Class B shares, as of April 26, 2016, was 1,680,590. (*Id.*)

22 On or about September 17, 2015, Ellen and Margaret Cotter, acting as executors of Mr.  
23 Cotter, Sr.’s Estate, exercised an option held by the Estate to acquire an additional 100,000  
24 shares of Reading Class B stock (the “Option”). The Estate’s ownership of the Option as of  
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27 <sup>1</sup> The documentary and testimonial evidence supporting this Motion is attached to the  
28 Declaration of Noah S. Helpert. The citations to the “HD” refer to the paragraph of that  
Declaration that authenticate and correspond to the relevant supporting evidence.



1 September 2015 is not in dispute.<sup>2</sup> The 100,000 Class B shares obtained through exercise of the  
2 Option represent approximately 6% of the stockholder voting power. The Compensation and  
3 Stock Options Committee (the "Compensation Committee"), whose members included  
4 Defendants Kane and Adams, approved the use of Class A Common Stock (as opposed to cash)  
5 to pay the exercise price of this Option, pursuant to the terms of Reading's Stock Option Plan.  
6 (*See Id.* ¶ 4, Ex. 3 at 6.1.6(b) and *id.* ¶ 3.)

7 **B. Margaret Cotter Operates and Oversees RDI's Live Theater Properties**

8 Margaret Cotter is the owner and President of OBI, LLC ("OBI"), which has, since 2002  
9 and through the 2016 termination of that agreement, managed RDI's live-theater operations  
10 pursuant to an agreement dated January 1, 2002 between RDI's subsidiary, Liberty Theaters, Inc.  
11 (predecessor to Liberty Theaters, LLC) and OBI, LLC (the "Theater Management Agreement").  
12 (*See* HD ¶ 5, Ex. 4, at 4.) Margaret Cotter, through OBI and Liberty Theaters, LLC, also  
13 managed the real estate which houses each of RDI's four live theaters in Manhattan and Chicago.  
14 (*Id.*) Margaret Cotter has operated and overseen these properties for over 16 years. (*Id.*)  
15 Margaret Cotter has secured leases, managed tenancies, overseen maintenance and regulatory  
16 compliance of these properties and headed up the re-development process with respect to these  
17 properties and RDI's Cinemas 1, 2 & 3 property. (*Id.*) Margaret Cotter has been actively  
18 involved in the re-development of RDI's New York properties for more than the past five years.  
19 (*Id.*)

20 Pursuant to the OBI management arrangement, Margaret Cotter also served as the  
21 President of Liberty Theaters, LLC, the subsidiary through which RDI owns its live theaters.  
22 (*Id.*) Prior to March 10, 2016, while she received management fees through OBI, Margaret  
23 Cotter received no compensation for her duties as President of Liberty Theaters, LLC, other than  
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25 <sup>2</sup> *See* Plaintiff's First Amended Complaint, ¶ 10 ("Plaintiff is informed and believes that, on  
26 September 17, 2015 . . . EC and MC acted to exercise **an option held by the Estate**, of which  
27 they are executors, to acquire 100,000 shares of RDI class B voting stock.") (emphasis added);  
28 Plaintiff's April 22, 2016, Renewed Petition for Partial Distribution of Assets at 4 ("Co-  
Executors acquired an additional 100,000 shares of RDI Class B stock by exercising **the Estate's  
option.**") (emphasis added).

1 the right to participate in RDI's medical insurance program. (*Id.*) Regarding Margaret Cotter's  
2 uncompensated work, Douglas McEachern testified:

3 My understanding is that Margaret has been . . . on an uncompensated basis  
4 worked through the process of getting the Union Square Building through the  
5 Landmark Commission, which, by the way, was a 12-year period for which she  
6 was paid no money to get it entitled and get the building expanded by some  
7 25,000 square feet. The mere ability to get that – and these will be rough numbers  
8 – created enormous value in that building by getting it entitled for redevelopment  
9 from the Landmark Commission . . . .

10 (*Id.* ¶ 6, Ex. 5, at 262:11-263:10.)

11 The Theater Management Agreement generally provided for the payment of a  
12 combination of fixed and incentive fees for the management of RDI's four live theaters. (*See*  
13 HD ¶ 5, Ex. 4, at 5.) Historically, these fees have equated to approximately 21% of the net cash  
14 flow generated by these properties. (*Id.*) Asked how her compensation at Liberty Theatres was  
15 determined prior to the time she became an Executive Vice President at RDI in March 2016,  
16 Margaret Cotter testified: "I would receive . . . a small amount of money every month if there  
17 was a booked show. And then I would receive 20 percent of the cash flow after a certain break-  
18 even at year-end." (*Id.* ¶ 7.)

19 C. **The Full Board, and Two Separate Committees, Evaluate and Approve**  
20 **Margaret Cotter's Employment in February 2016**

21 1. **The Compensation Committee Approved Margaret Cotter's**  
22 **Employment on February 17**

23 At a Compensation Committee meeting on February 17, 2016, Ellen Cotter presented her  
24 view that (1) "the roles provided by Ms. Margaret Cotter were better performed as a full-time  
25 employee and management team member for the Company and not as an independent  
26 contractor[.]" and (2) because "[t]he services provided by Ms. Margaret Cotter often extended  
27 well outside of the parameters of the live theater management agreement[.]" Ellen Cotter  
28 "believed that it would make sense to integrate Ms. Margaret Cotter into the employed  
management team." (*Id.* ¶ 8.)

1           Joining the Compensation Committee meeting via phone, Margaret Cotter participated in  
2 a portion of the meeting. (*Id.*) The members of the Compensation Committee, Ellen Cotter, and  
3 Margaret Cotter discussed the Union Square and the Cinema 1 2 3 projects spearheaded by  
4 Margaret Cotter in 2015 and earlier. (*Id.*) Additionally, the Committee discussed the agreement  
5 pursuant to which Margaret Cotter manages RDI's live theaters through a wholly-owned limited  
6 liability company, OBI, LLC (the "Theater Management Agreement"). (*Id.*) Members of the  
7 Compensation Committee asked Margaret Cotter about (1) whether she would agree to terminate  
8 the Theater Management Agreement; (2) whether Margaret Cotter would agree to waive  
9 additional fees payable to OBI, LLC in the event of the termination of the Theater Management  
10 Agreement; and (3) whether she would agree to become an RDI employee subject to agreeing to  
11 employment terms. (*Id.*) Margaret Cotter advised that she was willing to agree to those  
12 concepts. (*Id.*)

13           Margaret Cotter and Ellen Cotter left the Compensation Committee meeting. (*Id.*)  
14 Following discussion, the Compensation Committee unanimously approved, among others, the  
15 following resolutions:

16           Resolved Further, that the Committee recommends to the Audit and Conflicts  
17 Committee and to the Board of Directors the approval of the termination of the  
18 Theater Management Agreement subject to (i) OBI, LLC's agreement to waive  
19 any additional fees payable to OBI, LLC due to the termination of the Theater  
20 Management Agreement and (ii) Ms. Margaret Cotter agreeing to become an  
21 employee of the Company; Resolved Further, that the Committee approves that  
22 Ms. Margaret Cotter become an employee of the Company and the Committee  
23 recommends to the Board of Directors that the Board approve the employment of  
24 Ms. Margaret Cotter . . . .

25 (*Id.*)

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27 ///

28

1                                   2.     **The Full Board Conditionally Approved Margaret Cotter's**  
2   **Employment on February 18**

3                   At the RDI Board meeting on February 18, 2016, the Compensation Committee provided  
4                   its recommendations about "the change in employment status of Margaret Cotter, subject . . . to  
5                   certain further steps, including, but not limited to, Audit and Conflicts Committee review." (*Id.*  
6                   ¶ 9.) After Margaret Cotter left from the call, further discussion was held on Margaret Cotter's  
7                   qualifications and service to RDI. (*See id.*) With Plaintiff voting against the motion, Ellen  
8                   Cotter abstaining, and Margaret Cotter absent, the RDI Board approved the following resolution:

9                   The transition of Margaret Cotter from independent contractor to employee  
10                  and . . . the mutually agreed termination of the Theater Management Agreement  
11                  dated as of January 2, 2002 between the Company's subsidiary and OBI, LLC, are  
12                  approved, subject, however, to the final negotiation of terms on settlement of  
13                  rights of the parties thereunder and the review and approval of the Audit and  
14                  Conflicts Committee, and further, upon such employment, Margaret Cotter will  
15                  become Executive Vice President of the Company.

16               (*Id.*)

17                                   3.     **The Audit and Conflicts Committee Approved Margaret Cotter's**  
18   **Employment on February 29**

19                   RDI's Audit and Conflicts Committee met on February 29, 2016. (*Id.* ¶ 10.) Following  
20                   discussion, the Audit and Conflicts Committee unanimously approved employment of Margaret  
21                   Cotter as an Executive Vice President, approved the termination of the OBI Management  
22                   Agreement in light of the Compensation Committee's recommendations for compensation to  
23                   Margaret Cotter, and authorized management to enter into an agreement of termination with  
24                   OBI, LLC. (*Id.*)

25                                   D.     **The Compensation Committee Evaluates Ellen and Margaret Cotter's**  
26   **Compensation With the Assistance of a Top Executive Compensation**  
27   **Consultant**

28                   In January 2016, the Compensation Committee engaged Willis Towers Watson, an  
international compensation consulting firm, as its advisor. (*Id.* ¶ 5, Ex. 6 at \*5.) As part of its  
engagement, Willis Towers Watson compared the compensation paid to RDI's executive and

1 management officers to executive compensation paid by (1) a peer group selected by Willis  
2 Towers Watson; and (2) companies surveyed in the 2015 Towers Watson Data Services Top  
3 Management Survey Report and the 2015 Mercer MBD Executive Compensation Survey. (*Id.* ¶  
4 5, Ex. 6, at 5.) Regarding the peer group used in 2016, Edward Kane testified:

5 I wanted a peer group that was reflective of Reading. And so I asked [Willis  
6 Towers Watson] to . . . do one which reflects the company of Reading, and they  
7 came back with a . . . peer group whose revenues and net income was reflective of  
8 ours. It's not easy to do, because we're in two lines of business, but they did  
9 come up with one. And that's what we used for 2016.

10 (*Id.* ¶ 11, Ex. 10, at 468:12-469:9.)<sup>3</sup> The assessment prepared by Willis Towers Watson  
11 compared the "base salary, the short term incentive (cash bonus) and long term incentive (equity  
12 awards)" of the peer and surveyed companies to that of RDI executives. (*Id.* ¶ 5, Ex. 6 at 6.)  
13 Willis Towers Watson's assessment concluded that, while RDI was generally competitive in  
14 base salary, RDI was not competitive when short term incentives and long term incentives were  
15 included. (*Id.* ¶ 5, Ex. 6 at 6.) In particular, Willis Towers Watson determined that (1) the base  
16 salary paid to RDI's President and CEO was below the 25<sup>th</sup> percentile; and (2) the total  
17 compensation (*i.e.*, base salary, short term incentive, and long term incentive) paid to RDI's  
18 President and CEO was also below the 25<sup>th</sup> percentile. (*Id.* ¶ 5, Ex. 6, at 7.)

19 At the Compensation Committee meeting on February 17, 2016, the Compensation  
20 Committee discussed the process for establishing the base salary, short term incentive targets,  
21 and long term incentive targets for Ellen Cotter as CEO. (*Id.* ¶ 8.) The Compensation  
22 Committee "discussed potential compensation issues in light of the 'Executive Competitive Pay  
23 Assessment' prepared by Willis Towers Watson which assessment was distributed to the  
24 Committee Members at a prior meeting." (*Id.* ¶ 8).

25  
26  
27 <sup>3</sup> In his report, Plaintiff's purported expert, Tiago Duarte-Silva, points to this peer group as  
28 valid.

1           **E. The RDI Board Approves Margaret Cotter's Employment and Margaret**  
2           **Cotter and Ellen Cotter's Compensation Packages on March 10, 2016**

3           Prior to the RDI Board meeting on March 10, 2016, Ellen Cotter presented detailed  
4           schedules and proposed individual goals and benchmarks to be used for the senior level  
5           executives to the Compensation Committee. (*Id.* ¶ 11.) The Compensation Committee reviewed  
6           and unanimously approved the recommendations. (*Id.*) Before recommending the 2016 base  
7           salary for Ellen Cotter, the Compensation Committee reviewed the executive pay assessment  
8           prepared by Willis Towers Watson. (*Id.* ¶ 5, Ex. 6 at 10.)

9           In advance of the RDI Board meeting, each director was provided with a schedule  
10          showing each senior executive officer's proposed 2016 compensation package. (*Id.* ¶ 12.) For  
11          Ellen Cotter and Margaret Cotter, the following was proposed:

Executive	Proposed 2016 Base Salary	Proposed 2016 Short Term Incentive Bonus Potential	Proposed 2016 Long Term Incentive
Ellen Cotter	\$450,000	\$427,500 (95% of Base Salary)	\$300,000
Margaret Cotter	\$350,000	\$105,000 (30% of Base Salary)	\$100,000

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21          (*Id.* ¶ 12.)

22          At the RDI Board meeting on March 10, 2016, in Margaret Cotter's absence, Ellen Cotter  
23          gave a summary of (1) her assessment of the reasons for Margaret Cotter's new position as  
24          Executive Vice President; and (2) the factors she had used in recommending the compensation  
25          package for Margaret Cotter. (*Id.*) After directors asked questions, Ellen Cotter was excused.  
26          (*Id.*) With Plaintiff abstaining and Ellen Cotter and Margaret Cotter absent, the RDI Board  
27          adopted the following resolution:  
28

1 It Is Hereby Resolved that the schedule of proposed 2016 executive compensation  
2 for Ellen Cotter and Margaret Cotter and the title of Executive Vice President -  
3 Real Estate Management and NYC Development be given to Margaret Cotter, as  
4 set forth on Exhibit A to these minutes, as unanimously recommended by the  
5 Compensation Committee, be approved.

6 (*Id.*)

7 **F. Two Board Committees Approve Additional Consulting Fee Compensation**  
8 **to Margaret Cotter Totaling \$200,000**

9 In connection with Margaret Cotter's hiring as an RDI employee, the Audit and Conflicts  
10 Committee authorized the mutual termination of the Theater Management Agreement dated  
11 January 1, 2002, between Liberty Theaters, Inc. (an RDI subsidiary) and OBI, LLC (owned by  
12 Margaret Cotter). (*Id.* ¶ 5, Ex. 6 at 4.) The Compensation Committee and the Audit and  
13 Conflicts Committee each approved "additional consulting fee compensation to Margaret Cotter  
14 totaling \$200,000 for services rendered by her to the Company in recent years outside of the  
15 scope of the Theater Management Agreement, including, but not limited to: (i) predevelopment  
16 work on the Company's Union Square and Cinemas 1, 2 & 3 properties, (ii) management of the  
17 New York properties, and (iii) management of Union Square tenant matters." (*Id.*)

18 When considering this additional consulting fee for past work completed, the  
19 Compensation Committee also noted that "OBI, LLC had agreed to include as a part of its  
20 termination agreement with the Company certain waivers and releases including the termination  
21 of any rights it might have to receive compensation with respect to any show continuing at any  
22 of our theaters after the date of such termination." (*Id.*) Douglas McEachern testified:

23 [I]f we were to terminate that contract with Liberty Theaters, Margaret Cotter . . .  
24 would be entitled to that same compensation in perpetuity until such time as the  
25 shows that were playing in those theaters ended. So her compensation is  
26 contractual, . . . based upon performance of the theaters, not based upon any  
27 discretion of the compensation committee.

28 (*Id.* ¶ 6, Ex. 5, at 246:1-247:5) Edward Kane testified:

1 Margaret Cotter had a contract. And if she was terminated, it's my understanding  
2 she would continue to get compensation from plays that were in her theaters,  
3 including Stomp. And when we made her employee she gave that up. But that  
4 was a lucrative result. So I think the company benefited actually from making her  
5 an employee.

6 (*Id.* ¶ 11, Ex. 10, at 169:21-170:5.) Edward Kane further testified:

7 And [Margaret Cotter] gave up quite a bit to become an employee, because she  
8 gave up any residual rights to any of the plays which she otherwise would have  
9 had even if she was terminated, compensation. So I think Margaret gave up more  
10 than she received. . . . [I]t would have been substantial.

11 (*Id.* ¶ 11, Ex. 10, at 474:11-475:3.)

12 **G. The RDI Board Approves Additional Compensation to Guy Adams for**  
13 **Extraordinary Services**

14 At the RDI Board meeting on March 10, 2016, Ellen Cotter requested that the RDI Board  
15 consider additional compensation for Guy Adams. (*Id.* ¶ 12.) In the absence of Guy Adams,  
16 Ellen Cotter summarized "the extraordinary services and time devoted by Mr. Adams above and  
17 beyond the usual role of a director in the past year." (*Id.*) Ellen Cotter noted that Guy Adams  
18 had provided the following extraordinary services: (1) "assisting Ms. Cotter in a variety of  
19 support services as the Company underwent the stresses and controversies of the last year;" (2)  
20 "assisting Ms. Cotter in an advisory capacity in her transition of roles into interim CEO and  
21 permanent CEO;" (3) "advice on investor relations;" (4) "personal travel to New York to assist  
22 in the evaluation of the Union Square project;" (5) "assistance with evaluation of certain  
23 potential transactions;" (6) "significant commitment of time in evaluating potential new  
24 executive compensation practices before the same was considered by the Compensation  
25 Committee;" and (7) "extraordinary services on the Executive Committee." (*Id.*) After  
26 discussion, with Plaintiff voting against the motion and Guy Adams not participating, the  
27 following resolution was adopted: "It Is Hereby Resolved that Guy Adams be compensated  
28 \$50,000 in recognition of extraordinary services to the Board of Directors." (*Id.*)



1           The Board had an established precedent of providing additional compensation to  
2 directors in recognition of extraordinary service. In 2015, in recognition of directors' service on  
3 RDI's Board and committees, RDI had paid an additional one-time fee of \$75,000 to Timothy  
4 Storey and additional one-time fees of \$25,000 to each of William Gould, Douglas McEachern,  
5 and Edward Kane, and Guy Adams. (*Id.* ¶ 13, Ex. 12, at 18). Plaintiff voted in favor of these  
6 2015 payments to directors for extraordinary services. (*Id.* ¶ 14, Ex. 13, Response No. 12.)

### 7   **III. LEGAL STANDARD**

8           Summary judgment is warranted under Nevada Rule of Civil Procedure 56 whenever the  
9 "pleadings, depositions, answers to interrogatories, admissions, and affidavits, if any, that are  
10 properly before the court demonstrate that no genuine issue of material fact exists, and the  
11 moving party is entitled to judgment as a matter of law." *Wood v. Safeway, Inc.*, 121 Nev. 724,  
12 731 (2005). "The substantive law controls which factual disputes are material and will preclude  
13 summary judgment; other factual disputes are irrelevant." *Id.*; see also *Anderson v. Liberty*  
14 *Lobby, Inc.*, 477 U.S. 242, 248 (1986) ("Factual disputes that are irrelevant or unnecessary will  
15 not be counted."). A factual dispute is "genuine" only "when the evidence is such that a rational  
16 trier of fact could return a verdict for the nonmoving party." *Holcomb v. Ga. Pac., LLC*, 289  
17 P.3d 188, 192 (Nev. 2012) (citation omitted).

18           While the pleadings and other proof are "construed in the light most favorable to the  
19 nonmoving party," *LaMantia v. Redisi*, 118 Nev. 27, 29 (2002), that party "bears the burden to  
20 more than simply show that there is some metaphysical doubt as to the operative facts in order to  
21 avoid summary judgment." *Wood*, 121 Nev. at 732 (citation and internal quotation marks  
22 omitted) (rejecting the "slightest doubt" standard). The nonmoving party "is not entitled to build  
23 a case on the gossamer threads of whimsy, speculation, and conjecture," *id.* (citation omitted),  
24 but instead must identify "admissible evidence" showing "a genuine issue for trial." *Posadas v.*  
25 *City of Reno*, 109 Nev. 448, 452 (1993); *Shuck v. Signature Flight Support of Nev., Inc.*, 126  
26 Nev. 434, 436 (2010) ("bald allegations without supporting facts" are insufficient); *LaMantia*,  
27 118 Nev. at 29 (nonmovant must "show specific facts, rather than general allegations and  
28 conclusions"). A nonmoving party that fails to make this showing will "have summary judgment

1 entered against him.” *Wood*, 121 Nev. at 732 (citation omitted).

