

IN THE SUPREME COURT OF THE STATE OF NEVADA

JAMES J. COTTER, JR., derivatively on  
behalf of Reading International, Inc.,

Appellant,

v.

DOUGLAS MCEACHERN, EDWARD  
KANE, JUDY CODDING, WILLIAM  
GOULD, MICHAEL WROTONIAK, and  
nominal defendant READING  
INTERNATIONAL, INC., A NEVADA  
CORPORATION

Respondents.

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No. A-15-719860-B

Coordinated with:  
Case No. P-14-0824-42-E

Appeal (77648 & 76981)

Eighth Judicial District Court, Dept. XI  
The Honorable Elizabeth G. Gonzalez

JOINT APPENDIX TO OPENING BRIEFS  
FOR CASE NOS. 77648 & 76981  
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| 2015-08-20  | Reading International, Inc. ("RDI")'s Joinder to Margaret Cotter, Ellen Cotter, Douglas McEachern, Guy Adams, & Edward Kane ("Individual Defendants") Motion to Dismiss Complaint | I                | JA105-<br>JA108     |
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## CERTIFICATE OF SERVICE

I certify that I am an employee of MORRIS LAW GROUP; I am familiar with the firm's practice of collection and processing documents for mailing; that, in accordance therewith, I caused the following document to be e-served via the Supreme Court's electronic service process. I hereby certify that on the 28th day of August, 2019, a true and correct copy of the foregoing **JOINT APPENDIX TO OPENING BRIEFS FOR CASE NOS. 77648 & 76981**, was served by the following method(s):

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By: /s/ Gabriela Mercado

1 BY MR. TAYBACK:

2 Q. That's just coincidence?

3 MR. KRUM: Asked and answered as well.

4 THE WITNESS: The answer was no.

5 BY MR. TAYBACK:

11:32:46

6 Q. Do you call Mr. Kane -- have you ever  
7 called him Uncle Ed?

8 A. At some point I did. But when I became  
9 more involved in Reading, I thought it was odd and I  
10 stopped. And I did not have the same level of 11:33:01  
11 relationship with him and his family that my two  
12 sisters had.

13 Q. What does that mean, "the same level of  
14 relationship"?

15 They're just closer personally to him? 11:33:15

16 A. Yes.

17 Q. Do you perceive that he likes them better?

18 A. I think he's -- he is closer with both of  
19 them on a personal level.

20 Q. And do you -- did you always feel that way? 11:33:29

21 Let's say when you were younger, did you  
22 feel that he liked them more than you?

23 MR. KRUM: Objection, vague.

24 THE WITNESS: I mean, in the last 15 years,  
25 he's had a closer relationship with both of them. 11:33:44

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1 He would often go out to dinner with the two of them  
2 and his family.

3 I really didn't have that level. So I  
4 would describe my two sisters' relationship with Ed  
5 Kane and his family to be different than the one 11:33:59  
6 that I had.

7 BY MR. TAYBACK:

8 Q. And do you feel that was your choice or his  
9 choice to not have that kind of relationship with  
10 Mr. Kane? 11:34:08

11 A. I mean, I don't know what he was thinking.  
12 I just didn't have it with him. I mean, I --

13 Q. Were there occasions where you asked him to  
14 go to dinner more and he --

15 A. No.

16 Q. -- wouldn't?

17 A. No, no, no. No. I would never -- outside  
18 of Reading, my interaction with Ed Kane and his  
19 family was limited, or certainly much more limited  
20 than Ellen and Margaret's. 11:34:37

21 Q. Mr. McEachern, is he independent, in your  
22 view?

23 A. Yes. I mean, he's -- I mean, again, he's  
24 independent. He's got no relationship with Ellen  
25 and Margaret or, you know, no business relationship 11:34:58

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1 with Ellen and Margaret. So --

2 Q. No business relationship -- Mr. Kane has no  
3 business relationship with Ellen and Margaret also;  
4 correct?

5 A. That's correct.

11:35:20

6 Q. So in your view, Mr. McEachern is  
7 independent and has always been independent?

8 MR. KRUM: Asked and answered.

9 THE WITNESS: Yeah, the testimony speaks  
10 for itself.

11:35:30

11 BY MR. TAYBACK:

12 Q. So the answer's yes?

13 MR. KRUM: Well, asked and answered. He  
14 said what he said.

15 BY MR. TAYBACK:

16 Q. Well, was your answer --

17 MR. KRUM: But it was yes with an  
18 explanation.

19 Do you want him to withdraw the  
20 explanation?

11:35:41

21 MR. TAYBACK: No. I was going to say, he's  
22 independent and he's always been independent.

23 BY MR. TAYBACK:

24 Q. I think you can answer it yes -- or not.

25 But I think the answer's yes, and I want to make

11:35:48

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1 sure I understand the answer.

2 MR. KRUM: All right. Same objections.

3 You can answer.

4 THE WITNESS: Okay. Yes.

5 BY MR. TAYBACK:

11:35:54

6 Q. Guy Adams, is he independent?

7 MR. KRUM: Same -- may call for a legal  
8 conclusion.

9 BY MR. TAYBACK:

10 Q. In your view?

11:36:03

11 A. No.

12 Q. Okay. Why not?

13 A. A significant portion of his income derives  
14 from entities that are controlled by my two sisters,  
15 a significant portion. And I don't see how  
16 Mr. Adams can make decisions that, in one way or the  
17 other, impact Ellen and Margaret and do so in an  
18 independent way.

11:36:28

19 He is fully involved with a number of  
20 entities that my two sisters now purportedly  
21 control, and his livelihood really depends on them.

11:36:48

22 Q. Would he be independent if you controlled  
23 those entities?

24 MR. KRUM: Objection, calls for a legal  
25 conclusion, incomplete hypothetical.

11:37:11

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1 (The deposition of JAMES COTTER, JR., was  
2 reconvened at 2:04 p.m.)  
3

4 THE VIDEOGRAPHER: This marks the beginning  
5 of media No. 3. Going back on the record at 02:04:20  
6 2:04 p.m.  
7

8 JAMES COTTER, JR.,  
9 the witness, having been previously administered an  
10 oath by the Court Reporter, testified further as  
11 follows:  
12

13 EXAMINATION (CONTINUING)

14 BY MR. TAYBACK:

15 Q. So before I resume sort of talking about 02:04:26  
16 your early work with Reading, I wanted to go back  
17 and ask a couple follow-up questions.

18 When I asked you about the different  
19 directors, I didn't ask you about Tim Storey.

20 Did you believe that Tim Storey was 02:04:40  
21 independent?

22 A. Yes.

23 Q. Okay. And Tim Storey also had a job, a  
24 position, doing work for Reading, correct, in  
25 New Zealand? Didn't he perform functions for 02:04:55

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1 Reading other than being a director?

2 A. He did.

3 Q. Did that compromise his integrity -- his  
4 independence, rather?

5 A. He served as a director of our New Zealand 02:05:07  
6 subsidiary.

7 Q. Did that impact his independence, in your  
8 view?

9 A. No.

10 Q. Why not? 02:05:17

11 A. 20 -- he -- I think he earned \$25,000 as a  
12 director of a subsidiary. I mean, relative to his  
13 overall income, it was a small percent -- he didn't  
14 depend on the income from Reading for his  
15 livelihood. 02:05:48

16 Q. What's his overall income?

17 A. I don't know.

18 Q. You have no idea?

19 A. I don't know.

20 Q. Then how do you know that it's not a large 02:06:01  
21 percentage of his -- that he doesn't depend on it  
22 for his livelihood? How do you know that?

23 A. I mean, I can't say that I do, but I mean,  
24 it seems safe to assume that he had other sources of  
25 income and he was actively engaged. He had -- he 02:06:21

1 was the chairman of DNZ Corporation, and he had  
2 an income from that. So it seems safe for me to  
3 assume that he wasn't relying on \$25,000 as a  
4 director of a -- of one of Reading's subsidiaries  
5 for his livelihood.

02:06:47

6 Q. So -- but that's an assumption because you  
7 don't know?

8 A. It's an assumption to a degree. I mean, I  
9 knew that he was making income from DNZ. So I knew  
10 at a minimum he was getting some income from DNZ, so  
11 he wasn't simply depending on the \$25,000 from  
12 Reading.

02:07:02

13 Q. And do you know, did he -- did Mr. Storey  
14 also have a relationship with your father?

15 A. In what sense?

02:07:19

16 Q. Had they been friends? Had they had a  
17 business relationship of any sort? The things  
18 that -- you've lodged questions about independence  
19 of other directors.

20 Did he have any of those kinds of  
21 relationships?

02:07:35

22 A. I would characterize my father's  
23 relationship with Mr. Storey as primarily business,  
24 almost entirely business.

25 Q. And -- but that being the case, did you

02:07:48

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1 feel like that business relationship with your  
2 father compromised Mr. Storey's independence?

3 A. When I referred to business, I meant  
4 Reading.

5 Q. Oh, only through Reading? 02:08:02

6 A. Right.

7 Q. Through his tenure as a director?

8 A. Through his tenure as a director of one of  
9 our subsidiaries of Reading International and  
10 through his tenure as a board member of Reading 02:08:13  
11 International.

12 Q. And why did you sue Mr. Storey initially?  
13 He's initially named as a defendant in your lawsuit.

14 MR. KRUM: Objection insofar as that calls  
15 for a legal conclusion. 02:08:29

16 You can answer that without disclosing any  
17 communications with your counsel.

18 THE WITNESS: Unfortunately, I would have  
19 to disclose communication with my counsel.

20 BY MR. TAYBACK: 02:08:40

21 Q. So other than your communication with  
22 counsel, as you sit here as the plaintiff who filed  
23 the lawsuit, you have no view as to why you sued  
24 Mr. Storey?

25 A. No view outside of my discussions with my 02:08:51

# **EXHIBIT 8**

|    |                                            |
|----|--------------------------------------------|
| 1  | EIGHTH JUDICIAL DISTRICT COURT             |
| 2  | CLARK COUNTY, NEVADA                       |
| 3  |                                            |
| 4  | JAMES COTTER, JR., derivatively            |
| 5  | on behalf of Reading International,        |
| 6  | Inc.,                                      |
| 7  | Plaintiff,                                 |
| 8  | vs.                                        |
| 9  | Case No.                                   |
| 10 | MARGARET COTTER, EILEN COTTER,             |
| 11 | GUY ADAMS, EDWARD KANE, DOUGLAS            |
| 12 | MCEachern, TIMOTHY STOREY,                 |
| 13 | WILLIAM GOULD, JUDY CODDING,               |
| 14 | MICHAEL WROTHIAK, and DOES 1               |
| 15 | through 100, inclusive,                    |
| 16 | Defendants.                                |
| 17 | and                                        |
| 18 | READING INTERNATIONAL, INC.,               |
| 19 | a Nevada corporation,                      |
| 20 | Nominal Defendant.                         |
| 21 | (CAPTION CONTINUED ON NEXT PAGE.)          |
| 22 | VIDEOTAPED DEPOSITION OF JAMES COTTER, JR. |
| 23 | Los Angeles, California                    |
| 24 | Wednesday, July 6, 2016                    |
| 25 | Volume III                                 |
| 26 | Reported by:                               |
| 27 | JANICE SCHUTZMAN, CSR No. 9509             |
| 28 | Job No. 2343561                            |
| 29 | Pages 568 - 838                            |
| 30 | Page 568                                   |

1 T2 PARTNERS MANAGEMENT, LP, a  
2 Delaware limited partnership,  
3 doing business as KASE CAPITAL  
4 MANAGEMENT, et al.,  
5 Plaintiffs,  
6 vs.  
7 MARGARET COTTER, ELLEN COTTER,  
8 GUY ADAMS, EDWARD KANE, DOUGLAS  
9 McEACHERN, WILLIAM GOULD, JUDY  
10 CODDING, MICHAEL WROTONIAK, CRAIG  
11 TOMPKINS, and DOES 1 through 100,  
12 inclusive,  
13 Defendants.  
14 and  
15 READING INTERNATIONAL, INC., a  
16 Nevada corporation,  
17 Nominal Defendant.

18 -----  
19  
20 Videotaped Deposition of JAMES COTTER, JR.,  
21 Volume III, taken at 865 South Figueroa Street,  
22 10th Floor, Los Angeles, California, commencing  
23 at 9:51 a.m. and ending at 5:13 p.m., Wednesday,  
24 July 6, 2016, before Janice Schutzman, CSR No. 9509.

25 PAGES 568 - 838



1 an appeal for him to help you save your job;  
2 correct?

3 A. It was an attempt by me to utilize Mr. Kane  
4 in the position that he had with my two sisters to  
5 initiate a mediation and to appeal to them. 03:08PM

6 Q. And in fact, Mr. Kane wrote back and  
7 offered to help; correct?

8 A. He responded to my email.

9 Q. And did you speak to him further after this  
10 with respect to his possible efforts to try to help 03:08PM  
11 bring back unity and respect between the siblings?

12 A. I did.

13 Q. And what were your subsequent  
14 communications with him?

15 A. I recall -- 03:08PM

16 MR. KRUM: With respect to the same  
17 subject?

18 MR. TAYBACK: Yes.

19 THE WITNESS: I recall that I visited him  
20 in San Diego shortly after that meeting. 03:08PM

21 BY MR. TAYBACK:

22 Q. How long was that meeting?

23 A. We had lunch, drove around -- maybe two and  
24 a half hours.

25 Q. And did -- if you could summarize for me 03:09PM

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1 the advice, if any, that he gave you?

2 A. I had suggested a proposed solution that I  
3 thought would be palatable to Ellen and Margaret,  
4 and I had suggested it to him.

5 And he had said, yeah, you know, that makes 03:09PM  
6 sense with me.

7 And he seemed agreeable towards the end of  
8 the discussion. He seemed agreeable.

9 Q. And did you have any further conversations  
10 or meetings with him after that with respect to this 03:10PM  
11 same subject matter before the next board meeting  
12 that followed?

13 A. At some point, my recollection is that  
14 while he was amenable to what I had discussed with  
15 him, he then might have run it by Ellen and 03:10PM  
16 Margaret, who were less than agreeable, and he had  
17 taken it off the table and no longer supported it.  
18 That's just my general recollection of his response.

19 Q. What was the proposal?

20 A. I can't recall today what it was. But it 03:11PM  
21 was certainly -- it was something that left me in  
22 the position as CEO.

23 Q. But it was different than the proposal that  
24 Margaret and Ellen made, which also left you in as  
25 CEO; correct? 03:11PM

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# **EXHIBIT 9**

1

2

DISTRICT COURT

3

CLARK COUNTY, NEVADA

4

JAMES J. COTTER, JR., )  
5 individually and )  
derivatively on behalf of )  
6 Reading International, )  
Inc., )

7

Plaintiff, )

Case No. A-15-719860-B

8

vs. )

Coordinated with:

9

MARGARET COTTER, et al., )

Case No. P-14-082942-E

10

Defendants. )

11

and )

12

READING INTERNATIONAL, )  
INC., a Nevada )  
13 corporation, )

14

Nominal Defendant )

15

16

VIDEOTAPED DEPOSITION OF WILLIAM D. ELLIS

17

TAKEN ON JUNE 28, 2016

18

19

20

21

22

23

24

REPORTED BY:

25

PATRICIA L. HUBBARD, CSR #3400

1 MR. SEARCY: Objection. Assumes facts,  
2 lacks foundation.

3 THE WITNESS: Did not know that.

4 BY MR. KRUM:

5 Q. This is a "yes" or "no" question. Were  
6 you ever responsible for addressing the subject of  
7 whether one or more non-Cotter members of the RDI  
8 board of directors were independent for any purpose?

9 A. Yes.

10 Q. Okay. Without telling me what you did  
11 or what you learned or what you concluded, what was  
12 the purpose or what were the purposes?

13 A. It was a response to a claim that Jim  
14 made that Guy was not independent.

15 Q. Without telling me anything you said or  
16 he said, did you interview Mr. Adams in connection  
17 with whatever you were doing to determine his  
18 independence?

19 A. I don't recall the process I undertook.

20 Q. To your knowledge, did Mr. Adams ever  
21 provide to you or anybody else at RDI information  
22 indicating the source or sources of his income?

23 A. He did not provide it to me. I don't  
24 know if he provided it to others.

25 Q. Did you ever have any communications

1 with Guy Adams with respect to his completing a  
2 director and officer questionnaire?

3 A. I asked all the officers and directors  
4 to complete officers and directors questionnaires.

5 Q. Beyond that, did you ever have any  
6 communications with Guy Adams with respect to him  
7 completing a D and O questionnaire?

8 A. I don't recall any separate  
9 communications.

10 Q. Did you or, to your knowledge, anybody  
11 at RDI ever undertake any action to review publicly  
12 available information to test the accuracy of  
13 information provided by any of the non-Cotter  
14 directors in connection with their completing  
15 D and O questionnaires?

16 MR. SEARCY: Objection. Vague.

17 THE WITNESS: I did not. Others may  
18 have.

19 BY MR. KRUM:

20 Q. What responsibility, if any, did you  
21 have for or with respect to the exercise of stock  
22 options or the sale of options or RDI stock by  
23 members of the RDI board of directors?

24 A. That was Craig and the compensation  
25 committee.

1 Q. Other than what you previously  
2 referenced in your testimony regarding statements by  
3 Jim Cotter, Jr., did you ever otherwise hear or  
4 learn of anything that raised a question about the  
5 independence or disinterestedness of any non-Cotter  
6 member of the RDI board of directors?

7 MR. SEARCY: Objection. Vague.

8 THE WITNESS: Other than Jim's claims  
9 and following up on them, I don't know of anybody  
10 independently raising those issues.

11 BY MR. KRUM:

12 Q. Without disclosing any privileged  
13 communications, which I'm not asking you to  
14 disclose, who -- who else, if anyone, beyond you  
15 played any role in assessing Jim's claims that Guy  
16 Adams lacked independence or, as the case may, be  
17 disinterestedness?

18 MR. SEARCY: Objection. Vague.

19 THE WITNESS: I think Craig was involved  
20 and possibly Nevada counsel.

21 BY MR. KRUM:

22 Q. Who is Nevada counsel?

23 A. That would be Greenberg Traurig.

24 Q. Did you ever hear or learn or were you  
25 ever told anything that you understood related to

# **EXHIBIT 10**

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM DEF 14A**

**READING INTERNATIONAL INC - RDI**

**Filed: April 25, 2014 (period: April 25, 2014)**

Official notification to shareholders of matters to be brought to a vote (Proxy)

The information contained herein may not be copied, adapted or distributed and is not warranted to be accurate, complete or timely. The user assumes all risks for any damages or losses arising from any use of this information, except to the extent such damages or losses cannot be limited or excluded by applicable law. Past financial performance is no guarantee of future results.

**JA2328**



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

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

Filed by the Registrant ☒  
Filed by a party other than the Registrant ☐

Check the appropriate box:

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

READING INTERNATIONAL, INC.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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

.....





