FORM 10-K

READING INTERNATIONAL INC - RDI

Filed: March 16, 2011 (period: December 31, 2010)

Annual report with a comprehensive overview of the company

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

FORM 10-K

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from _____ to _____

Commission File No. 1-8625

READING INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

NEVADA	**95-3885184**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
500 Citadel Drive, Suite 300 Commerce, CA	90040
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including Area Code: (213) 235-2240

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

Title of each class	Name of each exchange on which registered
Class A Nonvoting Common Stock, $0.01 par value	**NASDAQ**
Class B Voting Common Stock, $0.01 par value	**NASDAQ**

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

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☑

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for shorter period than the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 14, 2011, there were 21,483,648 shares of class A non-voting common stock, par value $0.01 per share and 1,495,490 shares of class B voting common stock, par value $0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was $68,613,462 as of June 30, 2010.

READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2010
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PART I

Item 1 – Our Business

General Description of Our Business

Reading International, Inc., a Nevada corporation ("RDI"), was incorporated in 1999 incident to our reincorporation in Nevada. Our class A non-voting common stock ("Class A Stock") and class B voting common stock ("Class B Stock") are listed for trading on the NASDAQ under the symbols RDI and RDIB. Our principal executive offices are located at 500 Citadel Drive, Suite 300, Commerce, California 90040. Our general telephone number is (213) 235-2240 and our website is www.readingrdi.com. It is our practice to make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission. In this Annual Report, we from time to time use terms such as the "Company," "Reading" and "we," "us," or "our" to refer collectively to RDI and our various consolidated subsidiaries and corporate predecessors.

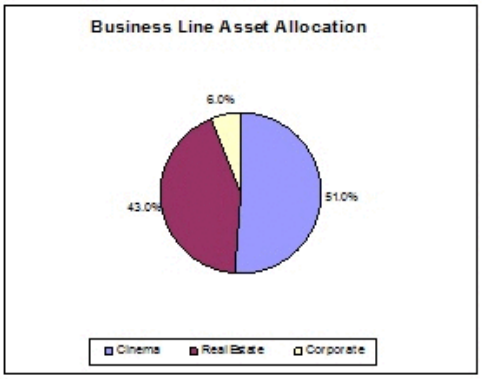
We are an internationally diversified "hard asset" company principally focused on the development, ownership, and operation of entertainment and real property assets in the United States, Australia, and New Zealand. Currently, we operate in two business segments :

(1) **Cinema Exhibition, through our 58 multiplex theaters, and**

(2) **Real Estate, including real estate development and the rental of retail, commercial and live theater assets.**

We believe that these two business segments complement one another, as the comparatively consistent cash flows generated by our cinema operations can be used to fund the front-end cash demands of our real estate development business. Also, we have the ability, in appropriate circumstances, to be our own anchor tenant.

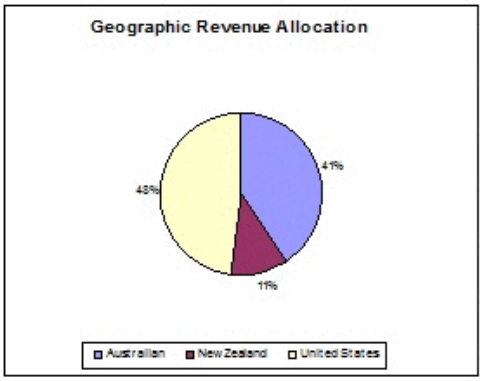
At December 31, 2010, the book value of our assets was approximately $430.3 million; and as of that same date, we had a consolidated stockholders' book equity of approximately $112.6 million. Calculated based on book value, approximately $221.6 million of our assets relate to our cinema exhibition activities and approximately $185.0 million of our assets relate to our real estate activities which results in the allocation between our cinema assets and our non-cinema assets of approximately 51% and 49%, respectively.



For additional segment financial information, please see Note 22 – *Business Segments and Geographic Area Information* to our 2010 Consolidated Financial Statements.

Recognizing that we are part of a world economy, we have diversified our assets among three countries: the United States, Australia, and New Zealand. We currently have approximately 29% of our assets (based on net book value) in the United States, 55% in Australia and 16% in New Zealand compared to 34%, 50%, and 16% at the end of

2009. For 2010, our gross revenue in these jurisdictions was $110.6 million, $94.2 million, and $25.0 million, respectively, compared to $113.4 million, $80.8 million, and $22.4 million for 2009.



For additional financial information concerning the geographic distribution of our business, please see Note 22 – *Business Segments and Geographic Area Information* to our 2010 Consolidated Financial Statements.

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular, and competitively priced option. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. We also, from time to time, invest in the shares of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In recent years, the market value of most commercial and undeveloped real estate has seen a material decline in the markets in which we operate. While this decline has been, in our view, less pronounced in Australia and New Zealand than in the United States (and while the impact of the declines in Australia and New Zealand have been somewhat mitigated by renewed strength of the Australian and New Zealand dollar as compared to the US dollar), real estate values today are in many cases less than they were at the end of 2007. This has affected some of our development projects resulting in impairment losses. However, the practical impact on our real estate holdings has been minimal, as we have continued to enjoy increases in rentals from the tenants in our retail holdings, and as our business plan generally calls for development of our raw land holdings over time for long-term development. On an overall or portfolio basis, our estimated value of our real estate and cinema assets has not in fact declined since the end of 2008.

Of greater impact is the current lack of liquidity in the lending markets for real estate development, which has in certain cases delayed our plans for development of certain properties, or may necessitate the involvement of money partners in such developments. In 2010, we were advised by our principal lender in Australia that it was curtailing lending activities in that country, and would not be renewing our $111.3 million (AUS$110.0 million) credit facility. On March 9, 2011, we received credit approval from National Australia Bank for a $106.3 million (AUS$105.0 million) facility that will replace our expiring Australia Corporate Credit Facility which will allow us to fully repay our $101.7 million (AUS$100.5 million) of outstanding debt.

Historically, it has not been our practice to sell assets, except in connection with the repositioning of such assets to a higher and better use. This was the situation, for example, in our sale of our interests in two Manhattan cinemas: the Sutton Cinema (redeveloped as a residential condominium complex commonly known as Place 57) and the Murray Hill Cinema (redeveloped as a hospital commonly known as NYU Clinical Cancer Center). However, in

the current market, given the difficulty in obtaining leverage on attractive terms, we are considering the sale of certain real estate assets including our Cinemas 1, 2 & 3 property in Manhattan in 2011. In addition, as we have now completed the residential rezoning of our Taupo property in New Zealand, we have listed that property for sale. We did, however, add to our overall real estate holdings during 2010 by acquiring the fee interest in additional property (aggregating approximately 6.4 acres) adjoining our property in Manukau, New Zealand for $3.6 million (NZ$5.2 million).

Given the resurgence of Manhattan commercial real estate values, we intend to focus in 2011 on the development of our Union Square property (in Manhattan). As part of that work, during January 2011, we started communications with several potential joint venture partners with respect to our Union Square property. Also, we are actively pursuing the development of the next phase of our Courtenay Central property in Wellington, New Zealand. We continue to evaluate our options concerning our 50.6 acre Burwood property in Melbourne, Australia.

While a development plan has been submitted for our 64.0 acre holding in Manukau, New Zealand, we do not currently anticipate that the rezoning process for that property will be completed until mid 2013. Our 3.3 acre holdings in the Moonee Ponds area of Melbourne has enjoyed the benefit of a new council initiated Structure Plan for Moonee Ponds. This Structure Plan process has resulted in increased height controls and proposed general increased density development of the properties in parts of central Moonee Ponds. This new zoning increases our permitted development potential from up to 10 levels to a range of 10 to 16 levels. This enables increased mixed-use density on the development site.

Consistent with our philosophy of acquiring proven cash-flowing cinemas, on February 22, 2008 we acquired fifteen leasehold cinemas in Hawaii and California representing 181 screens. These cinemas are located in Hawaii and California and from the acquisition date through December 31, 2008, and for the full years ended December 31, 2009 and 2010, produced gross revenue of $66.9 million, $80.6 million, and $77.9 million, respectively. This acquisition was financed, principally with a combination of institutional and seller financing. The original purchase price of these cinemas of $70.2 million was subject to downward adjustments, depending upon how certain potentially competitive situations played out, that have now been fixed at $23.4 million and which has been fully realized at December 31, 2010.

In 2010, we opened a new 8-screen cinema in Australia that opened strongly and signed a lease for the development of a new 8-screen “Angelika” cinema in the Mosaic District in the Greater Washington D.C. area. During 2010, we elected not to renew the leases of two underperforming cinemas (representing 12 screens) in New Zealand and the United States. We also extended our lease (with option to buy) of our Village East Cinema in Manhattan.

We continue our efforts to upgrade the quality of our cinema offerings. In 2010, we introduced our TitanXC super-screen, 3D cinema concept in Hawaii and Australia, and have to date converted three auditoriums to this large screen, enhanced audio concept. We also converted 2 of our auditoriums in Australia to a premium-seating concept. We anticipate continuing this process in 2011 in order to take advantage of increasing demand for a premium entertainment experience.

Historically, we have endeavored to match the currency in which we have financed our development with the jurisdiction within which these developments are located. However, in February 2007 we broke with this policy and privately placed $50.0 million of 20-year trust preferred securities (“TPS”), with dividends fixed at 9.22% for the first five years, to serve as a long-term financing foundation for our real estate assets and to pay down our New Zealand and a portion of our Australia dollar denominated debt. Although structured as the issuance of TPS by a related trust, the financing is essentially the same as an issuance of fully subordinated debt: the payments are tax deductible to us and the default remedies are the same as debt. During the first quarter of 2009, we returned somewhat to our debt-to-local-currency matching policy by taking advantage of the then current market illiquidity for TPS to repurchase $22.9 million in face value of our TPS for $11.5 million. In addition, in December 2008 we secured a waiver of all financial covenants with respect to our TPS for a period of nine years, in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million and a contractual obligation to pay $270,000 in December 2011 and $270,000 in December 2014. In the event that the remaining payments are not made, the only remedy is the termination of the waiver. As a result of this transaction, in 2009, we enjoyed a $10.7 million gain on retirement of subordinated debt.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified company and intend to add to shareholder value by building the value of our portfolio of tangible assets

including both entertainment and other types of land, brick, and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and overseas assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We believe that by blending the cash generating capabilities of a cinema company with the investment and development opportunities of a real estate development company, we are unique among public companies with our business plan.

A major development in 2010 was our settlement for $13.8 million of the Internal Revenue Services claim against us of $68.1 million. This claim relates to the 1996 tax year of our wholly owned subsidiary, Craig Corporation, and represents a settlement of that claim for thirty (30) cents on the dollar. To date, the State of California Franchise Tax Board has made no claim against Craig Corporation with respect to that (or any other) tax year. However, we have booked a reserve of $4.7 million against a potential California State Franchise Tax liability. For further explanation, see Item 3 – *Legal Proceedings*.

At December 31, 2010, our principal assets included:

- interests in 56 cinemas comprising some 453 screens;
- fee interests in four live theaters (the Union Square, the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee ownership of approximately 1.1 million square feet of developed commercial real estate, and approximately 14.9 million square feet of land; and
- cash, cash equivalents, and investments in marketable securities aggregating $34.6 million.

Our Cinema Exhibition Activities and Business

General

We conduct our cinema operations on four basic and rather simple premises:

- first, notwithstanding the enormous advances that have been made in home entertainment technology, humans are essentially social beings, and will continue to want to go beyond the home for their entertainment, provided that they are offered clean, comfortable and convenient facilities, with state of the art technology;
- second, cinemas can be used as anchors for larger retail developments and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate exclusively with third party anchor tenants;
- third, pure cinema operators can get themselves into financial difficulty as demands upon them to produce cinema based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites. While we believe that there will continue to be attractive cinema acquisition opportunities in the future, and believe that we have taken advantage of one such opportunity through our purchase of Consolidated Cinemas, we do not feel pressure to build or acquire cinemas for the sake of simply adding units. We intend to focus our cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us; and
- fourth, we are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets, if we are presented with an attractive opportunity.

Our current cinema assets that we own and/or manage are as set forth in the following chart:

	Wholly Owned	Consolidated[1]	Unconsolidated[2]	Managed[3]	**Totals**
Australia	18 cinemas 138 screens	3 cinemas 16 screens	1 cinema[4] 16 screens	None	**22 cinemas** **170 screens**
New Zealand	8 cinemas 44 screens	None	3 cinemas[5] 16 screens	None	**11 cinemas** **60 screens**
United States	22 cinemas 217 screens	1 cinema[6] 6 screens	None	2 cinemas 9 screens	**25 cinemas** **232 screens**
Totals	**48 cinemas** **399 screens**	**4 cinemas** **22 screens**	**4 cinemas** **32 screens**	**2 cinemas** **9 screens**	**58 cinemas** **462 screens**

[1] Cinemas owned and operated through consolidated, but not wholly owned subsidiaries.
[2] Cinemas owned and operated through unconsolidated subsidiaries.
[3] Cinemas in which we have no ownership interest, but which are operated by us under management agreements.
[4] 33.3% unincorporated joint venture interest.
[5] 50% unincorporated joint venture interests.
[6] The Angelika Film Center and Café in Manhattan is owned by a limited liability company in which we own a 50% interest with rights to manage.

We focus on the ownership and operation of three categories of cinemas:

- first, modern stadium seating multiplex cinemas featuring conventional film product;
- second, specialty and art cinemas, such as our Angelika Film Centers in Manhattan and Dallas and the Rialto cinema chain in New Zealand; and
- third, in some markets, particularly small town markets that will not support the development of a modern stadium design multiplex cinema, conventional sloped floor cinemas.

We also offer premium class seating, large screens, enhanced audio stadiums, and other amenities in certain of our cinemas and are in the process of converting certain of our exiting cinemas to provide this premium offering.

Although we operate cinemas in three jurisdictions, the general nature of our operations and operating strategies does not vary materially from jurisdiction to jurisdiction. In each jurisdiction, our gross receipts derive essentially from box office receipts, concession sales, and screen advertising. Our ancillary revenue derives principally from theater rentals (for example, for film festivals and special events), ancillary programming (such as concerts and sporting events), and internet advertising and ticket sales.

Our cinemas derived approximately 71.3% of their 2010 revenue from box office receipts. Ticket prices vary by location, and provide for reduced rates for senior citizens and children.

Show times and features are placed in advertisements in local newspapers and on our various websites. In the United States, film distributors may also advertise certain feature films in various print, radio and television media, as well as on the internet and those costs are generally paid by distributors. In Australia and New Zealand, the exhibitor typically pays the costs of local newspaper film advertisements, while the distributors are responsible for the cost of any national advertising campaign.

Concession sales accounted for approximately 23.7% of our total 2010 revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, concession products primarily include popcorn, candy, and soda.

Screen advertising and other revenue contribute approximately 5.0% of our total 2010 revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and nationally recognized screen-advertising companies to provide such advertising for us.

In New Zealand, we also own a one-third interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. The remaining 2/3 interest is owned by the founders of the company, who have been in the art film distribution business since 1993.

Management of Cinemas

With two exceptions, we manage all of our cinemas ourselves with executives located in Los Angeles, Manhattan, Melbourne, Australia, and Wellington, New Zealand. Approximately 2,056 individuals were employed (on a full time or part time basis) in our cinema operations in 2010. Our three New Zealand Rialto cinemas are owned by a joint venture in which Reading New Zealand is a 50% joint venture partner. While we are principally responsible for the booking of the cinemas, our joint venture partner, Greater Union, manages the day-to-day operations of these cinemas. In addition, we have a 1/3 interest in a 16-screen Brisbane cinema. Greater Union manages that cinema as well.

Licensing/Pricing

Film product is available from a variety of sources ranging from the major film distributors such as Columbia, Disney, Buena Vista, DreamWorks, Fox, MGM, Paramount, Warner Bros, and Universal, to a variety of smaller independent film distributors such as Miramax. In Australia and New Zealand, some of those major distributors distribute through local unaffiliated distributors. The major film distributors dominate the market for mainstream conventional films. Similarly, most art and specialty films come from the art and specialty divisions of these major distributors, such as Fox's Searchlight and Miramax. Generally speaking, film payment terms are based upon an agreed upon percentage of box office receipts which will vary from film to film as films are licensed in Australia, New Zealand and the United States on a film-by-film, theater by theater basis.

While in certain markets film may be allocated by the distributor among competitive cinemas, typically in the markets in which we operate, we have access to all conventional film products. In the art and specialty markets, due to the limited number of prints available, we from time to time are unable to license all of the films that we might desire to play. In summary, while in some markets we are subject to film allocation, on the whole, access to film product has not in recent periods been a major impediment to our operations.

Competition

In each of the United States, Australia, and New Zealand, film patrons typically select the cinema that they are going to go to first by selecting the film they want to see, and then by selecting the cinema in which they would prefer to see it. Accordingly, the principal factor in the success or failure of a particular cinema is access to popular film products. If a particular film is only offered at one cinema in a given market, then customers wishing to see that film will, of necessity, go to that cinema. If two or more cinemas in the same market offer the same film, then customers will typically take into account factors such as the relative convenience and quality of the various cinemas. In many markets, the number of prints in distribution is less than the number of exhibitors seeking that film for that market, and distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion.

Competition for films can be intense, depending upon the number of cinemas in a particular market. Our ability to obtain top grossing first run feature films may be adversely impacted by our comparatively small size, and the limited number of screens we can supply to distributors. Moreover, in the United States, because of the dramatic consolidation of screens into the hands of a few very large and powerful exhibitors such as Regal and AMC, these mega exhibition companies are in a position to offer distributors access to many more screens in major markets than we can. Accordingly, distributors may decide to give preferences to these mega exhibitors when it comes to licensing top grossing films, rather than deal with independents such as ourselves. The situation is different in

Australia and New Zealand where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the ownership of that multiplex cinema.

Once a patron has selected the film, the choice of cinema is typically impacted by the quality of the cinema experience offered, weighed against convenience and cost. For example, most cinema patrons seem to prefer a modern stadium design multiplex, to an older sloped floor cinema, and to prefer a cinema that either offers convenient access to free parking (or public transport) over a cinema that does not. However, if the film they desire to see is only available at a limited number of locations, they will typically chose the film over the quality of the cinema and/or the convenience of the cinema. Generally speaking, our cinemas are modern multiplex cinemas with good and convenient parking. As discussed further below, the availability of 3D or digital technology and/or premium class seating can also be a factor in the preference of one cinema over another.

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibiters in the United States are Regal (with 6,683 screens in 537 cinemas), AMC (with 5,325 screens in 380 cinemas), Cinemark (with 3,854 screens in 295 cinemas), and Carmike (with 2,277 screens in 244 cinemas). At the present time, we are the 12th largest exhibitor with 1% of the box office in the United States with 232 screens in 25 cinemas.

The principal exhibitors in Australia are Event (a subsidiary of Amalgamated Holdings Limited), Hoyts, and Village. The major exhibitors control approximately 62.2% of the total cinema box office: Event 31.1%, Hoyts Cinemas ("Hoyts") 16.8%, and Village 14.3%. Event has 473 screens nationally, Hoyts 315 screens, and Village 506 screens. By comparison, our 170 screens represent approximately 7.6% of the total box office.

The major players in New Zealand are Event with 122 screens nationally, Hoyts with 70 screens, and Reading with 44 screens (not including partnerships). The major exhibitors in New Zealand control approximately 57% of the total box office: Greater Union 36.7%, Hoyts 20.3%, and Reading 13.7% (Greater Union and Reading market share figures again do not include any partnership theaters).

Greater Union is the owner of Birch Carroll & Coyle in Australia and purchased Sky Cinemas in New Zealand during 2010. In addition, generally speaking, all new multiplex cinema projects announced by Village are being jointly developed by a joint venture comprised of Greater Union and Village. These companies have substantial capital resources. Village had a publicly reported consolidated net worth of approximately $581.9 million (AUS$686.3 million) at June 30, 2010. The Greater Union organization does not separately publish financial reports, but its parent, Amalgamated Holdings, had a publicly reported consolidated net worth of approximately $644.6 million (AUS$760.2 million) at June 30, 2010. Hoyts is privately held and does not publish financial reports. Hoyts is currently owned by Pacific Equity Partners.

In Australia, the industry is also somewhat vertically integrated in that Roadshow Film Distributors, a subsidiary of Village, serves as a distributor of film in Australia and New Zealand for Warner Brothers and New Line Cinema. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow Film Distributors. Hoyts is also involved in film production and distribution.

Digital and 3D

After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping at least one auditorium in each of their significant locations with 3D capability. In 2010 and 2009, cinemagoers demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2011 lists 33 titles for 3D release, compared to 26 titles for 2010.

By the end of 2011, we anticipate that we will have 3D projectors in not less than 40 out of the 52 cinema locations that we either wholly own or consolidate. We believe that the transition from film to digital projectors, while likely inevitable, will take some time to roll out and our business plan is to be selective in our selection of auditoriums to be fitted out with such technology, identifying those situations where premiums can best be achieved by having such projection capabilities.

In-Home Competition

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

Competitive issues are discussed in greater detail above under the caption, *Competition*, and under the caption, Item 1A - *Risk Factors*.

Seasonality

Major films are generally released to coincide with holidays. With the exception of Christmas and New Years, this fact provides some balancing of our revenue because there is no material overlap between holidays in the United States and those in Australia and New Zealand. Distributors will delay, in certain cases, releases in Australia and New Zealand to take advantage of Australia and New Zealand holidays that are not celebrated in the United States.

Employees

We have 62 full time executive and administrative employees and approximately 1,994 cinema employees. Our cinema employees in New Zealand and our projectionists in Hawaii are unionized. None of our other employees is subject to union contracts. Our one union contract with respect to our projectionists in Hawaii expires on March 31, 2012. Our union contracts with respect to our employees in New Zealand expire on August 31, 2012. We are currently in the process of renegotiating these contracts. None of our Australia based employees is unionized. Overall, we are of the view that the existence of these contracts does not materially increase our costs of labor or our ability to compete. We believe our relations with our employees to be generally good.

Our Real Estate Activities

Our real estate activities have historically consisted principally of:

- the ownership of fee or long-term leasehold interests in properties used in our cinema exhibition activities or which were acquired for the development of cinemas or cinema based real estate development projects;
- the acquisition of fee interests for general real estate development;
- the leasing to shows of our live theaters; and
- the redevelopment of existing cinema sites to their highest and best use.

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business and, again historically, has principally been in support of that business. In recent periods, however, we have acquired or developed properties which do not have any cinema or other entertainment component. As opportunities for cinema development become more limited, it is likely that our real estate activities will continue to expand beyond the development of entertainment-oriented properties. Our senior executives oversee and participate in both the cinema and real estate aspects of our business. We also employ a number of full time real estate professionals to assist us in our non-cinema real estate development activities and non-cinema property management activities.

Our real estate activities, holdings and developments are described in greater detail in Item 2 – *Properties*, and that discussion is not repeated here.

Item 1A – Risk Factors

Investing in our securities involves risk. Set forth below is a summary of various risk factors that you should consider in connection with your investment in our company. This summary should be considered in the context of our overall Annual Report on Form 10K, as many of the topics addressed below are discussed in significantly greater detail in the context of specific discussions of our business plan, our operating results, and the various competitive forces that we face.

Business Risk Factors

We are currently engaged principally in the cinema exhibition and real estate businesses. Since we operate in two business segments (cinema exhibition and real estate), we have discussed separately the risks we believe to be material to our involvement in each of these segments. We discuss separately below certain risks relating to the international nature of our business activities, our use of leverage, and our status as a controlled corporation. Please note, that while we report the results of our live theater operations as real estate operations – since we are principally in the business of renting space to producers rather than in licensing or producing plays ourselves – the cinema exhibition and live theater businesses share certain risk factors and are, accordingly, discussed together below.

Cinema Exhibition and Live Theater Business Risk Factors

We operate in a highly competitive environment, with many competitors who are significantly larger and may have significantly better access to funds than do we.

We are a comparatively small cinema operator and face competition from much larger cinema exhibitors. These larger circuits are able to offer distributors more screens in more markets – including markets where they may be the exclusive exhibitor – than can we. In some cases, faced with such competition, we may not be able to get access to all of the films we want, which may adversely affect our revenue and profitability.

These larger competitors may also enjoy (i) greater cash flow, which can be used to develop additional cinemas, including cinemas that may be competitive with our existing cinemas, (ii) better access to equity capital and debt, and (iii) better visibility to landlords and real estate developers, than do we.

In the case of our live theaters, we compete for shows not only with other “for profit” off-Broadway theaters, but also with not-for-profit operators and, increasingly, with Broadway theaters. We believe our live theaters are generally competitive with other off-Broadway venues. However, due to the increased cost of staging live theater productions, we are seeing an increasing tendency for plays that would historically have been staged in an off-Broadway theater, moving directly to larger Broadway venues.

We face competition from other sources of entertainment and other entertainment delivery systems.

Both our cinema and live theater operations face competition from developing “in-home” sources of entertainment. These include competition from DVDs, pay television, cable and satellite television, the internet and other sources of entertainment, and video games. The quality of in-house entertainment systems has increased while the cost of such systems has decreased in recent periods, and some consumers may prefer the security of an ”in-home” entertainment experience to the more public experience offered by our cinemas and live theaters. The movie distributors have been responding to these developments by, in some cases, decreasing the period of time between cinema release and the date such product is made available to “in-home” forms of distribution.

The narrowing of this so-called “window” for cinema exhibition may be problematic since film-licensing fees have historically been front end loaded. On the other hand, the significant quantity of films produced in recent periods has probably had more to do, at least to date, with the shortening of the time most movies play in the cinemas, than any shortening of the cinema exhibition window. In recent periods, there has been discussion about the possibility of eliminating the cinema window altogether for certain films, in favor of a simultaneous release in multiple channels of distribution, such as theaters, pay-per-view, and DVD. However, again to date, this move has been strenuously resisted by the cinema exhibition industry and we view the total elimination of the cinema exhibition window, while theoretically possible, to be unlikely.

However, there is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. This would adversely affect the competitive advantage enjoyed by cinemas over "in-home" forms of entertainment, as it may be that both the cinema market and the "in-home" market will have simultaneous access to motion picture product.

We also face competition from various other forms of "beyond-the-home" entertainment, including sporting events, concerts, restaurants, casinos, video game arcades, and nightclubs. Our cinemas also face competition from live theaters and vice versa.

Competition from less expensive "in-home" entertainment alternatives may be intensified as a result of the current economic recession.

Our cinemas operations depend upon access to film that is attractive to our patrons and our live theater operations depend upon the continued attractiveness of our theaters to producers.

Our ability to generate revenue and profits is largely dependent on factors outside of our control, specifically, the continued ability of motion picture and live theater producers to produce films and plays that are attractive to audiences, and the willingness of these producers to license their films to our cinemas and to rent our theaters for the presentation of their plays. To the extent that popular movies and plays are produced, our cinema and live theater activities are ultimately dependent upon our ability, in the face of competition from other cinema and live theater operators, to book these movies and plays into our facilities.

Adverse economic conditions could materially affect our business by reducing discretionary income and by limiting or reducing sources of film and live theater funding.

Cinema and live theater attendance is a luxury, not a necessity. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theater businesses. Adverse economic conditions can also affect the supply side of our business, as reduced liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off-Broadway plays, which are often times financed by high net worth individuals or groups of such individuals and which are very risky due to the absence of any ability to recoup investment in secondary markets like DVD or cable.

Our screen advertising revenue may decline.

Over the past several years, cinema exhibitors have been looking increasingly to screen advertising as a way to boost income. No assurances can be given that this source of income will be continuing or that the use of such advertising will not ultimately prove to be counterproductive by giving consumers a disincentive to choose going to the movies over "in-home" entertainment alternatives.

We face uncertainty as to the timing and direction of technological innovations in the cinema exhibition business and as to our access to those technologies.

It has been generally assumed that cinema exhibition will change over from film projection to digital projection technology. Such technology offers various cost benefits to both distributors and exhibitors. After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping at least one auditorium in each of their significant locations with 3D capability. In 2010 and 2009, cinemagoers demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2011 lists 33 titles for 3D release, compared to 26 titles for 2010. We believe that the transition from film to digital projectors, while likely inevitable, will take some time to roll out and our business plan is to be selective in which auditoriums are to be fitted out with such technology, identifying those situations where premiums can best be achieved by having such projection capabilities.

Real Estate Development and Ownership Business Risks

We operate in a highly competitive environment, in which we must compete against companies with much greater financial and human resources than we have.

We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with our real estate development activities. Many of our competitors have significantly greater resources than do we and may be able to achieve greater economies of scale than can we.

Risks Related to the Real Estate Industry Generally

Our financial performance will be affected by risks associated with the real estate industry generally.

Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions such as an oversupply of, or a reduction in demand for commercial space and/or entertainment oriented properties, (iii) reduced attractiveness of our properties to tenants; (iv) competition from other properties, (v) inability to collect rent from tenants, (vi) increased operating costs, including real estate taxes, insurance premiums and utilities, (vii) costs of complying with changes in government regulations, (viii) the relative illiquidity of real estate investments and (ix) decreases in sources of both construction and long-term lending as traditional sources of such funding leave or reduce their commitments to real estate based lending. In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in declining rents or increased lease defaults.

We may incur costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act and similar statutory regimes in Australia and New Zealand or under applicable state law, all places of public accommodation (including cinemas and theaters) are required to meet certain governmental requirements related to access and use by persons with disabilities. A determination that we are not in compliance with those governmental requirements with respect to any of our properties could result in the imposition of fines or an award of damages to private litigants. The cost of addressing these issues could be substantial.

Illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties.

Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. Many of our properties are either (i) "special purpose" properties that could not be readily converted to general residential, retail or office use, or (ii) undeveloped land. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment and competitive factors may prevent the pass-through of such costs to tenants.

Real estate development involves a variety of risks.

Real estate development includes a variety of risks, including the following:

- *The identification and acquisition of suitable development properties.* Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be "foreign owned" for purposes of certain Australia and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries.

- *The procurement of necessary land use entitlements for the project.* This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being

replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs.

- *The construction of the project on time and on budget.* Construction risks include the availability and cost of finance; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever-present potential for labor related disruptions.

- *The leasing or sell-out of the project.* Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built-for-sale property. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived.

- *The refinancing of completed properties.* Properties are often developed using relatively short-term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take-out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors. To date, we have been successful in negotiating development loans with roll over or other provisions mitigating our need to refinance immediately upon completion of construction.

The ownership of properties involves risk.

The ownership of investment properties involves risks, such as: (i) ongoing leasing and re-leasing risks, (ii) ongoing financing and re-financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental regulation (including, without limitation, environmental laws and requirements to remediate environmental contamination that may exist on a property (such as, by way of example, asbestos), even though not deposited on the property by us), (v) relative illiquidity compared to some other types of assets, and (vi) susceptibility of assets to uninsurable risks, such as biological, chemical or nuclear terrorism. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment type properties.

International Business Risks

Our international operations are subject to a variety of risks, including the following:

- *Risk of currency fluctuations.* While we report our earnings and assets in US dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the US dollar and compared to each other. We typically have not hedged against these currency fluctuations, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. However, we do have debt at our parent company level that is serviced by our overseas cash flow and our ability to service this debt could be adversely impacted by declines in the relative value of the Australian and New Zealand dollar compared to the US dollar. Our cash in Australia and New Zealand of $16.6 million (AUS$16.4 million) and $1.6 million (NZ$2.0 million), respectively, is denominated in local currencies and subject to the risk of currency exchange rate fluctuations. Set forth below is a chart of the exchange ratios between these three currencies over the past twenty years:

- *Risk of adverse government regulation.* At the present time, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that this relationship will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by US companies in their countries.

Risks Associated with Certain Discontinued Operations

Certain of our subsidiaries were previously in industrial businesses. As a consequence, properties that are currently owned or may have in the past been owned by these subsidiaries may prove to have environmental issues. Where we have knowledge of such environmental issues and are in a position to make an assessment as to our exposure, we have established what we believe to be appropriate reserves, but we are exposed to the risk that currently unknown problems may be discovered. These subsidiaries are also exposed to potential claims related to exposure of former employees to coal dust, asbestos, and other materials now considered to be, or which in the future may be found to be, carcinogenic or otherwise injurious to health.

Operating Results, Financial Structure and Borrowing Risk

From time to time, we may have negative working capital.

In recent years, as we have invested our cash in new acquisitions and the development of our existing properties, we have from time to time had negative working capital. This negative working capital, which we consider to be akin to an interest free loan, is typical in the cinema exhibition industry, since revenue are received in advance of our obligation to pay film licensing fees, rent and other costs.

We have substantial short to medium term debt.

Generally speaking, we have historically financed our operations through relatively short-term debt. No assurances can be given that we will be able to refinance this debt, or if we can, that the terms will be reasonable. However, as a counterbalance to this debt, we have significant unencumbered real property assets, which could be sold to pay debt or encumbered to assist in the refinancing of existing debt, if necessary.

In February 2007, we issued $50.0 million in 20-year TPS, and utilized the net proceeds principally to retire short-term bank debt in New Zealand and Australia. However, the interest rate on our TPS is only fixed for five years, and since we have used US dollar denominated obligations to retire debt denominated in New Zealand and Australian dollars, this transaction and use of net proceeds has increased our exposure to currency risk. In the first quarter of 2009, we repurchased $22.9 million of our TPS at a 50% discount.

At the present time, corporate borrowers both domestically and internationally are facing greater than normal constraints on liquidity. No assurances can be given that we will be able to refinance these debts as they become due.

We have substantial lease liabilities.

Most of our cinemas operate in leased facilities. These leases typically have cost of living or other rent adjustment features and require that we operate the properties as cinemas. A down turn in our cinema exhibition business might, depending on its severity, adversely affect the ability of our cinema operating subsidiaries to meet these rental obligations. Even if our cinema exhibition business remains relatively constant, cinema level cash flow will likely be adversely affected unless we can increase our revenue sufficiently to offset increases in our rental liabilities.

Our stock is thinly traded.

Our stock is thinly traded, with an average daily volume in 2010 of only approximately 44,000 shares. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

Ownership Structure, Corporate Governance, and Change of Control Risks

The interests of our controlling stockholder may conflict with your interests.

Mr. James J. Cotter beneficially owns 70.4% of our outstanding Class B Stock. Our Class A Stock is non-voting, while our Class B Stock represents all of the voting power of our Company. As a result, as of December 31, 2010, Mr. Cotter controlled 70.4% of the voting power of all of our outstanding common stock. For as long as Mr. Cotter continues to own shares of common stock representing more than 50% of the voting power of our common stock, he will be able to elect all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Mr. Cotter will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to Mr. Cotter but not to other stockholders. In addition, Mr. Cotter and his affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 26 – *Related Parties and Transactions*).

Since we are a Controlled Company, our Directors have determined to take advantage of certain exemptions provide by the NASDAQ from the corporate governance rules adopted by that Exchange.

Generally speaking, the NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a Controlled Corporation, such as we, may elect not to be governed by certain of these provisions. Our board of directors has elected to exempt our Company from requirements that (i) at least a majority of our directors be independent, (ii) nominees to our board of directors be nominated by a committee comprised entirely of independent directors or by a majority of our Company's independent directors, and (iii) the compensation of our chief executive officer be determined or recommended to our board of directors by a compensation committee comprised entirely of independent directors or by a majority of our Company's independent directors. Notwithstanding the determination by our board of directors to opt-out of these NASDAQ requirements, a majority of our board of directors is nevertheless currently comprised of independent directors, and our compensation committee is nevertheless currently comprised entirely of independent directors.

Item 1B - Unresolved Staff Comments

None.

Item 2 – Properties

Executive and Administrative Offices

We lease approximately 8,582 square feet of office space in Commerce, California to serve as our executive headquarters. We own an 8,783 square foot office building in Melbourne, Australia, approximately 5,500 square feet of which serves as the headquarters for our Australia and New Zealand operations (the remainder being leased to an unrelated third party). We occupy approximately 2,000 square feet at our Village East leasehold property for administrative purposes. We also own a residential condominium unit in Los Angeles, used as executive office and residential space by our Chairman and Chief Executive Officer.

Entertainment Properties

Entertainment Use Leasehold Interests

As of December 31, 2010, we lease approximately 1.92 million square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

	Aggregate Square Footage	Approximate Range of Remaining Lease Terms (including renewals)
United States	975,000	2011 – 2049
Australia	756,000	2017 – 2049
New Zealand	193,320	2023 – 2034

On February 22, 2008, we acquired 15 pre-existing cinemas from a third party, comprising approximately 748,000 square feet of cinema improvements in the United States. During October 2010, we opened a new cinema at Newcastle, NSW Australia. During 2010, we elected not to renew our leases of two underperforming cinemas in the United States and New Zealand.

On February 12, 2010, we entered into a lease for an approximately 33,000 8-screen art cinema to be built as a part of the Mosaic District in the Greater Washington D.C. area. This lease is not reflected in the above table, as the cinema is not anticipated to open until late 2012. Also, in the first quarter of 2011, we signed a lease for an art cinema in a suburb of Houston to replace our closed downtown Houston operation. That new lease is likewise not reflected in the above table.

Entertainment Use Fee Interests

In Australia, we own as of December 31, 2010 approximately 3.3 million square feet of land at nine locations plus one strata title estate consisting of 22,000 square feet. Most of this land is located in the greater metropolitan areas of Brisbane, Melbourne, Perth, and Sydney, including the 50.6-acre Burwood site. Of these fee interests, approximately 598,000 square feet is currently improved with cinemas.

In New Zealand, we own as of December 31, 2010 a 152,000 square foot site, which includes an existing 335,000 square foot, nine-level parking structure in the heart of Wellington, the capital of New Zealand. All but 38,000 square feet of the Wellington site has been developed as an ETRC that incorporates the existing parking garage. The remaining land is currently leased and is slated for development as phase two of our Wellington ETRC. We own the fee interests underlying three additional cinemas in New Zealand, which properties include approximately 12,000 square feet of ancillary retail space.

In the United States, we own as of December 31, 2010, approximately 162,000 square feet of improved real estate comprised of four live theater buildings, which include approximately 55,000 square feet of leasable space, and the fee interest in our Cinemas 1, 2 & 3 in Manhattan (held through a limited liability company in which we have a 75% managing member interest).

Live Theaters (Liberty Theaters)

Included among our real estate holdings are four "Off Broadway" style live theaters, operated through our Liberty Theaters subsidiary. We lease theater auditoriums to the producers of "Off Broadway" theatrical productions and provide various box office and concession services. The terms of our leases are, naturally, principally dependent upon the commercial success of our tenants. STOMP has been playing at our Orpheum Theatre in excess of 10 years. While we attempt to choose productions that we believe will be successful, we have no control over the production itself. At the current time, we have three single auditorium theaters in Manhattan:

- the Minetta Lane (399 seats);
- the Orpheum (347 seats); and
- the Union Square (499 seats).

We also own a four-auditorium theater complex, the Royal George in Chicago (main stage 452 seats, cabaret 199 seats, great room 100 seats and gallery 60 seats). We own the fee interest in each of these theaters. Two of the properties, the Union Square and the Royal George, have ancillary retail and office space.

We are primarily in the business of leasing theater space. However, we may from time to time participate as an investor in a play, which can help facilitate the production of the play at one of our facilities, and do from time to time rent space on a basis that allows us to share in a production's revenue or profits. Revenue, expense, and profits are reported as a part of the real estate segment of our business.

Joint Venture Cinema Interests

We also hold real estate through several unincorporated joint ventures, two 75% owned subsidiaries, and one majority-owned subsidiary, as described below:

- in Australia, we own a 66% unincorporated joint venture interest in a leased 5-screen multiplex cinema in Melbourne (our interest is currently held for sale), a 75% interest in a subsidiary company that leases two cinemas with eleven screens in two Australian country towns, and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane.
- in New Zealand, we own a 50% unincorporated joint venture interest in three cinemas with 16 screens in the New Zealand cities of Auckland, Christchurch, and Dunedin.
- in the United States, we own a 50% membership interest in Angelika Film Center, LLC, which holds the lease to the approximately 17,000 square foot Angelika Film Center & Café in the Soho district of Manhattan. We also hold the management rights with respect to this asset. We also own a 75% managing member interest in the limited liability company that owns our Cinemas 1, 2 & 3 property.

Income Producing Real Estate Holdings

We own, as of December 31, 2010 fee interests in approximately 1.1 million square feet of income producing properties (including certain properties principally occupied by our cinemas). In the case of properties leased to our cinema operations, these numbers include an internal allocation of "rent" for such facilities.

Property[7]	Square Feet of Improvements (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Auburn 100 Parramatta Road Auburn, NSW, Australia	57,000 / 57,000 Plus an 871-space subterranean parking structure	100%	$ 36,500,000
Belmont Knutsford Avenue and Fulham Street Belmont, WA, Australia	19,000 / 49,000	63%	$ 15,323,000
Cinemas 1, 2 & 3[8] 1003 Third Avenue Manhattan, NY, USA	0 / 21,000	N/A	$ 23,570,000
Courtenay Central 100 Courtenay Place Wellington, New Zealand	38,000 / 68,000 Plus a 335,000 square foot parking structure	80%	$ 24,396,000
Indooroopilly 70 Station Road Brisbane, Australia	28,000/0	100%	$ 13,350,000
Invercargill Cinema 29 Dee Street Invercargill, New Zealand	10,000 / 24,000	69%	$ 3,521,000
Lake Taupo Motel 138-140 Lake Terrace Road Taupo, New Zealand	9,000 / 0	Short-term rentals	$ 4,305,000
Maitland Cinema Ken Tubman Drive Maitland, NSW, Australia	0 / 22,000	N/A	$ 2,408,000
Minetta Lane Theatre 18-22 Minetta Lane Manhattan, NY, USA	0 / 9,000	N/A	$ 8,318,000
Napier Cinema 154 Station Street Napier, New Zealand	13,000 / 17,000	100%	$ 3,106,000
Newmarket 400 Newmarket Road Newmarket, QLD, Australia	105,000 / 0	100%	$ 43,808,000
Orpheum Theatre 126 2nd Street Manhattan, NY, USA	0 / 5,000	N/A	$ 3,401,000
Royal George 1633 N. Halsted Street Chicago, IL, USA	34,000 / 23,000 Plus 21,000 square feet of parking	93%	$ 3,441,000
Rotorua Cinema 1281 Eruera Street Rotorua, New Zealand	0 / 19,000	N/A	$ 2,831,000
Union Square Theatre 100 E. 17th Street Manhattan, NY, USA	21,000 / 17,000	100%	$ 9,159,000

[7] Rental square footage refers to the amount of area available to be rented to third parties and the percentage leased is the amount of rental square footage currently leased to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. The gross book value refers to the gross carrying cost of the land and buildings of the property. Book value and rental information are as of December 31, 2010.

[8] This property is owned by a limited liability company in which we hold a 75% managing interest. The remaining 25% is owned by Sutton Hill Investments, LLC, a company owned in equal parts by our Chairman and Chief Executive Officer, Mr. James J. Cotter, and Michael Forman, a major shareholder in our Company.

Long-Term Leasehold Real Estate Holdings

In addition, in certain cases we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2010, we had approximately 169,000 square foot of space subject to such long-term leases.

Property[9]	Square Footage (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Manville	0 / 53,000	N/A	$ 2,210,000
Tower	0 / 16,000	N/A	$ 797,000
Village East[10]	4,000 / 38,000	100%	$ 11,825,000
Waurn Ponds	6,000 / 52,000	100%	$ 3,426,000

[9] Rental square footage refers to the amount of area available to be rented to third parties, and the percentage leased is the amount of rental square footage currently leased to third parties. A number of our long-term leasehold real estate properties include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. Book value includes the entire investment in the leased property, including any cinema fit-out. Rental and book value information is as of December 31, 2010.

[10] The recently extended lease of the Village East provides for a call option pursuant to which Reading may purchase the cinema ground lease for $5.9 million at the end of the lease term in 2020. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. See Note 26 – *Related Parties and Transactions*.

Real Estate Development Properties

We are engaged in several real estate development projects:

Property[11]	Square Footage/ Acreage	Gross Book Value (in U.S. Dollars)	Status
Auburn, Sydney, Australia	2.1 acres	$ 2,052,000	No longer held for sale. The buyer elected not to proceed with its option to acquire this property, and we have elected to continue to hold the property for development for the foreseeable future.
Burwood, Victoria, Australia	50.6 acres	$ 52,755,000	As of December 31, 2010, this property was held for sale. We continue to evaluate our options with regards to this property.
Courtenay Central, Wellington, New Zealand	0.9 acre	$ 3,326,000	Have regulatory approval for expansion and we are actively pursuing the development of the next phase of our Courtenay Central property in Wellington, New Zealand.
Moonee Ponds, Victoria, Australia	3.3 acres	$ 14,020,000	In planning stages of determining best use depending on factors including development of adjacent properties. Zoned for high-density as a "Principal Activity Area." Recently, this property has enjoyed a rezoning by the city increasing our permitted development potential from up to 10 levels to a range of 10 to 16 levels.
Taringa, Queensland, Australia	1.1 acres	$ 4,880,000	As we no longer have contracts to purchase the adjacent properties, we are currently considering our options on whether to develop or sell this property.
Newmarket, Queensland, Australia	18,000 sq. ft.	$ 2,762,000	Analyzing if plans for a cinema should be replaced with plans for additional retail space.
Lake Taupo, Taupo, New Zealand	0.5 acre	$ 1,974,000	Development consent for this 20,000 square foot residential development site has been obtained, and we have listed the property for sale.
Manukau, Auckland, New Zealand	64.0 acres zoned agricultural 6.4 acres zoned industrial	$ 13,895,000	The bulk of the land is zoned for agriculture and currently used for horticulture commercial purposes. A development plan has been filed to rezone the property for warehouse, distribution and manufacturing uses. While we currently anticipate that this rezoning will be approved, we do not anticipate that this process will conclude prior to mid 2013. In 2010, we acquired an adjacent property which is zoned industrial, but is currently unimproved. This property links our existing parcel with the existing road network.

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

Other Property Interests and Investments

Place 57, Manhattan

We own a 25% membership interest in the limited liability company that developed the site of our former Sutton Cinema on 57 th Street just east of 3rd Avenue in Manhattan, as a 143,000 square foot residential condominium tower, with a ground floor retail unit and a resident manager's apartment. The project is now sold out as the remaining commercial unit was sold in February 2009 for approximately $3.8 million. At December 31, 2010, all debt on the project had been repaid, and we had received distributions totaling $13.1 million from this project, on an investment of $3.0 million made in 2004.