2 **IV. ARGUMENT**

3 **A. Summary Judgment Is Warranted Because Individual Defendants Are**  
4 **Protected by the Business Judgment Rule**

5 Summary judgment is warranted for Plaintiff’s claims related to the approval of the  
6 Option exercise, appointment of Margaret Cotter, Margaret Cotter and Ellen Cotter’s  
7 compensation packages, additional consulting fee compensation paid to Margaret Cotter, and  
8 additional compensation paid to Guy Adams because the Individual Defendants are protected by  
9 the business judgment rule.

10 The business judgment rule is a “presumption that in making a business decision the  
11 directors of a corporation acted on an informed basis, in good faith and in the honest belief that  
12 the action taken was in the best interests of the company.” *Shoen v. SAC Holding Corp.*, 122  
13 Nev. 621, 632 (2006) (citation omitted); *see also* NRS 78.138(3) (codifying the rule under  
14 Nevada law). “The business judgment rule postulates that if directors’ actions can arguably be  
15 taken to have been done for the benefit of the corporation, then the directors are presumed to  
16 have been exercising their sound business judgment rather than to have been responding to self-  
17 interest motivation.” *Horwitz v. Southwest Forest Indus., Inc.*, 604 F. Supp. 1130, 1135 (Nev.  
18 1985). “An application of the traditional business judgment rule places the burden on the ‘party  
19 challenging the [board’s] decision to establish facts rebutting the presumption.’” *Unitrin, Inc. v.*  
20 *Am. Gen. Corp.*, 651 A.2d 1361, 1373 (Del. 1995) (citing *Aronson v. Lewis*, 473 A.2d at 812).  
21 “[T]he business judgment rule shields directors from personal liability if, upon review, the court  
22 concludes the directors’ decision can be attributed to any rational business purpose.” *Unitrin,*  
23 *Inc. v. Am. Gen. Corp.*, 651 A.2d 1361, 1373 (Del. 1995). “[E]ven a bad decision is generally  
24 protected by the business judgment rule.” *Shoen*, 122 Nev. at 636.

25 Each of the following Board decisions were made according to a rational business  
26 purpose:

- 27 • Approving the Estate’s exercise of the Option using Class A shares pursuant to a  
28 Stock Option Plan that plainly and unequivocally authorizes such an exercise,

1 stating that payment for an option can be made by “delivery by the optionee of  
2 shares of Common Stock already owned by the optionee for all or part of the  
3 Option price.” (*Id.* ¶ 4, Ex. 3, at 6.1.6(b).) The Estate, acting through Ellen and  
4 Margaret Cotter as Co-Executors, was the optionee. *See* N.R.S. 78.010(1)(i)  
5 (defining “stockholder of record” as a person whose name appears on the stock  
6 ledger of the corporation). The Compensation Committee, in approving the  
7 Estate’s request, acted consistently with the Company’s policy and practice of  
8 repurchasing available Class A shares. In May 2014, the Board authorized—and  
9 Plaintiff supported—a formal repurchase initiative with respect to Class A stock.  
10 (*Id.* ¶ 15.)

- 11 • Appointing Margaret Cotter as Executive Vice president to ensure that RDI’s  
12 management team included an individual who was responsible for an important  
13 part of RDI’s business and officially integrating a person, on a full-time basis,  
14 who performed an important role for RDI onto RDI’s management team. (*See id.*  
15 ¶ 8).
- 16 • Approving, after receiving an outside consultant’s report, overall executive  
17 compensation packages for Ellen Cotter and Margaret Cotter that were in line and  
18 competitive with peer companies. (*See id.* ¶ 5.)
- 19 • Approving a \$200,000 additional consulting fee to Margaret Cotter to compensate  
20 her for past work as a consultant in connection with her transition from a  
21 consultant to an employee of RDI and to facilitate the buyout of a contract under  
22 which a subsidiary of RDI was obligated to pay compensation to OBI, LLC.<sup>4</sup>  
23 (*See id.* ¶ 5, Ex. 4.) Testimony from Douglas McEachern and Edward Kane  
24

25  
26 <sup>4</sup> When considering the additional consulting fee, the Compensation Committee noted that  
27 “OBI, LLC had agreed to include as a part of its termination agreement with the Company  
28 certain waivers and releases including the termination of any rights it might have to receive  
compensation with respect to any show continuing at any of our theaters after the date of such  
termination.” (*See id.* ¶ 5, Ex. 4 at 4.)

1 shows that RDI Board members were cognizant of the Company's contractual  
2 obligations.<sup>5</sup>

- 3 • Deciding to provide additional compensation to Guy Adams to compensate him  
4 for extraordinary services, including "assisting Ms. Cotter in a variety of support  
5 services as the Company underwent the stresses and controversies of the last  
6 year;" (2) "assisting Ms. Cotter in an advisory capacity in her transition of roles  
7 into interim CEO and permanent CEO;" (3) "advice on investor relations;" (4)  
8 "personal travel to New York to assist in the evaluation of the Union Square  
9 project;" (5) "assistance with evaluation of certain potential transactions;" (6)  
10 "significant commitment of time in evaluating potential new executive  
11 compensation practices before the same was considered by the Compensation  
12 Committee;" and (7) "extraordinary services on the Executive Committee." (*Id.*  
13 ¶ 12.)

14 **B. In the Absence of Gross Negligence, Defendants Did Not Lose the Protections**  
15 **of the Business Judgment Rule**

16 The Nevada Supreme Court has stated that, "[w]ith regard to the duty of care, the  
17 business judgment rule does not protect the gross negligence of uninformed directors and  
18 officers[.]" *Shoen v. SAC Holding Corp.*, 122 Nev. 621, 640, 137 P.3d 1171, 1184 (2006).

19 Gross negligence is the "reckless indifference to or a deliberate disregard of the whole body of  
20 stockholders' or actions which are 'without the bounds of reason'." *Kahn v. Roberts*, No. C.A.

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21 <sup>5</sup> Douglas McEachern testified: "[I]f we were to terminate that contract with Liberty  
22 Theaters, Margaret Cotter . . . would be entitled to that same compensation in perpetuity until  
23 such time as the shows that were playing in those theaters ended. So her compensation is  
contractual . . . ." (*Id.* ¶ 6, Ex. 5, at 246:1-247:5.)

24 Edward Kane testified: "Margaret Cotter had a contract. And if she was terminated, it's my  
25 understanding she would continue to get compensation from plays that were in her theaters,  
26 including Stomp. And when we made her employee she gave that up. . . . So I think the  
company benefited actually from making her an employee." (*Id.* ¶ 11, Ex. 10, at 169:21-170:5.)  
27 Edward Kane further testified: "And [Margaret Cotter] gave up quite a bit to become an  
employee, because she gave up any residual rights to any of the plays which she otherwise would  
28 have had even if she was terminated, compensation. So I think Margaret gave up more than she  
received." (*Id.* ¶ 11, Ex. 10, at 474:11-475:3.)

1 12324, 1995 WL 745056, at \*4, 8, 9 (Del. Ch. Dec. 6, 1995) (finding “no evidence from which  
2 any reasonable person could infer Defendants were grossly negligent” and granting defendants’  
3 motion for summary judgment dismissing plaintiff’s claims for breach of the duty of care and  
4 breach of duty of candor) (citations omitted), *aff’d sub nom. Kahn on Behalf of DeKalb Genetics*  
5 *Corp. v. Roberts*, 679 A.2d 460 (Del. 1996).

6 Here, there is no evidence of “reckless indifference to or a deliberate disregard of the  
7 whole body of stockholders’ or actions which are ‘without the bounds of reason’.” *Kahn v.*  
8 *Roberts*, 1995 WL 745056, at \*4. Nor can Plaintiff produce evidence that the Individual  
9 Defendants’ actions were “so egregious” as to be grossly negligent. *See McMillan v. Intercargo*  
10 *Corp.*, 768 A.2d 492, 505 (Del. Ch. 2000) (stating that a plaintiff is “obligat[ed] to set forth facts  
11 from which one could infer that the defendants’ lack of care was so egregious as to meet  
12 Delaware’s onerous gross negligence standard[]” and granting directors’ motion for judgment on  
13 the pleadings).

14 In connection with the Estate’s Option exercise, the uncontroverted evidence reflects a  
15 Stock Option Plan allowing exercise of options using Class A shares and a Company policy of  
16 repurchasing Class A shares when they were available. (*Id.* ¶¶ 4, 15.) The uncontroverted  
17 evidence further shows that the Compensation Committee, through Kane and Adams, was acting  
18 in conformance with and knowledge of the terms of the Stock Option Plan when evaluating the  
19 Estate’s Option exercise. (*Id.* ¶¶ 3, 4, 15.) Plaintiff therefore cannot meet his burden of  
20 demonstrating any gross negligence here.

21 In connection with the appointment of Margaret Cotter as Executive Vice President, the  
22 uncontroverted evidence reflects: (1) discussion by the Compensation Committee on February  
23 17, 2016; (2) discussion by the RDI Board on February 18, 2016; (3) discussion by the Audit and  
24 Conflicts Committee on February 29, 2016; and (4) discussion by the RDI Board, again, on  
25 March 10, 2016. (*Id.* ¶¶ 8-10, 12). The uncontroverted evidence demonstrates that Edward  
26 Kane and Guy Adams viewed Margaret Cotter as competent to be the senior executive at RDI in  
27 charge of its real estate development activities in New York. (*Id.* ¶ 11, Ex. 10, at 72:12-18; ¶

28

1 16.) Such evidence shows that Plaintiff cannot meet the gross negligence showing for claims  
2 related to Margaret Cotter's appointment as Executive Vice President.

3 In connection with Ellen and Margaret Cotter's executive compensation packages and the  
4 additional \$200,000 payment to Margaret Cotter, the uncontroverted evidence reflects: (1) the  
5 engagement of Willis Towers Watson to prepare an assessment comparing the "base salary, the  
6 short term incentive (cash bonus) and long term incentive (equity awards)" of the peer and  
7 surveyed companies to that of RDI executives; (2) discussion, in light of the Executive  
8 Competitive Pay Assessment prepared by Willis Towers Watson, by the Compensation  
9 Committee at their meeting on February 17, 2016; (3) review and unanimous approval by the  
10 Compensation Committee of the compensation package recommended for Margaret Cotter; (4)  
11 review of the Executive Competitive Pay Assessment prepared by Willis Towers Watson prior to  
12 the Compensation Committee's recommendation of Ellen Cotter's salary for 2016; (5) discussion  
13 by the RDI Board at its meeting on March 10, 2016; and (6), with respect to the \$200,000  
14 buyout, approval by two RDI committees—*i.e.*, the Compensation Committee and the Audit and  
15 Conflicts Committee. (*Id.* ¶¶ 5, 8-10, 12.) In light of such evidence, Plaintiff cannot meet the  
16 gross negligence showing for claims related to Margaret Cotter and Ellen Cotter's compensation  
17 packages.

18 In connection with the additional \$50,000 in compensation paid to Guy Adams for his  
19 Board duties, the uncontroverted evidence shows a precedent for such payments to Board  
20 members for extraordinary services and Plaintiff's own approval of similar payments. (*Id.* ¶ 13,  
21 Ex. 12, at 18; ¶ 14, Ex. 13, Response No. 12.) In light of these previous payments to directors,  
22 the payment of additional compensation to Guy Adams for extraordinary services is clearly not  
23 "egregious."

24 C. **Summary Judgment Is Warranted Because There Is No Intentional**  
25 **Misconduct, Fraud, or a Knowing Violation of the Law**

26 Even if Individual Defendants had breached some fiduciary duty (they did not), another  
27 independent reason to grant Individual Defendants' motion is that they are statutorily immune to  
28 individual liability where, like here, the purported breach did not involve intentional misconduct,

1 fraud, or a knowing violation of law. Nevada Revised Statute § 78.138(7) provides, in relevant  
2 part:

3 [A] director or officer is not individually liable to the corporation or its  
4 stockholders or creditors for any damages as a result of any act or failure to act in  
5 his or her capacity as a director or officer unless it is proven that: . . . (b) The  
6 breach of those duties involved intentional misconduct, fraud or a knowing  
7 violation of law.

8 In other words, “directors and officers may only be found personally liable for breaching  
9 their fiduciary duty of loyalty if that breach involves intentional misconduct, fraud, or a knowing  
10 violation of the law.” *Shoen*, 122 Nev. at 640 (citing Nev. Rev. Stat. § 78.138(7)); *In re AgFeed*  
11 *USA, LLC*, 546 B.R. 318, 330–31 (Bankr. D. Del. 2016) (citing *Shoen* and concluding that “the  
12 second cause of action fail[ed] to state a claim for breach of the duty of loyalty because the  
13 complaint [fell] well short of alleging intentional misconduct, fraud, or a knowing violation of  
14 the law.”); *see also Stewart v. Kroeker*, No. CV04-2130L, 2006 WL 167938, at \*1, 2, 6-7 (W.D.  
15 Wash. Jan. 23, 2006) (stating that “plaintiffs are required to show not only that defendants’  
16 actions or omissions constituted a breach of their fiduciary duties, but also that the ‘breach of  
17 those duties involved intentional misconduct, fraud or a knowing violation of law[,]” applying  
18 NRS § 78.138(7)(b) to multiple claims, and granting motion for summary judgment).

19 “As for the terms *knowing violation* and *intentional misconduct*,” the Tenth Circuit has  
20 stated that “both require knowledge that the conduct was wrongful.” *In re ZAGG Inc. S’holder*  
21 *Derivative Action*, No. 15-4001, 2016 WL 3389776, at \*7, 11 (10th Cir. June 20, 2016)  
22 (affirming dismissal of complaint because Plaintiffs failed to adequately plead that presuit  
23 demand on the Board would have been futile) (emphasis in original). Thus, in order for Plaintiff  
24 to avoid summary judgment, Plaintiff must show either that (1) each Defendant engaged in  
25 misconduct or a violation of law, knowing that the conduct was wrongful; or (2) each Defendant  
26 engaged in fraud.

27 ///

28 ///

1                   **1.     Plaintiff Cannot Show Intentional Misconduct or a Knowing**  
2                   **Violation of the Law**

3                   Plaintiff cannot produce cognizable evidence showing that, in connection with the  
4                   Estate's Option exercise, the appointment of Margaret Cotter as Executive Vice President,  
5                   Margaret Cotter or Ellen Cotter's compensation packages, the additional consulting fee  
6                   compensation paid to Margaret Cotter, or the additional compensation paid to Guy Adams,  
7                   Individual Defendants engaged in misconduct or a violation of the law, knowing that the conduct  
8                   was wrongful, because no such evidence exists.

9                   **2.     Plaintiff Cannot Show Fraud**

10                  Furthermore, these claims fail because Plaintiff cannot show they involved fraud.  
11                  Plaintiff alleges that statements in a proxy statement or SEC filings were materially misleading;  
12                  Plaintiff, however, cannot show fraud through such statements because they were made  
13                  subsequent to the supposed breaches of fiduciary duty at issue. Even if subsequent misleading  
14                  statements could show fraud under Nevada Revised Statute § 78.138(7), for the reasons  
15                  discussed below, the purportedly misleading statements identified by Plaintiff do not show  
16                  fraud.

17                  First, Plaintiff alleges that (1) RDI's 2015 and 2016 Proxy Statements describe "the role  
18                  of MC with respect to the Company's live theatre operations, and say[] that she 'heads up the re-  
19                  development process with respect to these properties and our Cinemas 1, 2 & 3,' but fail[] to  
20                  disclose that [Margaret Cotter] successfully has ended the search by the Company for an  
21                  experienced real estate executive to lead its real estate development efforts, in the United States,  
22                  including for the NYC Properties[;]" and (2) "[a]mong the reasons [Margaret Cotter] did so was  
23                  to create a purported basis for seeking and securing employment with the Company[.]" (SAC  
24                  ¶¶ 135(i), 136(g).) Even if these allegations were true (they are not), disclosure of such  
25                  statements was not required because they were not germane. See *Seibert v. Harper & Row,*  
26                  *Publishers, Inc.*, No. CIV. A. 6639, 1984 WL 21874, at \*6 (Del. Ch. Dec. 5, 1984) ("Proxy  
27                  materials are only required to disclose all germane facts. They need not include opinions or  
28                  possibilities, legal theories or plaintiffs characterization of the facts."); *Backman v. Polaroid*



1 Corp., 910 F.2d 10, 16 (1st Cir. 1990) (“revealing one fact” does not mean that “one must reveal  
2 all others that, too, would be interesting, market-wise, but means only such others, if any, that are  
3 needed so that what was revealed would not be so incomplete as to mislead”) (internal quotations  
4 omitted).<sup>6</sup>

5       *Second*, noting that the Form 8-K filed on March 15, 2016 “stated, among other things,  
6 that the RDI Board of Directors Compensation Committee and its Audit and Conflicts  
7 Committee each had approved payment of so-called ‘additional consulting fee compensation’ of  
8 \$200,000 to MC ‘for services rendered by her to the Company in recent years outside the scope’  
9 of a Theater Management Agreement[,]” Plaintiff alleges that the Form 8-K was “materially  
10 misleading if not inaccurate because, among other things, [the payment was] awarded for reasons  
11 other and/or additional to those set in the Form 8-K.” (SAC ¶ 101(g) .) To the extent that  
12 Plaintiff is suggesting that Form 8-K failed to disclose that the \$200,000 payment was awarded  
13 as part of a buyout of contractual obligations, the Form 8-K was not misleading because it  
14 disclosed that “[t]he Compensation Committee also noted, when considering this additional  
15 consulting fee, that OBI, LLC had agreed to include as a part of its termination agreement with  
16 the Company certain waivers and releases including the termination of any rights it might have  
17 to receive compensation with respect to any show continuing at any of our theaters after the date  
18 of such termination.” (HD ¶ 5, Ex. 4, at 4.) To the extent that Plaintiff is suggesting that the  
19 \$200,000 payment was awarded for some other undisclosed reason, Plaintiff cannot produce  
20 cognizable evidence of such a reason, because there was none.

21       *Third*, noting that the Form 8-K filed on March 15, 2016 “stated that the RDI Board of  
22 Directors approved ‘additional special compensation’ of \$50,000 to be paid to Adams ‘for  
23

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24       <sup>6</sup> See also *Khanna v. McMinn*, No. CN.A. 20545-NC, 2006 WL 1388744, at \*32 (Del. Ch.  
25 May 9, 2006) (holding that the plaintiffs’ claim that the “real reasons” behind the termination of  
26 one of the plaintiffs should have been disclosed would require that the board “engage in classic  
27 ‘self-flagellation’” because it would “constitute admissions of wrongdoing, which the  
28 Defendants contest, before a final adjudication on the merits”); *In re Amerco*, 252 P.2d at 701  
 (“[S]imply alleging that the public filings did not contain enough information . . . does not  
 demonstrate that respondents engaged in intentional misconduct or fraud.”).

1 extraordinary services provided the Company and devotion of time in providing such  
2 services[.]” Plaintiff alleges that the Form 8-K was “materially misleading if not inaccurate  
3 because, among other things, [the payment was] awarded for reasons other and/or additional to  
4 those set in the Form 8-K.” (SAC ¶ 101(g) .) However, Plaintiff cannot produce cognizable  
5 evidence of such a reason, because there was none.

6 Thus, in the absence of intentional misconduct, fraud, or a knowing violation of the law,  
7 Individual Defendants are therefore statutorily immune from any potential liability based on the  
8 these claims.