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

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON THURSDAY, MAY 15, 2014**

TO THE STOCKHOLDERS:

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

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

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

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

By Order of the Board of Directors

James J. Cotter, Sr.  
Chairman

April 25, 2014

**PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN  
THE ENCLOSED RETURN ENVELOPE TO ENSURE THAT YOUR VOTES ARE COUNTED.**



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

#### PROXY STATEMENT

Annual Meeting of Stockholders  
Thursday, May 15, 2014

#### INTRODUCTION

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

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

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

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

## VOTING AND PROXIES

### *Am I eligible to vote?*

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

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

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

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

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

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

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

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

### *How do I vote in person?*

If you are a stockholder of record, you may vote in person by attending the 2014 Annual Meeting.

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

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

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

### *What if I want to revoke my proxy?*

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



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

#### **Proxy Solicitation and Expenses**

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

#### **Quorum and Vote Required**

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

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

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

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

#### ***Is my vote kept confidential?***

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

## PROPOSAL 1: ELECTION OF DIRECTORS

### Nominees for Election

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

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

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

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

*James J. Cotter, Sr.*

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

Mr. Cotter, Sr. is highly qualified to serve on our Board due to his decades of experience as an executive in the film exhibition and real estate industries, as well as experience in diverse ventures and investments. Mr. Cotter, Sr. has also served on several Boards of public and private companies, primarily engaged in banking and real estate activities. Furthermore, as the largest stockholder of the Company, his

interests are generally aligned with those of the other stockholders of the Company, which enhances his value as a Director. In those situations where there may be a conflict of interest, such matters are referred to our Audit and Conflicts Committee comprised entirely of independent Directors.

*James J. Cotter, Jr.*

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

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

*Ellen M. Cotter*

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

Ms. Cotter brings to the Board her 15 years of experience working in our Company's cinema operations, both in the United States and Australia. For the past 12 years, she has served as the senior operating officer of our Company's domestic cinema operations. She has also served as the Chief Executive Officer of Reading's subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. With her direct ownership of approximately 674,000 shares of Class A Stock, Ms. Cotter is a significant stake holder in our Company. Ms. Cotter also holds options to acquire an additional 95,000 shares of Class A Common Stock and 50,000 shares of Class B Voting Common Stock.

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

*Margaret Cotter*

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



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

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

*Guy W. Adams*

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

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

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

*William D. Gould*

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

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

*Edward L. Kane*

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

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

*Douglas J. McEachern*

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

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

*Tim Storey*

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

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

**Attendance at Board and Committee Meetings**

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



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

#### **Code of Ethics**

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

#### **Indemnity Agreements**

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

#### **Compensation of Directors**

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

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

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

## Director Compensation Table

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

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

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

## Board Committees and Corporate Governance

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

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

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



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

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

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

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

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

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

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

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

### ***Executive Committee***

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

### ***Audit and Conflicts Committee***

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

### *Audit Committee Report*

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

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

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

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

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

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

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

Respectfully submitted by the Audit Committee.

Douglas J. McEachern, Chairman  
Edward L. Kane  
Tim Storey



### **Compensation Committee**

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

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

### **Tax Oversight Committee**

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

### **Vote Required**

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

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

### **Recommendation of the Board**

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

### **PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION**

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

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

## Vote Required

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

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

## Recommendation of the Board

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

## BENEFICIAL OWNERSHIP OF SECURITIES

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

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

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

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



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

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

- (9) Includes 22,500 shares subject to stock options.
- (10) Includes 47,600 shares subject to stock options.
- (11) Includes 43,750 shares subject to stock options.
- (12) Based on Mr. Cuban's Form 4 filed on July 18, 2011 and Schedule 13-G filed on February 14, 2012.
- (13) Based on the PICO Holdings, Inc. and PICO Deferred Holdings, LLC Schedule 13-G filed on February 15, 2011.
- (14) The Class A Stock shown includes 423,850 shares subject to stock options and the Class B Stock shown includes 185,100 shares subject to stock options.

#### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

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

#### EXECUTIVE OFFICERS

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

| <u>Name</u>         | <u>Age</u> | <u>Title</u>                                  |
|---------------------|------------|-----------------------------------------------|
| Andrzej Matyczynski | 61         | Chief Financial Officer and Treasurer         |
| Robert F. Smerling  | 79         | President - Domestic Cinemas                  |
| Wayne Smith         | 56         | Managing Director – Australia and New Zealand |

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

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

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

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

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

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

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

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

#### *CEO Compensation*

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

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



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

#### 2013 CEO Compensation

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

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

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

The Company paid Towers Watson a fee of \$24,000 for its services in preparing the 2012 analysis.

Based on the above 2012 Towers Watson analysis, on January 15, 2013, the Compensation Committee recommended to the Board, and the Board subsequently accepted, the following compensation program for our Chief Executive Officer for 2013.

Salary: \$750,000

The Compensation Committee determined to increase Mr. Cotter, Sr.'s 2013 annual base salary from \$700,000 in 2012 to \$750,000, or approximately 7%. According to Tower Watson's advice, most of the peer group companies were considering increases in the range of 3%. In deciding to recommend an increase in Mr. Cotter, Sr.'s annual base salary, the Compensation Committee decided to maintain Mr. Cotter Sr.'s overall total compensation increase from 2012 to within the 3% range, but make the adjustment fully on the base salary. The Compensation Committee also considered the fact that the increase would necessarily result in an increase in Mr. Cotter, Sr.'s SERP, but this did not affect the Compensation Committee's recommendation,

since the SERP is fully vested and, except for changes in benefits resulting from changes in Mr. Cotter, Sr.'s annual cash compensation, Mr. Cotter, Sr. is no longer accruing additional benefits under the SERP.

*Discretionary Cash Bonus:* Up to \$500,000.

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

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

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

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

*Stock Bonus:* \$750,000 (125,209 shares of Class A Stock).

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

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



### 2014 CEO Compensation

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

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

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

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

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

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

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

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

Salary: \$750,000

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



*Discretionary Cash Bonus:* Up to \$750,000.

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

*Stock Bonus:* \$1,200,000 (160,643 shares of Class A Stock).

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

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

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

1. Executive compensation should primarily be used to:
  - attract and retain talented executives;
  - reward executives appropriately for their individual efforts and job performance; and
  - afford executives appropriate incentives to achieve the short-term and long-term business objectives established by management and our Board of Directors.
2. In support of the foregoing, the total compensation paid to our named executive officers should be:
  - fair both to our Company and to the named executive officers;
  - reasonable in nature and amount; and
  - competitive with market compensation rates.

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

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

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

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

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

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

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

#### ***Key Person Insurance***

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

#### ***Retirement Benefits***

We provide all of our employees, including Mr. Cotter, Sr. and our other named executive officers, a retirement savings plan qualified under Internal Revenue Code section 401(k). To be eligible to participate, employees must have completed four months of employment, and must be over 21 years of age. Employees choosing to participate can make contributions to their plan account on a pre-tax basis up to the maximum



annual amount permitted by IRS rulings. The Company usually matches employee contributions dollar-for-dollar up to 3% of employee wages, then 50 cents per dollar between 3% and 5% of employee wages.

#### *Supplemental Executive Retirement Plan*

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

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

#### *Other Retirement Plans*

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

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

| <b>December 31</b> | <b>Total Vested Amount at<br/>the End of Each Vesting<br/>Year</b> |
|--------------------|--------------------------------------------------------------------|
| 2013               | \$ 300,000                                                         |
| 2014               | \$ 375,000                                                         |
| 2015               | \$ 450,000                                                         |
| 2016               | \$ 525,000                                                         |
| 2017               | \$ 625,000                                                         |
| 2018               | \$ 750,000                                                         |
| 2019               | \$ 1,000,000                                                       |

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

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

#### *Tax and Accounting Considerations*

##### *Deductibility of Executive Compensation*

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

#### *Nonqualified Deferred Compensation*

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

#### *Accounting for Stock-Based Compensation*

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

#### *Say on Pay and Say When Pay*

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

#### ***Compensation Committee Report***

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

Respectfully submitted,

Edward L. Kane, Chairman  
Tim Storey  
Alfred Villaseñor

## Summary Compensation Table

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

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

(1) Based on closing price of our Class A Nonvoting Common Stock on January 15, 2013.

(2) Represents an increase in the actuarial value of Mr. Cotter, Sr.'s SERP at December 31, 2013, as estimated by Towers Watson in January 2014. As the SERP is unfunded, this does not represent any current payment or contribution by our Company. Rather, it is simply a calculation of the increase in the present value of the formula benefits provided for in the SERP, and reflects items such as the timing of cash compensation payments made to Mr. Cotter, Sr., and interest rates from time to time. No change has been made to the SERP benefits since its inception in 2007.

(3) We own a condominium in West Hollywood, California, which is used as an executive meeting place and office. "All Other Compensation" includes our matching contributions under our 401(k) plan, the incremental cost to our Company of providing the use of the West Hollywood Condominium to Mr. Cotter, Sr., the cost of a Company automobile used by Mr. Cotter, Sr., and health club dues paid by the Company.

(4) Represents our employer's matching contributions under our 401(k) plan, key person insurance, and any car allowances.



- (5) Represents increases in the value of the DCP for Mr. Matyczynski at December 31, 2013. As this DCP is unfunded, these amounts do not represent any current payment or contribution by our Company. Rather, it is simply a calculation of the increase in the value of the benefits provided for by the DCP.

#### Grants of Plan-Based Awards

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

| <u>Name</u>          | <u>Grant Date</u> | <u>All Other<br/>Stock Awards:<br/>Number of<br/>Shares of<br/>Stock or Units</u> | <u>Grant Date<br/>Fair Value of<br/>Stock and<br/>Option Awards</u> |
|----------------------|-------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------|
| James J. Cotter, Sr. | 1/15/2013         | 125,209 (1)                                                                       | \$ 750,000                                                          |

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

#### Outstanding Equity Awards

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

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

### Option Exercises and Stock Vested

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

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

### Pension Benefits

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

| Name                 | Plan Name | Number of Years of Credited Service | Present Value of Accumulated Benefit (\$) | Payments During Last Fiscal Year (\$) |
|----------------------|-----------|-------------------------------------|-------------------------------------------|---------------------------------------|
| James J. Cotter, Sr. | SERP      | 26                                  | \$ 7,398,000                              | \$ --                                 |
| Andrzej Matyczynski  | CFO DCP   | 4                                   | \$ 300,000                                | \$ --                                 |

### Payments Upon Termination or Change in Control

We have entered into the following termination arrangements with the following named executive officer:

*Andrzej Matyczynski.* Pursuant to his employment agreement, Mr. Matyczynski is entitled to a severance payment equal to six months' salary in the event his employment is involuntarily terminated.

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

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

### Compensation Committee Interlocks and Insider Participation

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

### CERTAIN TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The members of our Audit and Conflicts Committee are Edward Kane, Tim Storey, and Douglas McEachem, who serves as Chairman. Management presents all potential related party transactions to

the Conflicts Committee for review. Our Conflicts Committee reviews whether a given related party transaction is beneficial to our Company, and approves or bars the transaction after a thorough analysis. Only Committee members disinterested in the transaction in question participate in the determination of whether the transaction may proceed.

#### **Sutton Hill Capital**

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

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

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

#### **OBI Management Agreement**

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

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately 21% of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex



in Chicago on a fee basis based on theater cash flow. In 2013, OBI Management earned \$401,000, which was 20.1% of net cash flows for the year. In 2012, OBI Management earned \$390,000, which was 19.7% of net cash flows for the year. In 2011, OBI Management earned \$398,000, which was 19.4% of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

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

#### **Live Theater Play Investment**

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

#### **Shadow View Land and Farming LLC**

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

#### **Certain Family Relationships**

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

#### **Certain Miscellaneous Transactions**

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

#### **INDEPENDENT PUBLIC ACCOUNTANTS**

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

#### **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 2013 and 2012 were approximately \$550,000 and \$593,000, respectively.

#### **Audit-Related Fees**

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

#### **Tax Fees**

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

#### **All Other Fees**

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

#### **Pre-Approval Policies and Procedures**

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

#### **STOCKHOLDER COMMUNICATIONS**

##### **Annual Report**

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

##### **Stockholder Communications with Directors**

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

##### **Stockholder Proposals and Director Nominations**

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



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

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

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

#### OTHER MATTERS

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

#### DELIVERY OF PROXY MATERIALS TO HOUSEHOLDS

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

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

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

By Order of the Board of Directors,



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

## PROXY CARD



### Electronic Voting Instructions

You can vote by Internet or telephone!

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR

Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on May 15, 2014.

#### Vote by Internet

Log on to the Internet and go to

[www.investorvote.com/RDI](http://www.investorvote.com/RDI)

Follow the steps outlined on the secured website.

#### Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada any time on a touch tone telephone. There is **NO CHARGE** to you for the call.

Follow the instructions provided by the recorded message.

### Annual Meeting Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

#### A. Proposals

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

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

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

|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
| For                      | Against                  | Withhold                 |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3. Other Business. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting and at and with respect to any and all adjournments or postponements thereof. The Board of Directors at present knows of no other business to be presented by or on behalf of the Company or the Board of Directors at the meeting.

#### B. Authorized Signatures – This section must be completed for your vote to be counted. – Date and Sign Below

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

|                                              |                                                     |                                                     |
|----------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Date (mm/dd/yyyy) – Please print date below. | Signature 1 – Please keep signature within the box. | Signature 2 – Please keep signature within the box. |
|                                              |                                                     |                                                     |

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

**Proxy - READING INTERNATIONAL, INC.**

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

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

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

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

**PLEASE SIGN AND DATE ON REVERSE SIDE**

**C. Non-Voting Items**

Change of Address – Please print new address below.

**Meeting Attendance**

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

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

.....

# EXHIBIT 11



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

Form 10-K/A  
Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2014

or

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

For the transaction period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-8625

**Reading International, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Nevada**  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

**6100 Center Drive, Suite 900**  
**Los Angeles, CA**  
(Address of Principal Executive Offices)

**90045**  
(Zip Code)

**(213) 235-2240**  
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u>                                 |
|------------------------------------------------------------|
| Class A Nonvoting Common Stock, \$0.01 Par Value per Share |
| Class B Voting Common Stock, \$0.01 Par Value per Share    |

| <u>Name Of Each Exchange<br/>On Which Registered</u> |
|------------------------------------------------------|
| NASDAQ                                               |
| NASDAQ                                               |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the  
Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of  
the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or  
15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that





the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was \$139,379,701 as of June 30, 2014.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 6, 2015, there were outstanding 21,745,484 shares of class A non-voting common stock, par value \$0.01 per share, and 1,580,590 shares of class B voting common stock, par value \$0.01 per share.

#### EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends Reading International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014, originally filed with the Securities and Exchange Commission, or SEC, on March 7, 2015 (the "Original Filing"). We are amending and refiling Part III to include information required by Items 10, 11, 12, 13 and 14 because our definitive proxy statement will not be filed within 120 days after December 31, 2014, the end of the fiscal year covered by our Annual Report on Form 10-K.

In addition, pursuant to the rules of the SEC, we have also included as exhibits currently dated certifications required under Section 302 of The Sarbanes-Oxley Act of 2002. Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of The Sarbanes-Oxley Act of 2002. We are amending Part IV to reflect the inclusion of those certifications.

Except as described above, no other changes have been made to the Original Filing. Except as otherwise indicated herein, this Amendment continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events that occurred subsequent to the date of the Original Filing. The filing of this Annual Report on Form 10-K/A is not a representation that any statements contained in items of our Annual Report on Form 10-K other than Part III, Items 10 through 14, and Part IV are true or complete as of any date subsequent to the Original Filing.

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### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and position held by each of our executive officers and directors as of April 30, 2015. Directors are elected for a period of one year and thereafter serve until the next annual meeting at which their successors are duly elected by the stockholders.

| <u>Name</u>          | <u>Age</u> | <u>Position</u>                                                   |
|----------------------|------------|-------------------------------------------------------------------|
| Ellen M. Cotter      | 49         | Chair of the Board and Chief Operating Officer – Domestic Cinemas |
| James J. Cotter, Jr. | 45         | President, Chief Executive Officer and Director (1)(2)            |
| Margaret Cotter      | 47         | Vice Chair of the Board(1)                                        |
| Guy W. Adams         | 64         | Director(1)(5)                                                    |
| William D. Gould     | 76         | Director (3)                                                      |
| Edward L. Kane       | 77         | Director (1)(2)(4)(5)                                             |
| Douglas J. McEachern | 63         | Director (4)                                                      |
| Tim Storey           | 57         | Director (4)(5)                                                   |

- (1) Member of the Executive Committee.
- (2) Member of the Tax Oversight Committee.
- (3) Lead independent director.
- (4) Member of the Audit and Conflicts Committee.
- (5) Member of the Compensation and Stock Options Committee.

The following sets forth information regarding our directors and our executive officers:

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

Ms. Cotter brings to the board her 16 years of experience working in our company's cinema operations, both in the United States and Australia. For the past 13 years, she has served as the senior operating officer of our company's domestic cinema operations. She has also served as the Chief Executive Officer of our subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. Ms. Cotter also is a significant stockholder in our company.

James J. Cotter, Jr. James J. Cotter, Jr. has been a director of our company since March 21, 2002, and was appointed Vice Chair of the Board in 2007. The board appointed Mr. Cotter, Jr. to serve as our President, beginning June 1, 2013. On August 7, 2014, he resigned as Vice Chair and was appointed to succeed his late father, James J. Cotter, Sr., as our Chief Executive Officer. He served as Chief Executive Officer of Cecelia Packing Corporation (a Cotter family-owned citrus grower, packer, and marketer) from July 2004 until 2013. Mr. Cotter, Jr. served as a director to Cecelia Packing Corporation from February 1996 to September 1997 and as a director of Gish Biomedical from September 1999 to March 2002. He was an attorney in the law firm of Winston & Strawn, specializing in corporate law, from September 1997 to May 2004. Mr. Cotter, Jr. is the brother of Margaret Cotter and Ellen M. Cotter.

Mr. Cotter, Jr. brings to the board his experience as a business professional, including as chief Executive Officer of Cecelia Packing Corporation, and corporate attorney, and his operating experience as the Chief Executive Officer of Cecelia. As the Vice Chair of our company, since 2007 he has chaired the weekly



Australia/New Zealand Executive Management Committee and the weekly U.S. Executive Management Committee meetings. In addition, he is a significant stockholder in our company.

Margaret Cotter. Margaret Cotter has been a director of our company since September 27, 2002, and on August 7, 2014 was appointed as Vice Chair of our board. Ms. Cotter is the owner and President of OBI, LLC, a company that provides live theater management services to our live theaters. Pursuant to that management arrangement, Ms. Cotter also serves as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. Ms. Cotter receives no compensation for this position, other than the right to participate in our company's medical insurance program. Ms. Cotter manages the real estate which houses each of the four live theaters under our Theater Management Agreement with Ms. Cotter's company, OBI LLC. Ms. Cotter secures leases, manages tenancies, oversees maintenance and regulatory compliance of these properties as well as heads the day to day pre-development process and transition of our properties from theater operations to major realty developments. Ms. Cotter was first commissioned to handle these properties by Sutton Hill Associates, which subsequently sold the business to our company along with other real estate and theaters in 2000. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and a board member of the League of 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 James J. Cotter, Jr. and Ellen M. Cotter.