Landplan Property Partners, Ltd

In 2006, we formed Landplan Property Partners, Ltd ("Reading Landplan") to identify, acquire, develop, or redevelop properties on an opportunistic basis in Australia and New Zealand. These properties are held in separate special purpose entities, which are collectively referred to as "Reading Landplan." The properties held through Landplan currently consist of the holdings described above as being located at Indooroopilly, Taringa, Lake Taupo (including the adjacent undeveloped parcel), and Manukau. On April 1, 2010, we terminated our then existing contractual relationship with Doug Osborne, at that time the chief executive officer of our Landplan real estate operations. Mr. Osborne's incentive interest in our various Landplan projects, which was valued at $0, was revoked at that time. Mr. Osborne continues to provide services to us on a non-exclusive independent contractor basis. As consideration for his future services on our behalf with respect to our Manukau properties, we have agreed to pay Mr. Osborne an amount equal to 7.5% of the net profit realized, if any, from our investment in these properties.

Non-operating Properties

We own the fee interest in 9 parcels comprising 189 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. We believe the value of these properties to be immaterial to our asset base, and while they are available for sale, we are not actively involved in the marketing of such properties. With the exception of certain properties located in Philadelphia (including the raised railroad bed leading to the old Reading Railroad Station), the properties are principally located in rural areas of Pennsylvania and Delaware. Additionally, we own a condominium in the Los Angeles, California area that is used for offsite corporate meetings and by our Chief Executive Officer when he is in town. These properties are unencumbered with any debt and lien free.

Item 3 – Legal Proceedings

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") examined the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. These companies are both now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes. With respect to both of these companies, the principal focus of these audits was the treatment of the contribution by RDGE to our wholly owned subsidiary, Reading Australia, and, thereafter, the subsequent repurchase by Stater Bros. Inc. from Reading Australia, of certain preferred stock in Stater Bros. Inc. (the "Stater Stock"). The Stater Stock was received by RDGE from CRG as a part of a private placement of securities by RDGE, which closed in October 1996. A second issue involved an equipment-leasing transaction entered into by RDGE. This issue was conceded by RDGE resulting in a net tax refund.

By letters dated November 9, 2001, the IRS issued reports of examination proposing changes to the tax returns of RDGE and CRG for the years in question (the "Examination Report"). The Examination Report for each of RDGE and CRG proposed that the gains on the disposition by RDGE of Stater Stock, reported as taxable on the RDGE return, should be allocated to CRG. As reported, the gain resulted in no additional tax to RDGE inasmuch as the gain was entirely offset by a net operating loss carry forward of RDGE. This proposed change would have caused an additional federal tax liability for CRG of approximately $20.9 million plus interest, and an additional California tax liability of approximately $5.4 million plus interest and "amnesty" penalties.

Notices of deficiency dated June 29, 2006 were received with respect to each of RDGE and CRG determining proposed deficiencies of $20.9 million for CRG and a total of $349,000 for RDGE for the tax years 1997, 1998, and 1999. In September 2006, petitions were filed with the Tax Court by CRG and RDGE disputing the proposed deficiencies.

In July 2010, CRG and the IRS agreed to file with the Tax Court a settlement of the IRS's claim against CRG. The final decision of the Tax Court was entered on January 6, 2011. In the settlement, the IRS conceded 70% of its proposed adjustment to income claimed in its notices of deficiency dated June 29, 2006. Instead of a claim for unpaid taxes of $20.9 million plus interest, the effect of settlement on the Reading consolidated group is to require a total federal income tax obligation of $5.4 million, reduced by a federal tax refund of $800,000, increased by interest of $9.3 million, for a net federal tax liability of $13.9 million as of December 31, 2010. The Company anticipates federal and state tax deductions will be available for interest paid to IRS and to state tax agencies, plus an additional federal deduction will be available for taxes paid to state tax agencies.

The impact of the settlement upon state taxes on the Reading consolidated group remains uncertain as of December 31, 2010, but if the agreed adjustment to income were reflected on state returns, it would cause a state tax obligation of approximately $4.7 million. Of this, $4.2 million would be related to California, and $0.5 million to other states. CRG's 1997 tax year remains open with respect to CRG's potential tax liability to the State of California. As of December 31, 2010, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed when a deficiency is asserted.

The decision to settle was based on various business considerations, the most prominent of which was the potential size of an adverse judgment (some $56.8 million net federal tax liability, including interest, if the case had remained unsettled as of December 31 2010), plus state liabilities and the direct costs of trial.

Immediately before the settlement, we had accrued $6.6 million in accordance with the cumulative probability approach prescribed in Financial Accounting Standards Board Accounting Standards Codification ("ASC") 740-10-25 – Income Taxes. As a result of this settlement, we recorded an additional federal and state tax expense of $12.1 million for the year ended December 31, 2010 to increase our reserve for uncertain tax positions. As of December 31, 2010, we show the $18.7 million potential impact as current taxes payable.

Environmental and Asbestos Claims

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

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

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as a brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2010, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $12.3 million (AUS$12.2 million) and as of that date we had incurred a total of $8.4 million (AUS$8.3 million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as much of the work will be done in connection with the excavation and other development activity already contemplated for the property.

Item 4 – [Reserved.]

PART II

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

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

Market Information

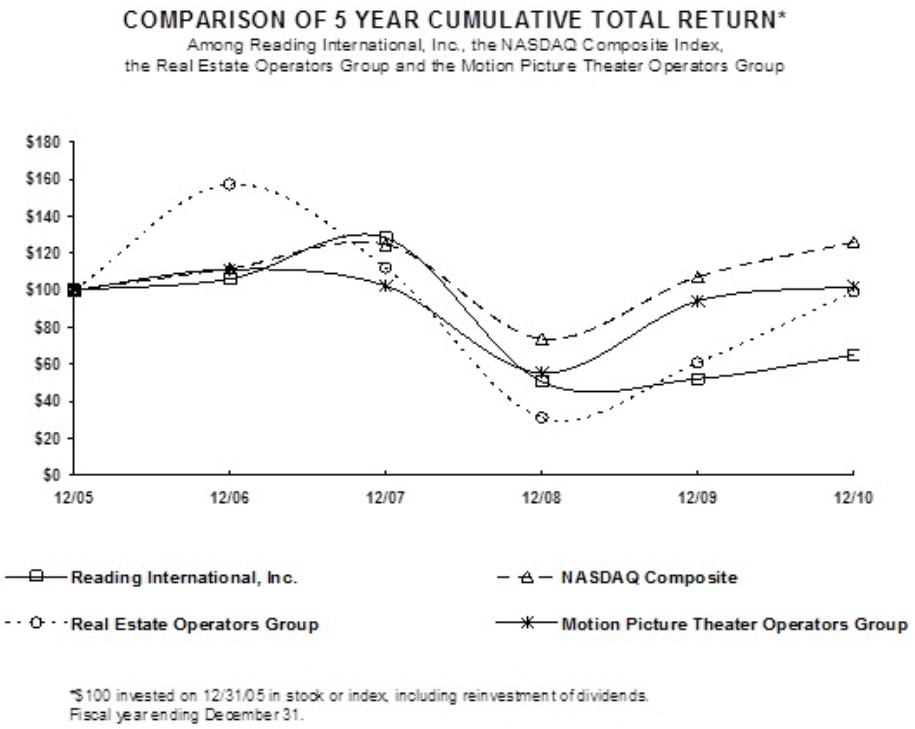
Reading International, Inc., a Nevada corporation ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading" and "we," "us," or "our"), was incorporated in 1999. Historically, we have been listed on the AMEX and due to the 2008 purchase of the AMEX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

The following table sets forth the high and low closing prices of the RDI and RDIB common stock for each of the quarters in 2010 and 2009 as reported by NASDAQ:

		Class A Stock		Class B Stock	
		High	Low	High	Low
2010:	Fourth Quarter	$ 5.30	$ 4.51	$ 9.25	$ 7.53
	Third Quarter	$ 4.73	$ 3.87	$ 8.80	$ 6.52
	Second Quarter	$ 4.45	$ 3.71	$ 9.90	$ 5.87
	First Quarter	$ 4.54	$ 3.85	$ 9.90	$ 5.25
2009:	Fourth Quarter	$ 4.60	$ 3.80	$ 9.50	$ 5.00
	Third Quarter	$ 4.69	$ 3.70	$ 7.78	$ 5.14
	Second Quarter	$ 4.96	$ 3.25	$ 7.00	$ 4.06
	First Quarter	$ 4.00	$ 2.90	$ 4.25	$ 3.52

Performance Graph

The following line graph compares the cumulative total stockholder return on Reading International, Inc.'s common stock for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 against the cumulative total return as calculated by the NASDAQ composite, the motion picture theater operator group, and the real estate operator group.



Holders of Record

The number of beneficial holders of our Class A Stock and Class B Stock in 2010 was approximately 2,600 and 350, respectively. On March 14, 2011, the closing price per share of our Class A Stock was $4.95 and the closing price per share of our Class B Stock was $8.13.

Dividends on Common Stock

We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend, however, we review this matter on an ongoing basis.

(b) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

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

None.

Item 6 – Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for the year ended December 31, 2010 (the "2010 Annual Report"), and the related notes to the consolidated financial statements (dollars in thousands, except per share amounts).

	As of or for the Year Ended December 31,				
	2010	2009	2008	2007	2006
Revenue	$ 229,817	$ 216,685	$ 196,826	$ 119,235	$ 106,125
Operating income (loss)	$ 13,129	$ 13,864	$ (2,348)	$ 5,165	$ 2,415
Income from discontinued operations	$ 5	$ 58	$ 60	$ 1,896	$ --
Net income (loss)	$ (12,034)	$ 6,482	$ (16,189)	$ (1,100)	$ 4,528
Net income (loss) attributable to Reading International, Inc. shareholders	$ (12,650)	$ 6,094	$ (16,809)	$ (2,103)	$ 3,856
Basic earnings (loss) per share – continuing operations	$ (0.56)	$ 0.27	$ (0.75)	$ (0.18)	$ 0.17
Basic earnings (loss) per share – discontinued operations	$ --	$ --	$ --	$ 0.09	$ --
Basic earnings (loss) per share	$ (0.56)	$ 0.27	$ (0.75)	$ (0.09)	$ 0.17
Diluted earnings (loss) per share – continuing operations	$ (0.56)	$ 0.27	$ (0.75)	$ (0.18)	$ 0.17
Diluted earnings per share – discontinued operations	$ --	$ --	$ --	$ 0.09	$ --
Diluted earnings (loss) per share	$ (0.56)	$ 0.27	$ (0.75)	$ (0.09)	$ 0.17
Other Information:					
Shares outstanding	22,804,313	22,588,403	22,482,605	22,482,605	22,476,355
Weighted average shares outstanding	22,781,392	22,580,942	22,477,471	22,478,145	22,425,941
Weighted average dilutive shares outstanding	22,781,392	22,767,735	22,477,471	22,478,145	22,674,818
Total assets	$ 430,349	$ 406,417	$ 371,870	$ 346,071	$ 289,231
Total debt	$ 228,821	$ 226,993	$ 239,162	$ 177,195	$ 130,212
Working capital (deficit)	$ (57,634)	$ (16,229)	$ 12,516	$ 6,345	$ (6,997)
Total stockholders' equity	$ 112,639	$ 110,263	$ 69,447	$ 124,197	$ 110,262
EBIT	$ 13,868	$ 22,618	$ 1,030	$ 8,098	$ 12,734
Depreciation and amortization	$ 15,891	$ 15,135	$ 18,577	$ 11,880	$ 13,212
Add: Adjustments for discontinued operations	$ 23	$ 33	$ (19)	$ 41	$ --
EBITDA	$ 29,782	$ 37,786	$ 19,588	$ 20,019	$ 25,946
Debt to EBITDA	7.68	6.01	12.21	8.85	5.02
Capital expenditure (including acquisitions)	$ 19,371	$ 5,686	$ 75,166	$ 42,414	$ 16,389
Number of employees at 12/31	2,109	2,207	1,986	1,383	1,451

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

- since we operate in multiple tax jurisdictions, we find EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions in which we operate.

- in addition, we find EBIT useful as a financial measure that removes the impact from our effective tax rate of factors not directly related to our business operations, such as, whether we have acquired

operating assets by purchasing those assets directly, or indirectly by purchasing the stock of a company that might hold such operating assets.

- the use of EBIT as a financial measure also (i) removes the impact of tax timing differences which may vary from time to time and from jurisdiction to jurisdiction, (ii) allows us to compare our performance to that achieved by other companies, and (iii) is useful as a financial measure that removes the impact of our historically significant net loss carry forwards.

- the elimination of net interest expense helps us to compare our operating performance to those companies that may have more or less debt than we do.

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

- we believe that EBITDA is an industry comparative measure of financial performance. It is, in our experience, a measure commonly used by analysts and financial commentators who report on the cinema exhibition and real estate industries and a measure used by financial institutions in underwriting the creditworthiness of companies in these industries. Accordingly, our management monitors this calculation as a method of judging our performance against our peers and market expectations and our creditworthiness.

- also, analysts, financial commentators, and persons active in the cinema exhibition and real estate industries typically value enterprises engaged in these businesses at various multiples of EBITDA. Accordingly, we find EBITDA valuable as an indicator of the underlying value of our businesses.

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

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

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

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

	2010	2009	2008	2007	2006
Net income (loss) attributable to Reading International, Inc. shareholders	$ (12,650)	$ 6,094	$ (16,809)	$ (2,103)	$ 3,856
Add: Interest expense, net	12,286	14,572	15,740	8,163	6,608
Add: Income tax expense	14,232	1,952	2,099	2,038	2,270
EBIT	$ 13,868	$ 22,618	$ 1,030	$ 8,098	$ 12,734
Add: Depreciation and amortization	15,891	15,135	18,577	11,880	13,212
Adjustments for discontinued operations	23	33	(19)	41	--
EBITDA	$ 29,782	$ 37,786	$ 19,588	$ 20,019	$ 25,946

Item 7 – Management's Discussions and Analysis of Financial Condition and Results of Operations

The following review should be read in conjunction with the consolidated financial statements and related notes included in our 2010 Annual Report. Historical results and percentage relationships do not necessarily indicate operating results for any future periods.

Overview

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

- Cinema Exhibition, through our 58 multiplex theaters, and
- Real Estate, including real estate development and the rental of retail, commercial and live theater assets.

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

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

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

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular, and competitively priced option. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. From time to time, we invest in the shares of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

Business Climate

Cinema Exhibition - General

After years of uncertainty as to the future of digital and 3D exhibition and the impact of these technologies on cinema exhibition, it now appears that the industry is going digital, and that the major exhibitors are in the process of equipping at least one auditorium in each of their significant locations with 3D capability. In 2010 and 2009, cinemagoers demonstrated a strong appetite for and a willingness to pay premium prices for 3D movies. The release schedule for 2011 lists 33 titles for 3D release compared to 26 titles for 2010.

By the end of 2011, we anticipate that we will have 3D projectors in not less than 40 out of the 52 cinema locations that we either wholly own or consolidate. We believe that the transition from film to digital projectors, while likely inevitable, will take some time to roll out and our business plan is to be selective in our selection of auditoriums to be fitted out with such technology, identifying those situations where premiums can best be achieved by having such projection capabilities.

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

Cinema Exhibition – Australia / New Zealand

The film exhibition industry in Australia and New Zealand is highly concentrated in that Village, Event (Greater Union), and Hoyts (the "Major Exhibitors") control approximately 62% of the cinema box office in Australia while Event and Hoyts control approximately 57% of New Zealand's cinema box office. The industry is also vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors (part of Village), also serves as a distributor of film in Australia and New Zealand for Warner Bros. and New Line. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and megaplex cinemas, while the independent exhibitors typically have older and smaller cinemas. In addition, the Major Exhibitors have in recent periods built a number of new multiplexes as joint venture partners or under-shared facility arrangements, and have historically not engaged in head-to-head competition.

Cinema Exhibition – North America

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

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

Real Estate – Australia and New Zealand

Although there has been a noted decrease in real estate market activity, commercial and retail property values have remained somewhat stable in Australia and mildly affected the market in New Zealand. Both countries have relatively stable economies with varying degrees of economic growth that are mostly influenced by global trends. During the latter half of 2008 and into early 2009 interest rates materially decreased to 40-year lows in Australia and New Zealand. During 2010, interest rates in these areas have again begun to rise. Up until recently, New Zealand has had consistent growth in rentals and values although project commencements have slowed. New Zealand values softened during 2009 but have somewhat stabilized during 2010.

Although the Australian property market softened in the first half of 2009, there are signs of improvement in the latter half of the year and during 2010. An improved sentiment in retail and residential sectors has provided an improved outlook. These factors and an improving economy are putting upward pressure on interest rates. The Australian commercial sector has however continued to soften in Australia during 2009.

The large institutional funds are still seeking out prime assets with premium prices being paid for good retail and commercial investments and development opportunities. Residential projects are in high demand.

Real Estate – North America

The commercial real estate market has followed the larger economy into a downturn that is likely to last through 2011. We believe that as our real estate is well located in large urban environments, it will be the first to see signs of recovery when the U.S. economy starts to recover.

Business Segments

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

Cinema Exhibition

One of our primary businesses consists of the ownership and operation of cinemas. At December 31, 2010 we:

- owned and operated 52 cinemas with 421 screens;
- had interests in certain unconsolidated joint ventures in which we have varying interests, which own an additional 4 cinemas with 32 screens; and
- managed 2 cinemas with 9 screens.

On February 22, 2008, we acquired from two related companies, Pacific Theatres and Consolidated Amusement Theatres, substantially all of their cinema assets in Hawaii (consisting of nine complexes with 98 screens), San Diego County (consisting of four complexes with 51 screens), and central and northern California (consisting of two complexes with 32 screens) for $70.2 million subject to certain purchase price adjustments which have reduced the purchase price to $46.8 million. We do not anticipate any further reductions in the purchase price. We refer to these cinemas from time to time in this report as Consolidated Entertainment cinemas. In addition, during 2008, we opened our Rouse Hill and Dandenong leasehold cinemas in Australia that collectively have 15 screens.

During the third quarter of 2009, we leased two existing cinemas in New York City with 3 screens but elected not to renew the lease of our 5-screen cinema in Market City, Australia.

In 2010, we entered in to a lease for an approximately 33,000 square foot 8-screen art cinema being built as a part of the Mosaic District in the greater Washington D.C. metropolitan area and we opened a new 8-screen cinema in Charlestown, NSW, Australia that opened strongly. During 2010, we elected not to renew the leases of two underperforming cinemas (representing 12 screens) in New Zealand and the United States. We also extended our lease (with option to buy) of our Village East Cinema in Manhattan.

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

Real Estate

For fiscal 2010, our income producing real estate holdings consisted of the following properties:

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

In addition, we have approximately 5.6 million square feet of unimproved real estate held for development in Australia and New Zealand, discussed in greater detail below, and certain unimproved land in the United States

that was used in our historic activities. We also own an 8,783 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand, approximately 50% of which is leased to an unrelated third party.

In 2010, we acquired the following real property interests:

- *Additional Manukau Land Purchase*. On April 30, 2009, we entered into an agreement to purchase for $3.6 million (NZ$5.2 million) a property adjacent to our Manukau property. An initial deposit of $26,000 (NZ$50,000) was paid upon signing of the agreement, a second deposit of $175,000 (NZ$258,000) was paid in the second quarter of 2009 and a third deposit of $531,000 (NZ$773,000) was paid in August 2009. The fourth and final purchase payment of $2.9 million (NZ$4.1 million) was made on March 31, 2010 completing our acquisition of this land parcel.

Properties Held for Sale

For fiscal 2010, our investments in property held for sale consisted of:

- an approximately 50.6 acre property located in the Burwood area of Melbourne, Australia, rezoned from an essentially industrial zone to a priority zone allowing a variety of retail, entertainment, commercial and residential uses.

- a 1.0-acre parcel of commercial real estate located in Lake Taupo, New Zealand. A portion of this property was improved with a motel in which we recently renovated the property's units to be condominiums. We have enhanced the property value with residential apartment entitlements for the adjoining vacant land.

- our 66.7% interest in the 5-screen Elsternwick Classic cinema located in Melbourne, Australia.

Property Held For or Under Development

For fiscal 2010, our investments in property held for or under development consisted of:

- two properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres. As we no longer have contracts to purchase the adjacent properties, we are currently considering our options on whether to develop or sell these properties;

- an approximately 3.3 acre property located in the Moonee Ponds area of Melbourne, Australia. We are currently working to finalize plans for the development of this property into a mixed use entertainment based retail and commercial complex;

- an approximately 0.9 acre property located adjacent to the Courtenay Central ETRC in Wellington, New Zealand. We have received all necessary governmental approvals to develop the site for retail, commercial and entertainment purposes as Phase II of our existing ETRC. We are actively pursuing the development of the next phase of our Courtenay Central property in Wellington, New Zealand; and

- the Manukau land parcel purchased in 2007, consisting of a 64.0-acre parcel of undeveloped agricultural real estate. Additionally, on March 31, 2010, we purchased for $3.6 million (NZ$5.2 million) a 6.4 acre property adjacent to this existing property. This additional property was acquired to improve the access of our larger parcel to the existing road network servicing the area. We intend to rezone the larger parcel from its current agricultural use to commercial use, and thereafter to redevelop the properties in accordance with its new zoning. The smaller parcel is already zoned for industrial use. No assurances can be given that such rezoning will be achieved, or if achieved, that it will occur in the near term.

Critical Accounting Policies

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

- impairment of long-lived assets, including goodwill and intangible assets;

- tax valuation allowance and obligations; and
- legal and environmental obligations.

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. We review internal management reports on a monthly basis as well as monitor current and potential future competition in film markets for indications of potential impairment. We evaluate our long-lived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated future cash flows, undiscounted, were to be less than the carrying amount of the asset, then an impairment would be recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on an appraisal or a discounted cash flow calculation. Goodwill and intangible assets are evaluated on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. Based on calculations of current value, we recorded impairment losses of $2.2 million, $3.2 million and $4.3 million relating to certain of our property and cinema locations for the years ended December 31, 2010, 2009, and 2008, respectively. The impairments reflect our estimates of fair value which were based on appraisals or a discounted income approach with market based assumptions.

We record our estimated future tax benefits and liabilities arising from the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry forwards. We estimate the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. As of December 31, 2010, we had recorded approximately $54.5 million of deferred tax assets related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry forwards and tax credit carry forwards. These deferred tax assets were fully offset by a valuation allowance in the same amount, resulting in a net deferred tax asset of zero. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income. There is no assurance that sufficient future taxable income will be generated to benefit from our tax loss carry forwards and tax credit carry forwards.

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

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

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

Results of Operations

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

During 2010, we changed our reporting for intercompany property rent where our cinema operations were substantially the only tenant of such property by eliminating the intersegment revenue and expense relating to the intercompany rent, and transferring the third party lease costs from the real estate segment to the cinema exhibition segment. This change in management's structure of the reportable segments commenced on January 1, 2010, such changes to segment reporting are reflected in the segment results for 2010, 2009, and 2008, respectively. The retroactive presentation in 2009 and 2008 segment results decreased intersegment revenue and expense for the intercompany rent by $4.4 million and $2.2 million, respectively, and transferred the third party lease costs from the real estate segment to the cinema exhibition segment. The overall results of these changes decreased real estate segment revenue and expense by $4.4 million and $2.2 million for the years ended December 31, 2009 and 2008, respectively. This change results in a reduction of real estate operating expense and an increase of cinema operating expense of $4.4 million and $2.2 million, respectively, on our Consolidated Statements of Operations for the years ended December 31, 2009 and 2008, respectively.

The tables below summarize the results of operations for our principal business segments for the years ended December 31, 2010, 2009, and 2008 (dollars in thousands).

Year Ended December 31, 2010	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 211,073	$ 25,210	$ (6,466)	$ 229,817
Operating expense	178,261	8,979	(6,466)	180,774
Depreciation & amortization	10,559	4,617	--	15,176
Impairment expense	--	2,239	--	2,239
General & administrative expense	2,880	1,220		4,100
Segment operating income	$ 19,373	$ 8,155	$ --	$ 27,528

Year Ended December 31, 2009	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 201,388	$ 20,538	$ (5,241)	$ 216,685
Operating expense	165,708	7,353	(5,241)	167,820
Depreciation & amortization	10,816	3,653	--	14,469
Loss on transfer of real estate held for sale to continuing operations	--	549	--	549
Impairment expense	--	3,217	--	3,217
Contractual commitment loss	--	1,092	--	1,092
General & administrative expense	2,645	1,063	--	3,708
Segment operating income	$ 22,219	$ 3,611	$ --	$ 25,830

Year Ended December 31, 2008	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 181,188	$ 21,313	$ (5,675)	$ 196,826
Operating expense	153,064	7,451	(5,675)	154,840
Depreciation & amortization	13,702	4,219	--	17,921
Impairment expense	351	3,968	--	4,319
General & administrative expense	3,834	1,123	--	4,957
Segment operating income	$ 10,237	$ 4,552	$ --	$ 14,789

Reconciliation to net income (loss):	2010	2009	2008
Total segment operating income	$ 27,528	$ 25,830	$ 14,789
Non-segment:			
Depreciation and amortization expense	715	666	656
General and administrative expense	13,684	13,851	16,481
Other operating income	--	(2,551)	--
Operating income (loss)	13,129	13,864	(2,348)
Interest expense, net	(12,286)	(14,572)	(15,740)
Other income (expense)	(347)	(2,013)	991
Gain on sale of assets	352	(2)	--
Income from discontinued operations	5	58	60
Income tax expense	(14,232)	(1,952)	(2,099)
Equity earnings of unconsolidated joint ventures and entities	1,345	117	497
Gain on sale of unconsolidated joint venture	--	268	2,450
Gain on extinguishment of debt	--	10,714	--
Net income (loss)	$ (12,034)	$ 6,482	$ (16,189)
Net income attributable to noncontrolling interests	(616)	(388)	(620)
Net income (loss) attributable to Reading International, Inc. common shareholders	$ (12,650)	$ 6,094	$ (16,809)

Cinema Exhibition Segment

The following tables and discussion that follows detail our operating results for our 2010, 2009, and 2008 cinema exhibition segment (dollars in thousands):

Year Ended December 31, 2010	United States	Australia	New Zealand	Total
Admissions revenue	$ 73,266	$ 61,640	$ 15,601	$ 150,507
Concessions revenue	27,391	18,658	3,861	49,910
Advertising and other revenue	5,096	4,559	1,001	10,656
Total revenue	105,753	84,857	20,463	211,073
Cinema costs	89,531	63,976	15,578	169,085
Concession costs	4,260	4,009	907	9,176
Total operating expense	93,791	67,985	16,485	178,261
Depreciation and amortization	6,556	2,969	1,034	10,559
General & administrative expense	2,040	840	--	2,880
Segment operating income	$ 3,366	$ 13,063	$ 2,944	$ 19,373

Year Ended December 31, 2009	United States	Australia	New Zealand	Total
Admissions revenue	$ 75,105	$ 53,533	$ 13,985	$ 142,623
Concessions revenue	29,021	17,862	3,905	50,788
Advertising and other revenue	4,820	2,383	774	7,977
Total revenue	108,946	73,778	18,664	201,388
Cinema costs	88,839	54,073	13,636	156,548
Concession costs	4,602	3,662	896	9,160
Total operating expense	93,441	57,735	14,532	165,708
Depreciation and amortization	7,043	2,658	1,115	10,816
General & administrative expense	1,943	702	--	2,645
Segment operating income	$ 6,519	$ 12,683	$ 3,017	$ 22,219

Year Ended December 31, 2008	United States	Australia	New Zealand	Total
Admissions revenue	$ 64,881	$ 48,479	$ 14,141	$ 127,501
Concessions revenue	25,097	16,279	4,166	45,542
Advertising and other revenue	4,760	2,515	870	8,145
Total revenue	94,738	67,273	19,177	181,188
Cinema costs	77,455	51,202	15,242	143,899
Concession costs	4,476	3,641	1,048	9,165
Total operating expense	81,931	54,843	16,290	153,064
Depreciation and amortization	9,174	2,831	1,697	13,702
Impairment expense	--	--	351	351
General & administrative expense	2,735	1,094	5	3,834
Segment operating income	$ 898	$ 8,505	$ 834	$ 10,237

Cinema Results for 2010 Compared to 2009

- Cinema revenue increased in 2010 by $9.7 million or 4.8% compared to 2009. The geographic activity of our revenue can be summarized as follows:
  - United States - Revenue in the United States decreased by $3.2 million or 2.9%. This decrease in revenue was predominately attributable to a decrease in box office admissions of 564,000 which included a decrease in admissions from one of the acquired cinemas of the Consolidated Entertainment cinemas acquisition resulting in a purchase price adjustment of $12.5 million (see Note 8 – *Acquisitions and Assets Held for Sale*). The U.S. revenue was also affected by a decrease in concessions revenue of $1.6 million offset by a $0.35 increase in average ticket price.
  - Australia - Revenue in Australia increased by $11.1 million or 15.0%. This increase in revenue was predominately attributable to a year over year increase in the average ticket price of $0.81 coupled with a 16.2% increase in the value of the Australia dollar compared to the U.S. dollar. This change in currency value translated to higher Australian revenue for 2010 compared to 2009 (see below). These increases in revenue were offset by a decrease in box office admissions of 414,000 compared to 2009.
  - New Zealand - Revenue in New Zealand increased by $1.8 million or 9.6%. This increase in revenue was predominately attributable to a year over year increase in the average ticket price of $0.60 coupled with a 13.6% increase in the value of the New Zealand dollar compared to the U.S. dollar. This change in currency value translated to higher New Zealand revenue for 2010 compared to 2009 (see below). These increases in revenue were offset by a decrease in box office admissions of 121,000 compared to 2009.
- Operating expense increased in 2010 by $12.6 million or 7.6% compared to 2009. Year over year operating expense increased in relation to revenue from 82.3% to 84.5%.

- United States - Operating expense in the United States increased by $350,000 or 0.4% primarily due to the newly leased 3D equipment and the associated increased labor-intensive nature of showing 3D films.

    - Australia - Operating expense in Australia increased by $10.3 million or 17.8%. This increase was in line with the above-mentioned increase in cinema revenue associated with the year over year increase in the value of the Australia dollars compared to the U.S. dollar (see below).

    - New Zealand - Operating expense in New Zealand increased by $2.0 million or 13.4%. This increase was in line with the above-mentioned increase in cinema revenue associated with the year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).

- Depreciation expense decreased in 2010 by $257,000 or 2.4% compared to 2009. This decrease was primarily related to in short useful lives of the used assets associated with our Consolidated Entertainment cinemas purchased February 2008.

- General and administrative expense increased in 2010 by $235,000 or 8.9% compared to 2009. This increase was primarily related to higher occupancy costs and a one-time union pension settlement in the U.S. and the aforementioned increase in the Australia dollar in 2010 compared to 2009 (see below).

- Australia and New Zealand monthly average exchange rates for 2010 increased by 16.2% and 13.6%, respectively, from those in 2009, which had an overall positive impact on the income statement.

- As a result, cinema exhibition segment operating income decreased in 2010 by $2.8 million compared to 2009 primarily from the aforementioned decrease in revenue from our U.S. cinema operations driven in large part by the $1.6 million decrease in revenue from one of our acquired Consolidated Entertainment cinemas.

Cinema Results for 2009 Compared to 2008

- Cinema revenue increased in 2009 by $20.2 million or 11.1% compared to 2008. The geographic activity of our revenue can be summarized as follows:

    - United States - Revenue in the United States increased by $14.2 million or 15.0% primarily from a fully year reporting of the newly acquired Consolidated Entertainment cinemas acquisition compared to only ten months in 2008.

    - Australia - Revenue in Australia increased by $6.5 million or 9.7%. This increase in revenue was predominately attributable to an increase in box office admissions of 527,000 coupled with a $0.88 increase in average ticket price and an increase in concessions revenue of $1.6 million.

    - New Zealand - Revenue in New Zealand decreased by $513,000 or 2.7%. This decrease in revenue was attributable to a drop in admissions revenue of $156,000, a decrease in concessions revenue of $261,000, and a decrease in advertising and other revenue of $96,000. As indicated below, these decreases were primarily related to a lower annual average value of the New Zealand dollar to that of the U.S. dollar during 2009 compared to 2008. The local currency revenue in the aforementioned categories generally increased during 2009.

- Operating expense increased in 2009 by $12.6 million or 8.3% compared to 2008. Year on year operating expense decreased in relation to revenue from 84.5% to 82.3%.

    - United States - Operating expense in the United States increased by $11.5 million or 14.0% primarily due to the aforementioned Consolidated Entertainment cinemas acquisition.

    - Australia - Operating expense in Australia increased by $2.9 million or 5.3%. This increase was in line with the above-mentioned increase in cinema revenue.

    - New Zealand - Operating expense in New Zealand decreased by $1.8 million or 10.8%. This decrease was in line with the above-mentioned decrease in cinema revenue and the effects of foreign currency fluctuations.

- Depreciation expense decreased in 2009 by $2.9 million or 21.1% compared to 2008. This decrease was primarily related to the finalization of purchase accounting in 2008 for our Consolidated Entertainment cinemas acquisition and currency fluctuations (see below).

- We recorded a one-time $351,000 impairment charge related to certain New Zealand cinema assets during 2008. This impairment expense did not reoccur in 2009.

- General and administrative expense decreased in 2009 by $1.2 million or 31.0% compared to 2008. The change was primarily related to cost cutting measures throughout the segment.

- Australia and New Zealand monthly average exchange rates for 2009 decreased by 7.0% and 11.0%, respectively, from those in 2008, which had an overall negative impact on the income statement.

- As a result, cinema exhibition segment operating income increased in 2009 by $12.0 million compared to 2008 primarily from our improved cinema operations in all geographic areas, despite the negative effects of currency fluctuations from year to year.

Real Estate Segment

As discussed above, our other major business segment is the development and management of real estate. These holdings include our rental live theaters, certain fee owned properties used in our cinema business, and unimproved real estate held for development. The tables and discussion that follow detail our operating results for our 2010, 2009, and 2008 real estate segment (dollars in thousands):

Year Ended December 31, 2010	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$ 3,082	$ --	$ --	$ 3,082
Property rental income	1,732	13,922	6,474	22,128
Total revenue	4,814	13,922	6,474	25,210
Live theater costs	2,044	--	--	2,044
Property rental cost	455	4,961	1,519	6,935
Total operating expense	2,499	4,961	1,519	8,979
Depreciation and amortization	321	2,818	1,478	4,617
Impairment expense	--	2,239	--	2,239
General & administrative expense	13	1,134	73	1,220
Segment operating income	$ 1,981	$ 2,770	$ 3,404	$ 8,155

Year Ended December 31, 2009	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$ 2,665	$ --	$ --	$ 2,665
Property rental income	1,545	10,853	5,475	17,873
Total revenue	4,210	10,853	5,475	20,538
Live theater costs	1,551	--	--	1,551
Property rental cost	493	3,997	1,312	5,802
Total operating expense	2,044	3,997	1,312	7,353
Depreciation and amortization	334	1,954	1,365	3,653
Loss on transfer of real estate held for sale to continuing operations	--	549	--	549
Impairment expense	--	--	3,217	3,217
Contractual commitment loss	--	--	1,092	1,092
General & administrative expense	18	914	131	1,063
Segment operating income (loss)	$ 1,814	$ 3,439	$ (1,642)	$ 3,611

Year Ended December 31, 2008	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	$ 3,583	$ --	$ --	$ 3,583
Property rental income	1,179	9,690	6,861	17,730
Total revenue	4,762	9,690	6,861	21,313
Live theater costs	1,892	--	--	1,892
Property rental cost	760	3,262	1,537	5,559
Total operating expense	2,652	3,262	1,537	7,451
Depreciation and amortization	351	2,189	1,679	4,219
Impairment expense	--	3,091	877	3,968
General & administrative expense	14	1,019	90	1,123
Segment operating income	$ 1,745	$ 129	$ 2,678	$ 4,552

Real Estate Results for 2010 Compared to 2009

- Real estate revenue increased by $4.7 million or 22.7% compared to 2009. The increase in revenue was primarily related to increased rental income from our Australia properties, primarily related to a full year of rent from our Indooroopilly building and an increase in live theater revenue in the U.S. coupled with fluctuations in currency exchange rates (see below).

- Operating expense for the real estate segment increased by $1.6 million or 22.1% compared to 2009. This increase in expense was primarily related to the increased live theater costs of $493,000, which corresponds with the aforementioned increase in live theater revenue, and with the aforementioned fluctuations in currency exchange rates (see below).

- Depreciation expense for the real estate segment increased by $964,000 or 26.4% compared to 2009 primarily due to the impact of currency fluctuations (see below).

- We recorded a loss, in effect catch up depreciation, during 2009, on transfer of real estate held for sale to continuing operations of $549,000 related to our Auburn property.

- We recorded a decrease in real estate impairment losses of $978,000. In 2010, we recorded a $2.2 million impairment charge related to our Taringa real estate property primarily associated with the development costs of the project. In 2009, we recorded a $3.2 million impairment loss due to weak property values in New Zealand and a contractual commitment loss of $1.1 million associated with a property that we were under an unconditional contract to purchase in April 2010.

- General and administrative costs increased by $157,000 or 14.8% compared to 2009 primarily due with the impact of currency fluctuations (see below) offset by our continuing cost cutting measures associated with our U.S. and New Zealand operations.

- Australia and New Zealand monthly average exchange rates for 2010 increased by 16.2% and 13.6%, respectively, from those in 2009, which had an overall positive impact on the income statement.

- As a result of the above, real estate segment income increased by $4.5 million compared to 2009.

Real Estate Results for 2009 Compared to 2008

- Real estate revenue decreased by $775,000 or 3.6% compared to 2008. The decrease in revenue was primarily related to decreased live theater revenue in the U.S. and decreased real estate revenue from our New Zealand properties, driven by a market reduction of intercompany rent to our Courtenay Central cinema coupled with fluctuations in currency exchange rates (see below) offset by increased rental income from our Australia properties.

- Operating expense for the real estate segment decreased by $98,000 or 1.3% compared to 2008. This decrease in expense was primarily related to decreased live theater costs which corresponds with the aforementioned decrease in live theater revenue, offset by increased property costs from our Australia properties.

- Depreciation expense for the real estate segment decreased by $566,000 or 13.4% compared to 2008 primarily due to the impact of currency fluctuations (see below).

- We recorded a loss, in effect catch up depreciation, during 2009, on transfer of real estate held for sale to continuing operations of $549,000 related to our Auburn property.

- We recorded a decrease in real estate impairment losses of $751,000 as the real estate market stabilized in Australia but remained somewhat weak in New Zealand. Additionally, we recorded a contractual commitment loss of $1.1 million associated with a property which we were under an unconditional contract to purchase in 2010.

- General and administrative costs decreased by $60,000 or 5.3% compared to 2008 primarily due cost cutting measures associated with our Australia operations coupled with the impact of currency fluctuations (see below).

- Australia and New Zealand monthly average exchange rates for 2009 decreased by 7.0% and 11.0%, respectively, from those in 2008, which had an overall negative impact on the income statement.

- As a result of the above, real estate segment income decreased by $941,000 compared to 2008.

Non-Segment Activity

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

2010 Compared to 2009

During 2010, the decrease of $167,000 in corporate General and Administrative expense was primarily made up of:

- $376,000 decrease in legal fees in 2010 associated principally with the settlement of our Malulani Investments Limited ("MIL") case in 2009 (we anticipate that these legal costs will continue to decrease as we have settled all of our major outstanding cases over the past two years); and

- $332,000 of reduced corporate payroll expense; offset by

- $542,000 of increased professional fees for our 2010 settlement of the tax litigation case and for real estate and administrative activities.

Also during 2010:

- net interest expense decreased by $2.3 million compared to 2009. The decrease in interest expense during 2010 was primarily driven by a $3.7 million decrease in interest from our Nationwide Notes associated with the $16.9 million in note reductions during 2010 and a $705,000 decrease in interest associated with the 2009 paydown of our Trust Preferred Securities offset by a net $1.1 million increase to interest associated with the mark-to-market of our interest swaps and cap and an increase to interest expense of $1.4 million associated with an increase to Australian interest rates.

- we recorded a $347,000 other loss which included offsetting settlements related to our Whitehorse Center litigation and the 2008 sale of our interest in the Botany Downs cinema; a $605,000 loss associated with our Mackie litigation; and a recovery of previously written-off receivables. The $2.0 million other loss in 2009 included a $1.0 million other-than-temporary loss on marketable securities; a $2.3 million loss on foreign currency transactions; $848,000 in litigation loss accruals; offset by a $1.5 million gain from fees associated with a terminated option and $481,000 in gains from legal settlements.

- we recorded a $352,000 gain on sale of assets primarily related to a deferred gain on sale of a property.

- we recorded an increase in income tax expense of $12.3 million primarily relating to our July 2010 settlement with the IRS on our Tax Audit/Litigation case.

- we recorded an increase of $1.2 million in equity earnings from unconsolidated investments primarily related to distributions from Rialto Distributions of $286,000 after recording losses of $1.1 million in 2009.

2009 Compared to 2008

During 2009, the decrease of $2.6 million in corporate General and Administrative expense was primarily made up of:

- $1.0 million decrease in legal fees associated principally with our Malulani Investments Limited ("MIL") case;
- $868,000 of reduced professional fees and non-recurring costs associated with our Consolidated Entertainment acquisition in 2008; and
- $700,000 of reduced payroll and travel expense.

Also during 2009:

- we recorded $2.6 million as other operating income associated with our settlement of the MIL litigation for the recovery of previously expensed litigation costs.
- net interest expense decreased by $1.2 million compared to 2008. The decrease in interest expense during 2009 was primarily related to lower interest on our trust preferred securities ("TPS") due to the retirement of $23.0 million of the TPS, a net gain on our mark-to-market of our interest swaps and cap, offset by our ceasing to capitalize interest on our development properties, where development has been substantially curtailed, resulting in an increase in interest expense for 2009 compared to 2008.
- we recorded an other loss of $2.0 million compared to an other income of $991,000 for 2008. The $2.0 million other loss in 2009 included a $1.0 million other-than-temporary loss on marketable securities; a $2.3 million loss on foreign currency transactions; $848,000 in litigation loss accruals; offset by, a $1.5 million gain from fees associated with a terminated option and $481,000 in gains from legal settlements. The other income of $991,000 in 2008 was primarily related to $910,000 of insurance proceeds related to damage caused by Hurricane George in 1998.
- we recorded a gain on sale of unconsolidated joint venture of $268,000 from the sale of our investment in MIL in 2009 and a gain on sale of unconsolidated entity of $2.5 million (NZ$3.2 million) in 2008, from the sale of our interest in the cinema at Botany Downs, New Zealand.
- we recorded a $10.7 million gain on retirement of subordinated debt, net of a $749,000 loss on deferred financing costs associated with the subordinated debt.

Income Taxes

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

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

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

Net Income Attributable to Reading International, Inc. Common Shareholders

For the years ending 2010, 2009 and 2008, our consolidated business units produced a net loss of $12.7 million (primarily driven by our IRS Tax Audit/Litigation case), a net income of $6.1 million, and a net loss of $16.8 million, respectively, attributable to Reading International, Inc. common shareholders. For many of the years prior to 2010, we consistently experienced net losses. However, as explained in the Cinema and Real Estate

segment sections above, we have generally noted improvements in our segment operating income such that we have a positive segment operating income for each of the years of 2010, 2009, and 2008 that in years past has been negative. Although we cannot assure that this trend will continue, we are committed to the overall improvement of earnings through good fiscal management.

Business Plan, Liquidity, and Capital Resources of the Company

Business Plan

Our business plan has evolved from a belief that while cinema exhibition is not a growth business at this time, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in a recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular, and competitively priced option. However, since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities and from the acquisition of existing cinemas rather than from the development of new cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will, again, over time become the principal thrust of our business. We also, from time to time, invest in the shares of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In short, while we do have operating company attributes, we see ourselves principally as a hard asset company and intend to add to shareholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land, brick, and mortar assets. We are endeavoring to maintain a reasonable asset allocation between our domestic and overseas assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We believe that by blending the cash generating capabilities of a cinema company with the investment and development opportunities of a real estate development company, we are unique among public companies in our business plan.

Liquidity and Capital Resources

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

Currently, our liquidity needs continue to arise mainly from:

- working capital requirements;
- capital expenditures including the acquisition, holding and development of real property assets; and
- debt servicing requirements.

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

Discussion of Our Statement of Cash Flows

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

Operating Activities

2010 Compared to 2009. Cash provided by operations was $22.8 million in 2010 compared to $18.0 million in the 2009. The increase in cash provided by operations of $4.8 million was due primarily to a $2.0 million from the changes in operating assets and liabilities (excluding $12.7 million change in accrual for our tax litigation settlement) and $2.8 million increase of operational cash flows.

2009 Compared to 2008. Cash provided by operations was $18.0 million in 2009 compared to $24.3 million provided by operations in 2008. The decrease in cash provided by operations of $6.3 million was due primarily to an $8.2 million operational cash flow increase offset by a $14.6 million decrease in cash provided by changes in operating assets and liabilities for 2009 compared to 2008.

Investing Activities

Cash used in investing activities for 2010 was $21.0 million compared to $12.9 million in 2009 and $69.5 million in 2008. The following summarizes our discretionary investing activities for each of the three years ending December 31, 2010:

The $21.0 million cash used in 2010 was primarily related to:

- $14.1 million in property enhancements to our existing properties;
- $5.3 million in acquisitions; and
- $1.8 million of change in restricted cash

offset by

- $229,000 in return of investment of unconsolidated entities.

The $12.9 million cash used in 2009 was primarily related to:

- $5.7 million in property enhancements to our existing properties;
- $706,000 deposit to purchase a property adjacent to our Manukau property; and
- $11.5 million to purchase marketable securities to exchange for our Reading International Trust I securities;

offset by

- $1.3 million in restricted cash primarily related to the use of construction deposits made in 2008 for repair work to one of our cinemas;
- $3.3 million in return of investment of unconsolidated entities; and
- $285,000 of sale option proceeds for our Auburn property.

The $69.5 million cash used in 2008 was primarily related to:

- $49.2 million to purchase the assets of the Consolidated Cinemas circuit;
- $2.5 million to purchase other real estate assets;
- $1.9 million in restricted cash primarily related to construction deposits for repair work on one of our cinemas; and
- $23.4 million in property enhancements to our existing properties;

offset by

- $2.0 million of deposit returned upon acquisition of the Consolidated Cinemas circuit;
- $1.3 million of sale option proceeds for our Auburn property;
- $910,000 of proceeds from insurance settlement; and

- $3.3 million of cash received from the sale of our interest in the Botany Downs cinema in New Zealand.

