

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, revaluation 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 Reading 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.

Electronically Filed  
Aug 30 2019 12:27 p.m.  
Elizabeth A. Brown  
Clerk of Supreme Court

# NOTE 10 - Debt

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

| December 31, 2015                      |                   |                      |                   |                      |                                        |
|----------------------------------------|-------------------|----------------------|-------------------|----------------------|----------------------------------------|
| (Dollar in thousands)                  | Maturity Date     | Contractual Facility | Balance           | Stated Interest Rate | Effective Interest Rate <sup>(1)</sup> |
| Denominated in USD:                    |                   |                      |                   |                      |                                        |
| Trust Preferred Securities (USA)       | April 30, 2027    | \$ 27,913            | \$ 27,913         | 4.32%                | 5.20%                                  |
| Bank of America Credit Facility (USA)  | November 25, 2019 | 33,000               | 29,750            | 2.92%                | 3.65%                                  |
| Bank of America Line of Credit (USA)   | October 31, 2017  | 5,000                | 2,500             | 3.42%                | 3.42%                                  |
| Cinema 1, 2, 3 Term Loan (USA)         | July 1, 2016      | 15,000               | 15,000            | 3.75%                | 3.75%                                  |
| Cinema 1, 2, 3 Line of Credit (USA)    | July 1, 2016      | 6,000                | —                 | 3.75%                | 3.75%                                  |
| Mineco & Oxychem Theatres Loan (USA)   | June 1, 2013      | 7,500                | 7,500             | 3.00%                | 3.00%                                  |
| Union Square Line of Credit (USA)      | June 2, 2017      | 8,000                | 8,000             | 3.65%                | 3.65%                                  |
| Denominated in FC <sup>(2)</sup> :     |                   |                      |                   |                      |                                        |
| NAB Corporate Term Loan (AU)           | June 30, 2019     | 48,452               | 26,594            | 3.06%                | 3.06%                                  |
| Westpac Corporate Credit Facility (NZ) | March 31, 2018    | 34,210               | 13,684            | 4.45%                | 4.45%                                  |
| <b>Total</b>                           |                   | <b>\$ 207,075</b>    | <b>\$ 130,941</b> |                      |                                        |

<sup>(1)</sup> Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Trust Preferred Securities 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                      |                   |                      |                   |                      |                                        |
|----------------------------------------|-------------------|----------------------|-------------------|----------------------|----------------------------------------|
| (Dollar in thousands)                  | Maturity Date     | Contractual Facility | Balance           | Stated Interest Rate | Effective Interest Rate <sup>(1)</sup> |
| Denominated in USD:                    |                   |                      |                   |                      |                                        |
| Trust Preferred Securities (USA)       | April 30, 2027    | \$ 27,913            | \$ 27,913         | 4.23%                | 5.20%                                  |
| Bank of America Credit Facility (USA)  | November 25, 2019 | 55,000               | 29,750            | 2.67%                | 3.63%                                  |
| Bank of America Line of Credit (USA)   | October 31, 2017  | 5,000                | —                 | 3.17%                | 3.17%                                  |
| Cinema 1, 2, 3 Term Loan (USA)         | July 1, 2016      | 15,000               | 15,000            | 3.69%                | 3.69%                                  |
| Cinema 1, 2, 3 Line of Credit (USA)    | July 1, 2016      | 6,000                | —                 | 3.69%                | 3.69%                                  |
| Mineco & Oxychem Theatres Loan (USA)   | June 1, 2013      | 7,500                | 7,500             | 2.94%                | 2.94%                                  |
| Union Square Theatre Term Loan (USA)   | May 1, 2015       | 7,500                | 6,463             | 5.92%                | 5.92%                                  |
| Denominated in FC <sup>(2)</sup> :     |                   |                      |                   |                      |                                        |
| NAB Corporate Term Loan (AU)           | June 30, 2019     | 47,401               | 47,401            | 5.04%                | 7.53%                                  |
| NAB Corporate Credit Facility (AU)     | June 30, 2019     | 8,173                | 8,173             | 5.04%                | 5.04%                                  |
| Westpac Corporate Credit Facility (NZ) | March 31, 2015    | 21,829               | 21,829            | 5.80%                | 5.80%                                  |
| <b>Total</b>                           |                   | <b>\$ 205,518</b>    | <b>\$ 166,036</b> |                      |                                        |

<sup>(1)</sup> Effective interest rate includes the impact of interest rate derivatives hedging interest rate risk associated with Trust Preferred Securities, 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 \$ 51.5 million in 20 -year fully subordinated notes to a trust that we control, which in turn issued \$ 51.5 million in securities. Of the \$51.5 million, \$ 50.0 million in TPS were issued to unrelated investors in a private placement and \$ 1.5 million of common trust securities were issued by the trust to Reading called "Investment in Reading International Trust I" on our balance sheets. 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 those securities through an exchange of \$11.5 million worth of marketable securities purchased during the period for the express purpose of executing this exchange transaction with the third party holder of these TPS. During the twelve months ended 2009, we amortized \$106,000 of discount to interest income associated with the holding of these securities prior to their extinguishment. On April 30, 2009, we extinguished \$22.9 million of these TPS, which resulted in a gain on retirement of subordinated debt (TPS) of \$10.7 million net of loss on the associated write-off of deferred loan costs of \$749,000 and a reduction in our Investment in Reading International Trust I from \$1.5 million to \$858,000 .

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.

##### *Cinemas 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 Ophemus Theatres Loan*

In May 2013, we refinanced our Liberty Theaters loan with a \$7.5 million loan, secured by our Minetta and Ophemus 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 2.95% 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-tiered 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 Markets Loan facility. The new facility has an interest rate of 0.95% above BBSY on any outstanding borrowings and an unchanged maturity date of June 30, 2019. In addition, we will incur a facility fee of 0.95% per annum. We also have a \$3.6 million (AU \$5.0 million) Bank Guarantee facility at a rate of 1.90% 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                                 | \$                             | 13,000  |
| 2017                                 |                                | 10,500  |
| 2018                                 |                                | 21,184  |
| 2019                                 |                                | 56,344  |
| 2020                                 |                                | —       |
| Thereafter                           |                                | 27,913  |
| Total future principal loan 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 |        |
|--------------------------------|-------------------|--------|-------------------|--------|
| <b>Current liabilities</b>     |                   |        |                   |        |
| Lease liability <sup>(1)</sup> | \$                | 5,900  | \$                | 5,900  |
| Accrued pension <sup>(2)</sup> |                   | 1,539  |                   | 888    |
| Security deposit payable       |                   | 180    |                   | 202    |
| Other                          |                   | 21     |                   | 12     |
| Other current liabilities      | \$                | 7,640  | \$                | 6,969  |
| <b>Other liabilities</b>       |                   |        |                   |        |
| Straight-line rent liability   | \$                | 10,823 | \$                | 9,246  |
| Accrued pension <sup>(2)</sup> |                   | 6,256  |                   | 6,740  |
| Lease make-good provision      |                   | 5,228  |                   | 4,385  |
| Environmental reserve          |                   | 1,656  |                   | 1,686  |
| Interest rate swap             |                   | 156    |                   | 2,177  |
| Deferred Revenue - Real Estate |                   | 4,596  |                   | 5,083  |
| Acquired leases                |                   | 866    |                   | 1,265  |
| Other                          |                   | 501    |                   | 3,009  |
| Other liabilities              | \$                | 30,062 | \$                | 33,561 |

<sup>(1)</sup> Represents the lease liability of the option associated with the ground lease purchase of the Village East Cinema. See below for more information.

<sup>(2)</sup> 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:

| (Dollars in thousands)            | December 31, 2015 | December 31, 2014 |
|-----------------------------------|-------------------|-------------------|
| Benefit obligation at January 1   | \$ 7,595          | \$ 7,398          |
| Interest cost                     | 180               | 255               |
| Actuarial gain                    | --                | (55)              |
| Benefit obligation at December 31 | \$ 7,775          | \$ 7,598          |
| Funded status at December 31      | \$ (7,775)        | \$ (7,598)        |

Amounts recognized in the balance sheet consist of:

| (Dollars in thousands)          | December 31, 2015 | December 31, 2014 |
|---------------------------------|-------------------|-------------------|
| Current liabilities             | \$ 1,539          | \$ 858            |
| Other liabilities - Non current | 6,236             | 6,740             |
|                                 | \$ 7,775          | \$ 7,598          |

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 |
|-------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Net periodic benefit cost</b>                                                    |                   |                   |
| Interest cost                                                                       | \$ 180            | \$ 209            |
| Amortization of prior service costs                                                 | --                | 254               |
| Amortization of net actuarial gain                                                  | 207               | 426               |
| Net periodic benefit cost                                                           | \$ 387            | \$ 889            |
| <b>Items recognized in other comprehensive income</b>                               |                   |                   |
| Net loss                                                                            | \$ --             | \$ (58)           |
| Amortization of prior service cost                                                  | --                | (254)             |
| Amortization of net loss                                                            | (207)             | (426)             |
| Total recognized in other comprehensive income                                      | \$ (207)          | \$ (738)          |
| <b>Total recognized in net periodic benefit cost and other comprehensive income</b> | <b>\$ 180</b>     | <b>\$ 151</b>     |

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 |
|--------------------------------------|-------------------|-------------------|
| Unamortized actuarial loss           | \$ 2,848          | \$ 3,065          |
| Accumulated other comprehensive loss | \$ 2,848          | \$ 3,065          |

The estimated unamortized 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 \$207,000.