Ms. Cotter brings to the board her experience as a live theater producer, theater operator and an active member of the New York theatre community, which gives her insight into live theater business trends that affect our business in this sector. Operating and overseeing our theater these properties for over 16 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, she is a significant stockholder in our company.

Guy W. Adams. Guy W. Adams has been a director of the Company since January 14, 2014. He is a Managing Member of GWA Capital Partners, LLC, a registered investment adviser managing GWA Investments, LLC. The fund invests in various publicly traded securities. Over the past eleven years, Mr. Adams has served as an independent director on the boards of directors of Lone Star Steakhouse & Saloon, Mercer International, Exar Corporation and Vitesse Semiconductor having served in various capacities as lead director, Audit Committee Chair and/or Compensation Committee Chair. Prior to this time, Mr. Adams provided investment advice to various family offices and invested his own capital in public and private equity transactions. Mr. Adams received his Bachelor of Science degree in Petroleum Engineering from Louisiana State University and his Masters of Business Administration from Harvard Graduate School of Business Administration.

Mr. Adams brings many years of experience serving as an independent director on public company boards, and in investing and providing financial advice with respect to investments in public companies.

William D. Gould. William D. Gould has been a director of our company since October 15, 2004 and has been a member of the law firm of TroyGould PC since 1986. Previously, he was a partner of the law firm of O'Melveny & Myers. We have from time to time retained TroyGould PC for legal advice. As an author and lecturer on the subjects of corporate governance and mergers and acquisitions, Mr. Gould brings to the board specialized experience as a corporate attorney. Mr. Gould's corporate transactional experience and expertise in corporate governance matters ensures that we have a highly qualified advisor on our board to provide oversight in such matters.

Edward L. Kane. Edward L. Kane has been a director of 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 Tax Oversight Committee and of our Compensation and Stock Option Committee (which we refer to as our Compensation Committee). He also serves as a member of our Executive Committee and our Audit and Conflicts Committee. Since 1996, Mr. Kane's principal occupation has been healthcare consultant and advisor. In that capacity, he has served as President and sole shareholder of High Avenue Consulting, a healthcare consulting firm, and as the head of its successor proprietorship. At various times during the past three decades, he has been Adjunct Professor of Law at two of San Diego's Law



Schools, most recently in 2008 and 2009 at Thomas Jefferson School of Law, and prior thereto at California Western School of Law.

Mr. Kane brings to the board his many years as a tax attorney and law professor, which experience well-serves our company in addressing tax matters. Mr. Kane also brings his experience as a past President of Craig Corporation and of Reading Company, two of our corporate predecessors, as well as a former member of the boards of directors of several publicly held corporations.

Douglas J. McEachern. Douglas J. McEachern has been a director of our company since May 17, 2012 and Chair of our Audit and Conflicts 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. Mr. McEachern is also the Chair of the board of Community Bank in Pasadena, California and a member of its Audit Committee. He also is a member of the Finance Committee of the Methodist Hospital of Arcadia. Since September 2009, Mr. McEachern has also 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, Deloitte and Touche, LLP, with client concentrations in financial institutions and real estate. Mr. McEachern was also a Professional Accounting Fellow with the Federal Home Loan Bank board in Washington DC, from June 1983 to July 1985. From June 1976 to June 1983, Mr. McEachern was a staff member and subsequently a manager with the audit firm, Touche Ross & Co. (predecessor to Deloitte & Touche, LLP). Mr. McEachern received a B.S. in Business Administration in 1974 from the University of California, Berkeley, and an M.B.A. in 1976 from the University of Southern California.

Mr. McEachern brings to the board his more than 37 years' experience meeting the accounting and auditing needs of financial institutions and real estate clients, including our company. Mr. McEachern also brings his experience reporting as an independent auditor to the boards of directors of a variety of public reporting companies and as a board member himself for various companies and not-for-profit organizations.

Tim Storey. Tim Storey has been a director of our company since December 28, 2011. Mr. Storey has served as the sole outside director of our company's wholly-owned New Zealand subsidiary since 2006. He has served since April 1, 2009 as a director of DNZ Property Fund Limited, a commercial property investment fund based in New Zealand and listed on the New Zealand Stock Exchange, and was appointed Chair of the board of that company on July 1, 2009. Since July 28, 2014, Mr. Storey has served as a director of JustKapital Litigation Partners Limited, an Australian Stock Exchange-listed company engaged in litigation financing. From 2011 to 2012, Mr. Storey was a director of NZ Farming Systems Uruguay, a New Zealand-listed company. NZ Farming Systems Uruguay owns and operates dairy farms in Uruguay. Prior to being elected Chair of DNZ Property Fund Limited, Mr. Storey was a partner in Bell Gully (one of the largest law firms in New Zealand). Mr. Storey is also a principal in Prolex Advisory, a private company in the business of providing commercial advisory services to a variety of clients and related entities.

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

Andrzej Matyczynski. Andrzej Matyczynski has served as our Chief Financial Officer since November 1999. Mr. Matyczynski resigned as our Chief Financial Officer effective May 11, 2015, but will continue as an employee until April 15, 2016 in order to assist in the transition of our new Chief Financial Officer, Mr. Ghose, whose information is set forth below.

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 57 years and, immediately before joining our company, served as the President of Loews Theatres Management Corporation.

William D. Ellis. William D. Ellis was appointed our General Counsel and Secretary in October 2014. Mr. Ellis has more than 30 years of hands-on legal experience as a real estate lawyer. Before joining our company, he was a partner in the real estate group at Sidley Austin LLP for 16 years. Before that, he worked at the law firm of Morgan Lewis & Bockius LLP. Mr. Ellis began his career as a corporate and securities lawyer



(handling corporate acquisitions, IPO's, mergers, etc.) and then moved on to real estate specialization (handling leasing, acquisitions, dispositions, financing, development and land use and entitlement across the United States). He had a substantial real estate practice in New York and Hawaii, which experience will help us with our real estate and cinema developments there. Mr. Ellis graduated Phi Beta Kappa from Occidental College with a B.A. degree in Political Science. He received his J.D. degree in 1982 from the University of Michigan Law School.

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.

Devasis ("Dev") Ghose. On April 20, 2015, we agreed to retain Devasis Dev Ghose to be our new Chief Financial Officer and Treasurer, effective May 11, 2015. Mr. Ghose served as Executive Vice President and Chief Financial Officer and in a number of senior finance roles for 25 years with three NYSE-listed companies: 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), Skilled Healthcare Group (a health services company, now part of Genesis HealthCare), and HCP, Inc., (which invests primarily in real estate serving the healthcare industry), 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). Earlier, Mr. Ghose worked for 10 years for PricewaterhouseCoopers in the US & 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.

#### **Relationships**

Ellen M. Cotter, Margaret Cotter and James J. Cotter, Jr. are directors and officers of our company and of various of its subsidiaries, affiliates or consultants. According to their respective Schedules 13D filed with the SEC, all three consider their beneficial stock holdings in our company to be long-term family assets, and they intend to continue our company in the direction established by their father.

#### **Committees of the Board of Directors**

Our board has a standing Executive Committee, Audit and Conflicts Committee, Compensation and Stock Options Committee, and Tax Oversight Committee. These committees are discussed in greater detail below.

The Cotter family members who serve as directors and officers of our company collectively own beneficially shares of our Class B Stock representing more than 70% of the voting power for the election of directors of our company. Therefore, our board has determined that our company is a "Controlled Company" under section 5615(c)(1) of the listing rules of The NASDAQ Capital Stock Market (the "NASDAQ Rules"). After reviewing the benefits and detriments of taking advantage of the exceptions to the corporate governance rules set forth in section 5605 of the NASDAQ Rules, our board has unanimously determined to take advantage of all of the exceptions from the NASDAQ Rules afforded to our company as a Controlled Company.

A Controlled Company is not required to have an independent nominating committee or independent nominating process. It was noted by our directors that the use of an independent nominating committee or independent nominating process would be of limited utility, since any nominee would need to be acceptable to James J. Cotter, Sr., our former controlling stockholder, in order to be elected. The Cotter family, as the holders of a majority of the voting power of our company, are able under Nevada corporations law and our charter documents to elect candidates to our board and to remove a director from the board without the vote of



our other stockholders. Historically, Mr. Cotter, Sr. identified and recommended all nominees to our board in consultation with our other incumbent directors.

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

James J. Cotter, Sr. served as our Chair and Chief Executive Officer until August 7, 2014, when he stepped down for health reasons. Mr. Cotter, Sr. subsequently passed away on September 13, 2014. In connection with his passing, our board determined to appoint Ellen M. Cotter as Chair of the Board with a view to rotating the office of Chair annually among the Cotter family members. The board also has designated William D. Gould to serve as our lead independent director. In that capacity, Mr. Gould chairs meetings of the independent directors and acts as liaison between our Chair and our Chief Executive Officer and our independent directors.

Our board oversees risk by remaining well-informed through regular meetings with management and the personal involvement of our Chief Executive Officer in our day-to-day business, including any matters requiring specific risk management oversight. Our Chief Executive Officer chairs regular senior management meetings addressing domestic and overseas issues. The risk oversight function of our board is enhanced by the fact that our Audit and Conflict Committee is comprised entirely of independent directors.

#### **Executive Committee**

A standing Executive Committee, currently comprised of Mr. Cotter, Jr., who serves as Chair, Ms. Margaret Cotter and Messrs. Adams and Kane, is authorized, to the fullest extent permitted by Nevada law, to take action on matters between meetings of the full board. Mr. Cotter, Sr. also served on the Executive Committee until May 15, 2014.

In 2014, the Executive Committee did not take any action with respect to any company matter. With the exception of matters delegated to the Audit and Conflicts Committee or the Compensation and Stock Options Committee, all matters requiring board approval during 2014 were considered by the entire board.

#### **Audit and Conflicts Committee**

Our board maintains a standing Audit and Conflicts Committee, which we refer to as the “Audit Committee.” The Audit Committee operates under a Charter adopted by our board that is available on our website at [www.readingrdr.com](http://www.readingrdr.com). Our board has determined that the Audit Committee is comprised entirely of independent directors (as defined in section 5605(a)(2) of the NASDAQ Rules), and that Mr. McEachern, the Chair of our Audit Committee, is qualified as an Audit Committee Financial Expert. During 2014, our Audit and Conflicts Committee was comprised of Mr. McEachern, who served as Chair, and Messrs. Kane and Storey.

#### **Compensation and Stock Options Committee**

Our board has a standing Compensation and Stock Options Committee, which we refer to as the “Compensation Committee,” comprised entirely of independent directors. The current members of Compensation Committee are Mr. Kane, who serves as Chair, and Messrs. Adams and Storey. Mr. Adams replaced our former director, Alfred Villaseñor, on the Compensation Committee following his election to our board in June 2014.

The Compensation Committee evaluates and makes recommendations to the full board regarding the compensation of our Chief Executive Officer and other Cotter family members and performs other compensation related functions as delegated by our board.

## **Tax Oversight Committee**

Given our operations in the United States, Australia, and New Zealand and our historic net operating loss carry forwards, our board formed a Tax Oversight Committee to review with management and to keep the board informed about our company's tax planning and such tax issues as may arise from time to time. This committee is comprised of Mr. Kane, who serves as Chair, and Mr. Cotter, Jr.

## **Code of Ethics**

We have adopted a Code of Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller and Company employees. The Code of Ethics is available on our website at [www.readingrdi.com](http://www.readingrdi.com).

## **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 transaction that occurred in 2014 were filed later than is required under Section 16(a) of the Securities Exchange Act of 1934:

- James J. Cotter, Sr. failed to timely file 16 Forms 4 with respect to 70 transactions in our common stock;
- James J. Cotter, Jr. failed to timely file one Form 4 with respect to one transaction in our common stock;
- Ellen M. Cotter failed to timely file one Form 4 with respect to one transaction in our common stock;
- Margaret Cotter failed to timely file one Form 4 with respect to one transaction in our common stock;
- Mr. Storey failed to timely file one Form 4 with respect to one transaction in our common stock.

All of the transactions involved were between the individual involved and our company or related to certain inter-family or estate planning transfers, and did not involve transactions with the public. Insofar as we are aware, all required filings have now been made.

## **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 two or more of our non-employee directors. As a Controlled Company, we are exempt from the NASDAQ Rules regarding the determination of executive compensation. The Compensation Committee has no formal charter, and acts pursuant to the authority delegated to the Compensation Committee from time to time by our board.

The Compensation Committee recommends 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 has accepted without modification the compensation recommendations of the Compensation Committee, but reserves the right to modify the recommendations or



take other compensation actions of its own. Prior to his resignation as our Chair and Chief Executive Officer on August 7, 2014, during 2014, as in prior years, James J. Cotter, Sr. was delegated by our board responsibility 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.

On August 7, 2014, James J. Cotter, Jr. was appointed to succeed Mr. Cotter, Sr. as our Chief Executive Officer. Mr. Cotter, Sr. subsequently passed away on September 13, 2014. No discretionary annual bonuses have yet been awarded to our executive officers, including the Cotter family executives for 2014.

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

### *CEO Compensation*

The Compensation Committee recommends to 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. The Compensation Committee has 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 is to reasonably reward our Chief Executive Officer for his performance and leadership.

In 2007, our board approved a supplemental executive retirement plan ("SERP") pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental retirement benefits as a reward for his more than 25 years of service to our company and its predecessors. Neither Mr. James J. Cotter, Jr., Mr. Cotter, Sr.'s successor as our Chief Executive Officer, nor any of our other current or former officers or employees, is eligible to participate in the SERP, which is described in greater detail below under the caption "Supplemental Executive Retirement Plan." Because this plan was adopted as a reward to Mr. Cotter, Sr. for his past services and the amounts to be paid under that plan are determined by an agreed-upon formula, the Compensation Committee did not take into account the benefits under that plan in determining Mr. Cotter, Sr.'s annual compensation for 2014 or previous years. The amounts reflected in the Executive Compensation Table under the heading "Change in Pension Value and Nonqualified Deferred Compensation Earnings" reflect any increase in the present value of the SERP benefit based upon the actuarial impact of the payment of Mr. Cotter, Sr.'s cash compensation and changes in interest rates. Since the SERP is unfunded, this amount does not reflect any actual payment by our Company into the plan or the value of any assets in the plan (of which there are none). The benefits to Mr. Cotter, Sr. under the SERP were tied to the cash portion only of his compensation, and not to compensation in the form of stock options or stock grants.

### *2014 CEO Compensation*

The Compensation Committee originally engaged Towers Watson, executive compensation consultants, in 2012 to analyze our Chief Executive Officer's total direct compensation compared to a peer group of companies. In preparing the analysis, 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.

For purposes of establishing our Chief Executive Officer's 2014 compensation, the Compensation Committee engaged Towers Watson to update its analysis of Mr. Cotter, Sr.'s compensation as compared to his peers, which updated report was received on February 26, 2014. The company paid Towers Watson \$11,461 for the updated report.

The Towers Watson analysis focused on the competitiveness of Mr. Cotter, Sr.'s annual base salary, total cash compensation and total direct compensation (*i.e.*, total cash compensation plus expected value of long-term compensation) relative to a peer group of 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 66<sup>th</sup> percentile of the peer group.



The peer group consisted of the following 18 companies:

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

Towers Watson predicted 2014 pay levels by using regression analysis to adjust compensation data based on estimated annual revenues of \$260 million (*i.e.*, our company's approximate annual revenues) for all companies, excluding financial services companies. Towers Watson did not evaluate Mr. Cotter, Sr.'s SERP, because the SERP is fully vested and accrues no additional benefits, except as Mr. Cotter, Sr.'s annual cash compensation may change.

The Towers Watson analysis indicated that the peer group data, with the exception of annual base salary, was above Mr. Cotter, Sr.'s pay levels in 2013. The peer group is partially comprised of companies that are larger than our company, and the 66<sup>th</sup> percentile level tends to reflect the larger peers. However, Towers Watson analysis also indicated that the size of the peers does not materially affect the pay levels at the peer companies. The published survey data of companies of comparable size reviewed by Towers Watson was below our Chief Executive Officer pay levels.

Towers Watson averaged the data from the peer group and the published survey data to compile "blended" market data. As compared to the blended market data, Mr. Cotter, Sr.'s 2013 cash compensation and total direct compensation, which includes the expected value of long-term incentive compensation, was in line with the 66<sup>th</sup> percentile.

Because our company is comparable to the smaller companies in the peer group, Towers Watson reviewed whether the size of the proxy peer group of companies had a meaningful impact on reported CEO pay levels, and concluded that there is a weak correlation between company size and CEO compensation. It concluded, therefore, that it was not necessary to separately adjust the peer group data based on the size of our company.

The Compensation Committee met on February 27, 2014 to consider the Towers Watson analysis. At the meeting, the Compensation Committee determined to recommend to our board the following compensation for Mr. Cotter, Sr. for 2014 and on March 13, 2014, our board accepted the Compensation Committee's recommendation without modification:

*Salary:* *\$750,000*

The Compensation Committee recommended maintaining Mr. Cotter, Sr.'s 2014 annual base salary at its 2013 level of \$750,000, which approximates the 75<sup>th</sup> percentile of the peer group.

*Discretionary Cash Bonus:* *Up to \$750,000.*

In 2013, the Compensation Committee recommended and our board approved a total cash bonus to Mr. Cotter, Sr. of \$1,000,000, as compared to the target bonus of \$500,000. This resulted in total 2013 compensation to Mr. Cotter, Sr. above the 75<sup>th</sup> percentile of the peer group and total direct compensation near the 66<sup>th</sup> percentile. At its meeting on February 27, 2014, the Compensation Committee determined to increase the upper range of Mr. Cotter, Sr.'s discretionary cash bonus for 2014 to \$750,000 from the 2013 target level of \$500,000. The bonus was subject to Mr. Cotter, Sr. being employed by our Company at year-end, unless

his employment were to terminate earlier due to his death or disability. No other benchmarks, formulas or quantitative or qualitative measurements were specified for use in determining the amount of cash bonus to be awarded within this range. As in 2013, the Compensation Committee also reserved the right to increase the upper range of discretionary cash bonus amount based upon exceptional results of our company or Mr. Cotter, Sr.'s exceptional performance, as determined in the Compensation Committee's discretion.

At its meeting on August 14, 2014, the Compensation Committee determined that Mr. Cotter, Sr.'s successful completion of our sale of the Burwood property in Australia and other accomplishments in 2014 justified the award to Mr. Cotter, Sr. of the full \$750,000 cash bonus, plus an additional cash bonus of \$300,000. The Compensation Committee's determination to award the extraordinary cash bonus was based in part on the advice of Towers Watson.

*Stock Bonus:* *\$1,200,000 (160,643 shares of Class A Stock).*

At its meeting on February 27, 2014, the Compensation Committee determined that, so long as Mr. Cotter, Sr.'s employment with the Company is not terminated prior to December 31, 2014 other than as a result of his death or disability, he was to receive 160,643 shares of our Company's Class A Stock; the number of shares of Class A nonvoting common stock equal to \$1,200,000 divided by the closing price of the stock on February 27, 2014, the date the Committee approved the stock bonus. This compares to a similar stock bonus to Mr. Cotter, Sr. of \$750,000 in 2013.

The stock bonus was paid to the Estate of Mr. Cotter, Sr. in February 2015.