9 **D. Summary Judgment Is Warranted Because There Are No Damages**

10 Another independent reason to grant Individual Defendants’ motion is that Plaintiff  
11 cannot demonstrate any injury. To avoid summary judgment, Plaintiff must produce cognizable  
12 evidence showing damages to the Company, an essential element of a breach of fiduciary duty  
13 claim. *See Brown v. Kinross Gold U.S.A., Inc.*, 531 F. Supp. 2d 1234, 1245 (D. Nev. 2008) (A  
14 claim for breach of fiduciary duty requires a plaintiff to demonstrate “the existence of a fiduciary  
15 duty, the breach of that duty, and that the breach proximately caused the damages.”) (applying  
16 Nevada law). “To recover on a claim of corporate waste, the plaintiffs must shoulder the burden  
17 of proving that the exchange was ‘so one sided that no business person of ordinary, sound  
18 judgment could conclude that the corporation has received adequate consideration.’” *In re Walt*  
19 *Disney Co. Derivative Litig.*, 906 A.2d 27, 74 (Del. 2006). “A claim of waste will arise only in  
20 the rare, ‘unconscionable case where directors irrationally squander or give away corporate  
21 assets.’” *Id.*

22 **1. There Are Not Damages, As a Matter of Law, from Allowing the**  
23 **Estate to Exercise the Option**

24 Plaintiff has not offered any evidence that the additional 100,000 shares obtained by the  
25 Estate through the Option exercise had any impact on any vote at the 2015 ASM, or at any other  
26 time. Every director elected to the Board at the 2015 ASM received approximately 1.3 million  
27 votes, *i.e.*, the votes of more than 75% of the Class B stockholders. (*Id.* ¶ 17.) The 100,000  
28 shares obtained by the Estate through exercising the Option did not make, and could not have

1 made, any difference to the outcome of the vote. Thus, Plaintiff cannot demonstrate any impact  
2 on the Company, let alone *damage* to the Company—a deficiency fatal to all claims relating to  
3 exercise of the Option.

4           2.     **There Are No Damages, As a Matter of Law, from the Appointment**  
5                   **of Margaret Cotter as Executive Vice President**

6           Plaintiff's testimony exposes his inability to demonstrate any damages from the  
7 appointment of Margaret Cotter as Executive Vice President. Asked about Margaret Cotter's  
8 performance at his deposition on May 17, 2016, Plaintiff claimed: "I haven't been given enough  
9 information to assess her performance." (*Id.* ¶ 18.)

10           Furthermore, Plaintiff's allegation that Individuals Defendants have wasted corporate  
11 assets by "caus[ing] the Company to spend and continue to spend substantial sums of money,  
12 believed to be at least in the millions of dollars, to pay outside consultants because [they]  
13 effectively acquiesced to MC's insistence that RDI not hire an executive experienced in real  
14 estate development, and because all of the individual defendants instead approved hiring  
15 [Margaret Cotter] as EVP-RED-NYC[.]" (SAC ¶ 167), fails as a matter of law. Here, there is no  
16 genuine dispute that the exchange RDI's money for outside consultants' services was not "so one  
17 sided" as to be "unconscionable." Thus, Plaintiff cannot demonstrate injury from Margaret  
18 Cotter's appointment as Executive Vice President.

19           3.     **There Are No Damages, As a Matter of Law, from Ellen Cotter and**  
20                   **Margaret Cotter's Compensation Packages**

21           To the extent that Plaintiff's ambiguous allegation of "payment of duplicative or  
22 redundant compensation[.]" (SAC ¶ 167), refers to the compensation packages of either Ellen  
23 Cotter or Margaret Cotter, Plaintiff's allegation fails as a matter of law. Here, there is no  
24 genuine dispute that the exchanges of RDI's money for Ellen Cotter and Margaret Cotter's  
25 services were not "so one sided" as to be "unconscionable." Thus, Plaintiff cannot demonstrate  
26 injury from Ellen Cotter or Margaret Cotter's compensation packages.

26     ///

27           4.     **There Are No Damages, As a Matter of Law, from Additional**  
28                   **Consulting Fee Compensation Paid to Margaret Cotter**

1 Plaintiff's allegation that "[t]he individual defendants' complained of conduct constitutes  
2 waste and has caused monetary damages to RDI, including what amounted to . . . a \$200,000 gift  
3 to [Margaret Cotter][,]" (SAC ¶ 166), fails as a matter of law. Here, because there is no genuine  
4 dispute that Margaret Cotter rendered services to RDI for which she was not compensated, the  
5 payment for those uncompensated services was not so one sided as to be unconscionable.  
6 Furthermore, the payment of money in light of waivers and releases, including the termination of  
7 any rights to receive compensation with respect to shows continuing at RDI theatres, was not "so  
8 one sided" as to be "unconscionable." Thus, Plaintiff cannot demonstrate injury from the  
9 additional consulting fee compensation paid to Margaret Cotter therefore fail.

10 **5. There Are No Damages, As a Matter of Law, from Additional**  
11 **Compensation Paid to Guy Adams**

12 Plaintiff's allegation that "[t]he individual defendants' complained of conduct constitutes  
13 waste and has caused monetary damages to RDI, including what amounted to . . . a \$50,000 gift  
14 to Adams[,]" (SAC ¶ 166), fails as a matter of law. Here, because there is no genuine dispute  
15 that Guy Adams rendered extraordinary services to RDI, the payment for those extraordinary  
16 services was not "so one sided" as to be "unconscionable." Thus, Plaintiff cannot demonstrate  
17 injury from the additional compensation paid to Guy Adams.

18 In sum, Plaintiff's inability to demonstrate injury is fatal to all of his claims.

19 **V. CONCLUSION**

20 For the foregoing reasons, the Individual Defendants respectfully request that the Court  
21 grant them summary judgment as to the First, Second, Third, and Fourth Causes of Action set  
22 forth in Plaintiff's SAC, to the extent that they assert claims and damages related to the Estate's  
23 Option exercise, appointment of Margaret Cotter as Executive Vice President, Ellen Cotter and  
24 Margaret Cotter's compensation packages, the additional consulting fee compensation to  
25 Margaret Cotter, and the additional compensation to Guy Adams.  
26  
27  
28

1 Dated: September 23, 2016

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**COHEN|JOHNSON|PARKER|EDWARDS**

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4

By:

5

H. STAN JOHNSON, ESQ.

Nevada Bar No. 00265

sjohnson@cohenjohnson.com

6

MICHAEL V. HUGHES, ESQ.

Nevada Bar No. 13154

mhughes@cohenjohnson.com

7

255 East Warm Springs Road, Suite 100

8

Las Vegas, Nevada 89119

Telephone: (702) 823-3500

9

Facsimile: (702) 823-3400

10

**QUINN EMANUEL URQUHART &**

11

**SULLIVAN, LLP**

CHRISTOPHER TAYBACK, ESQ.

12

California Bar No. 145532, *pro hac vice*

christayback@quinnemanuel.com

13

MARSHALL M. SEARCY, ESQ.

14

California Bar No. 169269, *pro hac vice*

marshallsearcy@quinnemanuel.com

15

865 South Figueroa Street, 10<sup>th</sup> Floor

Los Angeles, CA 90017

16

Telephone: (213) 443-3000

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*Attorneys for Defendants Margaret Cotter, Ellen  
Cotter, Douglas McEachern, Guy Adams, Edward  
Kane, Judy Coddling, and Michael Wrotniak*

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1                   **DECLARATION OF COUNSEL NOAH S. HELPERN IN SUPPORT OF**  
2                   **INDIVIDUAL DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT**  
3                   **(NO. 6) ON PLAINTIFF'S CLAIMS RELATED TO THE ESTATE'S OPTION**  
4                   **EXERCISE, THE APPOINTMENT OF MARGARET COTTER, THE COMPENSATION**  
5                   **PACKAGES OF ELLEN COTTER AND MARGARET COTTER, AND THE**  
6                   **ADDITIONAL COMPENSATION TO MARGARET COTTER AND GUY ADAMS**

7                   I, Noah Helpern, state and declare as follows:

8                   1.       I am a member of the Bar of the State of California, and am an attorney with the  
9                   law firm of Quinn Emanuel Urquhart & Sullivan, LLP ("Quinn Emanuel"), attorneys for  
10                  Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, Judy  
11                  Coddington, and Michael Wrotniak. I make this declaration based upon personal, firsthand  
12                  knowledge, except where stated to be on information and belief, and as to that information, I  
13                  believe it to be true. If called upon to testify as to the contents of this Declaration, I am legally  
14                  competent to testify to its contents in a court of law.

15                  2.       Attached hereto as Exhibit 1 is a true and correct copy of a Form 10-K filed by  
16                  RDI on or about April 29, 2016.

17                  3.       Attached hereto as Exhibit 2 is a true and correct copy of the Minutes of the  
18                  September 21, 2015 meeting of RDI's Compensation Committee.

19                  4.       Attached hereto as Exhibit 3 is a true and correct copy of the 1999 Stock Option  
20                  Plan.

21                  5.       Attached hereto as Exhibit 4 is a true and correct copy of a form 8-K filed by RDI  
22                  on or about March 15, 2016.

23                  6.       Attached hereto as Exhibit 5 is a true and correct copy of transcript excerpts from  
24                  the deposition of Douglas McEachern, taken on May 6, 2016.

25                  7.       Attached hereto as Exhibit 6 is a true and correct copy of transcript excerpts from  
26                  the deposition of Margaret Cotter, taken on May 12, 2016.

27                  8.       Attached hereto as Exhibit 7 is a true and correct copy of the Minutes of the  
28                  Meeting of the Compensation and Stock Options Committee held on February 17, 2016.

                  9.       Attached hereto as Exhibit 8 is a true and correct copy of the Draft Minutes of the  
                  Meeting of the Board of Directors held on February 18, 2016.

10. Attached hereto as Exhibit 9 is a true and correct copy of the Minutes of the Meeting of the Audit and Conflicts Committee held on February 29, 2016.

11. Attached hereto as Exhibit 10 is a true and correct copy of transcript excerpts from the deposition of Edward Kane.

12. Attached hereto as Exhibit 11 is a true and correct copy of the Minutes of the Meeting of the Board of Directors held on March 10, 2016.

13. Attached hereto as Exhibit 12 is a true and correct copy of a form DEF 14A filed by RDI on or about May 18, 2016.

14. Attached hereto as Exhibit 13 is a true and correct copy of Plaintiff's Amended Responses to the First Set of Requests for Admission.

15. Attached hereto as Exhibit 14 is a true and correct copy of minutes of the Board of Directors meeting that took place on May 15, 2014.

16. Attached hereto as Exhibit 15 is a true and correct copy of transcript excerpts from the deposition of Guy Adams, taken on April 28, 2016.

17. Attached hereto as Exhibit 16 is a true and correct copy of a form 8-K filed by RDI on or about November 13, 2015.

18. Attached hereto as Exhibit 17 is a true and correct copy of transcript excerpts from the deposition of James J. Cotter, Jr.

19. This declaration is made in good faith and not for the purpose of delay.

I declare under penalty of perjury under the laws of the State of Nevada that the foregoing is true and correct.

Executed on the 23rd day of September, 2016, in Los Angeles, California.

/s/ Noah Helpern  
Noah Helpern

# **EXHIBIT 1**



UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

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

For the fiscal year ended December 31, 2015 or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-8625



READING INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of incorporation or organization)  
6100 Center Drive, Suite 900  
Los Angeles, CA  
(Address of principal executive offices)

95-3885184  
(U.S. Employer Identification Number)

90045  
(Zip Code)

Registrant's telephone number, including Area Code: (213) 235-2240  
Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Nonvoting Common Stock, \$0.01 par value	NASDAQ
Class B Voting Common Stock, \$0.01 par value	NASDAQ

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

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of April 25, 2016, there were 21,654,302 shares of class A non-voting common stock, par value \$0.01 per share and 1,680,590 shares of class B voting common stock, par value \$0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was \$195,571,016 as of December 31, 2015.

Documents Incorporated by Reference

Certain portions of the registrant's definitive proxy statement, in connection with its 2016 annual meeting of stockholders, to be filed within 120 days of December 31, 2016, are incorporated by reference into Part III, Items 10-14, of this annual report on Form 10-K.

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## PART I

### Item 1 – Our Business

#### GENERAL

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 incident to our reincorporation in Nevada. Our class A non-voting common stock ("Class A Stock") and class B voting common stock ("Class B Stock") are listed for trading on the NASDAQ Capital Market (Nasdaq-CM) under the symbols RDI and RDIH, respectively. Our principal executive offices are located at 6100 Center Drive, Suite 900, Los Angeles, California 90045. Our general telephone number is (213) 235-2240 and our website is [www.readintl.com](http://www.readintl.com). It is our practice to make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission.

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 have two business segments:

- Cinema Exhibitions, through our 58 cinemas, and
- Real Estate, including real estate development and the rental or licensing of retail, commercial and live theater assets.

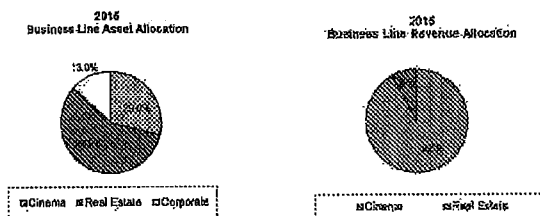
We synergistically bring together real-estate based entertainment and real estate and believe that these two business segments complement one another, as our cinemas have historically provided the steady cash flows that allow us to be opportunistic to acquiring and holding real estate assets (including non-income producing land) and support our real estate development activities. Our real estate allows us to develop an asset base that will stand the test of time and develop a long-term asset base that is capable of being leveraged. More specifically, the combination of these two segments provides advantages as follows:

- Cinemas can be used as anchors for larger retail developments (referred to as entertainment-themed centers, or ETCs), and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate with third-party anchor tenants. We have used cinemas to create our own anchors in our Sydney, Australia, Belmont, Australia, and Wellington, New Zealand ETCs and are adding a new cinema to our Brisbane, Australia shopping center, and, we have acquired the real estate underlying our cinemas in Townsville, Australia.
- Pure cinema operators can encounter financial difficulty as demands upon them to produce cinema-based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites or overpaying for existing cinemas. While we believe that there will continue to be attractive opportunities to acquire cinema assets and/or to develop upper end specialty type theaters in the future, we do not feel pressure to build or acquire cinemas for the sake of adding units or building gross revenues. This strategy has, over the years, allowed us to acquire cinemas at multiples of trailing theater cash flow below those paid by third parties in recent acquisitions. We intend to focus our use of cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us.
- We are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets, if we are presented with an attractive opportunity. Our fee interests on Union Square and on Third Avenue (near 60<sup>th</sup> Street) in New York City, each of which is now slated for redevelopment, were initially acquired as, and in the case of our Third Avenue property, continues to be used as, entertainment properties.

Insofar as we are aware, we are the only publicly traded company in the world to apply this two-track, synergistic approach to the cinema and real estate development businesses on an international basis. None of the major cinema exhibition companies (other than Marcus Theatres) have any material landholdings as they operate on a leased-facility model.

We have worked to maintain a balance between our U.S. and our Australia/New Zealand assets. In recent periods, this has adversely impacted our reported revenues and earnings, as the Australian Dollar has since 2010 dropped 28 % from 1.0122 to 0.7286 and the New Zealand Dollar has over that same period decreased 11 % from 0.7587 to 0.6842. However, we continue to believe that, over the long term, this is a prudent diversification of risk. In recent periods, the Australian Dollar has traded as high as 1.1001 and the New Zealand Dollar has traded as high as 0.8776. Australia has been identified by the United Nations as having the highest natural resources per person in the world. In 2013, the Organisation for Economic Co-operation and Development rated Australia as the best place to live and work in the world. Dallas Wanda Group ("Wanda"), the purchaser of AMC Entertainment Holdings, Inc. ("AMC"), in June 2015, has recently purchased Hoyt's, the second largest exhibitor in Australia and New Zealand.

At December 31, 2015, the book value of our assets was \$375.1 million, and, as of that same date, we had a consolidated stockholders' book equity of \$137.2 million. Calculated based on book value, \$107.8 million, or 29 % of our assets, relate to our cinema exhibition activities and \$219.8 million, or 58 %, of our assets, relate to our real estate activities.

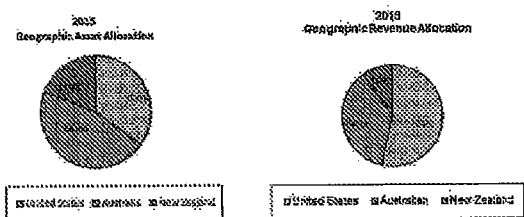


For additional segment financial information, please see Note 1 – *Description of Business and Segments Reporting* to our 2015 consolidated financial statements.

We have diversified our assets among three countries: the United States, Australia, and New Zealand. Based on book value, at December 31, 2015, we had approximately 35% of our assets in the United States, 46% in Australia and 19% in New Zealand compared to 35%, 44%, and 21% respectively, at the end of 2014.

At December 31, 2015, we had cash and cash equivalents of \$19.7 million, which are accounted for as a corporate asset. Our cash included \$9.3 million denominated in U.S. dollars, \$6.8 million (AU\$9.3 million) in Australian dollars, and \$3.6 million (NZ\$5.2 million) in New Zealand dollars. We had non-current assets of \$113.3 million in the United States, \$161.2 million (AU\$221.2 million) in Australia and \$63.6 million in New Zealand (NZ\$93.0 million).

For 2015, our gross revenue in these jurisdictions was \$138.2 million, \$93.5 million, and \$25.6 million, respectively, compared to \$130.8 million, \$97.3 million, and \$26.6 million for 2014. These changes are due primarily to the increased box office sales experienced in the United States, due primarily to higher average ticket prices, compared to reduced revenue in our Australia and New Zealand operations. Revenues fell in Australia and New Zealand primarily as a result of the strengthening U.S. dollar when compared to the Australian and New Zealand dollars; this was partially offset by greater box office and concession sales in local currencies as a result of higher attendance. Measured in local currency, revenues in Australia and New Zealand both increased.



## CINEMA EXHIBITION

We are dedicated to creating inspiring cinema experiences for our guests through hospitality-styled comfort and service, cinematic presentation, uniquely designed venues, curated film and event programming, and crafted food and beverage options. We manage our worldwide cinema exhibition business under various brands:

- In the U.S.: under the Reading Cinema, Angelika Film Center, Consolidated Theatres, and City Cinema brands;
- In Australia: under the Reading Cinema brand; and
- In New Zealand: under the Reading Cinema and Kaloa brands.

Historically, we have focused on the ownership and/or operation of three categories of cinemas:

- Modern stadium-seating multiplex cinemas featuring conventional film product;
- Specialty and art cinemas, such as Angelika Film Centers in the U.S. and Rialto Cinema in New Zealand; and
- Conventional sloped-floor cinemas in certain markets, including New York City with its prohibitory occupancy and construction costs and small town markets that will not support the development of a modern stadium-design multiplex cinema.

Currently, we are focused on upgrading our existing cinemas and developing new cinema opportunities to provide our customers with premium offerings, including luxury seating, state-of-the-art presentation including sound, lounges, cafes and bar service, and other amenities. In 2015, we added the first IMAX auditorium to our circuit, but endeavor, where possible to include one or more large format TITAN X-C screen offerings.

We believe that the cinema exhibition business will continue to generate fairly consistent cash flows in the years ahead, even in recessionary or inflationary environments, because people will continue to spend a reasonable portion of their entertainment dollars on entertainment outside of the home. When compared to other forms of outside-the-home entertainment, movies continue to be a popular and competitively priced option.

Although the cinema exhibition business is considered a mature business, we see growth opportunities in our cinema exhibition business principally from (i) the enhancement of our existing cinemas, (ii) the development in select markets of art and specialty cinemas, (iii) the development of new state-of-the-art cinemas on land that we already own or may in the future acquire, and (iv) the development of new cinemas in selected markets. While we continue to consider possible opportunities in third party developments, we prefer to put our capital to work on properties that we own rather than take on potentially burdensome lease obligations. Our circuit has been completely converted to digital projection and sound systems.

We continue to expand and upgrade our circuit on an opportunistic basis. During 2015 we opened a new state-of-the-art cinema (eight screens) in Auckland, New Zealand, and entered into a lease for a to-be-built state-of-the-art eight-screen cinema in Kapolei, Hawaii. We anticipate that the Kapolei theater will open in the fourth quarter of this year. We completed the renovation and rebranding of an "Angelika" luxury art cinema of our conventional cinema at the Camel Mountain Plaza in San Diego, California and completely renovated our fourteen-screen Hart's boutique cinema in Queenstown, Australia, converting an auditorium in that theater to a TITAN X-C auditorium. We added the first IMAX to our circuit, which opened at our Bakersfield cinema in time for the opening of "Star Wars: The Force Awakens". We continue to progress the construction of a new state-of-the-art eight-screen cinema at our Newmarket Shopping Center in Brisbane, Australia. We anticipate opening that cinema in the fourth quarter of 2017.