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                   | \$ 1,339                          |
| 2017                   | 684                               |
| 2018                   | 684                               |
| 2019                   | 684                               |
| 2020                   | 684                               |
| Thereafter             | 3,500                             |
| Total pension payments | \$ 7,728                          |

#### 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 changes 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 3.5 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 terms. 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         | \$ 30,565 | \$ 30,914 | \$ 32,054 |
| Contingent rental expense | 1,848     | 1,223     | 1,302     |
| Total cinema rent expense | \$ 32,413 | \$ 32,137 | \$ 33,356 |

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

|                        | Minimum Lease Payments at December 31, 2015 |                |                 |            |
|------------------------|---------------------------------------------|----------------|-----------------|------------|
| (Dollars in thousands) | Ground Lease                                | Premises Lease | Equipment Lease | Total      |
| 2016                   | \$ 3,529                                    | \$ 23,894      | \$ 2,694        | \$ 30,117  |
| 2017                   | 3,621                                       | 23,712         | 2,665           | 29,998     |
| 2018                   | 3,609                                       | 22,458         | -               | 26,067     |
| 2019                   | 3,691                                       | 19,683         | -               | 23,374     |
| 2020                   | 1,388                                       | 15,324         | -               | 16,712     |
| Thereafter             | 11,339                                      | 110,790        | -               | 122,129    |
| Total                  | \$ 27,197                                   | \$ 215,861     | \$ 5,359        | \$ 248,417 |

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 amounts 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 AUDIT/LITIGATION

The Internal Revenue Service (the "IRS") examined the tax return of Crig 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 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." Cause No.: A-15-719860-V, Dept XI (the "Cotter Jr. Derivative Action" and the "Cotter, Jr. Complaint," respectively) against the Company and each of our other then sitting Directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachem, 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 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 Wrotniak, 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; Tilon 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; 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 Coddington and Michael Wrotniak and Company legal counsel, Craig Tompkins. The cost of the defense of Directors Coddington 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 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 Theatres, 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:

- Australian 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:

| (Dollars in thousands)                                | December 31, 2015 | December 31, 2014 |
|-------------------------------------------------------|-------------------|-------------------|
| AFC LLC                                               | \$ —              | \$ —              |
| Australian Country Cinemas, Pty Ltd                   | 318               | 410               |
| Shadow View Land and Farming, LLC                     | 1,940             | 2,000             |
| Sutton Hill Properties, LLC                           | 2,073             | 2,202             |
| Noncontrolling interests in consolidated subsidiaries | \$ 4,331          | \$ 4,612          |

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

| (Dollars in thousands)                                | 2015   | 2014    | 2013   |
|-------------------------------------------------------|--------|---------|--------|
| AFC LLC                                               | \$ —   | \$ —    | \$ 173 |
| Australian Country Cinemas, Pty Ltd                   | 126    | 143     | 129    |
| Shadow View Land and Farming, LLC                     | (77)   | (64)    | (50)   |
| Sutton Hill Properties, LLC                           | (125)  | (136)   | (145)  |
| Noncontrolling interests in consolidated subsidiaries | \$ (9) | \$ (57) | \$ 104 |

**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 | \$ 1,200,000 | 160,643          | \$ 7.47              |
| 2013 | 750,000      | 125,209          | 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, Directors, 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   | \$   | 13.20  | \$   | 8.56   | \$   | 6.19   |
| Risk-free interest rate       |      | 2.23%  |      | 2.51%  |      | 2.25%  |
| Expected dividend yield       |      |        |      |        |      |        |
| Expected option life in years |      | 4      |      | 5      |      | 5      |
| Expected volatility           |      | 31.86% |      | 31.33% |      | 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               |
| <b>Outstanding - January 1, 2013</b>   | 672,350           | 185,100   | \$ 6.24                         | \$ 9.90 |                                                      |                           |
| Granted                                | 175,000           | --        | 6.19                            | --      |                                                      |                           |
| Exercised                              | (137,500)         | --        | 4.00                            | --      |                                                      | \$ 133,000                |
| <b>Outstanding - December 31, 2013</b> | 709,850           | 185,100   | \$ 6.66                         | \$ 9.90 | 4.70                                                 | \$ 938,503                |
| Granted                                | 80,000            | --        | 8.56                            | --      |                                                      |                           |
| Exercised                              | (157,600)         | --        | 6.21                            | --      |                                                      | \$ 374,022                |
| Expired                                | (64,000)          | --        | 6.83                            | --      |                                                      |                           |
| <b>Outstanding - December 31, 2014</b> | 568,250           | 185,100   | \$ 6.88                         | \$ 9.90 | 2.40                                                 | \$ 4,197,000              |
| Granted                                | 112,000           | --        | 13.30                           | --      |                                                      |                           |
| Exercised                              | (185,685)         | (185,100) | 6.09                            | 9.90    |                                                      | \$ 327,170                |
| Expired                                | (8,000)           | --        | 6.23                            | --      |                                                      |                           |
| <b>Outstanding - December 31, 2015</b> | 486,565           | --        | \$ 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, 2015    | 256,065           | --      | \$ 7.64                         | \$ --   | 2.14                                                 | \$ 1,401,321              |
| December 31, 2014    | 348,000           | 185,100 | 6.82                            | 9.90    | 3.63                                                 | 2,476,230                 |
| December 31, 2013    | 490,350           | 185,100 | 6.85                            | 9.90    | 3.11                                                 | 646,082                   |

#### 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) |
|--------------|-----------------|-----------------|---------------------------|
| 2015         | 240,102         | \$ 12.95        | \$ 3,109                  |
| 2014         | 432,252         | 9.42            | 4,070                     |
| <b>Total</b> | <b>672,354</b>  | <b>\$ 10.68</b> | <b>\$ 7,178</b>           |

# 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 Gain (Losses) on Available-for-Sale Investments | Accrued Pension Service Costs | Total     |
|-----------------------------------------------|------------------------|------------------------------------------------------------|-------------------------------|-----------|
| Balance at January 1, 2015                    | \$ 31,084              | \$ 10                                                      | \$ (3,055)                    | \$ 28,039 |
| Net current-period other comprehensive income | (16,442)               | 2                                                          | 207                           | (16,233)  |
| Balance at December 31, 2015                  | \$ 14,642              | \$ 12                                                      | \$ (2,848)                    | \$ 11,806 |

## 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 statement 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     | \$ 52,413 | \$ --          | \$ --        | \$ 156                    | \$ --                       | -- |
| 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     | \$ 105,360 | \$ --          | \$ --        | \$ 2,153                  | \$ --                       | -- |
| 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 statement of operations, for 2015, 2014, and 2013:

| (Dollars in thousands)                            | 2015     | 2014     | 2013     |
|---------------------------------------------------|----------|----------|----------|
| Net unrealized gains on interest rate derivatives | \$ 2,021 | \$ 1,036 | \$ 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.

| Recurring Fair Value Measurement at December 31, 2015 |         |          |         |       |       |
|-------------------------------------------------------|---------|----------|---------|-------|-------|
| (Dollars in thousands)                                | Level 1 | Level 2  | Level 3 | Total |       |
| <b>Assets</b>                                         |         |          |         |       |       |
| Investments                                           | \$ 51   | \$ --    | \$ --   | \$    | 51    |
| Derivatives                                           | --      | 1        | --      |       | 1     |
| <b>Liabilities</b>                                    |         |          |         |       |       |
| Derivatives                                           | --      | (156)    | --      |       | (156) |
| Total recorded at fair value                          | \$ 51   | \$ (155) | \$ --   | \$    | (104) |

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

## Nonrecurring Fair Value Measurement

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

| Fair Value Measurement at December 31, 2015 |                |           |         |         |           |
|---------------------------------------------|----------------|-----------|---------|---------|-----------|
| (Dollars in thousands)                      | Carrying Value | Level 1   | Level 2 | Level 3 | Total     |
| <b>Financial assets</b>                     |                |           |         |         |           |
| Cash and cash equivalents                   | \$ 19,702      | \$ 19,702 | \$ --   | \$ --   | \$ 19,702 |
| Accounts receivables                        | 10,036         | 10,036    | --      | --      | 10,036    |
| Restricted cash                             | 160            | 160       | --      | --      | 160       |
| <b>Financial liabilities</b>                |                |           |         |         |           |
| Accounts and film rent payable              | \$ 32,929      | \$ 32,929 | \$ --   | \$ --   | \$ 32,929 |
| Notes payable                               | 105,028        | --        | --      | 99,554  | 99,554    |
| Subordinated debt                           | 27,913         | --        | --      | 13,338  | 13,338    |

| (Dollars in thousands)         | Carrying Value | Fair Value Measurement at December 31, 2014 |         |         |      | Total   |
|--------------------------------|----------------|---------------------------------------------|---------|---------|------|---------|
|                                |                | Level 1                                     | Level 2 | Level 3 |      |         |
| <b>Financial assets</b>        |                |                                             |         |         |      |         |
| Cash and Cash equivalents      | \$ 50,248      | \$ 50,248                                   | \$ —    | \$ —    | \$ — | 50,248  |
| Accounts receivables           | 11,348         | 11,348                                      | —       | —       | —    | 11,348  |
| 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                  | 116,123        | —                                           | —       | 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                   | \$                           | 7,919  |
| 2017                   |                              | 6,781  |
| 2018                   |                              | 5,889  |
| 2019                   |                              | 4,938  |
| 2020                   |                              | 3,913  |
| Thereafter             |                              | 16,380 |
| Total                  | \$                           | 45,820 |

#### 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 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 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 \$36.9 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, (ii) borrowings from third parties, and (iii) pro-

rate 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 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 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 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 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 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 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 Ophem 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

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 Courtenay Central ET C. 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<br>Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|----------------------------------------------------|------------------|----------------|---------------|----------------|
| <b>2015</b>                                        |                  |                |               |                |
| Revenue                                            | \$ 60,584        | \$ 72,802      | \$ 57,788     | \$ 66,149      |
| Net income                                         | 3,102            | 36,006         | 328           | 3,258          |
| Net income attributable to RDI shareholders        | 3,118            | 15,997         | 381           | 3,277          |
| Basic earnings per share                           | 0.13             | 0.69           | 0.02          | 0.14           |
| Diluted earnings per share                         | 0.13             | 0.68           | 0.02          | 0.14           |
| <b>2014</b>                                        |                  |                |               |                |
| Revenue                                            | \$ 58,053        | \$ 69,922      | \$ 65,031     | \$ 61,742      |
| Net income (loss)                                  | (254)            | 4,773          | 3,939         | 17,186         |
| Net income (loss) attributable to RDI shareholders | (215)            | 4,757          | 3,939         | 17,220         |
| Basic earnings (loss) per share                    | (0.01)           | 0.20           | 0.17          | 0.74           |
| Diluted earnings (loss) per share                  | (0.01)           | 0.20           | 0.17          | 0.72           |

**NOTE 21 – 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<br>January 1 | Additions | Deductions | Balance at<br>December 31 |
|----------------------------------------|-------------------------|-----------|------------|---------------------------|
| <b>Allowance for doubtful accounts</b> |                         |           |            |                           |
| 2015                                   | \$ 586                  | \$ 786    | \$ 946     | \$ 426                    |
| 2014                                   | \$ 375                  | \$ 297    | \$ 86      | \$ 586                    |
| 2013                                   | \$ 209                  | \$ 505    | \$ 339     | \$ 375                    |
| <b>Tax valuation allowance</b>         |                         |           |            |                           |
| 2015                                   | \$ 15,936               | \$ --     | \$ 4,406   | \$ 11,530                 |
| 2014                                   | \$ 34,022               | \$ --     | \$ 18,086  | \$ 15,936                 |
| 2013                                   | \$ 37,903               | \$ --     | \$ 3,881   | \$ 34,022                 |

Item 9 — Change 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 annual 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. Increase 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 assets 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 remediating 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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



PART III

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      | 50  | Chairperson of the Board and Chief Executive Officer and President (1)                                    |
| Guy W. Adams         | 65  | Director (1) (2)                                                                                          |
| Judy Coddling        | 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. Kaite      | 78  | Director (1) (2) (3) (5)                                                                                  |
| Douglas J. McEachern | 64  | Director (5)                                                                                              |
| Michael Wrotniak     | 49  | Director (5)                                                                                              |