Following his appointment on August 7, 2014 as our Chief Executive Officer, 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. has not yet been awarded a discretionary cash bonus for 2014.

#### *Total Direct Compensation*

We and our Compensation Committee have 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*

The compensation of Mr. James J. Cotter, Jr. and Ms. Ellen M. Cotter as executive officers of our company is determined by the Compensation Committee based on the same compensation philosophy used to determine Mr. Cotter, Sr.'s 2014 compensation. The Cotter family members' respective compensation consists of a base cash salary, discretionary cash bonus and periodic discretionary grants of stock options.

Mr. Cotter, Sr. set the 2014 base salaries of our executive officers other than himself and members of his family. Mr. Cotter, Sr.'s decisions were not subject to approval by the Compensation Committee or our board, but our Compensation Committee and our board considered Mr. Cotter, Sr.'s decisions with respect to executive compensation in evaluating his performance as our Chief Executive Officer. Mr. Cotter, Sr. informed us that he did not use any formula, benchmark or other quantitative measure to establish or award any component of executive compensation, nor did he consult with compensation consultants on the matter. Mr. Cotter, Sr. also advised us that he 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 considered by Mr. Cotter, Sr. in establishing base salaries. We have no pre-established policy or target for allocating total executive compensation between base and discretionary or incentive compensation, or between cash and stock-based incentive compensation. Historically, including in 2014, 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. No stock bonuses were awarded in 2014 to our named executive officers other than Mr. Cotter, Sr.

These elements of our executive compensation are discussed further below.

Salary: Annual base salary is intended to compensate named executive officers for services rendered during the fiscal year in the ordinary course of performing their job responsibilities. Factors considered by Mr. Cotter, Sr. in setting the base salaries may have 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 have awarded annual cash bonuses to supplement the base salaries of our named executive officers, and our board of directors has delegated to our Chief Executive Officer 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. Any discretionary annual bonuses to the Cotter family executive have historically been determined by our board based upon the recommendation of our Compensation Committee.

In light of Mr. Cotter, Sr.'s death in September 2014, cash bonuses for 2014 have not yet been determined by Mr. Cotter, Jr. or, in the case of the Cotter family members, recommended by the Compensation Committee or approved by our board. Factors to be considered in determining or recommending any such cash bonuses include (i) the level of the executive's responsibilities, (ii) the efficiency and effectiveness with which he or she oversees the matters under his or her supervision, and (iii) the degree to which the officer has contributed to the accomplishment of major tasks that advance the company's goals.

Stock Bonus: Equity incentive bonuses may be awarded to align our executives' long-term compensation to appreciation in stockholder value over time and, so long as such grants are within the parameters set by our 2010 Stock Incentive Plan, 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. Apart from the stock award to Mr. Cotter, Sr., no stock bonuses were awarded to our executive officers in 2014.

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

Andrzej Matyczynski, our Chief Financial Officer, has a written employment agreement with our company that provides for a specified annual base salary and other compensation. Mr. Matyczynski resigned as our Chief Financial Officer effective September 1, 2014, but he and our company agreed to postpone the effective date of his resignation. Upon termination of Mr. Matyczynski's employment, he will become entitled under his employment agreement to a lump-sum severance payment of six months' base salary and to the payment of his vested benefit in accordance with the terms of the deferred compensation plan discussed below in this section.

Other than Mr. Cotter, Sr.'s and Mr. Cotter, Jr.'s role as Chief Executive Officer in setting compensation, none of our executive officers play a role in determining the compensation of our named executive officers.

#### ***2014 Base Salaries and Target 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, 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 2014:

| <b>Name</b>          | <b>2013 Base Salary<br/>(\$)</b> | <b>2014 Base Salary<br/>(\$)</b> |
|----------------------|----------------------------------|----------------------------------|
| James J. Cotter, Jr. | 195,417                          | 335,000                          |
| Ellen M. Cotter      | 335,000                          | 335,000                          |

The base salaries of our other named executive officers were established by Mr. Cotter, Sr. as shown in the following table:

| <b>Name</b>         | <b>2013 Base Salary<br/>(\$)</b> | <b>2014 Base Salary<br/>(\$)</b> |
|---------------------|----------------------------------|----------------------------------|
| Andrzej Matyczynski | 309,000                          | 309,000                          |
| Robert F. Smerling  | 350,000                          | 350,000                          |
| Wayne Smith         | 339,000                          | 324,295                          |

All named executive officers are eligible to receive a discretionary annual cash bonus. Cash bonuses are typically prorated to reflect a partial year of service. Our board reserves discretion to adjust bonuses for the Cotter family members based on its own evaluations of the recommendations of our Compensation Committee as it did in both 2013 and 2014 in Mr. Cotter, Sr.'s case.

We offer stock options and stock awards to our employees, including named executive officers, as the long-term incentive component of our compensation program. We sometimes grant 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 grant 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.



## *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.

### *Supplemental Executive Retirement Plan*

In March 2007, our board approved the SERP pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental retirement benefits. Under the SERP, following his separation from our company, Mr. Cotter, Sr. was to be entitled to receive from our company for the remainder of his life or 180 months, whichever is longer, a monthly payment of 40% of his average monthly base salary and cash bonuses over the highest consecutive 36-month period of earnings prior to Mr. Cotter, Sr.'s separation from service with us. The benefits under the SERP are fully vested. In October 2014, following Mr. Cotter, Sr.'s death, we began accruing monthly supplemental retirement benefits of \$57,000 in accordance with the SERP, but have not yet paid any such benefits to Mr. Cotter, Sr.'s designated beneficiaries.

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

### *Other Retirement Plans*

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. Mr. Matyczynski's DCP vested as follows:

| <u>December 31</u> | <u>Total Vested Amount at the End of<br/>Each Vesting Year</u> |
|--------------------|----------------------------------------------------------------|
| 2013               | \$300,000                                                      |
| 2014               | \$450,000                                                      |

Mr. Matyczynski resigned his employment with the company effective September 1, 2014, but he and our company agreed to postpone the effective date of his resignation until May 11, 2015. Upon the termination of Mr. Matyczynski's employment, he would become 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 65<sup>th</sup> birthday or (b) six months after his separation from service, unless his employment were to be terminated for cause.

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

### *Key Person Insurance*

Our company maintains life insurance on certain individuals who we believe to be key to our management. These individuals include James J. Cotter, Jr., Ellen M. Cotter, Margaret Cotter and Messrs. Matyczynski, Smerling and Smith. If such individual ceases to be an employee, director or independent contractor of our company, 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 our company is the beneficiary and the insurance as to which our employee is the beneficiary, is paid by our company. In the case of named executive officers, the premium paid by our company for the benefit of such individual is reflected in the Compensation Table in the column captioned "All Other Compensation."

### *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, although in the past we provided Mr. Cotter, Sr. the personal use of our West Hollywood, California, condominium, which was used as an executive meeting place and office and sold in February 2015, a company-owned automobile and a health club membership. Historically, all of our other named executive officers also have received an automobile allowance. From time to time, we may provide other perquisites to one or more of our other named executive officers.

### *Tax Gross-Ups*

As a general rule, we do not make gross-up payments to cover our named executive officers' personal income taxes that may pertain to any of the compensation paid or provided by our company. In 2014, however, we reimbursed Ms. Ellen M. Cotter \$50,000 for income taxes she incurred as a result of her exercise of stock options that were deemed to be nonqualified stock options for income tax purposes, but which were intended by the Compensation Committee and her to be so-called incentive stock options, or "ISOs", when originally granted. Our Compensation Committee believe it was appropriate to reimburse Ms. Cotter because it was our company's intention at the time of the issuance to give her the tax deferral feature applicable to ISOs. Due to the application of complex attribution rules, even though she was an executive officer of our company and not a director, she did not in fact qualify for such tax deferral. Accordingly, upon exercise, she received less compensation than the Compensation Committee had intended.

### *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. The 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 as in the case of Mr. Cotter, Sr.

#### *Nonqualified Deferred Compensation*

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

#### *Accounting for Stock-Based Compensation*

Beginning on January 1, 2006, we began accounting for stock-based payments in accordance with the requirements of Statement of Accounting Standards No. 123(R). Our decision to award restricted stock to



Mr. Cotter, Sr. and other named executive officers from time to time was based in part upon the change in accounting treatment for stock options. Accounting treatment otherwise has had no significant effect on our compensation decisions.

#### *Say on Pay*

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.

#### ***Compensation Committee Report***

The Compensation Committee has reviewed and discussed with management the "Compensation Discussion and Analysis" required by Item 401(b) of Regulation S-K and, based on such review and discussions, has recommended to our board that the foregoing "Compensation Discussion and Analysis" be included in this Form 10-K/A.

Respectfully submitted,

Edward L. Kane, Chair  
Guy W. Adams  
Tim Storey

#### **Compensation Committee Interlocks and Insider Participation**

There are no "interlocks," as defined by the SEC, with respect to any member of the Compensation Committee during 2014.

#### **Executive Compensation**

This section discusses the material components of the compensation program for our executive officers named in the 2014 Summary Compensation Table below. In 2014, our named executive officers and their positions were as follows:

- James J. Cotter, Sr., former Chair of the Board and former Chief Executive Officer.
- James J. Cotter, Jr., Chief Executive Officer and President.
- Andrzej Matczynski, Chief Financial Officer and Treasurer.
- Robert F. Smerling, President – Domestic Cinema Operations.
- Ellen M. Cotter, Chair of the Board, Chief Operating Officer – Domestic Cinemas and Chief Executive Officer of Consolidated Cinemas, LLC.
- Wayne Smith, Managing Director – Australia and New Zealand.

#### **Summary Compensation Table**

The following table shows the compensation paid or accrued during the last three fiscal years ended December 31, 2014 to (i) Mr. James J. Cotter, Sr., who served as our principal executive officer until August 7, 2014, (ii) Mr. James J. Cotter, Jr., who served as our principal executive officer from August 7, 2014 through

December 31, 2014, (iii) Mr. Andrzej Matyczynski, our financial officer, and (iv) the other three persons who served as executive officers in 2014. The following executives are herein referred to as our “named executive officers.”

### Summary Compensation Table

|                                                                                 |      |                |               |                       |                           | Change in Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings | All Other<br>Compensation | Total     |
|---------------------------------------------------------------------------------|------|----------------|---------------|-----------------------|---------------------------|----------------------------------------------------------------------------------------|---------------------------|-----------|
|                                                                                 | Year | Salary<br>(\$) | Bonus<br>(\$) | Stock Awards<br>\$(1) | Option<br>Awards<br>\$(1) | (\$)                                                                                   | (\$)                      | (\$)      |
| James J. Cotter, Sr.(2)<br>Chair of the Board<br>and Chief Executive<br>Officer | 2014 | 452,000        | 1,050,000     | 1,200,000             | --                        | 197,000 (3)                                                                            | 20,000 (4)                | 2,919,000 |
|                                                                                 | 2013 | 750,000        | 1,000,000     | 750,000               | --                        | 1,455,000 (3)                                                                          | 25,000 (4)                | 3,980,000 |
|                                                                                 | 2012 | 700,000        | 500,000       | 950,000               | --                        | 2,433,000 (3)                                                                          | 24,000 (4)                | 4,607,000 |
| James J. Cotter, Jr.(5)<br>President and Chief<br>Executive Officer             | 2014 | 335,000        | --            | --                    | --                        | --                                                                                     | 27,000 (7)                | 362,000   |
|                                                                                 | 2013 | 195,000        | --            | --                    | --                        | --                                                                                     | 20,000 (7)                | 215,000   |
|                                                                                 | 2012 | --             | --            | --                    | --                        | --                                                                                     | 0                         | 0         |
| Andrzej Matyczynski<br>Chief Financial Officer<br>and Treasurer                 | 2014 | 309,000        | --            | --                    | 33,000                    | 150,000 (6)                                                                            | 26,000 (7)                | 518,000   |
|                                                                                 | 2013 | 309,000        | 35,000        | --                    | 33,000                    | 50,000 (6)                                                                             | 26,000 (7)                | 453,000   |
|                                                                                 | 2012 | 309,000        | --            | --                    | 11,000                    | 250,000 (6)                                                                            | 25,000 (7)                | 617,000   |
| Robert F. Smerling<br>President – Domestic<br>Cinema Operations                 | 2014 | 350,000        | 25,000        | --                    | --                        | --                                                                                     | 22,000 (7)                | 397,000   |
|                                                                                 | 2013 | 350,000        | 50,000        | --                    | --                        | --                                                                                     | 22,000 (7)                | 422,000   |
|                                                                                 | 2012 | 350,000        | 50,000        | --                    | --                        | --                                                                                     | 22,000 (7)                | 422,000   |
| Ellen M. Cotter<br>Chief Operating Officer<br>Domestic Cinemas                  | 2014 | 335,000        | --            | --                    | --                        | --                                                                                     | 75,000 (7)(8)             | 410,000   |
|                                                                                 | 2013 | 335,000        | --            | --                    | --                        | --                                                                                     | 25,000 (7)                | 360,000   |
|                                                                                 | 2012 | 335,000        | 60,000        | --                    | --                        | --                                                                                     | 25,000 (7)                | 420,000   |
| Wayne Smith<br>Managing director -<br>Australia and New Zealand                 | 2014 | 324,000        | 45,000        | --                    | --                        | --                                                                                     | 19,000 (7)                | 388,000   |
|                                                                                 | 2013 | 339,000        | --            | --                    | --                        | --                                                                                     | 20,000 (7)                | 359,000   |
|                                                                                 | 2012 | 357,000        | 16,000        | --                    | 22,000                    | --                                                                                     | 19,000 (7)                | 414,000   |

- (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 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on March 17, 2015.
- (2) Mr. Cotter, Sr. resigned as our Chair and Chief Executive Officer on August 7, 2014.
- (3) Represents the present value of the vested benefits under Mr. Cotter, Sr.’s SERP. In October 2014, we began accruing monthly supplemental retirement benefits of \$57,000 in accordance with the SERP, but have not yet paid any such benefits to Mr. Cotter, Sr.’s designated beneficiaries. Under the SERP, such payments are to continue for a 180-month period.
- (4) Until February 25, 2015, we owned a condominium in West Hollywood, California, which we used as an executive meeting place and office. “All Other Compensation” includes the estimated incremental cost to our company of providing the use of the West Hollywood Condominium to Mr. Cotter, Sr., our matching contributions under our 401(k) plan, the cost of a company automobile used by Mr. Cotter, Sr., and health club dues paid by our company.
- (5) Mr. Cotter, Jr. was appointed as our Chief Executive Officer on August 7, 2014.
- (6) Represents the increase in the vested benefit of the DCP for Mr. Matyczynski. Payment of the vested benefit under his DCP will be made in accordance with the terms of the DCP.
- (7) Represents our matching contributions under our 401(k) plan, the cost of key person insurance, and any automobile allowances.
- (8) Includes the \$50,000 tax gross-up described in the “Tax Gross-Up” section of the Compensation Discussion and Analysis.



## Employment Agreements

James J. Cotter, Jr. On June 3, 2013, we entered into an employment agreement with Mr. James J. Cotter, Jr. to serve as our President. The employment agreement provides that Mr. Cotter, Jr. is to receive an annual base salary of \$335,000, with employee benefits in line with those received by our other senior executives. Mr. Cotter, Jr. also was granted a stock option to purchase 100,000 Class A shares at an exercise price equal to the market price of our Class A shares 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. Cotter Jr.'s employment with or without cause (as defined) at any time. If we terminate his employment without cause, Mr. Cotter Jr. will be entitled to receive severance in an amount equal to the compensation he would have received had he remained employed by us for 12 months.

William D. Ellis. On October 20, 2014, we entered into an employment agreement with Mr. William D. Ellis, pursuant to which he agreed to serve as our General Counsel for a term of three years. The employment agreement provides that Mr. Ellis is to receive an annual base salary of \$350,000, with an annual target bonus of at least \$60,000. Mr. Ellis also received a "sign-up" bonus of \$10,000 and is entitled to employee benefits in line with those received by our other senior executives. In addition, Mr. Ellis was granted stock options to purchase 60,000 Class A shares at an exercise price equal to the closing price of our Class A shares 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.

Under his employment agreement, we may terminate Mr. Ellis' employment with or without cause (as defined) at any time. If we terminate his employment without cause, Mr. Ellis will be entitled to receive severance in an amount equal to the compensation he would have received for the remainder of the term of his employment agreement, or 24 months, whichever is less. If the termination is in connection with a "change of control" (as defined), Mr. Ellis would be entitled to severance in an amount equal to the compensation he would have received for a period of twice the number of months remaining in the term of his employment agreement.

Andrzej Matyczynski. Mr. Matyczynski, our Chief Financial Officer, has a written employment agreement with our company that provides for a specified annual base salary and other compensation. Mr. Matyczynski resigned as our Chief Financial Officer effective May 11, 2015, but will continue as an employee until April 15, 2016 in order to assist in the transition of our new Chief Financial Officer, Mr. Ghose, whose information is set forth above. Upon termination of Mr. Matyczynski's employment, he will become entitled under his employment agreement to a lump-sum severance payment of six months' base salary and to the payment of his vested benefit under his deferred compensation plan discussed above in this section.

## 2010 Equity Incentive Plan

On May 13, 2010, our stockholders approved the 2010 Stock Incentive Plan (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 Plan permits issuance of a maximum of 1,250,000 shares of class A nonvoting common 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. Apart from the stock award to Mr. Cotter, Sr., no stock bonuses were awarded to our executive officers in 2014.



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

#### **Certain Federal Income Tax Consequences**

Non-qualified Stock Options. There will be no federal income tax consequences to either the Company or the participant upon the grant of a non-discounted NQSO. However, the participant will realize ordinary income on the exercise of the NQSO in an amount equal to the excess of the fair market value of the common stock acquired upon the exercise of such option over the exercise price, and the Company will receive a corresponding deduction. The gain, if any, realized upon the subsequent disposition by the participant of the common stock will constitute short-term or long-term capital gain, depending on the participant's holding period.

Incentive Stock Options. There will be no regular federal income tax consequences to either the Company or the participant upon the grant or exercise of an incentive stock option. If the participant does not dispose of the shares of common stock for two years after the date the option was granted and one year after the acquisition of such shares of common stock, the difference between the aggregate option price and the amount realized upon disposition of the shares of common stock will constitute long-term capital gain or loss, and the Company will not be entitled to a federal income tax deduction. If the shares of common stock are disposed of in a sale, exchange or other "disqualifying disposition" during those periods, the participant will realize taxable ordinary income in an amount equal to the excess of the fair market value of the common stock purchased at the time of exercise over the aggregate option price (adjusted for any loss of value at the time of disposition), and the Company will be entitled to a federal income tax deduction equal to such amount, subject to the limitations under Code Section 162(m).

While the exercise of an incentive stock option does not result in current taxable income, the excess of (1) the fair market value of the option shares at the time of exercise over (2) the exercise price, will be an item of adjustment for purposes of determining the participant's alternative minimum tax income.

SARs. A participant receiving an SAR will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When a participant exercises the SAR, the amount of cash and the fair market value of any shares of common stock received will be ordinary income to the participant and will be allowed as a deduction for federal income tax purposes to the Company, subject to limitations under Code Section 162(m). In addition, the Board (or Committee), may at any time, in its discretion, declare any or all awards to be fully or partially exercisable and may discriminate among participants or among awards in exercising such discretion.