Financing Activities

Cash provided by financing activities for 2010 and 2008 was $5.5 million and $60.2 million, respectively, compared to cash used in financing activities of $14.4 million in 2009. The following summarizes our financing activities for each of the three years ending December 31, 2010:

The $5.5 million cash provided in 2010 was primarily related to:

- $8.0 million of borrowing on our New Zealand credit facility;
- $7.2 million of borrowing proceeds from our new Union Square Theater Term Loan net of capitalized borrowing costs;
- $7.0 million of new borrowings from our recently renegotiated GE capital loan net of capitalized borrowing costs;
- $225,000 of contributions from noncontrolling interests; and
- $248,000 of proceeds from the exercise of employee stock options;

offset by

- $15.5 million of loan repayments including $6.9 million for the pay off of our Union Square Term Loan, $5.0 million for the pay off of our SHC Loan, and $3.2 million pay down of our GE Capital Loan;
- $251,000 of repurchase of Class A Nonvoting Common Stock; and
- $1.4 million in noncontrolling interest distributions.

The $14.4 million cash used in 2009 was primarily related to:

- $1.5 million of borrowing on our Australia Construction facility; and
- $175,000 of noncontrolling interest contributions;

offset by

- $14.9 million of loan repayments including $8.3 million to pay down on our GE Capital loan and $6.1 million to pay off our Australia Construction facility; and
- $1.1 million in noncontrolling interest distributions.

The $60.2 million cash provided in 2008 was primarily related to:

- $48.0 million of net proceeds from our new GE Capital Term Loan used to finance the Consolidated Entertainment transaction;
- $7.1 million of net proceeds from our new Liberty Theaters loan;
- $4.5 million of borrowing on the Nationwide Loans; and
- $13.2 million of borrowing on our Australia and New Zealand credit facilities;

offset by

- $9.4 million of loan repayments including $9.0 million to pay down on our GE Capital loan;
- $1.1 million waiver fee on our TPS; and
- $1.6 million in distributions to holders of noncontrolling interests.

Future Liquidity and Capital Resources

We believe that we have sufficient borrowing capacity to meet our short-term working capital requirements.

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

- receiving on March 9, 2011, credit approval from National Australia Bank for a $106.3 million (AUS$105.0 million) facility that will replace our expiring Australia Corporate Credit Facility which will allow us to fully repay our $101.7 million (AUS$100.5 million) of outstanding debt.
- renegotiating our GE Capital loan resulting in an increase in the loan balance by $8.0 million and the ability to use a larger portion of cash flows from our Consolidated Entertainment Inc. subsidiary.
- signing a new 5-year term loan on our U.S. Union Square theatre with a loan balance of $7.4 million.
- renegotiating our Sutton Hill Capital loan, paying off the $5.0 million loan and extending the $9.0 million loan along with an option to purchase Village East building lease.
- in 2009, we took advantage of current market illiquidity for securities such as our TPS to repurchase and retire $22.9 million of those securities for $11.5 million. Additionally, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years, in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million and a contractual obligation to pay $270,000 in December 2011 and $270,000 in December 2014. In the event that these payments are not made, the only remedy is the termination of the waiver.

To meet our current and future liquidity requirements, we have the following external sources of unused liquidity:

- $15.2 million (NZ$18.5 million) is available on our New Zealand Corporate Credit facility and
- $3.0 million is available on our Bank of America Line of Credit.

Potential uses for funds during 2011 that would reduce our liquidity, other than those relating to working capital needs and debt service requirements include:

- Payment of legal settlement obligation for the Tax/Audit Litigation;
- Fit out/deposit for Mosaic Angelika;
- securing digital and digital 3D projectors for selective sites in our worldwide circuit;
- the selective development of our currently held for development projects; and
- the acquisition of assets with proven cash flow that we believe to be resistant to the current recessionary trends.

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

The term of our Australian Credit Facility with BOS International matures on June 30, 2011. Accordingly, the December 31, 2010 outstanding balance of this debt of $101.7 million (AUS$100.5 million) is classified as current on our balance sheet. In October 2010, we were advised by BOS International that it was curtailing lending activities in Australia, and would not be renewing our $111.3 million (AUS$110.0 million) credit facility. At December 31, 2010, we had drawn $101.7 million (AUS$100.5 million) against this facility and issued lease guarantees of $4.1 million (AUS$4.0 million) out of our total borrowing limit of $111.3 million (AUS$110.0 million) on the facility.

We have met with several of the major Australian Banks to review the proposed terms and conditions of potential new credit facilities that could replace the current expiring Australian Credit Facility. On March 9, 2011, management received a provision to finance letter from National Australia Bank confirming that it has formally approved financing of $106.3 million (AUS$105.0 million) in committed facilities for a term of three years commencing on or before June 30, 2011 to Reading Entertainment Australia. As compared to our current Australian Credit Facility which had an interest rate of approximately 1.95% above the Bank Bill Swap Bid Rate (BBSY bid rate), our new credit facility will primarily be at an interest rate of 2.90% above the BBSY bid rate. The collateral pledged as security under the new credit facility will be equivalent to that of the expiring Australian Credit Facility. The new credit facility will require annual principal payments of between $7.1 million (AUS$7.0 million) and $9.1 million (AUS$9.0 million) which will be paid from Reading Entertainment Australia operating cash flows. The covenants of the new credit facility include an EBITDA leverage multiple maintenance requirement, a fixed charge coverage ratio, a debt service cover ratio and other financial covenants designed to protect the bank's security interest in Reading Entertainment Australia. Management has evaluated the terms and conditions described above, and determined that maintaining the covenants and payment commitments over the term of the new credit facility is expected to be achievable without any material alteration to the current operating activities of Reading Entertainment Australia. Provision of financing is subject to satisfactory final loan documentation and the fulfillment of all applicable conditions precedent set out within that documentation.

We believe that we will be able to use $101.7 million (AUS$100.5 million) of the funds from the new credit facility to satisfy the principal payments due on the current Australian Credit Facility expiring on June 30, 2011. We currently have $16.6 million (AUS$16.4 million) in cash in Australia and also have borrowing capacity under our New Zealand Credit facility of $15.2 million (NZ$18.5 million) and our Bank of America line of credit of $3.0 million available to provide any necessary liquidity to our global operations.

In late February 2007, it became apparent that our cost estimates with respect to the Burwood site preparation were low, as the extent of the contaminated soil present at the site – a former brickworks – was greater than we had originally believed. Our estimated cost of $600.0 million included approximately $1.8 million (AUS$1.8 million) of estimated cost to remove the contaminated soil. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of this site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2010, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $12.3 million (AUS$12.2 million) and as of that date we had incurred a total of $8.4 million (AUS$8.3 million) of these costs. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 410-30-25 – *Environmental Obligations* contamination clean up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

There can be no assurance, however, that the business will continue to generate cash flow at or above current levels or that estimated cost savings or growth can be achieved. Future operating performance and our ability to service or refinance existing indebtedness will be subject to future economic conditions and to financial

and other factors, such as access to first-run films, many of which are beyond our control. If our cash flow from operations and/or proceeds from anticipated borrowings should prove to be insufficient to meet our funding needs, our current intention is either:

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

Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at December 31, 2010 (in thousands):

	2011	2012	2013	2014	2015	Thereafter	Total
Long-term debt	$ 108,124	$ 40,534	$ 12,994	$ 6,914	$ 23,342	$ --	$ 191,908
Long-term debt to related parties	--	--	9,000	--	--	--	9,000
Subordinated notes	--	--	--	--	--	27,913	27,913
Pension liability	9	18	28	37	48	4,266	4,406
Lease obligations	29,066	27,505	24,999	21,757	18,076	77,480	198,883
Interest on long-term debt	11,293	5,885	4,206	2,926	2,200	13,389	39,899
Total	$ 148,492	$ 73,942	$ 51,227	$ 31,634	$ 43,666	$ 123,048	$ 472,009

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

We adopted FASB ASC 740-10-25 – *Income Taxes - Uncertain Tax Positions* on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was $12.5 million increasing to $13.7 million, to $14.5 million, and to $15.3 million as of December 31, 2007, 2008, and 2009, respectively. As of December 31 2010, the gross unrecognized tax benefit increased to $20.6 million, substantially as a result of having settled our Tax Audit/Litigation case (see Note 19 – *Commitments and Contingencies*). Except as may occur in connection with the deficiency of $18.7 million related to the settlement of the Tax Audit/Litigation, we do not expect a significant tax payment related to the $20.6 million in uncertain tax positions within the next 12 months.

Unconsolidated Joint Venture Debt

Total debt of unconsolidated joint ventures was $653,000 and $979,000 as of December 31, 2010 and December 31, 2009, respectively. Our share of unconsolidated debt, based on our ownership percentage, was $218,000 and $326,000 as of December 31, 2010 and December 31, 2009, respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

Off-Balance Sheet Arrangements

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

Financial Risk Management

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

If our operational focus shifts more to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. Historically, we managed our currency exposure by creating natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services

as well as borrowing in local currencies. However, by paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our TPS, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes and our recent ability to repurchase, at a discount, some of these securities.

In the first quarter 2009, we took advantage of current market illiquidity for securities such as our TPS to repurchase $22.9 million of those securities for $11.5 million. In addition, in December 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years, in consideration of the payment of $1.6 million, consisting of an initial payment of $1.1 million and a contractual obligation to pay $270,000 in December 2011 and $270,000 in December 2014. In the event that the remaining payments are not made, the only remedy is the termination of the waiver. Because of this transaction, which was partially funded with borrowings against our New Zealand line-of-credit, we once again have substantially matched the currency in which we have financed our developments with the jurisdictions in which these developments are located.

Our exposure to interest rate risk arises out of our long-term debt obligations. Consistent with our internally developed guidelines, we seek to reduce the negative effects of changes in interest rates by changing the character of the interest rate on our long-term debt, converting a fixed rate into a variable rate and vice versa. Our internal procedures allow us to enter into derivative contracts on certain borrowing transactions to achieve this goal. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than 70% of the loan be swapped into fixed rate obligations. Additionally, under our GE Capital Term Loan, we are required to swap no less than 50% of the December 1, 2010 balance of $37.5 million for the first three years of the revised loan agreement (see Note 12 – *Notes Payable*), but have elected to swap 100% of the balance for the first three years.

In accordance with FASB ASC 815-20 – *Derivatives and Hedging*, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a $266,000 decrease to interest expense during 2010, $1.4 million decrease to interest expense during 2009, and a $2.1 million increase to interest expense during 2008.

Inflation

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

Accounting Pronouncements Adopted During 2010

FASB ASU 2009-17 – Reporting on Variable Interest Entities

In December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2009-17, "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." This ASU incorporates Statement of Financial Accounting Standards (SFAS) No. 167, "Amendments to FASB Interpretation No. 46(R)," issued by the FASB in June 2009. The amendments in this ASU replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact such entity's economic performance and (i) the obligation to absorb losses of such entity or (ii) the right to receive benefits from such entity. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in variable interest entities, which enhances the information provided to users of financial statements. We adopted ASU 2009-17 effective January 1, 2010. The adoption of this ASU did not have a material impact on our financial position or results of operations.

FASB ASU 2010-06 – Fair Value Measurements

In January 2010, the FASB issued ASU 2010-06 to the Fair Value Measurements and Disclosure topic of the Accounting Standards Codification. The ASU clarifies disclosure requirements relating to the level of disaggregation of disclosures relating to classes of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value estimates for Level 2 or Level 3 assets and liabilities. These requirements of the ASU are effective for interim and annual disclosures for interim and annual reporting periods beginning after December 15, 2009. The adoption of these requirements of the ASU resulted in the disclosure by the Company of the inputs and valuation techniques used in preparing the nonrecurring fair value measurement of an impaired property for purpose of presentation in the Company's financial statements.

New Accounting Pronouncements

FASB ASU 2010-06 – Fair Value Measurements

The ASU also requires additional disclosures about the transfers of classifications among the fair value classification levels and the reasons for those changes and separate presentation of purchases, sales, issuances, and settlements in the presentation of the roll forward of Level 3 assets and liabilities. Those disclosures are effective for interim and annual reporting periods for fiscal years beginning after December 15, 2010. The adoption of this portion of the ASU is not expected to have a material effect on the Company's financial statements.

Forward-Looking Statements

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

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

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

- with respect to our cinema operations:
  - the number and attractiveness to movie goers of the films released in future periods;
  - the amount of money spent by film distributors to promote their motion pictures;
  - the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment;
  - the extent to which we encounter competition from other cinema exhibitors, from other sources of outside of the home entertainment, and from inside the home entertainment options, such as “home theaters” and competitive film product distribution technology such as, by way of example, digital and 3D technology, cable, satellite broadcast, DVD and VHS rentals and sales, and so called “movies on demand;” and
  - the extent to and the efficiency with which, we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:

- the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
- the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
- the risks and uncertainties associated with real estate development;
- the availability and cost of labor and materials;
- competition for development sites and tenants;
- environmental remediation issues; and
- the extent to which our cinemas can continue to serve as an anchor tenant who will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations.

- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:
  - our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
  - the relative values of the currency used in the countries in which we operate;
  - changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
  - our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
  - our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
  - changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
  - changes in applicable accounting policies and practices.

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

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

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

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

Item 7A – Quantitative and Qualitative Disclosure about Market Risk

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

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

Although the results of such an analysis may be useful as a benchmark, they should not be viewed as forecasts.

At December 31, 2010, approximately 55% and 16% of our assets (determined by the book value of such assets) were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $18.1 million in cash and cash equivalents. At December 31, 2009, approximately 50% and 16% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately $15.4 million in cash and cash equivalents.

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

Historically, our policy has been to borrow in local currencies to finance the development and construction of our entertainment complexes in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, approximately 49% and 53% of our Australian and New Zealand assets (based on book value), respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10% the resulting change in Australian and New Zealand assets would be $11.5 million and $3.7 million, respectively, and the change in annual net income would be $239,000 and $41,000, respectively. At the present time, we have no plan to hedge such exposure. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes and our recent ability to repurchase, at a discount, some of these securities.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately $59.1 million and $43.2 million as of December 31, 2010 and 2009, respectively.

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

The majority of our loans have fixed interest rates; however, one of our international loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in approximately $204,000 increase or decrease in our 2010 interest expense.

Item 8 – Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Reading International, Inc.
Commerce, California

We have audited the accompanying consolidated balance sheets of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company's Australian Credit Facility with an outstanding balance of $101.7 million as of December 31, 2010 matures on June 30, 2011 and the Company is currently in negotiations to obtain a new credit facility. Management's plans concerning this matter are discussed in Note 2 to the financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
March 15, 2011

Reading International, Inc. and Subsidiaries
Consolidated Balance Sheets as of December 31, 2010 and 2009
(U.S. dollars in thousands)

	December 31, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 34,568	$ 24,612
Receivables	5,470	9,458
Inventory	989	860
Investment in marketable securities	2,985	3,120
Restricted cash	2,159	321
Prepaid and other current assets	3,536	3,078
Assets held for sale	55,210	--
Total current assets	104,917	41,449
Property held for and under development	35,702	78,676
Property & equipment, net	220,250	200,749
Investment in unconsolidated joint ventures and entities	10,415	9,732
Investment in Reading International Trust I	838	838
Goodwill	21,535	37,411
Intangible assets, net	20,156	22,655
Other assets	16,536	14,907
Total assets	$ 430,349	$ 406,417
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 15,930	$ 14,943
Film rent payable	5,757	7,256
Notes payable – current portion	108,124	7,914
Note payable to related party – current portion	--	14,000
Taxes payable	23,872	6,140
Deferred current revenue	8,727	6,968
Other current liabilities	141	457
Total current liabilities	162,551	57,678
Notes payable – long-term portion	83,784	177,166
Notes payable to related party – long-term portion	9,000	--
Subordinated debt	27,913	27,913
Noncurrent tax liabilities	2,267	6,968
Deferred non-current revenue	41	577
Other liabilities	32,154	25,852
Total liabilities	317,710	296,154
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Class A non-voting common stock, par value $0.01, 100,000,000 shares authorized, 31,500,693 issued and 21,308,823 outstanding at December 31, 2010 and 35,610,857 issued and 21,132,582 outstanding at December 31, 2009	216	215
Class B voting common stock, par value $0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at December 31, 2010 and at December 31, 2009	15	15
Nonvoting preferred stock, par value $0.01, 12,000 shares authorized and no issued or outstanding shares at December 31, 2010 and 2009	--	--
Additional paid-in capital	134,236	134,044
Accumulated deficit	(76,035)	(63,385)
Treasury shares	(3,765)	(3,514)
Accumulated other comprehensive income	57,120	41,514
Total Reading International, Inc. stockholders' equity	111,787	108,889
Noncontrolling interests	852	1,374
Total stockholders' equity	112,639	110,263
Total liabilities and stockholders' equity	$ 430,349	$ 406,417

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Consolidated Statements of Operations for the Three Years Ended December 31, 2010
(U.S. dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2010	2009	2008
Operating revenue			
Cinema	$ 211,073	$ 201,388	$ 181,188
Real estate	18,744	15,297	15,638
Total operating revenue	229,817	216,685	196,826
Operating expense			
Cinema	171,795	160,467	147,389
Real estate	8,979	7,353	7,451
Depreciation and amortization	15,891	15,135	18,577
Loss on transfer of real estate held for sale to continuing operations	--	549	--
Impairment expense	2,239	3,217	4,319
Contractual commitment loss	--	1,092	--
General and administrative	17,784	17,559	21,438
Other operating income	--	(2,551)	--
Total operating expense	216,688	202,821	199,174
Operating income (loss)	13,129	13,864	(2,348)
Interest income	1,351	1,154	1,009
Interest expense	(13,637)	(15,726)	(16,749)
Gain on extinguishment of debt	--	10,714	--
Net gain (loss) on sale of assets	352	(2)	--
Other income (expense)	(347)	(2,013)	991
Income (loss) before discontinued operations, income tax expense, and equity earnings of unconsolidated joint ventures and entities	848	7,991	(17,097)
Income from discontinued operations, net of tax	5	58	60
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	853	8,049	(17,037)
Income tax expense	(14,232)	(1,952)	(2,099)
Income (loss) before equity earnings of unconsolidated joint ventures and entities	(13,379)	6,097	(19,136)
Equity earnings of unconsolidated joint ventures and entities	1,345	117	497
Gain on sale of unconsolidated joint venture	--	268	2,450
Net income (loss)	$ (12,034)	$ 6,482	$ (16,189)
Net income attributable to noncontrolling interests	(616)	(388)	(620)
Net income (loss) attributable to Reading International, Inc. common shareholders	$ (12,650)	$ 6,094	$ (16,809)
Earnings (loss) per common share attributable to Reading International, Inc. shareholders – basic:			
Earnings (loss) from continuing operations	$ (0.56)	$ 0.27	$ (0.75)
Earnings (loss) from discontinued operations, net	0.00	0.00	0.00
Basic earnings (loss) per share attributable to Reading International, Inc. shareholders	$ (0.56)	$ 0.27	$ (0.75)
Weighted average number of shares outstanding – basic	22,781,392	22,580,942	22,477,471
Earnings (loss) per common share attributable to Reading International, Inc. shareholders – diluted:			
Earnings (loss) from continuing operations	$ (0.56)	$ 0.27	$ (0.75)
Earnings (loss) from discontinued operations, net	0.00	0.00	0.00
Diluted earnings (loss) per share attributable to Reading International, Inc. shareholders	$ (0.56)	$ 0.27	$ (0.75)
Weighted average number of shares outstanding – diluted	22,781,392	22,767,735	22,477,471

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2010
(U.S. dollars in thousands)

	Common Stock										
	Class A Shares	Class A Par Value	Class B Shares	Class B Par Value	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Reading International, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
At January 1, 2008	20,987	$ 216	1,495	$ 15	$ 131,930	$ (4,306)	$ (52,670)	$ 46,177	$ 121,362	$ 2,835	$ 124,197
Net loss	--	--	--	--	--	--	(16,809)	--	(16,809)	620	(16,189)
Other comprehensive income:											
Cumulative foreign exchange rate adjustment	--	--	--	--	--	--	--	(39,196)	(39,196)	(53)	(39,249)
Accrued pension service costs	--	--	--	--	--	--	--	318	318	--	318
Unrealized loss on securities	--	--	--	--	--	--	--	(21)	(21)	--	(21)
Total comprehensive loss	--	--	--	--	--	--	--	--	(55,708)	567	(55,141)
Stock option and restricted stock compensation expense	--	--	--	--	1,976	--	--	--	1,976	--	1,976
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(1,585)	(1,585)
At December 31, 2008	20,987	$ 216	1,495	$ 15	$ 133,906	$ (4,306)	$ (69,479)	$ 7,278	$ 67,630	$ 1,817	$ 69,447
Net income	--	--	--	--	--	--	6,094	--	6,094	388	6,482
Other comprehensive income:											
Cumulative foreign exchange rate adjustment	--	--	--	--	--	--	--	34,130	34,130	141	34,271
Accrued pension service costs	--	--	--	--	--	--	--	(418)	(418)	--	(418)
Unrealized gain on securities	--	--	--	--	--	--	--	524	524	--	524
Total comprehensive income	--	--	--	--	--	--	--	--	40,330	529	40,859
Stock option and restricted stock compensation expense	--	--	--	--	916	--	--	--	916	--	916
Cancelation of treasury shares	--	(1)	--	--	(791)	792	--	--	--	--	--
Class A											

common stock issued for stock bonuses and options exercised	146	--	--	--	13	--	--	--	13	--	13
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	175	175
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(1,147)	(1,147)
At December 31, 2009	21,133	$ 215	1,495	$ 15	$ 134,044	$ (3,514)	$ (63,385)	$ 41,514	$ 108,889	$ 1,374	$ 110,263
Net income	--	--	--	--	--	--	(12,650)	--	(12,650)	616	(12,034)
Other comprehensive income:											
Cumulative foreign exchange rate adjustment	--	--	--	--	--	--	--	15,972	15,972	43	16,015
Accrued pension service costs	--	--	--	--	--	--	--	112	112	--	112
Unrealized loss on securities	--	--	--	--	--	--	--	(478)	(478)	--	(478)
Total comprehensive income	--	--	--	--	--	--	--	--	2,956	659	3,615
Stock option and restricted stock compensation expense	--	--	--	--	821	--	--	--	821	--	821
Purchase of treasury shares	(63)	--	--	--	--	(251)	--	--	(251)	--	(251)
Class A common stock issued for stock bonuses and options exercised	239	1	--	--	248	--	--	--	249	--	249
Deemed distribution from capital lease	--	--	--	--	(877)	--	--	--	(877)	--	(877)
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	225	225
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(1,406)	(1,406)
At December 31, 2010	21,309	$ 216	1,495	$ 15	$ 134,236	$ (3,765)	$ (76,035)	$ 57,120	$ 111,787	$ 852	$ 112,639

See accompanying notes to consolidated financial statements.

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Reading International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2010
(U.S. dollars in thousands)

	Year Ended December 31,		
	2010	**2009**	**2008**
Operating Activities			
Net income (loss)	$ (12,034)	$ 6,482	$ (16,189)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Realized (gain) loss on foreign currency translation	(59)	2,257	574
Equity earnings of unconsolidated joint ventures and entities	(1,345)	(117)	(497)
Distributions of earnings from unconsolidated joint ventures and entities	1,352	1,167	951
Loss provision on marketable securities	--	1,047	607
Loss provision on impairment of asset	2,239	3,217	4,319
Loss associated with contractual commitment	--	1,092	--
Gain on sale of assets, net	(352)	--	--
Loss on transfer of real estate held for sale to continuing operations	--	549	--
Gain on the sale of unconsolidated joint venture or entity	--	(268)	(2,450)
Gain on insurance settlement	--	--	(910)
Gain on option termination	--	(1,530)	--
Gain in other operating income	--	(2,551)	--
Gain on retirement of subordinated debt (trust preferred securities)	--	(10,714)	--
Depreciation and amortization	15,914	15,168	18,558
Amortization of prior service costs (benefit) related to pension plan	112	(418)	318
Amortization of above and below market lease	924	772	637
Amortization of deferred financing costs	1,402	775	1,235
Amortization of straight-line rent	(93)	977	1,459
Stock based compensation expense	821	916	1,976
Changes in assets and liabilities:			
(Increase) decrease in receivables	4,363	(494)	(3,152)
(Increase) decrease in prepaid and other assets	(162)	(1,712)	784
Increase in payable and accrued liabilities	115	238	2,063
Increase (decrease) in film rent payable	(1,841)	(942)	4,856
Increase (decrease) in deferred revenue and other liabilities	(1,581)	1,762	6,562
Increase in taxes payable	13,009	305	2,614
Net cash provided by operating activities	22,784	17,978	24,315
Investing Activities			
Proceeds from sale of unconsolidated joint venture	--	--	3,267
Acquisitions of real estate and leasehold interests	(5,313)	--	(51,746)
Acquisition deposit	--	(706)	2,000
Purchases of and additions to property and equipment	(14,058)	(5,686)	(23,420)
Distributions of investment in unconsolidated joint ventures and entities	229	3,336	311
Investment in unconsolidated joint ventures and entities	--	--	(372)
(Increase) decrease in restricted cash	(1,838)	1,335	(1,852)
Option proceeds		285	1,363
Purchases of marketable securities	(42)	(11,463)	--
Sale of marketable securities	30	--	--
Proceeds from insurance settlement	--	--	910
Net cash used in investing activities	(20,992)	(12,899)	(69,539)
Financing Activities			
Repayment of long-term borrowings	(15,450)	(14,888)	(9,414)
Proceeds from borrowings	23,525	1,455	74,734
Capitalized borrowing costs	(1,347)	--	(3,581)
Purchase of treasury shares	(251)	--	--
Proceeds from exercise of stock options	248	11	--
Proceeds from contributions of noncontrolling interests	225	175	--
Noncontrolling interests distributions	(1,406)	(1,147)	(1,585)
Net cash provided by (used in) financing activities	5,544	(14,394)	60,154
Effect of exchange rate on cash	2,620	3,053	(4,838)
Increase (decrease) in cash and cash equivalents	9,956	(6,262)	10,092
Cash and cash equivalents at beginning of year	24,612	30,874	20,782
Cash and cash equivalents at end of year	$ 34,568	$ 24,612	$ 30,874
Supplemental Disclosures			
Cash paid during the period for:			
Interest on borrowings, net of amounts capitalized	$ 15,133	$ 14,347	$ 18,018
Income taxes	$ 792	$ 774	$ 319
Non-Cash Transactions			
Reduction in note payable associated with acquisition purchase price adjustment	4,381	--	--

Deemed distribution	877	--	--
Capital lease asset addition	4,697	--	--
Capital lease obligation	5,573	--	--
Exchange of marketable securities for Reading International Trust I securities	--	(11,463)	--
Retirement of subordinated debt (trust preferred securities)	--	(23,634)	--
Retirement of Reading International Trust I securities	--	11,463	--
Retirement of investment in Reading International Trust I securities	--	709	--
Note payable due to Seller issued for acquisition (Note 12)	--	--	14,750

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2010

Note 1 – Nature of Business

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of RDI and its subsidiaries include the accounts of CDL, RDGE, and CRG. Also consolidated are Australia Country Cinemas Pty, Limited ("ACC"), a company in which we own a 75% interest, and whose only assets are our leasehold cinemas in Townsville and Dubbo, Australia; the Elsternwick Classic, an unincorporated joint venture in which we own a 66.6% interest and whose only asset is the Elsternwick Classic cinema in Melbourne, Australia; and the Angelika Film Center LLC ("AFC"), in which we own a 50% controlling membership interest and whose only asset is the Angelika Film Center in Manhattan.

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

- our 25% undivided interest in the unincorporated joint venture that owns 205-209 East 57 th Street Associates, LLC (*Place 57*) a limited liability company formed to redevelop our former cinema site at 205 East 57 th Street in Manhattan (as this development project is nearly completed and we have received distributions in relation to our investment, the value of our interest in this investment has diminished significantly);
- 33.3% undivided interest in the unincorporated joint venture that owns the Mt. Gravatt cinema in a suburb of Brisbane, Australia;
- our 33.3% undivided interest in Rialto Distribution, an unincorporated joint venture engaged in the business of distributing art film in New Zealand and Australia; and
- our 50% undivided interest in the unincorporated joint venture that owns Rialto Cinemas.

Management's Plans to Refinance its Australian Credit Facility

The term of our Australian Credit Facility with BOS International matures on June 30, 2011. Accordingly, the December 31, 2010 outstanding balance of this debt of $101.7 million (AUS$100.5 million) is classified as current on our balance sheet. In October 2010, we were advised by BOS International that it was curtailing lending activities in Australia, and would not be renewing our $111.3 million (AUS$110.0 million) credit facility. At December 31, 2010, we had drawn $101.7 million (AUS$100.5 million) against this facility and issued lease guarantees of $4.1 million (AUS$4.0 million) out of our total borrowing limit of $111.3 million (AUS$110.0 million) on the facility.

We have met with several of the major Australian Banks to review the proposed terms and conditions of potential new credit facilities that could replace the current expiring Australian Credit Facility. On March 9, 2011, management received a provision to finance letter from National Australia Bank confirming that it has formally approved financing of $106.3 million (AUS$105.0 million) in committed facilities for a term of three years commencing on or before June 30, 2011 to Reading Entertainment Australia. As compared to our current Australian Credit Facility which had an interest rate of approximately 1.95% above the Bank Bill Swap Bid Rate (BBSY bid rate), our new credit facility will primarily be at an interest rate of 2.90% above the BBSY bid rate. The collateral pledged as security under the new credit facility will be equivalent to that of the expiring Australian Credit Facility. The new credit facility will require annual principal payments of between $7.1 million (AUS$7.0 million) and $9.1 million (AUS$9.0 million) which will be paid from Reading Entertainment Australia operating cash flows. The covenants of the new credit facility include an EBITDA leverage multiple maintenance requirement, a fixed charge coverage ratio, a debt service cover ratio and other financial covenants designed to protect the bank's security interest in Reading Entertainment Australia. Management has evaluated the terms and conditions described above, and determined that maintaining the covenants and payment commitments over the term of the new credit facility is expected to be achievable without any material alteration to the current operating activities of Reading Entertainment Australia. Provision of financing is subject to satisfactory final loan documentation and the fulfillment of all applicable conditions precedent set out within that documentation.

We believe that we will be able to use $101.7 million (AUS$100.5 million) of the funds from the new credit facility to satisfy the principal payments due on the current Australian Credit Facility expiring on June 30, 2011. We currently have $16.6 million (AUS$16.4 million) in cash in Australia and also have borrowing capacity under our New Zealand Credit facility of $15.2 million (NZ$18.5 million) and our Bank of America line of credit of $3.0 million available to provide any necessary liquidity to our global operations.

Accounting Principles

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

Cash and Cash Equivalents

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

Receivables

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

Inventory

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

Investment in Marketable Securities

We account for investments in marketable debt and equity securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320-10 - *Investments—Debt and Equity Securities* ("ASC 320-10"). Our investment in Marketable Securities includes equity instruments that are classified as available for sale and are recorded at market using the specific identification method. In accordance with ASC 320-10, available for sale securities are carried at their fair market value and any difference between cost and market value is recorded as unrealized gain or loss, net of income taxes, and is reported as accumulated other comprehensive income in the consolidated statement of stockholders' equity. Premiums and discounts of debt instruments are recognized in interest income using the effective interest method. Realized gains and losses and declines in value expected to be other-than-temporary on available for sale securities are included in other expense. We evaluate our available for sale securities for other than temporary impairments at the end of each reporting period. During 2009, we realized a loss of $2.1 million on certain marketable securities due to an other than temporary decline in market price. This loss was later offset by a $1.1 million realized gain on exchange of marketable securities. During 2008, we realized losses of $607,000 on marketable securities due to other than temporary declines in market price. Additionally, these investments have a cumulative unrealized loss of $43,000 included in other comprehensive income at December 31, 2010. For the twelve months ended December 31, 2010, 2009, and 2008, our net unrealized gain (loss) was ($478,000), $524,000, and ($21,000), respectively. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in interest income.

Variable Interest Entity

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

We determine if an entity is a VIE under FASB ASC 810-10 based on several factors, including whether the entity's total equity investment at risk upon inception is sufficient to finance the entity's activities without additional subordinated financial support. We make judgments regarding the sufficiency of the equity at risk based first on a qualitative analysis, then a quantitative analysis, if necessary. In a quantitative analysis, we incorporate various estimates, including estimated future cash flows, asset hold periods and discount rates, as well as estimates of the probabilities of various scenarios occurring. If the entity is a VIE, we then determine whether we consolidate the entity as the primary beneficiary. We determine whether an entity is a VIE and, if so, whether it should be consolidated by utilizing judgments and estimates that are inherently subjective. If we made different judgments or utilized different

estimates in these evaluations, it could result in differing conclusions as to whether or not an entity is a VIE and whether or not to consolidate such entity. Our investments in unconsolidated entities in which we have the ability to exercise significant influence over operating and financial policies, but do not control or entities which are variable interest entities in which we are not the primary beneficiary are accounted for under the equity method.

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

Restricted Cash

We classify restricted cash as those cash accounts for which the use of funds is restricted by contract or bank covenant. At December 31, 2010 and 2009, our restricted cash balance was $2.2 million and $321,000, respectively, which was primarily funds held in escrow for our Mackie litigation settlement.

Fair Value of Financial Instruments

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

Derivative Financial Instruments

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

Property Held for and Under Development

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

Incident to the development of our Burwood property, in late 2006, we began various fill and earth moving operations. In late February 2007, it became apparent that our cost estimates with respect to site preparation were low, as the extent of the contaminated soil present at the site, a former brickworks site, was greater than we had originally believed. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of the site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2010, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $12.3 million (AUS$12.2 million) and as of that date we had incurred a total of $8.4 million (AUS$8.3 million) of these costs. In accordance with FASB ASC 410-30-25 – *Environmental Obligations*, contamination clean up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

Property and Equipment

Property and equipment consists of land, buildings and improvements, leasehold improvements, fixtures and equipment. With the exception of land, property and equipment is carried at the lower of cost or fair market value and depreciated over the useful lives of the related assets. In accordance with US GAAP, land is not depreciated.

Construction-in-Progress Costs

Construction-in-progress includes costs associated with already existing buildings, property, furniture, and fixtures for which we are in the process of improving the site or its associated business assets.

Accounting for the Impairment of Long Lived Assets

We assess whether there has been impairment in the value of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is then measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. We recorded impairment losses of approximately $2.2 million, $3.2 million, and $4.3 million relating to certain of our property under development, property held for development, and cinema locations for the years ended December 31, 2010, 2009, and 2008, respectively. The impairments reflect our estimates of fair value which were based on appraisals or a discounted income approach with market based assumptions. Our impairment calculations contain uncertainties and use significant estimates and judgments, and are based on the information available at the balance sheet date. Future economic and other events could negatively impact the evaluation and future material impairment charges may become necessary. We evaluate our joint venture investments for other than temporary impairments in accordance with FASB ASC 318-10 – *Investments—Equity Method and Joint Ventures.*

Goodwill and Intangible Assets

We use the purchase method of accounting for all business combinations. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least annually. Prior to conducting our goodwill impairment analysis, we assess long-lived assets for impairment in accordance with FASB ASC 360-15 - *Impairment or Disposal of Long-Lived Assets* ("ASC 360-15"). We then perform the impairment analysis at the reporting unit level (one level below the operating segment level) (see Note 10 – *Goodwill and Intangibles*) as defined by FASB ASC 350-35 – *Goodwill Subsequent Measurement* ("ASC 350-35"). This analysis requires management to make a series of critical assumptions to: (1) evaluate whether any impairment exists; and (2) measure the amount of impairment. We estimate the fair value of our reporting units as compared with their current book value. If the estimated fair value of a reporting unit is less than the book value, then impairment is deemed to have occurred. In estimating the fair value of our reporting units, we primarily use the income approach (which uses forecasted, discounted cash flows to estimate the fair value of the reporting unit). For the years ended December 31, 2010 and 2009, in accordance with the sale agreement of Consolidated Entertainment, the initial aggregate purchase price of the cinemas was adjusted down by $16.9 million and $226,000, respectively, resulting in a corresponding decrease in goodwill associated with the purchased cinemas. The resulting net goodwill balance associated with this transaction is $1.7 million at December 31, 2010 (see Note 8 – *Acquisitions and Assets Held for Sale*).

Discontinued Operations and Properties Held for Sale

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

A property is classified as held for sale when certain criteria, as set forth under ASC 360-15, are met. At such time, we present the respective assets and liabilities related to the property held for sale separately on the balance sheet and cease to record depreciation and amortization expense. Properties held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell. We had one property in Australia previously classified as held for sale as of and for the year ended December 31, 2008. However, that property was ultimately not sold, and as we have determined to continue to operate the property for the foreseeable future, it is no longer classified as held for sale (see Note 9 – *Transfer of Held for Sale Real Estate to Continuing Operations and Related Items*). The reclassified results for this transfer of held for sale to operating are reflected in our December 31, 2010, 2009, and 2008 Statement of Operations.

Revenue Recognition

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

Deferred Leasing/Financing Costs

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

Other Income/Expense

For the years ended December 31, 2010, 2009, and 2008, we booked gains/(losses) on the settlement of litigation of ($808,000), $3.3 million, and $2.5 million, respectively, included in other income, as a recovery of legal expenses previously included in general and administrative expenses.

Depreciation and Amortization

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

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

Translation of Non-U.S. Currency Amounts

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

The carrying value of our Australian and New Zealand assets fluctuates due to changes in the exchange rate between the U.S. dollar and the Australian and New Zealand dollars. The exchange rates of the U.S. dollar to the Australian dollar were $1.0122 and $0.8979 as of December 31, 2010 and 2009, respectively. The exchange rates of the U.S. dollar to the New Zealand dollar were $0.7687 and $0.7255 as of December 31, 2010 and 2009, respectively.

Income Taxes

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

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

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

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

Earnings per Share

Basic earnings per share is calculated using the weighted average number of shares of Class A and Class B Stock outstanding during the years ended December 31, 2010, 2009, and 2008, respectively. Diluted earnings per share is calculated by dividing net earnings available to common stockholders by the weighted average common shares outstanding plus the dilutive effect of stock options and unvested restricted stock. We had issued stock options to purchase 622,350, 589,750, and 577,850, shares of Class A Common Stock at December 31, 2010, 2009, and 2008, respectively, at a weighted average exercise price of $5.65, $5.51, and $5.60 per share, respectively. Stock options to purchase 185,100, 150,000, and 185,100 shares of Class B Common Stock were outstanding at the years ended December 31, 2010, 2009, and 2008, respectively, at a weighted average exercise price of $9.90, $10.24, and $9.90 per share, respectively. In accordance with FASB ASC 260-10 – *Earnings Per Share* ("ASC 260-10"), as we had recorded a loss from continuing operations before discontinued operations for the years ended December 31, 2010 and 2008, the effect of the stock options and restricted stock was anti-dilutive and accordingly excluded from the diluted earnings per share computation.

Real Estate Purchase Price Allocation

We allocate the purchase price to tangible assets of an acquired property (which includes land, building and tenant improvements) based on the estimated fair values of those tangible assets assuming the building was vacant. Estimates of fair value for land are based on factors such as comparisons to other properties sold in the same

geographic area adjusted for unique characteristics. Estimates of fair values of buildings and tenant improvements are based on present values determined based upon the application of hypothetical leases with market rates and terms.

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

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

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

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

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

Business Acquisition Valuations

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

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

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

Fair Value of Financial Instruments

Effective January 1, 2008, we adopted FASB ASC 820-10 – *Fair Value Measurements and Disclosures* ("ASC 820-10"). ASC 820-10 defines fair value, establishes a framework for measuring fair value in GAAP and provides for expanded disclosure about fair value measurements. ASC 820-10 applies prospectively to all other accounting pronouncements that require or permit fair value measurements. The adoption of ASC 820-10 did not have a material impact on our consolidated financial statements since it only applies to our fair value measurement of our interest rate swaps and cap and we generally do not record our other financial assets and liabilities in our consolidated financial statements at fair value.

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

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

We adopted ASC 820-10 for our non-financial assets and non-financial liabilities on January 1, 2009. The adoption of ASC 820-10 did not have a material impact to our consolidated financial statements. Assets and liabilities typically recorded at fair value on a non-recurring basis to which ASC 820-10 applies include:

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

Use of Estimates

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

Accounting Pronouncements Adopted During 2010

FASB ASU 2009-17 – Reporting on Variable Interest Entities

In December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2009-17, "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." This ASU incorporates Statement of Financial Accounting Standards (SFAS) No. 167, "Amendments to FASB Interpretation No. 46(R)," issued by the FASB in June 2009. The amendments in this ASU replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact such entity's economic performance and (i) the obligation to absorb losses of such entity or (ii) the right to receive benefits from such entity. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in variable interest entities, which enhances the information provided to users of financial statements. We adopted ASU 2009-17 effective January 1, 2010. The adoption of this ASU did not have a material impact on our financial position or results of operations.

FASB ASU 2010-06 – Fair Value Measurements

In January 2010, the FASB issued ASU 2010-06 to the Fair Value Measurements and Disclosure topic of the Accounting Standards Codification. The ASU clarifies disclosure requirements relating to the level of disaggregation of disclosures relating to classes of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value estimates for Level 2 or Level 3 assets and liabilities. These requirements of the ASU are effective for interim and annual disclosures for interim and annual reporting periods beginning after December 15, 2009. The adoption of these requirements of the ASU resulted in the disclosure by the Company of the inputs and valuation techniques used in preparing the nonrecurring fair value measurement of an impaired property for purpose of presentation in the Company's financial statements.

New Accounting Pronouncements

FASB ASU 2010-06 – Fair Value Measurements

The ASU also requires additional disclosures about the transfers of classifications among the fair value classification levels and the reasons for those changes and separate presentation of purchases, sales, issuances, and settlements in the presentation of the roll forward of Level 3 assets and liabilities. Those disclosures are effective for interim and annual reporting periods for fiscal years beginning after December 15, 2010. The adoption of this portion of the ASU is not expected to have a material effect on the Company's financial statements.

Note 3 – Stock Based Compensation and Employee Stock Option Plan

Stock Based Compensation

As part of his compensation package, Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, was granted $750,000, $500,000, and $500,000, of restricted class A non-voting common stock ("Class A Stock") for each of the years ending December 31, 2010, 2009 and 2008. The 2010, 2009, and 2008 stock grants of 174,825, 125,945 and 66,050 shares, respectively, were granted fully vested with a stock grant prices of $4.29, $3.97 and $7.57, respectively. During the year ended December 31, 2009, one-half of Mr. Cotter's 2007 stock grant vested, representing 17,518 of Class A Stock with a stock grant price of $9.99 and fair market value of $71,000. As of December 31, 2010, the 2010 stock grant had not yet been issued to Mr. Cotter. During 2010, we issued to Mr. Cotter 125,945 and 17,518 of Class A Stock for his 2009 and 2007, respectively, vested stock grants which had a stock grant price of $3.97 and $9.99 per share, respectively, and a fair value of $571,000.

On August 21, 2008, as part of their executive compensation, 37,388 shares of fully vested restricted Class A Stock were granted to three of our executives as stock bonuses having a grant date fair value of $340,000. During 2009, these shares were issued to these executives.

On February 11, 2010, $100,000 of restricted Class A Stock vested, related to Mr. Hunter's 2009 and 2008 stock grants. During 2010, we issued to Mr. Hunter 5,154 shares related to his 2009 vested stock compensation. In July 2008, Mr. Jay Laifman started with the Company as our Corporate General Counsel. As part of his compensation package, Mr. Laifman was granted $100,000 of Class A Stock or 10,638 shares with stock grant price of $9.40 upon acceptance of his

employment agreement. This stock grant had an employment-vesting period of two years. Upon his departure from our company during 2009, Mr. Laifman forfeited the unvested portion of this grant in the amount of 5,319 shares.

During the years ended December 31, 2010, 2009 and 2008, we recorded compensation expense of $754,000, $725,000, and $896,000, respectively, for the vesting of all our restricted stock grants. The following table details the grants and vesting of restricted stock to our employees (dollars in thousands):

	Non-Vested Restricted Stock	Weighted Average Fair Value at Grant Date
Outstanding – January 1, 2008	61,756	$ 524
Granted	124,385	1,040
Vested	(147,201)	(940)
Forfeited	(5,319)	(50)
Outstanding – December 31, 2008	33,621	574
Granted	125,945	500
Vested	(159,566)	(1,074)
Outstanding – December 31, 2009	--	--
Granted	174,825	750
Vested	(174,825)	(750)
Outstanding – December 31, 2010	--	$ --

On April 1, 2010, we terminated our then existing contractual relationship with Doug Osborne, at that time the chief executive officer of our Landplan real estate operations. Mr. Osborne's incentive interest in our various Landplan projects, which was valued at $0, was revoked at that time. Mr. Osborne continues to provide services to us on a non-exclusive independent contractor basis. During the years ended December 31, 2009 and 2008, we expensed $157,000 and $59,000, respectively, associated with Mr. Osborne's previous contractual interest in the properties associated with Landplan Property Partners, Pty Ltd.

Employee Stock Option Plan

We have a long-term incentive stock option plan that provides for the grant to eligible employees, directors, and consultants of incentive or nonstatutory options to purchase shares of our Class A Nonvoting Common Stock. Our 1999 Stock Option Plan expired in November 2009, and has been replaced by our new 2010 Stock Incentive Plan, which was approved by the holders of our Class B Voting Common Stock in May 2010. For the stock options exercised during the years ended December 31, 2010 and 2009, we issued for cash to employees of the corporation under this stock based compensation plan, 90,000 and 3,000 shares of Class A Stock at exercise prices of $2.76 and $3.80, respectively. During the year ended December 31, 2008, we did not issue any shares under this stock based compensation plan.

Effective January 1, 2006, we adopted ASC 718-10. ASC 718-10 requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award. This statement was adopted using the modified prospective method, which requires that we recognize compensation expense on a prospective basis for all newly granted options and any modifications or cancellations of previously granted awards. Therefore, prior period consolidated financial statements have not been restated. Under this method, in addition to reflecting compensation expense for new share-based payment awards, modifications to awards, and cancellations of awards, expense is also recognized to reflect the remaining vesting period of awards that had been included in pro-forma disclosures in prior periods. We estimate the valuation of stock based compensation using a Black-Scholes option-pricing model.