- (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 Show/East 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, Mercer International, Exar 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 entities, 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 Gish 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 5 - 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 Cinemas 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 King's 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 experience as a live theater producer, theater operator and an active member of the New York theatre community, which gives her insight into live theater business trends that affect our business in this sector. Operating and overseeing these properties for over 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 J. McEachern.** Douglas J. 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 Aminco Resources, LLC ("Aminco"), a privately held international commodities trading firm. Mr. Wrotniak joined Aminco in 1991 and is credited with expanding Aminco'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 Aminco's product portfolio. Mr. Wrotniak became a partner of Aminco in 2002. Mr. Wrotniak has been for more than the past six years, a trustee of St. Joseph's Church in Bronxville, 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              | 62  | Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary |
| Robert F. Smerling     | 81  | President - Domestic Cinemas                                                         |
| Wayne D. Smith         | 58  | Managing Director - Australia and New Zealand                                        |
| Andrzej J. Matyczynski | 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: Skilled 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. Smerling. Robert F. Smerling has served as President of our domestic cinema operations since 1994. Mr. Smerling has been in the cinema industry for 58 years and, immediately before joining our Company, served as the President of Loews Theatres 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. Matyczynski. On March 10, 2016, Mr. Matyczynski was appointed as our Executive Vice President—Global Operations. From May 11, 2015 until March 10, 2016, Andrzej J. Matyczynski acted as the Strategic Corporate Advisor to the Company. Mr. Matyczynski 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. Matyczynski 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. Matyczynski       | 4    | December 31, 2012  | Not filed **    |
| Andrzej J. Matyczynski       | 4    | December 31, 2014  | Not filed **    |
| Andrzej J. Matyczynski       | 4    | December 31, 2015  | Not filed **    |
| Made Cohen                   | 4    | November 11, 2015  | Not filed **    |
| Ellen M. Cotter              | 4    | December 31, 2014  | October 9, 2015 |
| James J. Cotter Living Trust | 3    | September 15, 2014 | October 9, 2015 |



|                     |   |                             |                  |
|---------------------|---|-----------------------------|------------------|
| Ellen M. Cotter     | 4 | April 16, 2015              | October 9, 2015  |
| Maureen Cotter      | 4 | April 8, 2015               | October 9, 2015  |
| William Gould       | 4 | April 6, 2015               | October 9, 2015  |
| James J. Cotter Jr. | 4 | March 18, 2014              | March 15, 2016   |
| James J. Cotter Jr. | 4 | November 25, 2013           | December 1, 2015 |
| James J. Cotter Jr. | 4 | August 17, 2013             | August 24, 2015  |
| James J. Cotter Jr. | 4 | July 16, 2015               | July 11, 2015    |
| James J. Cotter Jr. | 4 | June 30, 2015               | July 16, 2015    |
| James J. Cotter Jr. | 4 | June 4, 2016 <sup>(c)</sup> | July 16, 2015    |
| Wayne Smith         | 4 | July 16, 2015               | July 11, 2015    |

- (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. Cotter 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 3, 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 Forms 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    |
|-----------------------|------|-------------------|-------------------|
| Andrzej J. Marczynski | 5    | December 31, 2013 | April 22, 2016    |
| Andrzej J. Marczynski | 5    | December 11, 2014 | March 17, 2015    |
| Andrzej J. Marczynski | 5    | December 31, 2013 | March 12, 2014    |
| Mark Cohen            | 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.reading.edu/corporate/governance/Documenta>.

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.reading.edu/corporate/governance/Documenta>, 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.reading.edu/corporate/governance/Documenta>. 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."

##### CEO 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 the 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:

|                                 |                                   |
|---------------------------------|-----------------------------------|
| Aecadia 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  | Urbis 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, adopted 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 performances 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, Ms. 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:

| Name                                | 2014 Base Salary<br>(\$) | 2015 Base Salary<br>(\$) |
|-------------------------------------|--------------------------|--------------------------|
| 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 \$195,417 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. Matyczynski, whose base salary was \$324,000 in 2015, and Mr. Smith, whose base salary was \$274,897, the base salaries of our other named executive officers generally remained at the levels established for 2014, as shown in the following table:

| Name                                  | 2014 Base Salary<br>(\$) | 2015 Base Salary<br>(\$) |
|---------------------------------------|--------------------------|--------------------------|
| Dev Ghose <sup>(1)</sup>              | —                        | 400,000 <sup>(2)</sup>   |
| Andrzej J. Matyczynski <sup>(3)</sup> | 309,000                  | 324,000                  |
| William Ellis <sup>(4)</sup>          | 350,000 <sup>(5)</sup>   | 350,000                  |
| Robert F. Smerling                    | 350,000                  | 350,000                  |
| Wayne Smith                           | 324,295 <sup>(6)</sup>   | 274,897 <sup>(6)</sup>   |

(1) Devaile 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. Matyczynski, 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. Matyczynski 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. Matyczynski's employment contract, upon his retirement and provided there has been no termination for cause, 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 Ellis submitted his resignation on February 18, 2016, effective March 11, 2016. For 2014, Mr. Ellis earned a prorated base salary of \$71,795.

(4) Mr. Smith's salary was paid in Australian Dollars in the amount of AU\$359,250 in 2014 (shown in the table in U.S. Dollars using exchange rate 0.9027), and AU\$365,360 in 2015 (shown in the table in U.S. Dollars using exchange rate 0.7524). Prior to 2016, 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                   | (\$)                  |
| Ellen M. Cotter        | 250,000               |
| Dev Ghose              | 75,000                |
| Andrzej J. Matyczynski | 0                     |
| William Ellis          | 0 <sup>(1)</sup>      |
| James J. Cotter, Jr.   | 0                     |
| Robert F. Smerling     | 75,000                |
| Wayne Smith            | 71,478 <sup>(2)</sup> |

- (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. Dollar 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. Matyczynski. Mr. Matyczynski, 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 offsets, and to the payment of his vested benefit under his deferred compensation plan discussed below in the section entitled "Other Elements of Compensation." Mr. Matyczynski 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.readlogcd.com/Committee\\_Charters](http://www.readlogcd.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:

Areadis Realty Trust  
Associated Estates Realty Corp.  
Carmike Cinemas Inc.  
Cedar Realty Trust Inc.  
Charter Hall Group  
EPR Properties  
Vicinity Centres  
IMAX Corporation

Inland Real Estate Corp.  
Kite Realty Group Trust  
Marcus Corporation  
Pennsylvania Real Estate Investment Trust  
Ramco-Gershenson Properties Trust  
Urstadt Biddle 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> |
|---------------------------------------|-----------------------------------------------------------------|---------------------------------|---------------------------------|
| Ellen Cotter <sup>(1)</sup>           | President and Chief Executive Officer                           | \$407,000                       | \$450,000                       |
| Dev Ghose <sup>(2)</sup>              | EVP, Chief Financial Officer, Treasurer and Corporate Secretary | 400,000                         | 400,000                         |
| Andrzej J. Matyczynski <sup>(3)</sup> | EVP-Global Operations                                           | 324,000                         | 336,000                         |
| Robert F. Smerling                    | President, US Cinemas                                           | 350,000                         | 375,000                         |
| Wayne Smith                           | Managing Director, Australia and New Zealand                    | 274,897 <sup>(4)</sup>          | 283,491 <sup>(5)</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) Devasis Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015. For 2015, Mr. Ghose earned a pro-rated base salary of \$257,692.

Andrzej J. Matyczynski 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 dollar in the amount of AUD\$365,360 (shown in U.S. Dollars in the table above, using the conversion rate of 0.7324). 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 0.76349).

## 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. Ellen 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. Matyczynski, 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. Matyczynski's aggregate annual bonus opportunity can range from \$0 to \$252,000 (the maximum potential target if additional performance goals are met by Mr. Matyczynski). Mr. Robert Smerling, President, US Cinemas, 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. 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, 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 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 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 1/4th 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) |
|--------------------------|-----------------------------------------------------------------|-----------------------------------------|--------------------------------------------------|
| Ellen M. Carter          | President and Chief Executive Officer                           | \$150,000                               | \$150,000                                        |
| Devala Gloose (2)        | EVP, Chief Financial Officer, Treasurer and Corporate Secretary | 0                                       | 0                                                |
| Krzysztof J. Matyczynski | EVP Global Operations                                           | 37,500                                  | 37,500                                           |
| Robert F. Smerling       | President, US Cinema                                            | 50,000                                  | 50,000                                           |
| Wayne Smith              | Managing Director, Australia and New Zealand                    | 77,000 (3)                              | 77,000 (3)                                       |

(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. Devala Gloose was awarded 100,000 non-statutory stock options vesting over a 4-year period commencing on Mr. Gloose's first day of employment on May 11, 2015.

(3) Although Mr. Smith was paid 50% of \$ 75,000 in Australian 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 these 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. Matyczynski 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. Matyczynski 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. Matyczynski 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. Matyczynski 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. Matyczynski'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. Matyczynski'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. Matyczynski 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 Matyczynski, 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 car 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.

| <b>Officer</b>                      | <b>Annual Allowance (\$)</b> |
|-------------------------------------|------------------------------|
| Dev Ghose                           | 12,000                       |
| William Ellis <sup>(1)</sup>        | 15,000                       |
| Andrzej J. Matyczynski              | 12,000                       |
| Ellen M. Cotter                     | 13,800                       |
| James J. Cotter, Jr. <sup>(1)</sup> | 15,000                       |
| Robert F. Smerling                  | 18,000                       |

(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.

#### Say 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. Cotter, 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. Smerling, President – Domestic Cinema Operations.
- Wayne Smith, Managing Director – Australia and New Zealand.
- James J. Cotter, 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. Cotter, Jr., who served as our principal executive officer until June 12, 2015, (ii) Ellen M. Cotter, 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."