Restricted Stock. Unless a participant makes an election to accelerate recognition of the income to the date of grant, a participant receiving a restricted stock award will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock, and the Company will be entitled to a corresponding tax deduction at that time, subject to the limitations under Code Section 162(m).

#### **Outstanding Equity Awards**

The following table sets forth outstanding equity awards held by our named executive officers as of December 31, 2014 under the Plan:

### Outstanding Equity Awards At Year Ended December 30, 2014

|                      | Class | Option Awards                                                              |                                                                              |                                  |                              | Stock Awards                                                           |                                                                          |
|----------------------|-------|----------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------|------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------|
|                      |       | Number of<br>Shares<br>Underlying<br>Unexercised<br>Options<br>Exercisable | Number of<br>Shares<br>Underlying<br>Unexercised<br>Options<br>Unexercisable | Option<br>Exercise<br>Price (\$) | Option<br>Expiration<br>Date | Number of<br>Shares or<br>Units of<br>Stock that<br>Have Not<br>Vested | Market<br>Value of<br>Shares or<br>Units that<br>Have Not<br>Vested (\$) |
|                      |       |                                                                            |                                                                              |                                  |                              |                                                                        |                                                                          |
| James J. Cotter, Sr. | B     | 100,000                                                                    | --                                                                           | 10.24                            | 09/05/2017                   | --                                                                     | --                                                                       |
| James J. Cotter, Jr. | A     | 12,500                                                                     | --                                                                           | 3.87                             | 07/07/2015                   | --                                                                     | --                                                                       |
| James J. Cotter, Jr. | A     | 10,000                                                                     | --                                                                           | 8.35                             | 01/19/2017                   | --                                                                     | --                                                                       |
| James J. Cotter, Jr. | A     | 100,000                                                                    | --                                                                           | 6.31                             | 02/06/2018                   | --                                                                     | --                                                                       |
| Ellen M. Cotter      | A     | 20,000                                                                     | --                                                                           | 5.55                             | 03/06/2018                   | --                                                                     | --                                                                       |
| Ellen M. Cotter      | B     | 50,000                                                                     | --                                                                           | 10.24                            | 09/05/2017                   | --                                                                     | --                                                                       |
| Andrzej Matyczynski  | A     | 25,000                                                                     | 25,000                                                                       | 6.02                             | 08/22/2022                   | --                                                                     | --                                                                       |
| Robert F. Smerling   | A     | 43,750                                                                     | --                                                                           | 10.24                            | 09/05/2017                   | --                                                                     | --                                                                       |

### Option Exercises and Stock Vested

The following table contains information for our named executive officers concerning the option awards that were exercised and stock awards that vested during the year ended December 31, 2014:

| Name                 | Option Awards                                  |                                       | Stock Awards                                  |                                      |
|----------------------|------------------------------------------------|---------------------------------------|-----------------------------------------------|--------------------------------------|
|                      | Number of<br>Shares<br>Acquired on<br>Exercise | Value<br>Realized on<br>Exercise (\$) | Number of<br>Shares<br>Acquired on<br>Vesting | Value<br>Realized on<br>Vesting (\$) |
| James J. Cotter, Sr. | --                                             | --                                    | 160,643                                       | 1,200,000                            |
| Andrzej Matyczynski  | 35,100                                         | 180,063                               | --                                            | --                                   |

### Pension Benefits

The following table contains information concerning pension plans for each of the named executive officers for the year ended December 31, 2014:

| Name                    | Plan Name | Number of<br>Years of<br>Credited<br>Service | Present Value<br>of Accumulated<br>Benefit (\$) | Payments<br>During Last<br>Fiscal Year<br>(\$) |
|-------------------------|-----------|----------------------------------------------|-------------------------------------------------|------------------------------------------------|
| James J. Cotter, Sr.(1) | SERP      | 27                                           | \$ 7,595,000                                    | \$ --                                          |
| Andrzej Matyczynski(2)  | DCP       | 5                                            | \$ 450,000                                      | \$ --                                          |

### Director Compensation

During 2014, all of our directors, except Mr. James J. Cotter Sr., Mr. James J. Cotter, Jr. and Ms. Ellen M. Cotter, received an annual fee of \$35,000 (prorated for the year in which a director is first elected or appointed). In addition to their annual directors fee, the following directors received a one-time fee of \$5,000 for their services as a member of the board and of all board committees on which they serve; Messrs. Adams, Gould, McEachern and Kane. Mr. Storey received a one-time fee of \$10,000, for his services as a member of the board and of all board committees on which he served. Messrs. McEachern and Storey also each received an additional \$6,000 for their participation in Special Committee Meetings. For 2014, the Chair of our Audit and Conflicts Committee received an additional fee of \$7,000, the Chair of our Compensation Committee received an additional fee of \$5,000, and the Chair of our Tax Oversight Committee received an additional fee of \$18,000.



Upon joining our board, new directors have historically received immediately vested five-year stock options to purchase 20,000 shares of our Class A Stock at an exercise price equal to the market price of the stock at the date of grant. From time to time our directors also are granted additional stock options as compensation for their service on our board. Historically, these awards were based upon the recommendations of our former Chair and principal shareholder, Mr. James J. Cotter, Sr., which recommendations were reviewed and acted upon by our entire board. When such additional awards have been made, typically, each sitting director (other than Mr. Cotter, Sr., who historically did not participate in such awards) was awarded the same number of options on the same terms. Historically, we have granted our officers and directors replacement options where their options would otherwise expire with exercise prices that were out of the money at the time of such expiration.

In November 2014, our board of directors determined to make grants to our non-employee directors on January 15 of each year of stock options to purchase 2,000 shares of our Class A Stock. The options will be for a term of five years, have an exercise price equal to the market price of Class A Stock on the grant date and be fully vested immediately upon grant.

The following table sets forth information concerning the compensation to persons who served as our non-employee directors during 2014 for their services as directors.

**Director Compensation Table**

| <b>Name</b>           | <b>Fees Earned or<br/>Paid in Cash<br/>(\$)</b> | <b>Option Awards<br/>(\$)</b> | <b>All Other<br/>Compensation<br/>(\$)</b> | <b>Total (\$)</b> |
|-----------------------|-------------------------------------------------|-------------------------------|--------------------------------------------|-------------------|
| Margaret Cotter (1)   | 35,000                                          | 0                             | 0                                          | 35,000            |
| Guy W. Adams (2)      | 40,000                                          | 69,000                        | 0                                          | 109,000           |
| William D. Gould      | 35,000                                          | 0                             | 0                                          | 35,000            |
| Edward L. Kane        | 63,000                                          | 0                             | 0                                          | 63,000            |
| Douglas J. McEachern  | 53,000                                          | 0                             | 0                                          | 53,000            |
| Tim Storey            | 51,000                                          | 0                             | 21,000(3)                                  | 72,000            |
| Alfred Villaseñor (4) | 10,000                                          | 0                             | 0                                          | 10,000            |

- (1) In addition to her director's fees, Ms. Margaret Cotter receives a combination of fixed and incentive management fees under the OBI Management Agreement described under the caption "Certain Transactions and Related Party Transactions - OBI Management Agreement," below.
- (2) Mr. Adams joined the board on January 14, 2014 and was granted on that date a five-year stock option to purchase 20,000 shares of our Class A Stock at an exercise price of \$7.40 per share.
- (3) This amount represents fees paid to Mr. Storey as the sole independent director of our company's wholly-owned New Zealand subsidiary.
- (4) Represents fees paid to Mr. Villaseñor prior to our 2014 Annual Meeting of Stockholders, when he declined to stand for re-nomination as a director.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Except as described below, the following table sets forth the shares of Class A Stock and Class B Stock beneficially owned on April 30, 2015 by:

- each of our incumbent directors;
- each of our incumbent named executive officers set forth in the Summary Compensation Table of this Proxy Statement;



- each person known to us to be the beneficial owner of more than 5% of our Class B Stock; and
- all of our incumbent directors and incumbent executive officers as a group.

The beneficial ownership of 327,808 shares of our outstanding Class B Stock, which we refer to as the “disputed shares,” and 100,000 shares of Class B Stock underlying a currently exercisable stock option, which we refer to as the “disputed option,” is disputed by the Cotter family members, and the following table does not ascribe to any person or entity the beneficial ownership of the disputed shares or of the shares underlying the disputed option.

Except as noted, 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<br>Beneficial Owner                                                                                     | Amount and Nature of Beneficial Ownership (1) |                        |                     |                        |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------|---------------------|------------------------|
|                                                                                                                             | Class A Stock                                 |                        | Class B Stock       |                        |
|                                                                                                                             | Number of<br>Shares                           | Percentage<br>of Stock | Number of<br>Shares | Percentage<br>of Stock |
| <i><b>Directors and Named Executive Officers</b></i>                                                                        |                                               |                        |                     |                        |
| James J. Cotter, Jr. (2)(9)(10)                                                                                             | 3,220,251                                     | 14.7                   | 696,080             | 44.0                   |
| Ellen M. Cotter (3)(9)(10)                                                                                                  | 2,818,995                                     | 13.0                   | 746,080             | 47.2                   |
| Margaret Cotter (4)(9)(10)                                                                                                  | 3,111,572                                     | 14.3                   | 731,180             | 46.3                   |
| Guy W. Adams                                                                                                                | - 0 -                                         | --                     | - 0 -               | --                     |
| William D. Gould (5)                                                                                                        | 54,340                                        | *                      | --                  | --                     |
| Edward L. Kane (6)                                                                                                          | 19,500                                        | *                      | 100                 | *                      |
| Andrzej Matyczynski                                                                                                         | 25,789                                        | *                      | --                  | --                     |
| Douglas J. McEachern (7)                                                                                                    | 37,300                                        | *                      | --                  | --                     |
| Tim Storey (8)                                                                                                              | 27,000                                        | *                      | --                  | --                     |
| Robert F. Smerling (8)                                                                                                      | 43,750                                        | *                      | --                  | --                     |
| <i><b>5% or Greater Stockholders</b></i>                                                                                    |                                               |                        |                     |                        |
| James J. Cotter Living Trust (9)(10)                                                                                        | 1,897,649                                     | 8.7                    | 696,080             | 44.0                   |
| James J. Cotter Living Trust/Estate of James<br>J. Cotter, Deceased(9)(10)                                                  | 408,263                                       | 1.9                    | 427,808             | 25.5                   |
| Mark Cuban (11)<br>5424 Deloache Avenue<br>Dallas, Texas 75220                                                              | 72,164                                        | *                      | 207,611             | 13.1                   |
| PICO Holdings, Inc. and PICO Deferred<br>Holdings, LLC (12)<br>875 Prospect Street, Suite 301<br>La Jolla, California 92037 | --                                            | --                     | 97,500              | 6.2                    |
| All directors and executive officers as a<br>group (10 persons)(13)                                                         | 5,476,570                                     | 24.9                   | 1,209,088           | 71.9                   |

- (1) Percentage ownership is determined based on 21,745,484 shares of Class A Stock and 1,580,590 shares of Class B Stock outstanding on May 6, 2015. Except as described in footnote (13) with respect to the beneficial ownership of all directors and executive officers as a group, the table does not ascribe to any person or entity the beneficial ownership of the disputed shares or of the shares underlying the disputed option. Except as described with respect to the disputed shares and the disputed option, beneficial ownership has been determined in accordance with SEC rules. Shares subject to options that are presently exercisable, or exercisable within 60 days of May 6, 2015, 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 include 97,500 shares subject to stock options. The Class A Stock shown also include 289,390 shares held by a trust for the benefit of James J. Cotter, Sr.'s grandchildren (the "Cotter grandchildren's trust") and 102,751 held by the James J. Cotter Foundation. Mr. Cotter, Jr. is co-trustee of the Cotter grandchildren's trust and of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Mr. Cotter, Jr. disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any, in such shares. The Class A Stock shown also includes 1,897,649 shares held by the James J. Cotter Living Trust, or the "Living Trust," which became irrevocable upon Mr. Cotter, Sr.'s death on September 13, 2014. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (3) The Class A Stock shown includes 20,000 shares subject to stock options. The Class A Stock shown also include 102,751 shares held by the James J. Cotter Foundation. Ms. 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 408,263 shares that Ms. Cotter maintains are part of the Estate of James J. Cotter, Deceased (the "Cotter Estate") that is being administered in the State of Nevada and that Mr. Cotter, Jr. contends are held by the Living Trust. 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. 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 (9). The shares shown also include 1,897,649 shares held by the Living Trust. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (4) The Class A Stock shown includes 17,000 shares subject to stock options. The Class A shares shown also include 289,390 shares held by the Cotter grandchildren's trust and 102,751 shares held by the James J. Cotter Foundation. Ms. Cotter is co-trustee of the Cotter grandchildren's trust and 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 includes 408,263 shares that Ms. Cotter maintains are part of the Cotter Estate and that Mr. Cotter, Jr. contends are held by the Living Trust. As co-executor of the Cotter Estate, Ms. Cotter would be deemed to beneficially own such shares. 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 (9). The shares shown also include 1,897,649 shares held by the Living Trust. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (5) Includes 17,000 shares subject to stock options.
- (6) The Class A Stock shown includes 2,000 shares subject to stock options.
- (7) Includes 27,000 shares subject to stock options.
- (8) Consists of shares subject to stock options.
- (9) James J. Cotter, Jr., Ellen M. Cotter and Margaret Cotter are the Co-trustees of the Living Trust. 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 in September 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 Ms. Cotter is unable or unwilling to act as trustee. 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 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. On February 6, 2015, Ellen Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles, captioned In re James J. Cotter Living Trust dated August 1, 2000 (Case No. BP159755). The 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. As co-trustees of the Living Trust, Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter would share voting and investment power of the shares held by the Living Trust and, as such, would be deemed to beneficially own such shares. As trustee or co-trustees of the Reading Voting Trust, Margaret Cotter or Mr. Cotter, Jr., or both, would be deemed to beneficially own the Class B Stock shown. Each of Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter disclaims beneficial ownership of the shares held by the Living Trust except to the extent of his or her pecuniary interest, if any, in such shares.



- (10) Our stock register reflects that the 327,808 disputed shares of Class B Stock, which constitute approximately 20.7% of the voting power of our outstanding capital stock, and the disputed option to purchase 100,000 shares of Class B Stock, are standing in the name of Mr. Cotter, Sr. Ellen M. Cotter and Margaret Cotter dispute that Mr. Cotter, Sr. executed a written assignment that purported to transfer the disputed shares to the Living Trust and contend that, until such time as they pour over into the Living Trust, the disputed shares make up a part of the Cotter Estate. Ellen M. Cotter and Margaret Cotter also contend that the disputed option belongs to the Cotter Estate, while Mr. Cotter, Jr. disputes these contentions. Because the disputed shares and the shares underlying the disputed option together represent a material amount of our outstanding Class B stock, on April 29, 2015, we filed in the District Court of Clark County, Nevada, a petition requesting instructions from the Court regarding the disputed shares and the disputed option. A copy of our petition is set forth as an exhibit to our current report on Form 8 K filed with the SEC on May 4, 2015. Depending upon the outcome of this matter, the beneficial ownership of our Class B Stock will change, perhaps materially, from that presented in this table. The Cotter family also dispute whether the Class A Stock shown is held by the Living Trust or by the Cotter Estate.
- (11) Based on Mr. Cuban's Form 4 filed with the SEC on July 18, 2011 and Schedule 13G filed on February 14, 2012.
- (12) Based on the PICO Holdings, Inc. and PICO Deferred Holdings, LLC Schedule 13G filed with the SEC on February 15, 2011.
- (13) The Class A Stock shown includes 408,263 disputed shares of Class A Stock and 251,250 shares subject to options. The Class B Stock shown includes the 327,808 disputed shares and the 100,000 shares subject to the disputed option.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

#### **Certain Relationships and Related Transactions**

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

#### **Sutton Hill Capital**

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the leasing with an option to purchase of certain cinemas located in Manhattan including our Village East and Cinemas 1, 2 & 3 theaters. In connection with that transaction, we also agreed to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company that is owned by Sutton Hill Associates, which was a 50/50 partnership between James J. Cotter, Sr. and Michael Forman. The Village East is the only cinema subject to this lease, and during 2014, 2013 and 2012 we paid rent to SHC in the amount of \$590,000 annually.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require us 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. In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1, 2 & 3. In connection with that transaction, we granted to SHC an option to acquire a 25% interest in the special purpose entity formed to acquire these interests at cost. On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of its \$3 million deposit plus the assumption of its proportionate share of SHP's liabilities, giving SHC a 25% non-managing membership interest in SHP. We manage this cinema property for an annual management fee equal to 5% of its annual gross income.



In February 2015, we and SHP entered into an amendment to the management agreement dated as of June 27, 2007 between us and SHC. 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 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.

#### **OBI Management Agreement**

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations are managed by OBI LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is our Vice Chair and the sister of James J. Cotter, Jr. and Ellen M. Cotter.

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately 21% of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex in Chicago on a fee basis based on theater cash flow. In 2014, OBI Management earned \$397,000, which was 20.9% of net cash flows for the year. In 2013, OBI Management earned \$401,000, which was 20.1% of net cash flows for the year. In 2012, OBI Management earned \$390,000, which was 19.7% of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

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

#### **Live Theater Play Investment**

From time to time, our officers and directors may invest in plays that lease our live theaters. The play STOMP has played in our Orpheum Theatre since prior to our acquisition of the theater in 2001. Mr. Cotter, Sr. owned an approximately 5% interest in that play.

#### **Shadow View Land and Farming LLC**

During 2012, Mr. Cotter, Sr., our former Chair, Chief Executive Officer and controlling shareholder, contributed \$2.5 million of cash and \$255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, which is owned 50% by our company. Mr. Cotter, Jr. contends that the other 50% interest in Shadow View Land and Farming, LLC is



owned by the James J. Cotter, Sr. Trust, while Ellen Cotter and Margaret Cotter contend that such interest is owned by the Cotter Estate. We are the managing member of Shadow View Land and Farming, LLC, with oversight provided by our Audit and Conflicts Committee.

#### **ITEM 14. PRINCIPAL ACCOUNTANT 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, 2014, 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 2014 and 2013 were approximately \$661,700 and \$550,000, respectively.

##### **Audit-Related Fees**

Grant Thornton, LLP did not provide us any audit related services for 2014 or 2013.

##### **Tax Fees**

Grant Thornton, LLP did not provide us any products or any services for tax compliance, tax advice, or tax planning for 2014 or 2013.

##### **All Other Fees**

Grant Thornton, LLP did not provide us any services for 2014 or 2013 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 2014 and 2013.

#### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a)(3) The following exhibits are filed as part of this report:

| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                           |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1               | Certification of Principal Executive Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2               | Certification of Principal Financial Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: May 8, 2015

By: /s/ ANDRZEJ MATYCZYNSKI  
Name: Andrzej Matyczynski  
Title: Chief Financial Officer

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, James J. Cotter, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Reading International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ JAMES J. COTTER, JR.