In 2015 we upgraded the food and beverage menu at a number of our U.S. cinemas. We are focused on the renovation and upgrading of our existing U.S. cinemas, along the lines of our Camel Mountain cinema. Working with veteran Food Network Executive Bruce Seidel of Hot Lemon Productions and chef Stanton Loo we are upgrading our food and beverage offerings. We have obtained beer and wine, and in some cases liquor, licenses for six of our venues and are in the application process for an additional 16 venues. We intend to be able to offer alcoholic beverages at 16 or more of our venues by the end of 2017.

As discussed in greater detail below, as a part of our real estate operations, we acquired the fee interest in the ETC in which our Townsville, Australia cinema is located and in the adjacent discount center.

In January of 2015, we amended the lease of our Ward Theater in Honolulu as part of a planned renovation and further development by The Howard Hughes Company of its Ward Village development.

On January 31, 2016, following our run of "Star Wars: The Force Awakens", we surrendered our Gaslamp Cinema in San Diego. We paid the landlord a \$1.0 million negotiated termination fee, which was less expensive than continuing to operate an unprofitable

theater at this location. This cinema was acquired in 2008 as a part of the acquisition of a package of 15 locations from Pacific Theatres. The cinema was, at that time, a substantial money-loser and the purchase price was calculated taking into account the losses generated by that cinema and the likelihood that such losses would continue into the future.

In 2014, we completed an upgrade of our Cinemas 1,2,3 in New York City, which included the installation of luxury recliner seats. This property is slated for redevelopment. No determination has been made as to whether a cinema use will be maintained as a part of that redevelopment. If it is not, then the equipment used at this property will be used elsewhere in our circuit.

In 2014, we entered into a long-term lease for a new, state-of-the-art Angelika Film Center in the Union Market district of Washington D.C. However, the lease was terminated as the anticipated location for this cinema ultimately was determined by the landlord, Edens, to not be feasible. We are currently finalizing with Edens the terms and conditions of a new lease for a cinema in a different location in the Union Market area.

#### REAL ESTATE

We engage in real estate development and the ownership and rental or licensing to third parties of retail, commercial and live theater assets. We own the fee interests in all of our live theaters, and in 11 of our cinemas. Our real estate business creates long-term value for our stockholders through the continuous improvement and development of our investment and operating properties, including our ETCs.

Our real estate activities have historically consisted principally of:

- the ownership of fee or long-term leasehold interests in properties used in our cinema exhibition activities or which were acquired for the development of cinemas or cinema-based real estate development projects;
- the acquisition of fee interests in land for general real estate development;
- the licensing to production companies of our live theaters; and
- the redevelopment of our existing fee-owned cinema or live theater sites to their highest and best use.

Given the substantial increase in Manhattan rents and commercial real estate values in recent periods, we are currently advancing plans for the redevelopment of our Union Square and Cinemas 1,2,3 properties.

We currently anticipate that our Union Square property will be redeveloped into approximately 70,000 square feet of net leasable area, comprised of retail and office space. BKSK Architects has designed the building with an iconic glass dome which has been approved by the City of New York Landmarks Preservation Commission. On March 22, 2016, our application for a variance was approved by the Board of Standards and Appeals. This was the last major regulatory hurdle in our commencement of construction at the site. While our building plans still must be approved by the New York City Department of Buildings, we do not currently anticipate encountering any material issues in obtaining such approval. All permits have been terminated. The building has been vacated, and we have begun internal demolition activities at the site. We currently anticipate that construction will be completed by the second quarter of 2018. We have retained Edifice Real Estate Partners, LLC as our development manager, Newmark Chubb Knight Frank as our leasing agent, and, an affiliate of CNY Construction LLC to provide pre-construction management services. BKSK and Genstar have assisted with the internal layout and interior design of the building.

We have completed a preliminary feasibility study and are currently in negotiations with the owner of the approximately 2,600 square foot corner parcel adjacent to our Cinemas 1,2,3 property on the corner of 60<sup>th</sup> Street and 3<sup>rd</sup> Avenue for the joint development of our properties. A combination of the properties would produce approximately 121,000 square feet of ETCR and approximately 140,000 square feet of gross buildable area. No assurances can be given that we will be able to come to terms with the adjacent owner.

On April 11, 2016, we purchased for \$11.2 million a 24,000 square foot Class B office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California. We intend to use approximately 50% of the leasable area for our headquarters offices and to lease the remainder to unaffiliated third parties. Culver City has in recent years developed as a center of entertainment and high-tech activity in Los Angeles County. Major tenants in the area include SONY and Google, with Facebook slated to take space in the near future. We anticipate, when the move is complete and the excess space is leased, we will be able to reduce our headquarters occupancy cost by approximately \$350,000 per annum.

Overseas, on December 23, 2015, we acquired two adjoining ETCs in Townsville, Queensland, Australia for a total of \$24.3 million (AU\$33.6 million) comprising approximately 5.6 acres. The total gross leasable area of the two properties, the Cannon Park City Centre and the Cannon Park Discount Centre, is 133,000 square feet. Our multiplex cinema at the Cannon Park City Centre is the anchor tenant of that center. This acquisition is consistent with our business plan to own, where practical, the land underlying our entertainment assets. For additional information, see Note 4 – *Acquisitions, Disposals, and Assets Held for Sale – 2015 Transactions – Cannon Park, Queensland, Australia*.

We continue to work on the expansion of our Auburn ETC in Sydney, Australia, our Newmarket Shopping Center in Brisbane, Australia, and our Courtenay Central ETC in Wellington, New Zealand.

At Auburn, we have entered into agreements to lease for approximately 15,000 square feet of to-be-constructed retail space. Upon completion, this will increase the square footage of that center from approximately 117,000 to approximately 132,000 square feet.

At Newmarket, we have received all necessary land use approvals for the addition of a state-of-the-art eight-screen cinema, approximately 10,000 square feet of additional retail space and approximately 142 additional car parks. Construction is expected to commence in the second quarter of 2016, with a projected opening in the fourth quarter of 2017. On November 30, 2015, we acquired an approximately 23,000 square foot parcel adjacent to our tenant Coles supermarket. This property is currently improved with an office building. We intend, over time, to integrate this property into our Newmarket development. This will increase our Newmarket footprint from approximately 204,000 to approximately 227,000 square feet.

At Courtenay Central, we continue to advance the addition of an approximately 36,000 square foot Countdown supermarket and approximately 4,000 square feet of general retail space. The agreement to lease the supermarket was signed in 2013, all necessary land use approvals have been obtained, construction budgets for the supermarket have been approved by all parties, and we anticipate beginning construction in the third quarter of this year and occupancy by the fourth quarter 2017. Simultaneously, we are working on the renovation of our existing center and the seismic upgrading of the contiguous 9-story parking structure.

In addition to certain historic railroad properties (such as our 2.1 acre Viaduct Property in downtown Philadelphia) and certain expansion space associated with our existing ETC operations, we have two unimproved properties that we acquired for, and are currently being held for, development: our 202-acre parcel in Coachella, California (near Palm Springs) and our 70.4 acre parcel in Manukau, a suburb of Auckland, New Zealand (located adjacent to the Auckland Airport). The Coachella property is currently zoned for residential and mixed-use uses. The Manukau property is currently zoned for agricultural purposes, but we are in the process of seeking a zoning change to Industrial.

Over the past 24 months, we have culled our real estate holdings to focus on those projects which we believe offer more upside potential to us. As part of this process we sold our property in Lake Taupo, New Zealand, for \$2.5 million (NZ\$3.4 million), which closed in two tranches, with a balance of \$821,000 (NZ\$1.2 million) received on March 31, 2016. We sold our land holdings in Mooree Ponds, Australia on April 15, 2015 for \$17.8 million (AU\$23.0 million), for which all monies have now been received and our land holdings in Burwood, Australia, for \$47.4 million (AU\$65.0 million) on May 12, 2014, with a balance due of \$42.6 million (AU\$58.5 million) scheduled to be paid at closing in December 2017. Our Burwood agreement provides for mandatory pre-payments in the event that any of the land is sold by the buyer, any such prepayment being in an amount equal to the greater of (a) 90% of the net sales price or (b) the balance of the purchase price multiplied by a fraction the numerator of which is the square footage of property being sold by the buyer and the denominator of which is the original square footage of the property being sold to the buyer. The buyer has informed us that it is under contract to sell a portion of this property and a potential prepayment of approximately \$18.2 million (AU\$25 million) is possible in 2016. We sold our Delaney Drive Condominium in Los Angeles for \$3.0 million, which closed on February 25, 2015. These sales were made based on our belief that the assets involved had reached the highest value that we could reasonably achieve without investing substantial additional sums for land use planning, construction, and marketing.

#### OPERATING INFORMATION

At December 31, 2015, our principal tangible assets included:

- interests in 57 currently operational cinemas comprising some 472 screens;
- fee interests in three live theaters (the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee interest in one cinema (the Cinema 1,2,3), in New York City;
- fee interest in our Union Square property, previously used by us as a live theater venue and for rental to third parties and now being redeveloped for retail and office uses;
- our ETCs and shopping centers in Sydney (Auburn Center), Brisbane (Newmarket Center), Townsville (Cannon Park) and Wellington (Courtenay Central);
- In addition to the fee interests described immediately above, fee ownership of approximately 20,700,000 square feet of developed and undeveloped real estate in the United States, Australia and New Zealand; and
- cash and cash equivalents, aggregating \$19.7 million.

## Cinema Exhibitions

We own and/or manage cinema assets as follows:

	December 31, 2015					
	Wholly Owned	Consolidated <sup>a</sup>	Unconsolidated <sup>a</sup>	Total owned	Managed <sup>a</sup>	Total owned and managed
<b>United States</b>						
Cinemas	23	1	—	24	1	27
Screens	245	2	—	247	4	251
<b>Australia</b>						
Cinemas	11	2	1	14	—	16
Screens	130	11	16	157	—	157
<b>New Zealand</b>						
Cinemas	9	—	2	11	—	11
Screens	14	—	13	27	—	27
<b>Total Cinemas</b>	<b>53</b>	<b>3</b>	<b>3</b>	<b>59</b>	<b>5</b>	<b>67</b>
<b>Total Screens</b>	<b>429</b>	<b>14</b>	<b>29</b>	<b>472</b>	<b>4</b>	<b>476</b>

<sup>a</sup> Cinemas owned and operated through consolidated, but not wholly owned, subsidiaries.

<sup>b</sup> Cinemas owned and operated through interests in unconsolidated joint venture associations.

<sup>c</sup> Cinemas in which we have no ownership interest but which are operated by us under management agreements.

<sup>d</sup> 33.3% unincorporated joint venture interest.

<sup>e</sup> 50% unincorporated joint venture interest.

Although we operate cinemas in three jurisdictions, the general nature of our operations and operating strategies does not vary materially from jurisdiction-to-jurisdiction. In each jurisdiction, our gross receipts are primarily from box office receipts, food and beverage sales, concession sales, and screen advertising. Our ancillary revenue is created principally from theater rentals (for example, for film festivals and special events), and ancillary programming (such as a concert and sporting events).

Our cinemas generated approximately 65% of their 2015 revenue from box office receipts. Ticket prices vary by location, and we offer reduced rates for senior citizens, children and, in certain markets, military and students.

Show times and features are placed in advertisements on our various websites, on internet sites and, in some markets, in local newspapers. Film distributors may also advertise certain feature films in various print, radio and television media, as well as on the internet, and those costs are generally paid by distributors. We are increasing our presence in social media, thereby reducing our dependency on print advertising.

Concession sales accounted for approximately 29% of our total 2015 cinema revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, historically concession products have been primarily popcorn, candy, and soda. This is changing, as more of our theaters are offering expanded food and beverage offerings. One of our focuses for 2016 and 2017 is to upgrade our existing cinemas with expanded food and beverage offerings. We intend to have alcoholic beverage licenses for at least 16 of our domestic cinemas by 2017.

Screen advertising and other revenue contribute approximately 6% of our total 2015 cinema revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and nationally recognized screen-advertising companies provide such advertising for us.

In New Zealand, we also own a one-third interest in Rialto Distribution, an unincorporated joint venture engaged in the business of distributing art film in New Zealand and Australia. The remaining two-thirds interest in Rialto Distribution is owned by the founders of Rialto Distribution, who have been in the art film distribution business since 1993.

### Management of Cinemas

With the exception of our three unconsolidated cinemas, we manage all of our cinemas with executives located in Los Angeles, Manhattan, Melbourne, Australia; and Wellington, New Zealand. Approximately 2,506 individuals were employed (on a full-time or part-time basis) in our cinema operations as of December 31, 2015. Our two New Zealand Rialto cinemas are owned by a joint venture.



in which Reading New Zealand is a 50% joint venture partner. While we are principally responsible for the booking of the se two cinemas, our joint venture partner, Event Cinemas, manages their day-to-day operations. In addition, we have a one-third interest in a 16-screen Brisbane cinema managed by Event Cinemas.

#### Licensing and Pricing

Film product is available from a variety of sources, ranging from the major film distributors, such as Paramount Pictures, Twentieth Century Fox, Warner Bros, Buena Vista Pictures (Disney), Sony Pictures Releasing, Universal Pictures and Lionsgate, to a variety of smaller independent film distributors. In Australia and New Zealand, some of these major distributors distribute through local unaffiliated distributors. Worldwide, the major film distributors dominate the market for mainstream conventional films. In the U.S., art and specialty film is distributed through the art and specialty divisions of these major distributors, such as Fox Searchlight and Sony Pictures Classics, and through independent distributors such as The Weinstein Company. Generally speaking, film payment terms are based upon an agreed-upon percentage of box office receipts that will vary from film-to-film.

#### Competition

In certain markets in the U.S. in which we operate, film may be allocated by the distributor among competitive cinemas, commonly known as "clearance", while in other U.S. markets we have access to all available film. This is discussed in greater detail below. Accordingly, we, from time-to-time, are unable to license every film that we may desire to play. In the Australian and New Zealand markets, we generally have access to all available film product.

We believe that the success of a cinema depends on its access to popular film product because film patrons tend to decide on a film they would like to see first and then a cinema where the film is available. If a particular film is only offered at one cinema in a given market, then customers wishing to see that film will, of necessity, go to that cinema. If two or more cinemas in the same market offer the same film, then customers will typically take into account factors such as the relative convenience, quality and cost of the various cinemas. For example, most cinema patrons seem to prefer a modern stadium-design multiplex to an older sloped-floor cinema, and to prefer a cinema that either offers convenient access to free parking (or public transport) over a cinema that does not.

This view is being challenged by some exhibitors, who are now promoting a "dine-in" concept. These exhibitors believe that if offered the right environment, consumers will choose the venue first, and the movie second. We believe that the jury is out as to the economic viability of this concept given, among other things, the space and fit-out costs involved, the necessarily reduced seat count where food is served at the seat, the split between consumers who want and who oppose having in-auditorium dining (some people just want to see the movie, and find in-auditorium service and dining to be a distraction from the movie itself), and the pricing of such offerings. It also appears to us, that one still needs to at least offer top film product. So, even with these dine-in theaters, access to film remains a principal concern.

In the United States in certain markets, distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion, even though the number of "digital prints" is theoretically unlimited and all advertising for conventional film is paid for by the distributors. Some competitors, like AMC, are becoming increasingly aggressive in their efforts to prevent competitors' access to film product in film zones where they have cinemas. We face clearance situations in several markets in which we show film.

The use of clearances is currently under attack. We believe that, as the two principal justifications for clearances (the cost of producing an additional print and the shared advertising cost) no longer exist, that ultimately clearances should (except in exceptional cases - for example where a distributor's strategy is for a limited or staged release) go away. If this occurred, on balance, we believe that this will be a positive development for us, as it will generally speaking increase our access to film in competitive markets. Pressure on the major chains to stop using "clearances" is increasing. An investigation by the United States Department of Justice, Antitrust Division, into the possible anticompetitive activities of major chains has been initiated. Also, there have been private lawsuits by small chains to stop the practice. For example, IPic Theaters has obtained a temporary injunction against clearance practices by one major chain in Harris County, Texas, and is seeking further injunctions against other major chains in Texas as well as in other jurisdictions, such as the District of Columbia.

For now, competition for films can be intense, depending upon the number of cinemas in a particular market. Our ability to obtain top grossing first-run feature films may be adversely impacted by our comparatively small size, and the limited number of screens and markets that we can supply to distributors. Moreover, in the United States, because of the dramatic consolidation of screens into the hands of a few very large and powerful exhibitors such as Regal, AMC, Cinemark and Carowls, these mega-exhibition companies are in a position to offer distributors access to many more screens in major markets than we can. Also, the majors have a significant number of markets where they operate without material competition, meaning that the distributors have no alternative exhibitor for their films in these markets. Accordingly, distributors may decide to give preference to these mega-exhibitors when it comes to licensing top grossing films, rather than deal with independents such as ourselves. The situation is different in Australia and New Zealand, where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the

ownership of that multiplex cinema. However, on the reverse side, we have suffered somewhat in these markets from competition from boutique operators, who are able to book top grossing commercial films for limited runs, thus increasing competition for customers wishing to view such top grossing films.

Generally speaking, our cinemas are modern multiplex cinemas with good and convenient parking. The availability of state-of-the-art technology and/or luxury seating can also be a factor in the preference of one cinema over another. In recent periods, a number of cinemas have been opened or re-opened featuring luxury seating and/or expanded food and beverage service, including the sale of alcoholic beverages and food served to the seat. We have for a number of years offered alcoholic beverages in certain of our Australia and New Zealand cinemas and at certain of our Regal Film Centers in the U.S. We are currently working to upgrade the seating and food and beverage offerings (including the offering of alcoholic beverages) at a number of our existing cinemas.

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibitors in the United States are Regal (with 7,361 screens in 572 cinemas), AMC (with 4,937 screens in 348 cinemas), Cinemark (with 4,489 screens in 334 cinemas), and Carmike (with 2,881 screens in 270 cinemas). As of December 31, 2015, we were the 11th largest exhibitor with 1% of the box office in the United States with 252 screens in 27 cinemas under management. AMC and Carmike have recently announced the acquisition of Cinemark by AMC. If this acquisition goes through, AMC/Carmike will be the largest exhibitor in the United States with 9,426 screens in 682 theaters.

The principal exhibitors in Australia are Greater Union, which does business under the Event Cinemas name (a subsidiary of Amalgamated Holdings Limited), Hoyts Cinemas ("Hoyts"), and Village Cinemas. The major exhibitors control approximately 65% of the total cinema box office: Event 31%, Hoyts 19%, and Village 15%. Event has 583 screens nationally, Hoyts 344 screens, and Village 214 screens. By comparison, our 141 screens (excluding our partnership theaters) represent approximately 7% of the total box office. In June 2015, Hoyts was acquired by Wanda, which also holds a controlling interest in AMC.

The principal exhibitors in New Zealand are Event Cinemas with 165 screens nationally and Hoyts with 63 screens. Reading has 54 screens (excluding its interest in unconsolidated joint ventures). The major exhibitors in New Zealand control approximately 56% of the total box office: Event 35% and Hoyts 21%. Reading has 13% of the market (Event and Reading rank at share figures exclude any partnership theaters).

In Australia and New Zealand, the industry is somewhat vertically integrated in that Roadshow Film Distributors, a subsidiary of Village, serves as a distributor of film in Australia and New Zealand for Warner B others. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow Film Distributors.

Many of our competitors have substantial financial resources which could allow them to operate in a more competitive manner than we can.

#### *In-Home and Mobile Device Competition*

The "in-home" and mobile device entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home and mobile device entertainment systems and in the accessibility to and quality of entertainment programming through cable, satellite, internet distribution channels, and Blu-ray/DVD. The success of these alternative distribution channels puts additional pressure on film distributors to reduce and/or eliminate the time period between theatrical and secondary release dates and the willingness of consumers to take the time and pay the admission price to go to the movie theater. To a certain extent, it appears that consumers are willing to trade convenience for presentation. These are issues common to both our U.S. and international cinema operations.

Competitive issues are discussed in greater detail under the caption, Item 1A - Risk Factors.

#### *Seasonality*

Major films are generally released to coincide with holidays. With the exception of Christmas and New Year's Days, this fact provides some balancing of our revenue because there is no material overlap between holidays in the United States and those in Australia and New Zealand. Distributors will delay, in certain cases, releases in Australia and New Zealand to take advantage of Australian and New Zealand holidays that are not celebrated in the United States. However, the deferral of releases is becoming increasingly less common, given the need to address interest and other channels of distribution that operate on a worldwide basis.