|                                                   |      |             |            |                             | Change in Pension<br>Value and<br>Nonqualified Deferred<br>Compensation<br>Earnings (\$) |                                |            |
|---------------------------------------------------|------|-------------|------------|-----------------------------|------------------------------------------------------------------------------------------|--------------------------------|------------|
|                                                   | Year | Salary (\$) | Bonus (\$) | Stock<br>Awards (\$)<br>(1) | Option<br>Awards (\$)<br>(1)                                                             | All Other<br>Compensation (\$) | Total (\$) |
| Ellen M. Cotter <sup>(b)</sup>                    | 2015 | 402,000     | 250,000    | —                           | —                                                                                        | 25,465 <sup>(a)</sup>          | 677,465    |
| Interim President and<br>Chief Executive Officer, | 2014 | 335,000     | —          | —                           | —                                                                                        | 75,190 <sup>(a)(c)</sup>       | 410,190    |
| Chief Operating Officer -<br>Domestic Cinemas     | 2013 | 335,000     | —          | —                           | —                                                                                        | 24,915 <sup>(a)</sup>          | 359,915    |
| James J. Cotter, Jr. <sup>(a)(c)</sup>            | 2015 | 195,417     | —          | —                           | 50,027 <sup>(c)</sup>                                                                    | 16,161 <sup>(a)</sup>          | 261,605    |
| Former President and<br>Chief Executive Officer   | 2014 | 335,000     | —          | —                           | 50,027 <sup>(c)</sup>                                                                    | 26,051 <sup>(a)</sup>          | 411,078    |
|                                                   | 2013 | 195,417     | —          | —                           | 29,182 <sup>(c)</sup>                                                                    | 9,346 <sup>(a)</sup>           | 233,945    |
| Dev Ghose <sup>(a)</sup>                          | 2015 | 257,692     | 75,000     | —                           | 382,334                                                                                  | 15,750 <sup>(a)</sup>          | 407,005    |
| Chief Financial Officer<br>and Treasurer          | 2014 | —           | —          | —                           | —                                                                                        | —                              | —          |
|                                                   | 2013 | —           | —          | —                           | —                                                                                        | —                              | —          |
| Andrzej J. Matyczynski <sup>(a)</sup>             | 2015 | 324,000     | —          | —                           | 33,010                                                                                   | 130,000 <sup>(b)</sup>         | 534,130    |
| Former Chief Financial<br>Officer and Treasurer   | 2014 | 308,640     | —          | —                           | 33,010                                                                                   | 130,000 <sup>(b)</sup>         | 518,030    |
|                                                   | 2013 | 308,640     | 35,000     | —                           | 33,010                                                                                   | 30,000 <sup>(b)</sup>          | 452,405    |

|                              |      |         |        |        |                     |         |
|------------------------------|------|---------|--------|--------|---------------------|---------|
| William Ellis                | 2015 | 350,000 | 60,000 | 57,194 | 28,330 <sup>m</sup> | 495,524 |
| General Counsel <sup>m</sup> | 2014 | 71,795  | 10,000 | 9,532  | 2,500 <sup>m</sup>  | 93,827  |
|                              | 2013 | --      | --     | --     | --                  | --      |
| Robert F. Smertling          | 2015 | 350,000 | 75,000 | --     | 22,399 <sup>m</sup> | 447,399 |
| President - Domestic         | 2014 | 350,000 | 65,000 | --     | 22,421 <sup>m</sup> | 437,421 |
| China Operations             | 2013 | 350,000 | 25,000 | --     | 21,981 <sup>m</sup> | 396,981 |
| Wayne Smith <sup>m</sup>     | 2015 | 274,897 | 71,478 | --     | 2,600 <sup>m</sup>  | 348,975 |
| Managing Director -          | 2014 | 324,295 | 72,216 | --     | 2,340 <sup>m</sup>  | 398,851 |
| Australia and New Zealand    | 2013 | 340,595 | 48,420 | --     | 2,075 <sup>m</sup>  | 390,888 |

(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. Ellen 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. Aside from the car allowances only the employer contributions for the 401(k) plan exceeded \$10,000, see 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     |
| Ellen M. Cotter                       | \$10,600 | \$10,400 | \$10,500 |
| James J. Cotter, Jr.                  | 6,700    | 10,400   | 0        |
| Dev Ghose                             | 4,000    | 0        | 0        |
| Andrzej J. Matczynski                 | 10,600   | 10,400   | 10,500   |
| William Ellis                         | 10,500   | 0        | 0        |
| Robert F. Smertling                   | 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 issued 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 \$43,750 in severance payments paid pursuant to Mr. Cotter Jr.'s employment agreement. Of this amount, the Company has a claim against Mr. Cotter Jr. for approximately \$15,000, 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 Item 3, Legal Proceedings.

(6) Mr. Ghose 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. Matczynski 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 benefits of the DCP for Mr. Matczynski. 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 \$535,000 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 20, 2014 as such he was paid a prorated amount of his \$550,000 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 0.9484 for 2013, 0.9027 for 2014 and 0.7524 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 Securities Underlying Options (#)(2) | Exercise or Base Price of Option Award (\$/Share)(3) | Grant Date Fair Value of Stock and Option Awards (\$)(4) |
|------------------------|------------|-----------------------------------------------------------------|-------------|--------------|-------------------------------------------------------------|-------------|--------------|-------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------------|
|                        |            | Threshold (\$)                                                  | Target (\$) | Maximum (\$) | Threshold (\$)                                              | Target (\$) | Maximum (\$) |                                                                   |                                                                         |                                                      |                                                          |
| Ellen M. Cotter        |            |                                                                 |             |              |                                                             |             |              |                                                                   |                                                                         |                                                      |                                                          |
| James J. Cotter, Jr.   |            |                                                                 |             |              |                                                             |             |              |                                                                   |                                                                         |                                                      |                                                          |
| Devale Glozier         | 5-11-2015  |                                                                 |             |              |                                                             |             |              |                                                                   | 100,000                                                                 | 13.42                                                | \$182,334                                                |
| Andrzej J. Matuszynski |            |                                                                 |             |              |                                                             |             |              |                                                                   |                                                                         |                                                      |                                                          |
| William Ellis          |            |                                                                 |             |              |                                                             |             |              |                                                                   |                                                                         |                                                      |                                                          |
| Robert F. Szwedling    |            |                                                                 |             |              |                                                             |             |              |                                                                   |                                                                         |                                                      |                                                          |
| Wayne Smith (1)        | 7-16-2015  |                                                                 |             |              |                                                             |             |              | 6,000                                                             |                                                                         |                                                      | \$84,000                                                 |

(1) Mr. Wayne Smith was issued an award of restricted Class A Common Stock, which vests in equal installments on May 13, 2015 and May 13, 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 Glozier 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 (\$) | Registrator contributions in 2015 (\$) | Aggregate earnings in 2015 (\$) | Aggregate withdrawals/distributions (\$) | Aggregate balance at December 31, 2015 (\$) |
|------------------------|--------------------------------------|----------------------------------------|---------------------------------|------------------------------------------|---------------------------------------------|
| Andrzej J. Matuszynski | 0                                    | 0                                      | 0                               | 0                                        | 500,000                                     |

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. <sup>(1)</sup> | A     | 25,000                                                      | 20,000                                                        | 6.31                       | 06/02/2018             | 0                                                       | 0                                                         |
| Ellen M. Cotter                     | A     | 20,000                                                      | --                                                            | 5.55                       | 03/06/2018             | 0                                                       | 0                                                         |
| William Ellis <sup>(2)</sup>        | A     | 8,815                                                       | 40,000                                                        | 8.94                       | 12/31/2016             | 0                                                       | 0                                                         |
| Devasis Ghose                       | A     | 25,000 <sup>(3)</sup>                                       | 75,000                                                        | 13.42                      | 05/10/2020             | 0                                                       | 0                                                         |
| Andrzej J. Matyczynski              | A     | 25,000                                                      | --                                                            | 6.02                       | 08/22/2022             | 0                                                       | 0                                                         |
| Robert F. Smerling                  | A     | 43,750                                                      | --                                                            | 10.24                      | 05/08/2017             | 0                                                       | 0                                                         |
| Wayne Smith                         | A     | --                                                          | --                                                            | --                         | --                     | 3,000 <sup>(4)</sup>                                    | 42,000                                                    |

- (1) Mr. Cotter, Jr. has stated that he has unvested options to acquire 50,000 shares of Class A Stock at an exercise price of \$6.31 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, 30,000 of the 50,000 remaining unvested shares will vest on October 30, 2016. Thereafter, no additional options will vest.
- (3) 25,000 of Mr. Ghose'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, Sr.                | B     | 100,000                               | 1,024,000                       | --                                   | --                             |
| James J. Cotter, Jr. <sup>(1)</sup> | A     | 50,000                                | 515,500                         | --                                   | --                             |
| James J. Cotter, Jr.                | A     | 12,300                                | 48,375                          | --                                   | --                             |
| James J. Cotter, Jr.                | A     | 10,000                                | 83,500                          | --                                   | --                             |
| Ellen M. Cotter                     | B     | 50,000                                | 512,000                         | --                                   | --                             |
| Andrzej J. Matyczynski              | A     | 35,100                                | 180,063                         | --                                   | --                             |

- (1) Mr. Cotter, Jr. has stated that he has unvested options to acquire 50,000 shares of Class A Stock at an exercise price of \$6.31 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                                   | 660,000                                                    | \$ --                                 |

#### 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. Matyczynski – Deferred Compensation Benefits.** During 2012, Mr. Matyczynski 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. Matyczynski 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. Matyczynski'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. Matyczynski'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 employment as EVP Global Operations, the Company and Mr. Matyczynski 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. Matyczynski's agreement contains nonsolicitation provisions that extend for one year after his retirement.

Under Mr. Matyczynski's agreement, on his retirement date and provided there has not been a termination for cause, Mr. Matyczynski will be entitled to a lump sum severance payment in an amount equal to \$50,000, less certain offsets.

**Robert F. Smerling – Retirement Benefit.** 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 is 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.

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 (\$) |                               |                          | Payable upon Termination in Connection with a Change in Control (\$) |                               |                                             | Payable upon Retirement (\$) |
|------------------------|------------------------------------------------|-------------------------------|--------------------------|----------------------------------------------------------------------|-------------------------------|---------------------------------------------|------------------------------|
|                        | Severance Payment                              | Value of Vested Stock Options | Value of Health Benefits | Severance Payment                                                    | Value of Vested Stock Options | Value of Unvested Stock Options Accelerated |                              |
| Ellen Cotter           | 0                                              | 151,200                       | 0                        | 0                                                                    | 151,200                       | 0                                           | 0                            |
| Dev Glone              | 400,000                                        | 0                             | 23,040                   | 400,000                                                              | 0                             | 0                                           | 0                            |
| Wayne Smith            | 173,000 <sup>(1)</sup>                         | 39,330                        | 0                        | 0                                                                    | 39,330                        | 39,330                                      | 0                            |
| Andrzej J. Matyszynski | 30,000 <sup>(2)</sup>                          | 177,230                       | 0                        | 0                                                                    | 177,230                       | 0                                           | 600,000                      |
| Robert F. Smerling     | 0                                              | 123,262                       | 0                        | 0                                                                    | 123,262                       | 0                                           | 415,000 <sup>(3)</sup>       |

(1) Mr. Matyszynski'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. Smerling's one-time retirement benefit is based on the average of the two highest total cash compensation years paid to Mr. Smerling in the most recently completed five-year period. The figure quoted in the table represents the average of total compensation paid for years 2013 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 (\$) |
|--------------------------------|----------------------------------|-----------------------|-----------------------------|------------|
| Judy Coddling                  | 11,957                           | 0                     | 0                           | 11,957     |
| Margaret Cotter <sup>(2)</sup> | 35,000                           | 7,656                 | 0                           | 42,656     |
| Guy W. Adams <sup>(3)</sup>    | 75,000                           | 7,656                 | 0                           | 82,656     |
| William D. Gould               | 80,000                           | 7,656                 | 0                           | 87,656     |
| Edward L. Kane                 | 98,000                           | 7,656                 | 0                           | 105,656    |
| Douglas J. McEachern           | 82,000                           | 7,656                 | 0                           | 89,656     |
| Tim Storey <sup>(4)</sup>      | 112,500                          | 7,656                 | 21,136 <sup>(5)</sup>       | 140,292    |
| Michael Wrotniak               | 11,005                           | 0                     | 0                           | 11,005     |
| <b>Total</b>                   |                                  |                       |                             |            |

(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. Storey served on our Board and Compensation Committee through October 11, 2015.