When our tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. ASC 718-10 requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the years ended December 31, 2010, 2009, and 2008, there was also no impact to the consolidated statements of cash flows because there were no recognized tax benefits during these periods.

ASC 718-10 requires companies to estimate forfeitures. Based on our historical experience, we did not estimate any forfeitures for the granted options during the years ended December 31, 2010, 2009, and 2008.

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

No options were granted during 2008. For the 157,700 and 50,000 options granted during 2010 and 2009, respectively, we estimated the fair value of these options at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	2009
Stock option exercise price	$ 5.07	$ 4.01
Risk-free interest rate	2.736%	3.309%
Expected dividend yield	--	--
Expected option life	7.23 yrs	9.60 yrs
Expected volatility	33.01%	33.74%
Weighted average fair value	$ 1.88	$ 1.98

Using the above assumptions and based on our use of the modified prospective method, we recorded $67,000, $241,000, and $640,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the years ended December 31, 2010, 2009, and 2008, respectively. The effect on earnings per share of the compensation charge was $0.00, $0.01, and $0.03 per share for the years ended December 31, 2010, 2009, and 2008, respectively. At December 31, 2010 and 2009, the total unrecognized estimated compensation cost related to non-vested stock options granted was $247,000 and $93,000, respectively, which is expected to be recognized over a weighted average vesting period of 1.37 and 1.83 years, respectively. No options were exercised in 2008. The total realized value of stock options exercised during the years ended December 31, 2010 and 2009 was $138,000 and $1,000, respectively. The grant date fair value of options that vested during the years ending December 31, 2010, 2009, and 2008 was $67,000, $241,000, and $640,000, respectively. We recorded cash received from stock options exercised of $248,000 and $11,000 during the years ended December 31, 2010 and 2009, respectively. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at December 31, 2010 and 2009 was $280,000 and $205,000, respectively, of which 70.1% and 99.0%, respectively, were currently exercisable.

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

We had the following stock options outstanding and exercisable:

	Common Stock Options Outstanding		Weighted Average Exercise Price of Options Outstanding		Common Stock Exercisable Options		Weighted Average Price of Exercisable Options	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Outstanding-January 1, 2008	577,850	185,100	$ 5.60	$ 9.90	477,850	35,100	$ 4.72	$ 8.47
No activity during the period	--	--	$ --	$ --				
Outstanding-December 31, 2008	577,850	185,100	$ 5.60	$ 9.90	525,350	110,100	$ 5.19	$ 9.67
Granted	50,000	--	$ 4.01	$ --				
Exercised	(3,000)	--	$ 3.80	$ --				
Expired	(35,100)	(35,100)	$ 5.13	$ 8.47				
Outstanding-December 31, 2009	589,750	150,000	$ 5.51	$ 10.24	534,750	150,000	$ 5.62	$ 10.24
Granted	122,600	35,100	$ 4.23	$ 8.47				
Exercised	(90,000)	--	$ 2.76	$ --				
Outstanding-December 31, 2010	622,350	185,100	$ 5.65	$ 9.90	449,750	150,000	$ 6.22	$ 10.24

The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at December 31, 2010 and 2009 were approximately 5.13 and 5.05 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at December 31, 2010 and 2009 was approximately 4.38 and 4.70, respectively.

Note 4 – Earnings (Loss) Per Share

For the three years ended December 31, 2010, we calculated the following earnings (loss) per share (dollars in thousands, except per share amounts):

	2010	2009	2008
Income (loss) from continuing operations	$ (12,655)	$ 6,036	$ (16,869)
Income from discontinued operations	5	58	60
Net income (loss) attributable to Reading International, Inc. common shareholders	$ (12,650)	$ 6,094	$ (16,809)
Weighted average shares of common stock – basic	22,781,392	22,580,942	22,477,471
Weighted average shares of common stock – diluted	22,781,392	22,767,735	22,477,471
Earnings (loss) per share:			
Earnings (loss) from continuing operations – basic and diluted	$ (0.56)	$ 0.27	$ (0.75)
Earnings from discontinued operations – basic and diluted	$ 0.00	$ 0.00	$ 0.00
Earnings (loss) per share – basic and diluted	$ (0.56)	$ 0.27	$ (0.75)

For the year ended December 31, 2009, the weighted average common stock – dilutive only included 186,793 incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock. For the years ended December 31, 2010 and 2008, we recorded losses from continuing operations. As such, the incremental shares of 174,825 shares of restricted Class A Stock and the 60,692 of exercisable in-the-money stock options in 2010 and the incremental shares of 152,520 shares of restricted Class A Stock and 233,760 of exercisable in-the-money stock options in 2008 were excluded from the computation of diluted loss per share because they were anti-dilutive in those periods. In addition, 746,758, 696,419, and 529,190 of out-of-the-money stock options were excluded from the computation of diluted earnings (loss) per share for the years ended December 31, 2010, 2009, and 2008, respectively. The total number of in-the-money stock options, out-of-the-money stock options, and unissued restricted Class A Stock that could potentially dilute basic earnings per share was 982,275, 883,212, and 915,470, for the years ended December 31, 2010, 2009, and 2008, respectively.

Note 5 – Prepaid and Other Assets

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

	December 31, 2010	December 31, 2009
Prepaid and other current assets		
Prepaid expenses	$ 1,145	$ 1,333
Prepaid taxes	1,044	686
Deposits	151	146
Other	1,196	913
Total prepaid and other current assets	$ 3,536	$ 3,078
Other non-current assets		
Other non-cinema and non-rental real estate assets	$ 1,134	$ 1,134
Long-term deposits	294	269
Deferred financing costs, net	3,830	3,661
Interest rate swaps at fair value	446	766
Other receivables	6,750	6,750
Tenant inducement asset	1,327	1,135
Straight-line rent asset	2,627	1,074
Other	128	118
Total non-current assets	$ 16,536	$ 14,907

Note 6 – Property Held For and Under Development

Property held for and under development is summarized as follows (dollars in thousands):

	December 31, 2010	December 31, 2009
Land	$ 31,689	$ 45,629
Construction-in-progress (including capitalized interest)	4,013	33,047
Property Held For and Under Development	$ 35,702	$ 78,676

The amount of capitalized interest for our properties under development was $136,000 and $5.7 million for the years ending December 31, 2009 and 2008, respectively. Subsequent to the year-ended December 31, 2008, we decided to curtail our current development progress on certain Australian and New Zealand land development projects. As a result, we did not capitalize interest on these projects during 2010 or 2009 and we will not capitalize interest for these projects until development work recommences. During 2010, we determined that we would no longer pursue the development of our Taringa properties. As such, we recorded an impairment to our investment in these properties based on the sales comparison valuation approach of $2.2 million, primarily associated with the development costs of the project. In addition, during 2008, we recorded an impairment expense relating to other development projects totaling $4.0 million as reported in our real estate segment operating income. During 2009, we recorded a contractual commitment loss of $1.1 million associated with a property for which we purchased in April 2010. The impairments and contractual commitment loss are primarily related to the impact of the economic downturn in the Australian and New Zealand economies and the timing of our purchases of those assets.

Note 7 – Property and Equipment

Property and equipment is summarized as follows (dollars in thousands):

Property and Equipment	December 31, 2010	December 31, 2009
Land	$ 64,845	$ 61,110
Building and improvements	142,077	122,784
Leasehold interests	37,262	33,716
Construction-in-progress	408	1,807
Fixtures and equipment	99,399	85,235
Total cost	343,991	304,652
Less accumulated depreciation	(123,741)	(103,903)
Property and equipment, net	$ 220,250	$ 200,749

Depreciation expense for property and equipment was $13.3 million, $12.4 million, and $16.3 million for the three years ending December 31, 2010, 2009, and 2008, respectively.

During 2008, the downturn in the Australia and New Zealand economies resulted in an impairment charge of $351,000. In 2009, the slower recovery in New Zealand led to a further impairment charge to one of our operating properties of $3.2 million as reported in our segment operating income. We did not record an impairment charge for our operating assets during 2010.

Note 8 – Acquisitions and Assets Held for Sale

2010 Acquisition and Assets Held for Sale

Manukau Land Purchase

On April 30, 2009, we entered into an agreement to purchase for $3.6 million (NZ$5.2 million) a property adjacent to our Manukau property. An initial deposit of $26,000 (NZ$50,000) was paid upon signing of the agreement, a second deposit of $175,000 (NZ$258,000) was paid in the second quarter of 2009 and a third deposit of $531,000 (NZ$773,000) was paid in August 2009. The fourth and final purchase payment of $2.9 million (NZ$4.1 million) was made on March 31, 2010 completing our acquisition of this land parcel.

Elsternwick Classic Cinema – Held for Sale

At December 31, 2010, we were in the process of selling our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner.

Lake Taupo Motel – Held for Sale

We have listed for sale the residential units of our Lake Taupo property and the adjoining 1.0-acre parcel located in Lake Taupo, New Zealand. A portion of this property was previously improved with a motel in which we recently renovated the property's units to be condominiums and have enhanced the property value with residential apartment entitlements for the adjoining vacant land.

Burwood – Held for Sale

In May 2010, we announced our intent to sell and began actively marketing our 50.6-acre Burwood development site in suburban Melbourne. The current carrying value of this property on our books is $52.8 million (AUS$52.1 million) which was reclassified during the second quarter of 2010 from property held for development to land held for sale on our consolidated balance sheet. In accordance with ASC 820-10-50, we carry this property at the lower of cost or estimated fair value less costs to sell.

2009 Acquisitions

We did not have any completed acquisitions in 2009.

2008 Acquisitions

Consolidated Entertainment Cinemas Acquisitions

In keeping with our business plan of being opportunistic in adding to our existing cinema portfolio, on February 22, 2008, we acquired 15 cinemas with 181 screens in Hawaii and California (the "Consolidated Entertainment" acquisition) from Pacific Theatres Exhibition Corp. and its affiliates (collectively, the "Sellers") for $70.2 million. The purchase price was subsequently adjusted to $46.8 million as described below under post closing adjustments, which were applied to reduce the principal amount owed under financing provided by an affiliate of the Sellers (the "Nationwide Note 1"). The financing of the transaction included $48.4 million of debt from GE Capital, net of deferred financing costs of $1.6 million, a loan of $21.0 million as evidenced by the Nationwide Note 1, and $800,000 of cash from Reading (see Note 12 – *Notes Payable* for a more complete explanation of the GE debt and the Nationwide Note 1).

The theaters and assets are located in California and Hawaii. We acquired the theaters and other assets through certain special purpose entities formed by us for this purpose. The acquired assets consist primarily of the buildings and leasehold interests in fourteen of the theaters; a management agreement with the Sellers under which we will manage one other theater (but pursuant to which we effectively bear the risk and are entitled to the benefits associated with the ownership of that theater), and furniture, fixtures, equipment and miscellaneous inventory at the theaters. The theaters contain a total of 181 screens, which compares to 286 total screens owned or operated by us immediately prior to the acquisition. The leasehold interests have current terms ranging from approximately 2 to 12 years, subject in some cases to favorable renewal options. The management agreement relating to the managed theater is for a term of approximately 4 years and entitles us to a management fee equal to the cash flow of the theater.

During the fourth quarter of 2008, we finalized our estimates of the value of the assets and liabilities acquired from this acquisition in accordance with FASB ASC 805-10 – *Business Combinations* ("ASC 805-10"). These fair value estimates of the cinema assets acquired have been allocated to the acquired tangible assets, identified intangible assets and liabilities, consisting of the value of above and below-market leases, if any, based in each case on their respective fair values at the date of acquisition. Goodwill was recorded to the extent the purchase price including certain acquisition and close costs exceeded the fair value estimates of the net acquired assets.

In accordance with the sale agreement of Consolidated Entertainment, during 2008, 2009, and 2010, the initial aggregate purchase price was adjusted down by $6.3 million, $226,000, and $16.9 million, respectively, based on contingencies established in the acquisition agreement aggregating to a net purchase price of $46.8 million resulting in corresponding decreases to the Nationwide notes which has resulted in a net December 31, 2010 note balance of $730,000 (see Note 12 – *Notes Payable*).

Our finalized purchase price allocation and 2009 and 2010 purchase price reductions are presented as follows (dollars in thousands):

	Final Allocation	2009 Purchase Price Adjustment	2010 Purchase Price Adjustment	Adjusted Purchase Price
Inventory	$ 271	$ --	$ --	$ 271
Prepaid assets	543	--	--	543
Property & Equipment:				
Leasehold improvements	19,940	--	--	19,940
Furniture and equipment	9,167	--	--	9,167
Intangibles:				
Trade name	7,220	--	--	7,220
Non-compete agreement	400	--	--	400
Below market leases	11,831	--	--	11,831
Goodwill	18,864	(226)	(16,932)	1,706
Trade payables	(123)	--	--	(123)
Above market leases	(4,164)	--	--	(4,164)
Total Purchase Price	$ 63,949	$ (226)	$ (16,932)	$ 46,791

The unaudited pro forma results of Reading International, Inc., assuming the above noted acquisition had occurred as of January 1 for purposes of the 2008 pro forma disclosures, are presented below. These unaudited pro

forma results have been prepared for comparative purposes only and include certain adjustments, such as increased depreciation and amortization expenses as a result of tangible and intangible assets acquired in the acquisition, as well as higher interest expense as a result of the debt incurred to finance the acquisition. These unaudited pro forma results do not purport to be indicative of what operating results would have been had the acquisition occurred on January 1, 2008 and may not be indicative of future operating results (dollars in thousands, except share data):

	2008
Revenue	$ 201,399
Operating income	1,750
Net loss from continuing operations	(13,610)
Basic and diluted loss per share from continuing operations	(0.61)
Weighted average number of shares outstanding – basic	22,477,471
Weighted average number of shares outstanding – dilutive	22,477,471

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

2010 Transactions

There were no transfers of held for sale real estate continuing operations or related items in 2010.

2009 Transactions

On September 16, 2008, we entered into a sale option agreement to sell our Auburn property for $28.5 million (AUS$36.0 million). During 2009, we received notice from the buyer that they intended to withdraw from the option agreement. Because of the termination of the option agreement, we recorded a gain on option termination of $1.5 million (AUS$2.0 million). As of December 31, 2008, we classified our Auburn property as held for sale, and, because of the buyer's withdrawal from the option agreement, we transferred this property to continuing operations during June 2009. As a result of the transfer of the asset from held for sale to continuing operations, we recorded a loss for 2009 of $549,000 (AUS$685,000) to measure the property at the lower of its carrying amount, adjusted for depreciation and amortization expense that would have been recognized had the asset been continuously classified as a continuing operational asset, or its fair value at the date of the decision not to sell.

The real estate held for sale assets were reclassified from assets held for sale to real estate assets and then adjusted for the loss on transfer during 2009 as follows (in thousands):

	December 31, 2008	Loss Adjustment	December 31, 2009
Assets			
Land	$ 7,395	$ --	$ 7,395
Building	13,131	(286)	12,845
Equipment and fixtures	7,364	(263)	7,101
Less: Accumulated depreciation	(7,771)	--	(7,771)
Total assets held for sale transferred to continuing operations	$ 20,119	$ (549)	$ 19,570

2008 Transactions

On June 6, 2008, we sold the Botany Downs Cinema to our joint venture partner for $3.3 million (NZ$4.3 million) resulting in a net gain on sale of an unconsolidated entity of $2.5 million (NZ$3.2 million). With the sale of the cinema, our unconsolidated joint venture debt decreased by $3.2 million (NZ$4.2 million). During 2010, we finalized our claims regarding the sale of this cinema resulting in an additional gain on sale of $384,000 (NZ554,000) for the year ended 2010 included in other income on our Consolidated Statement of Operation.

Note 10 – Goodwill and Intangible Assets

Goodwill associated with our asset acquisitions is tested for impairment at the beginning of the fourth quarter with continued evaluation through the end of the fourth quarter of every year. The fair value estimates of each of our reporting units is based on the projected profits and cash flows of the related assets using each reporting unit's

weighted average cost of capital as a discount rate. As a result of this year's test, whereby the Step 1 Test was passed for all reporting units, it was determined that there is no impairment to our goodwill as of December 31, 2010 or 2009. At December 31, 2010 and 2009, our goodwill consisted of the following (dollars in thousands):

2010	Cinema	Real Estate	Total
Balance as of January 1, 2010	$ 32,187	$ 5,224	$ 37,411
Change in goodwill due to purchase price adjustments	(16,936)	--	(16,936)
Foreign currency translation adjustment	1,060	--	1,060
Balance at December 31, 2010	$ 16,311	$ 5,224	$ 21,535

2009	Cinema	Real Estate	Total
Balance as of January 1, 2009	$ 29,740	$ 5,224	$ 34,964
Change in goodwill due to a purchase price adjustment	(226)	--	(226)
Foreign currency translation adjustment	2,673	--	2,673
Balance at December 31, 2009	$ 32,187	$ 5,224	$ 37,411

For the years ended December 31, 2010 and 2009, in accordance with the sale agreement of Consolidated Entertainment, the initial aggregate purchase price of the cinemas was adjusted down by $16.9 million and $226,000, respectively, resulting in a corresponding decrease in goodwill associated with the purchased cinemas (see Note 8 – *Acquisitions and Assets Held for Sale*).

Goodwill is tested for impairment annually or more frequently whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Historically, we have performed our annual goodwill impairment test at the beginning of the fourth quarter for all of our reporting units except for the US Cinemas reporting unit. The goodwill included in the US Cinemas reporting unit, which was created in the first quarter of 2008 as part of the Pacific Theater cinemas acquisition, was tested as of the anniversary date of such acquisition, February 22, 2009, and no impairment was indicated. During the fourth quarter of 2009, we changed the date on which we perform our annual goodwill impairment test for the US Cinemas reporting unit from February 22 to the first day of the fourth quarter to better align the annual goodwill impairment tests for our US Cinemas reporting unit with our other reporting units and our budgeting and forecasting process. We believe this change in accounting principle is to an alternative accounting principle that is preferable under the circumstances. The change in our annual goodwill impairment test date for the US Cinemas reporting unit is not intended to nor does it delay, accelerate or avoid an impairment charge nor does the change have any impact on our financial position, results of operations, or cash flows for any prior periods when applied retrospectively.

We have intangible assets subject to amortization consisting of the following (dollars in thousands):

As of December 31, 2010	Beneficial Leases	Trade name	Other Intangible Assets	Total
Gross carrying amount	$ 13,722	$ 17,678	$ 456	$ 31,856
Less: Accumulated amortization	8,074	3,354	272	11,700
Total, net	$ 5,648	$ 14,324	$ 184	$ 20,156

As of December 31, 2009	Beneficial Leases	Trade name	Option Fee	Other Intangible Assets	Total
Gross carrying amount	$ 24,079	$ 7,220	$ 2,773	$ 451	$ 34,523
Less: Accumulated amortization	6,924	2,051	2,710	183	11,868
Total, net	$ 17,155	$ 5,169	$ 63	$ 268	$ 22,655

We have intangible assets other than goodwill that are subject to amortization which are being amortized over various periods. We amortize our beneficial leases over the lease period, the longest of which is approximately 30 years; our trade name using an accelerated amortization method over its estimated useful life of 45 years; and our option fee and other intangible assets over 10 years. For the years ended December 31, 2010, 2009 and 2008, our

amortization expense was $2.6 million, $2.7 million, and $2.3 million, respectively. The estimated amortization expense in the five succeeding years and thereafter is as follows (dollars in thousands):

Year Ending December 31,	
2011	$ 2,491
2012	2,414
2013	2,238
2014	1,983
2015	1,865
Thereafter	9,165
Total future amortization expense	$ 20,156

Note 11 – Investments in and Advances to Unconsolidated Joint Ventures and Entities

Investments in and advances to unconsolidated joint ventures and entities are accounted for under the equity method of accounting except for Malulani Investments, Limited and Rialto Distribution as described below. As of December 31, 2010 and 2009, these investments in and advances to unconsolidated joint ventures and entities include the following (dollars in thousands):

		December 31,	
	Interest	2010	2009
Rialto Distribution	33.3%	--	--
Rialto Cinemas	50.0%	4,580	4,475
205-209 East 57th Street Associates, LLC	25.0%	--	207
Mt. Gravatt	33.3%	5,835	5,050
Total		$ 10,415	$ 9,732

For the years ending December 31, 2010, 2009 and 2008, we recorded our share of equity earnings (loss) from our unconsolidated joint ventures and entities as follows (dollars in thousands):

	December 31,		
	2010	2009	2008
Rialto Distribution	$ 286	$ (1,065)	$ 66
Rialto Cinemas	64	138	(301)
205-209 East 57th Street Associates, LLC	89	153	157
Mt. Gravatt	906	891	834
Berkeley Cinemas – Palms & Botany	--	--	44
Other	--	--	(303)
Total	$ 1,345	$ 117	$ 497

Malulani Investments, Limited

On June 26, 2006, we acquired for $1.8 million, an 18.4% interest in a private real estate company. On July 2, 2009, Magoon Acquisition and Development, LLC ("Magoon LLC") and we entered into a settlement agreement (the "Settlement Terms") with respect to a lawsuit against certain officers and directors of Malulani Investments, Limited ("MIL"). Under the Settlement Terms, Magoon LLC and we received $2.5 million in cash, a $6.75 million three-year 6.25% secured promissory note issued by The Malulani Group ("TMG"), and a ten-year "tail interest" in MIL and TMG in exchange for the transfer of all ownership interests in MIL and TMG held by both Magoon, LLC and RDI and for the release of all claims against the defendants in this matter. A gain on the transfer of our ownership interest in MIL of $268,000 was recognized during 2009 as a result of this transaction. The tail interest allows us to participate in certain distributions made or received by MIL, TMG, and in certain cases, the shareholders of TMG. The tail interest, however, continues only for a period of ten years and we cannot assure that we will receive any distributions from this tail interest. During 2010, we received $635,000 in interest on the promissory note.

Rialto Distribution

Effective October 1, 2005, we purchased for $694,000 (NZ$1.0 million) a 1/3 interest in Rialto Distribution. Rialto Distribution, an unconsolidated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. We own an undivided 1/3 interest in the assets and liabilities of the joint venture. Prior to January 1, 2010, we treated our interest as an equity method interest in an unconsolidated joint venture. However, during 2009, the reporting company of Rialto Distribution reported a net loss of $2.2 million (NZ$3.2 million). Our share of this loss was $734,000 (NZ$1.1 million). Due to this significant loss, we determined that the goodwill associated with Rialto Distribution's investment in the film distribution business was fully impaired. Therefore, we recorded our share of the impairment loss of $331,000 (NZ$434,000) as a part of our equity losses resulting in a net zero balance at December 31, 2009. As of January 1, 2010, we treat our interest as a cost method interest in an unconsolidated joint venture. For the year ended December 31, 2010, we received $286,000 (NZ$400,000) in distributions from our interest in Rialto Distribution which we recorded as earnings at the time of receipt.

Rialto Cinemas

Effective October 1, 2005, we purchased, indirectly, beneficial ownership of 100% of the stock of Rialto Entertainment for $4.8 million (NZ$6.9 million). Rialto Entertainment was at the time of purchase a 50% joint venture partner with Village and Sky in Rialto Cinemas, the largest art cinema circuit in New Zealand. The Village and Sky ownership interest have subsequently been sold to Greater Union, an Australian based cinema chain operator. We own an undivided 50% interest in the assets and liabilities of the joint venture and treat our interest as an equity method interest in an unconsolidated joint venture. As of December 31, 2009, following the closure of two cinemas with 6 screens, the joint venture owned three cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, and Dunedin.

205-209 East 57th Street Associates, LLC

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

The retail condominium was sold in February 2009 for approximately $3.8 million. Based on the closing statements of the sale, our share of the sales proceeds was approximately $900,000 and earnings of $304,000. On April 11, 2009, we received $1.2 million relating to our investment in the Place 57 joint venture representing a return of substantially all of our initial investment. During the fourth quarter of 2010, the last condominium was sold for $900,000 from which we recorded earnings of $64,000 and received distributions totaling $293,000. No further significant income activity is expected from this investment.

Mt. Gravatt

We own an undivided 1/3 interest in Mt. Gravatt, an unincorporated joint venture that owns and operates a 16-screen multiplex cinema in Australia. The condensed balance sheet and statement of operations of Mt. Gravatt are as follows (dollars in thousands):

Mt. Gravatt Condensed Balance Sheet Information:

	December 31,	
	2010	**2009**
Current assets	$ 1,850	$ 1,010
Noncurrent assets	3,021	2,966
Current liabilities	855	780
Noncurrent liabilities	74	54
Members' equity	3,942	3,142

Mt. Gravatt Condensed Statements of Operations Information:

	December 31,		
	2010	**2009**	**2008**
Total revenue	$ 12,909	$ 11,244	$ 10,989
Net income	2,711	2,629	2,273

Berkeley Cinemas – Botany

We previously had investments in three joint ventures with Everard Entertainment Ltd in New Zealand. On June 6, 2008, we sold our last investment in these joint ventures of the Botany Downs Cinema to our joint venture partner for $3.3 million (NZ$4.3 million) resulting in a net gain on sale of an unconsolidated entity of $2.5 million (NZ$3.2 million). With the sale of the cinema, our unconsolidated joint venture debt decreased by $3.2 million (NZ$4.2 million). During 2010, we finalized our claims regarding the sale of this cinema resulting in an additional gain on sale of $384,000 (NZ554,000) for the year ended 2010 included in other income on our Consolidated Statement of Operations. The cinema had revenue of $1.6 million (NZ$2.0 million) and net income of $178,000 (NZ$226,000) for the year ended December 31, 2008.

Combined Condensed Financial Information

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

Condensed Balance Sheet Information:

	December 31,	
	2010	2009
Current assets	$ 5,081	$ 3,151
Noncurrent assets	6,067	6,826
Current liabilities	2,826	1,529
Noncurrent liabilities	727	1,186
Member's equity	7,595	7,262

Condensed Statements of Operations Information:

	December 31,		
	2010	2009	2008
Total revenue	$ 24,944	$ 23,512	$ 24,370
Net income	4,779	3,726	3,973

Note 12 - Notes Payable

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

Name of Note Payable or Security	December 31, 2010 Interest Rate	December 31, 2009 Interest Rate	Maturity Date	December 31, 2010 Balance	December 31, 2009 Balance
Australian Corporate Credit Facility	6.31%	5.58%	June 30, 2011	$ 101,726	$ 90,239
Australian Shopping Center Loans	--	--	2010-2013	633	786
New Zealand Corporate Credit Facility	4.75%	4.35%	March 31, 2012	20,370	10,882
Trust Preferred Securities	9.22%	9.22%	April 30, 2027	27,913	27,913
US Cinemas 1, 2, 3 Term Loan	6.73%	6.73%	July 1, 2012	15,000	15,000
US GE Capital Term Loan	5.50%	6.35%	December 1, 2015	37,500	32,700
US Liberty Theaters Term Loans	6.20%	6.20%	April 1, 2013	6,727	6,862
US Nationwide Loan 1	8.50%	7.50 - 8.50%	February 21, 2013	730	20,021
US Nationwide Loan 2	8.50%	8.50%	February 21, 2011	1,839	1,693
US Sutton Hill Capital Note 1 – Related Party	N/A	10.25%	N/A	--	5,000
US Sutton Hill Capital Note 2 – Related Party	8.25%	8.25%	December 31, 2013	9,000	9,000
US Union Square Term Loan	--	6.26%	N/A	--	6,897
US Union Square Term Loan – Sun Life	5.92%	--	May 1, 2015	7,383	--
Total				$ 228,821	$ 226,993

Australia

Australian Corporate Credit Facility

During June 2008, we extended the term of our $111.3 million (AUS$110.0 million) Australian facility to June 30, 2011. Besides the extended term, the only other changes to the original agreement was that the loan requires interest only payments and our interest margin increased from 1.00% to 1.25%. At December 31, 2010, we had drawn $101.7 million (AUS$100.5 million) against this facility and issued lease guarantees of $4.1 million (AUS$4.0 million) leaving an available undrawn balance of $5.6 million (AUS$5.5 million) from our total borrowing limit of $111.3 million (AUS$110.0 million).

This credit facility is secured by substantially all of our cinema assets in Australia and is guaranteed by several of our wholly owned Australian subsidiaries. The credit facility includes a number of affirmative and negative covenants designed to protect the Bank's security interests. The most restrictive covenant of the facility is a limitation on the total amount that we are able to drawdown based on the total assets that are securing the loan. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than 70% of the loan be swapped into fixed rate obligations. For further information regarding our swap agreements, see Note 13 – *Derivative Instruments*. All interest rates above include a 1.25% interest rate margin.

As indicated above, the term of this facility with BOS International matures on June 30, 2011. Accordingly, the December 31, 2010 outstanding balance of this debt of $101.7 million (AUS$100.5 million) is classified as current on our balance sheet. In 2010, we were advised by our principal lender in Australia that it was curtailing lending activities in that country, and would not be renewing our $111.3 million (AUS$110.0 million) credit facility. On March 9, 2011, we received credit approval from National Australia Bank for a $106.3 million (AUS$105.0 million) facility that will replace our expiring Australia Corporate Credit Facility which will allow us to fully repay our $101.7 million (AUS$100.5 million) of outstanding debt.

Australian Shopping Center Loans

As part of the acquisition of the Anderson Circuit, in July 2004, we assumed the three loans on the properties of Epping, Rhodes, and West Lakes. The total amount assumed on the transaction date was $1.5 million (AUS$2.1 million) and the loans carry no interest as long as we make timely principal payments of approximately $253,000 (AUS$250,000) per year. The balance of these loans at December 31, 2010 and 2009 was $633,000 (AUS$625,000) and $786,000 (AUS$875,000), respectively. Early repayment is possible without penalty. The only recourse on default of these loans is the security on the properties. In 2009 and 2008, we did not pay $22,000 (AUS$25,000) and $140,000 (AUS$200,000), respectively, of principal payments on the West Lakes loan due to a dispute that we had with the landlord. During 2010, we resolved the dispute and paid $51,000 (AUS$51,000) in principal payments on this loan.

New Zealand

New Zealand Corporate Credit Facility

During May 2009, we extended the term of our New Zealand facility to March 31, 2012 and reduced the available borrowing amount to $35.6 million (NZ$45.0 million). The drawn balance of this loan was $20.4 million (NZ$26.5 million) at December 31, 2010. We recorded $33,000 (NZ$45,000) in deferred financing costs associated with this term extension which we amortize over the remaining life of the loan. The margin on the facility was increased to 1.45% from 1.00% and the line of credit charge increased to 0.30% from 0.20%. The loan comes due on March 31, 2012. The facility is secured by substantially all of our New Zealand assets, but has not been guaranteed by any entity other than several of our New Zealand subsidiaries. The facility includes various affirmative and negative financial covenants designed to protect the bank's security regarding capital expenditures and the repatriation of funds out of New Zealand. Also included in the restrictive covenants of the facility is the restriction of transferring funds from subsidiary to parent. Interest payments for this loan are required on a monthly basis. On December 23, 2008, we drew down $6.8 million (NZ$11.8 million) and used it to partially repay Reading International, Inc. Trust Preferred Notes during the first quarter 2009.

Domestic

Trust Preferred Securities

On February 5, 2007, we issued $51.5 million in 20-year fully subordinated notes to a trust that we control, which in turn issued $51.5 million in securities. Of the $51.5 million, $50.0 million in TPS were issued to unrelated investors in a private placement and $1.5 million of common trust securities were issued by the trust to Reading called "Investment in Reading International Trust I" on our balance sheet. The interest on the notes and preferred dividends on the trust securities carry a fixed rate for five years of 9.22% after which the interest will be based on an adjustable rate of LIBOR plus 4.00% unless we exercise our right to refix the rate at the current market rate at that time. There are no principal payments due until maturity in 2027 when the notes and the trust securities are scheduled to be paid in full. We may pay off the debt after the first five years at 100.0% of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a number of affirmative and negative covenants designed to monitor our ability to service the debt. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. However, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years in consideration of payments totaling $1.6 million, consisting of an initial payment of $1.1 million paid on January 2, 2009 and a contractual obligation to pay $270,000 in December 2011 and $270,000 in December 2014.

The private placement generated $49.9 million in net proceeds, which were used principally to make our investment in the common trust securities of $1.5 million, to retire all of our bank indebtedness in New Zealand of $34.4 million (NZ$50.0 million) and to retire a portion of our bank indebtedness in Australia of $5.8 million (AUS$7.4 million). During the years ended December 31, 2010, 2009, and 2008, we paid $2.5 million, $3.6 million, and $4.6 million, respectively, in preferred dividends to the unrelated investors that are included in interest expense. At December 31, 2010 and 2009, we had preferred dividends payable of $416,000 in each of the two years. Interest payments for this loan are required every three months.

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

Cinemas 1, 2, 3 Term Loan

On June 28, 2007, Sutton Hill Properties LLC ("SHP"), one of our consolidated subsidiaries, entered into a $15.0 million loan that is secured by SHP's interest in the Cinemas 1, 2 & 3 land and building. SHP is owned 75% by Reading and 25% by Sutton Hill Capital, LLC ("SHC"), a joint venture indirectly wholly owned by Mr. James J. Cotter, our Chairman and Chief Executive Officer, and Mr. Michael Forman. Under the terms of the credit agreement, this loan bears a fixed interest rate of 6.73% per annum payable monthly. The loan matures on July 11, 2012. No principal payments are due until maturity. SHP distributed the proceeds of the loan to Reading and to SHC in the amount of $10.6 million and $3.5 million, respectively. Because the cash flows from SHP are currently insufficient to cover its obligations, Reading and Sutton Hill Capital, LLC, have agreed to contribute the capital required to service the debt. Reading will be responsible for 75% and SHC will be responsible for 25% of such capital payments. Interest payments for this loan are required on a monthly basis.

GE Capital Term Loan

In connection with the Consolidated Entertainment acquisition described in Note 8 - *Acquisitions and Assets Held for Sale*, on February 21, 2008, our wholly-owned subsidiary, Consolidated Amusement Theatres, Inc., (now renamed Consolidated Entertainment, Inc.) as borrower ("Borrower"), and Consolidated Amusement Holdings, Inc. ("Holdings") entered into a Credit Agreement with General Electric Capital Corporation ("GE") as lender and administrative agent, and GE Capital Markets, Inc. as lead arranger, which provides Borrower with a senior secured credit facility of up to $55.0 million in the aggregate, including a revolving credit facility of up to $5.0 million and a $1.0 million sub-limit for letters of credit (the "Credit Facility"). The initial borrowings under the Credit Facility were used to finance, in part, our acquisition of the theaters and other assets described in Note 8 - *Acquisitions and Assets Held for Sale*. We

were able to borrow additional amounts under the Credit Facility for other acquisitions as permitted under the Credit Facility (and to pay any related transaction expenses), and for ordinary working capital and general corporate needs of Borrower, subject to the terms of the Credit Facility. At that time, we incurred deferred financing costs of $2.6 million related to our borrowings under this Credit Facility. The Credit Facility was due to expire on February 21, 2013 and was secured by substantially all the assets of Borrower and Holdings. During 2010 and 2009, Borrower voluntarily paid down on the loan balance by $3.2 million and $8.3 million, respectively. On December 1, 2010, GE Capital amended and restated our GE Capital Term Loan agreement (the "revised Credit Facility"), lending to Borrower an additional $8.0 million and extending the loan expiration date to December 1, 2015. We incurred deferred financing costs of $1.1 million related to our additional borrowings under the revised Credit Facility.

Borrowings under the revised Credit Facility bear interest at a rate equal to either (i) the Index Rate (defined as the higher of the Wall Street Journal prime rate and the federal funds rate plus 50 basis points), or (ii) LIBOR (as defined in the Credit Facility) with a 1.00% floor, at the election of Borrower, plus, in each case, a margin determined by reference to Borrower's Leverage Ratio (as defined in the Credit Facility) that ranges between prime rate plus 3.00% and prime rate plus 3.50%, and between LIBOR plus 4.00% and LIBOR plus 4.50%, respectively. At present, Borrower has elected to use the LIBOR plus 4.50% as our interest-borrowing rate. Borrower is required to swap no less than 50% of the original loan balance of $37.5 million for the first three years of the revised Credit Facility. Borrower elected to swap 100% of the original loan balance and contracted for swap balance step-downs that correspond with the loan's principal payments through December 31, 2013. For further information regarding our swap agreements, see Note 13 – *Derivative Instruments*.

Borrowings under the revised Credit Facility are to be repaid in twenty consecutive installments at the end of each calendar quarter in total annual amounts ranging from 10.0% to 17.5% of the original loan balance of $37.5 million at December 1, 2010. Additionally, borrowings under the revised Credit Facility may be prepaid at any time without penalty, subject to certain minimums and payment of any LIBOR funding breakage costs. Borrower is required to pay an unused commitment fee equal to 0.75% per annum on the actual daily-unused portion of the $5.0 million revolving loan facility, payable quarterly in arrears. Outstanding letters of credit under the revised Credit Facility are subject to a fee of the applicable LIBOR rate in effect per annum on the face amount of such letters of credit, payable quarterly in arrears. Borrower is required to pay standard fees with respect to the issuance, negotiation, and amendment of letters of credit issued under the letter of credit facility.

The revised Credit Facility contains other customary terms and conditions, including representations and warranties, affirmative and negative covenants, events of default and indemnity provisions. Such covenants, among other things, limit Borrower's ability to incur indebtedness, incur liens or other encumbrances, make capital expenditures, enter into mergers, consolidations and asset sales, engage in transactions with affiliates, pay dividends or other distributions and change the nature of the business conducted by Borrower.

The revised Credit Agreement contains financial covenants requiring the Borrower to maintain minimum fixed charge and interest coverage ratios and not to exceed specified maximum leverage ratios. The revised levels for the maximum leverage and minimum interest coverage covenants become stricter over the term of the Credit Facility.

The revised Credit Facility provides for customary events of default, including payment defaults, covenant defaults, cross-defaults to certain other indebtedness, certain bankruptcy events, judgment defaults, invalidity of any loan documents or liens created under the Credit Agreement, change of control of Borrower, termination of certain theater leases and material inaccuracies in representations and warranties.

Liberty Theaters Term Loan

On March 17, 2008, we entered into a $7.1 million loan agreement with a financial institution, secured by our Royal George Theatre in Chicago, Illinois and our Minetta Lane Theatre and Orpheum Theatre in New York. The loan has a 5-year term loan that accrues a 6.20% interest rate payable monthly in arrears. We incurred deferred financing costs of $527,000 related to our borrowings of this loan. The loan agreement requires only monthly principal and interest payments along with self-reported annual financial statements.

US Nationwide Loan 1

As described in greater detail in Note 8 - *Acquisitions and Assets Held for Sale*, on February 22, 2008, we acquired 15 motion picture theaters and theater-related assets from Pacific Theatres Exhibition Corp. and its affiliates (collectively, the "Sellers") for $70.2 million. The Seller's affiliate, Nationwide Theatres Corp ("Nationwide"), provided

$21.0 million of acquisition financing evidenced by a five-year promissory note (the "Nationwide Note 1") of Reading Consolidated Holdings, Inc., our wholly owned subsidiary ("RCHI"), maturing on February 21, 2013.

The Nationwide Note 1 bears interest (i) as to $4.5 million of principal at the annual rates of 7.50% for the first three years and 8.50% thereafter and (ii) as to $13.0 million of principal at the annual rates of 6.50% through July 31, 2009 and 8.50% thereafter. Accrued interest is due and payable on February 21, 2011 and thereafter on the last day of each calendar quarter, commencing on June 30, 2011. The entire principal amount is due and payable upon maturity, subject to our right to prepay at any time without premium or penalty and to the requirement that, under certain circumstances, we make mandatory prepayments equal to a portion of free cash flow generated by the acquired theaters. The loan is recourse only to RCHI and its assets, which include all of the Hawaii theaters and certain of the California theaters acquired from the Sellers and our Manville and Dallas Angelika Theaters. The inception to date accrued interest payable for this loan and the US Nationwide Loan 2 was $138,000 and included in the loan balances at December 31, 2010.

The Nationwide Note 1 was subject to certain purchase price related adjustments. At December 31, 2010, these adjustments have resulted in a net reduction in principal of $20.4 million comprised of a reduction in the amount of $6.3 million in 2008, a further reduction of $226,000 during the first quarter of 2009, an additional advance of $3.0 million in 2009 (such advance was used to pay down a portion of the GE Capital Term Loan discussed above), a $4.4 million reduction during the first quarter of 2010 in which Nationwide Theaters Corp. and Reading agreed to reduce the seller's note, and finally a $12.5 million reduction in September 2010. As a result of these reductions, the principal balance of the notes at December 31, 2010 was $730,000.

US Nationwide Loan 2

In connection with the acquisition, the Sellers also committed to loan to RDI up to $3.0 million in two draws of $1.5 million each, one of which was drawn on July 21, 2008 and the other of which may have been drawn on or before July 31, 2009. During 2010, as part of the $4.4 million note reduction of the US Nationwide Loan 1, we waived our right to draw on the second $1.5 million. The existing $1.5 million loan bears an interest rate of 8.50%, compounded annually. The loan and accrued interest are due and payable, in full, on February 21, 2011, subject to our right to prepay the loan without premium or penalty.

Sutton Hill Capital Notes 1 & 2

As part of the negotiation of the Village East Lease (see Note 26 – *Related Parties and Transactions*), we paid off the Sutton Hill Capital ("SHC") Note 1 of $5.0 million on June 30, 2010 and renegotiated the SHC Note 2 for $9.0 million. Under the new terms of the SHC Note 2, the loan has a variable annual rate equal to a Five-Year Constant Maturity United States Treasury Note rate plus 575 basis points, subject to a minimum rate of 8.25% and a maximum rate of 10% and an expiration date of December 31, 2013. No other covenants are required for this loan. This loan is unsecured.

Union Square Theatre Term Loan

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

Bank of America Line of Credit

On July 31, 2010, Bank of America extended a $3.0 million line of credit ("LOC") to RDI. The agreement is for one year and is potentially renewable at that date. The LOC carries an interest rate equal to BBA LIBOR floating plus 350 basis points margin. At December 31, 2010, we had not drawn down any of this facility.

Summary of Notes Payable

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

Year Ending December 31,	
2011	$ 108,124
2012	40,534
2013	21,994
2014	6,914
2015	23,342
Thereafter	27,913
Total future principal loan payments	$ 228,821

Since approximately $121.5 million of our total debt of $228.8 million at December 31, 2010 consisted of debt denominated in Australian and New Zealand dollars, the U.S dollar amounts of these repayments will fluctuate in accordance with the relative values of these currencies.

Note 13 – Derivative Instruments

We are exposed to interest rate changes from our outstanding floating rate borrowings. We manage our fixed to floating rate debt mix to mitigate the impact of adverse changes in interest rates on earnings and cash flows and on the market value of our borrowings. From time to time, we may enter into interest rate hedging contracts, which effectively convert a portion of our variable rate debt to a fixed rate over the term of the interest rate swap. In the case of our Australian borrowings, we are presently required to swap no less than 70% of our drawdowns under our Australian Corporate Credit Facility into fixed interest rate obligations. As of December 1, 2010, under the amended GE Capital Term Loan, we are required to swap no less than 50% of the original loan balance on that date of $37.5 million for the first three years of the loan. We elected to swap 100% of the original loan balance and have contracted for balance step-downs that correspond with the loan's principal payments through December 31, 2013. On December 3, 2010, as part of amending our GE Capital loan, we were required to cancel the existing $29.5 million hedge and replace it for a cost of $368,000.

The following table sets forth the terms of our interest rate swap derivative instruments at December 31, 2010:

Type of Instrument	Notional Amount	Pay Fixed Rate	Receive Variable Rate	Maturity Date
Interest rate swap	$ 37,500,000	1.340%	0.303%	December 31, 2013
Interest rate swap	$ 48,818,000	4.550%	5.090%	December 31, 2011
Interest rate cap	$ 26,287,000	4.550%	5.090%	December 31, 2011

In accordance with FASB ASC 815-20 - Derivatives and Hedging, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a $284,000 decrease to interest expense during 2010, a $1.4 million decrease to interest expense during 2009, and a $2.1 million increase to interest expense during 2008. At December 31, 2010, we recorded the fair market value of an interest rate swap and a cap of $440,000 as other long-term assets and an interest rate swap of $181,000 as an other long-term liability. At December 31, 2009, we recorded the fair market value of an interest rate swap and a cap of $704,000 as other long-term assets and an interest rate swap of $787,000 as an other long-term liability. In accordance with FASB ASC 815-20, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Note 14 - Income Taxes

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

	Year Ended December 31,		
	2010	2009	2008
United States	$ (1,566)	$ 10,870	$ (12,521)
Foreign	2,419	(2,821)	(4,516)
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	$ 853	$ 8,049	$ (17,037)
Net income attributable to noncontrolling interests:			
United States	(309)	(359)	(501)
Foreign	(307)	(29)	(119)
Equity earnings and gain on sale of unconsolidated subsidiary:			
United States	86	421	(146)
Foreign	1,259	(36)	3,093
Income (loss) before income tax expense	$ 1,582	$ 8,046	$ (14,710)

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

	Year Ended December 31,		
	2010	2009	2008
Current income tax expense			
Federal	$ 7,730	$ 690	$ 900
State	5,239	320	187
Foreign	1,263	942	1,012
Total	14,232	1,952	2,099
Deferred income tax expense			
Federal	--	--	--
State	--	--	--
Foreign	--	--	--
Total	--	--	--
Total income tax expense	$ 14,232	$ 1,952	$ 2,099

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

	December 31,	
Components of Deferred Tax Assets and Liabilities	2010	2009
Deferred Tax Assets:		
Net operating loss carry forwards	$ 37,824	$ 45,980
Impairment reserves	961	3,415
Alternative minimum tax carry forwards	2,993	3,752
Installment sale of cinema property	5,070	5,070
Deferred revenue and expense	3,806	2,245
Acquired and option properties	1,555	--
Other	2,304	21
Total Deferred Tax Assets	54,513	60,483
Deferred Tax Liabilities:		
Acquired and option properties	--	880
Net deferred tax assets before valuation allowance	54,513	59,603
Valuation allowance	(54,513)	(59,603)
Net deferred tax asset	$ --	$ --

In accordance with FASB ASC 740-10 – *Income Taxes* ("ASC 740-10"), we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. ASC 740-10 presumes that a valuation allowance is required when there is substantial negative evidence about realization of deferred tax assets, such as a pattern of losses in recent years, coupled with facts that suggest such losses may continue. Because of such negative evidence available for the U.S. and other countries, as of December 31, 2010, we recorded a full valuation allowance of $54.5 million.