#### *Real Estate*

Our real estate activities have historically occurred principally off:

- the ownership of free or long-term leasehold interests in properties used in our cinema exhibition activities or which were acquired for the development of cinemas or cinema-based real estate development projects;
- the operation of our various ETOs and shopping centers and properties;
- the acquisition of free interests in land for general real estate development;
- the leasing to production companies of our live theater sites; and
- the redevelopment of our existing free-owned cinema or live theater sites to their highest and best use.

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business and, historically, has principally been in support of that business. We have, however, acquired or developed certain properties that do not currently have any cinema or other entertainment component.

Our real estate activities, holdings and developments are described in greater detail in Item 2 – *Properties*.

#### **Employees**

As of December 31, 2015, we had 88 full-time executive and administrative employees and 2,506 cinema employees. A small number of our cinema employees in New Zealand are union members, as are our projectionists in Hawaii. None of our Australian-based employees or other employees are subject to union contracts. Overall, we are of the view that the existence of these collective-bargaining agreements does not materially increase our costs of labor or our ability to compete. We believe our relations with our employees to be generally good.

#### **Item 1A – Risk Factors**

Investing in our securities involves risk. Set forth below is a summary of various risk factors that you should consider in connection with your investment in the Company. This summary should be considered in the context of our overall Annual Report on Form 10K, as many of the topics addressed below are discussed in significantly greater detail in the context of specific discussions of our business plan, our operating results, and the various competitive forces that we face.

#### **BUSINESS RISK FACTORS**

We are currently engaged principally in the cinema exhibition and real estate businesses. Because we operate in two business segments (cinema exhibition and real estate), we discuss separately below the risks we believe to be material to our involvement in each of these segments. We have discussed separately certain risks relating to the international nature of our business activities, our use of leverage, and our status as a controlled corporation. Please note that, while we report the results of our live theater operations as real estate operations – because we are principally in the business of renting space to producers rather than in licensing or producing plays ourselves – the cinema exhibition and live theater businesses share certain risk factors and are, accordingly, discussed together below.

#### **Cinema Exhibition and Live Theater Business Risk Factors**

*We operate in a highly competitive environment with many competitors who are significantly larger and may have significantly better access to funds than we do.*

We are a comparatively small cinema operator and face competition from much larger cinema exhibitors. These larger exhibitors are able to offer distributors more screens in more markets – including markets where they may be the exclusive exhibitor – than can we. If faced with such competition, we may not be able to get access to all of the films we want, which may adversely affect our revenue and profitability.

These larger competitors may also enjoy (i) greater cash flow, which can be used to develop additional cinemas, including cinemas that may be competitive with our existing cinemas, (ii) better access to equity capital and debt, (iii) better visibility to landlords and real estate developers; and (iv) better economies of scale, than we do.

In the case of our live theaters, we compete for shows not only with other “for-profit” Off-Broadway theaters, but also with “not-for-profit” operators and, increasingly, with Broadway theaters. We believe our live theaters are generally competitive with other Off-Broadway venues. However, due to the increased cost of staging live theater productions, we are seeing an increasing tendency for plays that would historically have been staged in an Off-Broadway theater moving directly to larger Broadway venues.

*We face competition from other sources of entertainment and other entertainment delivery systems.*

Both our cinema and live theater operations face competition from “in-home” and mobile device sources of entertainment. These include competition from network, cable and satellite television, internet streaming video services, Video on Demand, Blu-ray/DVD,

the internet, video games and other sources of entertainment. The quality of in-home entertainment systems, as well as programming available on an in-home and mobile basis, has increased, while the cost to consumers of such systems (and such programming) has decreased in recent periods, and some consumers may prefer the security and/or convenience of an "in-home" or mobile entertainment experience to the more public and presentation oriented experience offered by our cinemas and live theaters. Film distributors have been responding to these developments by, in some cases, decreasing or eliminating the period of time between cinema release and the date such product is made available to "in-home" forms of distribution.

The narrowing and/or elimination of this so-called "window" for cinema exhibition may be problematic for the cinema exhibition industry. However, to date, attempts by the major film distributors to continue to narrow or eliminate the window have been strenuously resisted by the cinema exhibition industry, and we view the total elimination of the cinema exhibition window by major film distributors, while theoretically possible, to be unlikely.

However, there is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. Also, some traditional in-home and mobile distributors have begun the production of full-length movies, specifically for the purpose of direct or simultaneous release to the in-home and mobile markets. These factors may adversely affect the competitive advantage enjoyed by cinemas over "in-home" and mobile forms of entertainment, as it may be that the cinema market and the "in-home" and mobile markets will have simultaneous access to the same motion picture product. In recent times a number of movies were released on a simultaneous basis to movie exhibitors and to in-home and mobile markets. It is likely that this trend will continue, making it increasingly important for exhibitors to enhance the convenience and quality of the theater-going experience.

We also face competition from various other forms of "beyond-the-home" entertainment, including sporting events, concerts, restaurants, casinos, video game arcades, and nightclubs. Our cinemas also face competition from live theaters and vice versa.

*Our cinema and live theater businesses may be vulnerable to fears of terrorism, other natural disasters which could cause customers to avoid public assembly seating*

Political events, such as terrorist attacks, and health-related epidemics, such as flu outbreaks, could cause patrons to avoid our cinemas or other public places where large crowds are in attendance. In addition, a natural disaster, such as a typhoon or an earthquake, could impact our ability to operate certain of our cinemas, which could adversely affect our results of operations.

*Our cinema operations depend upon access to film that is attractive to our patrons, and our live theater operations depend upon the continued attractiveness of our theaters to producers.*

Our ability to generate revenue and profits is largely dependent on factors outside of our control, specifically, the continued ability of motion picture and live theater producers to produce films and plays that are attractive to audiences, the amount of money spent by film distributors and theatrical producers to promote their motion pictures and plays, and the willingness of these producers to license their films on terms that are financially viable to our cinemas and to rent our theaters for the presentation of their plays. To the extent that popular movies and plays are produced, our cinema and live theater activities are ultimately dependent upon our ability, in the face of competition from other cinema and live theater operators to book these movies and plays into our facilities, and to provide a superior customer offering.

We rely on film distributors to supply the films shown in our theaters. In the U.S., the film distribution business is highly concentrated, with seven major film distributors accounting for approximately 89.5% of U.S. box office revenues. Numerous antitrust cases and the constant threat resulting from these antitrust cases affect the distribution of films. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major distributors. We are therefore required to negotiate licenses for each film and for each theater. A deterioration of our relationship with any of the seven major film distributors could adversely affect our ability to obtain commercially successful films and to negotiate favorable licensing terms for such films, both of which could adversely affect our business and operating results.

In the U.S., at least until recently, distributors have had broad discretion not to show the same films at competitive cinemas. This has, in many situations, given the larger exhibitors (as a result of their market power) power to influence distributors to exercise their discretion in this regard in favor of the larger exhibitors. In this industry, this is called "clearance." Recent judicial decisions, however, have thrown doubt on the extent to which this practice will continue to be permitted under applicable antitrust laws.

*Adverse economic conditions could materially affect our business by reducing discretionary income and by limiting or reducing sources of film and live theater funding.*

Cinema and live theater attendance is a luxury, not a necessity. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theater businesses. Adverse economic conditions can also affect the supply side of our business, as reduced

liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off-Broadway plays, which are often times financed by high net worth individuals (or groups of such individuals) and that are very risky due to the absence of any ability to recoup investment in secondary markets like Blu-ray/DVD, cable, satellite or internet distribution.

*Our screen advertising revenue may decline.*

Over the past several years, cinema exhibitors have been looking increasingly to screen advertising as a way to improve income. No assurances can be given that this source of income will be continuing, or that the use of such advertising will not ultimately prove to be counterproductive, by giving consumers a disincentive to choose going to the movies over "in-home" or mobile entertainment alternatives.

*We face uncertainty as to the timing and direction of technological innovations in the cinema exhibition business and as to our access to those technologies.*

We have converted all of our cinema auditoriums to digital projection. However, no assurances can be given that other technological advances will not require us to make further material investments in our cinemas or face loss of business. Also, equipment is currently being developed for holographic or laser projection. The future of these technologies in the cinema exhibition industry is uncertain.

*We face competition from new competitors offering food and beverage as an integral part of their cinema offerings.*

A number of new entrants, such as Alamo Drafthouse and iPic, offering an expanded food and beverage menu (including the sale of alcoholic beverages), have emerged in recent periods. In addition, some competitors are converting existing cinemas to provide such expanded menu offerings and in-theater dining options. The existence of such cinemas may alter traditional cinema selection practices of moviegoers, as they seek out cinemas with such expanded offerings as a preferred alternative to traditional cinemas.

*We may be subject to increased labor and benefits costs.*

We are subject to laws governing such matters as minimum wages, working conditions and overtime. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees, but also the wages paid to employees at wage rates that are above minimum wage. Labor shortages, increased employee turnover and health care mandates could also increase our labor costs. This in turn could lead us to increase prices which could impact our sales. Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our results of operations may be adversely impacted.

*Cyber security threats and our failure to protect our electronically stored data could adversely affect our business.*

We store and maintain electronic information and data necessary to conduct our business. Data maintained in electronic form is subject to the risk of intrusion, tampering and theft. While we have adopted industry-accepted security measures and technology to protect the confidential and proprietary information, the development and maintenance of these systems is costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. As such, we may be unable to anticipate and implement adequate preventive measures in time. This may adversely affect our business, including exposure to government enforcement actions and private litigation, and our reputation with our customers and employees may be injured. In addition to Company-specific cyber threats or attacks, our business and results of operations could also be impacted by breaches affecting our peers and partners within the entertainment industry, as well as other retail companies.

**Real Estate Development and Ownership Business Risks**

*We operate in a highly competitive environment in which we must compete against companies with much greater financial and human resources than we have.*

We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with our real estate development activities. Many of our competitors have significantly greater resources and may be able to achieve greater economies of scale than we can.

**Risks Related to the Real Estate Industry Generally**

*Our financial performance will be affected by risks associated with the real estate industry generally.*

Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions, such as an oversupply of, or a reduction in demand for, commercial space and/or entertainment-oriented properties, (iii) reduced attractiveness of our properties to

tenants, (iv) the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own, (v) competition from other properties, (vi) inability to collect rent from tenants, (vii) increased operating costs, including labor, materials, real estate taxes, insurance premiums, and utilities, (viii) costs of complying with changes in government regulations, (ix) the relative illiquidity of real estate investments, and (x) decreases in sources of both construction and long-term lending as traditional sources of such funding leave or reduce their commitments to real estate-based lending. In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in declining rents or increased lease defaults.

*We may incur costs complying with the Americans with Disabilities Act and similar laws.*

Under the Americans with Disabilities Act and similar statutory regimes in Australia and New Zealand or under applicable state or local law, all places of public accommodation (including cinemas and theaters) are required to meet certain governmental requirements related to access and use by persons with disabilities. A determination that we are not in compliance with those governmental requirements with respect to any of our properties could result in the imposition of fines or an award of damages to private litigants. The cost of addressing these issues could be substantial.

*Illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties.*

Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. Many of our properties are either (i) "special purpose" properties that could not be readily converted to general residential, retail or office use, or (ii) undeveloped land. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment, and competitive factors may prevent the pass-through of such costs to tenants.

*Real estate development involves a variety of risks.*

Real estate development involves a variety of risks, including the following:

- *The identification and acquisition of suitable development properties.* Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be "foreign owned" for purposes of certain Australian and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries.
- *The procurement of necessary land use entitlements for the project.* This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors, including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs.
- *The construction of the project on time and on budget.* Construction risks include the availability and cost of financing; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever-present potential for labor-related disruptions.
- *The leasing or sell-out of the project.* Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built-for-sale property. For our HT Cs, the extent to which our cinemas can continue to serve as an anchor tenant will be influenced by the same factors as will influence generally the results of our cinema operations. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived.
- *The refinancing of completed properties.* Properties are often developed using relatively short-term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take-out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors. To date, we have been successful in negotiating development loans with "roll over" or other provisions mitigating our need to refinance immediately upon completion of construction.

*The ownership of properties involves risk.*

The ownership of investment properties involves risks, such as: (i) ongoing leasing and re-leasing risks, (ii) ongoing financing and re-financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental regulations (including, without limitation, environmental laws and requirements to remediate environmental contamination that may exist on a property (such as, by way of example, asbestos), even though not deposited on the property by us), (v) relative illiquidity compared to some other types of assets, and (vi) susceptibility of assets to uninsurable risks, such as biological, chemical or nuclear terrorism, or risks that are subject to caps tied to the concentration of such assets in certain geographic areas, such as earthquakes. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment-type properties.

*A number of our assets are in geologically active areas, presenting risk of earthquake and land movement.*

We have cinemas in California and New Zealand, areas that present a greater risk of earthquake and/or land movement than other locations. New Zealand has in recent periods had several major earthquakes damaging our facilities in Christchurch and Wellington. The ability to insure for such casualties is limited and may become more difficult and/or more expensive in future periods.

*We may be subject to liability under environmental laws and regulations.*

We own and operate a large number of cinemas and other properties within the U.S. and internationally, which may be subject to various foreign, federal, state and local laws and regulations relating to the protection of the environment or human health. Such environmental laws and regulations include those that impose liability for the investigation and remediation of spills or releases of hazardous materials. We may incur such liability, including for any currently or formerly owned, leased or operated property, or for any site, to which we may have disposed, or arranged for the disposal of, hazardous materials or wastes. Certain of these laws and regulations may impose liability, including on a joint and several liability, which can result in a liable party being obliged to pay for greater than its share, regardless of fault or the legality of the original disposal. Environmental conditions relating to our properties or operations could have an adverse effect on our business and results of operations and cash flows.

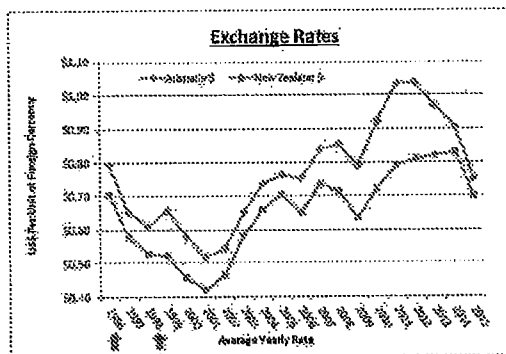
*Legislative or regulatory initiatives related to global warming/climate change concerns may negatively impact our business.*

Recently, there has been an increasing focus and continuous debate on global climate change including increased attention from regulatory agencies and legislative bodies. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. Legislative, regulatory or other efforts in the U.S. to combat climate change could result in future increases in the cost of raw materials, taxes, transportation and utilities for our vendors and for us which would result in higher operating costs for the Company. Also, compliance by our cinemas and accompanying real estate with new and revised environmental, zoning, land-use or building codes, laws, rules or regulations, could have a material and adverse effect on our business. However, we are unable to predict at this time, the potential effects, if any, that any future environmental initiatives may have on our business.

*International Business Risks*

Our international operations are subject to a variety of risks, including the following:

**Currency Risk:** While we report our earnings and net assets in U.S. dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the U.S. dollar and compared to each other. We do not hedge the currency risk, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. However, we do have debt at our parent company level that is serviced by our overseas cash flow, and our ability to service this debt could be adversely impacted by declines in the relative value of the Australian and New Zealand dollar compared to the U.S. dollar. Also, our use of local borrowings to mitigate the business risk of currency fluctuations has reduced our flexibility to move cash between jurisdictions. Set forth below is a chart of the exchange rates between these three currencies over the past twenty years:



US\$ per unit of Foreign Currency  
 US\$ per unit of Foreign Currency

- *Risk of adverse government regulation* : currently , we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that this relationship will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by U . S . companies in their countries.
- *Risk of adverse labor relations* : deterioration in labor relations could lead to an increased cost of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave).

#### *Risks Associated with Certain Discontinued Operations*

Certain of our subsidiaries were previously in industrial businesses. As a consequence, properties that are currently owned or may have in the past been owned by these subsidiaries may prove to have environmental issues. Where we have knowledge of such environmental issues and are in a position to make an assessment as to our exposure, we have established what we believe to be appropriate reserves, but we are exposed to the risk that currently unknown problems may be discovered. These subsidiaries are also exposed to potential claims related to exposure of former employees to coal dust, asbestos, and other materials now considered to be, or which in the future may be found to be, carcinogenic or otherwise injurious to health.

#### *Operating Results, Financial Structure and Borrowing Risk*

*From time to time, we may have negative working capital.*

In recent years, as we have invested our cash in new acquisitions and the development of our existing properties, we have from time-to-time had negative working capital. This negative working capital is typical in the cinema exhibition industry because our short-term liabilities are in part financing our long-term assets instead of long-term liabilities financing short-term assets, as is the case in other industries such as manufacturing and distribution.



*We have substantial short to medium term debt.*

Generally speaking, we have historically financed our operations through relatively short-term debt. No assurances can be given that we will be able to refinance this debt, or if we can, that the terms will be reasonable. However, as a counterbalance to this debt, we have significant unencumbered real property assets, which could be sold to pay debt or encumbered to assist in the refinancing of existing debt, if necessary.

*We have substantial lease liabilities.*

Most of our cinemas operate in leased facilities. These leases typically have "cost of living" or other rent adjustment features and require that we operate the properties as cinemas. A downturn in our cinema exhibition business might, depending on its severity, adversely affect the ability of our cinemas operating subsidiaries to meet these rental obligations. Even if our cinema exhibition business remains relatively constant, cinema level cash flow will likely be adversely affected unless we can increase our revenue sufficiently to offset increases in our rental liabilities. Unlike property rental leases, our newly added digital equipment leases do not have "cost of living" or other lease adjustment features.

*Our stock is thinly traded.*

Our stock is thinly traded, with an average daily volume in 2015 of only approximately 56,000 Class A Common shares. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

#### **Ownership and Management Structure, Corporate Governance, and Change of Control Risks**

*Pending disputes among the Cotter family raise uncertainty regarding the ongoing control of the Company and may distract the time and attention of our officers and directors from our business and operations or interfere with the effective management of the Company.*

Up until his death on September 13, 2014, James J. Cotter, Sr., the father of Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter, was our controlling stockholder, having the sole power to vote approximately 66.9% of the outstanding voting stock of the Company. Under applicable Nevada law, a stockholder holding more than 2/3rds of the Company's voting stock has the power at any time, with or without cause, to remove any one or more directors (up to and including the entire board of directors) by written consent taken without a meeting of the stockholders.

Since his death, disputes have arisen among Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter concerning the voting control of these shares and regarding the exercise by the Estate of James J. Cotter, Sr. Decedent (the "Cotter Estate") of options to acquire an additional 100,000 shares of Class B Stock. At the present time, Ellen Cotter is the Chair, President and Chief Executive Officer of our Company, James J. Cotter, Jr. is a director and from June 2013 until June 12, 2015 was the President and from August 7, 2014 until June 12, 2015 was the Chief Executive Officer of our Company, having been removed from those positions by Board action on June 12, 2015. Margaret Cotter is the Vice-Chair of our Company and the President of Liberty Theaters, LLC, the company through which we own and operate our live theaters. She heads up the management and redevelopment of our New York properties.

As of December 31, 2015, according to the books of the Company, the Living Trust established by Declaration of Trust dated June 5, 2013, by James J. Cotter, Sr. (the "Cotter Trust"), held of record 696,088 shares of our Class B Voting Stock ("Voting Stock") constituting approximately 41.4% of the voting power of our outstanding capital stock. According to the books of the Company, the Cotter Estate as of that date held of record no additional 427,808 shares of Voting Stock, constituting approximately 25.5% of the voting power of our outstanding capital stock. We are advised, based upon public filings made by one or more of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. (the "Cotter Filings") that the Voting Stock currently held of record by the Cotter Estate will eventually pour over into the Cotter Trust. We are further advised from the Cotter Filings that the Cotter Trust also provides for the establishment of a voting trust (the "Cotter Voting Trust") which will eventually hold the Voting Stock currently held by the Cotter Estate and the Cotter Trust. At the present time, however, such Voting Stock is held of record by the Cotter Trust and the Cotter Estate, respectively.

Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter are currently the trustees of the Cotter Trust. On December 22, 2014, the District Court of Clark County, Nevada appointed Ellen Cotter and Margaret Cotter as co-executors of the Cotter Estate. Accordingly, at the present time, Ellen Cotter and Margaret Cotter acting as a majority of the Trustees of the Cotter Trust with respect to the shares held by the Cotter Trust and as the co-executors of the Cotter Estate with respect to the shares held by the Cotter Estate (including the 100,000 shares of Voting Stock acquired by the Cotter Estate through the exercise of stock options previously granted to Mr. Cotter, Sr.), and voting in their individual capacity their direct holdings of 50,000 shares and 35,100 shares respectively of the Voting Stock, have the power to vote Voting Stock representing 71.9% of our outstanding Voting Stock.

The identity of the trustee(s) of the Cotter Voting Trust and the terms of that trust are in dispute as between Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter.

We are advised by the Cotter Filings that the 2013 amended and restated declaration of trust for the Cotter Trust names Margaret Cotter as the sole trustee of the Cotter Voting Trust and names James J. Cotter, Jr., as the first alternate trustee in the event that Margaret Cotter is unable or unwilling to act as trustee. We are further advised by the Cotter Filings that a 2014 partial amendment to the declaration of trust, signed by Mr. J. Cotter, Sr. while he was in the hospital, names Margaret Cotter and James J. Cotter, Jr. as co-trustees of the Cotter Voting Trust and provides that, in the event they are unable to agree upon an important trust decision, they shall rotate the voting of the Voting Stock between them annually on each January 1st. It further directs the trustees of the Cotter Voting Trust to, among other things, vote such shares of our Voting Stock held by the Cotter Voting Trust in favor of the election of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. to our board of directors and to rotate annually the chairmanship of our board between Ellen Cotter, Margaret Cotter and James J. Cotter, Jr.

On February 6, 2015, Ellen Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles, captioned *In re James J. Cotter Living Trust dated August 1, 2000* (Case No. BP159755) (the "Trust Case"). The Petition, among other things, seeks relief that could determine the validity of the 2014 partial amendment and who, as between Margaret Cotter and James J. Cotter, Jr., has authority as trustee or co-trustees of the Cotter Voting Trust to vote the Cotter Voting Trust's shares of our Voting Stock (in whole or in part) and the scope and extent of such authority. James J. Cotter, Jr. has filed an opposition to the Petition and has filed pleadings in that proceeding seeking the removal of Ellen Cotter and Margaret Cotter as trustees of the Cotter Trust. The Trust Case is currently scheduled to be tried in July of this year.

In addition, James J. Cotter, Jr. and certain other stockholders have filed two derivative actions (discussed in greater detail below) against Ellen Cotter and Margaret Cotter and certain of our Directors and officers, alleging a variety of misconduct on their part, and among other things seeking the reinstatement of James J. Cotter, Jr. as president and chief executive officer of our Company, challenging the voting by Ellen Cotter and Margaret Cotter of the shares held by the Cotter Estate, and seeking to void the result of the election of directors held at our 2015 Annual Meeting of Stockholders. See discussion under the heading, Legal Proceedings; Derivative Litigation and James J. Cotter, Jr. Arbitration, *infra*.

Although the Company is not a party to the Trust Case and takes no position as to the claims asserted or the relief sought therein, the matters raised in the Trust Case create uncertainty regarding the ongoing control of the Company. Until these matters can be resolved, it is unclear whether, upon the creation of and the transfer of ownership of the Voting Stock to the Cotter Voting Trust, Margaret Cotter will be the sole trustee of the Cotter Voting Trust or whether Margaret Cotter and James J. Cotter, Jr. will be co-trustees of the Cotter Voting Trust. It is likewise uncertain, in the event that the court should determine that Margaret Cotter and James J. Cotter are co-trustees of the Cotter Voting Trust, how the power-sharing authority would be applied in practice.

These pending matters could, in the future, potentially distract the time and attention of Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter from the business and operations of our Company and thus potentially have an adverse effect on the effective management of our Company. Furthermore, the uncertainty as to the future management and control of our Company could potentially adversely impact, among other things (i) our ability to develop and maintain favorable business relationships, (ii) our ability to attract and retain talented and experienced directors, executives and employees, (iii) the compensation and other terms needed to attract and retain such individuals, (iv) our ability to borrow money on favorable long-term terms, and (v) our ability to pursue and complete long-term business objectives.

*The interests of our controlling stockholder may conflict with your interests.*

As of December 31, 2015, the Cotter Estate and the Cotter Trust beneficially own 66.9% of our outstanding Class B Stock. At the present time, according to the books of the Company, Ellen Cotter and Margaret Cotter vote (including their direct holdings of 50,000 shares and 35,100 shares respectively of the Class B Stock), Class B Stock representing 71.9% of our outstanding Class B Stock. Our Class A Stock is non-voting, while our Class B Stock represents all of the voting power of our Company. For as long as the Cotter Estate, the Cotter Trust and/or the Cotter Voting Trust (referred to herein collectively as the "Cotter Entities") continue to own shares of Class B Stock representing more than 50% of the voting power of our common stock, the Cotter Entities will be able to elect all of the members of our Board of Directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. The Cotter Entities will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to the Cotter Entities but not to other stockholders. To the extent that the Cotter Entities hold more than 2/3rds of our outstanding Class B Stock, the Cotter Entities will have the power at any time, with or without cause, to remove any one or more Directors (up to and including the entire board of directors) by written consent taken without a meeting of the stockholders.

In addition, the Cotter Estate or the Cotter Trust and/or their respective affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 18 – *Related Parties and Transactions*).

While controlling stockholders may owe certain fiduciary duties to the company and/or minority stockholders, these duties are limited. No assurances can be given that the Cotter Entities will not take action that, while beneficial to them and legally enforceable, would not necessarily be in the best interests of our Company and/or our stockholders generally.

*We are a "Controlled Company" under applicable NASDAQ Regulations. As permitted by those Regulations, our Board has elected to opt out of certain corporate governance rules applicable to non-controlled companies.*

Generally speaking, the NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a "Controlled Company", such as we, may elect not to be governed by certain of these provisions. Our Board of Directors has elected to exempt our Company from requirements that (i) at least a majority of our Directors be independent, (ii) nominees to our Board of Directors be nominated by a committee comprised entirely of independent Directors or by a majority of our Company's independent Directors, and (iii) the compensation of our Chief Executive Officer be determined or recommended to our Board of Directors by a compensation committee comprised entirely of independent Directors or by a majority of our Company's independent Directors. Notwithstanding the determination by our Board of Directors to opt-out of these NASDAQ requirements, we believe that a majority of our Board of Directors is nevertheless currently comprised of independent Directors, and our compensation committee is nevertheless currently comprised entirely of independent Directors. Nominations are considered by the Board, acting as a whole.

*We depend on key personnel for our current and future performance.*

Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability to us of any member of our senior management team or a key employee could significantly harm us. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms. Due to the uncertainty of our control situation, the ongoing availability of these employees and our ability to replace them is uncertain.

**Item 1B – Unresolved Staff Comments**

None.

## Item 2 – Properties

### EXECUTIVE AND ADMINISTRATIVE OFFICES

We lease approximately 11,700 square feet of office space in Los Angeles, California to serve as our executive headquarters. This lease expires on December 31, 2016 and we will not renew it, since as discussed below we have purchased a headquarters building in Culver City, California. We own an 8,100 square foot office building in Melbourne, Australia, approximately 5,200 square feet of which serves as the headquarters for our Australian and New Zealand operations (the remainder being leased to an unrelated third party). We maintain our accounting personnel and certain IT and operational personnel in approximately 5,800 square feet of offices located in our Wellington Courtenay Central ETC. We occupy approximately 3,500 square feet at our Village East leasehold property for administrative purposes.

On April 11, 2016, we purchased a 24,000 square foot Class B office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California. We intend to use approximately 50% of the leasable area for our headquarters offices and to lease the remainder to unaffiliated third parties.

### ENTERTAINMENT PROPERTIES

#### Entertainment Use Leasehold Interests

As of December 31, 2015, we lease approximately 1,800,000 square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

	Aggregate Square Footage	Approximate Range of Remaining Lease Terms (Excluding renewals)
United States	866,000	2011 – 2030
Australia	659,000	2019 – 2039
New Zealand	275,000	2019 – 2030

In 2014, we entered into a long term lease for a new state-of-the-art Angelika Film Center in the Union Market district of Washington DC. However, the lease was terminated as the anticipated location for this cinema ultimately was determined by the landlord, Edens, to not be feasible. We are currently finalizing with Edens the terms and conditions of a new lease for a cinema in a different location in the Union Market area.

In December 2014, we entered into a lease for a new luxury cinema, under the Consolidated Theaters brand, at the new Ka Makana Ahi Shopping Center being developed in Kapolei, Hawaii by an affiliate of DeBartolo Development and finalized terms for a new eight-screen cinema complex in Auckland, New Zealand, which opened in November 2015.

#### Fee Interests

In Australia, as of December 31, 2015, we own approximately 1,200,000 square feet of land at nine locations. Most of this land is located in the greater metropolitan areas of Brisbane, Melbourne, Perth, and Sydney. The foregoing does not include the 50.6-acre Burwood, Australia site, which has been sold but not yet recognized as a sale under accounting principles generally accepted in the United States of America ("US GAAP"). Of these fee interests, approximately 165,000 square feet are currently improved with cinemas. This figure includes an approximately 23,000 square foot parcel currently improved with an approximately 22,000 square foot office building that we intend to integrate with and into our Newmarket Shopping Center and that, accordingly, is not listed above as a separate location.

In New Zealand, as of December 31, 2015, we own approximately 3,400,000 square feet of land at seven locations. The foregoing excludes the 0.5-acre Taupo, New Zealand site, which has been sold but not yet recognized as a sale under US GAAP. The foregoing includes the Courtenay Central ETC in Wellington, the development land behind the Courtenay Central ETC, the 70.4-acre Manukau site, and the fee interests underlying four cinemas in New Zealand, which properties include approximately 21,000 square feet of ancillary retail space.

In the United States, as of December 31, 2015, we own approximately 74,000 square feet of improved real estate comprised of three live theater buildings, which include approximately 16,000 square feet of leasable space, the fee interest in the Union Square property formerly used as a live theater, and the fee interest in our Cinemas 1, 2, 3 in Manhattan (held through a limited liability company in

which we have a 75% managing member interest). We also own 202 acres of unimproved land in Coachella Valley, California, held through a limited liability company in which the Cotter Estate has a 50% non-managing member interest.

As discussed above we purchased a property in Culver City to house our executive offices.

#### Live Theaters

Included among our real estate holdings are three Off-Broadway style live theaters, operated through our Liberty Theaters subsidiary. We license theater productions to the producers of Off-Broadway theatrical productions and provide various box office and concession services. The terms of our licenses are, mutually, principally dependent upon the commercial success of our tenants. While we attempt to choose productions that we believe will be successful, we have no control over the production itself. At the current time, we have two single-auditorium theaters in Manhattan:

- the Minetta Lane (399 seats); and
- the Orpheum (347 seats);

We also own a four-auditorium theater complex, the Royal George in Chicago (main stage 452 seats, cabaret 199 seats, great room 100 seats and gallery 60 seats), which has ancillary retail and office space.

At the end of 2015, we closed our Union Square Theater as a part of our redevelopment of that property.

Liberty Theaters is primarily in the business of renting theater space. However, we may from time-to-time participate as an investor in a play, which can help facilitate the production of the play at one of our facilities, and do from time-to-time rent space on a basis that allows us to share in a production's revenue or profits. Revenue, expense, and profits are reported as a part of the real estate segment of our business.

#### Joint Venture Interests

We also hold real estate through several unincorporated joint ventures, two 75%-owned subsidiaries, and one majority-owned subsidiary, as described below:

- in Australia, we own a 75% interest in a subsidiary company that leases two cinemas with 11 screens in two Australian country towns, and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane.
- in New Zealand, we own a 50% unincorporated joint venture interest in two cinemas with 13 screens in the New Zealand cities of Auckland and Dunedin. This Dunedin joint venture interest is in addition to our five interest in our Dunedin six-screen Cinema.
- in the United States, we own a 75% managing member interest in the limited liability company that owns our Cinemas 1,2,3 property and a 50% managing member interest in Shadow View Land & Farming, LLC, which owns an approximately 202-acre property in Coachella, California that is currently zoned for residential and mixed use, and approved for approximately 550 single-family lots.

# OPERATING PROPERTY

As of December 31, 2015, we own fee interests in approximately 1,300,000 square feet of income-producing properties (including certain properties principally occupied by our cinemas) as follows:

Property	Square Feet of Improvements (rental/entertainment) <sup>(1)</sup>	Percentage Leased <sup>(2)</sup>	Gross Book Value <sup>(3)</sup> (in US\$)	Address
<b>In United States</b>				
1. Cinema 1, 2, 3 <sup>(4)</sup>	0 / 9,000	N/A	\$	25,541,416 1000 Third Avenue, Manhattan, NY
2. Mirra Lane Theatre	0 / 9,000	N/A	\$	8,582,151 28-22 Mirra Lane, Manhattan, NY
3. Cinemark Cinema	1,000 / 1,000	100%	\$	9,811,978 1160 Third Street, Manhattan, NY
4. Royal George	1,000 / 21,000	100%	\$	3,462,243 1631 N. Halsted Street, Chicago, IL
	plus a 55-space parking structure		\$	
<b>In Australia</b>				
1. Newmarket (S)	17,000 / 0	100%	\$	37,431,174 430 Newmarket Road, Newmarket, QLD
	plus a 371-space parking structure			
2. Ashurst (S)	6,000 / 57,000	100%	\$	26,531,321 100 Paramatta Road, Ashurst, NSW
	plus a 371-space parking structure			
3. Cinema Park City Centre	3,400 / 29,000	95%	\$	11,441,573 20 George Street, Brisbane, Queensland
4. Belmont	15,000 / 43,000	100%	\$	11,422,186 Knollsford Avenue and Pullman Street, Belmont, WA
5. Cinema Park City Centre	4,000 / 0	100%	\$	8,908,112 High Kings Drive, Chillingworth, Queensland
6. York Street Office	3,000 / 1,000	N/A	\$	2,149,424 98 York Street, South Melbourne, VIC
7. Metrolink Cinema	0 / 1,000	N/A	\$	1,733,339 100 Victoria Drive, Adelaide, SA
8. Bundaberg	0 / 1,000	N/A	\$	1,394,130 1 Juliana Boulevard, Bundaberg, QLD
<b>In New Zealand</b>				
1. Courthouse Central	3,400 / 7,000	70%	\$	32,444,516 300 Courthouse Place, Wellington
	plus a 1,000-space parking structure			
2. Dunedin Cinema	0 / 25,000	N/A	\$	7,331,631 33 The Arcade, Dunedin
3. Napier Cinema	2,000 / 10,000	100%	\$	2,911,248 114 Rimua Road, Napier
4. Invercargill Cinema	9,000 / 24,000	69%	\$	2,703,722 29 Dea Street, Invercargill
5. Hastings Cinema	0 / 1,000	N/A	\$	2,219,843 1281 Eruera Street, Hastings

<sup>(1)</sup> Rental square footage refers to the amount of area available to be rented to third parties. A number of our real estate holdings include entertainment components owned to one or more of our subsidiaries at fair market rent. The rental area to such subsidiaries is listed under the entertainment square footage.

<sup>(2)</sup> Represents the percentage of rental square footage currently leased to third parties.

<sup>(3)</sup> Refers to the gross carrying cost of the land and buildings of the property.

<sup>(4)</sup> Owned by a limited liability company in which we hold a 75% managing member interest. The remaining 25% is owned by Sutton Hill Capital, LLC ("SHC"), a company owned in equal parts by the Center Estate or the Center Trust and a third party.

<sup>(5)</sup> For further information on the developments of these properties, refer to note 5 of our financial statements "Investment and Development Property".

# 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, 2015, we had approximately 155,000 square foot of space subject to such long-term leases as follows:

Property	Square Feet of Improvements (rental/entertainment) <sup>a</sup>	Percentage Leased <sup>b</sup>	Gross Book Value <sup>c</sup> (in USD)
In United States	4000 / 38000	100%	\$
1 Village East <sup>d</sup>			\$ 5,899,156
In Australia	2200 / 18000	100%	\$
Wilson Fields			\$ 1,197,938

<sup>a</sup> Rental square footage refers to the amount of area available to be rented to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries at fair market rent. The rental area to each subsidiary is noted under the corresponding square footage.

<sup>b</sup> Represents the percentage of rental square footage currently leased to third parties.

<sup>c</sup> Refers to the gross carrying cost of the land and buildings of the property.

<sup>d</sup> 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 18 - Related Parties and Transactions in our 2015 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. The following table summarizes our investment and development projects as of December 31, 2015:

Property <sup>a</sup>	Acres	Gross Book Value <sup>b</sup> (in USD)	Status
In United States		\$	
1 Union Square Theatre	0.27	\$ 11,818,622	We closed down the live theatre business and terminated other third party retail tenants in order to actively pursue the development of this property.
2 Caddell, CA	201.00	\$ 17,160,200	We continue to evaluate our options with regards to this property.
In Australia		\$	
1 Haymarket, VIC	41.80	\$ 1,046,107	Property was subdivided in 2014. Currently classified as an Asset Held for Sale.
2 Newmarket, QLD	0.62	\$ 24,257,504	We are actively pursuing the development of this property. We have obtained approvals for the construction of an eight-screen cinema, 10,297 square feet of additional retail and 342 car parks. It is anticipated that construction will commence later this year and be completed by the fourth quarter 2017. In addition, we have acquired an additional 23,000 square foot parcel of land located adjacent to the theatre, which is currently improved with a 22,000 square foot office building. We intend, over time, to incorporate this property into our estate.
3 Altona, Sydney, NSW	0.00	\$ 1,000,000	We are actively pursuing the development of this real estate property, with a 2015 signed take-or-pay agreement to build approximately 15,000 square feet of multi-story retail space. It is anticipated that construction will commence within this year and be completed by the first quarter 2017. The entire site is approximately 10,000 square feet of land area available for development.

**In New Zealand**

Location	Approximate acreage (including any 60% owned high potential)	1	2015/16	Description of the land is used for agriculture and is currently used for the production of commercial purposes. A development plan has been filed to rezone the property for residential development and associated costs. We currently anticipate that this rezoning will be approved. In 2016, we anticipate that the property will be sold to a third party who is currently under review. The property has no existing or potential mineral rights.
2 Courtyard Central, Wellington (including Wakefield and Tamariki)	1.1	8	\$6,573,555	We are actively pursuing the development of the east phase of this property, having signed a lease agreement for a Courtyard supermarket to be developed on this site. The construction budget has been agreed between the parties, and we currently estimate that construction will commence in the third quarter 2016, looking towards a completion date of the fourth quarter 2017. In addition, we are adding approximately 4,000 square feet of general retail space.

<sup>10</sup> A number of our real estate holdings include additional land held for development. In addition, we have acquired certain parcels for future development.

<sup>11</sup> Includes, as applicable, the land, building, development costs, and capital related interest of the property.

Some of our income operating properties and our investment and development properties carry various debt covenants based on their location at various geographic locations. For an explanation of our debt and the associated security collateral please see Note 10 – Debt to our 2015 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. These properties are unencumbered by any debt.

**Item 3 – Legal Proceedings**

**TAX AUDIT/LITIGATION**

The Internal Revenue Service (the “IRS”) examined the tax return of Craig Corporation (“CRG”) for its tax year ended June 30, 1997. CRG was a stand-alone entity in the year of audit but is now a wholly-owned subsidiary of the Company. In Tax Court, CRG and the IRS agreed to compromise the claims made by the IRS against CRG, and this court order was entered on January 6, 2011. As of December 31, 2015, the remaining federal tax obligation was \$2.5 million, reflecting additional interest accrued during the term of the four year installment plan. For additional information, see Note 9 – Income Taxes.