(4) Represents fees paid to Mr. Storey 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. Storey, 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. Kase, 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     | 486,565                                                                                         | (2) \$ 8.68                                                                     | 551,800                                                                                                                                         |
| Equity compensation plans not approved by security holders |                                                                                                 |                                                                                 |                                                                                                                                                 |
| Total                                                      | 486,565                                                                                         |                                                                                 |                                                                                                                                                 |

(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 |
| <i>Directors and Named Executive Officers</i> |                                               |                     |                  |                     |
| Elton M. Coter (2)(12)                        | 1,146,965                                     | 14.5                | 1,173,888        | 69.8                |
| James J. Coter, Jr. (12)(13)                  | 1,084,976                                     | 14.2                | 696,080          | 41.4                |
| Margaret Coter (3)(12)                        | 1,335,012                                     | 15.4                | 1,158,988        | 66.9                |

|                                                                      |           |      |           |      |
|----------------------------------------------------------------------|-----------|------|-----------|------|
| Guy W. Adams (8)                                                     | 2,000     | *    | ---       | ---  |
| Judy Coddling (9)                                                    | 2,000     | *    | ---       | ---  |
| William D. Gould (4)                                                 | 56,340    | *    | ---       | ---  |
| Edward L. Kane (5)                                                   | 21,500    | *    | 100       | *    |
| Andrzej J. Mayczynski (16)                                           | 50,880    | *    | ---       | ---  |
| Despina J. McElashm (6)                                              | 39,500    | *    | ---       | ---  |
| Michael Wroniak (10)                                                 | 2,000     | ---  | ---       | ---  |
| Robert F. Stuerling (7)                                              | 43,750    | *    | ---       | ---  |
| Wayne Smith (11)                                                     | 3,000     | *    | ---       | ---  |
| William Ellis (17)                                                   | 20,000    | *    | ---       | ---  |
| Dev Ghose (18)                                                       | 25,000    | ---  | ---       | ---  |
| 5% or Greater Stockholders                                           |           |      |           |      |
| James J. Cotter Living Trust (12)                                    | 1,897,649 | 5.8  | 696,080   | 41.4 |
| Estate of James J. Cotter, Sr. (Deceased) (12)                       | 326,800   | 1.0  | 427,806   | 25.5 |
| Mark Cuban (14)                                                      | 72,164    | *    | 207,913   | 12.4 |
| 5424 DeLoache Avenue<br>Dallas, Texas 75220                          |           |      |           |      |
| PICO Holdings, Inc. and PICO Deferred Holdings,<br>LLC (15)          | ---       | ---  | 117,500   | 7.6  |
| 875 Prospect Street, Suite 501<br>La Jolla, California 92037         |           |      |           |      |
| James J. Cotter Foundation                                           | 102,751   | *    |           |      |
| Cotter 2005 Grandchildren's Trust                                    | 289,390   | 1.3  |           |      |
| All Directors and executive officers as a group (14<br>persons) (18) | 5,007,094 | 22.9 | 1,209,088 | 71.9 |

(1) Percentage ownership is determined based on 21,654,302 shares of Class A Stock and 1,680,590 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 footnote, are deemed to be beneficially owned by the person holding the options and are deemed to be outstanding in computing the percentage ownership of that person, but not in computing the percentage ownership of any other person.

(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 102,751 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 29,730 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 footnotes (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 1,203,988 shares of Class B Stock.

(3) The Class A Stock shown includes 17,000 shares subject to stock options as well as 804,175 shares held directly. The Class A Stock shown also includes 289,390 shares held by the Cotter 2005 Grandchildren's Trust and 29,730 shares from the Cotter Profit Sharing Plan. Margaret Cotter is Co-Trustee of the Cotter 2005 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-Executor 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 footnotes (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 1,203,988 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 43,750 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 1,000 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 also 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 Mr. 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. JP159735). 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-trustees 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 696,080 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 696,080 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 potential 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 75,000 shares subject to stock options as well as 770,156 shares held directly. The Class A Stock shown also includes 289,390 shares held by the Cotter 2005 Grandchildren's Trust and 100,731 held by the Cotter Foundation. Mr. Cotter, Jr. is Co-Trustee of the Cotter 2005 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 1,207,649 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 matter described in footnote (12). The Class A Stock shown includes 770,156 shares pledged as security for a margin loan.

(14) Based on Mr. Cohan'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 222,563 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 Wrotniak. 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 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 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<sup>th</sup> 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 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 \$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 Cinemas 1, 2, 3, (ii) borrowings from third parties, and (iii) 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 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 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 OBI-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 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 \$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 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

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 100%. 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 Farms, 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 matters 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 5605(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. Wrotniak. 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.scadcorp.com/compensation-stock-ownership-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 10, 2016 (filed as Exhibit 10 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 OBIT LLC (filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 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 Banc 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 Banc 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 Devasis 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+  | OBH 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<br>Ellen M. Cotter           | President, Chief Executive Officer and Chairman of the Board and Director<br>(Principal Executive Officer) | April 29, 2016 |
| /s/ Devasis Ghose<br>Devasis Ghose               | Chief Financial Officer and Treasurer<br>(Principal Financial Officer)                                     | April 29, 2016 |
| /s/ Steve Lucas<br>Steve Lucas                   | Vice President, Controller and Chief Accounting Officer<br>(Principal Accounting Officer)                  | April 29, 2016 |
| /s/ Margaret Cotter<br>Margaret Cotter           | Vice Chairman of the Board and Director                                                                    | April 29, 2016 |
| _____<br>James J. Cotter                         | Director                                                                                                   |                |
| _____<br>Guy W. Adams                            | Director                                                                                                   |                |
| /s/ William D. Gould<br>William D. Gould         | Director                                                                                                   | April 29, 2016 |
| /s/ Edward L. Kane<br>Edward L. Kane             | Director                                                                                                   | April 29, 2016 |
| /s/ Douglas J. McEachern<br>Douglas J. McEachern | Director                                                                                                   | April 29, 2016 |
| /s/ Dr. Judy Coddling<br>Dr. Judy Coddling       | Director                                                                                                   | April 29, 2016 |
| /s/ Michael Wrotniak<br>Michael Wrotniak         | Director                                                                                                   | April 29, 2016 |

Chaparral Brewing Company  
200 W. Canon Blvd.  
Canon City, Colorado 81201-6000  
Telephone: (719) 264-9500  
Fax: (719) 264-7150

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AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
RESEARCH AND TECHNOLOGY, INC.  
A DELAWARE CORPORATION

ARTICLE I  
NAME

The name of the corporation is Research and Technology, Inc. ("Corporation").

ARTICLE II  
REGISTERED OFFICE

The registered office of the Corporation is located at 10000 100th Avenue, Suite 100, Richmond, Virginia 23134.

ARTICLE III  
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the laws of the State of Delaware.

ARTICLE IV  
CAPITAL STOCK

4.1. Subject to the approval of the Board of Directors, the Corporation may issue such additional shares of its capital stock as may be necessary to carry out its business. The Corporation may also issue shares of its capital stock to its officers, directors, and employees, and to any other persons, as may be determined by the Board of Directors.

4.2. Class A Preferred Stock. The number of authorized shares of Class A Preferred Stock shall be 1,000,000 shares, with the par value of \$1.00 per share.

4.3. Class B Preferred Stock. The number of authorized shares of Class B Preferred Stock shall be 1,000,000 shares, with the par value of \$1.00 per share.

4.4. Common Stock. The number of authorized shares of Common Stock shall be 10,000,000 shares, with the par value of \$1.00 per share.

4.5. Additional Shares. The total number of authorized shares of Common Stock shall be 10,000,000 shares, with the par value of \$1.00 per share.

4.6. Transfer of Shares. The shares of the Corporation may be transferred by the holder thereof to any person, and the Corporation shall issue new shares in lieu of the shares so transferred.

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42. **Class A Non-Voting Common Stock.** The Class A Non-Voting Common Stock shall have no voting rights, provided, however, that the holders of the Class A Non-Voting Common Stock will be entitled to vote as a separate class in any circumstances to the extent of their ownership of any common stock, except substantially all the rights, privileges or preferences, including the right to dividends in which such holders would, absent such restrictions, vote, except, however, as to the right to elect or reelect directors or to elect or reelect members of the Board of Directors.

43. **Class B Non-Voting Common Stock.** The holders of the Class B Non-Voting Common Stock shall be entitled to vote as a separate class in any circumstances to the extent of their ownership of any common stock, except substantially all the rights, privileges or preferences, including the right to dividends in which such holders would, absent such restrictions, vote, except, however, as to the right to elect or reelect directors or to elect or reelect members of the Board of Directors.

44. **Class C Non-Voting Common Stock.** The holders of the Class C Non-Voting Common Stock shall be entitled to vote as a separate class in any circumstances to the extent of their ownership of any common stock, except substantially all the rights, privileges or preferences, including the right to dividends in which such holders would, absent such restrictions, vote, except, however, as to the right to elect or reelect directors or to elect or reelect members of the Board of Directors.

45. **Preferred Stock.** The Preferred Stock may be issued in any one or more series, in any one or more series, and may have such rights and preferences as to dividends and voting rights, including the right to elect or reelect directors, as may be determined by the Board of Directors, provided, however, that the Board of Directors shall not be authorized to issue Preferred Stock with voting rights in excess of the voting rights of the Common Stock.

46. **Conversion of Preferred Stock.** The Board of Directors may, at any time, convert any series of Preferred Stock into any number of shares of Common Stock, provided, however, that the conversion shall not be made unless the Board of Directors has determined that the conversion is in the best interests of the Corporation.

47. **Conversion of Preferred Stock.** The Board of Directors may, at any time, convert any series of Preferred Stock into any number of shares of Common Stock, provided, however, that the conversion shall not be made unless the Board of Directors has determined that the conversion is in the best interests of the Corporation.

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The holders and assigns of the Corporation shall be deemed to be the owners of the shares of the Corporation, whether or not they are recorded in the books of the Corporation.