James J. Cotter, Jr.  
Chief Executive Officer



**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Andrzej Matyczynski, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Reading International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ ANDRZEJ MATYZYNSKI

Andrzej Matyczynski  
Chief Financial Officer



# **EXHIBIT 12**

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM DEF 14A**

**READING INTERNATIONAL INC - RDI**

**Filed: May 18, 2016 (period: May 18, 2016)**

Official notification to shareholders of matters to be brought to a vote (Proxy)

The information contained herein may not be copied, adapted or distributed and is not warranted to be accurate, complete or timely. The user assumes all risks for any damages or losses arising from any use of this information, except to the extent such damages or losses cannot be limited or excluded by applicable law. Past financial performance is no guarantee of future results.

**JA2397**

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

SCHEDULE 14A

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

Filed by the Registrant ☒  
Filed by a party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement  
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(c)(2))  
☒ Definitive Proxy Statement  
☐ Definitive Additional Materials  
☐ Soliciting Material under Sec. 240.14a-12

READING INTERNATIONAL, INC.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

- (1) Title of each class of securities to which transaction applies: \_\_\_\_\_  
(2) Aggregate number of securities to which transaction applies: \_\_\_\_\_  
(3) Per unit price or other underlying value of transaction computed pursuant to  
Exchange Act Rule 0-11 (set forth the amount on which the filing fee is  
calculated and state how it was determined): \_\_\_\_\_  
(4) Proposed maximum aggregate value of transaction: \_\_\_\_\_  
(5) Total fee paid: \_\_\_\_\_

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid: \_\_\_\_\_  
(2) Form, Schedule or Registration Statement No.: \_\_\_\_\_  
(3) Filing Party: \_\_\_\_\_  
(4) Date Filed: \_\_\_\_\_

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READING INTERNATIONAL, INC.



6100 Center Drive, Suite 900  
Los Angeles, California 90045

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON Thursday, June 2, 2016**

**TO THE STOCKHOLDERS:**

The 2016 Annual Meeting of Stockholders (the "Annual Meeting") of Reading International, Inc., a Nevada corporation, will be held at Courtyard by Marriott Los Angeles Westside, located at 6333 Bristol Parkway, Culver City, California 90230, on Thursday, June 2, 2016, at 11:00 a.m., Local Time, for the following purposes:

1. To elect nine Directors to serve until the Company's 2017 Annual Meeting of Stockholders and thereafter until their successors are duly elected and qualified; and
2. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 is enclosed (the "Annual Report"). Only holders of record of our Class B Voting Common Stock at the close of business on April 22, 2016, are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

Whether or not you plan on attending the Annual Meeting, we ask that you take the time to vote by following the Internet or telephone voting instructions provided on the proxy card or by completing and mailing the enclosed proxy card as promptly as possible. We have enclosed a self-addressed, postage-paid envelope for your convenience. If you later decide to attend the Annual Meeting, you may vote your shares even if you have already submitted a proxy card.

By Order of the Board of Directors,



Ellen M. Cotter  
*Chair of the Board*

May 19, 2016



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

#### PROXY STATEMENT

Annual Meeting of Stockholders  
Thursday, June 2, 2016

#### INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Reading International, Inc. (the "Company," "Reading," "we," "us," or "our") of proxies for use at our 2016 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Thursday, June 2, 2016, at 11:00 a.m., local time, at Courtyard by Marriott Los Angeles Westside, located at 6333 Bristol Parkway, Culver City, California 90230, and at any adjournment or postponement thereof. This Proxy Statement and form of proxy are first being sent or given to stockholders on or about May 19, 2016.

At our Annual Meeting, you will be asked to (1) elect nine Directors to our Board of Directors (the "Board") to serve until the 2017 Annual Meeting of Stockholders, and (2) act on any other business that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

As of April 22, 2016, the record date for the Annual Meeting (the "Record Date"), there were 1,680,590 shares of our Class B Voting Common Stock ("Class B Stock") outstanding.

When proxies are properly executed and received, the shares represented thereby will be voted at the Annual Meeting in accordance with the directions noted thereon. If no direction is indicated, the shares will be voted: FOR each of the nine nominees named in this Proxy Statement for election to the Board under Proposal 1.

#### ABOUT THE ANNUAL MEETING AND VOTING

##### Why am I receiving these proxy materials?

This Proxy Statement is being sent to all of our stockholders of record as of the close of business on April 22, 2016, by Reading's Board to solicit the proxy of holders of our Class B Stock to be voted at Reading's 2016 Annual Meeting, which will be held on Thursday, June 2, 2016, at 11:00 a.m. local time, at Courtyard by Marriott Los Angeles Westside, located at 6333 Bristol Parkway, Culver City, California 90230.

##### What items of business will be voted on at the Annual Meeting?

There is one item of business scheduled to be voted on at the 2016 Annual Meeting:

- PROPOSAL 1: Election of nine Directors to the Board.

We will also consider any other business that may properly come before the Annual Meeting or any adjournments or postponements thereof, including approving any such adjournment, if necessary. Please note that at this time we are not aware of any such business.

#### How does the Board of Directors recommend that I vote?

Our Board recommends that you vote:

- On PROPOSAL 1: "FOR" the election of its nominees to the Board.

#### What happens if additional matters are presented at the Annual Meeting?

Other than the item of business described in this Proxy Statement, we are not aware of any other business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxies will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

#### Am I eligible to vote?

You may vote your shares of Class B Stock at the Annual Meeting if you were a holder of record of Class B Stock at the close of business on April 22, 2016. Your shares of Class B Stock are entitled to one vote per share. At that time, there were 1,680,590 shares of Class B Stock outstanding, and approximately 350 holders of record. Each share of Class B Stock is entitled to one vote on each matter properly brought before the Annual Meeting.

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

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

#### What should I do if I receive more than one copy of the proxy materials?

You may receive more than one copy of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate notice or a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you may receive more than one copy of this Proxy Statement or more than one proxy card.

To vote all of your shares of Class B Stock by proxy card, you must either (i) complete, date, sign and return each proxy card and voting instruction card that you receive or (ii) vote over the Internet or by telephone the shares represented by each notice that you receive.

#### What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Many stockholders of our Company hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences in how stockholders of record and beneficial owners are treated.

**Stockholders of Record.** If your shares of Class B Stock are registered directly in your name with our Transfer Agent, you are considered the stockholder of record with respect to those shares and the proxy materials are being sent directly to you by Reading. As the stockholder of record of Class B Stock, you have the right to vote in person at the meeting. If you choose to do so, you can vote using the ballot provided at the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you decide later not to attend the Annual Meeting.

**Beneficial Owner.** If you hold your shares of Class B Stock through a broker, bank or other nominee rather than directly in your own name, you are considered the beneficial owner of shares held in street name and the proxy materials are being forwarded to you by your broker, bank or other nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you are also invited to attend the Annual Meeting. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the Annual Meeting, unless you obtain a proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. You will need to contact your broker, trustee or nominee to obtain a proxy, and you will need to bring it to the Annual Meeting in order to vote in person.



### How do I vote?

Proxies are solicited to give all holders of our Class B Stock who are entitled to vote on the matters that come before the Annual Meeting the opportunity to vote their shares, whether or not they attend the Annual Meeting in person. If you are a holder of record of shares of our Class B Stock, you have the right to vote in person at the Annual Meeting. If you choose to do so, you can vote using the ballot provided at the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you decide later not to attend the Annual Meeting. You can vote by one of the following manners:

- By Internet — Holders of record of our Class B Stock may submit proxies over the Internet by following the instructions on the proxy card. Holders of our Class B Stock who are beneficial owners may vote by Internet by following the instructions on the voting instruction card sent to them by their bank, broker, trustee or nominee. Proxies submitted by the Internet must be received by 11:59 p.m., local time, on June 1, 2016 (the day before the Annual Meeting).
- By Telephone — Holders of record of our Class B Stock who live in the United States or Canada may submit proxies by telephone by calling the toll-free number on the proxy card and following the instructions. Holders of record of our Class B Stock will need to have the control number that appears on their proxy card available when voting. In addition, holders of our Class B Stock who are beneficial owners of shares living in the United States or Canada and who have received a voting instruction card by mail from their bank, broker, trustee or nominee may vote by phone by calling the number specified on the voting instruction card. Those stockholders should check the voting instruction card for telephone voting availability. Proxies submitted by telephone must be received by 11:59 p.m., local time, on June 1, 2016 (the day before the Annual Meeting).
- By Mail — Holders of record of our Class B Stock who have received a paper copy of a proxy card by mail may submit proxies by completing, signing and dating their proxy card and mailing it in the accompanying pre-addressed envelope. Holders of our Class B Stock who are beneficial owners who have received a voting instruction card from their bank, broker or nominee may return the voting instruction card by mail as set forth on the card. Proxies submitted by mail must be received by the Inspector of Elections before the polls are closed at the Annual Meeting.
- In Person — Holders of record of our Class B Stock may vote shares held in their name in person at the Annual Meeting. You also may be represented by another person at the Annual Meeting by executing a proxy designating that person. Shares of Class B Stock for which a stockholder is the beneficial owner, but not the stockholder of record, may be voted in person at the Annual Meeting only if such stockholder obtains a proxy from the bank, broker or nominee that holds the stockholder's shares, indicating that the stockholder was the beneficial owner as of the record date and the number of shares for which the stockholder was the beneficial owner on the record date.

Holders of our Class B Stock are encouraged to vote their proxies by Internet, telephone or by completing, signing, dating and returning a proxy card or voting instruction card, but not by more than one method. If you vote by more than one method, or vote multiple times using the same method, only the last-dated vote that is timely received by the Inspector of Elections will be counted, and each previous vote will be disregarded. If you vote in person at the Annual Meeting, you will revoke any prior proxy that you may have given. You will need to bring a valid form of identification (such as a driver's license or passport) to the Annual Meeting to vote shares held of record by you in person.

**What if my shares are held of record by an entity such as a corporation, limited liability company, general partnership, limited partnership or trust (an "Entity"), or in the name of more than one person, or I am voting in a representative or fiduciary capacity?**

Shares held of record by an Entity. In order to vote shares on behalf of an Entity, you need to provide evidence (such as a sealed resolution) of your authority to vote such shares, unless you are listed as a record holder of such shares.



*Shares held of record by a trust.* The trustee of a trust is entitled to vote the shares held by the trust, either by proxy or by attending and voting in person at the Annual Meeting. If you are voting as a trustee, and are not identified as a record owner of the shares, then you must provide suitable evidence of your status as a trustee of the record trust owner. If the record owner is a trust and there are multiple trustees, then if only one trustee votes, that trustee's vote applies to all of the shares held of record by the trust. If more than one trustee votes, the votes of the majority of the voting trustees apply to all of the shares held of record by the trust. If more than one trustee votes and the votes are split evenly on any particular Proposal, each trustee may vote proportionally the shares held of record by the trust.

*Shares held of record in the name of more than one person.* If only one individual votes, that individual's vote applies to all of the shares so held of record. If more than one person votes, the votes of the majority of the voting individuals apply to all of such shares. If more than one individual votes and the votes are split evenly on any particular Proposal, each individual may vote such shares proportionally.

**What is a broker non-vote?**

Applicable rules permit brokers to vote shares held in street name on routine matters. Shares that are not voted on non-routine matters, such as the election of Directors or any proposed amendment of our Articles or Bylaws, are called broker non-votes. Broker non-votes will have no effect on the vote for the election of Directors, but could affect the outcome of any matter requiring the approval of the holders of an absolute majority of the Class B Stock. We are not currently aware of any matter to be presented to the Annual Meeting that would require the approval of the holders of an absolute majority of the Class B Stock.

**What routine matters will be voted on at the annual meeting?**

None.

**What non-routine matters will be voted on at the annual meeting?**

The election of nine Directors to the Board is the only non-routine matter included among the Board's proposals on which brokers may not vote, unless they have received specific voting instructions from beneficial owners of our Class B Stock.

**How are abstentions and broker non-votes counted?**

Abstentions and broker non-votes are included in determining whether a quorum is present. In tabulating the voting results for the items to be voted on at the 2016 Annual Meeting, shares that constitute abstentions and broker non-votes are not considered entitled to vote and will not affect the outcome of any matter being voted on at the meeting, unless the matter requires the approval of the holders of a majority of the outstanding shares of Class B Stock.

**How can I change my vote after I submit a proxy?**

If you are a stockholder of record, there are three ways you can change your vote or revoke your proxy after you have submitted your proxy:

- First, you may send a written notice to Reading International, Inc., postage or other delivery charges pre-paid, 6100 Center Drive, Suite 900, Los Angeles, CA, 90045, c/o Annual Meeting Secretary, stating that you revoke your proxy. To be effective, the Inspector of Elections must receive your written notice prior to the closing of the polls at the Annual Meeting.
- Second, you may complete and submit a new proxy in one of the manners described above under the caption, "How do I vote?" Any earlier proxies will be revoked automatically.
- Third, you may attend the Annual Meeting and vote in person. Any earlier proxy will be revoked. However, attending the Annual Meeting without voting in person will not revoke your proxy.

**How will you solicit proxies and who will pay the costs?**

We will pay the costs of the solicitation of proxies. We may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding the voting materials to their customers who are beneficial owners and obtaining their voting instructions. In addition to soliciting proxies by mail, our board members, officers and employees may solicit proxies on our behalf, without additional compensation, personally or by telephone.

**Is there a list of stockholders entitled to vote at the Annual Meeting?**

The names of stockholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the Annual Meeting, at our corporate offices, 6100 Center Drive, Suite 900, Los Angeles, CA, 90045 between the hours of 9:00 a.m. and 5:00 p.m., local time, for any purpose relevant to the Annual Meeting. To arrange to view this list during the times specified above, please contact the Secretary of the Company.

**What constitutes a quorum?**

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

**How are votes counted and who will certify the results?**

First Coast Results, Inc. will act as the independent Inspector of Elections and will count the votes, determine whether a quorum is present, evaluate the validity of proxies and ballots, and certify the results. A representative of First Coast Results, Inc. will be present at the Annual Meeting. The final voting results will be reported by us on a Current Report on Form 8-K to be filed with the SEC within four business days following the Annual Meeting.

**What is the vote required for a Proposal to pass?**

The nine nominees for election as Directors at the Annual Meeting who receive the highest number of "FOR" votes will be elected as Directors. This is called plurality voting. Unless you indicate otherwise, the persons named as your proxies will vote your shares FOR all the nominees for Directors named in Proposal 1. If your shares are held by a broker or other nominee and you would like to vote your shares for the election of Directors in Proposal 1, you must instruct the broker or nominee to vote "FOR" for each of the candidates for whom you would like to vote. If you give no instructions to your broker or nominee, then your shares will not be voted. If you instruct your broker or nominee to "WITHHOLD," then your vote will not be counted in determining the election.

Only votes "FOR" Proposal 1 at the Annual Meeting will be counted as votes cast and abstentions; votes withheld and broker non-votes will not be counted for voting purposes.

**Is my vote kept confidential?**

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

**How will the Annual Meeting be conducted?**

In accordance with our Bylaws, Ellen M. Cotter, as the Chair of the Board, will be the Presiding Officer of the Annual Meeting. Craig Tompkins has been designated by the Board to serve as Secretary for the Annual Meeting.

Ms. Cotter and other members of management will address attendees following the Annual Meeting. Stockholders desiring to pose questions to our management are encouraged to send their questions to us, care of the Annual Meeting Secretary, in advance of the Annual Meeting, so as to assist our management in preparing appropriate responses and to facilitate compliance with applicable securities laws.

The Presiding Officer has broad authority to conduct the Annual Meeting in an orderly and timely manner. This authority includes establishing rules for stockholders who wish to address the meeting or bring matters before the



Annual Meeting. The Presiding Officer may also exercise broad discretion in recognizing stockholders who wish to speak and in determining the extent of discussion on each item of business. In light of the need to conclude the Annual Meeting within a reasonable period of time, there can be no assurance that every stockholder who wishes to speak will be able to do so. The Presiding Officer has authority, in her discretion, to at any time recess or adjourn the Annual Meeting. Only stockholders are entitled to attend and address the Annual Meeting. Any questions or disputes as to who may or may not attend and address the Annual Meeting will be determined by the Presiding Officer.

Only such business as shall have been properly brought before the Annual Meeting shall be conducted. Pursuant to our governing documents and applicable Nevada law, in order to be properly brought before the Annual Meeting, such business must be brought by or at the direction of (1) the Chair, (2) our Board, or (3) holders of record of our Class B Stock. At the appropriate time, any stockholder who wishes to address the Annual Meeting should do so only upon being recognized by the Presiding Officer.

## CORPORATE GOVERNANCE

### Director Leadership Structure

Ellen M. Cotter is our current Chair, President and Chief Executive Officer. Ellen M. Cotter has been with our Company for more than 18 years, focusing principally on the cinema operations aspects of our business. During this time period, we have grown our Domestic Cinema Operations from 42 to 248 screens and our cinema revenues have grown from US \$15.5 million to US \$132.9 million. Historically, we have combined the roles of the Chair and the Chief Executive Officer, except for the period from August 2014 until June 12, 2015, when the roles of Chair and Chief Executive Officer were held by two executives of the Company following the resignation for health reasons of our founder, James J. Cotter, Sr. At the present time, we believe that the combined roles (i) allow for consistent leadership, (ii) continue the tradition of having a Chair and Chief Executive Officer, who is also a controlling stockholder of the Company, and also (iii) reflect our status as a “controlled company” under relevant NASDAQ Listing Rules.

Margaret Cotter is our current Vice-Chair and she also serves as our Executive Vice President – Real Estate Management and Development - NYC. Margaret Cotter has been responsible for the operation of our live theaters for more than 17 years and has for more than the past five years been actively involved in the re-development of our New York properties. On March 10, 2016, our Board appointed Margaret Cotter as Executive Vice President-Real Estate Management and Development-NYC.

Ellen M. Cotter has a substantial stake in our business, owning directly 799,765 shares of Class A Stock and 50,000 shares of Class B Stock. Margaret Cotter likewise has a substantial stake in our business, owning directly 804,173 shares of Class A Stock and 35,100 shares of Class B Stock. Ellen M. Cotter and Margaret Cotter are the Co-Executors of their father’s (James J. Cotter, Sr.) estate (the “Cotter Estate”) and Co-Trustees of a trust (the “Cotter Trust”) established for the benefit of his heirs. Together, they have shared voting control over an aggregate of 1,208,988 shares or 71.9% of our Class B Stock. Ellen M. Cotter and Margaret Cotter have informed the Board that they intend to vote the shares beneficially held by them for each of the nine nominees named in this Proxy Statement for election to the Board under Proposal 1.

James Cotter, Jr. alleges that he has the right to vote the shares held by the Cotter Trust. The Company believes that, under applicable Nevada Law, where there are multiple trustees of a trust that is a record owner of voting shares of a Nevada corporation, and more than one trustee votes, the votes of the majority of the voting trustees apply to all of the shares held of record by the trust. If more than one trustee votes and the votes are split evenly on any particular proposal, each trustee may vote proportionally the shares held of record by the trust. Ellen M. Cotter and Margaret Cotter, who collectively constitute a majority of the Co-Trustees of the Cotter Trust, have informed the Board that they intend to vote the shares held by the Cotter Trust for each of the nine nominees named in this Proxy Statement for election to the Board under Proposal 1. Accordingly, the Company believes that Ellen M. Cotter and Margaret Cotter collectively have the power and authority to vote all of the shares of Class B Stock held of record by the Cotter Trust, which, when added to the other shares they report as being beneficially owned by them, will constitute 71.9% of the shares of Class B Stock entitled to vote for Directors at the Annual Meeting.