**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.



#### DERIVATIVE LITIGATION AND JAMES J. COTTER, JR. ARBITRATION

On June 12, 2015, the Board of Directors terminated James J. Cotter, Jr. as the President and Chief Executive Officer of our Company. That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a derivative action, and titled "James J. Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al." Case No. A-15-719860-N, Dept. XI (the "Cotter Jr. Derivative Action" and the "Cotter, Jr. Complaint," respectively) against the Company and each of our other (the sitting Directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Tim Storey, the "Defendant Directors") in the Eighth Judicial District Court of the State of Nevada for Clark County (the "Nevada District Court"). On October 22, 2015, Mr. Cotter, Jr., amended his complaint to drop his individual claims (the "Amended Cotter Jr. Derivative Complaint"). Accordingly, the Amended Cotter, Jr. Complaint presently purports to assert only purportedly derivative claims and to seek remedies only on behalf of the Company. The lawsuit currently alleges, among other things, that the Defendant Directors breached their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief Executive Officer, continuing to make use of the Executive Committee that has been in place for more than the past ten years, making allegedly potentially misleading statements in its press releases and filings with the Securities and Exchange Commission ("SEC"), paying certain compensation to Ms. Ellen Cotter, and allowing the Cotter Estate to make use of Class A Common Stock to pay for the exercise of certain long outstanding stock options held of record by the Cotter Estate. He seeks reinstatement as President and CEO and alleges as damages fluctuations in the price for our Company's shares after the announcement of his termination as President and CEO and certain unspecified damages to our Company's reputation.

In a derivative action, the stockholder plaintiff seeks damages or other relief for the benefit of the Company, and not for the stockholder plaintiff's individual benefit. Accordingly, the Company is, at least in theory, only a nominal defendant in such a derivative action. However, as a practical matter, because Mr. Cotter, Jr. is also seeking, among other things, an order that our Board's determination to terminate Mr. Cotter, Jr. was ineffective and that he be reinstated as the President and CEO of the Company and also that our Board's Executive Committee be disbanded (an injunctive remedy that, if granted, would be binding on the Company), and as he asserts potentially misleading statements in certain press releases and filings with the SEC, the Company is incurring significant cost and expense defending the decision to terminate Mr. Cotter, Jr. as President and Chief Executive Officer, its board committee structure, and the adequacy of those press releases and filings. Also, the Company continues to incur costs promulgating and responding to discovery demands and satisfying indemnity obligations to the Defendant Directors.

Our directors and officers liability insurer is providing insurance coverage, subject to a \$500,000 deductible (which has now been exhausted) and its standard reservation of rights, with respect to the defense of the Director Defendants. Our new Directors, Dr. Judy Coddling and Mr. Michael Wroblewski, are not named in the Cotter Jr. Derivative Action as they were not Directors at the time of the breaches of fiduciary duty alleged by Mr. Cotter, Jr.

Pursuant to the terms of Mr. Cotter Jr.'s employment agreement with the Company, disputes relating to his employment are to be arbitrated. Accordingly, on July 14, 2015, the Company filed an arbitration demand with the American Arbitration Association against Mr. Cotter, Jr. The demand seeks declaratory relief, among other things, that Mr. Cotter, Jr.'s employment and employment agreement with the Company have been validly terminated and that the Board of Directors validly removed him from his positions as Chief Executive Officer and President of the Company and positions with the Company's subsidiaries.

Mr. Cotter, Jr. has filed a counter-complaint in the arbitration, asserting claims for breach of his employment contract, declaratory relief, and contractual indemnification. Mr. Cotter, Jr.'s counsel has advised that Mr. Cotter is seeking a variety of damages, including consequential damages, and that such claimed damages total not less than \$1,000,000. On April 19, 2016, Mr. Cotter, Jr. filed an action in the District Court, Clark County, Nevada seeking to recover his costs of defending the Arbitration, plus compensatory damages and interest at the maximum legal rate. The Company intends to vigorously defend these claims.

On August 6, 2015, the Company received notice that a Motion to Intervene in the Cotter Jr. Derivative Action and a proposed derivative complaint had been filed in the Nevada District Court captioned T2 Partners Management, LP, a Delaware limited partnership, doing business as Kane Capital Management; T2 Accredited Fund, LP, a Delaware limited partnership, doing business as Kane Fund; T2 Qualified Fund, LP, a Delaware limited partnership, doing business as Kane Qualified Fund; Tilson Offshore Fund, Ltd., a Cayman Islands exempted company; T2 Partners Management I, LLC, a Delaware limited liability company, doing business as Kane Management; T2 Partners Management Group, LLC, a Delaware limited liability company, doing business as Kane Group; JMG Capital Management, LLC, a Delaware limited liability company, Pacific Capital Management, LLC, a Delaware limited liability company, derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, Timothy Storey, William Gould and Does 1 through 100, inclusive, as defendants, and, Reading International, Inc., a Nevada corporation, as Nominal Defendant (the "T2 Derivative Action"). On August 11, 2015, the Court granted the motion of T2 Partners Management, LP et. al. (the "T2 Plaintiffs"), allowing these plaintiffs to file their complaint (the "T2 Derivative Complaint").

On September 9, 2015, certain of the Defendant Directors filed a Motion to Dismiss the T2 Derivative Complaint. The Company joined this Motion to Dismiss on September 14, 2015. The hearing on this Motion to Dismiss was vacated as the T2 Plaintiffs voluntarily withdrew the T2 Derivative Complaint, with the parties agreeing that T2 Plaintiffs would have leave to amend the Complaint. On February 12, 2016, the T2 plaintiff filed an amended T2 Derivative Complaint (the "Amended T2 Derivative Complaint").

The T2 Plaintiffs allege in their Amended T2 Derivative Complaint various violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the Defendant Directors. More specifically the T2 Derivative Complaint seeks the reinstatement of James J. Cotter, Jr. as President and Chief Executive Officer and certain monetary damages, as well as equitable injunctive relief, attorney fees and costs of suit. Once again, the Company has been named as a nominal defendant. However, because the T2 Derivative Complaint also seeks the reinstatement of Mr. Cotter, Jr., as our President and CEO, it is being defended by the Company. In addition, the Company continues to incur costs promulgating and responding to discovery demands and satisfying indemnity obligations to the Defendant Directors. The Defendant Directors are the same as named in the Cotter Jr. Derivative Action as well as our two new Directors Dr. Judy Coddling and Michael Wroblewski and Company legal counsel, Craig Tompkins. The cost of the defense of Directors Coddling and Wroblewski is likewise being covered by our Directors and officer's liability insurance carrier with the same reservations of right as in the Cotter Jr. Derivative Action, but without any separate deductible. The cost of the defense of Mr. Tompkins is being covered by the Company under its indemnity agreement with him.

The Amended T2 Derivative Complaint has deleted its request for an order dissolving our Executive Committee and for an order "collapsing the Class A and B stock structure into a single class of voting stock." The Amended T2 Complaint has added a request for an order setting aside the election results from the 2015 Annual Meeting of Stockholders, based on an allegation that Ellen Cotter and Margaret Cotter were not entitled to vote the shares of Class B Common Stock held of record by the Cotter Estate and the Cotter Trust. The Company and the other defendants contest the allegations of the T2 Plaintiffs. The Company followed applicable Nevada law in recognizing that Ellen Cotter and Margaret Cotter had the legal right and power to vote the shares of Class B Common Stock held of record by the Cotter Estate and the Cotter Trust, and the independent Inspector of Elections has certified the results of that election. Furthermore, even if the election results were to be overturned or voided, this would have no impact on the current composition of our Board or any action taken by our Board since our 2015 Annual Meeting of Stockholders, as all of the nominees were standing for re-election and accordingly retain their directorships until their replacements are elected. The Company will vigorously contest any assertions by the T2 Plaintiffs challenging the voting at the 2015 Annual Meeting of Stockholders and believes that the court will rule for the Company should this issue ever reach the court. The case is currently set for trial in November, 2016. The T2 Plaintiffs have not sought any expedited ruling from the Court with respect to their assertions that Ellen Cotter and Margaret Cotter did not have the right and power to vote the shares of Class B Common Stock held of record by the Cotter Estate and the Cotter Trust.

The Company believes that the claims set forth in the Amended Cotter Jr. Derivative Complaint and the Amended T2 Derivative Complaint are entirely without merit and seek equitable remedies for which no relief can be given. The Company intends to defend vigorously against any claims against our officers and directors and against any attempt to reinstate Mr. Cotter, Jr. as President and Chief Executive Officer or to effect any changes in the rights of our Company's stockholders.

#### THE STOMP ARBITRATION

In April 2015, Liberty Theatre, LLC ("Liberty"), a wholly owned subsidiary of the Company, commenced an American Arbitration Association arbitration proceeding (Case No. 01-15-0963-3728) against The Stomp Company Limited Partnership (the "Producer") in response to the Producer's purported termination of their license agreement with Liberty relating to the long playing show STOMP. Liberty sought specific performance, injunctive and declaratory relief and damages. The Producer counterclaimed for unspecified damages, alleging that Liberty has interfered with the Producer's endeavors to move the show to another Off-Broadway theater. The Producer based its purported termination of the license agreement upon the alleged deficient condition of the Orpheum Theater, in which STOMP has been playing for more than the past 20 years.

On December 18, 2015, the Arbitrator issued his Partial Final Award of Arbitration, providing for, among other things (i) the issuance of a permanent injunction prohibiting the Producer from "transferring or taking actions to market, promote, or otherwise facilitate any transfer of, STOMP to another theatre in New York City having fewer than 500 seats without Liberty's prior written consent", (ii) the Producer's Notice of Termination purportedly terminating the parties' license agreement was invalid, null and void and the License Agreement remains in full force and effect, and (iii) the award to Liberty of its reasonable attorneys' fees to an amount to be determined by the Arbitrator. The Company expects the final award of attorneys' fees to be decided during the second quarter of 2016.

In explaining his decision to award Liberty its reasonable attorneys' fees, the Arbitrator stated as follows: "Liberty is entitled to such an award [of attorneys' fees] not only because it is the prevailing party in this proceeding, but because [the Producer] unfairly disparaged the Orpheum and caused Liberty to incur attorneys' fees in order to address and resolve [the Producer's] groundless and

Rivulous allegations with respect to the Orpheum's condition, Liberty's performance under the License Agreement, and Stomp's reasons for seeking to transfer STOMP to a larger theatre."

# PART II

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

### MARKET INFORMATION

The following table sets forth the high and low closing prices of the RDX and RDXB common stock for each of the quarters in 2015 and 2014 as reported by NASDAQ:

	Class A Stock		Class B Stock	
	High	Low	High	Low
2015				
4th Quarter	\$ 16.21	\$ 15.11	\$ 17.81	\$ 11.15
3rd Quarter	14.34	11.78	16.20	13.08
2nd Quarter	14.06	13.07	15.20	13.00
1st Quarter	11.62	11.31	13.78	12.16
2014 (1)				
4th Quarter	\$ 13.26	\$ 8.33	\$ 13.08	\$ 8.30
3rd Quarter	8.84	8.90	11.50	9.70
2nd Quarter	9.92	6.97	10.87	8.11
1st Quarter	7.60	7.15	10.23	9.00

As of December 31, 2015, the approximate number of common stockholders of record was 2,200 for Class A stock and 350 for Class B stock. On April 25, 2016, the closing price per share of our Class A Stock and Class B stock was \$12.79 and \$11.65, respectively.

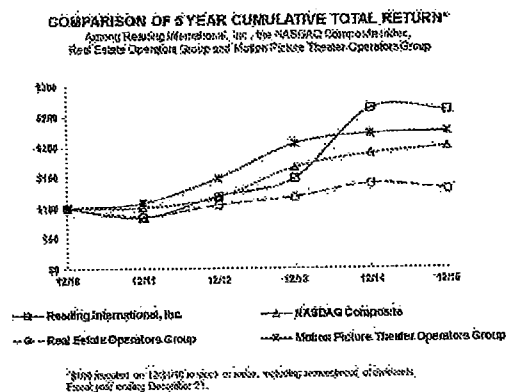
We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend; however, we review this matter on an ongoing basis.

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

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average 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	487,267	\$ 8.28	251,890

#### Performance Graph

The following line graph compares the cumulative total stockholder return on Reading International, Inc.'s common stock for the five-year period ended December 31, 2015 against the cumulative total return as calculated by the NASDAQ composite, a peer group of public companies engaged in the motion picture theater operator industry and a peer group of public companies engaged in the real estate operator industry. Measurement points are the last trading day for each of the five years ended December 31, 2015. The graph assumes that \$100 was invested on December 31, 2010 in our common stock, the NASDAQ composite and the noted peer groups, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



#### RECENT SALES OF UNREGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

None.

#### PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In May 2014, our Board of Directors authorized a stock buy-back program to spend up to an aggregate of \$10.0 million to acquire shares of the Company's common stock. As part of this program, during 2015, we purchased 240,102 Class A Non-voting shares on the open market for \$3.1 million for a weighted average price of \$12.95 per share. As of December 31, 2015, approximately \$2.8 million may yet be purchased under the program.

Also in 2015, a number of executives chose to settle their share options with the Company, as allowed by our share option plan. This resulted in the Company issuing 52,777 Class A Non-voting shares. As a part of this transaction the Company also remitted \$201,000 of taxes on their behalf. The Company also acquired an additional 141,288 Class A Non-voting shares as payment on the exercise of 185,100 class B voting stock options that had a combined exercise price of \$1.8 million.

# 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, 2015 (the "2015 Annual Report"), and the related notes to the consolidated financial statements.

(\$ in thousands, except per share data)	2016	2014	2015	2013	2011
<b>Statement of operations</b>					
Revenue	\$ 257,023	\$ 254,748	\$ 258,271	\$ 254,470	\$ 244,979
Operating income	23,254	22,171	20,911	16,227	16,176
Income (loss) from discontinued operations	—	—	—	(603)	1,888
Net income (loss) attributable to EBT	24,274	22,271	20,911	(603)	2,094
<b>Per common share</b>					
Basic EPS	\$ 0.89	\$ 1.10	\$ 0.39	\$ (0.04)	\$ 0.44
Diluted EPS	0.95	1.06	0.38	(0.04)	0.39
<b>Balance sheet</b>					
Total assets	\$ 272,092	\$ 401,186	\$ 386,807	\$ 428,385	\$ 470,704
Total debt	130,841	164,036	168,400	196,597	209,614
Working capital (deficit)	(38,319)	(35,119)	(15,087)	(23,070)	(14,329)
Stockholders' equity	137,196	132,298	121,347	130,934	124,987
<b>Statement of cash flows</b>					
Cash provided by (used):					
Operating activities	\$ 22,674	\$ 22,869	\$ 22,143	\$ 22,076	\$ 24,221
Investing activities	(21,710)	(9,896)	(6,143)	(6,693)	(3,788)
Financing activities	(2,265)	(2,275)	(27,195)	(19,418)	(25,611)
<b>Other Information</b>					
EBIT	\$ 25,010	\$ 24,616	\$ 24,050	\$ 20,416	\$ 16,664
Depreciation and amortization	\$ 14,561	\$ 15,468	\$ 15,197	\$ 16,049	\$ 16,593
Acq. intangible assets / net amortization to revenue	\$ —	\$ —	\$ —	\$ 235	\$ 395
EBITDA	49,582	40,384	39,247	36,800	33,654
Non-GAAP EBITDA	4,606	4,606	4,308	4,304	4,304
Capital expenditure (including acquisitions)	51,115	14,914	20,082	13,723	9,376
Shares outstanding	23,334,899	22,217,076	23,385,510	23,081,265	22,806,838
Weighted average basic	23,093,996	22,695,999	23,248,000	23,008,389	22,366,896
Weighted average - diluted	23,495,618	23,749,221	23,520,271	23,628,596	22,993,115
Number of employees at 12/31	2,212	2,106	2,499	2,412	2,161

Both EBIT and EBITDA are non-US GAAP measures and are presented for informational purposes. They should not be construed as an alternative to net earnings (loss), as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with US GAAP). These measures should be reviewed in conjunction with the relevant US GAAP financial measures. EBIT and EBITDA as we have calculated them may not be comparable to similarly titled measures reported by other companies.

EBIT presented above represents net income (loss) adjusted for interest expense (net of interest income), income tax expense and no adjustment of interest expense for discontinued operations, if any. EBIT is useful in evaluating our operating results for the following reasons:

- EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions where we operate and the impact of tax timing differences that may vary from time-to-time and from jurisdiction-to-jurisdiction

- EBIT 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 hold a such operating assets.
- EBIT removes the impact of our historically significant net loss carry-forwards.
- EBIT allows a better performance comparison between RDI and other companies. For example, it allows us to compare ourselves with other companies that may have more or less debt than we do.

We define EBITDA as net income adjusted for interest expense (net of interest income), income tax expense, depreciation and amortization expense, and an adjustment of interest expense, depreciation, and amortization for discontinued operations, if any. EBITDA is useful principally for the following reasons:

- EBITDA is an industry comparative measure of financial performance. Analysts and financial commentators who report on the cinema exhibition and real estate industries often use EBITDA to determine the valuation of a company in such industries.
- EBITDA is a measure used by financial institutions to determine the credit rating of companies in cinema exhibition and real estate industries.

Reconciliation of EBIT and EBITDA to net income is presented below:

(\$ in thousands)	2015	2014	2013	2012	2011
Net income (loss) attributable to RDI	\$ 22,733	\$ 23,791	\$ 3,041	\$ 914	\$ 1,998
Add: Interest expense, net	7,304	9,000	10,077	16,426	21,038
Add: Income tax (benefit) expense	4,942	(3,785)	2,342	8,394	(12,310)
EBIT	\$ 35,020	\$ 29,016	\$ 24,020	\$ 20,416	\$ 18,664
Add: Depreciation and amortization	14,861	15,468	15,197	16,049	16,095
Adjustments for discontinued operations	--	--	--	335	365
EBITDA	\$ 49,881	\$ 44,484	\$ 39,217	\$ 36,800	\$ 35,124

## Item 7 – Management's Discussions and Analysis of Financial Condition and Results of Operations

### Organization of Information

Management's Discussion and Analysis provides a narrative on the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Forward-Looking Statements
- Company Overview
- Cinema Activities
- Consolidated Results and Non-Segment Results
- Business Segment Results
- Business Plan, Liquidity and Capital Resources
- Contractual Obligations, Commitments and Contingencies
- Financial Risk Management
- Critical Accounting Policies and Estimates

### FORWARD LOOKING STATEMENTS

Our statements in this annual report, including the documents incorporated herein by reference, 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 are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies after having considered a variety of risks and uncertainties. Forward-looking statements 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 a 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 and our financial condition 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-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 and Blu-ray/DVD 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;



- o the extent to which our cinemas can continue to serve as an anchor tenant that will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations; and
- o 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:
  - o 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;
  - o the relative value of the currency used in the countries in which we operate;
  - o changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
  - o 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);
  - o 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;
  - o 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
  - o changes in applicable accounting policies and practices.

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and it is 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, the 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-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.

#### COMPANY OVERVIEW

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

- Cinema exhibition, through our 58 multiplex cinemas; and
- Real estate, including real estate development and the rental of retail, commercial and live theater assets.

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

We manage our worldwide cinema exhibition businesses under various brands:

- in the U.S., under the following brands: Reading Cinema's, Angelika Film Center's, Consolidated Theaters, and City Cinema's;
- in Australia, under the Reading Cinema's brand; and
- in New Zealand, under the Reading Cinema's and Rialto brands.

## CINEMA ACTIVITIES

We believe the cinema business to be one that will likely continue to generate fairly consistent cash flows in the years ahead, even in a 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. Because we believe the cinema exhibition business to be a mature business with most markets either adequately saturated or over-saturated, we see growth in our cinema business coming principally from (i) the enhancement of our existing cinemas (for example, by the addition of luxury seating and expanding our food and beverage offerings), (ii) the development in select markets of specialty cinemas, and (iii) 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. We continue 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 that we believe to be resistant to recessionary trends.

We see ourselves principally as a geographically diversified real estate and cinema exhibition 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

Along with the majority of our industry, we have completed the conversion of all of our U.S., Australia, and New Zealand cinema operations to digital exhibition. 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.

The "in-home" entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to and quality of entertainment programming through alternative film distribution channels, such as network, cable, satellite, internet distribution channels, and Blu-ray/DVD. The success of these alternative distribution channels puts additional pressure on film distributors to reduce and/or eliminate the time period between theatrical and secondary release dates. These are issues common to both our U.S. 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 choices. These include, in some cases, food service to the seat and the offering of alcoholic beverages. We have for some years offered premium seating, café food selections and alcoholic beverages in certain cinemas. Accordingly, we are experienced in, and believe that we can compete effectively with, this emerging competition. We are currently reviewing the potential for further expanding our offerings at a variety of our 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 56% 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. 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, and we have a number of projects commencing. 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 significantly over the past three years, and we have noted strengthening rental income 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 2015 Annual Report under the subheading "Operating Information – Cinema Exhibitions."