\*\*\*\*\*



AMENDED AND RESTATED  
BYLAWS  
OF  
Reading International, Inc.  
A Nevada Corporation  
(formerly "Readet Holding Corporation")

3.2.1



| AMENDED AND RESTATED<br>BYLAWS<br>OF<br>REATING OPERATIONAL, INC.<br>A Nevada Corporation<br>TABLE OF CONTENTS |                                              |      |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------|------|
|                                                                                                                |                                              | Page |
| ARTICLE I                                                                                                      | MEMBERHOLDERS                                | 1    |
| Section 1                                                                                                      | Business Meetings                            | 1    |
| Section 2                                                                                                      | Special Meetings                             | 1    |
| Section 3                                                                                                      | Notice of Meetings                           | 1    |
| Section 4                                                                                                      | Voting of Members                            | 2    |
| Section 5                                                                                                      | Stockholders List                            | 2    |
| Section 6                                                                                                      | Quorum; Absence of Members                   | 2    |
| Section 7                                                                                                      | Waiver                                       | 2    |
| Section 8                                                                                                      | Proxies                                      | 3    |
| Section 9                                                                                                      | Business Without Meeting                     | 3    |
| Section 10                                                                                                     | Consent of Members                           | 3    |
| ARTICLE II                                                                                                     | DIRECTORS                                    | 3    |
| Section 1                                                                                                      | Qualifications of Candidates                 | 3    |
| Section 2                                                                                                      | Director Terms and Disqualification          | 4    |
| Section 3                                                                                                      | Vacancies and Nominations to the Board       | 4    |
| Section 4                                                                                                      | Removal of Directors                         | 4    |
| Section 5                                                                                                      | Annual and Special Meetings                  | 4    |
| Section 6                                                                                                      | Proxy Meetings                               | 5    |
| Section 7                                                                                                      | Special Meetings                             | 5    |
| Section 8                                                                                                      | Business of Meetings                         | 5    |
| Section 9                                                                                                      | Electronic Communication                     | 5    |
| Section 10                                                                                                     | Consent of Directors                         | 6    |
| Section 11                                                                                                     | Written Consent of Directors Without Meeting | 6    |
| Section 12                                                                                                     | Director Compensation                        | 6    |
| ARTICLE III                                                                                                    | NOTICES                                      | 7    |
| Section 1                                                                                                      | Notice of Meetings                           | 7    |
| Section 2                                                                                                      | Electronic Notice of Meetings                | 7    |

|             |                                          |    |
|-------------|------------------------------------------|----|
| SECTION 1   | WELFARE NOTICE                           | 1  |
| ARTICLE IV  | OFFICERS                                 | 2  |
| SECTION 1   | POSITIONS                                | 2  |
| SECTION 2   | COMMITTEES AND THE CHAIRMAN OF THE BOARD | 3  |
| SECTION 3   | RESOLUTIONS                              | 3  |
| SECTION 4   | THE PRESIDENT                            | 3  |
| SECTION 5   | VICE PRESIDENT                           | 3  |
| SECTION 6   | SECRETARY/TREASURER                      | 3  |
| SECTION 7   | COMMITTEES                               | 3  |
| SECTION 8   | ADDITIONAL OFFICERS                      | 3  |
| SECTION 9   | COMMITTEES                               | 3  |
| SECTION 10  | RESOLUTIONS                              | 3  |
| ARTICLE V   | CAPITAL STOCK                            | 10 |
| SECTION 1   | CERTIFICATE AND TRANSFER OF STOCK        | 10 |
| SECTION 2   | TRANSFER OF STOCK                        | 10 |
| SECTION 3   | TRANSFER OF STOCK                        | 11 |
| SECTION 4   | TRANSFER OF STOCK                        | 11 |
| SECTION 5   | TRANSFER OF STOCK                        | 11 |
| ARTICLE VI  | GENERAL PROVISIONS                       | 11 |
| SECTION 1   | RESOLUTIONS                              | 11 |
| SECTION 2   | COMMITTEES                               | 12 |
| SECTION 3   | TRANSFER OF STOCK                        | 12 |
| SECTION 4   | TRANSFER OF STOCK                        | 12 |
| SECTION 5   | TRANSFER OF STOCK                        | 12 |
| SECTION 6   | TRANSFER OF STOCK                        | 12 |
| SECTION 7   | TRANSFER OF STOCK                        | 12 |
| SECTION 8   | TRANSFER OF STOCK                        | 12 |
| SECTION 9   | TRANSFER OF STOCK                        | 12 |
| SECTION 10  | TRANSFER OF STOCK                        | 12 |
| SECTION 11  | TRANSFER OF STOCK                        | 12 |
| SECTION 12  | TRANSFER OF STOCK                        | 12 |
| SECTION 13  | TRANSFER OF STOCK                        | 12 |
| SECTION 14  | TRANSFER OF STOCK                        | 12 |
| SECTION 15  | TRANSFER OF STOCK                        | 12 |
| SECTION 16  | TRANSFER OF STOCK                        | 12 |
| SECTION 17  | TRANSFER OF STOCK                        | 12 |
| SECTION 18  | TRANSFER OF STOCK                        | 12 |
| SECTION 19  | TRANSFER OF STOCK                        | 12 |
| SECTION 20  | TRANSFER OF STOCK                        | 12 |
| SECTION 21  | TRANSFER OF STOCK                        | 12 |
| SECTION 22  | TRANSFER OF STOCK                        | 12 |
| SECTION 23  | TRANSFER OF STOCK                        | 12 |
| SECTION 24  | TRANSFER OF STOCK                        | 12 |
| SECTION 25  | TRANSFER OF STOCK                        | 12 |
| SECTION 26  | TRANSFER OF STOCK                        | 12 |
| SECTION 27  | TRANSFER OF STOCK                        | 12 |
| SECTION 28  | TRANSFER OF STOCK                        | 12 |
| SECTION 29  | TRANSFER OF STOCK                        | 12 |
| SECTION 30  | TRANSFER OF STOCK                        | 12 |
| SECTION 31  | TRANSFER OF STOCK                        | 12 |
| SECTION 32  | TRANSFER OF STOCK                        | 12 |
| SECTION 33  | TRANSFER OF STOCK                        | 12 |
| SECTION 34  | TRANSFER OF STOCK                        | 12 |
| SECTION 35  | TRANSFER OF STOCK                        | 12 |
| SECTION 36  | TRANSFER OF STOCK                        | 12 |
| SECTION 37  | TRANSFER OF STOCK                        | 12 |
| SECTION 38  | TRANSFER OF STOCK                        | 12 |
| SECTION 39  | TRANSFER OF STOCK                        | 12 |
| SECTION 40  | TRANSFER OF STOCK                        | 12 |
| SECTION 41  | TRANSFER OF STOCK                        | 12 |
| SECTION 42  | TRANSFER OF STOCK                        | 12 |
| SECTION 43  | TRANSFER OF STOCK                        | 12 |
| SECTION 44  | TRANSFER OF STOCK                        | 12 |
| SECTION 45  | TRANSFER OF STOCK                        | 12 |
| SECTION 46  | TRANSFER OF STOCK                        | 12 |
| SECTION 47  | TRANSFER OF STOCK                        | 12 |
| SECTION 48  | TRANSFER OF STOCK                        | 12 |
| SECTION 49  | TRANSFER OF STOCK                        | 12 |
| SECTION 50  | TRANSFER OF STOCK                        | 12 |
| SECTION 51  | TRANSFER OF STOCK                        | 12 |
| SECTION 52  | TRANSFER OF STOCK                        | 12 |
| SECTION 53  | TRANSFER OF STOCK                        | 12 |
| SECTION 54  | TRANSFER OF STOCK                        | 12 |
| SECTION 55  | TRANSFER OF STOCK                        | 12 |
| SECTION 56  | TRANSFER OF STOCK                        | 12 |
| SECTION 57  | TRANSFER OF STOCK                        | 12 |
| SECTION 58  | TRANSFER OF STOCK                        | 12 |
| SECTION 59  | TRANSFER OF STOCK                        | 12 |
| SECTION 60  | TRANSFER OF STOCK                        | 12 |
| SECTION 61  | TRANSFER OF STOCK                        | 12 |
| SECTION 62  | TRANSFER OF STOCK                        | 12 |
| SECTION 63  | TRANSFER OF STOCK                        | 12 |
| SECTION 64  | TRANSFER OF STOCK                        | 12 |
| SECTION 65  | TRANSFER OF STOCK                        | 12 |
| SECTION 66  | TRANSFER OF STOCK                        | 12 |
| SECTION 67  | TRANSFER OF STOCK                        | 12 |
| SECTION 68  | TRANSFER OF STOCK                        | 12 |
| SECTION 69  | TRANSFER OF STOCK                        | 12 |
| SECTION 70  | TRANSFER OF STOCK                        | 12 |
| SECTION 71  | TRANSFER OF STOCK                        | 12 |
| SECTION 72  | TRANSFER OF STOCK                        | 12 |
| SECTION 73  | TRANSFER OF STOCK                        | 12 |
| SECTION 74  | TRANSFER OF STOCK                        | 12 |
| SECTION 75  | TRANSFER OF STOCK                        | 12 |
| SECTION 76  | TRANSFER OF STOCK                        | 12 |
| SECTION 77  | TRANSFER OF STOCK                        | 12 |
| SECTION 78  | TRANSFER OF STOCK                        | 12 |
| SECTION 79  | TRANSFER OF STOCK                        | 12 |
| SECTION 80  | TRANSFER OF STOCK                        | 12 |
| SECTION 81  | TRANSFER OF STOCK                        | 12 |
| SECTION 82  | TRANSFER OF STOCK                        | 12 |
| SECTION 83  | TRANSFER OF STOCK                        | 12 |
| SECTION 84  | TRANSFER OF STOCK                        | 12 |
| SECTION 85  | TRANSFER OF STOCK                        | 12 |
| SECTION 86  | TRANSFER OF STOCK                        | 12 |
| SECTION 87  | TRANSFER OF STOCK                        | 12 |
| SECTION 88  | TRANSFER OF STOCK                        | 12 |
| SECTION 89  | TRANSFER OF STOCK                        | 12 |
| SECTION 90  | TRANSFER OF STOCK                        | 12 |
| SECTION 91  | TRANSFER OF STOCK                        | 12 |
| SECTION 92  | TRANSFER OF STOCK                        | 12 |
| SECTION 93  | TRANSFER OF STOCK                        | 12 |
| SECTION 94  | TRANSFER OF STOCK                        | 12 |
| SECTION 95  | TRANSFER OF STOCK                        | 12 |
| SECTION 96  | TRANSFER OF STOCK                        | 12 |
| SECTION 97  | TRANSFER OF STOCK                        | 12 |
| SECTION 98  | TRANSFER OF STOCK                        | 12 |
| SECTION 99  | TRANSFER OF STOCK                        | 12 |
| SECTION 100 | TRANSFER OF STOCK                        | 12 |

ARTICLE 5  
FOURTH DEGREE

Annual meetings of the shareholders, corresponding with the year 1899, shall be held each year within 120 days of the end of the fiscal year on the third Thursday in July (if not a legal holiday), and if a legal holiday occur on the next nearest day following it on a day when the stock exchange does not close in New York be set by the Board of Directors from time to time and moved to the place of the meeting, at which the shareholders shall elect by a plurality, with a Board of Directors and Treasurer each elected to serve a term properly to be made before the meeting.

Special meetings of the stockholders, for any purpose or purposes, notice effective, persuasive or dispositive as to the Articles of Incorporation, may be called by the Chairman of the Board or the President, and may be called by the Chairman, Vice Chairman or President at the written request of a majority of the Board of Directors or at the written request of stockholders owning outstanding shares representing a majority of the voting power of the Corporation. Such meeting shall state the purpose or purposes of such meeting.

Written notice of stockholders' meetings, stating the place, date and hour thereof, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote therein at least ten days but not more than sixty days before the date of the meeting, unless a different period is prescribed by statute. Consents transmitted by special meeting of the stockholders shall be treated as the purpose or purposes stated in the notice.

<sup>3</sup> These variables are defined in the Appendix to the paper.