The Company has elected to take the “controlled company” exemption under applicable listing rules of The NASDAQ Capital 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, as that term is defined in the NASDAQ Listing Rules ("Independent Directors"). We are nevertheless nominating a majority of Independent Directors for election to our Board. We currently have an Audit and Conflicts Committee (the "Audit Committee") and a Compensation and Stock Options Committee ("Compensation Committee") composed entirely of Independent Directors. We currently have a four member Executive Committee composed of our Chair and Vice-Chair and Messrs. Guy W. Adams and Edward L. Kane. Due to this structure, the concurrence of at least one non-management 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. A majority of our Board is independent under the NASDAQ Listing Rules and SEC rules, and William D. Gould serves as the Lead Independent Director among our Independent Directors ("Lead Independent Director"). In that capacity, Mr. Gould chairs meetings of the Independent Directors and acts as liaison between our Chair, President and 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 and the Compensation Committee, each of which has a separate independent Chair. Nominations to our Board for the Annual Meeting were made by our entire Board, consisting of a majority of Independent Directors.

Since our last Annual Meeting of Stockholders, we have (i) adopted a best practices Charter for our Compensation Committee, (ii) adopted a new best practices Charter for our Audit Committee, and (iii) completed, with the assistance of compensation consultants Willis Towers Watson and outside counsel Greenberg Traurig, LLP, a complete review of our compensation practices, in order to bring them into alignment with current best practices. Immediately prior to our last Annual Meeting we adopted a new supplemental policy restricting trading in our stock by our Directors and executive officers.

#### **Management Succession**

On August 7, 2014, James J. Cotter, Sr., our then controlling stockholder, Chair and Chief Executive Officer, resigned from all positions at our Company, and passed away on September 13, 2014. Upon his resignation, Ellen M. Cotter was appointed Chair, Margaret Cotter, her sister, was appointed Vice Chair and James Cotter, Jr., her brother, was appointed Chief Executive Officer, while continuing his position as President.

On June 12, 2015, the Board terminated the employment of James Cotter, Jr. as our President and Chief Executive Officer, and appointed Ellen M. Cotter to serve as the Company's interim President and Chief Executive Officer. The Board established an Executive Search Committee (the "Search Committee") initially composed of Ellen M. Cotter, Margaret Cotter, and Independent Directors William Gould and Douglas McEachern, and retained Korn Ferry to evaluate candidates for the Chief Executive Officer position. Ellen M. Cotter resigned from the Search Committee when she concluded that she was a serious candidate for the position. Korn Ferry screened over 200 candidates and ultimately presented six external candidates to the Search Committee. The Search Committee evaluated those external candidates and Ellen M. Cotter in meetings in December 2015 and January 2016, considering numerous factors, including, among others, the benefits of having a President and Chief Executive Officer who has the confidence of the existing senior management team, Ms. Cotter's prior performance as an executive of the Company and her performance as the interim President and Chief Executive Officer of the Company, the qualifications, experience and compensation demands of the external candidates, and the benefits and detriments of having a Chair, President and Chief Executive Officer who is also a controlling stockholder of the Company. The Search Committee recommended the appointment of Ellen M. Cotter as permanent President and Chief Executive Officer and the Board appointed her on January 8, 2016, with seven Directors voting yes, one Director (James Cotter, Jr.) voting no, and Ellen M. Cotter abstaining.

#### **Board's Role in Risk Oversight**

Our management is responsible for the day-to-day management of risks we face as a Company, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.



The Board plays an important role in risk oversight at Reading through direct decision-making authority with respect to significant matters, as well as through the oversight of management by the Board and its committees. In particular, the Board administers its risk oversight function through (1) the review and discussion of regular periodic reports by the Board and its committees on topics relating to the risks that the Company faces, (2) the required approval by the Board (or a committee of the Board) of significant transactions and other decisions, (3) the direct oversight of specific areas of the Company's business by the Audit Committee and the Compensation Committee, and (4) regular periodic reports from the auditors and other outside consultants regarding various areas of potential risk, including, among others, those relating to our internal control over financial reporting. The Board also relies on management to bring significant matters impacting the Company to the attention of the Board.

#### **"Controlled Company" Status**

Under section 5615(c)(1) of the NASDAQ Listing Rules, a "controlled company" is a company in which 50% of the voting power for the election of Directors is held by an individual, a group or another company. Together, Ellen M. Cotter and Margaret Cotter beneficially own 1,208,988 shares or 71.9% of our Class B Stock. Our Class A Stock does not have voting rights. Based on advice of counsel, our Board has determined that the Company is therefore a "controlled company" within the NASDAQ Listing Rules.

After reviewing the benefits and detriments of taking advantage of the exemptions to certain corporate governance rules available to a "controlled company" as set forth in the NASDAQ Listing Rules, our Board has determined to take advantage of those exemptions. In reliance on a "controlled company" exemption, the Company does not maintain a separate standing Nominating Committee. The Company nevertheless at this time maintains a full Board composed of a majority of Independent Directors and a fully independent Audit Committee, and has no present intention to vary from that structure. Our Board, consisting of a majority of Independent Directors, approved the nominees for our 2016 Annual Meeting. See "*Consideration and Selection of the Board's Director Nominees*," below. Each of the nominees, in each case the nominee abstaining from the vote, was approved by at least a majority of our Directors.

#### **Board Committees**

Our Board has a standing Executive Committee, Audit Committee, and Compensation Committee. The Tax Oversight Committee has been inactive since November 2, 2015 in anticipation that its functions would be moved to the Audit Committee under its new charter. That new charter was approved on May 5, 2016. These committees, other than the Tax Oversight Committee, are discussed in greater detail below.

**Executive Committee.** The Executive Committee operates pursuant to a Charter adopted by our Board. Our Executive Committee is currently composed of Ms. Ellen M. Cotter, Ms. Margaret Cotter and Messrs. Adams and Kane. Pursuant to its Charter, the Executive Committee is authorized, to the fullest extent permitted by Nevada law and our Bylaws, to take any and all actions that could have been taken by the full Board between meetings of the full Board. The Executive Committee held six meetings during 2015.

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

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. McEachem, the Chair of our Audit Committee, is qualified as an Audit Committee Financial Expert. Our Audit Committee is currently composed of Mr. McEachem, who serves as Chair, Mr. Kane and Mr. Wrotniak. Mr. Timothy 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.

**Compensation Committee.** Our Board has established a standing Compensation Committee consisting of three of our non-employee Directors, and is currently composed of Mr. Kane, who serves as Chair, Dr. Codding and Mr. McEachem. Mr. Storey served on our Compensation Committee through October 11, 2015 and Mr. Adams served

through May 14, 2016. 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 SEC and the NASDAQ Stock Market. As a part of the transition to this new compensation committee structure, the compensation for 2016 of the President, Chief Executive Officer, all Executive Vice Presidents, and all Managing Directors was reviewed and approved by the Board at that March 10, 2016 meeting.

The Compensation Committee charter is available on our website at <http://www.readingrdi.com/charter-of-our-compensation-stock-options-committee/>. The Compensation Committee evaluates and makes recommendations to the full Board regarding the compensation of our Chief Executive Officer. Under its new Charter, the Compensation Committee has delegated authority to establish the compensation for all executive officers other than the President and Chief Executive Officer; provided that compensation decisions related to members of the Cotter Family remain vested in the full Board. 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.

#### **Consideration and Selection of the Board's Director Nominees**

The Company has elected to take the "Controlled Company" exemption under applicable NASDAQ Listing Rules. Accordingly, the Company does not maintain a standing Nominating Committee. Our Board, consisting of a majority of Independent Directors, approved the Board nominees for our 2016 Annual Meeting.

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

Our Board will consider nominations from our stockholders, provided written notice is delivered to our Secretary at our principal executive offices not less than 120 days prior to the first anniversary of the date that this Proxy Statement is sent to stockholders, or such earlier date as may be reasonable in the event that our annual stockholders meeting is moved more than 30 days from the anniversary of the 2016 Annual Meeting. Such written notice must set forth the name, age, address, and principal occupation or employment of such nominee, the number of shares of our common stock that are beneficially owned by such nominee, and such other information required by the proxy rules of the SEC with respect to a nominee of our Board.

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

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

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



Following a review of the experience and overall qualifications of the Director candidates, our Board resolved to nominate, each of the incumbent Directors named in Proposal 1 for election as Directors of the Company at our 2016 Annual Meeting.

The Board, in reaching the decision to nominate Mr. James Cotter, Jr. for re-election to the Board, took a number of factors into consideration. Without attempting to place any particular priority on any particular consideration, the Board considered Mr. Cotter Jr.'s pending litigation against certain of the other Directors; his pending arbitration proceedings with the Company related to his prior termination as the President and Chief Executive Officer of our Company; his litigation against the Company seeking reimbursement and future advancement of his legal fees and expenses incurred in such arbitration proceedings; the Board's June 2015 determination to terminate Mr. Cotter, Jr. as our Company's President and Chief Executive Officer; the potential that this personal action and legal proceedings have and will likely continue to cause dissension among Board members and impact the otherwise collegial nature of Board meetings; Mr. Cotter, Jr.'s longevity on the Board and his broad knowledge of our Company; Mr. Cotter, Jr.'s beneficial holdings of the Company's securities; the fact that, depending on the ultimate resolution of certain litigation as to the terms of the Cotter Trust, Mr. Cotter, Jr. could periodically or ultimately hold voting control over our Company, and the fact that Ellen M. Cotter and Margaret Cotter had notified the Board that, as the beneficial owners of over 70% of the voting power of our Company, they supported Mr. Cotter Jr.'s ongoing participation on the Board. After considering these factors, the Board nominated Mr. Cotter, Jr. to serve another term as a Director of the Company.

Each of the nominees received at least seven (7) Yes votes, with each such nominee abstaining as to his or her nomination. Director Cotter, Jr. abstained with respect to the nomination of each of the nominees other than Ellen M. Cotter and Margaret Cotter, and voted Yes for Ellen M. Cotter and Margaret Cotter. Director Adams voted No with respect to the nomination of James Cotter, Jr.

#### **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.readingrdi.com/Governance-Documents>.

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

#### **Review, Approval or Ratification of Transactions with Related Persons**

The Audit Committee adopted a written charter for approval of transactions between the Company and its Directors, Director nominees, executive officers, greater than five percent beneficial owners and their respective immediate family members, where the amount involved in the transaction exceeds or is expected to exceed \$120,000 in a single calendar year and the party to the transaction has or will have a direct or indirect interest. A copy of this charter is available at [www.readingrdi.com](http://www.readingrdi.com) under the "Investor Relations" caption. For additional information, see the section entitled "*Certain Relationships and Related Party Transactions*."

#### **Material Legal Proceedings**

On June 12, 2015, the Board terminated James 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 Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al." Case 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 M. Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachem, and Tim Storey, the "Original 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 Original 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 M. 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 Chief Executive Officer and alleges as damages fluctuations in the price for our Company's shares after the announcement of his termination as President and Chief Executive Officer 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 should be reinstated as the President and Chief Executive Officer of the Company and also that our Board's Executive Committee be disbanded (an injunctive remedy that, if granted, would be binding on the Company), and as he asserts potentially misleading statements in certain press releases and filings with the SEC, the Company is incurring significant cost and expense defending the decision to terminate Mr. Cotter, Jr. as President and Chief Executive Officer, its Board committee structure, and the adequacy of those press releases and filings. Also, the Company continues to incur costs promulgating and responding to discovery demands and satisfying indemnity obligations to the Original Defendant Directors.

Our Directors and Officers Insurance 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 Original Director Defendants. Our new Directors, Dr. Judy Coddington 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 validly removed him from his positions as President and Chief Executive Officer 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 no less than \$1,000,000. On April 19, 2016, Mr. Cotter, Jr. filed an action in the District Court, Clark County, Nevada seeking to recover his costs of defending the Arbitration, plus compensatory damages and interest at the maximum legal rate. The Company intends to vigorously defend these claims.

On August 6, 2015, the Company received notice that a Motion to Intervene in the Cotter Jr. Derivative Action and 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; Tilson 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; and Pacific Capital Management, LLC, a Delaware limited liability company, derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, Ellen M. 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 Original 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 Plaintiffs 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 Amended T2 Complaint Director Defendants (as such term is defined below). More specifically the Amended T2 Derivative Complaint seeks 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 Amended 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 Amended T2 Complaint Director Defendants. The defendants in the Amended T2 Complaint 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. Mr. Storey was not named as a defendant in the Amended T2 Complaint. The cost of the defense of Directors Coddington and Wrotniak is likewise being covered by our Directors and Officers Liability Insurance carrier with the same reservations of right as in the Cotter Jr. Derivative Action, but without any separate deductible. The coverage under our Directors and Officers Liability Insurance of the cost of the defense of Mr. Tompkins is being reviewed by the insurer and is currently being covered by the Company under its indemnity agreement with him. The Directors named in the T2 Derivative Complaint are referred to herein as the "Amended T2 Complaint Director Defendants" and the Directors named in the Amended Cotter, Jr. Derivative Complaint are referred to herein as the Amended Cotter Jr. Complaint Director Defendants.

The Amended T2 Derivative Complaint has deleted its request for an order disbanding our Executive Committee and 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 M. 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 M. 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, 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.

On May 2, 2016, the T2 Plaintiffs filed a petition on order shortening time seeking a preliminary injunction (1) enjoining the Inspector of Elections from counting any proxies purporting to vote either the 327,808 Class B shares represented by stock certificate B0005 (held of record by the Cotter Estate) or the 696,080 Class B shares represented by stock certificate RDIB 0028 (held of record by the Cotter Trust) at the upcoming June 2, 2016 Annual Meeting, and (2) enjoining Ellen M. Cotter, Margaret Cotter and James Cotter, Jr. from voting the above referenced shares at the 2016 Annual Meeting. The Company believes that the above referenced shares are currently held of record by the Cotter Estate and the Cotter Trust, and that such shares can be voted by the Co-Executors of the Cotter Estate and the Trustees of the Cotter Trust, as applicable.

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 our Directors and Officers 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. Mr. Storey has been dismissed by stipulation as a defendant in the James Cotter Jr. Derivative Action.

On May 13, 2016, Directors Adams, Coddington, Ellen M. Cotter, Margaret Cotter, Kane, McEachern and Wrotniak filed a motion in the T2 Derivative Action to disqualify the T2 Plaintiffs on the grounds that at least one of the T2 Plaintiffs had engaged in trading in our Company's Class A Common Stock after production by the Company and the

# PROPOSAL 1: Election of Directors

## Nominees for Election

Nine Directors are to be elected at our Annual Meeting to serve until the annual meeting of stockholders to be held in 2017 or until their successors are duly elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by us "FOR" the election of the nominees below, all of whom currently serve as Directors. The nine nominees for election to the Board who receive the greatest number of votes cast for the election of Directors by the shares present and entitled to vote will be elected Directors. If any nominee becomes unavailable for any reason, it is intended that the proxies will be voted for a substitute nominee designated by the Board. The nominees named have consented to serve if elected.

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

| Name                      | Age | Position                                                                                            |
|---------------------------|-----|-----------------------------------------------------------------------------------------------------|
| Ellen M. Cotter.....      | 50  | Chair of the Board and Chief Executive Officer and President <sup>(1)</sup>                         |
| Guy W. Adams.....         | 65  | Director <sup>(1)</sup>                                                                             |
| Judy Coddington.....      | 71  | Director <sup>(2)</sup>                                                                             |
| James Cotter, Jr. ....    | 46  | Director <sup>(3)</sup>                                                                             |
| Margaret Cotter.....      | 48  | Vice Chair of the Board and Executive Vice President-Real Estate Management and Development-NYC (1) |
| William D. Gould.....     | 77  | Director <sup>(4)</sup>                                                                             |
| Edward L. Kane.....       | 78  | Director <sup>(1)(2)(3)(5)</sup>                                                                    |
| Douglas J. McEachern..... | 64  | Director <sup>(2)(5)</sup>                                                                          |
| Michael Wrotniak.....     | 49  | Director <sup>(5)</sup>                                                                             |

- (1) Member of the Executive Committee.
- (2) Member of the Compensation and Stock Options Committee.
- (3) Member of the Tax Oversight Committee. This committee has been inactive since November 2, 2015, in anticipation that its functions would move to the Audit Committee under its new charter. That new charter was approved on May 5, 2016.
- (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 since March 13, 2013, and currently serves as a member of our Executive Committee. Ms. Cotter was appointed Chair 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. 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 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 the Cotter 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 Cotter Trust, which is the record owner of 696,080 shares of Class B Stock (representing an additional 41.4% of such Class B Stock).

Ms. Cotter brings to our Board her 18 years of experience working in our Company's cinema operations in the United States, Australia and New Zealand. 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 the Cotter Estate and Co-Trustee of the Cotter Trust, Ms. Cotter is a significant stakeholder in our Company. In recognition of her contributions to the independent film industry, Ms. Cotter was awarded the first Gotham Appreciation Award at the 2015 Gotham Independent Film Awards. She was also inducted that same year into the ShowEast Hall of Fame.

**Guy W. Adams** Guy W. Adams has been a Director of the Company since January 14, 2014, currently serves as the chair of our Executive Committee, and until May 14, 2016, served as a member of our 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 Cotter Estate or the Cotter 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 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 Cotter, Jr.** James Cotter, Jr. has been a Director of our Company since March 21, 2002, and served as a member of our Tax Oversight Committee. The Tax Oversight Committee has been inactive since November 2, 2015, in anticipation that its functions would be moved to the Audit Committee under its new charter. That new charter was adopted on May 5, 2016. Mr. Cotter, Jr. served as our Vice Chair 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 Cotter Trust, which is the record owner of 696,080 shares of Class B Stock (representing 41.4% of such Class B Stock). The Company understands that Mr. Cotter's status as a trustee of the Cotter Trust is disputed by his sisters, Ellen M. Cotter and Margaret Cotter.



James 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 770,186 shares of our Company's Class A Common Stock and his position as Co-Trustee of the Cotter 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 Chair 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 re-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 Cotter, Jr. Ms. Margaret Cotter is a Co-Executor of the Cotter 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 Cotter 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 theater 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 the Cotter Estate and Co-Trustee of the Cotter 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 served as chair of our Tax Oversight Committee. That committee has been inactive since November 2, 2015, in anticipation that its functions would be moved to the Audit Committee under its new charter. The new charter for the Audit Committee was approved on May 5, 2016. He also serves as a member of our Executive Committee and our Audit Committee. 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 Chair and Chief Executive Officer 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 Chair 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 and serves as a member of our Compensation Committee since May 14, 2016. 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.

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

#### **Attendance at Board and Committee Meetings**

During the year ended December 31, 2015, our Board met 13 times. The Audit Committee held four meetings, the Compensation Committee held three meetings, and the Tax Oversight Committee held one meeting. Each Director attended at least 75% of these Board meetings and at least 75% of the meetings of all committees on which he or she served.