As of December 31, 2010, we had the following U.S. net operating loss carry forwards (dollars in thousands):

Expiration Date	Amount
2025	$ 9,951
2028	1,196
2029	15,342
Total net operating loss carry forwards	$ 26,489

In addition to the above net operating loss carry forwards having expiration dates, we have the following carry forwards that have no expiration date at December 31, 2010:

- approximately $2.9 million in alternative minimum tax credit carry forwards;
- approximately $58.5 million in Australian loss carry forwards; and
- approximately $17.5 million in New Zealand loss carry forwards.

We disposed of our Puerto Rico operations during 2005 and plan no further investment in Puerto Rico for the foreseeable future. We have approximately $17.8 million in Puerto Rico loss carry forwards expiring no later than 2018. No material future tax benefits from Puerto Rico loss carry forwards can be recognized by the Company unless it re-enters the Puerto Rico market.

We expect no other substantial limitations on the future use of U.S. or foreign loss carry forwards except as may occur for certain losses occurring in Australia and New Zealand related to the Landplan operations, which may only be used to offset income and gains from those particular activities, and cannot be shared with their respective consolidated group.

U.S. income taxes have not been recognized on the temporary differences between book value and tax basis of investment in foreign subsidiaries. These differences become taxable upon a sale of the subsidiary or upon distribution of assets from the subsidiary to U.S. shareholders. We expect neither of these events will occur in the foreseeable future for any of our foreign subsidiaries.

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

	Year Ended December 31,		
	2010	2009	2008
Expected tax provision (benefit)	$ 554	$ 2,817	$ (5,149)
Reduction (increase) in taxes resulting from:			
Change in valuation allowance	(5,595)	(4,509)	4,179
Expired foreign loss carry forward	1,816	1,847	2,283
Foreign tax provision	1,262	942	1,012
Tax effect of foreign tax rates on current income	(240)	528	(464)
State and local tax provision	441	320	187
Reserve for Tax/Audit Litigation case	12,528	--	--
Effect of tax rate change	3,422	--	--
Other items	44	7	51
Actual tax provision	$ 14,232	$ 1,952	$ 2,099

Pursuant to ASC 740-10, a provision should be made for the tax effect of earnings of foreign subsidiaries that are not permanently invested outside the United States. Our intent is that earnings of our foreign subsidiaries are not permanently invested outside the United States. Current earnings were available for distribution in the Reading

Australia and Reading New Zealand consolidated groups of subsidiaries as of December 31, 2010. We have provided $373,000 in foreign withholding taxes connected with these current retained earnings.

We have accrued $26.2 million in income tax liabilities as of December 31, 2010, of which $23.9 million has been classified as income taxes payable and $2.3 million have been classified as non-current tax liabilities. As part of current tax liabilities, we have accrued $18.7 million in accordance with the cumulative probability approach prescribed by FASB ASC 740-10-25 – *Income Taxes - Uncertain Tax Positions* in connection with the "Tax/Audit Litigation" which has now been settled (see Note 19 – *Commitments and Contingencies*). We believe these amounts represent an adequate provision for our income tax exposures, including income tax contingencies related to foreign withholding taxes described in Note 15 – *Other Liabilities*.

The following table is a summary of the activity related to unrecognized tax benefits, excluding interest and penalties, for the years ending December 31, 2010, December 31, 2009, and December 31, 2008 (dollars in thousands):

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Unrecognized tax benefits – gross beginning balance	$ 11,412	$ 11,271	$ 11,417
Gross increases – prior period tax provisions	--	92	--
Gross decreases – prior period tax positions	--	--	(146)
Gross increases – current period tax positions	405	219	--
Settlements	(3,189)	--	--
Statute of limitations lapse	(570)	(170)	--
Unrecognized tax benefits – gross ending balance	8,058	11,412	11,271

We adopted FASB ASC 740-10-25 – *Income Taxes - Uncertain Tax Positions* ("ASC 740-10-25") on January 1, 2007. In connection, we record interest and penalties related to income tax matters as part of income tax expense.

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

We recorded a decrease to our gross unrecognized tax benefits of approximately $0.1 million and an increase to tax interest of approximately $0.9 million during the period January 1, 2008 to December 31, 2008, and the total balance at December 31, 2008 was approximately $14.5 million (of which approximately $3.2 million represents IRS interest). We further recorded an increase to our gross unrecognized tax benefits of approximately $0.2 million and an increase to tax interest of approximately $0.6 million during the period January 1, 2009 to December 31, 2009, and the total balance at December 31, 2009 was approximately $15.3 million (of which approximately $3.8 million represents IRS interest). Of the $11.4 million gross unrecognized tax benefit at December 31, 2009, $3.2 million would impact the effective tax rate if recognized. We further recorded a reduction to our gross unrecognized tax benefits of approximately $3.4 million and an increase to tax interest of approximately $8.8 million during the period January 1, 2010 to December 31, 2010, and the total balance at December 31, 2010 was approximately $20.6 million (of which approximately $12.6 million represents IRS interest). Of the $20.6 million gross unrecognized tax benefit at December 31, 2010, approximately $19.5 million would impact the effective tax rate if recognized.

It is difficult to predict the timing and resolution of uncertain tax positions. Based upon the Company's assessment of many factors, including past experience and judgments about future events, it is probable that within the next 12 months the reserve for uncertain tax positions will decline within a range of $5.7 million to $6.3 million. The reasons for such change include but are not limited to tax positions expected to be taken during 2011, reevaluation of current uncertain tax positions, expiring statutes of limitations, and final Tax Court judgment and disposition of the "Tax Audit/Litigation" matter discussed below.

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

Generally, changes to our federal and most state income tax returns for the calendar year 2006 and earlier are barred by statutes of limitations. Certain domestic subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. Those deficiencies have been settled, as discussed in "Tax Audit/Litigation," Note 19 – *Commitments and Contingencies*. Our income tax returns of Australia filed since

inception in 1995 are generally open for examination. The income tax returns filed in New Zealand and Puerto Rico for calendar year 2005 and afterward generally remain open for examination as of December 31, 2010.

Note 15 – Other Liabilities

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

	December 31,	
	2010	2009
Current liabilities		
Security deposit payable	$ 141	$ 136
Contractual commitment loss	--	321
Other current liabilities	$ 141	$ 457
Other liabilities		
Foreign withholding taxes	$ 5,944	$ 5,944
Straight-line rent liability	7,559	6,199
Option liability	5,637	--
Environmental reserve	1,656	1,656
Accrued pension	4,406	3,912
Interest rate swap	181	785
Acquired leases	3,264	4,042
Other payable	2,603	2,603
Other	904	711
Other liabilities	$ 32,154	$ 25,852

Village East Purchase Option

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for $5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than $100,000 each. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we recorded the Village East Cinema building as a property asset of $4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding option liability of $5.6 million presented under other liabilities (see Note 26 – *Related Parties and Transactions*).

Note 16 – Fair Value of Financial Instruments

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC 820-10 – *Fair Value Measurements and Disclosures* ("ASC 820-10"). ASC 820-10 does not establish requirements for any new fair value measurements, but it does apply to existing accounting pronouncements in which fair value measurements are already required. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. We adopted the provisions of ASC 820-10 as of January 1, 2008, for financial instruments. Although the adoption of ASC 820-10 has not materially impacted our financial condition, results of operations, or cash flow, we are now required to provide additional disclosures as part of our financial statements.

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

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

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

We used the following methods and assumptions to estimate the fair values of the assets and liabilities in the table above.

Level 1 Fair Value Measurements – are based on market quotes of our marketable securities.

Level 2 Fair Value Measurements –

Interest Rate Swaps – The fair value of interest rate swaps and cap are estimated using internal discounted cash flow calculations based upon forward interest rate curves, which are corroborated by market data, and quotes obtained from counterparties to the agreements.

Level 3 Fair Value Measurements – we do not have any assets or liabilities that fall into this category.

Impaired Property - For assets measured on a non-recurring basis, such as real estate assets that are required to be recorded at fair value as a result of an impairment, our estimates of fair value are based on management's best estimate derived from evaluating market sales data for comparable properties developed by a third party appraiser and arriving at management's estimate of fair value based on such comparable data primarily based on properties with similar characteristics. For the years ended December 31, 2010, 2009, and 2008, the fair value of our impaired properties was estimated to be $1.8 million, $4.5 million, and $48.1 million, respectively, which we used to record our impairment expense and was based on level 3 inputs in developing management's estimate of fair value.

As of December 31, 2010, we held certain items that are required to be measured at fair value on a recurring basis. These included cash equivalents, available for sale securities, and interest rate derivative contracts. Cash equivalents consist of short-term, highly liquid, income-producing investments, all of which have maturities of 90 days or less where the carrying value approximates fair value. Derivative instruments are related to our economic hedge of interest rates. Our available-for-sale securities primarily consist of investments associated with the ownership of marketable securities in Australia.

The fair values of the interest rate swap agreements are determined using the market standard methodology of discounting the future expected cash receipts or payments that would occur if variable interest rate fell above or below the strike rate of the interest rate swap agreement. The variable interest rates used in the calculation of projected receipts or payments on the interest rate swap and cap agreements are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820-10, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2010, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation and determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold.

The following items are measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820-10 at December 31, 2010 and 2009, respectively (dollars in thousands):

		Book Value		Fair Value	
Financial Instrument	**Level**	**2010**	**2009**	**2010**	**2009**
Investment in marketable securities	1	$ 2,985	$ 3,120	$ 2,985	$ 3,120
Interest rate swaps asset	2	$ 446	$ 766	$ 446	$ 766
Interest rate swaps liability	2	$ 181	$ 785	$ 181	$ 785

Financial Instruments Disclosed at Fair Value

The following table sets forth the carrying value and the fair value of our financial assets and liabilities at December 31, 2010 and 2009 (dollars in thousands):

	Book Value		Fair Value	
Financial Instrument	**2010**	**2009**	**2010**	**2009**
Cash	$ 34,568	$ 24,612	$ 34,568	$ 24,612
Accounts receivable	$ 5,470	$ 9,458	$ 5,470	$ 9,458
Restricted cash	$ 2,159	$ 321	$ 2,159	$ 321
Accounts and film rent payable	$ 21,687	$ 22,199	$ 21,687	$ 22,199
Notes payable	$ 191,908	$ 185,080	$ 173,129	$ 172,946
Notes payable to related party	$ 9,000	$ 14,000	$ N/A	$ N/A
Subordinated debt	$ 27,913	$ 27,913	$ 18,241	$ 20,416
Investment in Marketable Securities	$ 2,985	$ 3,120	$ 2,985	$ 3,120
Interest rate swaps asset	$ 446	$ 766	$ 446	$ 766
Interest rate swaps liability	$ 181	$ 785	$ 181	$ 785

For purposes of this fair value disclosure, we based our fair value estimate for notes payable and subordinated debt on our internal valuation whereby we apply the discounted cash flow method to our expected cash flow payments due under our existing debt agreements based on a representative sample of our lenders' market interest rate quotes as of December 31, 2010 for debt with similar risk characteristics and maturities.

Note 17 – Lease Agreements

Most of our cinemas conduct their operations in leased facilities. Thirteen of our eighteen operating multiplexes in Australia, four of our eight cinemas in New Zealand, and all but one of our cinemas in the United States are in leased facilities. These cinema leases have remaining terms inclusive of options of 2 to 40 years. Certain of our cinema leases provide for contingent rentals based upon a specified percentage of theater revenue with a guaranteed minimum. Substantially all of our leases require the payment of property taxes, insurance, and other costs applicable to the property. We also lease office space and equipment under non-cancelable operating leases. All of our leases are accounted for as operating leases and accordingly, we have no leases of facilities that require capitalization.

We determine the annual base rent expense of our cinemas by amortizing total minimum lease obligations on a straight-line basis over the lease terms. Base rent expense and contingent rental expense under the operating leases totaled approximately $30.9 million and $1.1 million for 2010, respectively; $27.5 million and $794,000 for 2009, respectively; and $26.0 million and $346,000 for 2008, respectively. Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following at December 31, 2010 (dollars in thousands):

	Minimum Ground Lease Payments	Minimum Premises Lease Payments	Total Minimum Lease Payments
2011	$ 3,074	$ 25,992	$ 29,066
2012	3,074	24,431	27,505
2013	3,145	21,854	24,999
2014	2,131	19,626	21,757
2015	1,095	16,981	18,076
Thereafter	17,601	59,879	77,480
Total minimum lease payments	$ 30,120	$ 168,763	$ 198,883

Since approximately $77.6 million of our total minimum lease payments of $198.9 million as of December 31, 2010 consisted of lease obligations denominated in Australian and New Zealand dollars, the U.S dollar amounts of these obligations will fluctuate in accordance with the relative values of these currencies.

Note 18 – Pension Liabilities

Supplemental Executive Retirement Plan

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

The SERP initially will be unfunded, but Reading may choose to establish one or more grantor trusts from which to pay the SERP benefits. As such, the SERP benefits are unsecured, general obligations of Reading. The SERP is administered by the Compensation Committee of the Board of Directors of Reading. In accordance with FASB ASC 715-30-05 – *Defined Benefit Pension Plans* ("ASC 715-30-05"), the initial pension benefit obligation of $2.7 million was included in our other liabilities with a corresponding amount of unrecognized prior service cost included in accumulated other comprehensive income on March 1, 2007 (see Note 24 – *Comprehensive Income (Loss)*). The initial benefit obligation was based on a discount rate of 5.75% and a compensation increase rate of 3.5%. The $2.7 million is being amortized as a prior service cost over the estimated service period of 10 years combined with an annual interest cost. For the years ended December 31, 2010, 2009 and 2008, we recognized $200,000, $160,000, and $153,000, respectively, of interest cost and $304,000 of amortized prior service cost per year. For the years ended December 31, 2010 and 2009, we recognized $0 and $20,000 of amortized net gains. The balance of the other liability for this pension plan was $3.8 million and $3.4 million at December 31, 2010 and 2009, respectively, and the accumulated unrecognized prior service costs included in other comprehensive income balance was $2.1 million and $2.1 million at December 31, 2010 and 2009, respectively. The December 31, 2010 and 2009 values of the SERP are based on a discount rate of 6.25% and 5.85%, respectively and an annual compensation growth rate of 3.50% per year.

The change in the SERP pension benefit obligation and the funded status for the year ending December 31, 2010 and 2009 are as follows (dollars in thousands):

Change in Benefit Obligation	**For the year ending December 31, 2010**
Benefit obligation at January 1, 2010	$ 3,428
Service cost	--
Interest cost	200
Actuarial loss	192
Benefit obligation at December 31, 2010	3,820
Plan assets	--
Funded status at December 31, 2010	$ (3,820)

Change in Benefit Obligation	**For the year ending December 31, 2009**
Benefit obligation at January 1, 2009	$ 2,566
Service cost	--
Interest cost	160
Actuarial gain	702
Benefit obligation at December 31, 2009	3,428
Plan assets	--
Funded status at December 31, 2009	$ (3,428)

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

	At December 31, 2010	At December 31, 2009
Noncurrent assets	$ --	$ --
Current liabilities	9	7
Noncurrent liabilities	3,811	3,421

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

	At December 31, 2010	At December 31, 2009
Unamortized actuarial (gain) loss	$ 514	$ 323
Prior service costs	1,538	1,840
Accumulated other comprehensive loss	2,052	2,163

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

Net periodic benefit cost	From January 1, 2010 to December 31, 2010	From January 1, 2009 to December 31, 2009
Service cost	$ --	$ --
Interest cost	200	160
Expected return on plan assets	--	--
Amortization of prior service costs	304	304
Amortization of net gain	--	(20)
Net periodic benefit cost	$ 504	$ 444
Other changes in plan assets and benefit obligations recognized in other comprehensive income		
Net (gain) loss	$ 192	$ 702
Prior service cost	--	--
Amortization of prior service cost	(304)	(304)
Amortization of net gain	--	20
Total recognized in other comprehensive income	$ (112)	$ 418
Total recognized in net periodic benefit cost and other comprehensive income	$ 392	$ 862

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year will be $25,000 and $304,000, respectively.

The following weighted average assumptions were used to determine the plan benefit obligations at December 31, 2010 and 2009:

	2010	2009
Discount rate	5.10%	5.85%
Rate of compensation increase	3.50%	3.50%

The following weighted-average assumptions were used to determine net periodic benefit cost for the year ended December 31, 2010 and 2009:

	2010	2009
Discount rate	5.85%	6.25%
Expected long-term return on plan assets	0.00%	0.00%
Rate of compensation increase	3.50%	3.50%

Other Pension Liabilities

In addition to the aforementioned SERP, Mr. S. Craig Tompkins has a vested interest in the pension plan originally established by Craig Corporation prior to its merger with our company of $194,000 and $192,000 at December 31, 2010 and 2009, respectively. The balance accrues interest at 30 day LIBOR and is maintained as an unfunded Executive Pension Plan obligation included in other liabilities. Additionally, as part of his employment agreement, Mr. John Hunter, our Chief Operating Officer, has a vested interest in a pension plan that currently accrues $100,000 per year and has a balance of $392,000 and $292,000 at December 31, 2010 and 2009, respectively.

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

	Pension Payments
2011	$ 9
2012	18
2013	28
2014	37
2015	48
Thereafter	4,266
Total pension payments	$ 4,406

Note 19 - Commitments and Contingencies

Unconsolidated Joint Venture Loans

The following section describes any loans associated with our investments in unconsolidated joint ventures. As these investments are unconsolidated, any associated bank loans are not reflected in our Consolidated Balance Sheet at December 31, 2010. Each loan is without recourse to any assets other than our interests in the individual joint venture.

Rialto Distribution. We are the 33.3% co-owners of the assets of Rialto Distribution. At December 31, 2010 and 2009, the total line of credit was $1.5 million (NZ$2.0 million) and $1.5 million (NZ$2.0 million), respectively, and had an outstanding balance of $653,000 (NZ$850,000) and $979,000 (NZ$1.4 million), respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

Construction Commitments

During 2008, associated with the development of our Indooroopilly, Brisbane, Australia property, we had entered into a construction agreement related to its redevelopment. Obligations under this agreement were contingent upon the completion of the services within the guidelines specified in the agreement. During 2009, we paid off the entire balance of this construction debt facility (see Note 12 - *Notes Payable*).

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") examined the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG") for its tax year ended June 30, 1997. These companies are each now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes. With respect to both of these companies, the principal focus of these audits was the treatment of the contribution by RDGE to our wholly owned subsidiary, Reading Australia, and, thereafter, the subsequent repurchase by Stater Bros. Inc. from Reading Australia, of certain preferred stock in Stater Bros. Inc. (the "Stater Stock"). The Stater Stock was received by RDGE from CRG as a part of a private placement of securities by RDGE, which closed in October 1996. A second issue involved an equipment-leasing transaction entered into by RDGE. This issue was conceded by RDGE resulting in a net tax refund.

By letters dated November 9, 2001, the IRS issued reports of examination proposing changes to the tax returns of RDGE and CRG for the years in question (the "Examination Report"). The Examination Report for each of RDGE and CRG proposed that the gains on the disposition by RDGE of Stater Stock, reported as taxable on the RDGE return,

should be allocated to CRG. As reported, the gain resulted in no additional tax to RDGE inasmuch as the gain was entirely offset by a net operating loss carry forward of RDGE. This proposed change would have caused an additional federal tax liability for CRG of approximately $20.9 million plus interest, and an additional California tax liability of approximately $5.4 million plus interest and "amnesty" penalties.

Notices of deficiency dated June 29, 2006 were received with respect to each of RDGE and CRG determining proposed deficiencies of $20.9 million for CRG and a total of $349,000 for RDGE for the tax years 1997, 1998, and 1999. In September 2006, petitions were filed with the Tax Court by CRG and RDGE disputing the proposed deficiencies.

In July 2010, CRG and the IRS agreed to file with the Tax Court a settlement of the IRS's claim against CRG. The final decision of the Tax Court was entered on January 6, 2011. In the settlement, the IRS conceded 70% of its proposed adjustment to income claimed in its notices of deficiency dated June 29, 2006. Instead of a claim for unpaid taxes of $20.9 million plus interest, the effect of settlement on the Reading consolidated group is to require a total federal income tax obligation of $5.4 million, reduced by a federal tax refund of $800,000, increased by interest of $9.3 million, for a net federal tax liability of $13.9 million as of December 31, 2010. The Company anticipates federal and state tax deductions will be available for interest paid to IRS and to state tax agencies, plus an additional federal deduction will be available for taxes paid to state tax agencies.

The impact of the settlement upon state taxes on the Reading consolidated group remains uncertain as of December 31, 2010, but if the agreed adjustment to income were reflected on state returns, it would cause a state tax obligation of approximately $4.7 million. Of this, $4.2 million would be related to California, and $0.5 million to other states. CRG's 1997 tax year remains open with respect to CRG's potential tax liability to the State of California. As of December 31, 2010, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed when a deficiency is asserted.

The decision to settle was based on various business considerations, the most prominent of which was the potential size of an adverse judgment (some $56.8 million net federal tax liability, including interest, if the case had remained unsettled as of December 31, 2010), plus state liabilities and the direct costs of trial.

Immediately before the settlement, we had accrued $6.6 million in accordance with the cumulative probability approach prescribed in Financial Accounting Standards Board Accounting Standards Codification ("ASC") 740-10-25 – Income Taxes. As a result of this settlement, we recorded an additional federal and state tax expense of $12.1 million for the year ended December 31, 2010 to increase our reserve for uncertain tax positions. As of December 31, 2010, we show the $18.7 million potential impact as current taxes payable.

Environmental and Asbestos Claims

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

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

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as a brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2010, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be $12.3 million (AUS$12.2 million) and as of that date we had incurred a total of $8.4 million (AUS$8.3 million) of these costs. We do not believe that this has added

materially to the overall development cost of the site, as much of the work will be done in connection with the excavation and other development activity already contemplated for the property.

Note 20 – Noncontrolling interests

As of December 31, 2010, the noncontrolling interests in our consolidated subsidiaries are comprised of the following:

- 50% of membership interest in Angelika Film Center LLC ("AFC LLC") owned by a subsidiary of iDNA
- 25% noncontrolling interest in Australian Country Cinemas by 21 st Century Pty, Ltd
- 33% noncontrolling interest in the Elsternwick joint venture by Champion Pictures Pty Ltd
- 25% noncontrolling interest in the Sutton Hill Properties, LLC owned by Sutton Hill Capital, LLC

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

	December 31,	
	2010	2009
AFC LLC	$ 681	$ 1,135
Australian Country Cinemas	162	255
Elsternwick unincorporated joint venture	176	139
Sutton Hill Properties	(167)	(155)
Noncontrolling interests in consolidated subsidiaries	$ 852	$ 1,374

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

	December 31,		
	2010	2009	2008
AFC LLC	$ 546	$ 606	$ 622
Australian Country Cinemas	249	152	146
Elsternwick unincorporated joint venture	59	34	31
Landplan Property Partners	--	(157)	(59)
Sutton Hill Properties	(238)	(247)	(120)
Net income attributable to noncontrolling interests	$ 616	$ 388	$ 620

Effective January 1, 2009, the Company adopted the provisions of FASB ASC 810-10-65 – *Noncontrolling Interests* ("ASC 810-10-65"). ASC 810-10-65 requires that amounts formerly reported as minority interests in the Company's consolidated financial statements be reported as noncontrolling interests. This adoption resulted in modifications to the reporting of noncontrolling interests in the Consolidated Financial Statements.

The adoption of ASC 810-10-65 had an impact on the presentation and disclosure of noncontrolling (minority) interests in our consolidated financial statements. As a result of the retrospective presentation and disclosure requirements of ASC 810-10-65, the Company is required to reflect the change in presentation and disclosure for all periods presented retrospectively.

A summary of the effect of retrospective adjustments on controlling and noncontrolling stockholders' equity are as follows (dollars in thousands):

	Reading International, Inc. Stockholders' Equity	Noncontrolling Stockholders' Equity	Total Stockholders' Equity
Equity at – January 1, 2008	$ 121,362	$ 2,835	$ 124,197
Net income (loss)	(16,809)	620	(16,189)
Increase in additional paid in capital	1,976	--	1,976
Distributions to noncontrolling stockholders	--	(1,585)	(1,585)
Accumulated other comprehensive income	(38,899)	(53)	(38,952)
Equity at – December 31, 2008	$ 67,630	$ 1,817	$ 69,447

Landplan Property Partners, Ltd

In 2006, we formed Landplan Property Partners, Ltd ("Reading Landplan") to identify, acquire, develop, or redevelop properties on an opportunistic basis in Australia and New Zealand. These properties are held in separate special purpose entities, which are collectively referred to as "Reading Landplan." The properties held through Landplan currently consist of the holdings described above as being located at Indooroopilly, Taringa, Lake Taupo (including the adjacent undeveloped parcel), and Manukau. On April 1, 2010, we terminated our then existing contractual relationship with Doug Osborne, at that time the chief executive officer of our Landplan real estate operations. Mr. Osborne's incentive interest in our various Landplan projects, which was valued at $0, was revoked at that time. Mr. Osborne continues to provide services to us on a non-exclusive independent contractor basis.

Note 21 - Common Stock

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

2010 Common Stock Activity

During 2010, we issued 148,616 shares of Class A Stock (non-voting) to certain executive employees associated with their prior years' stock bonuses. Additionally, we canceled 4,348,780 shares of Class A Stock (non-voting) held as treasury by one of our subsidiaries due to an issuance error made in 2002 associated with the consolidation of Reading Entertainment Inc. and Craig Corporation, Inc. into Reading International, Inc.

For the stock options exercised during 2010, we issued for cash to employees or directors of the corporation under our employee stock option plan 90,000 shares of Class A Stock at an exercise price of $2.76 per share.

Due to a perceived low price to our common shares, during the first quarter of 2010, we purchased 62,375 shares for a total cost of $251,000. Also, as a result of our revised Village East Cinema building lease, we recorded a deemed equity distribution of $877,000 (see Note 26 – *Related Parties and Transactions*).

2009 Common Stock Activity

During 2009, we issued 146,017 shares of Class A Stock to certain executive employees associated with their prior years' stock bonuses. Additionally, 98,949 shares of Class A Stock which were previously held as treasury shares were canceled during 2009.

For the stock options exercised during 2009, we issued for cash to an employee of the corporation under our employee stock option plan 3,000 shares of Class A Stock at an exercise price of $3.80 per share.

Note 22 – Business Segments and Geographic Area Information

During 2010, we changed our reporting for intercompany property rent where our cinema operations were substantially the only tenant of such property by eliminating the intersegment revenue and expense relating to the intercompany rent, and transferring the third party lease costs from the real estate segment to the cinema exhibition segment. This change in management's structure of the reportable segments commenced on January 1, 2010, such changes to segment reporting are reflected in the segment results for 2010, 2009, and 2008, respectively. The retroactive presentation in 2009 and 2008 segment results decreased intersegment revenue and expense for the intercompany rent by $4.4 million and $2.2 million, respectively, and transferred the third party lease costs from the real estate segment to the cinema exhibition segment. The overall results of these changes decreased real estate segment revenue and expense by $4.4 million and $2.2 million for the years ended December 31, 2009 and 2008, respectively. This change results in a reduction of real estate operating expense and an increase of cinema operating expense of $4.4 million and $2.2 million, respectively, on our Consolidated Statements of Operations for the years ended December 31, 2009 and 2008, respectively.

The table below sets forth certain information concerning our cinema operations and our real estate operations (which includes information relating to both our real estate development, retail rental and live theater rental activities) for the three years ended December 31, 2009 (dollars in thousands):

Year Ended December 31, 2010	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 211,073	$ 25,210	$ (6,466)	$ 229,817
Operating expense	178,261	8,979	(6,466)	180,774
Depreciation & amortization	10,559	4,617	--	15,176
Impairment expense	--	2,239	--	2,239
General & administrative expense	2,880	1,220		4,100
Segment operating income	$ 19,373	$ 8,155	$ --	$ 27,528

Year Ended December 31, 2009	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 201,388	$ 20,538	$ (5,241)	$ 216,685
Operating expense	165,708	7,353	(5,241)	167,820
Depreciation & amortization	10,816	3,653	--	14,469
Loss on transfer of real estate held for sale to continuing operations	--	549	--	549
Impairment expense	--	3,217	--	3,217
Contractual commitment loss	--	1,092	--	1,092
General & administrative expense	2,645	1,063	--	3,708
Segment operating income	$ 22,219	$ 3,611	$ --	$ 25,830

Year Ended December 31, 2008	Cinema Exhibition	Real Estate	Intersegment Eliminations	Total
Revenue	$ 181,188	$ 21,313	$ (5,675)	$ 196,826
Operating expense	153,064	7,451	(5,675)	154,840
Depreciation & amortization	13,702	4,219	--	17,921
Impairment expense	351	3,968	--	4,319
General & administrative expense	3,834	1,123	--	4,957
Segment operating income	$ 10,237	$ 4,552	$ --	$ 14,789

Reconciliation to net income (loss):	2010	2009	2008
Total segment operating income	$ 27,528	$ 25,830	$ 14,789
Non-segment:			
Depreciation and amortization expense	715	666	656
General and administrative expense	13,684	13,851	16,481
Other operating income	--	(2,551)	--
Operating income (loss)	13,129	13,864	(2,348)
Interest expense, net	(12,286)	(14,572)	(15,740)
Other income (expense)	(347)	(2,013)	991
Gain on sale of assets	352	(2)	--
Income (loss) from discontinued operations	5	58	60
Income tax expense	(14,232)	(1,952)	(2,099)
Equity earnings of unconsolidated joint ventures and entities	1,345	117	497
Gain on sale of unconsolidated joint venture	--	268	2,450
Gain on extinguishment of debt	--	10,714	--
Net income (loss)	$ (12,034)	$ 6,482	$ (16,189)
Net income attributable to noncontrolling interests	(616)	(388)	(620)
Net income (loss) attributable to Reading International, Inc. common shareholders	$ (12,650)	$ 6,094	$ (16,809)

Summary of assets:	2010	2009
Segment assets	$ 406,569	$ 375,628
Corporate assets	23,780	30,789
Total Assets	$ 430,349	$ 406,417

Summary of capital expenditures:	2010	2009	2008
Segment capital expenditures	$ 18,942	$ 5,584	$ 74,951
Corporate capital expenditures	429	102	215
Total capital expenditures	$ 19,371	$ 5,686	$ 75,166

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

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

	December 31,	
	2010	2009
Australia	$ 121,403	$ 101,918
New Zealand	33,809	36,278
United States	65,038	62,553
Total property and equipment	$ 220,250	$ 200,749

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

	December 31,		
	2010	2009	2008
Australia	$ 94,215	$ 80,848	$ 73,527
New Zealand	25,036	22,446	23,511
United States	110,566	113,391	99,788
Total Revenue	$ 229,817	$ 216,685	$ 196,826

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

2010	First Quarter	Second Quarter	Third[(1)] Quarter	Fourth[(1)] Quarter
Revenue	$ 58,041	$ 56,980	$ 60,589	$ 54,207
Net income (loss)	$ 568	$ (13,561)	$ 1,378	$ (419)
Net income (loss) attributable to Reading International, Inc. shareholders	$ 353	$ (13,714)	$ 1,242	$ (531)
Basic earnings (loss) per share	$ 0.02	$ (0.60)	$ 0.05	$ (0.03)
Diluted earnings (loss) per share	$ 0.02	$ (0.60)	$ 0.05	$ (0.03)
2009				
Revenue	$ 46,992	$ 54,381	$ 55,963	$ 59,349
Net income (loss)	$ (3,155)	$ 9,980	$ 3,274	$ (3,617)
Net income (loss) attributable to Reading International, Inc. shareholders	$ (3,393)	$ 9,890	$ 3,141	$ (3,544)
Basic earnings (loss) per share	$ (0.15)	$ 0.44	$ 0.14	$ (0.16)
Diluted earnings (loss) per share	$ (0.15)	$ 0.44	$ 0.14	$ (0.16)

(1) The out of period adjustments noted in Note 2 – *Summary of Significant Accounting Policies* and Note 6 –*Property Held For and Under Development* results in a net immaterial change to both net income (loss) and to net income (loss) attributable to Reading International, Inc. shareholders for the third and fourth quarters of 2009.

Note 24 - Comprehensive Income (Loss)

US GAAP requires us to classify unrealized gains and losses on equity securities as well as our foreign currency adjustments as comprehensive income. The following table sets forth our comprehensive income for the periods indicated (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Net unrealized gains/(losses) on investments			
Reclassification of realized gain on available for sale investments included in net income (loss)	$ --	$ 1,047	$ 607
Unrealized loss on available for sale investments	(478)	(523)	(628)
Net unrealized gains/(losses) on investments	(478)	524	(21)
Net income (loss)	(12,034)	6,482	(16,189)
Cumulative foreign currency adjustment	16,015	34,271	(39,249)
Accrued pension service (benefit) costs	112	(418)	318
Comprehensive income (loss)	$ 3,615	$ 40,859	$ (55,141)
Net income attributable to noncontrolling interests	(616)	(388)	(620)
Comprehensive income attributable to noncontrolling interests	(43)	(141)	53
Comprehensive income (loss) attributable to Reading International, Inc.	$ 2,956	$ 40,330	$ (55,708)

Note 25 - Future Minimum Rental Income

Real estate revenue amounted to $18.7 million, $15.3 million, and $15.6 million, for the years ended December 31, 2010, 2009 and 2008, respectively. For the year ended December 31, 2010, rental revenue includes the revenue from all of our Australia and New Zealand real estate properties and our U.S. properties of the Union Square Theatre and the Royal George Theatre.

Future minimum rental income under all contractual operating leases is summarized as follows (dollars in thousands):

Year Ending December 31,	
2011	$ 12,008
2012	9,592
2013	6,194
2014	4,215
2015	3,815
Thereafter	27,142
Total future minimum rental income	$ 62,966

Note 26 – Related Parties and Transactions

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the leasing with an option to purchase of certain cinemas located in Manhattan. 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 Michael Forman and of which Mr. Cotter is the managing member. During 2010, 2009 and 2008, we paid rent to SHC in the amount of $547,000, $487,000, and $487,000, respectively.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for $5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than $100,000 each. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we recorded the Village East Cinema building as a property asset of $4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding capital lease liability of $5.6 million presented under other liabilities (see Note 15 – *Other Liabilities*). This resulted in a deemed equity distribution of $877,000.

In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying the Cinemas 1, 2 & 3 in Manhattan. In connection with that transaction, we agreed to grant 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 2010, OBI Management earned $416,000, which was 24.2% of net cash flows for the year. In 2009, OBI Management earned $325,000, which was 28.3% of net cash flows for the year. In 2008, OBI Management earned $428,000, which

was 23.8% 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. During 2004, an affiliate of Mr. James J. Cotter and Michael Forman have a 25% investment in the play, *I Love You, You're Perfect, Now Change*, playing in one of our auditoriums at our Royal George Theatre until March 2006. We similarly had a 25% investment in the play. The play earned for us $0, $0, and $2,000 during the years ended December 31, 2010, 2009 and 2008, respectively. This investment received board approval from our Conflicts Committee on August 12, 2002.

During 2008, we had a 37.4% investment in a show that played at our Minetta Lane Theatre from February to July 2008. The operations from the play resulted in a net loss to us of $304,000. No changes to this investment were recorded during 2010 or 2009.

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.

Note 27 – Subsequent Events

Australia Corporate Credit Facility

On March 9, 2011, we received credit approval from National Australia Bank for a $106.3 million (AUS$105.0 million) facility that will replace our expiring Australia Corporate Credit Facility which will allow us to fully repay our $101.7 million (AUS$100.5 million) of outstanding debt.

Schedule II – Valuation and Qualifying Accounts

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at end of year
Allowance for doubtful accounts				
Year-ended December 31, 2010 – Allowance for doubtful accounts	$ 207	$ 69	$ 218	$ 58
Year-ended December 31, 2009 – Allowance for doubtful accounts	$ 397	$ 142	$ 332	$ 207
Year-ended December 31, 2008 – Allowance for doubtful accounts	$ 382	$ 115	$ 100	$ 397
Tax valuation allowance				
Year-ended December 31, 2010 – Tax valuation allowance	$ 59,603	$ --	$ 5,090	$ 54,513
Year-ended December 31, 2009 – Tax valuation allowance	$ 59,938	$ --	$ 335	$ 59,603
Year-ended December 31, 2008 – Tax valuation allowance	$ 57,210	$ 2,728	$ --	$ 59,938

Item 9 – Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A — Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f), including maintenance of (i) records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, and (ii) policies and procedures that provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (b) our receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors and (c) we will prevent or timely detect unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of the inherent limitations of any system of internal control. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses of judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper overriding of controls. As a result of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on our evaluation under the COSO framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2010. The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Disclosure Controls and Procedures

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A Disclosure Committee consisting of the principal accounting officer, general counsel, chief communication officer, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(e) and 15d – 15(e) as of the end of the period covered by this report.

Changes in Internal Controls Over Financial Reporting

Except as noted below, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Subsequent to September 30, 2010, we determined that the material control weaknesses that existed at December 31, 2009 and September 30, 2010 relating to non-routine foreign transactions and straight-line rent, respectively, had been remediated. As a result, we materially changed our system of internal controls over financial reporting regarding non-routine foreign transactions. We implemented an enhanced management review of significant foreign transactions and an enhanced management review of foreign contracts and agreements. Additionally, to address the design deficiency in straight-line rent internal controls that existed at September 30, 2010, we provided training to our personnel who perform the straight-line rent calculations, and we implemented an enhanced management review of the straight-line rent calculations and account balances. We believe that these enhanced procedures provide appropriate internal controls over financial reporting and improve our ability to identify potential accounting issues prior to and during the comprehensive review of our consolidated financial statements.

Management believes these changes, which were implemented during the year ending December 31, 2010, have remediated the control weaknesses that led to the material weaknesses discussed above. Such remediation was completed and tested by us and such enhanced internal controls over financial reporting were subject to our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2010.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Reading International, Inc.
Commerce, California

We have audited Reading International, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2010, of the Company and our report dated March 15, 2011 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the current maturity of the Company's Australia Corporate Credit Facility.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
March 15, 2011

PART III

Items 10, 11, 12, 13 and 14

Information required by Part II (Items 10, 11, 12, 13 and 14) of this From 10-K is herby incorporated by reference from the Reading International, Inc.'s definitive Proxy Statement for its 2010 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

PART IV

Item 15 – Exhibits, Financial Statement Schedules

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

1. *Financial Statements*

The following financial statements are filed as part of this report under Item 8 – *Financial Statements and Supplementary Data* .

2. *Financial Statements and Schedules for the years ended December 31, 2010, 2009 and 2008*

(b) *Exhibits Required by Item 601 of Regulation S-K*

See Item (a)3. above.

(c) *Financial Statement Schedule*

See Item (a)2. above.

Following are financial statements and notes of Mt. Gravatt Cinemas Joint Venture for the periods indicated. We are required to include in our Report on Form 10-K audited financial statements for the year ended December 31, 2010 and unaudited financial statements for the years ended December 31, 2009 and 2008.

Mt. Gravatt Cinemas Joint Venture
Income Statement
For the Year Ended December 31, 2010

In AUS$	Note	2010	2009 (unaudited)	2008 (unaudited)
Revenue from rendering services	5	$ 10,378,232	$ 10,459,016	$ 9,229,454
Revenue from sale of concession		3,646,982	3,732,980	3,664,757
Total revenue		$ 14,025,214	$ 14,191,996	$ 12,894,211
Cost of concession		(913,716)	(963,084)	(1,022,055)
Depreciation and amortization expenses	8	(573,224)	(613,175)	(682,943)
Personnel expenses	6	(2,084,251)	(1,963,946)	(1,858,654)
Film expenses		(4,200,089)	(4,181,253)	(3,628,015)
Occupancy expenses		(1,413,895)	(1,399,618)	(1,436,093)
House expenses		(1,182,071)	(1,075,082)	(909,990)
Advertising and marketing costs		(325,214)	(244,086)	(297,594)
Management fees		(243,290)	(273,958)	(237,635)
Repairs and maintenance expense		(163,994)	(175,338)	(187,539)
Results for operating activities		$ 2,925,470	$ 3,302,456	$ 2,633,693
Finance income		19,522	16,047	33,400
Net finance income(expense)	7	$ 19,522	$ 16,047	$ 33,400
Profit for the period		$ 2,944,992	$ 3,318,503	$ 2,667,093
Other comprehensive income				
Other comprehensive income for the period		--	--	--
Total comprehensive income for the period		$ 2,944,992	$ 3,318,503	$ 2,667,093

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture
Statement of Changes in Members' Equity
For the Year Ended December 31, 2010

In AUS$	Reading Exhibition Pty Ltd	Village Roadshow Exhibition Pty Ltd	Birch Carroll & Coyle Limited	Total
Members' Equity at January 1, 2008 (Unaudited)	$ 1,521,061	$ 1,521,061	$ 1,521,063	$ 4,563,185
Member distributions	(1,170,000)	(1,170,000)	(1,170,000)	(3,510,000)
Total other comprehensive income	--	--	--	--
Profit for the period	889,031	889,031	889,031	2,667,093
Total comprehensive income for the period	889,031	889,031	889,031	2,667,093
Members' Equity at December 31, 2008 (Unaudited)	$ 1,240,092	$ 1,240,092	$ 1,240,094	$ 3,720,278
Member distributions	(1,180,000)	(1,180,000)	(1,180,000)	(3,540,000)
Total other comprehensive income	--	--	--	--
Profit for the period	1,106,168	1,106,168	1,106,167	3,318,503
Total comprehensive income for the period	1,106,168	1,106,168	1,106,167	3,318,503
Members' Equity at December 31, 2009 (Unaudited)	$ 1,166,260	$ 1,166,260	$ 1,166,261	$ 3,498,781
Member distributions	(850,000)	(850,000)	(850,000)	(2,550,000)
Total other comprehensive income	--	--	--	--
Profit for the period	981,664	981,664	981,664	2,944,992
Total comprehensive income for the period	981,664	981,664	981,664	2,944,992
Members' Equity at December 31, 2010	$ 1,297,924	$ 1,297,924	$ 1,297,925	$ 3,893,773

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture
Statement of Financial Position
As at December 31, 2010

In AUS$	Note	2010	2009 (unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	11	$ 1,502,309	$ 779,300
Trade receivables	10	89,596	97,359
Inventories	9	235,519	138,682
Other receivables	10	--	109,099
Total current assets		$ 1,827,424	$ 1,124,440
Property, plant and equipment	8	2,984,116	3,302,760
Total non-current assets		$ 2,984,116	$ 3,302,760
Total assets		$ 4,811,540	$ 4,427,200
Current Liabilities			
Trade and other payables	13	650,503	691,224
Employee benefits	12	104,614	70,218
Deferred revenue	14	89,858	106,816
Total current liabilities		$ 844,975	$ 868,258
Employee benefits	12	72,792	60,161
Total non-current liabilities		$ 72,792	$ 60,161
Total liabilities		$ 917,767	$ 928,419
Net assets		$ 3,893,773	$ 3,498,781
Equity			
Contributed equity		$ 202,593	$ 202,593
Retained earnings		3,691,180	3,296,188
Total equity		$ 3,893,773	$ 3,498,781

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture
Statement of Cash Flows
For the Year Ended December 31, 2009

In AUS$	Note	2010	2009 (unaudited)	2008 (unaudited)
Cash flows from operating activities				
Cash receipts from customers		$ 15,424,727	$ 15,605,549	$ 14,189,517
Cash paid to suppliers and employees		(11,905,889)	(11,768,067)	(11,020,524)
Cash generated from operations		$ 3,518,838	$ 3,837,482	$ 3,168,993
Net cash from operating activities	18	$ 3,518,838	$ 3,837,482	$ 3,168,993
Cash flows from investing activities				
Acquisition of property, plant and equipment	8	(265,351)	(469,852)	(231,156)
Interest received	7	19,522	16,047	33,400
Net cash from investing activities		$ (245,829)	$ (453,805)	$ (197,756)
Cash flows from financing activities				
Distributions to Joint Venturers		(2,550,000)	(3,540,000)	(3,510,000)
Net cash from financing activities		$ (2,550,000)	$ (3,540,000)	$ (3,510,000)
Net increase (decrease) in cash and cash equivalents		723,009	(156,323)	(538,763)
Cash and cash equivalents at 1 January		779,300	935,623	1,474,386
Cash and cash equivalents at 31 December	11	$ 1,502,309	$ 779,300	$ 935,623

The accompanying notes are an integral part of these financial statements.

Mt. Gravatt Cinemas Joint Venture
Notes to Financial Statements
December 31, 2009

1. Reporting Entity

Mt. Gravatt Cinemas Joint Venture (the "Joint Venture") is a legal joint venture between Birch Carroll & Coyle Limited, Village Roadshow Exhibition Pty Ltd and Reading Exhibition Pty Ltd. The Joint Venture is domiciled and provides services solely in Australia. The address of the Joint Venture's registered office is 49 Market Street, Sydney NSW 2000. The Joint Venture primarily is involved in the exhibition of motion pictures in cinemas.

The joint venture is to continue in existence until the Joint Venture is terminated and associated underlying assets have been sold and the proceeds of sale distributed upon agreement of the members. All distributions of earnings are required to be agreed upon and distributed evenly to the three Joint Venturers. The three Joint Venturers will evenly contribute any future required contributions.

2. Basis of Presentation

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board.

The financial year end of the Joint Venture is 30 June. For purposes of the use of these financial statements by one of the Joint Venturers, these financial statements have been prepared on a 12-month period basis ending on 31 December.

The financial statements were approved by the Management Committee on 15th March, 2011.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 4.

(c) Functional and Presentation Currency

These financial statements are presented in Australian dollars, which is also the Joint Venture's functional currency. Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated.

(d) Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 15 financial instruments.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Joint Venture has not elected to early adopt any accounting standards and amendments. See note 3(n).

(a) Financial Instruments

Non-derivative financial instruments comprise trade receivables, cash and cash equivalents, and trade payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Joint Venture becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Joint Venture's contractual rights to the cash flows from the financial assets expire or if the Joint Venture transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Joint Venture commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Joint Venture's obligations specified in the contract expire, are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Joint Venture's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(k).