<sup>2</sup> The "Diet" and "Diet of 1990s" are not really used as reference in the Journal of International Banking Regulation, but

**Section 4. Meetings**

All annual meetings of the stockholders shall be held in the County of Los Angeles, State of California, at such place as may be fixed from time to time by the Board of Directors, or at such other place within or without the State of California as the Directors shall determine. Special meetings of the stockholders may be held at such time and place within or without the State of Nevada as shall be stated in the notice of the meeting, or in a duly amended notice of notice thereof. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

**Section 5. Stockholder's Right to Propose**

The officer who has charge of the stock ledger of the Corporation shall prepare and issue, not less than ten days prior to any meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any proper purpose previous to the meeting, during ordinary business hours for a period not less than ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be prepared and kept at the time and place of the meeting during the adjournment thereof and may be inspected by any stockholder who is present.

**Section 6. Corporate Action by Stockholder**

The holders of a majority of the stock issued and outstanding and entitled to vote thereon, present in person or represented by proxy, shall constitute a majority of all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a majority shall be present or represented, at each adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new notice shall be filed in the appropriate meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

**Section 7. Proxies**

Except as otherwise provided by statute or the Articles of Incorporation or these Bylaws, and except for the election of directors, at any meeting duly called and held at which a quorum is present, a majority of the votes cast at such meeting upon a given matter by the holders of outstanding shares of stock of all classes of stock of the Corporation entitled to vote thereon who are present in person or by proxy shall decide such matter. At any meeting duly called and held for the election of directors at which a quorum is present, election shall be decided by a majority.

of the votes cast by the holders (being as nearly as practicable) of shares of stock of the Corporation entitled to vote such shares.

**Section 8. Proxies.**

At any meeting of the shareholders any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate one or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons or designees upon the instrument shall otherwise provide. The proxy, proxy consent or power of attorney to vote shall be used at a meeting of the shareholders unless it shall have been filed with the secretary of the meeting; provided, however, a duly completed proxy shall accept any shareholder vote, including any abstention and voting in person. All questions regarding the qualification of a vote, the validity of proxies and the acceptance or rejection of votes shall be decided by the majority of directors who shall be appointed by the Board of Directors, or if not so appointed, then by the presiding officer of the meeting.

**Section 9. Written Consent.**

Any action which may be taken by the vote of the shareholders at a meeting may be taken without a meeting if authorized by the written consent of shareholders holding at least a majority of the voting power, except the provisions of the statutes governing the Corporation or of the articles of incorporation require a different proportion of voting power to authorize such action in which case such proportion of written consent shall be required. Written notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to each stockholder who has not so consented in writing.

**Section 10. Corporate Seal.**

The Board of Directors shall use, without the prior approval of the shareholders, stamp, seal, signature, name or nameplate which shall be a duplicate of the name, address, telephone, fax and e-mail of the person, by proxy or by written consent (in case, minutes or minutes of meeting, and a signed meeting, or filing of the same, under the articles of incorporation, or any act required by applicable law.

**ARTICLE II  
DIRECTORS**

**Section 1. Management of the Corporation.**

The business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such business and things as may be done or done by the Board of Directors or by those officers or persons as may be authorized or done by the shareholders.

## SECTION 2. NUMBER, TENURE, AND QUALIFICATIONS

The number of Directors, which shall constitute the whole board, shall be nine (9). Thereafter, the number of Directors may from time to time be increased or decreased to not less than one nor more than ten by action of the Board of Directors. The Director shall be elected by the holders of shares entitled to vote thereon at the annual meeting of the stockholders and, except as provided in Section 4 of this Article, each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

## SECTION 3. CHAIRMAN AND VICE CHAIRMAN OF THE BOARD

The directors may elect one of their members to be Chairman of the Board of Directors and one of their members to be Vice Chairman of the Board of Directors. The Chairman and Vice Chairman shall be subject to re-election or removal by the Board of Directors. The Chairman and Vice Chairman shall exercise such duties as may from time to time be assigned to them by the Board of Directors.

## SECTION 4. VACANCIES IN BOARD

Vacancies in the Board of Directors, including those caused by an increase in the number of Directors, may be filled by a majority of the remaining Directors, during their term of office, or by a stockholders' meeting, and each director so elected shall hold office until his successor is elected at an annual or a special meeting of the stockholders. The holders of no less than two-thirds of the outstanding shares of stock entitled to vote may at any time permanently terminate the term of office of all or any of the directors by vote at a meeting called for such purpose or by written consent filed with the Secretary in, in his absence, with any other officer. Such removal shall be effective immediately, even if successors are not elected simultaneously.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any director, or if the undersigned secretary of Directors be deceased or if the stockholders fail at any annual or special meeting or stockholders in which any director or directors are elected to elect the full authorized number of Directors to be elected for the meeting.

If the Board of Directors accepts the resignation of a director elected to take office at a future date, the Board or the stockholders shall have power to elect a successor to take office when the resignation is to become effective.

No action of the authorized number of directors shall have the effect of increasing any Director's term to the expiration of his term of office.

## SECTION 5. MEETINGS AND NOTICE OF MEETINGS

Annual and regular meetings of the Board of Directors shall be held at any place within or without the State of Nevada that has been designated from time to time by resolution of the Board of Directors or by written consent of all members of the Board of Directors. In the absence of such designations, annual and regular meetings shall be held at the registered office of the Corporation. Special meetings of the Board of Directors may be held without call or notice



at such time and at such place as shall from time to time be fixed and determined by the Board of Directors.

**Section 6. First Meeting.**

The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the shareholders or the board meeting and no notice of such meeting shall be necessary to the directors or members to convene the meeting, provided a quorum is present. In the case of the failure of the shareholders to fix the time and place of such first meeting, or if the first such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereafter provided the special meeting of the Board of Directors, as it shall be specified in a written notice signed by all of the directors.

**Section 7. Special Meetings.**

Special meetings of the Board of Directors may be called by the Chairman or Vice Chairman of the Board or the President upon notice to each director, either personally or by mail or by telegram. Upon the written request of a majority of the directors, the Chairman or Vice Chairman of the Board or the President shall call a special meeting of the Board to be held within two days of the receipt of such request and shall provide notice thereof to each director either personally or by mail or by telegram.

**Section 8. Notice of Meetings.**

The transmission of any meeting of the Board of Directors, however called and noticed or otherwise held, shall be on the or through use of a writing duly filed after regular call and notice, if a quorum be present, and if, either before or after the meeting, vote of the directors participating signs a written notice of notice, or a consent to holding such meeting, or an approval of the notice thereof. All such written notices or approvals shall be filed with the corporate records or with a part of the minutes of the meeting.

**Section 9. Quorum; Action; Voting Rights.**

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except as hereinafter provided. Every vote or decision cast or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number is required by law or by the holders of the securities. Any action of a director, although not at a regularly called meeting, and the result thereof, if accepted by a majority of the other members of the Board shall be valid and effective to all intents as if passed by the Board of Directors at a regular meeting.

A director of the directors may adjourn any Board meeting to meet again at a stated day and time, provided, however, that in the absence of a motion, a majority of the directors present at such directors' meeting, either regular or special, may adjourn from time to time, without notice other than announcement at the meeting, until a quorum is present.

Notice of the time and place of holding an adjourned meeting need not be given to the shareholders if the time and place are fixed at the meeting adjourned.

**SECTION 10. Committees**

The Board of Directors may, by resolution, appoint by a majority of the whole Board, designate the service committees of the Board of Directors, such committees to consist of at least two or more directors of the Corporation, which, by the same resolution, the resolution shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the Corporation and may have power to authorize the use of the Corporation to be effected in its papers unless they require it, but no such committee shall have the power to amend the constitution of the Corporation, to adopt or suspend or plan of changes or amendments to the constitution of the Corporation, to issue bonds or exchange of all or substantially all of the Corporation's assets, to recommend to the stockholders distribution or retention of dividends, to recommend that the Board, not subject to the resolution or the Articles of Incorporation, approve or disapprove, or such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committees or committees shall have such name or names as may be determined from time to time by the Board of Directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member or any meeting of the committee. The members of any such committee present at any meeting and not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. At meetings of such committees, a majority of the members or alternate members shall constitute a quorum for the transaction of business, and the act of a majority of the members or alternate members in any meeting at which there is a quorum shall be the act of the committee.

The committees, if appointed by the Board, shall keep regular minutes of their proceedings and report the same to the Board of Directors.

**SECTION 11. Action Without Meeting: Unanimous Consent**

Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if a written consent is signed by all members of the Board of Directors or all committee members or the corporate and each written consent is filed with the minutes of proceedings of the Board or committee.

Nothing contained in these Bylaws shall be deemed to restrict the powers of members of the Board of Directors, or any committee thereof, to participate in a meeting of the Board or committee by means of electronic conference or other communications equipment whereby all persons participating in the meeting can hear each other.

**SECTION 12. Director's Consents**

The Directors may file their consents or dissents to each meeting of the Board of Directors and may file their consents or dissents to each meeting of the Board of Directors or a committee thereof as required by the Board of Directors. No such consent shall preclude any director from voting the Corporation in any other capacity not involving participation.

APPENDIX 15  
NOTES

Women, under the provisions of the Articles of Incorporation or otherwise, have the right, when it is required to be given to any director or stockholder, to be considered as persons entitled to be given to him or her, in writing, the real, addressed to such director or stockholder, at his address as it appears on the records of the Corporation, postage prepaid, and such notice shall be deemed to be given to the same when the same shall be deposited in the United States mail. Notice to directors may also be given by electronic means.

## APPENDIX 2

## Summary

3

# ARTICLE IV OFFICERS

## SECTION 1. BOARD MEMBERS

The officers of the Corporation shall be elected annually at the first meeting by the Board of Directors held after each annual meeting of the stockholders and shall be a President, one or more Vice Presidents, a Treasurer and a Secretary, and each officer shall hold office until the next meeting of the Board of Directors after expiration of his term of office. The President shall be the Chief Executive Officer, unless the Board designates the Chairman of the Board as Chief Executive Officer. Any officer may hold one or more offices and each officer shall hold office until his successor shall have been duly elected and qualified to call his check or until he shall resign or is removed by the Board or transferred pursuant to such terms as may be provided by the Board of Directors from time to time.

## SECTION 2. CHAIRMAN AND VICE CHAIRMEN OF THE BOARD

The Board of Directors at its first annual meeting after each annual meeting of the stockholders may choose a Chairman and Vice Chairman of the Board who possess the powers 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 see that all notices and resolutions of the Board of Directors are properly given.

## SECTION 3. PRESIDENT

The President shall be the chief executive officer of the Corporation, shall also be a director and shall be a active management of the business of the Corporation. The President shall exercise on behalf of the Corporation all business matters relating to the operation thereof in the extent the signing and execution thereof shall be expressly designated by the Board of Directors to whom other officers or agents of the Corporation.

## SECTION 4. VICE PRESIDENTS

The Vice President shall act under the direction of the President and in the absence or disability of the President shall perform the duties and exercise the powers of the President. The Vice President shall perform such other duties not hereunto provided as the President or the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice Presidents or may otherwise specify the order of succession of the Vice Presidents. The duties and powers of the President shall devolve to the Vice President in such specified order of succession.