In September 2015, we reopened a completely refurbished state-of-the-art cinema complex in Hobart, Tasmania, Australia. In October 2015, we re-opened the twelve-screen Angelika Film Center & Cafe, a state-of-the-art luxury cinema, located at Carmel Mountain Plaza in San Diego. Finally, in November 2015, we opened the new state-of-the-art eight-screen Reading Cinemas LynalMall, our first Reading branded Auckland cinema complex, in New Lynn, New Zealand.

In October 2015, at the end of our lease period, we closed our Redbank cinema, in Queensland, Australia.

During 2014, we opened a three-screen Angelika Pop-Up! at Union Market in Washington, D.C., as well as a six-screen complex in Dunedin, New Zealand.

In December 2013, we acquired a five-screen cinema in Phoebe, Texas that we previously had managed since 2003.

Our cinema revenues consist primarily of admissions, concessions, advertising and theater rentals. 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 2015, our income operating property consisted of the following:

- our Belmont, Western Australia ITC, our Auburn, New South Wales ITC and our Wellington, New Zealand ITC;
- our Newmarket shopping center in Newmarket, Queensland, a suburb of Brisbane;
- three single-auditorium live theaters in Manhattan (Minsk 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 auxiliary retail and commercial tenants; at the end of December 2015, the Union Square building was closed in connection with the proposed redevelopment of the building;
- 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-ETC 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 including some that was used in our historic activities. We also own 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*

##### *Cannon Park, Australia*

In December 2015, we acquired two adjoining entertainment themed centers in Townsville, Queensland, Australia for a total of \$243 million (AU\$33.6 million). The total gross leasable area of the two adjoining properties, the Cannon Park City Centre and the Cannon Park Discount Centre, is 133,000 square feet. The Cannon Park City Centre is anchored by a Reading Cinema, which is owned by Reading International's 75% owned subsidiary, Australia Country Cinemas, and has three mini-major tenants and ten specialty family oriented restaurant tenants. The Cannon Park Discount Centre is anchored by Kingpin Bowling and supported by five other retailers. The properties are located approximately 0.6 miles from downtown Townsville, the second largest city in Queensland, Australia. For additional information, see Note 4 – *Acquisitions, Disposals, and Assets Held for Sale – 2015 Transactions – Cannon Park, Queensland, Australia*.

##### *Newmarket, Australia*

In November 2015, we acquired a commercial building in Newmarket adjacent to our Newmarket shopping complex currently improved with an office building. The total cost of the acquisition was \$5.5 million (AU\$7.6 million). Our intention is that this parcel will ultimately be integrated into our Newmarket Shopping Center. See Note 4 – *Acquisitions, Disposals, and Assets Held for Sale – 2015 Transactions – Cannon Park, Queensland, Australia*.

##### *Piano, Texas*

In December 2013, we settled a management fee claim that we had against the owner of the Piano, 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 rental 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 consolidated statement of operations for the year ended December 31, 2013. We also acquired in 2013 the 50% interest we did not own in Angelika Film Centers, LLC.

#### Disposals

##### *Land Held for Sale – Burwood*

On May 12, 2014, we entered into a contract to sell our undeveloped 50.6-acre parcel in Burwood, Victoria, Australia, to an affiliate of Australand Holdings Limited for a purchase price of \$47.5 million (AU\$65.0 million). Reading received \$5.5 million (AU\$6.5 million) on May 23, 2014 closing. The balance of the purchase price is due on December 31, 2017.

##### *Taupo*

On March 31, 2015, we entered into sale agreements to sell both of our Lake Taupo properties to the same purchaser. 138 Lake Terrace, an improved 20 unit motor inn, settled on May 6, 2015 for \$1.7 million (NZ\$2.2 million). Settlement of \$821,000 (NZ\$1.2 million) was received on March 31, 2016 for 142 Lake Terrace, an unimproved vacant parcel of land.

##### *Moosee Ponds Property*

In 2013, we entered into a purchase and sale agreement to sell our 3.3-acre properties in Moosee Ponds for \$21.4 million (AU\$23.0 million) which closed on April 16, 2015.

#### 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."

CONSOLIDATED RESULTS AND NON-SEGMENT RESULTS

				% Change Per(Units)	
(Dollars in thousands)	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
RM (2014): 2,125(1):15					
Cinema exhibition operating income	\$ 31,876	\$ 27,343	\$ 26,545	15%	11%
Real estate operating income	6,789	7,425	30,921	(8)%	(75)%
NON-SEGMENT RESULTS					
Depreciation and amortization expense	(444)	(560)	(433)	(18)%	(23)%
General and administrative expense	(14,926)	(14,282)	(14,138)	(5)%	(1)%
Interest expense, net	(7,049)	(6,088)	(10,022)	(15)%	(40)%
Netty earnings of associate/related joint ventures and entities	1,304	1,015	1,382	19%	(20)%
Gain on sale of assets	11,023	53	(639)	> 100%	(6,100)%
Other income (expense)	(410)	1,646	1,875	(100)%	(17)%
Income before income taxes	27,617	15,819	12,041	74%	73%
Income tax benefit (expense)	(4,843)	9,785	(4,042)	(100)%	(100)%
Net income	\$ 22,774	\$ 25,604	\$ 8,000	(11)%	> 100%
Less: Net income (loss) attributable to noncontrolling interests	(79)	(57)	104	39%	> 100%
Net income attributable to RDM common stockholders	\$ 22,695	\$ 25,547	\$ 7,896	(11)%	> 100%
Basic EPS	\$ 0.88	\$ 1.10	\$ 0.30	(11)%	> 100%

Consolidated Results - 2015 vs. 2014

Net income attributable to RDM common stockholders was lower by \$2.9 million or 11% to \$22.7 million. This reduction was mainly due to a \$14.7 million increase in income tax expense, a \$2.7 million decrease in Real Estate segment income, a \$2.1 million reduction in other income and a \$638,000 increase in non-segment general and administrative expense. These were offset by an \$11.0 million gain on sale, a \$4.2 million increase in Cinema segment income and a \$1.7 million reduction in net interest expense. These are discussed in more detail below.

Non-Segment Results - 2015 vs. 2014

General and administrative expense

General and administrative expense for 2015 increased by \$639,000 or 4%, mainly due to higher legal, consulting and Board of Directors fees in the U.S., offset by lower payroll expenses and foreign exchange rate movements resulting in lower Australia and New Zealand general and administration expense in U.S. dollars. For more information about legal expenses, please refer to Item 3-*Legal Proceedings*.

Interest expense, net

Interest expense, net for 2015, decreased by \$1.7 million or 19%, mainly due to a reduction in interest rates, lower net borrowing, favorable revaluations of interest rate swaps, as well as foreign exchange rate movements.

Gain on sale of assets

Net gain on sale of assets for 2015 increased by \$11.0 million, primarily due to the finalization of the sale of our Moonsee Ponds site in Australia, our Los Angeles condominium and our Lake Tangu Motel in New Zealand.

Other income (expense)

Other income and expense changed by \$2.1 million or 127%, mainly due to a \$1.6 million (NZ \$2.0 million) reduction in business interruption income from the Courtenay Central carpark building, as well as a \$495,000 (AU \$700,000) settlement relating to a historical accident at one of our Australian sites.

**Equity earnings**

Equity earnings from unconsolidated investments increased by \$189,000 or 19%, primarily related to a increase in income from our Mt. Gravatt investment.

**Income tax benefit (expense)**

Income tax expense changed by \$14.7 million compared to 2014, mainly due to the reversal in 2014 of the U.S. valuation allowance that had been recorded against deferred tax assets.

**Consolidated Results 2014 vs. 2013**

Net income attributable to RDI common stockholders increased by \$16.7 million or 185% to \$25.7 million. This increase was mainly due to a \$14.7 million change in income tax expense, a \$1.3 million increase in segment operating income, as well as a \$1.0 million reduction in net interest expense. These are discussed in more detail below.

**Non-Segment Results - 2014 vs. 2013**

**General and administrative expense**

General and administrative expenses for 2014 increased marginally by \$149,000 or 1.1% from 2013.

**Interest expense, net**

Net interest expense decreased by \$1.0 million compared to 2013. The decrease in interest expense during 2014 resulted from our ability to refinance certain debt obligations at favorable rates in comparison to the existing rates. Additionally, our interest expense was lower in the 2014 due to a decrease in the fair value of our interest rate swap liabilities in 2014 compared to 2013.

**Other income (expense)**

The \$1.6 million in other income during 2014 was primarily related to the receipt of insurance proceeds received during 2014 for the Courtenay Central parking structure business interruption recovery claim. 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 due to the February 22, 2011 earthquake (see Note 19 – *Casualty Loss* to our consolidated financial statements).

**Equity earnings**

Equity earnings from unconsolidated investments decreased by \$354,000 or 26% primarily related to a decrease in income from our Mt. Gravatt investment.

**Income tax benefit (expense)**

Income tax benefit of \$9.8 million in 2014 compared to a \$4.9 million expense in 2013 was a result of the reversal of the valuation allowance in the United States. The valuation allowance reversal is a result of the tax benefit that we now expect to realize.

**BUSINESS SEGMENT RESULTS**

At December 31, 2015, we wholly owned and operated 54 cinemas with 443 screens, had interests in certain unconsolidated joint ventures and entities that own an additional 3 cinemas with 29 screens and managed 1 cinema with 4 screens. During the period, we also (i) owned and operated five ET Cs that we developed in Australia and New Zealand, (ii) owned the fee interests in three developed commercial properties in Manhattan and Chicago improved with live theaters, which have a live stages and ancillary retail and commercial space, (iii) owned the fee interests in the Union Square building in Manhattan that we are redeveloping, which had, until the end of this fiscal year, operated as a live theater and rental property, (iv) owned the fee interests underlying one of our Manhattan cinemas, (v) held for development an additional four parcels aggregating approximately 7.4 acres located principally in urbanized areas of Australia and New Zealand (calculated net of our Lake Taupo and Bluewood Properties), and (vi) owned 50% of a 202-acre property that is zoned for the development of approximately 550 single-family residential units in the U.S. In addition, we continue to hold various properties that had been previously used in our historic railroad operations.

The Company operates business in Australia and New Zealand and is subject to risks associated with changing foreign currency exchange rates. During the current year, compared to the prior-year, the Australian dollar and New Zealand dollar weakened against the U.S. dollars by 11% and 12%, respectively.

Business Segment Results - 2015 vs. 2014

	2015		2014		% Change Better/Worse	
	Classics	Real Estate	Classics	Real Estate	Classics	Real Estate
<b>(Dollars in thousands)</b>						
Segment revenue	\$ 14,288	\$ 21,317	\$ 137,880	\$ 15,198	2%	(11)%
Segment expense						
Cost of services and products (including depreciation and amortization)	(196,344)	(10,293)	(195,895)	(5,773)	7%	(14)%
Depreciation and amortization	(11,161)	(3,107)	(11,047)	(4,061)	(7)%	23%
Operational and administrative expense	(3,030)	(764)	(3,273)	(3,049)	36%	(30)%
Total segment expense	(210,535)	(14,164)	(210,215)	(14,873)	5%	1%
Segment operating result	\$ 14,093	\$ 17,154	\$ 27,665	\$ 3,325	15%	(24)%

Cinema Exhibition - 2015 vs. 2014

(Dollar in thousands)		2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Yr / (Unfav)
<b>REVENUE</b>						
United States	Admission revenue	\$ 16,717	61 %	\$ 83,197	66 %	4 %
	Concession revenue	34,969	29 %	51,490	34 %	3 %
	Advertising and other revenue	8,219	6 %	6,842	6 %	19 %
		\$ 59,905	100 %	\$ 141,529	100 %	1 %
Australia	Admission revenue	14,814	64 %	58,148	66 %	10 %
	Concession revenue	24,349	28 %	24,278	27 %	1 %
	Advertising and other revenue	6,872	8 %	6,068	7 %	13 %
		\$ 46,035	100 %	\$ 88,494	100 %	13 %
New Zealand	Admission revenue	15,489	67 %	15,008	67 %	3 %
	Concession revenue	6,104	26 %	6,415	27 %	12 %
	Advertising and other revenue	1,702	6 %	1,265	5 %	3 %
		\$ 23,295	100 %	\$ 22,688	100 %	3 %
	<b>Total revenue</b>	<b>\$ 242,281</b>	<b>100 %</b>	<b>\$ 237,861</b>	<b>100 %</b>	<b>2 %</b>
<b>EXPENSES</b>						
<b>Cost of services and products (incl. depreciation and amortization)</b>						
United States	Film rent and advertising cost	\$ (46,177)	(75) %	\$ (46,213)	(73) %	(4) %
	Concession cost	(6,448)	(7) %	(6,143)	(7) %	(3) %
	Marketing expense	(24,800)	(20) %	(25,201)	(20) %	(4) %
	Other expense	(15,270)	(22) %	(14,873)	(22) %	(4) %
		\$ (92,695)	(82) %	\$ (92,430)	(82) %	0 %
Australia	Film rent and advertising cost	(25,491)	(70) %	(26,677)	(70) %	4 %
	Concession cost	(4,914)	(6) %	(5,283)	(6) %	(3) %
	Marketing expense	(14,383)	(17) %	(16,293)	(18) %	15 %
	Other expense	(18,522)	(22) %	(16,020)	(24) %	4 %
		\$ (63,310)	(73) %	\$ (64,273)	(76) %	6 %
New Zealand	Film rent and advertising cost	(2,141)	(9) %	(2,333)	(10) %	3 %
	Concession cost	(1,470)	(6) %	(1,461)	(7) %	11 %
	Marketing expense	(4,107)	(12) %	(4,599)	(13) %	8 %
	Other expense	(5,187)	(22) %	(5,512)	(23) %	6 %
		\$ (13,905)	(17) %	\$ (13,905)	(18) %	1 %
	<b>Total cost of services and products (incl. depreciation and amortization)</b>	<b>\$ (196,544)</b>	<b>(81) %</b>	<b>\$ (195,896)</b>	<b>(82) %</b>	<b>-5 %</b>
<b>Depreciation, amortization and general administrative expenses</b>						
United States	Depreciation and amortization	\$ (5,511)	(7) %	\$ (5,118)	(7) %	(8) %
	General and administrative expense	(7,223)	(9) %	(7,592)	(9) %	(3) %
		\$ (12,734)	(16) %	\$ (12,710)	(16) %	0 %
Australia	Depreciation and amortization	(8,321)	(23) %	(9,660)	(25) %	3 %
	General and administrative expense	(782)	(7) %	(1,034)	(7) %	26 %
		\$ (9,103)	(10) %	\$ (10,694)	(12) %	17 %
New Zealand	Depreciation and amortization	(1,304)	(6) %	(1,000)	(7) %	(3) %
	General and administrative expense	0	0 %	(41)	(0) %	121 %



	\$	(0.34%)	\$	(0.30%)	1%
Total depreciation, amortization, and general and administrative expenses	\$	(2,461)	\$	(14,822)	(0.9%)
Total expenses	\$	(210,285)	\$	(210,510)	(0.7%)
OPERATING INCOME					
United States	\$	9,618	\$	8,697	11%
Australia		12,948		13,292	(8.9%)
New Zealand		3,940		3,334	17%
Total operating income	\$	31,506	\$	25,323	23.6%

#### Cinema segment operating income

Cinema segment operating income increased by 15%, or \$4.2 million, to \$31.6 million for the year ended December 31, 2015 compared to December 31, 2014, primarily driven by increased admissions, offset by unfavorable foreign currency movements. Refer below for further explanations.

#### Revenue

The revenue in the United States for 2015 increased by \$7.2 million or 6%, primarily driven by a higher average admission price. Australian cinema revenue decreased by \$2.3 million, or 3%, primarily due to higher admission revenue and higher concession revenue in local currencies as result of higher attendance, more than offset by unfavorable foreign exchange movements. In New Zealand, cinema revenue decreased by \$485,000 or 2%, mainly due to higher admission revenue and higher concession revenue in local currencies as a result of higher attendance and the opening of our Dunedin cinema in the last week of June 2014 and our Lyttelton cinema in November 2015, more than offset by unfavorable foreign exchange movements.

#### Cost of services and products (excluding depreciation and amortization)

Cost of services and products for 2015 increased by \$648,000, which was mainly attributable to increased costs due to increased admissions, which included higher film rental, payroll, occupancy and other costs. We also had additional costs associated with the refurbishment of our Angelika Film Center Carmel Mountain Plaza, the opening of our new theater, Lyttelton in Auckland, New Zealand, and cost relating to the preparation of closing our Gaslamp Theater; these increased costs were mostly offset by movements in foreign currency.

U.S. cost of services and products increased by \$6.0 million or 6%, primarily driven by higher film rent associated with increased box office sales. Australia and New Zealand cinema cost of services and products both decreased by 6%, primarily due to the favorable impact of foreign exchange rate movements.

Cost of services and products as a percentage of gross revenue improved by 1% down to 81%, mainly attributable to the percentage of fixed costs compared to the increases in our revenue streams.

#### Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2015 decreased by \$461,000, or 3%, with lower general and administrative expense being the main driver. General and administrative expense decreased by \$574,000, or 16%, mainly driven by cost reductions from a favorable currency effect for expenses in Australia and New Zealand, and some cost savings in the U.S.

(Dollar in thousands)		2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Var. / (Unlv)
<b>REVENUE</b>						
United States	Live dealer rental and auxiliary income	\$ 3,584	72 %	\$ 3,342	81 %	15 %
	Property rental income	\$ 1,492	28 %	\$ 1,115	27 %	(10) %
		\$ 5,340	100 %	\$ 5,135	100 %	4 %
Australia	Property rental income	\$ 11,534	100 %	\$ 11,002	100 %	(10) %
New Zealand	Property rental income	\$ 4,865	100 %	\$ 5,517	100 %	(10) %
		\$ 11,373	100 %	\$ 11,340	100 %	(1) %
<b>OPERATING EXPENSE</b>						
Cost of services and products (incl. depreciation and amortization)						
United States	Live dealer cost	\$ (4,243)	(80) %	\$ (1,192)	(27) %	(168) %
	Property cost	\$ (754)	(14) %	\$ -	0 %	(1,900) %
	Occupancy expense	\$ (1,010)	(19) %	\$ (974)	(19) %	(4) %
		\$ (5,987)	(112) %	\$ (2,166)	(42) %	(1,115) %
Australia	Property cost	\$ (1,673)	(14) %	\$ (2,219)	(19) %	25 %
	Occupancy expense	\$ (1,723)	(14) %	\$ (2,337)	(19) %	22 %
		\$ (3,396)	(28) %	\$ (4,556)	(38) %	29 %
New Zealand	Property cost	\$ (1,343)	(27) %	\$ (1,192)	(23) %	(14) %
	Occupancy expense	\$ (700)	(14) %	\$ (840)	(15) %	17 %
		\$ (2,043)	(41) %	\$ (2,032)	(37) %	(1) %
		\$ (10,940)	(117) %	\$ (9,703)	(85) %	(120) %
Depreciation, amortization, and general and administrative expense						
United States	Depreciation and amortization	\$ (130)	(2) %	\$ (127)	(3) %	(1) %
	General and administrative expense	\$ (288)	(5) %	\$ (341)	(7) %	15 %
		\$ (418)	(8) %	\$ (468)	(9) %	35 %
Australia	Depreciation and amortization	\$ (1,713)	(14) %	\$ (2,131)	(19) %	26 %
	General and administrative expense	\$ (2,511)	(21) %	\$ (3,100)	(28) %	27 %
		\$ (4,224)	(35) %	\$ (5,231)	(47) %	35 %
New Zealand	Depreciation and amortization	\$ (923)	(19) %	\$ (949)	(17) %	5 %
	General and administrative expense	\$ (130)	(2) %	\$ (131)	(2) %	9 %
		\$ (1,053)	(21) %	\$ (1,080)	(19) %	3 %
		\$ (5,277)	(55) %	\$ (6,311)	(55) %	75 %
		\$ (14,783)	(157) %	\$ (14,873)	(129) %	1 %
<b>Operating income</b>						
United States		\$ (457)	(9) %	\$ 2,224	53 %	(120) %
Australia		\$ 6,008	52 %	\$ 5,183	46 %	45 %
New Zealand		\$ 1,848	38 %	\$ 2,068	37 %	(11) %
		\$ 7,204	76 %	\$ 7,455	65 %	(20) %
		\$ 6,726	71 %	\$ 9,475	84 %	(20) %