(b) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Costs also may include purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Joint Venture and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	Shorter of estimated useful life and term of lease
Plant and equipment	3 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(c) Leased Assets

Leases in which the Joint Venture assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Joint Venture's statement of financial position.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against the relevant asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial Assets

The carrying amounts of the Joint Venture's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Employee Benefits

(i) Long-Term Employee Benefits

The Joint Venture's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted.

(ii) Termination Benefits

Termination benefits are recognised as an expense when the Joint Venture is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Joint Venture has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Short-Term Benefits

Liabilities for employee benefits for wages, salaries, and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Joint Venture expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(g) Provisions

A provision is recognised if, as a result of a past event, the Joint Venture has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Contributed Equity

The Joint Venture is comprised of three parties who share an equal ownership over the Joint Venture. The Contributed Equity amount represents the initial investment in the partnership. Distributions to the partners are made on behalf of the Joint Venture and are recognised through retained earnings.

(i) Revenue

(i) Rendering of Service/Sale of Concessions

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and value rebates. Revenues are generated principally through admissions and concession sales with proceeds received in cash at the point of sale. Service revenue also includes product advertising and other ancillary revenues which are recognized as income in the period earned. The Joint Venture recognizes payments received attributable to the advertising services provided by the Joint Venture under certain vendor programs as revenue in the period in which services are delivered.

(ii) Customer Loyalty Programme

The cinema operates a loyalty programme where customers accumulate points for purchases made which entitles them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of the revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

(j) Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease on a basis that is representative of the pattern of benefit derived from the leased property.

(k) Finance Income and Expenses

Finance income comprises interest income on cash held in financial institutions. Interest income is recognised as it accrues in profit or loss using the effective interest method.

(l) Taxes

(i) Goods and Service Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(ii) Income Tax

Under applicable Australian law, the Joint Venture is not subject to tax on earnings generated. Accordingly the Joint Venture does not recognise any income tax expense, or deferred tax balances. Earnings of the Joint Venture are taxed at the Joint Venturer level.

(m) Film Expense

Film expense is incurred based on a contracted percentage of box office results for each film. The Joint Venture negotiates terms with each film distributor on a film-by-film basis. Percentage terms are based on a sliding scale, with the Joint Venture subject to a higher percentage of box office results when the film is initially released and declining each subsequent week. Different films have different rates dependent upon the expected popularity of the film, and forecasted success.

(n) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2010, but have not been applied in preparing this financial report:

- IFRS 9 Financial Instruments includes requirements for the classification and measurement of the financial assets resulting from the first part of Phase 1 of the project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 will become mandatory for the Company's 31 December 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 December 2011 or earlier. The Company has not yet determined the potential effect of the standard.

- IAS 24 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Company's 31 December 2012 financial statements, are not expected to have any impact on the financial statements.

The Joint Venture does not consider that any other standards or interpretations issued by the IASB or the IFRIC, either applicable in the current year or not yet applicable, have, or will have, a significant impact on the financial statements.

(o) Amounts paid or payable to the auditor

The amounts paid or payable to the auditor for the audit of these financial statements has been borne by one of the Joint Venturers for which these financial statements have been prepared. The auditor provided no non-audit service in the current or prior periods disclosed.

4. Determination of Fair Values

A number of the Joint Venture's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Revenue from rendering services

In AUS$	2010	2009 (unaudited)	2008 (unaudited)
Box office revenue	$ 9,659,151	$ 9,724,095	$ 8,472,215
Screen advertising	251,325	264,406	263,813
Other cinema services	467,756	470,515	493,426
Revenue from rendering of services	$ 10,378,232	$ 10,459,016	$ 9,229,454

6. Personnel Expenses

In AUS$	2010	2009 (unaudited)	2008 (unaudited)
Wages and salaries	$ 1,987,041	$ 1,904,805	$ 1,819,325
Employee annual leave	67,604	49,927	21,163
Employee long-service leave	29,606	9,214	18,166
Total personnel expenses	$ 2,084,251	$ 1,963,946	$ 1,858,654

7. Finance Income

In AUS$	2010	2009 (unaudited)	2008 (unaudited)
Interest income on bank balances:	19,522	16,047	33,400
	$ 19,522	$ 16,047	$ 33,400

8. Property, Plant, and Equipment

In AUS$	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Cost				
Balance at January 1, 2009 (unaudited)	8,901,730	2,566,704	--	11,468,434
Additions/(Transfers) (unaudited)	469,852	--	--	469,852
Balance at December 31, 2009 (unaudited)	$ 9,371,582	$ 2,566,704	$ --	$ 11,938,286
Balance at January 1, 2010 (unaudited)	9,371,582	2,566,704	--	11,938,286
Additions/(Transfers)	--	--	265,351	265,351
Disposals	(24,576)	--	--	(24,576)
Balance at December 31, 2010	$ 9,347,006	$ 2,566,704	$ 265,351	$ 12,179,061

In AUS$	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Depreciation				
Balance at January 1, 2009 (unaudited)	(7,234,765)	(787,586)	--	(8,022,351)
Depreciation and amortization for the year (unaudited)	(521,938)	(91,237)	--	(613,175)
Balance at December 31, 2009 (unaudited)	$ (7,756,703)	$ (878,823)	$ --	$ (8,635,526)
Balance at January 1, 2010 (unaudited)	(7,756,703)	(878,823)	--	(8,635,526)
Depreciation and amortization for the year	(481,988)	(91,236)	--	(573,224)
Disposals	13,805	--	--	13,805
Balance at December 31, 2010	$ (8,224,886)	$ (970,059)	$ --	$ (9,194,945)

In AUS$	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Carrying amounts				
At January 1, 2009 (unaudited)	1,666,965	1,779,118	--	3,446,083
At December 31, 2009 (unaudited)	1,614,879	1,687,881	--	3,302,760
At January 1, 2010 (unaudited)	1,614,879	1,687,881	--	3,302,760
At December 31, 2010	1,122,120	1,596,645	265,351	2,984,116

9. Inventories

In AUS$	2010 (audited)	2009 (unaudited)
Concession stores at cost	235,519	138,682
	$ 235,519	$ 138,682

During the year ended 31 December 2010, the write-down of inventories to net disposable value amounted to $0 (2009: $0 (unaudited)).

10. Trade and Other Receivables

In AUS$	Note	2010 (audited)	2009 (unaudited)
Trade receivables	15	$ 89,596	$ 97,359
Prepayments and other receivables		--	109,099
		$ 89,596	$ 206,458

The Joint Venture's trade receivables relate mainly to the Joint Venture's screen advertiser and credit card companies.

The Joint Venture's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 15.

11. Cash and Cash Equivalents

In AUS$	Note	2010 (audited)	2009 (unaudited)
Cash at bank and on hand	15	1,502,309	779,300
Cash and cash equivalents in the statement of cash flows		$ 1,502,309	$ 779,300

The Joint Venture's exposure to interest rate risk is disclosed in Note 15.

12. Employee Benefits

Current

In AUS$	2010	2009 (unaudited)
Liability for annual leave	$ 73,016	$ 53,647
Liability for long-service leave	31,598	16,571
	$ 104,614	$ 70,218

Non-current

In AUS$	2010	2009 (unaudited)
Liability for long-service leave	72,792	60,161
	$ 72,792	$ 60,161

13. Trade and Other Payables

In AUS$	Note	2010	2009 (unaudited)
Trade payables		$ 357,155	$ 340,213
Non-trade payables and accruals		293,348	351,011
	15	$ 650,503	$ 691,224

The Joint Venture's exposure to liquidity risk related to trade and other payables is disclosed in note 15. Trade payables represents payments to trade creditors. The Joint Venture makes these payments through the managing party's shared service centre and is charged a management fee for these services. Disclosure regarding the management fee is made in note 19.

14. Deferred Revenue

In AUS$	2010	2009 (unaudited)
Deferred revenue	89,858	106,816
	$ 72,792	$ 60,161

Deferred revenue mainly consists of advance funds received from vendors for the exclusive rights to supply certain concession items. Revenue is released over the term of the related contract on a straight-line basis and is classified as service revenue.

15. Financial Instruments

(a) Overview

This note presents information about the Joint Venture's exposure to financial risks, its objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Joint Venture's activities expose it to the following financial risks:

- credit risk;
- liquidity risk; and

- market risk.

(b) Risk management framework

The Joint Venturers' have overall responsibility for the establishment and oversight of the risk management framework and are also responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyze the risks faced by the Joint Venture to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Joint Venture's activities. The Joint Venture, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Joint Venturers' oversee how management monitors compliance with the Joint Venture's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Joint Venture.

There were no changes in the Joint Venture's approach to capital management during the year.

(c) Credit risk

Credit risk is the risk of financial loss to the Joint Venture if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Joint Venture's receivables from customers.

The Joint Venture's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Joint Venture's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customers that are graded as "high risk" are placed on a restricted customer list, and monitored by the Joint Venturers.

The Joint Venture operates under the managing Joint Venturer's credit policy under which each new customer is analyzed individually for creditworthiness before the Joint Venture's standard payment and delivery terms and conditions are offered. The Joint Venture's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. These limits are reviewed periodically. Customers that fail to meet the Joint Venture's benchmark creditworthiness may transact with the Joint Venture only on a prepayment basis.

Exposure to Credit Risk

The carrying amount of the Joint Venture's financial assets represents the maximum credit exposure. The Joint Venture's maximum exposure to credit risk at the reporting date was:

		Carrying Amount	
In AUS$	Note	2010	2009 (unaudited)
Trade receivables	10	$ 89,596	$ 97,359
Cash and cash equivalents	11	1,502,309	779,300

The Joint Venture's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
In AUS$	**2010**	**2009 (unaudited)**
Screen advertisers	$ 74,250	$ 60,669
Credit card companies	8,066	17,833
Games, machine and merchandising companies	7,280	18,857
	$ 89,596	$ 97,359

Impairment losses

None of the Company's trade receivables are past due (2009: $nil (unaudited)). The carrying value of such receivables at 31 December 2010 were $89,596 (2009: $97,359 (unaudited)). There were no allowances for impairment at 31 December 2010 or 2009.

(d) Liquidity risk

Liquidity risk is the risk that the Joint Venture will encounter difficulties in meeting its financial obligations as they fall due. The Joint Venture's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Joint Venture's reputation.

The only financial liabilities are trade and other payables all of which are contractually due within 6 months. The carrying value of such liabilities at 31 December 2010 is $650,503 (2009: $691,224 (unaudited)).

(e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Joint Venture's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Joint Venture is not subject to market risks relating to foreign exchange rates or equity prices. Furthermore, the Joint Venture does not use derivative, financial instruments to hedge fluctuations in interest rates.

Interest rate risk

At the reporting date the interest rate profile of the Joint Venture's interest-bearing financial instruments was:

Variable rate instruments	Carrying amount	
In AUS$	**2010**	**2009 (unaudited)**
Cash at bank	$ 1,450,849	$ 637,001

The Joint Venture held no fixed rate instruments during financial years 2010 or 2009.

(f) Fair Values

Fair Values versus Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31, 2010		December 31, 2009 (unaudited)	
In AUS$	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	$ 89,596	$ 89,596	$ 97,359	$ 97,359
Cash and cash equivalents	1,502,309	1,502,309	779,300	779,300
Trade and other payables	650,503	650,503	691,224	691,224

The basis for determining fair values is disclosed in Note 4.

16. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

In AUS$	December 31, 2010	December 31, 2009 (unaudited)
Less than one year	$ 1,458,144	$ 1,457,440
Between one and five years	5,832,577	5,829,762
More than five years	4,318,504	5,773,860
Total	$ 11,609,225	$ 13,061,062

The Joint Venture leases the cinema property under a long term operating lease.

17. Contingencies and Capital Commitments

The nature of the Joint Venture's operations results in claims for personal injuries (including public liability and workers compensation) being received from time to time. As at period end there were no material current or ongoing outstanding claims.

The Joint Venture has no capital commitments at 31 December 2010 (2009: $nil (unaudited)).

18. Reconciliation of Cash Flows from Operating Activities

In AUS$	Note	2010	2009 (unaudited)	2008 (unaudited)
Cash flows from operating activities				
Profit for the period		$ 2,944,992	$ 3,318,503	$ 2,667,093
Adjustments for:				
Depreciation and amortization	8	573,224	613,175	682,943
Interest received	7	(19,522)	(16,047)	(33400)
Loss on disposal of property, plant, and equipment	8	10,771		
Operating profit before changes in working capital		$ 3,509,465	$ 3,915,631	$ 3,316,636
Change in trade receivables	10	7,763	(5,647)	5,885
Change in inventories	9	(96,837)	(23,052)	(27,313)
Change in prepayments and other receivables	10	109,099	(108,185)	(380)
Change in trade and other payables	13	(40,721)	10,754	(114,263)
Change in employee benefits	12	47,027	4,694	2,544
Change in deferred revenue	14	(16,958)	43,287	(14,116)
Net cash from operating activities		$ 3,518,838	$ 3,837,482	$ 3,168,993

19. Related Parties

Entities with joint control or significant influence over the Joint Venture.

The managing Joint Venturer is paid an annual management fee, which is presented separately in the statement of comprehensive income. The management fee paid is as per the Joint Venture agreement and is to cover the costs of the managing Joint Venturer for managing and operating the cinema complex and providing all relevant accounting and support services. The management fee is based on a contracted base amount, increased by the Consumer Price Index for the City of Brisbane as published by the Australian Bureau of Statistics on an annual basis. Such management fee agreement is binding over the life of the agreement which shall continue in existence until the Joint Venture is terminated under agreement by the Joint Venturers.

As of 31 December 2010 the management fee payable was $24,116 (2009: $23,576 (unaudited)).

20. Subsequent Events

Subsequent to 31 December 2010, there were no events which would have a material effect on the financial report.

Independent Auditors' Report

The Management Committee and Joint Venturers

Mt. Gravatt Cinemas Joint Venture:

We have audited the accompanying statements of financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2010 and the related statements of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Joint Venture's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG

Sydney, Australia
March 15, 2011

Exhibits (listed by numbers corresponding to Item 601 of Regulation S-K)

3.1	Certificate of Amendment and Restatement of Articles of Incorporation of Reading International, Inc., a Nevada corporation, as filed with the Nevada Secretary of State on May 22, 2003 (filed as Exhibit 3.8 to the Company's report on Form 10-Q for the period ended June 30, 2009, and incorporated herein by reference).
3.2.1	Amended and Restated Bylaws of Reading International, Inc., a Nevada corporation (filed as Exhibit 3.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference).
3.2.2	Amended Article V of the Amended and Restated Bylaws of Reading International, Inc. (filed as exhibit 3.2 to the Company's report on Form 8-K dated December 27, 2007, and incorporated herein by reference).
3.3	Articles of Merger of Craig Merger Sub, Inc. with and into Craig Corporation (filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
3.4	Articles of Merger of Reading Merger Sub, Inc. with and into Reading Entertainment, Inc. (filed as Exhibit 3.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.1*	1999 Stock Option Plan of Reading International, Inc., as amended on December 31, 2001 (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed on January 21, 2004, and incorporated herein by reference).
4.2	Form of Preferred Securities Certificate evidencing the preferred securities of Reading International Trust I (filed as Exhibit 4.1 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
4.3	Form of Common Securities Certificate evidencing common securities of Reading International Trust I (filed as Exhibit 4.2 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
4.4	Form of Reading International, Inc. and Reading New Zealand, Limited, Junior Subordinated Note due 2027 (filed as Exhibit 4.3 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
4.5	Form of Indenture (filed as Exhibit 4.4 to the Company's report on Form S-3 on October 20, 2009, and incorporated herein by reference).
4.6*	2010 Stock Incentive Plan (filed as Exhibit 4.1 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.7*	Form of Stock Option Agreement (filed as Exhibit 4.2 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.8*	Form of Stock Bonus Agreement (filed as Exhibit 4.3 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.9*	Form of Restricted Stock Agreement (filed as Exhibit 4.4 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
4.10*	Form of Stock Appreciation Right Agreement (filed as Exhibit 4.5 to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
10.1*	Employment Agreement, dated October 28, 1999, among Craig Corporation, Citadel Holding Corporation, Reading Entertainment, Inc., and Andrzej Matyczynski (filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

10.2	Amended and Restated Lease Agreement, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.3	Amended and Restated Citadel Standby Credit Facility, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.4	Amended and Restated Security Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.5	Amended and Restated Pledge Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.6	Amended and Restated Intercreditor Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. and Nationwide Theatres Corp. (filed as Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.7	Guaranty dated July 28, 2000 by Michael R. Forman and James J. Cotter in favor of Citadel Cinemas, Inc. and Citadel Realty, Inc. (filed as Exhibit 10.45 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.8	Theater Management Agreement, effective as January 1, 2002, between Liberty Theaters, Inc. and OBI LLC (filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
10.9	Omnibus Amendment Agreement, dated as of October 22, 2003, between Citadel Cinemas, Inc., Sutton Hill Capital, L.L.C., Nationwide Theatres Corp., Sutton Hill Associates, and Reading International, Inc. (filed as Exhibit 10.49 to the Company's report on Form 10-Q for the period ended September 30, 2003, and incorporated herein by reference).
10.10	Assignment and Assumption of Lease between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005 (filed as exhibit 10.56 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
10.11	License and Option Agreement between Sutton Hill Properties, LLC and Sutton Hill Capital L.L.C. dated as of September 19, 2005 (filed as exhibit 10.57 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
10.12	Second Amendment to Amended and Restated Master Operating Lease dated as of September 1, 2005 (filed as exhibit 10.58 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
10.13	Purchase Agreement, dated February 5, 2007, among Reading International, Inc., Reading International Trust I, and Kodiak Warehouse JPM LLC (filed as Exhibit 10.1 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
10.14	Amended and Restated Declaration of Trust, dated February 5, 2007, among Reading International Inc., as sponsor, the Administrators named therein, and Wells Fargo Bank, N.A., as property trustee, and Wells Fargo Delaware Trust Company as Delaware trustee (filed as Exhibit 10.2 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).

10.15	Indenture among Reading International, Inc., Reading New Zealand Limited, and Wells Fargo Bank, N.A., as indenture trustee (filed as Exhibit 10.4 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
10.16*	Employment Agreement, dated December 28, 2006, between Reading International, Inc. and John Hunter (filed as Exhibit 10.66 to the Company's report on Form 10-K for the year ended December 31, 2006, and incorporated herein by reference).
10.17	Reading Guaranty Agreement dated February 21, 2008 among Consolidated Amusement Theatres, Inc., a Nevada corporation, General Electric Capital Corporation, and GE Capital Markets, Inc. (filed as Exhibit 10.73 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).
10.18	Pledge and Security Agreement dated February 22, 2008 by Reading Consolidated Holdings, Inc. in favor of Nationwide Theatres Corp (filed as Exhibit 10.74 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).
10.19	Promissory Note dated February 22, 2008 by Reading Consolidated Holdings, Inc. in favor of Nationwide Theatres Corp. (filed as Exhibit 10.75 to the Company's report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).
10.20*	Form of Indemnification Agreement, as routinely granted to the Company's officers and directors (filed as Exhibit 10.77 to the Company's report on Form 10-Q for the period ended September 30, 2008, and incorporated herein by reference).
10.21	Third Amendment to Amended and Restated Master Operating Lease Agreement, dated June 29, 2010, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed herewith).
10.22	Amended and Restated Purchase Money Installment Sale Note, dated September 19, 2005, as amended and restated as of June 29, 2010, by Sutton Hill Properties, LLC in favor of Sutton Hill Capital, L.L.C. (filed herewith).
10.23	Amended and Restated Credit Agreement dated February 21, 2008, as amended and restated as of November 30, 2010, among Consolidated Entertainment, Inc., General Electric Capital Corporation, and GE Capital Markets, Inc. (filed herewith).
21	List of Subsidiaries (filed herewith).
23.1	Consent of Independent Auditors, Deloitte & Touche LLP (filed herewith).
23.2	Consent of Independent Auditors, KPMG Australia (filed herewith).
31.1	Certification of Principal Executive Officer dated March 15, 2011 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer dated March 15, 2011 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Principal Executive Officer dated March 15, 2011 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Principal Financial Officer dated March 15, 2011 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

*These exhibits constitute the executive compensation plans and arrangements of the Company.

SIGNATURES

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

READING INTERNATIONAL, INC.

(Registrant)

Date: March 15, 2011

By: /s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
/s/ James J. Cotter James J. Cotter	Chairman of the Board and Director and Chief Executive Officer	March 15, 2011
/s/ Andrzej Matyczynski Andrzej Matyczynski	Principal Financial and Accounting Officer	March 15, 2011
/s/ Eric Barr Eric Barr	Director	March 15, 2011
/s/ James J. Cotter, Jr. James J. Cotter, Jr.	Director	March 15, 2011
/s/ Margaret Cotter Margaret Cotter	Director	March 15, 2011
/s/ William D. Gould William D. Gould	Director	March 15, 2011
/s/ Edward L. Kane Edward L Kane	Director	March 15, 2011
/s/ Gerard P. Laheney Gerard P. Laheney	Director	March 15, 2011
/s/ Alfred Villaseñor Alfred Villaseñor	Director	March 15, 2011

EXHIBIT 10.21

THIRD AMENDMENT TO AMENDED AND RESTATED MASTER OPERATING LEASE AGREEMENT

THIS THIRD AMENDMENT TO AMENDED AND RESTATED MASTER OPERATING LEASE AGREEMENT (this "Amendment"), dated as of June 29, 2010, but effective as of June 1, 2010 (the "Effective Date"), is entered into by and between SUTTON HILL CAPITAL, L.L.C. (together with its successors, legal representatives and assigns, "Landlord") and CITADEL CINEMAS, INC. (together with its successors, legal representatives and assigns, "Tenant").

RECITALS

WHEREAS, Landlord and Tenant, entered into that certain Lease Agreement, dated as of July 28, 2000 ("Original Lease"), as amended by that certain (i) Amended and Restated Lease Agreement, dated as of January 29, 2002, by and between Landlord and Tenant (" First Amendment"), (ii) Omnibus Amendment Agreement, dated as of October 22, 2003, by and among Tenant, Landlord, Nationwide Theatres Corp., Sutton Hill Associates and Reading International, Inc. ("Omnibus Amendment"), and
(iii) Second Amendment to Amended and Restated Master Operating Lease, dated as of September 1, 2005, by and between Landlord and Tenant (" Second Amendment" and, together with the Original Lease,
First Amendment and Omnibus Amendment, the " Lease") pursuant to which Tenant originally leased
various parcels of land more particularly described in the Lease (collectively, the " Original Leased Sites"), including the Village East Cinemas, located at 181 Second Avenue, New York, New York 10003, and more particularly described in the Lease (the "VET Site");

WHEREAS, since the date of the Lease, all of the Original Leased Sites, except the VET Site, have either been sold to Tenant or otherwise removed from the assets leased thereunder;

WHEREAS, Tenant desires to continue leasing the VET Site from Landlord and Landlord is willing to lease the same to Tenant; and

WHEREAS, Landlord and Tenant (each, a "Party") desire to amend the Lease as more particularly set forth herein.

NOW, THEREFORE, incorporating the foregoing recitals, and in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to modify the Lease as hereinafter set forth:

AGREEMENT

1. Defined Terms.

   (a) Capitalized terms used, and not otherwise defined, herein shall have the same definitions as set forth in the Lease.

   (b) Effective as of the Effective Date, the following terms shall be deleted in their entirety and restated as set forth below:

   "Applicable Rent Amount" means for any calendar month (or part thereof), $49,166.67 (approximately $590,000 per Lease Year). For purposes of the foregoing, a "Lease Year" means each period beginning June 1, 2010 or an anniversary thereof and ending on the day prior to the next anniversary thereof.

"Basic Rent" means:

(a) for each full calendar month, an amount equal to the Applicable Rent Amount for such month or such other amount determined in accordance with paragraph (d) of Section 16, and

(b) for any partial calendar month, an amount computed by multiplying the following:

(i) an amount equal to the Applicable Rent Amount for such month or, if then applicable, such other amount determined in accordance with paragraph (d) of Section 16, and

(ii) a fraction having a numerator equal to the number of days the Theatre Properties are under lease during such partial month and a denominator equal to the number of days in such month.

"Parcel" or "Parcel of Property" means the real estate underlying the Leased Site. "Site Leases" means that certain Indenture of Lease dated as of January 31, 1987 between Senyar Holding Company, as landlord, and M-Square Theaters, Inc., as tenant, covering premises at 181-189 Second Avenue, New York, New York 10003, containing the Village East Theatre, as amended by that certain First Amendment to Lease, dated as of June 15, 1989, between Senyar Holding Company and M-Square Theaters, Inc., and the letter regarding notices, dated December 20, 1993 from Senyar Holding Company to M-Square Theatres, Inc.

"Theatre Properties" means the interest of Landlord in the Leased Sites, the Theatre Improvements and the Equipment.

(c) Effective as of the Effective Date, all references in the Lease to the term "License and Option Agreement" shall be eliminated.

2. Extended Term; No Further Renewals. The Lease Term for the VET Site only is hereby extended until June 30, 2020 (the "New Lease Termination Date"), subject to earlier termination in accordance with the terms of the Lease as amended hereby. Notwithstanding anything set forth in the Lease to the contrary, including Sections 12(h), (i) and (j) therein, Tenant shall not have any further right to extend or renew the Lease, as amended hereby.

3. Condition. The Parties acknowledge that Tenant currently occupies the VET Site and that Landlord has no obligation to construct leasehold improvements for Tenant or to repair or refurbish the VET Site in connection with the lease of the same as contemplated herein. Accordingly, Tenant accepts the Premises in its current "AS IS" condition. In addition, Tenant acknowledges that neither Landlord nor any of its agents has made any representations or warranties (implied or otherwise) with respect to the condition of the VET Site or the present or future suitability of the same for the conduct of Tenant's business. Accordingly, Tenant hereby waives any rights, claims or actions against Landlord under any express or implied warranties of suitability. Further, if any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business in the VET Site, Tenant shall, at its sole cost and expense, procure and at all times maintain such license or permit and shall at all times comply with the terms and conditions thereof.

4. Basic Rent. Notwithstanding anything set forth in the Lease, as amended hereby, to the contrary, including Sections 12(i) and 12(j), commencing on the Effective Date, the monthly Basic Rent payable by Tenant shall be the Applicable Rent Amount.

5. Option to Purchase.

(a) So long as there is no Event of Default of the type described in clause (f) of Section 18 of the Lease, as hereby amended, Tenant shall have the right (the "Purchase Option"), subject to the terms of this Section 5, to purchase all, but not less than all, of the Theater Property, including all Elements thereof as then constituted, and all of Landlord's right, title and interest in, to and under the Site Leases (the " Purchased Assets"), for an amount equal to Five Million Nine Hundred Thousand Dollars ($5,900,000) (the " Acquisition Cost").

(b) Tenant may exercise the Purchase Option effective as of May 31, 2020 (" Purchase Option Closing Date") by giving Landlord written notice ("Exercise Notice") which shall be delivered no later than August 31, 2019.

(c) Within five (5) Business Days after Tenant gives notice of exercise of the Purchase Option, Landlord and Tenant shall execute and acknowledge in duplicate a contract of sale in the form attached as Exhibit A to this Amendment. Landlord and Tenant shall cooperate and use commercially reasonable efforts to make all filings with, and obtain all consents and approvals of, all Governmental Authorities and other parties necessary in connection with the transfer of the Purchased Assets completed by this Section 5.

(d) If Tenant exercises the Purchase Option, then, on the Purchase Option Closing Date:

(i) Tenant shall pay to Landlord (A) the Acquisition Cost, (B) all Basic Rent payable up to and including the Purchase Option Closing Date, (C) any Additional Rent owing up to and including the Purchase Option Closing Date, (D) any amounts payable by Tenant pursuant to Section 11 of the Lease, as amended hereby, and (E) any other amounts owing by Tenant under the Lease, as amended hereby. Tenant shall pay such amounts in cash or certified funds, as Landlord shall determine in its sole discretion; provided, that Tenant may pay any of such amounts to any lender to Landlord, or any Person holding or asserting a Lien on any of the Purchased Assets which Lien or asserted Lien arose from any act or omission of Landlord or any Affiliate (and not by reason of a Tenant Event), if and to the extent Tenant reasonably determines such payment is necessary to enable Tenant to obtain title to the Purchased Assets free and clear of Liens (other than Landlord Permitted Liens except those relating to Financing Agreements) and claims; provided, however, that nothing herein shall obligate Landlord to cause any such Lien to be removed or cured if arising from a Tenant Event or to enforce any provision hereof or exercise any rights or remedies against Tenant.

(ii) Landlord shall transfer to Tenant title to the Purchased Assets by a bill of sale, quitclaim deed or such other conveyance instrument or instruments as Tenant may reasonably require to convey all the Purchased Assets, which bill of sale, quitclaim deed or other conveyance instrument shall otherwise be reasonably satisfactory to the Parties.
The transfer of Landlord's interest in the Theatre Properties and all of Landlord's right,
title and interest in, to and under the Site Leases shall be on an as-is, non-installment sale basis, without warranty by, or recourse to, Landlord, except that such title shall be free of any Liens (other than Landlord Permitted Liens except those relating to Financing Agreements); provided, however, that nothing herein shall obligate Landlord to cause any such Lien to be removed or cured if arising from a Tenant Event or to enforce any provision hereof or exercise any rights or remedies against Tenant.

(e) If the Lease, as amended hereby, expires or is terminated by Landlord in any manner or for any reason whatsoever, the Purchase Option shall cease and said option shall be void; provided, however, that this provision shall not limit Tenant's rights to recover damages for breach of this Lease, as amended hereby, by Landlord, which shall include, as applicable, damages for loss of the Purchase Option (subject to the limitation that Landlord shall have no liability for loss of prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damage (in tort, contract or otherwise)). The Purchase Option is not assignable separate from this Lease (to the extent assignable) and Landlord shall not be obligated to convey hereunder to any party other than Tenant, except that the Purchase Option shall be exercisable by a permitted mortgagee of Tenant.

(f) Landlord hereby notifies Tenant that, if Tenant exercises the Purchase Option or if Landlord exercises the Put Right (defined below), the Theatre Properties may be sold pursuant to the like kind exchange provisions of the Code. Tenant agrees to execute at the closing of the purchase of the Theatre Properties under this Section 5 (the "Closing") or the closing of the put of the Theatre Properties under Section 6 (the "Put Closing"), as applicable, all reasonable and customary documents necessary to accomplish the sale under the like kind exchange rules as prepared by Landlord's attorney, provided that Tenant shall not be required to execute any document that would or might (i) require Tenant to incur any cost or expense; (ii) require Tenant to take title to any property other than the Theatre Properties; or (iii) require Tenant to incur any liability, whether current, accrued or contingent. Landlord shall be responsible for all costs of such documentation and guarantees that no terms or conditions in the Lease, as hereby amended, shall change due to the execution of the like kind exchange documents, nor shall the Closing or Put Closing, as applicable, be delayed thereby. As aforesaid, Tenant will not be required to purchase any property (other than the Theatre Properties), but may be required to pay the Acquisition Cost or Transfer Portion (defined below), as applicable (or some portion thereof, as Landlord may direct prior to the Closing or Put Closing, as applicable) into an escrow fund established for the purpose of the like kind exchange. Landlord shall defend, indemnify and save Tenant harmless from any loss, expense, claims or damages in connection with Tenant executing any such documents. The provisions of this Section 5(f) shall survive the Closing or Put Closing, as applicable.

(g) Compliance by Tenant with each and all of the time periods set forth in this Section 5 shall be "of the essence".

(h) All references to "Purchase Option" in Sections 14(a), (b), (c) and (d) of the Lease shall refer to the Purchase Option set forth in this Section 5 or the Put Right set forth in Section 6 below, as applicable, and the exercise thereof during the timeframe provided in this Amendment; provided, however, that the references in Sections 14(c) and 14(d) to "Initial Term" shall hereafter be amended to refer to the "Lease Term."

6. Landlord Put Option. Landlord shall have the following put option (the "Put Right"), whereby Landlord shall have the right to sell all or certain portions of its interest in the Theatre Properties and the Site Leases to Tenant or its assignee, and Tenant or its assignee shall be obligated to purchase the same at the applicable Put Price (as defined below), subject to the following terms and conditions:

(a) The exercise period of the Put Right shall commence on July 1, 2013 and shall continue through and including December 4, 2019 (such period, the "Put Period"). Landlord shall exercise the Put Right by delivering its irrevocable written notice to Tenant at any time during the Put Period. Such notice shall specify (i) the portion of Landlord's interest that Landlord desires to transfer to Tenant pursuant to this Section (" Transfer Portion"); provided, however, that the Transfer Portion shall be in increments of no less than One Hundred Thousand Dollars ($100,000) with the maximum amount for Landlord's entire interest in the Theatre Properties and the Site Leases shall be Five Million Nine Hundred Thousand Dollars ($5,900,000) (the amount for the applicable exercise of the Put Right, the " Put Price") and (ii) the closing date for such transfer ("Put Closing Date"), which date shall not be earlier than the date that is one hundred eighty (180) days after the date of such notice.

(b) If Landlord exercises the Put Right, then, on the Put Closing Date:

(i) Tenant shall pay to Landlord (A) the Put Price, (B) all Basic Rent payable up to and including the Put Closing Date, (C) any Additional Rent owing up to and including the Put Closing Date, (D) any amounts payable by Tenant pursuant to Section 11 of the Lease, and (E) any other amounts owing by Tenant under the Lease, as amended hereby. Tenant shall pay such amounts in cash or certified funds, as Landlord shall determine in its sole discretion; provided, that Tenant may pay any of such amounts to any lender to Landlord, or any Person holding or asserting a Lien on any of the Transfer Portion which Lien or asserted Lien arose from any act or omission of Landlord or any Affiliate (and not by reason of a Tenant Event), if and to the extent Tenant reasonably determines such payment is necessary to enable Tenant to obtain title to the Transfer Portion free and clear of Liens (other than Landlord Permitted Liens except those relating to Financing Arrangements) and claims; provided, however, that nothing herein shall obligate Landlord to cause any such Lien to be removed or cured if arising from a Tenant Event or to enforce any provision hereof or exercise any rights or remedies against Tenant.

(ii) Landlord shall transfer to Tenant title to the Transfer Portion by a bill of sale, quitclaim deed or such other conveyance instrument or instruments as Tenant may reasonably require to convey the applicable Transfer Portion, which bill of sale, quitclaim deed or other conveyance instrument shall otherwise be reasonably satisfactory to the Parties. In the event that Landlord does not transfer its entire interest in the Theatre Properties and the Site Leases to Tenant in the same transaction, such quitclaim deed or such other conveyance instrument shall transfer an undivided tenant-in common interest subject to the Lease, as amended hereby, equal to that fraction, the numerator of which shall be the Put Price and the denominator of which shall be Five Million Nine Hundred Thousand Dollars ($5,900,000) (such fraction, the "Transfer Percentage"). The transfer of Landlord's interest in the Theatre Properties and all or any portion of Landlord's right, title and interest in, to and under the Site Leases shall be on an as-is, non-installment sale basis, without warranty by, or recourse to, Landlord, except that such title shall be free of any Liens (other than Landlord Permitted Liens except those relating to Financing Agreements); provided, however, that nothing herein shall obligate Landlord to cause any such Lien to be removed or cured if arising from a Tenant Event or to enforce any provision hereof or exercise any rights or remedies against Tenant.

7. Effect of Amendment; Ratification. Except to the extent the Lease is modified by this Amendment, the terms and provisions of the Lease shall remain unmodified and in full force and effect. In the event of conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall prevail.

8. No Defenses. Tenant affirms that, as of the date of execution of this Amendment, no default or breach by Landlord exists under the Lease and Tenant has no defenses, offsets or counterclaims that could be asserted in an action by Landlord to enforce Landlord's remedies under the Lease.

9. Counterparts. This Amendment may be executed by Landlord and Tenant in one or more counterparts, each of which when so executed and delivered shall be deemed to be an original, and all of which counterparts together shall constitute one and the same instrument.

10. Authority to Execute Amendment. Each individual executing this Amendment on behalf of a partnership, limited liability company or corporation represents that he or she is duly authorized to execute and deliver this Amendment on behalf of the partnership, limited liability company and/or corporation and agrees to deliver evidence of his or her authority to Landlord upon request by Landlord.

11. Governing Law. This Amendment and any enforcement of the agreements and modifications set forth above shall be governed by and construed in accordance with the laws of the State of New York.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date and year first above written.

LANDLORD:

SUTTON HILL CAPITAL, L.L.C.,
a New York limited liability company

By: /s/ James J. Cotter
Name: James J. Cotter
Its: Managing General Partner
Date: June 29, 2010

TENANT:

CITADEL CINEMAS, INC.,
a Nevada corporation

By: /s/ Andrzej Matyczynski
Name: Andrzej Matyczynski
Its: Chief Financial Officer
Date: June 29, 2010

EXHIBIT 10.22

AMENDED AND RESTATED PURCHASE MONEY INSTALLMENT SALE NOTE

September 19, 2005

$ 9,000,000.00 Amended and Restated as of June 29, 2010

FOR VALUE RECEIVED, the undersigned, SUTTON HILL PROPERTIES, LLC, a Nevada limited liability company, having an office at c/o Reading International, Inc., 500 Citadel Drive, Suite 300, Commerce, CA 90040 (the "Borrower"), hereby gives this purchase money installment sale note and promises, in consideration for the purchase of the tenant's interest under a certain ground lease dated February 9, 1961 between Andrew C. Mayer, Berna L. Osnos, Francis M. Perlman and Richard Heller, Frances H. Cahen and Phillis H. Rosenthal, as Trustees under the Last Will and Testament of Isaac S. Heller, deceased, as landlord (the "Landlord"), and Turtle Bay Theatre Corporation, as tenant, as subsequently assigned, covering certain premises located at 1001-1007, New York, New York, to pay to the order of SUTTON HILL CAPITAL L.L.C., its successors or assigns (the "Lender") at Lender's office at 120 North Robertson Blvd., 3rd Floor, Los Angeles, CA 90048, or to such other address as Lender may from time-to-time designate, the sum of **Nine Million and 00/100 Dollars ($9,000,000.00)** , on or before December 31, 2013 together with interest thereon, payable in arrears, at the rate of **eight and one quarter percent (8.25%)** per annum, increasing to **that fluctuating rate of interest equal from time to time to the lesser of (i) Five Year CMT United States Treasury Notes plus 575 basis points and (ii) ten percent (10%)** per annum as of July 1, 2010, as follows:

Except as set forth below in the event of any partial prepayment of this Note, payments of interest only in the amount of **Sixty One Thousand Eight Hundred Seventy-Five and 00/100 Dollars ($61,875.00)** , shall be due and payable commencing on **October 1, 2005** and on the first day of each and every month thereafter, to and including **July 1, 2010,** increasing to that fluctuating rate of interest equal from time to time to the lesser of (i) Five Year CMT United States Treasury Notes plus 575 basis points and (ii) Ten Percent (10%) commending on **August 1, 2010** and on the first day of each and every month thereafter, to and including **December 1, 2013**. The entire principal balance of this Note, together with all accrued and unpaid interest thereon, shall be due and payable on **December 31, 2013**. The indebtedness evidenced by this Note may be prepaid, in whole or in part, at any time without penalty or prepayment penalty.

Borrower is executing and delivering this Note to Lender in payment of the purchase price under a Contract of Sale between Lender, as Seller, and Borrower, as Purchaser, dated **September 1, 2005**, with respect to the tenant's estate under a Ground Lease for premises at 1001-1007 Third Avenue, New York, New York (the "Contract").

Lender shall have the right to surrender this Note to Borrower at any time prior to **December 31, 2013**, whereupon Borrower shall, at Lender's direction, issue two new notes, on the same terms as this Note (but only as to payments that shall not have been made under this Note prior to the date of surrender) in the aggregate principal amount of **Nine Million and 00/100 Dollars ($9,000,000.00)** , to Lender's designated assignees.

In the event any payment due under this Note is not paid when due, and such failure continues for five (5) days after notice to Borrower (provided that no such notice shall be required more than once in any twelve-month period) then, without limiting any of Lender's other rights and remedies, Borrower shall pay to Lender (a) a late payment charge in an amount equal to one and one-half percent (1-1/2%) of any such payment not received by the due date, and (b) interest upon any such late payment, from the date such payment was due until the date payment is made, at a rate equal to the lesser of (a) 16% per annum or (b) the highest rate of interest then allowed by the laws of the State of New York (such lesser rate is defined as the "Default Rate"). All computation of interest shall be calculated on the basis of the actual number of days elapsed over a year of 360 days.

In the event any payment due under this Note is not paid when due and such failure continues for ten (10) days after notice to Borrower, Lender may declare the principal amount of this Note and all accrued but unpaid interest thereon to be immediately payable.

If Borrower defaults under this Note after notice and expiration of applicable grace period and Lender obtains a money judgment against Borrower with respect thereto, Lender shall have the right, on notice to Borrower, to offset against any monetary obligations owed by Lender to Borrower all or any portion of the amount of said judgment. Any such offset shall reduce Borrower's liability under said judgment to the extent of said offset.

Borrower's obligations to the Lender under this Note have been guaranteed by Reading International, Inc.

Borrower agrees to pay all reasonable costs and expenses incurred by Lender in order to enforce the obligations of Borrower hereunder including, but not limited to, reasonable attorneys' fees and expenses, whether or not litigation is commenced.

This Note may not be amended, and compliance with its terms may not be waived, orally or by course of dealing, but only by a writing signed by Lender and Borrower. Any extension of time granted by Lender shall not release Borrower or constitute a waiver of any payment obligation, or otherwise diminish the rights and remedies of Lender.

No failure on the part of Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to Lender or allowed it by law or other agreement shall be cumulative and not exclusive of any other right, remedy or power and may be exercised by Lender at any time and from time to time.

Every provision of this Note is intended to be severable; if any term or provision of this Note shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

The Borrower hereby waives presentment, demand, protest and notice of protest, non-payment or dishonor of this Note and any other notices unless specifically provided for herein. Notices shall be sent in accordance with the notice provisions set forth in the Contract.

The provisions of this Note shall be construed and interpreted, and all rights and obligations hereunder determined, in accordance with the laws of the State of New York.

Borrower waives the right to trial by jury in any action or proceeding based upon, arising out of or in any way connected to this Note or the transaction in connection with which this Note is executed.

SUTTON HILL PROPERTIES, LLC

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

EXHIBIT 10.23

AMENDED AND RESTATED CREDIT AGREEMENT
Dated as of November 30, 2010
among
CONSOLIDATED ENTERTAINMENT, INC.,
as Borrower,
THE OTHER CREDIT PARTIES SIGNATORY HERETO,
as Credit Parties,
THE LENDERS SIGNATORY HERETO
FROM TIME TO TIME,
as Lenders,
and
GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent, Agent and Lender
GE CAPITAL MARKETS, INC.
as Sole Lead Arranger and Bookrunner

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This AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement"), dated as of November 30, 2010 among CONSOLIDATED ENTERTAINMENT, INC., f/k/a Consolidated Amusement Theatres, Inc., a Nevada corporation ("Borrower"); the other Credit Parties signatory hereto; GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, "GE Capital"), for itself, as Lender, and as Agent for Lenders, and the other Lenders signatory hereto from time to time.

RECITALS

WHEREAS, Borrower is a party to that certain Credit Agreement, dated as of February 21, 2008 (the " Original Credit Agreement ") by and among Borrower, the other Credit Parties party thereto, certain of the Lenders and the Agent pursuant to which such Lenders extended revolving and term credit facilities to Borrower;

WHEREAS, the Borrower has requested, and the Lenders have agreed to amend and restate the Original Credit Agreement to, among other things, to allow for the Closing Date Distribution (as hereinafter defined) and to extend the maturity date for an additional five years from the date hereof; and

WHEREAS, Borrower has agreed to continue to secure all of its obligations under the Loan Documents (as defined herein) by granting to Agent (as defined herein), for the benefit of Agent and Lenders, a security interest in and lien upon all of its existing and after-acquired personal and real property; and

WHEREAS, Consolidated Amusement Holdings, Inc., a Nevada corporation (" Holdings") is willing to continue to guarantee all of the obligations of Borrower to Agent and Lenders under the Loan Documents and to pledge to Agent, for the benefit of Agent and Lenders, all of the Stock of Borrower to secure such guaranty; and

WHEREAS, all Domestic Subsidiaries of Borrower are willing to continue guarantee all of the obligations of Borrower to Agent and Lenders under the Loan Documents and to grant to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon all of such existing and after-acquired personal and real property to secure such guaranty; and

WHEREAS, capitalized terms used in this Agreement shall have the meanings ascribed to them in Annex A and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Annex A shall govern. All Annexes, Disclosure Schedules, Exhibits and other attachments (collectively, "Appendices") hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree that the Original Credit Agreement is hereby amended and restated as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 Credit Facilities.

(a) Revolving Credit Facility.

(i) Subject to the terms and conditions hereof, each Revolving Lender agrees to make available to Borrower from time to time until the Commitment Termination Date its Pro Rata Share of advances (each, a "Revolving Credit Advance"). The Pro Rata Share of the Revolving Loan of any Revolving Lender shall not at any time exceed its separate Revolving Loan Commitment. The obligations of each Revolving Lender hereunder shall be several and not joint. Until the Commitment Termination Date and subject to the terms and conditions hereof, Borrower may from time to time borrow, repay and reborrow under this Section 1.1(a); provided, that the amount of any Revolving Credit Advance to be made at any time shall not exceed Borrowing Availability at such time. Each Revolving Credit Advance shall be made on notice by Borrower to one of the representatives of Agent identified in Schedule 1.1 at the address specified therein. Any such notice must be given no later than (1) 1:00 p.m. (New York time) on the Business Day of the proposed Revolving Credit Advance, in the case of an Index Rate Loan, or (2) 1:00 p.m. (New York time) on the date which is three (3) Business Days prior to the proposed Revolving Credit Advance, in the case of a LIBOR Loan. Each such notice (a "Notice of Revolving Credit Advance") must be given in writing (by telecopy, overnight courier, or Electronic Transmission) substantially in the form of Exhibit 1.1(a)(i), and shall include the information required in such Exhibit and such other information as may be reasonably required by Agent with respect to the use of proceeds. If Borrower desires to have the Revolving Credit Advances bear interest by reference to a LIBOR Rate, it must comply with Section 1.5(e).