## SECTION 5. SECRETARIES

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 all duties for the meeting, ceremonies when required. The Secretary shall give or cause to be given, notice of all meetings.

of the stockholders 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 6 ASSISTANT SECRETARY

The Assistant Secretary shall, in order the direction of the President, in order of their availability, unless otherwise determined by the President or the Board of Directors, they shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

#### SECTION 7 TREASURER

The Treasurer shall, in order the direction of the President, in order of the disability of the President, the Treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall preserve the books of the Corporation, so may be ordered by the President or the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, or records of all transactions as Treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the Treasurer shall give the Corporation's bond in each case and with such surety as may be required by the Board of Directors for the faithful performance of the duties of such person's office and for the repayment to the Corporation, in case of such person's death, resignation, retirement or removal from office, of all funds, papers, securities, money and other property of whatever kind in such person's possession or under such person's control belonging to the Corporation.

#### SECTION 8 JOINT AND TREASURERS

The Joint and Treasurers in the order of their availability, unless otherwise designated by the President or the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

#### SECTION 9 CORPORATE CLERK

The Board of Directors shall fix the salaries and compensation of all officers of the Corporation.

#### SECTION 10 REMOVING OR RECALLING

The officers of the Corporation shall hold office at the pleasure of the Board of Directors. Any officer elected or appointed by the Board of Directors, at any meeting of a vote, may

be removed at any time, with or without cause, by the Board of Directors by a vote of not less than a majority of the votes based at any meeting thereof or by written consent. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors for the unexpired portion of the term.

Any director or officer of the Corporation, in any instance of any certificate, may appear or 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 appearance shall take effect at the time specified therein or if the time is not specified, then upon notice thereof. The appearance at such appearance shall be a necessary condition to be effective.

#### ARTICLE V CAPITAL STOCK

##### SECTION 1. CERTIFICATION AND ENDORSEMENT AND RECORDS OF STOCK

Shares of stock in the Corporation shall be represented by certificates, or shall be uncertificated, as determined by the Board of Directors in its discretion. Any stock represented by a certificate shall be subject to the following: (a) the certificate shall be signed by the Chairman or Vice Chairman of the Board of Directors, the President or a Vice President and the Secretary or an Assistant Secretary or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such person in the Corporation. If the Corporation shall be converted to issue more than one class of stock or more than one series of any class, the certificates, endorsements and transfers, participating, interest or other special rights of the various classes of stock or series of stock and the certificate or certificates or portions of such rights, shall be set forth in full or summarized on the face or back of any certificate which the Corporation shall issue to represent such stock, provided, however, that except as otherwise provided in Subsection 1(b), in lieu of the foregoing requirements, there may be set forth on the face or back of any certificate which the Corporation shall issue to represent such stock or series of stock, a statement that the Corporation will furnish, without charge, such information as may be required, the descriptions, preferences and rights, participating, interest or other special rights of the various classes or series thereof and the certificate or certificates or portions of such rights, and the person or persons to whom such certificate or certificates are issued.

If a certificate representing stock is signed (1) by a transfer agent other than the Corporation or its employees or (2) by a signature other than the Corporation or its employees, the signature of the officer of the Corporation responsible for the certificate, in case any officer who has signed or whose signature appears has been placed upon a certificate shall cause in the book of the Corporation to be entered, such certificate may be issued with the same effect as though the person or persons to whom it is issued. The seal of the Corporation, or a facsimile thereof, may be used on the certificate or any certificate representing shares.

##### SECTION 2. SIGNATURES AND ENDORSEMENTS OF STOCK

The Board of Directors or any transfer agent of the Corporation may cause to be signed or endorsed, or both, or if such stock is no longer conditional, a representative of such stock, in place of any certificate or certificate thereon issued by the Corporation, a copy



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Success: Success

See INDEXES      [Bibliography, Charts](#)

ARTICLE VI  
GENERAL PROVISIONS

Section:  Username:  Password:

The Corporation may, at its board of directors' or at such other place, with or without the presence of a quorum, at the Board of Directors' meeting from time to time determine or the resolution of the Corporation may require.

#### Section 2. Corporate Seal

All checks or drafts for money and notes of the Corporation shall be signed by such officer or officers as such other person or persons as the Board of Directors may from time to time designate.

#### Section 3. Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

#### Section 4. Officer or Officer-Designate and Other Personnel

Unless otherwise ordered by the Board of Directors, the President, the Secretary, and such other officers or agents of the Corporation as may be chosen first to those authorized by the Board of Directors or the President shall have full power and authority on behalf of the Corporation to attend and to act or vote in person or by proxy at any meeting of the business of members of any corporation or other entity in which the Corporation now owns or holds shares or other securities, and to seek recovery of such losses and any amounts of the right and power incident to the ownership of such shares or other securities, which the Corporation, or its officers or other personnel, might have recovered and recovered if present. The President, the Secretary or other such officers or agents may, when necessary and deliver on behalf of the Corporation, powers of attorney, proxies, consents, waivers and other instruments relating to the shares or securities owned or held by the Corporation.

#### Section 5. Corporate Taxes

The Corporation will have a corporate seal, to any form or form for incorporation by resolution of the Board of Directors. If a corporate seal is adopted, it shall be inscribed thereon the name of the corporation and the words "Corporation" and "New York". The seal may be used by recording or a document shall be the signature or signed or to any person recorded.

#### Section 6. Annual Statement

The Board of Directors shall prepare an annual report, and if any similar meeting of the stockholders, when called for by a vote of the stockholders, a full and complete statement of the business and condition of the Corporation.

#### Section 7. Dividends

Dividends upon the capital stock of the Corporation, subject to the provision of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting of the Board of Directors. Dividends may be paid in cash, in property, or in shares of the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation.

*Journal of Management Education* 30(6)p.789-804  
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## ARTICLE VII

### CONSECUTION

ISSN 0013-788X/92/0005-0000\$05.00/0

**Supplement:** <http://www.elsevier.com/locate/jbiotec>

Every person who is subject to a subpoena is deemed to be under a duty to testify and to produce any and all documents, records, papers, books, and other materials, and to answer all questions, by deposition or otherwise, by the person to whom the subpoena is issued, in accordance with the provisions of this Act. The duty of a person to testify and to produce any and all documents, records, papers, books, and other materials, and to answer all questions, by deposition or otherwise, by the person to whom the subpoena is issued, in accordance with the provisions of this Act, is deemed to be a duty of the person to testify and to produce any and all documents, records, papers, books, and other materials, and to answer all questions, by deposition or otherwise, by the person to whom the subpoena is issued, in accordance with the provisions of this Act. The duty of a person to testify and to produce any and all documents, records, papers, books, and other materials, and to answer all questions, by deposition or otherwise, by the person to whom the subpoena is issued, in accordance with the provisions of this Act, is deemed to be a duty of the person to testify and to produce any and all documents, records, papers, books, and other materials, and to answer all questions, by deposition or otherwise, by the person to whom the subpoena is issued, in accordance with the provisions of this Act.

**SECTION 2. OFFICERS**

The Board of Directors may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, or as its representative in a partnership, joint venture, trust or other arrangement against any liability assumed against such person and incurred in any such capacity or arising out of such stress, whether or not the Corporation would have the power to indemnify such person.

**SECTION 3. BYLAWS**

The Board of Directors may from time to time adopt further bylaws with respect to administration and may amend those and such bylaws to provide all of them the fullest satisfaction permitted by the laws of the State of Nevada.

**ARTICLE VIII  
ASSIGNMENTS****SECTION 1. ASSIGNMENTS BY STOCKHOLDERS**

The Board may be succeeded by the stockholders at any annual or special meeting of the stockholders by a majority vote, and such notice of meeting to succeed or replace shall have been published in accordance with such meeting.

**SECTION 2. ASSIGNMENTS BY BOARD OF DIRECTORS**

The Board of Directors at any regular or special meeting, by a majority vote, may amend these bylaws, including bylaws adopted by the stockholders, but the stockholders may from time to time specify particular provisions of the Bylaws, which shall not be amended by 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. (formerly "United Holding Corporation"), a Nevada corporation (the "Company"), and that the foregoing Bylaws, consisting of 27 pages (including cover page and table of contents), constitute the Amended and Restated Bylaws of the Company as then adopted by the Board of Directors on November 19, 1989 and amended by the Board of Directors on March 31, 1992, September 26, 1992, October 11, 1996, December 27, 1999 and December 28, 2011.

Witness my hand and the seal hereof on this 28th day of December, 2011.

  
\_\_\_\_\_  
Reading International, Inc. (United Holding Corp.)



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





**estpac NZ** Wholesale Term Loan (Fixed and Floating Alternatives) (For Use with General Security Agreement)

## Borrower

### Needing Temporary Credit Lines

2007

## Westpac NZ

Workpac New Zealand Limited (1706892) incorporated in New Zealand and having its principal place of business in  
New Zealand at 11 Market Street, Auckland, New Zealand

20 25 30  
35 40 45

## Charging Group

The Borrower, Reading New Zealand Limited, Reading Citrus Growers Central Limited, Glenlister Cattle Limited, Reading Resources NZ Limited, George Robinson Limited, Reading Growth NZ Limited, Glenlister Landholding Limited, Reading Swastons Limited, Reading Wellington Properties Limited and Reading Orchards Limited  
 (the "Borrowers")

2004-2005  
2006-2007

|                              |        |     |
|------------------------------|--------|-----|
| THIS AGREEMENT IS DATED THIS | day of | Nov |
|------------------------------|--------|-----|

## signature section

.....  
 This Agreement is subject to the terms and conditions of the Standard

~~SECRET~~ REFERENCE OF THE SOURCE

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1. *Journal of the American Medical Association*, 1997; 277: 1033-1036.

[illegible]

555-888-8888

## Discussion

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## Introduction

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:
- the original of this Agreement duly executed by the Borrower;
  - a certificate from a director of the Borrower in the form set out in the first schedule;
  - 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;
  - evidence of registration of any financing statement in respect of the Security; and
  - 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 2015 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:

- the Borrower has complied with the relevant drawdown procedure;
- 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;
- the First Tranche is utilised to repay the Borrower's existing indebtedness with Westpac NZ (account no. 03-0104-0796183-91) 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 2015;
- the Second Tranche is utilised to assist the Borrower in completing the Development;
- 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:

- Westpac NZ's obligations to make the Loan available will terminate; and
- 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
- 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 5 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 Changing 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:
- i) sections 114(1)(a), 133 and 134 of the PPSA shall not apply;
- ii) the Borrower shall have none of the rights referred to in paragraphs (c) to (e) and (h) to (j) of section 107(2) of the PPSA; and
-

iii) 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 45 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;
  - 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 45 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 8.1(f)(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:

- the Borrower must make sure that the withholding or deduction is for not more than the minimum amount required by that law;
- 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;
- 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;
- 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:

- 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
  - 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:

- 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;
- 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;
- Westpac NZ is under no obligation to disclose any information relating to the calculation of its Tax liability or benefits;
- 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.