#### **Indemnity Agreements**

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



## Compensation of Directors

During 2015, we paid our non-employee Directors \$50,000 per year. We paid the Chair of our Audit Committee an additional \$7,000 per year, the Chair of our Compensation Committee an additional \$5,000 per year, the Chair of our Tax Oversight Committee an additional \$18,000 per year and the Lead Independent Director an additional \$5,000 per year.

In 2015, we also paid an additional one-time fee of \$25,000 to each of Messrs. Adams, Gould, McEachern and Kane, and an additional one-time fee of \$75,000 to Mr. Storey. These fees were awarded in each case in recognition of their service on our Board and Committees.

In March 2016, the Board approved additional special compensation to be paid for extraordinary services to the Company and devotion of time in providing such services, as follows:

|                       |          |
|-----------------------|----------|
| Guy W. Adams:         | \$50,000 |
| Edward L. Kane:       | \$10,000 |
| Douglas J. McEachern: | \$10,000 |

Some portion of such additional special compensation was for services rendered during 2015.

Upon joining our Board, new Directors historically received immediately vested five-year stock options to purchase 20,000 shares of our Class A Stock at an exercise price equal to the market price of the stock at the date of grant. However, this process was discontinued in 2015, and Directors Coddington and Wrotniak did not receive such grants. In January, 2015 and January, 2016, each of our then non-employee Directors received an annual grant of stock options to purchase 2,000 shares of our Class A Stock. The options awarded have a term of five years, an exercise price equal to the market price of Class A Stock on the grant date and were fully vested immediately upon grant. As discussed below, our outside director compensation was changed for the remainder of 2016 and the years thereafter. See "2016 and Future Director Compensation," below.

### 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 Coddington                | 11,957                           | 0                     | 0                           | 11,957     |
| Margaret Cotter <sup>(2)</sup> | 35,000                           | 7,656                 | 0                           | 42,656     |
| Guy W. Adams                   | 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>(3)</sup>      | 112,500                          | 7,656                 | 21,136 <sup>(4)</sup>       | 140,292    |
| Michael Wrotniak               | 11,005                           | 0                     | 0                           | 11,005     |

- (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.



## 2016 and Future Director Compensation

As discussed below in "Compensation Discussion and Analysis," the Executive Committee of our Board, upon the recommendation of our Chief Executive Officer, requested the Compensation Committee to evaluate the Company's compensation policy for outside directors and to establish a plan that encompasses sound corporate practices consistent with the best interests of the Company. Our Compensation Committee undertook to review, evaluate, revise and recommend the adoption of new compensation arrangements for executive and management officers and outside directors of the Company. In January 2016, the Compensation Committee retained the international compensation consulting firm of Willis Towers Watson as its advisor in this process and also relied on our legal counsel, Greenberg Traurig, LLP.

The process followed by our Compensation Committee was similar to that in scope and approach used by the Compensation Committee in considering executive compensation. Willis Towers Watson reviewed and presented to the Compensation Committee the competitiveness of the Company's outside director compensation. The Company's outside director compensation was compared to the compensation paid by the 15 peer companies (identified "Compensation Discussion and Analysis"). Willis Towers Watson's key findings were:

- Our annual Board retainer was slightly above the 50th percentile while the total cash compensation paid to outside Directors was close to the 25th percentile.
- Due to our minimal annual Director equity grants, total direct compensation to our outside Directors was the lowest among the peer group.
- We should consider increasing our committee cash compensation and annual Director equity grants to be in line with peer practices.

The foregoing observations and recommendations were studied, questioned and thoroughly discussed by our Compensation Committee, Willis Towers Watson and legal counsel over the course of our Compensation Committee meetings. Among other things, our Compensation Committee discussed and considered the recommendations made by Willis Towers Watson regarding Director retainer fees and equity awards for Directors. Following discussion, our Compensation Committee recommended and our Board authorized that:

- The Board retainer currently paid to outside Directors will not be changed.
- The committee chair retainers will be increased to \$20,000 for our Audit Committee and our Executive Committee and \$15,000 for our Compensation Committee.
- The committee member fees will be \$7,500 for our Audit and Executive Committees and \$5,000 for our Compensation Committee.
- The Lead Independent Director fee will be increased to \$10,000.
- The annual equity award value to Directors will be \$60,000 as a fixed dollar value based on the closing price on the date of the grant and, that the equity award be restricted stock units and that such restricted stock units have a twelve month vesting period.
- Our Board also approved additional special compensation to be paid to certain directors for extraordinary services provided to us and devotion of time in providing such services as follows:
  - Guy W. Adams, \$50,000
  - Edward L. Kane, \$10,000
  - Douglas J. McEachern, \$10,000

Our Board compensation was made effective for the year 2016 and equity grants were made on March 10, 2016 based upon the closing of the Company's Class A Common Stock on such date.

### Vote Required

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

The Board has nominated each of the nominees discussed above to hold office until the 2017 Annual Meeting of Stockholders and thereafter until his or her respective successor has been duly elected and qualified. In the event that

any nominee shall be unable or unwilling to serve as a Director, the Board shall reserve discretionary authority to vote for a substitute or substitutes. The Board has no reason to believe that any nominee will be unable or to serve and all nominees named have consented to serve if elected.

#### Recommendation of the Board

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

Ellen M. Cotter and Margaret Cotter, who together have shared voting control over an aggregate of 1,208,988 shares, or 71.9%, of our Class B Stock, have informed the Board that they intend to vote the shares beneficially held by them in favor of the nine nominees named in this Proxy Statement for election to the Board under Proposal 1. Of the shares of Class B Stock beneficially held by them, 696,080 shares are held of record by the Cotter Trust. James Cotter, Jr. alleges he has the right to vote the shares held by the Cotter Trust. The Company believes that, under applicable Nevada Law, where there are multiple trustees of a trust that is a record owner of voting shares of a Nevada corporation, and more than one trustee votes, the votes of the majority of the voting trustees apply to all of the shares held of record by the trust. If more than one trustee votes and the votes are split evenly on any particular proposal, each trustee may vote proportionally the shares held of record by the trust. Ellen M. Cotter and Margaret Cotter, who collectively constitute a majority of the Co-Trustees of the Cotter Trust, have informed the Board that they intend to vote the shares held by the Cotter Trust for the nine nominees named in this Proxy Statement for election to the Board under Proposal 1. Accordingly, the Company believes that Ellen M. Cotter and Margaret Cotter collectively have the power and authority to vote all of the shares of Class B Stock held of record by the Cotter Trust.

#### REPORT OF THE AUDIT COMMITTEE

The following is the report of the Audit Committee of our Board with respect to our audited financial statements for the fiscal year ended December 31, 2015.

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

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

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

The Audit Committee has discussed with Grant Thornton LLP the matters required to be discussed by Auditing Standard No. 16, "Communications with Audit Committees" and PCAOB Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with Audit of Financial Statements." In addition, Grant Thornton LLP has provided the Audit Committee with the written disclosures and the letter required by the Independence Standards Board Standard No. 1, as amended, "Independence Discussions with Audit Committees," and the Audit Committee has discussed with Grant Thornton LLP their firm's independence.



Based on their review of the consolidated financial statements and discussions with and representations from management and Grant Thornton LLP referred to above, the Audit Committee recommended to our Board that the audited financial statements be included in our Annual Report on Form 10-K for fiscal year 2015 for filing with the SEC.

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

Respectfully submitted by the Audit Committee.

Douglas J. McEachern, Chair  
Edward L. Kane  
Michael Wrotniak

## 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 Proxy Statement;
- each person known to us to be the beneficial owner of more than 5% of our Class B Stock; and
- all of our incumbent Directors and 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<br>Beneficial Owner           | Amount and Nature of Beneficial Ownership (1) |                        |                     |                        |
|---------------------------------------------------|-----------------------------------------------|------------------------|---------------------|------------------------|
|                                                   | Class A Stock                                 |                        | Class B Stock       |                        |
|                                                   | Number of Shares                              | Percentage of<br>Stock | Number of<br>Shares | Percentage of<br>Stock |
| <b>Directors and Named Executive Officers</b>     |                                               |                        |                     |                        |
| Ellen M. Cotter (2)(12)                           | 3,146,965                                     | 14.5                   | 1,173,888           | 69.8                   |
| James Cotter, Jr. (12)(13)                        | 3,084,976                                     | 14.2                   | 696,080             | 41.4                   |
| Margaret Cotter (3)(12)                           | 3,335,012                                     | 15.4                   | 1,158,988           | 66.9                   |
| Guy W. Adams (8)                                  | 2,000                                         | *                      | --                  | --                     |
| Judy Coddington (9)                               | 2,000                                         | *                      | --                  | --                     |
| William D. Gould (4)                              | 56,340                                        | *                      | --                  | --                     |
| Edward L. Kane (5)                                | 21,500                                        | *                      | 100                 | *                      |
| Andrzej J. Matczynski (16)                        | 50,880                                        | *                      | --                  | --                     |
| Douglas J. McEachern (6)                          | 39,300                                        | *                      | --                  | --                     |
| Michael Wrotniak (10)                             | 2,000                                         | --                     | --                  | --                     |
| Robert F. Smerling (7)                            | 43,750                                        | *                      | --                  | --                     |
| Wayne Smith (11)                                  | 3,000                                         | *                      | --                  | --                     |
| William Ellis (17)                                | 20,000                                        | *                      | --                  | --                     |
| Dev Ghose (18)                                    | 25,000                                        | *                      | --                  | --                     |
| <b>5% or Greater Stockholders</b>                 |                                               |                        |                     |                        |
| James J. Cotter Living Trust (12)                 | 1,897,649                                     | 8.8                    | 696,080             | 41.4                   |
| Estate of James J. Cotter, Sr. (Deceased)<br>(12) | 326,800                                       | 1.5                    | 427,808             | 25.5                   |



|                                                                                                                          |           |      |           |      |
|--------------------------------------------------------------------------------------------------------------------------|-----------|------|-----------|------|
| Mark Cuban (14)<br>5424 Deloache Avenue<br>Dallas, Texas 75220                                                           | 72,164    | *    | 207,913   | 12.4 |
| PICO Holdings, Inc. and PICO Deferred Holdings, LLC (15)<br>875 Prospect Street, Suite 301<br>La Jolla, California 92037 | --        | --   | 117,500   | 7.0  |
| James J. Cotter Foundation                                                                                               | 102,751   | *    |           |      |
| Cotter 2005 Grandchildren's Trust                                                                                        | 289,390   | 1.3  |           |      |
| All Directors and executive officers as a group (14 persons)                                                             | 5,032,094 | 23.2 | 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 April 22, 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 "Cotter Trust"). See footnote (12) to this table for information regarding beneficial ownership of the shares held by the Cotter Trust. As Co-Trustees of the Cotter 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 1,208,988 shares of Class B Stock.
- (3) The Class A Stock shown includes 17,000 shares subject to stock options as well as 804,173 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 Cotter Trust. See footnotes (12) for information regarding beneficial ownership of the shares held by the Cotter Trust. As Co-Trustees of the Cotter 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 1,208,988 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 3,000 restricted stock grants.
- (12) On June 5, 2013, the Declaration of Trust establishing the Cotter 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 Cotter, Jr. as the first alternate trustee in the event that Ms. Cotter is unable or unwilling to act as trustee. The trustees of the Cotter 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 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 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 Cotter, Jr., Ellen M. Cotter and Margaret Cotter are Co-Trustees of the Cotter Trust. On February 5, 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. BP159755). The Petition, among other things, seeks relief that could determine the validity of the 2014 Amendment and who between Margaret Cotter and James 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 Cotter Trust are reflected on the Company's stock register as being held by the Cotter 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 Cotter 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 Cotter Trust.
- (13) The Class A Stock shown includes 25,000 shares subject to stock options as well as 770,186 shares held directly. The Class A Stock shown also includes 289,390 shares held by the Cotter 2005 Grandchildren's Trust and 102,751 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 1,897,649 shares held by the Cotter 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 Cotter Trust. As Co-Trustees of the Cotter Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (12). The Class A Stock shown includes 770,186 shares pledged as security for a margin loan.
- (14) Based on Mr. Cuban'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 25,000 shares subject to stock options.

#### 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 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:

| <u>Filer</u>                    | <u>Form</u> | <u>Transaction Date</u>      | <u>Date of Filing</u>    |
|---------------------------------|-------------|------------------------------|--------------------------|
| Andrzej J. Matyczynski          | 4           | December 31, 2015            | Not filed <sup>(1)</sup> |
| Andrzej J. Matyczynski          | 4           | December 31, 2014            | Not filed <sup>(2)</sup> |
| Andrzej J. Matyczynski          | 4           | December 31, 2013            | Not filed <sup>(3)</sup> |
| Mark Cuban                      | 4           | November 11, 2015            | Not filed <sup>(4)</sup> |
| Estate of James J. Cotter       | 4           | December 31, 2014            | October 9, 2015          |
| James J. Cotter Living Trust    | 3           | September 13, 2014           | October 9, 2015          |
| Ellen M. Cotter                 | 4           | April 16, 2015               | October 9, 2015          |
| Margaret Cotter                 | 4           | April 8, 2015                | October 9, 2015          |
| William Gould                   | 4           | April 6, 2015                | October 8, 2015          |
| James Cotter Jr. <sup>(5)</sup> | 4           | March 10, 2016               | March 15, 2016           |
| James Cotter Jr.                | 4           | November 25, 2015            | December 1, 2015         |
| James Cotter Jr.                | 4           | August 17, 2015              | August 24, 2015          |
| James Cotter Jr.                | 4           | July 16, 2015                | July 31, 2015            |
| James Cotter Jr.                | 4           | June 30, 2015 <sup>(6)</sup> | July 16, 2015            |
| James Cotter, Jr.               | 4           | June 4, 2016 <sup>(7)</sup>  | July 16, 2015            |
| Wayne Smith                     | 4           | July 16, 2015                | July 31, 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.

| <u>Filer</u>           | <u>Form</u> | <u>Transaction Date</u> | <u>Date of Filing</u> |
|------------------------|-------------|-------------------------|-----------------------|
| Andrzej J. Matyczynski | 5           | December 31, 2015       | April 22, 2016        |
| Andrzej J. Matyczynski | 5           | December 31, 2014       | March 17, 2015        |
| Andrzej J. Matyczynski | 5           | December 31, 2013       | March 12, 2014        |
| Mark Cuban             | 5           | November 11, 2015       | February 19, 2016     |

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



## 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 “Proposal 1: Election of Directors – Nominees for Election.”

| <u>Name</u>            | <u>Age</u> | <u>Title</u>                                                                         |
|------------------------|------------|--------------------------------------------------------------------------------------|
| 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 and 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.

## 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 SEC 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."

##### *Chief Executive Officer 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 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:

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

Following his appointment on August 7, 2014 as our Chief Executive Officer and until his termination from that position on June 12, 2015, James 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:

| <b>Name</b>                      | <b>2014 Base Salary<br/>(S)</b> | <b>2015 Base Salary<br/>(S)</b> |
|----------------------------------|---------------------------------|---------------------------------|
| Ellen M. Cotter <sup>(1)</sup>   | 335,000                         | 402,000                         |
| James Cotter, Jr. <sup>(2)</sup> | 335,000                         | 335,000 <sup>(2)</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 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>(S) | 2015 Base Salary<br>(S) |
|---------------------------------------|-------------------------|-------------------------|
| Dev Ghose <sup>(1)</sup>              | —                       | 400,000 <sup>(1)</sup>  |
| Andrzej J. Matyczynski <sup>(2)</sup> | 309,000                 | 324,000                 |
| William Ellis <sup>(3)</sup>          | 350,000 <sup>(3)</sup>  | 350,000                 |
| Robert F. Smerling                    | 350,000                 | 350,000                 |
| Wayne Smith                           | 324,295 <sup>(4)</sup>  | 274,897 <sup>(4)</sup>  |

- (1) Dev 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 amounts of AUD\$359,250 in 2014 (shown in the table in U.S. Dollars using exchange rate 0.9027), and AUD\$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:

| Name                   | 2015 Performance Bonus<br>(S) |
|------------------------|-------------------------------|
| Ellen M. Cotter        | 250,000                       |
| Dev Ghose              | 75,000                        |
| Andrzej J. Matyczynski | 0                             |
| William Ellis          | 0 <sup>(1)</sup>              |
| James 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. Dollars using exchange rate 0.7524).

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 Cotter, Jr. On June 12, 2015, the Board terminated the employment of James 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. Mr. Cotter's employment agreement also provided for the grant of options to purchase 100,000 shares of Class A Stock at an exercise price of \$6.31 per share. Mr. Cotter, Jr. has previously exercised options to purchase 50,000 of such shares. Mr. Cotter, Jr. has asserted that the options to exercise the remainder of the 50,000 options survived the termination of his employment. The Company's position is that all unvested options expired upon the termination of Mr. Cotter, Jr.'s employment. This matter is currently under review by the Compensation Committee.

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, Mr. Ellis submitted his resignation as our General Counsel and Corporate Secretary. On March 11, 2016, we entered into an agreement with Mr. 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 Chief Executive Officer and our executive officers, provided that our Chief Executive Officer 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 Chief Executive Officer 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 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's charter is available on our website at <http://www.readingrdr.com/Committee-Charters>.

The Compensation Committee reviews compensation policies and practices affecting employees in addition to

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

#### **Executive Compensation**

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

|                                 |                                           |
|---------------------------------|-------------------------------------------|
| Arcadia Realty Trust            | Inland Real Estate Corp.                  |
| Associated Estates Realty Corp. | Kite Realty Group Trust                   |
| Carmike Cinemas Inc.            | Marcus Corporation                        |
| Cedar Realty Trust Inc.         | Pennsylvania Real Estate Investment Trust |
| Charter Hall Group              | Ramco-Gershenson Properties Trust         |
| EPR Properties                  | Urstadt Biddle Properties Inc.            |
| Vicinity Centres                | Village Roadshow Ltd.                     |
| IMAX Corporation                |                                           |

Willis Towers Watson selected the above peer group noting that the companies selected (i) included 12 United States based companies and three Australian based companies to reflect our geographic operations, and (ii) were comparable to us based on the key financial criteria of being between 1/3<sup>rd</sup> and three times our 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 Cotter, Jr.

| <b>Name</b>                           | <b>Title</b>                                                    | <b>2015 Base Salary</b> | <b>2016 Base Salary</b> |
|---------------------------------------|-----------------------------------------------------------------|-------------------------|-------------------------|
| Ellen Cotter <sup>(1)</sup>           | President and Chief Executive Officer                           | \$402,000               | \$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 <sup>(4)</sup>            | Managing Director, Australia and New Zealand                    | 274,897 <sup>(4)</sup>  | 282,491 <sup>(4)</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) Dev Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015. For 2015, Mr. Ghose earned a prorated base salary of \$257,692.

(3) 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.

(4) Mr. Smith was paid in Australian dollars in the amount of AUD\$365,360 (shown in U.S. Dollars in the table above, using the conversion rate of 0.7524). In 2016, Mr. Smith will be paid in Australian dollars in the amount of AUD\$370,000 (shown above in U.S. Dollars using the exchange rate of 0.76349).

#### **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