(ii) Except as provided in Section 1.12, Borrower shall execute and deliver to each Revolving Lender a note to evidence the Revolving Loan Commitment of that Revolving Lender. Each note shall be in the principal amount of the Revolving Loan Commitment of the applicable Revolving Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(a)(ii) (each a "Revolving Note" and, collectively, the "Revolving Notes"). Each Revolving Note shall represent the obligation of Borrower to pay the amount of the applicable Revolving Lender's Revolving Loan Commitment or, if less, such Revolving Lender's Pro Rata Share of the aggregate unpaid principal amount of all Revolving Credit Advances to Borrower together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the Revolving Loan and all other non-contingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date.

(iii) Each payment of principal with respect to the Revolving Loan shall be paid to Agent for the ratable benefit of each Revolving Loan Lender making a Revolving Loan, ratably in proportion to each such Revolving Loan Lender's respective Revolving Loan Commitment.

(b) Term Loan A.

(i) Subject to the terms and conditions hereof, each Term Lender agrees (A) that $29,500,000 of Existing Term Loan B outstanding as of the date hereof under the Original Credit Agreement shall be deemed to be converted into Term Loan A hereunder and to (B) make an additional term loan on the Closing Date to Borrower (together with the converted Existing Term Loan B, collectively, the " Term Loan A") in an amount equal to $8,000,000; provided at no time shall the aggregate principal amount of converted Existing Term Loan B and the additional term loans made on the date hereof exceed such Lender's Term Loan A Commitment. The obligations of each Term Lender hereunder shall be several and not joint. The Term Loan A shall be evidenced by promissory notes substantially in the form of Exhibit 1.1(b) (each a "Term A Note" and collectively the "Term A Notes"), and, except as provided in Section 1.12, Borrower shall execute and deliver each Term A Note to the applicable Term Lender. Each Term A Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan A Commitment, together with interest thereon as prescribed in Section 1.5.

(ii) Borrower shall repay the principal amount of the Term Loan A in twenty (20) consecutive quarterly installments on the last day of March, June, September and December of each year, commencing March 31, 2011, as follows:

Payment Dates	Installment Amounts
March 31, 2011	$ 937,500
June 30, 2011	$ 937,500
September 30, 2011	$ 937,500
December 31, 2011	$ 937,500
March 31, 2012	$ 1,171,875
June 30, 2012	$ 1,171,875
September 30, 2012	$ 1,171,875
December 31, 2012	$ 1,171,875
March 31, 2013	$ 1,406,250
June 30, 2013	$ 1,406,250
September 30, 2013	$ 1,406,250
December 31, 2013	$ 1,406,250
March 31, 2014	$ 1,640,625
June 30, 2014	$ 1,640,625
September 30, 2014	$ 1,640,625
December 31, 2014	$ 1,640,625
March 31, 2015	$ 1,640,625
June 30, 2015	$ 1,640,625
September 30, 2015	$ 1,640,625

The final installment due on November 30, 2015 shall be in the amount equal to $11,953,125 or, if different the remaining principal balance of the Term Loan A.

(iii) Notwithstanding Section 1.1(b)(ii), the aggregate outstanding principal balance of the Term Loan A shall be due and payable in full in immediately available funds on the Commitment Termination Date, if not sooner paid in full. No payment with respect to the Term Loan A may be reborrowed.

(iv) Each payment of principal with respect to the Term Loan A shall be paid to Agent for the ratable benefit of each Term Lender, ratably in proportion to each such Term Lender's respective Term Loan A Commitment.

(c) Reliance on Notices. Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Notice of Revolving Credit Advance, Notice of Conversion/Continuation or similar notice believed by Agent to be genuine. Agent may assume that each Person executing and delivering any notice in accordance herewith was duly authorized, unless the responsible individual acting thereon for Agent has actual knowledge to the contrary.

1.2 Letters of Credit. Subject to and in accordance with the terms and conditions contained herein and in Annex B, Borrower shall have the right to request, and Revolving Lenders agree to incur, or purchase participations in, Letter of Credit Obligations in respect of Borrower.

1.3 Prepayments.

(a) Voluntary Prepayments. Borrower may at any time on at least five (5) days' prior written notice to Agent voluntarily prepay all or part of the Term Loan A; provided that any such prepayments shall be in a minimum amount of $500,000 and integral multiples of $100,000 in excess of such amount. In addition, Borrower may at any time on at least ten (10) days' prior written notice to Agent reduce or terminate the Revolving Loan Commitment; provided that (i) after giving effect to any such reductions, Borrower shall comply with Section 1.3(b)(i), (ii) all such reductions shall be in a minimum amount of $500,000 and integral multiples of $100,000 and (iii) upon any such termination, all Loans and other Obligations shall be immediately due and payable in full and all Letter of Credit Obligations shall be cash collateralized or otherwise satisfied in accordance with Annex B; provided, however, that any such notice may state that it is conditioned upon the effectiveness of a refinancing and/or payment in full of the Obligations from the proceeds of other credit facilities, the consummation of a particular disposition or the occurrence of a change of control, in which case such notice may be revoked by Borrower (by notice to Agent on or prior to the specified prepayment date) if such condition is not satisfied, in which case no payment obligation shall arise. Any such voluntary prepayment and any such termination of the Revolving Loan Commitment must be accompanied by the payment any LIBOR funding breakage costs in accordance with Section 1.13(b). Upon any such prepayment and termination of the Revolving Loan Commitment, Borrower's right to request Revolving Credit Advances, or request that Letter of Credit Obligations be incurred on its behalf, shall simultaneously be terminated. Any partial prepayments of the Term Loan A made by Borrower shall be applied to prepay the scheduled installments of the Term Loan A in inverse order of maturity.

(b) Mandatory Prepayments.

(i) If at any time the outstanding balance of the Revolving Loan exceeds the Maximum Amount, Borrower shall immediately repay the aggregate outstanding Revolving Credit Advances to the extent required to eliminate such excess. If any such excess remains after repayment in full of the aggregate outstanding Revolving Credit Advances, Borrower shall provide cash collateral for the Letter of Credit Obligations in the manner set forth in Annex B to the extent required to eliminate such excess.

(ii) Immediately upon receipt by any Credit Party of any cash proceeds of any asset disposition, Borrower shall prepay the Loans in an amount equal to all such proceeds, net of (A) commissions and other reasonable transaction costs, fees and expenses properly attributable to such transaction and payable by such Credit Party in connection therewith (in each case, paid to non-Affiliates), (B) transfer taxes, (C) amounts payable to holders of Liens on such asset (to the extent such Liens constitute Liens permitted hereunder), if any, and (D) an appropriate reserve for income taxes paid or payable in accordance with GAAP in connection therewith, including any reserves required to be established in accordance with GAAP against liabilities reasonably anticipated and attributable to the subject asset disposition, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under indemnification obligations associated with such asset disposition; provided that upon the reversal of any such reserve, such amounts so reversed shall be immediately used to repay the Loans in accordance herewith. Any such prepayment shall be applied in accordance with Section 1.3(c). The following shall not be subject to mandatory prepayment under this clause (ii): (1) proceeds of sales and dispositions permitted under Section 6.8 (a), (b), (c) or (d), and (2) asset disposition proceeds that are reinvested in the Business within two hundred seventy (270) days following receipt thereof and until reinvested are used to repay outstanding Revolving Loans or if no Revolving Loans are then outstanding are deposited in a Blocked Account in which Agent has a first priority perfected Lien; provided that Borrower notifies Agent of its intent to reinvest at the time such proceeds are received and when such reinvestment occurs. Thereafter, such funds shall be made available to such Credit Party for reinvestment as follows: (i) Borrower shall request a Revolving Credit Advance or release from the Blocked Account be made to such Credit Party in the amount requested to be released; and (ii) so long as the conditions set forth in Section 2.2 have been met, Revolving Lenders shall make such Revolving Credit Advance or Agent shall release funds from such Blocked Account. To the extent not reinvested, such proceeds shall be applied in accordance with Section 1.3(c); provided that in the case of proceeds pertaining to any Credit Party other than Borrower, such proceeds shall be applied to the Loans owing by Borrower.

(iii) If any Credit Party issues Stock (other than Stock issuances to Reading or its Affiliates the proceeds of which are contributed to the Borrower and used for the improvement or expansion of the Business, Permitted Acquisitions, Capital Expenditures or Investments permitted hereunder) or any Credit Party incurs Indebtedness (other than Indebtedness incurred pursuant to Section 6.3), no later than the Business Day following the date of receipt of the proceeds thereof, Borrower shall prepay the Loans (and cash collateralize Letter of Credit Obligations) in an amount equal to all such proceeds from the issuance of such Stock or incurrence of Indebtedness, net of underwriting discounts and commissions and other reasonable costs paid to non-Affiliates in connection therewith. Any such prepayment shall be applied in accordance with Section 1.3(c). The following shall not be subject to prepayment under this clause (iii): proceeds of Stock issuances to employees of Holdings and its Subsidiaries.

(c) Application of Certain Mandatory Prepayments. Any prepayments made by Borrower pursuant to Sections 1.3(b)(ii) or (b)(iii)above and any prepayments from insurance or condemnation proceeds in accordance with Section 5.4(b) or (c) and the Mortgage(s), respectively, shall be applied as follows: first, to Fees and reimbursable expenses of Agent then due and payable pursuant to any of the Loan Documents; second, to interest then due and payable on the Term Loan A; third, to prepay the scheduled principal installments of the Term Loan A in inverse order of maturity, until such Term Loan A shall have been prepaid in full; fourth, to interest then due and payable on the Revolving Credit Advances; fifth, to the outstanding principal balance of Revolving Credit Advances until the same has been paid in full; and sixth, to any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in Annex B, until all such Letter of Credit Obligations have been fully cash collateralized in the manner set forth in Annex B; provided, however, that if an Event of Default has occurred and is continuing, such prepayment occurs other than through the exercise of remedies pursuant to the terms of the Loan Documents and the Requisite Revolving Lenders so elect, any such prepayments shall be applied as follows: first, to Fees and reimbursable expenses of Agent then due and payable pursuant to any of the Loan Documents; second, to interest then due and payable on the Term Loan A and Revolving Loan; third, to prepay the Term Loan A and the Revolving Loan, applied pro rata to scheduled principal installments of the Term Loan A, and applied to Revolving Credit Advances before application to provide cash collateral for any Letter of Credit Obligations in the manner set forth in Annex B. The Revolving Loan Commitment shall not be permanently reduced by the amount of any such prepayments.

(d) No Implied Consent. Nothing in this Section 1.3 shall be construed to constitute Agent's or any Lender's consent to any transaction that is not permitted by other provisions of this Agreement or the other Loan Documents.

1.4 Use of Proceeds. Borrower shall utilize the proceeds of the Loans solely to pay a portion of the Closing Date Distribution and for the financing of the ordinary working capital and general corporate needs of Borrower and its Subsidiaries. Disclosure Schedule (1.4) contains a description of Borrower's sources and uses of funds as of the Closing Date, including Loans and Letter of Credit Obligations to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred to particular uses.

1.5 Interest and Applicable Margins.

(a) Borrower shall pay interest to Agent, for the ratable benefit of Lenders in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates with respect to the Revolving Credit Advances and the Term Loan A, the Index Rate plus the Applicable Index Margin per annum or, at the election of Borrower, the applicable LIBOR Rate plus the Applicable LIBOR Margin per annum.

As of the Closing Date the Applicable Margins are as follows:

Applicable Index Margin	3.50%
Applicable LIBOR Margin	4.50%

The Applicable Margins may be adjusted by reference to the following grids:

If Leverage Ratio is:	**Level of Applicable Margins:**
> 2.00	Level I
> 1.50, but < 2.00	Level II
< 1.50	Level III

	Level I	**Level II**	**Level III**
Applicable Index Margin	3.50%	3.25%	3.00%
Applicable LIBOR Margin	4.50%	4.25%	4.00%

Adjustments in the Applicable Margins commencing with the Fiscal Quarter ending March 31, 2011 shall be implemented quarterly on a prospective basis, for each calendar month commencing at least five (5) days after the date of delivery to Lenders of the quarterly unaudited or annual audited (as applicable) Financial Statements evidencing the need for an adjustment. Concurrently with the delivery of those Financial Statements, Borrower shall deliver to Agent and Lenders a certificate, signed by a Responsible Financial Officer of the Borrower, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins. Failure to timely deliver such Financial Statements shall, in addition to any other remedy provided for in this Agreement, result in an increase in the Applicable Margins to the highest level set forth in the foregoing grid, until the date that is five (5) days following the delivery of those Financial Statements demonstrating that such an increase is not required. If an Event of Default has occurred and is continuing at the time any reduction in the Applicable Margins is to be implemented, that reduction shall be deferred until the first day of the first calendar month following the date on which such Event of Default is waived or cured. In the event that any Financial Statement or Compliance Certificate delivered hereunder is shown to be inaccurate (regardless of whether this Agreement or the Commitments are in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin based upon the foregoing pricing grid (the " Accurate Applicable Margin") for any period that such Financial statement or Compliance Certificate covered, then (i) Borrower shall immediately, following actual knowledge of the Borrower of the occurrence thereof, deliver to the Agent a correct Financial Statement or Compliance Certificate, as the case may be, for such period, (ii) the Applicable Margin shall be adjusted such that after giving effect to the corrected Financial Statements or Compliance Certificate, as the case may be, the Applicable Margin shall be reset to the Accurate Applicable Margin based upon the foregoing pricing grid for such period as set forth in the foregoing pricing grid for such period and (iii) shall concurrently with the delivery of the corrected Financial Statement or Compliance Certificate, as the case may be, pay to the Agent, for the account of the Lenders, the accrued additional interest owing as a result of such Accurate Applicable Margin for such period. The provisions of this definition shall not limit the rights of the Agent and the Lenders with respect to Section 1.5(d) or Article VIII.

(b) Solely for purposes of the payment of interest and not in connection with the calculation of Financial Covenants or otherwise, if any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by Agent on the basis of a 360-day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate is a floating rate determined for each day. Each determination by Agent of interest rates and Fees hereunder shall be presumptive evidence of the correctness of such rates and Fees.

(d) So long as an Event of Default has occurred and is continuing under Section 8.1(a), (g) or (h), or so long as any other Event of Default has occurred and is continuing and at the election of Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Agent to Borrower (a "Default Rate Notice"), the interest rates applicable to the Loans and the Letter of Credit Fees shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such Fees otherwise applicable hereunder unless Agent or Requisite Lenders elect to impose a smaller increase (the "Default Rate"), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Event of Default (if in respect of such an Event of Default under Section 8.1(a), (g) or (h)) or in the case of any other Event of Default from and after receipt by Borrower of a Default Rate Notice, in either case, until the subject Event of Default is cured or waived and shall be payable upon demand.

(e) Subject to the conditions precedent set forth in Section 2.2, Borrower shall have the option to (i) request that any Revolving Credit Advance be made as a LIBOR Loan, (ii) convert at any time all or any part of outstanding Loans from Index Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with Section 1.13(b) if such conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iv) continue all or any portion of any Loan as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the first day after the last day of the LIBOR Period of the Loan to be continued. Any Loan or group of Loans having the same proposed LIBOR Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of $250,000 and integral multiples of $100,000 in excess of such amount. Any such election must be made by 1:00 p.m. (New York time) on the third Business Day prior to (1) the date of any proposed Advance which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrower wishes to convert any Index Rate Loan to a LIBOR Loan for a LIBOR Period designated by Borrower in such election. If no election is received with respect to a LIBOR Loan by 1:00 p.m. (New York time) on the third Business Day prior to the end of the LIBOR Period with respect thereto (or if a Default or an Event of Default has occurred and is continuing), that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower must make such election by notice to Agent in writing, by telecopy, overnight courier or Electronic Transmission. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "Notice of Conversion/Continuation") in the form of Exhibit 1.5(e).

(f) Notwithstanding anything to the contrary set forth in this Section 1.5, if a court of competent jurisdiction determines in a final non-appealable order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the " Maximum Lawful Rate"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; provided, however, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Agent, on behalf of Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount that such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate.

1.6 Reserved

1.7 Reserved.

1.8 Cash Management Systems. On or prior to the Closing Date, Borrower will establish and will maintain until the Termination Date, the cash management systems described in Annex C (the "Cash Management Systems").

1.9 Fees.

(a) Borrower shall pay to GE Capital, individually, the Fees specified in the GE Capital Fee Letter.

(b) As additional compensation for the Revolving Lenders, Borrower shall pay to Agent, for the ratable benefit of such Lenders, in arrears, on the last day of each calendar quarter prior to the Commitment Termination Date and on the Commitment Termination Date, a Fee for Borrower's non-use of available funds in an amount equal to three quarters- of one percent (0.75%) per annum (calculated on the basis of a 360 day year for actual days elapsed) multiplied by the difference between (x) the Maximum Amount (as it may be reduced from time to time) and (y) the average for the period of the daily closing balance of the Revolving Loan outstanding during the period for which the such Fee is due.

(c) Borrower shall pay to Agent, for the ratable benefit of Revolving Lenders, the Letter of Credit Fee as provided in Annex B.

1.10 Receipt of Payments. Borrower shall make each payment under this Agreement not later than 2:00 p.m. (New York time) on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest and Fees and Borrowing Availability of any date, all payments shall be deemed received on the Business Day on which immediately available funds therefor are received in the Collection Account prior to 2:00 p.m. New York time. Payments received after 2:00 p.m. New York time on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

1.11 Application and Allocation of Payments .

(a) So long as no Event of Default has occurred and is continuing, (i) payments matching specific scheduled payments then due shall be applied to those scheduled payments; (iii) voluntary prepayments shall be applied in accordance with the provisions of Section 1.3(a); and (iii) mandatory prepayments shall be applied as set forth in Section 1.3(c). All payments and prepayments applied to a particular Loan shall be applied ratably to the portion thereof held by each Lender as determined by its Pro Rata Share; provided that any such payments received shall be applied first to repay Loans outstanding as Index Rate Loans and then to Loans outstanding as LIBOR Rate Loans, with those LIBOR Rate Loans having earlier expiring LIBOR Periods being repaid prior to those with later expiring LIBOR Periods. As to any other payment, and as to all payments made when an Event of Default has occurred and is continuing or following the Commitment Termination Date, Borrower hereby irrevocably waives the right to direct the application of any and all payments received from or on behalf of Borrower, and Borrower hereby irrevocably agrees that Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations as Agent may deem advisable notwithstanding any previous entry by Agent in the Loan Account or any other books and records. In the absence of a specific determination by Agent with respect thereto, payments from proceeds of Collateral following the exercise of remedies shall be applied to amounts then due and payable in the following order: (1) to Fees and Agent's expenses reimbursable hereunder; (2) to interest on the Loans, ratably in proportion to the interest accrued as to each Loan; (3) to principal payments on the other Loans and any Obligations under any Secured Rate Contract and to provide cash collateral for Letter of Credit Obligations in the manner described in Annex B, ratably to the aggregate, combined principal balance of the other Loans, Obligations under any Secured Rate Contracts and outstanding Letter of Credit Obligations; and (4) to all other Obligations including expenses of Lenders to the extent reimbursable under Section 11.3.

(b) Agent is authorized to, and at its sole election may, charge to the Revolving Loan balance on behalf of Borrower and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with Section 5.4(a)) and interest and principal, other than principal of the Revolving Loan, owing by Borrower under this Agreement or any of the other Loan Documents if and to the extent Borrower fails to pay promptly any such amounts as and when due (and, in the case of any expenses, Charges, and costs, following the presentment of an invoice therefor), even if the amount of such charges would exceed Borrowing Availability at such time. At Agent's option and to the extent permitted by law, any charges so made shall constitute part of the Revolving Loan hereunder.

1.12 Loan Account and Accounting . Agent shall maintain a loan account (the "Loan Account") on its books to record: all Advances and the Term Loan A, all payments made by Borrower, and all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Account shall be made in accordance with Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Agent's most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrower; provided that any failure to so record or any error in so recording shall not limit or otherwise affect Borrower's duty to pay the Obligations. Agent shall render to Borrower a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account for the immediately preceding month. Unless Borrower notifies Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within thirty (30) days after the date thereof, each and every such accounting shall be presumptive evidence of all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrower. Notwithstanding any provision herein contained to the contrary, any Lender may elect (which election may be revoked) to dispense with the issuance of Notes to that Lender and may rely on the Loan Account as evidence of the amount of Obligations from time to time owing to it.

1.13 Indemnity.

(a) Each Credit Party that is a signatory hereto shall jointly and severally indemnify and hold harmless each of Agent, Lenders and their respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an " Indemnified Person"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted by any Credit Party, any affiliate thereof or any third party against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the Loan Documents, the commitment and proposal letters related thereto, the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all losses associated with Electronic Transmissions or E-Systems as well as for failures caused by a Credit Party's equipment, software, services or otherwise used in connection therewith, and any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Loan Documents with respect to, or relating to the transactions under, the Loan Documents and any investigation, litigation, or proceeding related to any such matters (collectively, " Indemnified Liabilities"); provided, that no such Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

(b) To induce Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or occurs as a result of acceleration, by operation of law or otherwise); (ii) Borrower shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) Borrower shall refuse to accept any borrowing of, or shall request a termination of any borrowing, conversion into or continuation of LIBOR Loans after Borrower has given notice requesting the same in accordance herewith; or (iv) Borrower shall fail to make any prepayment of a LIBOR Loan after Borrower has given a notice thereof in accordance herewith, then Borrower shall indemnify and hold harmless each Lender from and against all losses, costs and expenses resulting from or arising from any of the foregoing. Such indemnification shall include any loss (excluding loss of margin) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such funds were obtained. For the purpose of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant LIBOR Period; provided, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each Lender shall provide Borrower with its written, reasonably detailed, calculation of all amounts payable pursuant to this Section 1.13(b), and such calculation shall be binding on the parties hereto unless Borrower shall object in writing within ten (10) Business Days of receipt thereof, specifying the basis for such objection in detail.

1.14 Access. Each Credit Party that is a party hereto shall, during normal business hours, from time to time upon five (5) Business Days' prior written notice as frequently as Agent reasonably determines to be appropriate: (a) provide Agent and any of its officers, employees and agents access to its properties, facilities, advisors, officers and employees of each Credit Party and to the Collateral, (b) permit Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's books and records, and (c) permit Agent, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of any Credit Party. If an Event of Default has occurred and is continuing, each such Credit Party shall provide such access to Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Event of Default under Section 8.1(a), (g) or (h) has occurred and is continuing, Borrower shall provide Agent and each Lender with access to its material suppliers. Each Credit Party shall make available to Agent and its counsel reasonably promptly originals or copies of all books and records that Agent may reasonably request. Each Credit Party shall deliver any document or instrument necessary for Agent, as it may from time to time reasonably request, to obtain records from any service bureau or other Person that maintains records for such Credit Party, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by such Credit Party. Agent will give Lenders at least five (5) Business Days' prior written notice of regularly scheduled audits, which audits, in the absence of the existence of an Event of Default, shall occur no more frequently than annually. Representatives of other Lenders may accompany Agent's representatives on regularly scheduled audits at no charge to Borrower.

1.15 Taxes.

(a) Any and all payments by Borrower hereunder or under the Notes shall be made, in accordance with this Section 1.15, free and clear of and without deduction for any and all present or future Taxes. If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 1.15) Agent or Lenders, as applicable, receive an amount equal to the sum they would have received had no such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, Borrower shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof.

(b) Each Credit Party that is a signatory hereto shall indemnify and, within ten (10) days of demand therefor, pay Agent and each Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 1.15) paid by Agent or such Lender, as appropriate, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) Each Lender organized under the laws of a state of the United States shall provide to Borrower and Agent a properly completed and executed IRS Form W-9. Each Lender organized under the laws of a jurisdiction outside the United States (a " Foreign Lender") as to which payments to be made under this Agreement or under the Notes are exempt from United States withholding tax under an applicable statute or tax treaty shall provide to Borrower and Agent a properly completed and executed IRS Form W-8ECI or Form W-8BEN -or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Lender's entitlement to such exemption (a " Certificate of Exemption"). The Agent shall have the right to refuse to allow a Person to be a Lender under this Agreement if such Person has not provided to the Agent a Form W-9 or a Certificate of Exemption prior to becoming a Lender hereunder.

1.16 Capital Adequacy; Increased Costs; Illegality .

(a) If any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case, adopted after the Closing Date, from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender and thereby reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder, then Borrower shall from time to time upon demand by such Lender (with a copy of such demand to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such Lender to Borrower and to Agent shall be presumptive evidence of the matters set forth therein.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), in each case adopted after the Closing Date, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining any Loan, then Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to Agent), pay to Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower and to Agent by such Lender, shall be presumptive evidence of the matters set forth therein. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrower pursuant to this Section 1.16(b).

(c) Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's reasonable opinion, materially adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Borrower through Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrower shall forthwith prepay in full all outstanding LIBOR Loans owing to such Lender, together with interest accrued thereon, unless Borrower, within five (5) Business Days after the delivery of such notice and demand, converts all LIBOR Loans into Index Rate Loans.

(d) Within forty five (45) days after receipt by Borrower of written notice and demand from any Lender (an " Affected Lender") for payment of additional amounts or increased costs as provided in Sections 1.15(a), 1.16(a) or 1.16(b), Borrower may, at its option, notify Agent and such Affected Lender of its intention to replace the Affected Lender. So long as no Default or Event of Default has occurred and is continuing, Borrower, with the consent of Agent, may obtain, at Borrower's expense, a replacement Lender (" Replacement Lender") for the Affected Lender, which Replacement Lender must be reasonably satisfactory to Agent. If Borrower obtains a Replacement Lender within ninety (90) days following notice of its intention to do so, the Affected Lender must sell and assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and Fees with respect thereto through the date of such sale and such assignment shall not require the payment of an assignment fee to Agent; provided, that Borrower shall have reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under this Agreement through the date of such sale and assignment. Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within 15 days following its receipt of Borrower's notice of intention to replace such Affected Lender. Furthermore, if Borrower gives a notice of intention to replace and does not so replace such Affected Lender within ninety (90) days thereafter, Borrower's rights under this Section 1.16(d) shall terminate with respect to such Affected Lender and Borrower shall promptly pay all increased costs or additional amounts demanded by such Affected Lender pursuant to Sections 1.15(a), 1.16(a) and 1.16(b). Notwithstanding the foregoing, with respect to a Lender that is a Non-Funding Lender or an Impacted Lender, the Agent may, but shall not be obligated to, obtain a Replacement Lender and execute an Assignment on behalf of such Non-Funding Lender or Impacted Lender at any time with three (3) Business' Days prior notice to such Lender (unless notice is not practicable under the circumstances) and cause such Lender's Loans and Commitments to be sold and assigned, in whole or in part, at par. Upon any such assignment and payment and compliance with the other provisions of Section 9.1, such replaced Lender shall no longer constitute a "Lender" for purposes hereof; provided, any rights of such replaced Lender to indemnification hereunder shall survive.

1.17 Reserves on LIBOR Rate Loans. The Borrower shall pay to each Lender, as long as such Lender shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional costs on the unpaid principal amount of each LIBOR Rate Loan equal to actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive absent manifest error), payable on each date on which interest is payable on such Loan provided the Borrower shall have received at least fifteen (15) days' prior written notice (with a copy to Agent) of such additional interest from the Lender. If a Lender fails to give notice fifteen (15) days prior to the relevant Interest Payment Date, such additional interest shall be payable fifteen (15) days from receipt of such notice.

1.18 Single Loan. All Loans to Borrower and all of the other Obligations of Borrower arising under this Agreement and the other Loan Documents shall constitute one general obligation of Borrower secured, until the Termination Date, by all of the Collateral.

2. CONDITIONS PRECEDENT

2.1 Conditions to the Initial Loans. No Lender shall be obligated to make any Loan or incur any Letter of Credit Obligations on the Closing Date, or to take, fulfill, or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner reasonably satisfactory to Agent, or waived in writing by Agent and Requisite Lenders:

(a) Credit Agreement; Loan Documents. This Agreement or counterparts hereof shall have been duly executed by, and delivered to, Borrower, each other Credit Party, Agent and Lenders; and Agent shall have received such documents, instruments, agreements and legal opinions as Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed in the Closing Checklist attached hereto as Annex D, each in form and substance reasonably satisfactory to Agent.

(b) Contribution of Assets Free and Clear. Agent shall have received evidence that the assets received by the Borrower in connection with the Closing Date Theatre Contribution are being acquired free and clear of any Liens (other than Liens permitted hereunder), such evidence to be reflected in documentation reasonably acceptable to Agent.

(c) Approvals. Agent shall have received (i) satisfactory evidence that the Credit Parties have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Loan Documents and the consummation of the Related Transactions or (ii) an officer's certificate in form and substance reasonably satisfactory to Agent affirming that no such consents or approvals are required.

(d) Payment of Fees. Borrower shall have paid the Fees required to be paid on the Closing Date in the respective amounts specified in Section 1.9 (including the Fees specified in the GE Capital Fee Letter), and shall have reimbursed Agent for all reasonable, documented and out-of-pocket fees, costs and expenses of closing presented as of the Closing Date.

(e) Capital Structure: Other Indebtedness. The capital structure of each Credit Party, the corporate structure of the Credit Parties, the terms and conditions of all Indebtedness of each Credit Party, and all governing organizational documents of the Credit Parties, as well as the tax effects resulting from the Closing Date Theatre Contribution, shall be reasonably acceptable to Agent in its sole discretion.

(f) Due Diligence. Agent shall have completed its business, environmental, and legal due diligence, including without limitation as to Material Contracts, other debt instruments, equity and member agreements, management agreements, incentive and employment agreements, acquisition agreement, tax agreements and other material agreements and governing documents of the Credit Parties, with results reasonably satisfactory to Agent.

(g) Maximum Leverage Ratio. After giving pro forma effect to the Related Transactions, Borrower and its Subsidiaries shall have, on a consolidated basis, for the twelve months ending on October 31, 2010, a Leverage Ratio of not more than 2.90:1.0.

(h) Minimum EBITDA. After giving pro forma effect to the Related Transactions, Borrower and its Subsidiaries shall have, on a consolidated basis, EBITDA for the twelve month period ending on October 31, 2010 of not less than $12,750,000.

(i) Consummation of Related Transactions. Agent shall have received fully executed copies of the Closing Date Theatre Contribution Documents and final and complete copies of each of the other Related Transactions Documents, each of which shall be in full force and effect in form and substance reasonably satisfactory to Agent. The Closing Date Theatre Contribution and the other Related Transactions shall have been consummated in accordance with the terms of the Closing Date Theatre Contribution Documents and the other Related Transactions Documents.

(j) No Material Changes. As of the Closing Date, (i) since December 31, 2009, there shall not have occurred or become known to the Agent any event, development or circumstance that has caused or could reasonably be expected to cause a Material Adverse Effect, (ii) no litigation has been commenced which would challenge the Related Transactions or which, if successful, would have a material adverse impact on the Borrower, its business, or its ability to repay the Obligations, (iii) since December 31, 2009, there has been no material increase in the liabilities, liquidated or contingent of Borrower, or a material decrease in the assets of the Borrower or (iv) since December 31, 2009, there has not been any material change to management personnel of the Borrower.

(k) Minimum Cash on Hand. After giving pro forma effect to the Related Transactions, Borrower and its Subsidiaries shall have, on a consolidated basis, an average cash on hand for the 90 day period ending on the Closing Date of not less than $2,500,000.

2.2 Further Conditions to Each Loan. Except as otherwise expressly provided herein, no Lender shall be obligated to fund any Advance or incur any Letter of Credit Obligation, if, as of the date thereof:

(a) any representation or warranty by any Credit Party contained herein or in any other Loan Document is untrue or incorrect as of such date (A) as stated if such representation or warranty contains an express materiality qualification or (B) in any material respect if such representation or warranty does not contain such a qualification, except to the extent that such representation or warranty expressly relates to an earlier date (in which case such representation or warranty shall not have been untrue or incorrect as of such earlier date (A) as stated if such representation or warranty contains an express materiality qualification or (B) in any material respect if such representation or warranty does not contain such a qualification) and except for changes therein expressly permitted or expressly contemplated by this Agreement, and Agent or Requisite Revolving Lenders have determined not to make such Revolving Credit Advance or incur any Letter of Credit Obligation as a result of the fact that such representation or warranty is untrue or incorrect as aforesaid;

(b) any Default or Event of Default has occurred and is continuing or would result after giving effect to any Advance (or the incurrence of any Letter of Credit Obligation), and Agent or Requisite Revolving Lenders shall have determined not to make any Advance or incur any Letter of Credit Obligation as a result of that Default or Event of Default; or

(c) after giving effect to any Advance (or the incurrence of any Letter of Credit Obligations), the outstanding principal amount of the Revolving Loan would exceed the Maximum Amount.

The request and acceptance by Borrower of the proceeds of any Advance, or the incurrence of any Letter of Credit Obligations shall be deemed to constitute, as of the date thereof, (i) a representation and warranty by Borrower that the conditions in this Section 2.2 have been satisfied and (ii) a reaffirmation by Borrower of the granting and continuance of Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

2.3 Effect of Amendment and Restatement. Upon this Agreement becoming effective pursuant to Section 2.1, from and after the Closing Date: (a) all of the "Term Loan B" outstanding under the Original Credit Agreement shall be deemed to be Term Loan A hereunder and continue outstanding hereunder; (b) all terms and conditions of the Original Credit Agreement and any other "Loan Document" as defined therein, as amended by this Agreement and the other Loan Documents being executed and delivered on the Closing Date, shall be and remain in full force and effect, as so amended, and shall constitute the legal, valid, binding and enforceable obligations of the Credit Parties party thereto to Lenders and Agent; (c) the terms and conditions of the Original Credit Agreement shall be amended as set forth herein and, as so amended, shall be restated in their entirety; provided that any rights, duties and obligations among Borrower, Lenders and Agent accruing before the Closing Date under the Original Credit Agreement and any other Loan Documents shall survive in their entirety unless specifically amended hereunder; (d) this Agreement shall not in any way release or impair the rights, duties, Obligations or Liens created pursuant to the Original Credit Agreement or any other Loan Document or affect the relative priorities thereof, in each case to the extent in force and effect thereunder as of the Closing Date, except as modified hereby or by documents, instruments and agreements executed and delivered in connection herewith, and all of such rights, duties, Obligations and Liens are assumed, ratified and affirmed by the Borrower; (e) all indemnification obligations of the Credit Parties under the Original Credit Agreement and any other Loan Documents shall survive the execution and delivery of this Agreement and shall continue in full force and effect for the benefit of Lenders, Agent, and any other Person indemnified under the Original Credit Agreement or any other Loan Document at any time prior to the Closing Date; (e) the Obligations incurred under the Original Credit Agreement shall, to the extent outstanding on the Closing Date, continue outstanding under this Agreement and shall not be deemed to be paid, released, discharged or otherwise satisfied by the execution of this Agreement, and this Agreement shall not constitute a refinancing, substitution or novation of such Obligations or any of the other rights, duties and obligations of the parties hereunder; (f) the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of Lenders or Agent under the Original Credit Agreement, nor constitute a waiver of any covenant, agreement or obligation under the Original Credit Agreement, except to the extent that any such covenant, agreement or obligation is no longer set forth herein or is modified hereby; (g) any and all references in the Loan Documents to the Original Credit Agreement shall, without further action of the parties, be deemed a reference to the Original Credit Agreement, as amended and restated by this Agreement, and as this Agreement shall be further amended or amended and restated from time to time hereafter, (h) any and all references in the Loan Documents to the "Closing Date" shall, without further action of the parties, be deemed a reference to the Original Closing Date and (i) all security interests created under the Original Credit Agreement and the other Loan Documents executed and delivered on the Original Closing Date continue to be in full force and effect after giving effect to the consummation of this Agreement.

3. REPRESENTATIONS AND WARRANTIES

To induce Lenders to make the Loans and to incur Letter of Credit Obligations, the Credit Parties executing this Agreement, jointly and severally, make the following representations and warranties to Agent and each Lender with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement..

3.1 Corporate Existence; Compliance with Law. Each Credit Party (a) is a corporation, limited liability company, general partnership or limited partnership duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation or organization, which as of the date hereof is set forth in Disclosure Schedule (3.1); (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in exposure to losses or liabilities which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect; (c) has the requisite power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now conducted or proposed to be conducted; (d) subject to specific representations regarding Environmental Laws, has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (e) is in compliance with its charter and bylaws or partnership or operating agreement, as applicable; and (f) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax and other laws, is in compliance with all applicable provisions of law and regulation, except where the failure to comply, alone or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 Executive Offices, Collateral Locations, FEIN, Organizational Number. As of the Closing Date, each Credit Party's name as it appears in official filings in its state of incorporation or organization, the state of incorporation or organization, organization type, organization number, if any, issued by its state incorporation or organization, and the current location of each Credit Party's chief executive office and the warehouses and premises at which any Collateral are located are set forth in Disclosure Schedule (3.2). In addition, Disclosure Schedule (3.2) lists the federal employer identification number of each Credit Party.

3.3 Corporate Power, Authorization, Enforceable Obligations. The execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's power; (b) have been duly authorized by all necessary corporate, limited liability company or limited partnership action; (c) do not contravene any provision of such Person's charter, bylaws or partnership or operating agreement as applicable; (d) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, Theatre Lease or other material lease, material agreement or other material instrument to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Agent, on behalf of itself and Lenders, pursuant to the Loan Documents; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 2.1(c), all of which will have been duly obtained, made or complied with prior to the Closing Date. Each of the Loan Documents shall be duly executed and delivered by each Credit Party that is a party thereto and each such Loan Document shall constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms.

3.4 Financial Statements and Projections. Except for the Projections and the Pro Forma, all Financial Statements concerning Borrower and its Subsidiaries that are referred to below have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

(a) Financial Statements. The following Financial Statements attached hereto as Disclosure Schedule (3.4(a)) have been delivered on the date hereof:

(i) The audited consolidated balance sheets at December 31, 2009 and the related statements of income and cash flows of the Borrower, certified by Deloitte & Touche, LLP.

(ii) The unaudited balance sheet(s) at October 31, 2010 and the related statement(s) of income and cash flows of the Borrower.

(iii) The unaudited balance sheets at October 31, 2010 and the related statement(s) of income and cash flows of the Closing Date Contributed Theatre.

(b) Pro Forma. The Pro Forma delivered on the date hereof and attached hereto as Disclosure Schedule (3.4(b)) was prepared by Borrower giving pro forma effect to the Related Transactions, was based on the unaudited consolidated balance sheets of Borrower and its Subsidiaries dated July 31, 2010.

(c) Projections. The Projections delivered on the date hereof and attached hereto as Disclosure Schedule (3.4(c)) have been prepared by Borrower in light of the past operations of the Borrower and the Closing Date Contributed Theatre, but including future payments of known contingent liabilities, and reflect projections for the five year period beginning on July 31, 2010 on a month-by-month basis. The Projections are based upon the same accounting principles as those used in the preparation of the financial statements described above and the estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Closing Date, reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower for the period set forth therein. The Projections are not a guaranty of future performance, and actual results may differ from the Projections.

3.5 Material Adverse Effect. Between December 31, 2009 and the Closing Date, (a) no Credit Party has incurred any obligations, contingent or noncontingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that are not reflected in the Pro Forma and that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no law or regulation applicable to any Credit Party has been adopted that has had or could reasonably be expected to have a Material Adverse Effect. As of the Closing Date, no Credit Party is in default and to the best of Borrower's knowledge no third party is in default under any Material Contract, lease or other material agreement or instrument, that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Since December 31, 2009 no event has occurred, that alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.6 Ownership of Property; Liens. As of the Closing Date, the real estate ("Real Estate") listed in Disclosure Schedule (3.6) constitutes all of the real property owned, leased, subleased, or used by any Credit Party. Each Credit Party owns good and marketable fee simple title to all of its owned Real Estate, and valid and marketable leasehold interests in all of its leased Real Estate, (as of the Closing Date, all as described on Disclosure Schedule (3.6)), and copies of all such leases or a summary of terms thereof reasonably satisfactory to Agent have been delivered to Agent. Disclosure Schedule (3.6) further describes any Real Estate with respect to which any Credit Party is a lessor, sublessor or assignor as of the Closing Date. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its personal property and assets. As of the Closing Date, none of the properties and assets of any Credit Party are subject to any Liens other than Liens permitted hereunder, and there are no facts, circumstances or conditions known to any Credit Party that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances. Each Credit Party has received all deeds, assignments, waivers, consents, nondisturbance and attornment or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Credit Party's right, title and interest in and to all such Real Estate and other properties and assets. Disclosure Schedule (3.6) also describes any purchase options, rights of first refusal or other similar contractual rights existing as of the Closing Date and pertaining to any Real Estate. As of the Closing Date, no portion of any Credit Party's Real Estate has suffered any material damage by fire or other casualty loss that has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. As of the Closing Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect.

3.7 Labor Matters. Except as set forth on Disclosure Schedule (3.7), as of the Closing Date: (a) no strikes or other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened; (b) hours worked by and payment made to employees of each Credit Party comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matters; (c) all payments due from any Credit Party for employee health and welfare insurance have been paid or accrued as a liability on the books of such Credit Party; (d) no Credit Party is a party to or bound by any collective bargaining agreement, management agreement, consulting agreement, employment agreement, bonus, restricted stock, stock option, or stock appreciation plan or agreement or any similar plan, agreement or arrangement (and true and complete copies of any agreements described on Disclosure Schedule (3.7) have been delivered to Agent); (e) there is no organizing activity involving any Credit Party pending or, to any Credit Party's knowledge, threatened by any labor union or group of employees; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition; and (g) there are no material complaints or charges against any Credit Party pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual.

3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness. Except as set forth in Disclosure Schedule (3.8), as of the Closing Date, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each Credit Party is owned, as of the Closing Date, by each of the Stockholders and in the amounts set forth in Disclosure Schedule (3.8). Except as set forth in Disclosure Schedule (3.8), as of the Closing Date, there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness and Guaranteed Indebtedness of each Credit Party as of the Closing Date (except for the Obligations) is described in Section 6.3 (including Disclosure Schedule (6.3)).

3.9 Government Regulation. No Credit Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940. No Credit Party is subject to regulation under any federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loans by Lenders to Borrower, the incurrence of the Letter of Credit Obligations on behalf of Borrower, the application of the proceeds thereof and repayment thereof and the consummation of the Related Transactions will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

3.10 Margin Regulations. No Credit Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as " Margin Stock"). No Credit Party owns any Margin Stock, and none of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any of the Loans or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Credit Party will take or permit to be taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

3.11 Taxes. All Federal and other material tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority, and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof, excluding Charges or other amounts being contested in accordance with Section 5.2(b) and unless the failure to so file or pay would not reasonably be expected to result in fines, penalties or interest in excess of $50,000 in the aggregate. Proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. Disclosure Schedule (3.11) sets forth as of the Closing Date those taxable years for which any Credit Party's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described in Disclosure Schedule (3.11), as of the Closing Date, no Credit Party has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. Except as set forth on Disclosure Schedule (3.11), none of the Credit Parties and their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements) or (b) to each Credit Party's knowledge, as a transferee. As of the Closing Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would reasonably be expected to have a Material Adverse Effect.

3.12 ERISA.

(a) Disclosure Schedule (3.12) lists as of the Closing Date, (i) all ERISA Affiliates and (ii) all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest form IRS/DOL 5500-series form for each such Plan have been delivered to Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and, nothing has occurred that would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance in all material respects with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, including the statement required by 29 CFR Section 2520.104-23. Neither any Credit Party nor ERISA Affiliate has failed to make any material contribution or pay any material amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Neither any Credit Party nor ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan, that would subject any Credit Party to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC.

(b) Except as set forth in Disclosure Schedule (3.12): (i) no Title IV Plan has any material Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened material claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any material liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan of any Credit Party or ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 4041 of ERISA, nor has any Title IV Plan of any Credit Party or ERISA Affiliate (determined at any time within the past five years) with material Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate; (vi) except in the case of any ESOP, Stock of all Credit Parties and their ERISA Affiliates makes up, in the aggregate, no more than 10% of fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan; and (vii) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or an equivalent rating by another nationally recognized rating agency.

3.13 No Litigation. No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened against any Credit Party, before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, "Litigation"), (a) that challenges any Credit Party's right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder, or (b) that has a reasonable risk of being determined adversely to any Credit Party and that, if so determined, could reasonably be expected to have a Material Adverse Effect. Except as set forth on Disclosure Schedule (3.13), as of the Closing Date there is no Litigation pending or threatened that seeks damages in excess of $250,000 or injunctive relief against, or alleges criminal misconduct of, any Credit Party.

3.14 Brokers. Except as set forth on Disclosure Schedule (3.14), no broker or finder acting on behalf of any Credit Party or Affiliate thereof brought about the obtaining, making or closing of the Loans or the Related Transactions, and no Credit Party or Affiliate thereof has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

3.15 Intellectual Property. As of the Closing Date, each Credit Party owns or has rights to use all material Intellectual Property necessary to continue to conduct its business as now conducted by it or presently proposed to be conducted by it, and each registered Patent, registered Trademark, registered Copyright and License (other than any License in respect of commercially available software or any License in respect of the presentation of any motion picture or other License necessary to conduct the Business in the normal course) is listed, together with application or registration numbers, as applicable, in Disclosure Schedule (3.15). Each Credit Party conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect. Except as set forth in Disclosure Schedule (3.15), as of the Closing Date, no Credit Party is aware of any material infringement claim by any other Person with respect to any Intellectual Property.

3.16 Full Disclosure. No information contained in this Agreement, any of the other Loan Documents, Financial Statements or Collateral Reports or other written reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to Agent or any Lender pursuant to the terms of this Agreement (other than any Projections, pro forma statements or other forward looking disclosures) contains or will contain, when delivered, any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; provided that (a) with respect to information relating to Borrower's industry generally and trade data which relates to a Person that is not a Credit Party, Borrower represents and warrants only that such information is believed by it in good faith to be accurate in all material respects, and (b) with respect to Financial Statements, other than projected financial information, Borrower only represents that such Financial Statements present fairly in all material respects the consolidated financial condition of the applicable Person as of the dates indicated. Projections from time to time delivered hereunder are or will be based upon the estimates and assumptions stated therein, all of which Borrower believed at the time of delivery to be reasonable and fair in light of current conditions and current facts known to Borrower as of such delivery date, and reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower and of the other information projected therein for the period set forth therein. Such Projections are not a guaranty of future performance and actual results may differ from those set forth in such Projections. The Liens granted to Agent, on behalf of itself and Lenders, pursuant to the Collateral Documents will at all times, subject to compliance with, and the exclusions from, the provisions hereof and the Collateral Documents, be fully perfected first priority Liens in and to the Collateral described therein, subject, as to priority, only to Liens permitted hereunder.

3.17 Environmental Matters.

(a) Except as set forth in Disclosure Schedule (3.17), as of the Closing Date: (i) the Real Estate is free of contamination from any Hazardous Material except for such contamination that would not materially adversely impact the value or marketability of such Real Estate and that would not result in Environmental Liabilities that could reasonably be expected to exceed $500,000; (ii) no Credit Party has caused or suffered to occur any material Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate; (iii) the Credit Parties are and have been in compliance with all Environmental Laws, except for such noncompliance that would not result in Environmental Liabilities which could reasonably be expected to exceed $500,000; (iv) the Credit Parties have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits would not result in Environmental Liabilities that could reasonably be expected to exceed $500,000, and all such Environmental Permits are valid, uncontested and in good standing; (v) no Credit Party is involved in operations or knows of any facts, circumstances or conditions, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of such Credit Party which could reasonably be expected to exceed $500,000; (vi) there is no Litigation arising under or related to any Environmental Laws, Environmental Permits or Hazardous Material that seeks damages, penalties, fines, costs or expenses in excess of $500,000 or injunctive relief against any Credit Party; (vii) no notice has been received by any Credit Party identifying it as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the knowledge of the Credit Parties, there are no facts, circumstances or conditions that may result in any Credit Party being identified as a "potentially responsible party" under CERCLA or analogous state statutes; and (viii) the Credit Parties have provided to Agent copies of all existing environmental reports, reviews and audits and all written information pertaining to actual or potential Environmental Liabilities, in each case relating to any Credit Party.

(b) Each Credit Party hereby acknowledges and agrees that Agent (i) is not now, and has not ever been, in control of any of the Real Estate or any Credit Party's affairs, and (ii) does not have the capacity through the provisions of the Loan Documents or otherwise to influence any Credit Party's conduct with respect to the ownership, operation or management of any of its Real Estate or compliance with Environmental Laws or Environmental Permits.

3.18 Insurance. Disclosure Schedule (3.18) lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

3.19 Deposit and Disbursement Accounts. Disclosure Schedule (3.19) lists all banks and other financial institutions at which any Credit Party maintains deposit or other accounts as of the Closing Date, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

3.20 [Reserved]

3.21 Trade Relations. As of the Closing Date, there exists no actual or, to the knowledge of any Credit Party, threatened termination or cancellation of, or any material adverse modification or change in the business relationship of any Credit Party with any supplier essential to its operations.

3.22 Bonding; Licenses. Except as set forth on Disclosure Schedule (3.22), as of the Closing Date, no Credit Party is a party to or bound by any surety bond agreement or bonding requirement with respect to products or services sold by it.

3.23 Solvency. Both before and after giving effect to (a) the Loans and Letter of Credit Obligations to be made or incurred on the Closing Date or such other date as Loans and Letter of Credit Obligations requested hereunder are made or incurred, (b) the disbursement of the proceeds of such Loans pursuant to the instructions of Borrower, (c) the Closing Date Theatre Contribution and the consummation of the other Related Transactions and (d) the payment and accrual of all transaction costs in connection with the foregoing, each of the Borrower, individually, and the Credit Parties, taken as a whole, is and will be Solvent.

3.24 Status of Holdings. Prior to the Closing Date, Holdings will not have engaged in any business or incurred any Indebtedness or any other liabilities (except in connection with its corporate formation, the Related Transactions Documents and this Agreement).

3.25 OFAC. No Credit Party (i) is a person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) engages in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such person in any manner violative of Section 2, or (iii) is a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury’s Office of Foreign Assets Control regulation or executive order.

3.26 Patriot Act. Each Credit Party is in compliance, in all material respects, with the (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports and Notices.

(a) Each Credit Party executing this Agreement hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Agent or to Agent and Lenders, as required, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in Annex E.

(b) Each Credit Party executing this Agreement hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Agent or to Agent and Lenders, as required, the various Collateral Reports at the times, to the Persons and in the manner set forth in Annex F.

4.2 Communication with Accountants. Each Credit Party executing this Agreement authorizes (a) Agent and (b) so long as an Event of Default has occurred and is continuing, each Lender, to communicate directly with its independent certified public accountants, including Deloitte & Touche LLP, and authorizes and shall instruct those accountants and advisors to communicate to Agent and each Lender information relating to any Credit Party with respect to the business, results of operations and financial condition of any Credit Party. In connection with the exercise of any such rights, Agent or such Lender shall provide Borrower with a copy of all transmittals and requests made to Borrower's accountants concurrently with the transmittal thereof to such accountants, and shall give Borrower reasonably prior opportunity to participate in any conversations or meetings with such accountants.

5. AFFIRMATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

5.1 Maintenance of Existence and Conduct of Business. Each Credit Party shall: do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its material rights and franchises, except as permitted by Section 6.1; continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; and at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices. Except as otherwise permitted hereunder, each Credit Party shall maintain good and marketable fee simple title to all of its owned Real Estate and a valid leasehold interest in all of its leased Real Estate.

5.2 Payment of Charges.

(a) Subject to Section 5.2(b), each Credit Party shall pay and discharge or cause to be paid and discharged promptly all (i) material Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed), all Charges with respect to tax, social security and unemployment withholding with respect to its employees and all other material Charges, (ii) lawful claims for labor, materials, supplies and services or otherwise, and (iii) all storage or rental charges payable to warehousemen and bailees, in each case, before any thereof shall become past due, except in the case of clauses (ii) and (iii) where the failure to pay or discharge such Charges would not result in aggregate liabilities in excess of $500,000.

(b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges, Taxes or claims described in Section 5.2(a); provided, that (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP; (ii) no Lien other than a Permitted Encumbrance shall be imposed to secure payment of such Charges (other than payments to warehousemen and/or bailees) that is superior to any of the Liens securing payment of the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges, (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest, and (iv) such Credit Party shall promptly pay or discharge such contested Charges, Taxes or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to Agent evidence reasonably acceptable to Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions set forth in this Section 5.2(b) are no longer met.

5.3 Books and Records. Each Credit Party shall keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as Disclosure Schedule (3.4(a)).

5.4 Insurance; Damage to or Destruction of Collateral .

(a) The Credit Parties shall, at their sole cost and expense, maintain the policies of insurance described on Disclosure Schedule (3.18) as in effect on the date hereof or other replacement policies of insurance covering similar risks and in such amounts as are maintained by other Persons engaged in a similar Business and issued by insurers reasonably acceptable to Agent. Such policies of insurance (or the loss payable and additional insured endorsements delivered to Agent) shall contain provisions pursuant to which the insurer agrees to provide thirty (30) days prior written notice to Agent in the event of any non-renewal, cancellation or amendment of any such insurance policy. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto that Agent deems advisable. Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including reasonable attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrower to Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) If reasonably requested by Agent, each Credit Party shall deliver to Agent from time to time a report of a reputable insurance broker reasonably satisfactory to Agent, with respect to its insurance policies.

(c) Borrower and each Credit Party shall deliver to Agent, in form and substance reasonably satisfactory to Agent, endorsements to (i) all "All Risk" and business interruption insurance of Borrower and the other Credit Parties naming Agent, on behalf of itself and Lenders, as loss payee, and (ii) all general liability and other liability policies of the Credit Parties naming Agent, on behalf of itself and Lenders, as additional insured. Each Credit Party irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent), so long as any Default or Event of Default has occurred and is continuing , as Borrower's and each other Credit Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such "All Risk" policies of insurance, endorsing the name of each Credit Party on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. Agent shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Borrower shall promptly notify Agent of any loss, damage, or destruction to the Collateral in the amount of $250,000 or more, whether or not covered by insurance. After deducting from such proceeds (i) the expenses incurred by Agent in the collection or handling thereof, and (ii) amounts required to be paid to creditors (other than Lenders) having Permitted Encumbrances and amounts required to be paid to landlord under any leases, Agent may, at its option, apply such proceeds to the reduction of the Obligations in accordance with Section 1.3(d), provided that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower, or permit or require each Credit Party to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing,(i) so long as no Default has occurred and is continuing, the Borrower may retain all proceeds from business interruption insurance policies. and (ii) if the casualty giving rise to such insurance proceeds could not reasonably be expected to have a Material Adverse Effect, no Default has occurred and is continuing, and such loss or casualty does not occur at, or relate to, a theatre which generates more than 5% of Borrower's revenues, Agent shall, to the extent Agent is in possession thereof, deliver to the applicable Credit Party all casualty insurance proceeds so that the applicable Credit Party can replace, restore, repair or rebuild the property; provided that if such Credit Party has not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within 270 days of such casualty, Agent may apply such insurance proceeds to the Obligations in accordance with Section 1.3(c); provided further that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower. All insurance proceeds that are to be made available to Borrower to replace, repair, restore or rebuild the Collateral shall be applied by Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a permanent reduction of the Revolving Loan Commitment). All insurance proceeds made available to any Credit Party that is not a Borrower to replace, repair, restore or rebuild Collateral shall be deposited in a Blocked Account. Thereafter, such funds shall be made available to such Credit Party to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) Borrower shall request a Revolving Credit Advance or release from the cash collateral account be made to such Credit Party in the amount requested to be released; and (ii) so long as the conditions set forth in Section 2.2 have been met, Revolving Lenders shall make such Revolving Credit Advance or Agent shall release funds from such Blocked Account. To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance with Section 1.3(c); provided that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower.

5.5 Compliance with Laws. Each Credit Party shall comply with all federal, state, local and foreign laws and regulations applicable to it, including ERISA, labor laws, and Environmental Laws and Environmental Permits, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.6 Supplemental Disclosure. From time to time as may be reasonably requested by Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of an Event of Default) or at Credit Parties' election, the Credit Parties shall supplement each Disclosure Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising that, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or that is necessary to correct any information in such Disclosure Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); provided that (a) no such supplement to any such Disclosure Schedule or representation shall amend, supplement or otherwise modify any Disclosure Schedule or representation, or be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by Agent and Requisite Lenders in writing, and (b) no supplement shall be required or permitted as to representations and warranties that relate solely to the Closing Date.

5.7 Intellectual Property. Each Credit Party will conduct its business and affairs without material infringement of or material interference with any Intellectual Property of any other Person in any material respect and shall comply in all material respects with the terms of its Licenses.

5.8 Environmental Matters. Each Credit Party shall and shall reasonably attempt to cause each Person within its control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance that could not reasonably be expected to have a Material Adverse Effect; (b) implement any and all investigation, remediation, removal and response actions that are appropriate or necessary to maintain the value and marketability of the Real Estate or to otherwise comply with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, in, under, above, to, from or about any of its Real Estate in all material respects; (c) notify Agent promptly after such Credit Party becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate that is reasonably likely to result in Environmental Liabilities in excess of $250,000; and (d) promptly forward to Agent a copy of any material order, notice, request for information or any communication or report received by such Credit Party in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in Environmental Liabilities in excess of $250,000 in each case whether or not the Environmental Protection Agency or any Governmental Authority has taken or threatened any action in connection with any such violation, Release or other matter. If Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or Environmental Permits by any Credit Party or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate, that, in each case, could reasonably be expected to have a Material Adverse Effect, then each Credit Party shall, upon Agent's written request (i) cause the performance of such environmental audits including subsurface sampling of soil and groundwater, and preparation of such environmental reports, at Borrower's expense, as Agent may from time to time reasonably request, which shall be conducted by reputable environmental consulting firms reasonably acceptable to Agent and shall be in form and substance reasonably acceptable to Agent, and (ii) permit Agent or its representatives to have access to all Real Estate for the purpose of conducting such environmental audits and testing as Agent deems appropriate, including subsurface sampling of soil and groundwater. Borrower shall reimburse Agent for the reasonable and documented costs of such audits and tests and the same will constitute a part of the Obligations secured hereunder.

5.9 Access Agreements; Liens on Real Estate Interests .

(a) Fee Owned Real Estate and Leasehold Interest with respect to Movie Theatres. On or prior to the Closing Date, Agent shall have received Mortgages covering all Mortgaged Properties together with all requirements set forth in Annex D with respect thereto. To the extent permitted hereunder, if any Credit Party proposes to acquire a fee ownership interest in Real Estate or a leasehold interest with respect to any movie theatre after the Closing Date, it shall within 10 Business Days of the consummation of such acquisition provide to Agent a mortgage or deed of trust granting Agent a first priority Lien on such Real Estate, together with, if requested by Agent and within such reasonable time frames as may be requested by Agent, environmental audits, mortgage title insurance policy, real property survey, local counsel opinion(s), and, if required by Agent, supplemental casualty insurance and flood insurance, landlord estoppel agreements, mortgagee waivers, if applicable and such other documents, instruments or agreements reasonably requested by Agent, in each case, in form and substance reasonably satisfactory to Agent. If any lease which is subject to a Mortgage in favor of Agent expires or terminates and is subsequently renewed, Borrower shall with reasonable promptness provide to Agent a mortgage or deed of trust granting Agent a first priority Lien on such Real Estate, together with, if requested by Agent and within such reasonable time frames as may be requested by Agent, mortgage title insurance policy, local counsel opinion(s), and, if required by Agent, supplemental casualty insurance and flood insurance, landlord estoppel agreements, mortgagee waivers, if applicable and such other documents, instruments or agreements reasonably requested by Agent, in each case, in form and substance reasonably satisfactory to Agent.

(b) Other Leased Property. On or prior to the Closing Date, Agent shall have received, with respect to all leased property where (1) a Credit Party is the lessee, (2) the leased property does not contain a movie theatre, (3) all of such leased property has not been sublet to a third party and (4) the Credit Parties maintain Collateral in excess of $250,000, a landlord waiver or bailee agreement with respect to such location, which agreement shall contain a waiver or subordination of all Liens or claims that such lessor, mortgagee or bailee may assert against the Collateral at that location, shall grant Agent access to the Collateral at that location, with respect to all leased property shall contain the consent of the lessor to a Mortgage on such location in favor of Agent, and shall otherwise be reasonably satisfactory in form and substance to Agent. After the Closing Date, no real property or warehouse space which does not contain a movie theatre and where Collateral with a value in excess of $250,000 is maintained shall be leased by any Credit Party without the prior written consent of Agent unless and until a satisfactory agreement with the applicable lessor or bailee letter, as appropriate, shall first have been obtained with respect to such location. Each Credit Party shall timely and fully pay and perform its obligations under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located.

5.10 Interest Rate/Currency Fluctuations Protection. Within ninety (90) days after the Closing Date, Borrower shall enter into and maintain interest rate cap, swap or collar agreements, or other agreements or arrangements designed to provide protection against fluctuations in interest rates, which shall be on terms, for a period of at least 3 years following the Closing Date and with counter parties reasonably acceptable to Agent, and pursuant to which Borrower is protected against increases in interest rates from and after the date of such contracts as to a notional amount of not less than 50% of the Loans outstanding on the Closing Date.

5.11 Further Assurances. Each Credit Party executing this Agreement agrees that it shall and shall cause each other Credit Party to, at such Credit Party's expense and upon the reasonable request of Agent, duly execute and deliver, or cause to be duly executed and delivered, to Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of Agent to carry out more effectively the provisions and purposes of this Agreement and each Loan Document. Each Credit Party (other than Holdings) executing this Agreement acknowledges and agrees that it will not issue any Stock to any other Person after the Closing Date unless (i) no Change of Control would result therefrom and (ii) such Stock is pledged to Agent, pursuant to documentation and with such diligence as Agent shall request.

5.12 Future Credit Parties. In the event that, subsequent to the Closing Date, any Person becomes a Domestic Subsidiary, such Person shall within 10 Business Days of becoming a Domestic Subsidiary become a Credit Party, and concurrently with such Person's becoming a Credit Party, the Credit Party that owns the Stock of such Person shall (i) pledge 100% such Stock and all Intercompany Notes issued by such Person to Agent pursuant to the Borrower Pledge Agreement or such other pledge agreement in form and substance reasonably satisfactory to Agent, (ii) shall cause such Person (A) to become a party to this Agreement, and (B) to provide all relevant documentation with respect thereto and to take such other actions as such Person would have been required to provide and take pursuant to Annex D if such Person had been a Credit Party on the Closing Date; (iii) shall cause such Person (A) to become a party to the Subsidiary Guaranty, the Security Agreement and, if such Credit Party owns any Stock, cause such Credit Party to become a party to a stock pledge agreement in form and substance reasonably satisfactory to Agent, pursuant to which such Credit Party shall pledge 100% of the Stock of any of its Domestic Subsidiaries and 66% of the voting Stock and 100% of the non-voting Stock of its first tier Foreign Subsidiaries and (B) to provide all relevant documentation with respect thereto and to take such other actions as such Person would have been required to provide and take pursuant to Annex D if such Person had been a Credit Party on the Closing Date and (iv) if such Person owns or leases any Real Estate, to comply with Sections 5.9 with respect to such Real Estate. Borrower agrees that, following the delivery of any Collateral Documents required to be executed and delivered by this Section 5.11 the recordation thereof, if applicable, and the completion of such other conditions as may be necessary to perfect a security interest in or a lien upon the assets purportedly the subject of such Collateral Document, Agent shall have a valid and enforceable, perfected, first priority Lien on the respective Collateral covered thereby, free and clear of all Liens, other than (i) Permitted Encumbrances and (ii) perfection of Liens in other assets of the Credit Parties in an aggregate amount not to exceed $100,000 at any one time. All actions to be taken pursuant to this Section 5.11 shall be at the expense of Borrower or the applicable Credit Party, and shall be taken to the reasonable satisfaction of Agent.

5.13 Post Closing. Each Credit Party executing this Agreement agrees that it shall, and shall cause each other Credit Party to, use its best efforts to consummate the Theatre Disposition, on terms and conditions reasonably satisfactory to the Agent, no later than 180 days following the Closing Date or such later date as may be agreed by Agent.

6. NEGATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof until the Termination Date:

6.1 Mergers, Subsidiaries, Etc.

No Credit Party shall directly or indirectly, by operation of law or otherwise without the prior written consent of the Requisite Lenders (other than the Related Transactions), (a) form or acquire any Foreign Subsidiary or (b) merge with, consolidate with, acquire all or substantially all of the assets or Stock of, or otherwise combine with or acquire, any Person; provided that: any Credit Party may merge, consolidate or liquidate with another Credit Party; provided that if Borrower is a party to such merger or consolidation, Borrower shall be the surviving entity. Notwithstanding the foregoing, Borrower (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower), may acquire all or substantially all of the assets or Stock of, any Person (the "Target") or consummate any Theater Acquisition (in each case, a " Permitted Acquisition") subject to the satisfaction of each of the following conditions:

(i) Agent shall receive at least thirty (30) Business Days' prior written notice of such proposed Permitted Acquisition, which notice shall include a reasonably detailed description of such proposed Permitted Acquisition;

(ii) such Permitted Acquisition shall only involve assets located in the United States or Canada, shall be in a competitive free film zone and comprising a business, or those assets of a business, of the type engaged in by Borrower as of the Closing Date, and which business would not subject Agent or any Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrower prior to such Permitted Acquisition;

(iii) such Permitted Acquisition shall be consensual and shall have been approved by the Target's board of directors;

(iv) no additional Indebtedness, Guaranteed Indebtedness, contingent obligations or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of Borrower and Target after giving effect to such Permitted Acquisition, except (A) Indebtedness permitted pursuant to Section 6.7(c) and (B) ordinary course trade payables, accrued expenses and unsecured Indebtedness of the Target to the extent no Default or Event of Default has occurred and is continuing or would result after giving effect to such Permitted Acquisition;

(v) the sum of all amounts payable in connection with all Permitted Acquisitions (including all transaction costs and all Indebtedness, liabilities and contingent obligations incurred or assumed in connection therewith or otherwise reflected on a consolidated balance sheet of Borrower and Target) shall be funded solely with the cash proceeds of equity issuances, or cash contributions to Borrower, and shall not exceed $15,000,000 individually and $25,000,000 in the aggregate for all such Permitted Acquisitions;

(vi) the Target shall not have incurred an operating loss for the trailing twelve-month period preceding the date of the Permitted Acquisition, as determined based upon the Target's financial statements for its most recently completed fiscal year and its most recent interim financial period completed within sixty (60) days prior to the date of consummation of such Permitted Acquisition and after giving effect to cost savings, synergies and other savings approved by Agent;

(vii) the business and assets acquired in such Permitted Acquisition shall be free and clear of all Liens (other than Permitted Encumbrances);

(viii) at or prior to the closing of any Permitted Acquisition, Agent will be granted a first priority perfected Lien (subject to Permitted Encumbrances) in all assets acquired pursuant thereto or in the assets and Stock of the Target, and Holdings and Borrower and the Target shall have executed such documents and taken such actions as may be required by Agent in connection therewith;

(ix) Concurrently with delivery of the notice referred to in clause (i) above, Borrower shall have delivered to Agent, in form and substance reasonably satisfactory to Agent:

(A) a pro forma consolidated balance sheet, income statement and cash flow statement of Holdings and its Subsidiaries (the "Acquisition Pro Forma"), based on recent financial statements, which shall be complete and shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Acquisition and the funding of all Loans in connection therewith, and such Acquisition Pro Forma shall reflect that (x) on a pro forma basis, Holdings and its Subsidiaries would have had a ratio of Funded Debt to EBITDA not in excess of 2.45 to 1.0 for the two quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E prior to the consummation of such Permitted Acquisition (after giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period), (y) average daily Borrowing Availability for the 90-day period preceding the consummation of such Permitted Acquisition would have exceeded $2,500,000 on a pro forma basis (after giving effect to such Permitted Acquisition as if made on the first day of such period) and the Acquisition Projections (as hereinafter defined) shall reflect that such Borrowing Availability of $2,500,000 shall continue for at least ninety (90) days after the consummation of such Permitted Acquisition, and (z) on a pro forma basis, no Event of Default has occurred and is continuing or would result after giving effect to such Permitted Acquisition and Borrower would have been in compliance with the financial covenants set forth in Annex G for the four quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E prior to the consummation of such Permitted Acquisition (after giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period);

(B) updated versions of the most recently delivered Projections covering the one (1) year period commencing on the date of such Permitted Acquisition and otherwise prepared in accordance with the Projections (the " Acquisition Projections") and based upon historical financial data of a recent date reasonably satisfactory to Agent, taking into account such Permitted Acquisition; and

(C) a certificate of the chief financial officer of Holdings and Borrower to the effect that: (w) Borrower (after taking into consideration all rights of contribution and indemnity Borrower has against Holdings and each other Subsidiary of Holdings) will be Solvent upon the consummation of the Permitted Acquisition; (x) the Acquisition Pro Forma fairly presents the financial condition of Holdings and Borrower (on a consolidated basis) as of the date thereof after giving effect to the Permitted Acquisition; (y) the Acquisition Projections are reasonable estimates of the future financial performance of Holdings and Borrower subsequent to the date thereof based upon the historical performance of Holdings, Borrower and the Target and show that Holdings and Borrower shall continue to be in compliance with the financial covenants set forth in Annex G for the 1-year period thereafter; and (z) Holdings and Borrower has completed their due diligence investigation with respect to the Target and such Permitted Acquisition, which investigation was conducted in a manner similar to that which would have been conducted by a prudent purchaser of a comparable business and the results of which investigation were delivered to Agent and Lenders;

(x) on or prior to the date of such Permitted Acquisition, Agent shall have received, in form and substance reasonably satisfactory to Agent, copies of the acquisition agreement and related agreements and instruments, and all opinions, certificates, lien search results and other documents reasonably requested by Agent, including those specified in the last sentence of Section 5.9; and

(xi) at the time of such Permitted Acquisition and after giving effect thereto, no Default or Event of Default has occurred and is continuing.

6.2 Investments; Loans and Advances. Except as otherwise expressly permitted by this Section 6, no Credit Party shall make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that: (a) each Credit Party may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors to such Credit Party pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts in the ordinary course of business; (b) each Credit Party may make and hold investments in respect of prepaid expenses, negotiable instruments held for collection or lease, workers' compensation, performance and other similar deposits provided to third parties in the ordinary course of business; (c) each Credit Party may hold investments constituting non-cash consideration received by such Credit Party in connection with asset dispositions permitted hereby; (d) each Credit Party may make Investments in connection with Permitted Acquisitions; (e) each Credit Party may make investments in any Guarantor (other than Reading or Holdings) and any Guarantor may make investments in Borrower or in any other Guarantor (other than Reading or Holdings), (f) each Credit Party may, with the prior written consent of the Agent (which consent shall not be unreasonably withheld), make other investments funded with proceeds of equity issuances or capital contributions not required to be used repay the Loans; (g) maintain its existing investments in its Subsidiaries as of the Closing Date; (h) each Credit Party may hold investments resulting from hedging obligations under swaps, caps and collar arrangements arranged by GE Capital or any Lender entered into pursuant to Section 5.10 or any other hedging obligation entered into for non-speculative purposes and (i) so long as no Default or Event of Default has occurred and is continuing, Borrower may make investments, subject to Control Letters in favor of Agent for the benefit of Lenders or otherwise subject to a perfected security interest in favor of Agent for the benefit of Lenders, in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one year from the date of creation thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than $300,000,000 and having a senior unsecured rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (iv) demand and time deposits maturing no more than thirty (30) days from the date of creation thereof with A Rated Banks and (v) mutual funds that invest solely in one or more of the investments described in clauses (i) through (iv) above, and (j) other investments not exceeding $100,000 in the aggregate at any time outstanding.

6.3 Indebtedness.

(a) No Credit Party shall create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capital Leases permitted in Section 6.7(c), (ii) the Loans and the other Obligations, (iii) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, (iv) existing Indebtedness described in Disclosure Schedule (6.3) and refinancings thereof or amendments or modifications thereof that do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that are otherwise on terms and conditions no less favorable taken as a whole to any Credit Party, Agent or any Lender, than the terms of the Indebtedness being refinanced, amended or modified, (v) hedging obligations under swaps, caps and collar arrangements arranged by GE Capital or any Lender entered into pursuant to Section 5.10 or any other hedging obligation entered into for non-speculative purposes, (vi) obligations under surety bonds, appeal or similar obligations entered into in the ordinary course of business, and (vii) Indebtedness consisting of intercompany loans and advances made by Borrower to any other Credit Party that is a Guarantor or by any such Guarantor to Borrower; provided, that: (A) Borrower shall have executed and delivered to each such Guarantor, and each such Guarantor shall have executed and delivered to Borrower, if so requested by Agent, a demand note (collectively, the "Intercompany Notes") to evidence any such intercompany Indebtedness owing at any time by Borrower to such Guarantor or by such Guarantor to Borrower, which Intercompany Notes shall be in form and substance reasonably satisfactory to Agent and shall be pledged and delivered to Agent pursuant to the applicable Pledge Agreement or Security Agreement as additional collateral security for the Obligations; (B) Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Agent; (C) the obligations of Borrower under any such Intercompany Notes shall be subordinated to the Obligations of Borrower hereunder in a manner reasonably satisfactory to Agent; (D) at the time any such intercompany loan or advance is made by Borrower and after giving effect thereto, Borrower shall be Solvent; and (E) no Default or Event of Default pursuant to Section 8.1(a), (g) or (h) would occur and be continuing after giving effect to any such proposed intercompany loan.

(b) No Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness prior to its scheduled maturity, other than (i) the Obligations; (ii) Indebtedness secured by a Permitted Encumbrance and Liens permitted under Section 6.7(c) if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with Sections 6.8(b) or (c); (iii) Indebtedness permitted by Section 6.3(a)(iv) upon any refinancing thereof in accordance with Section 6.3(a)(iv); (iv) as otherwise permitted in Section 6.14 and (v) Indebtedness owing to a Credit Party (other than Holdings) permitted hereunder.

6.4 Employee Loans and Affiliate Transactions.

(a) Except (i) as otherwise expressly permitted in this Section 6 with respect to Affiliates, (ii) as set forth in the Reading Management Agreement, (iii) reasonable and customary fees paid to, and indemnities issued for the benefit of, members of the board of directors (or similar governing body) of Holdings and its Subsidiaries in the ordinary course of business and so long as no Event of Default has occurred and is continuing and (iv) compensation arrangements for, and indemnities issued for the benefit of, officers and other employees of Holdings and its Subsidiaries entered into in the ordinary course of business and so long as no Event of Default has occurred, no Credit Party shall enter into or be a party to any transaction with any other Credit Party or any Affiliate thereof except in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's business and upon fair and reasonable terms that are no less favorable to such Credit Party than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party. In addition, if any such transaction or series of related transactions involves payments in excess of $500,000 in the aggregate, the terms of these transactions must be disclosed in advance to Agent and Lenders. All such transactions existing as of the date hereof are described in Disclosure Schedule (6.4(a)).

(b) No Credit Party shall enter into any lending or borrowing transaction with any employees of any Credit Party, except loans to its respective employees on an arm's-length basis in the ordinary course of business for travel and entertainment expenses, relocation costs and similar purposes and stock option financing up to a maximum of $100,000 to any employee and up to a maximum of $250,000 in the aggregate at any one time outstanding.

6.5 Capital Structure and Business. If all or part of a Credit Party's Stock is pledged to Agent, that Credit Party shall not issue additional Stock. No Credit Party shall amend its charter or bylaws in a manner that would adversely affect Agent or Lenders or such Credit Party's duty or ability to repay the Obligations. No Credit Party shall engage in any business other than the businesses currently engaged in by it or businesses reasonably related thereto.

6.6 Guaranteed Indebtedness. No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party, (b) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement, (c) for Guaranteed Indebtedness arising in connection with operating leases entered into by a Credit Party from time to time and (d) for customary Guaranteed Indebtedness incurred by such Credit Party in favor of title insurers.

6.7 Liens. No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to the Collateral or any of its other properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances; (b) Liens in existence on the date hereof and summarized on Disclosure Schedule (6.7) securing Indebtedness described on Disclosure Schedule (6.3) and permitted refinancings, extensions and renewals thereof, including extensions or renewals of any such Liens; provided that the principal amount of the Indebtedness so secured is not increased and the Lien does not attach to any other property; (c) Liens created after the date hereof by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to Equipment and Fixtures acquired by any Credit Party in the ordinary course of business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations of not more than $1,000,000 outstanding at any one time for all such Liens (provided that such Liens attach only to the assets subject to such purchase money Indebtedness and such Indebtedness is incurred within ninety (90) days following such purchase and does not exceed 100% of the purchase price of the subject assets); and (d) Liens in the nature of deposits received by a Credit Party from a sublessor or other account debtor in the ordinary course of business. In addition, no Credit Party shall become a party to any agreement, note, indenture or instrument, or take any other action, that would prohibit the creation of a Lien on any of its properties or other assets in favor of Agent, on behalf of itself and Lenders, as additional collateral for the Obligations, except (1) operating leases, Capital Leases, Equipment and Fixtures that are subject to purchase money obligations permitted hereby or Licenses which prohibit Liens upon the assets that are subject thereto, (2) leasehold interests in Real Property (other than in respect of leaseholds in respect of a movie theater) and (3) customary provisions restricting assignments, subletting or other transfers contained in leases, licenses and other agreements entered into in the ordinary course of business.

6.8 Sale of Stock and Assets. No Credit Party shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including the Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of its Accounts, other than (a) the sale of Inventory in the ordinary course of business, (b) the non-exclusive licensing of intellectual property rights in the ordinary course of business; (c) dispositions of property (including Stock) by any Subsidiary to Borrower or to another Subsidiary; provided that if the transferor of such property is a Guarantor, the transferee thereof must either be Borrower or a Subsidiary that is a Guarantor, (d) dispositions of property by Borrower to any Subsidiary that is a Guarantor, (e) leases or subleases of interests in real property entered into in the ordinary course of business (other than leases or subleases of any material portion of a Theatre Lease which lease or sublease could reasonably be expected to (i) have a Material Adverse Effect, (ii) impair such Credit Party's ability to operate its movie theatre operations conducted therein or (iii) materially impair the Collateral), (f) the surrender or waiver of contractual rights or the settlement, release or surrender of contract or tort claims in the ordinary course of business, (g) dispositions of cash and cash equivalents in the ordinary course of business except to the extent otherwise prohibited hereby, (h) the sale or other disposition by a Credit Party of Equipment and Fixtures that are obsolete or no longer used or useful in such Credit Party's business, (i) other dispositions of assets having a book value, not exceeding $250,000 in the aggregate in any Fiscal Year and (j) the Theatre Disposition; provided that the Agent shall have no obligation to release its Liens on the Excluded Theatres unless such Theatre Disposition contains a full release of each Credit Party's duties, liabilities and obligations, including, indemnification obligations, with respect to the Excluded Theatres.

6.9 ERISA. No Credit Party shall, or shall cause or permit any ERISA Affiliate to, cause or permit to occur (i) an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA or (ii) an ERISA Event to the extent such ERISA Event would reasonably be expected to result in taxes, penalties and other liability in excess of $250,000 in the aggregate.

6.10 Financial Covenants. Borrower shall not breach or fail to comply with any of the Financial Covenants.

6.11 Hazardous Materials. No Credit Party shall cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such violations or Environmental Liabilities or impacts on the value or marketability of any such Real Estate or Collateral that could not reasonably be expected to have a Material Adverse Effect.

6.12 Sale-Leasebacks. No Credit Party shall engage in any sale-leaseback, synthetic lease or similar transaction involving any of its assets.

6.13 Restricted Payments. No Credit Party shall make any Restricted Payment, except (a) intercompany loans and advances between Borrower and Guarantors to the extent permitted by Section 6.3, (b) dividends and distributions by Subsidiaries of Borrower paid to Borrower, (c) employee loans permitted under Section 6.4(b), (d) payments of principal and interest of Intercompany Notes issued in accordance with Section 6.3, (e) dividends and distributions by the Credit Parties to Holdings and from Holdings to the parent company of Holdings in any Fiscal Year in an aggregate amount not to exceed 90% of Excess Cash Flow from the immediately preceding Fiscal Year so long as (i) no Default or Event of Default has occurred and is continuing or would result therefrom and (ii) as of the date of such payment, Borrower's Leverage Ratio for the most recently ended two (2) consecutive Fiscal Quarters is less than 2.45:1.0, (g) payments made pursuant to the Reading Management Agreement as in effect on the date hereof and pro-rata payments made with respect to Reading company-wide contracts, including, without limitation, payments made to Reading resulting from the net profits of the Excluded Theatres and (i) the Closing Date Distribution in an amount equal to $12,073,845.94.

6.14 Change of Corporate Name or Location; Change of Fiscal Year. No Credit Party shall (a) change its name as it appears in official filings in the state of its incorporation or other organization, (b) change its chief executive office, principal place of business, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, (c) change the type of entity that it is, (d) change its organization identification number, if any, issued by its state of incorporation or other organization, or (e) change its state of incorporation or organization, in each case without at least thirty (30) days prior written notice to Agent and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken, and provided that any such new location shall be in the continental United States or Canada. No Credit Party shall change its Fiscal Year.

6.15 No Impairment of Intercompany Transfers. No Credit Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of Borrower to Borrower.

6.16 Real Estate Purchases. No Credit Party shall acquire any fee simple ownership interests or leasehold interests in Real Estate unless such Credit Party has complied with the requirements of Section 5.9.

6.17 Changes Relating to Material Contracts.

(a) No Credit Party shall change or amend the terms of the Reading Management Agreement or the Kahala Management Agreement if the effect of such amendment would have a material adverse effect on any Credit Party, the Agent or Lenders.

(b) No Credit Party shall change or amend the terms of the Reading Note if such amendment or change would make (i) the Reading Note a recourse obligation of the Borrower and (ii) amend or modify the provisions of Section 3 thereof or otherwise add other similar adjustment provisions to the terms thereof.

(c) No Credit Party shall change or amend the terms of any Material Contract if the effect of such amendment would have a material adverse effect on any Credit Party, the Agent or Lenders.

(d) No Credit Party shall agree to modify, terminate, amend, alter or cancel any Theatre Lease without the prior written consent of the Agent (not to be unreasonably withheld, delayed or conditioned by Agent) if such modification, termination, amendment, alteration or cancellation would have a material adverse effect on any Credit Party, Agent or the Lenders.

(e) No Credit Party shall change or amend the terms of the Angelika JV LLC Agreement if the effect of such amendment would have a Material Adverse Effect on any Credit Party, the Agent or Lenders.

(f) No Credit Party shall change or amend the terms of any Theater Lease relating to the Excluded Theatres unless all Credit Parties are released, in form and substance reasonably satisfactory to Agent, from all duties, liabilities and obligations, including indemnification obligations, under such Theater Leases.

6.18 Holdings. Except for the Related Transactions, Holdings shall not engage in any trade or business, or own any assets (other than Stock of its Subsidiaries and cash and cash equivalents) or incur any Indebtedness or Guaranteed Indebtedness (other than the Obligations and Indebtedness owing to any Credit Party).

6.19 Excluded Theatres. The Borrower shall not make any Capital Expenditures, investments, loans or advances with respect to the Excluded Theatres.

7. TERM

7.1 Termination. The financing arrangements contemplated hereby shall be in effect until the Commitment Termination Date, and the Loans and all other Obligations shall be automatically due and payable in full on such date.

7.2 Survival of Obligations Upon Termination of Financing Arrangements . Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Credit Parties or the rights of Agent and Lenders relating to any unpaid portion of the Loans or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Commitment Termination Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Credit Parties, and all rights of Agent and each Lender, all as contained in the Loan Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, that the provisions of Section 11, the payment obligations under Sections 1.15 and 1.16, and the indemnities contained in the Loan Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) Borrower (i) fails to make any payment of principal of the Loans when due and payable, (ii) fails to make any payment in respect of interest on, or Fees owing in respect of, the Loans or any of the other Obligations when due and payable within three (3) days of the due date thereof, or (iii) fails to pay or reimburse Agent or Lenders for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following Agent's demand for such reimbursement or payment of expenses.

(b) Any Credit Party fails or neglects to perform, keep or observe any of the provisions of Sections 1.4, 1.8, 5.4(a), 5.13 or 6, or any of the provisions set forth in Annexes C or G, respectively.

(c) Borrower fails or neglects to perform, keep or observe any of the provisions of Section 4.1 or any provisions set forth in Annexes E or F, respectively, and the same shall remain unremedied for three (3) Business Days or more.

(d) Any Credit Party fails or neglects to perform, keep or observe any other provision of this Agreement or of any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for thirty (30) days or more following the earlier to occur of (i) knowledge by Borrower of such failure or neglect and (ii) the receipt of written notice from Agent of such failure or neglect.

(e) A default or breach occurs under any other agreement, document or instrument to which any Credit Party is a party that is not cured within any applicable grace period therefor, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness or Guaranteed Indebtedness (other than the Obligations) of any Credit Party in excess of $500,000 in the aggregate (including (x) undrawn committed or available amounts and (y) amounts owing to all creditors under any combined or syndicated credit arrangements), or (ii) causes, or permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, Indebtedness or Guaranteed Indebtedness or a portion thereof in excess of $500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral to be demanded in respect thereof, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(f) Assets of any Credit Party with a fair market value of $500,000 or more are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party and such condition continues for thirty (30) days or more.

(g) A case or proceeding is commenced against any Credit Party seeking a decree or order in respect of such Credit Party (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or for any substantial part of any such Credit Party's assets, or (iii) ordering the winding-up or liquidation of the affairs of such Credit Party, and such case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or a decree or order granting the relief sought in such case or proceeding is granted by a court of competent jurisdiction.

(h) Any Credit Party (i) files a petition seeking relief under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consents to or fails to contest in a timely and appropriate manner to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or for any substantial part of any such Credit Party's assets, (iii) makes an assignment for the benefit of creditors, or (iv) takes any action in furtherance of any of the foregoing, or (v) admits in writing its inability to, or is generally unable to, pay its debts as such debts become due.

(i) A final judgment or judgments for the payment of money in excess of $500,000 in the aggregate at any time are outstanding against one or more of the Credit Parties (which judgments are not covered by insurance policies as to which liability has been accepted by the insurance carrier), and the same are not, within thirty (30) days after the entry thereof, discharged or execution thereof stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay.

(j) except pursuant to a release or termination expressly permitted under any Loan Document, any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Credit Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any Lien created under any Loan Document ceases to be a valid and perfected first priority Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.

(k) Any Change of Control occurs.

(l) Any event occurs, whether or not insured or insurable, as a result of which revenue-producing activities cease or are substantially curtailed at facilities of Borrower generating more than 25% of Borrower's revenues for the Fiscal Year preceding such event and such cessation or curtailment continues for more than sixty (60) days.

(m) Any Theatre Lease with respect to any movie theater or theaters generating more than 25% of Borrower's revenues for the Fiscal Year preceding is terminated or otherwise is failed to be renewed.

(n) Any material default or breach by Borrower occurs and is continuing under any Material Contract or any Material Contract shall be terminated for any reason and such Material Contract is not replaced within 90 days of such termination.

(o) Reading shall fail to pay Borrower's corporate overhead expenses, taxes or any amounts due with respect to the Excluded Theatres pursuant to the terms of the Reading Management Agreement.

(p) Any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate (made or delivered to Agent or any Lender by any Credit Party is untrue or incorrect in any material respect as of the date when made or deemed made.

8.2 Remedies.

(a) If any Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Revolving Lenders shall), without notice, suspend the Revolving Loan facility with respect to additional Advances and/or the incurrence of additional Letter of Credit Obligations, whereupon any additional Advances and additional Letter of Credit Obligations shall be made or incurred in Agent's sole discretion (or in the sole discretion of the Requisite Revolving Lenders, if such suspension occurred at their direction) so long as such Event of Default is continuing. If any Event of Default has occurred and is continuing, Agent may (and at the written request of Requisite Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Loans and the Letter of Credit Fees to the Default Rate.

(b) If any Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Lenders shall), without notice: (i) terminate the Revolving Loan facility with respect to further Advances or the incurrence of further Letter of Credit Obligations; (ii) reduce the Revolving Loan Commitment from time to time; (iii) declare all or any portion of the Obligations, including all or any portion of any Loan to be forthwith due and payable, and require that the Letter of Credit Obligations be cash collateralized in the manner set forth in Annex B, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower and each other Credit Party; or (iv) exercise any rights and remedies provided to Agent under the Loan Documents or at law or equity, including all remedies provided under the Code; provided, that upon the occurrence of an Event of Default specified in Sections 8.1(g) or (h), the Commitments shall be immediately terminated and all of the Obligations, including the Revolving Loan, shall become immediately due and payable without declaration, notice or demand by any Person.

8.3 Waivers by Credit Parties. Except as otherwise provided for in this Agreement or by applicable law, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever Agent may do in this regard, (b) all rights to notice and a hearing prior to Agent's taking possession or control of, or to Agent's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshaling and exemption laws.

9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF AGENT

9.1 Assignment and Participations.

(a) Binding Effect. This Agreement shall become effective when it shall have been executed by Holdings, the Borrowers, the other Credit Parties and Agent and when Agent shall have been notified by each Lender and L/C Issuer that such Lender or L/C Issuer has executed it. Thereafter, it shall be binding upon and inure to the benefit of, but only to the benefit of, Holdings, the Borrower, the Credit Parties (in each case, except for those provisions of this Article 9 relating solely to Agent), Agent, each Lender and L/C Issuer and, in each case, their respective successors and permitted assigns. Except as expressly provided in any Loan Document (including in Section 9.7), none of Holdings, the Borrower, the other Credit Parties, any L/C Issuer or Agent shall have the right to assign any rights or obligations hereunder or any interest herein.

(b) Right to Assign. Each Lender may sell, transfer, negotiate or assign (a "Sale") all or a portion of its rights and obligations hereunder (including all or a portion of its Commitments and its rights and obligations with respect to Loans and Letters of Credit) to (i) any existing Lender (other than a Non-Funding Lender or Impacted Lender), (ii) any Affiliate or Approved Fund of any existing Lender (other than a Non-Funding Lender or Impacted Lender) or (iii) any other Person acceptable (which acceptance shall not be unreasonably withheld or delayed) to Agent and, as long as no Event of Default is continuing, the Borrower, and, in the case of any Sale of a Revolving Loan, Letter of Credit or Revolving Loan Commitment, the Agent and each L/C Issuer that is a Lender, (which acceptances of L/C Issuer and the Borrower shall be deemed to have been given unless an objection is delivered to Agent within ten (10) Business Days after notice of a proposed Sale is delivered to the Borrower); provided, however, that (w) such Sales do not have to be ratable between the Revolving Loan and Term Loan A but must be ratable among the obligations owing to and owed by such Lender with respect to the Revolving Loan or a Term Loan A, (x) for each Loan, the aggregate outstanding principal amount (determined as of the effective date of the applicable Assignment) of the Loans, Commitments and Letter of Credit Obligations subject to any such Sale shall be in a minimum amount of $1,000,000, unless such Sale is made to an existing Lender or an Affiliate or Approved Fund of any existing Lender, is of the assignor's (together with its Affiliates and Approved Funds) entire interest in such facility or is made with the prior consent of the Borrower (to the extent Borrower's consent is otherwise required) and Agent, (y) interest accrued prior to and through the date of any such Sale may not be assigned, and (z) such Sales by Lenders who are Non-Funding Lenders due to clause (a) of the definition of Non-Funding Lender shall be subject to Agent's prior written consent in all instances, unless in connection with such sale, such Non-Funding Lender cures, or causes the cure of, its Non-Funding Lender status as contemplated in Section 9.9(d)(v). Agent's refusal to accept a Sale to a Credit Party, an Affiliate of a Credit Party, a holder of Subordinated Indebtedness or an Affiliate of such a holder, or to a Person that would be a Non-Funding Lender or an Impacted Lender, or the imposition of conditions or limitations (including limitations on voting) upon Sales to such Persons, shall not be deemed to be unreasonable.

(c) Procedure. The parties to each Sale made in reliance on clause (b) above (other than those described in clause (e) or (f) below) shall execute and deliver to Agent an Assignment via an electronic settlement system designated by Agent (or, if previously agreed with Agent, via a manual execution and delivery of the Assignment) evidencing such Sale, together with any existing Note subject to such Sale (or any affidavit of loss therefor acceptable to Agent), any tax forms required to be delivered pursuant to Section 1.15 and payment of an assignment fee in the amount of $3,500 to Agent, unless waived or reduced by Agent; provided that (i) if a Sale by a Lender is made to an Affiliate or an Approved Fund of such assigning Lender, then no assignment fee shall be due in connection with such Sale, and (ii) if a Sale by a Lender is made to an assignee that is not an Affiliate or Approved Fund of such assignor Lender, and concurrently to one or more Affiliates or Approved Funds of such Assignee, then only one assignment fee of $3,500 shall be due in connection with such Sale (unless waived or reduced by Agent). Upon receipt of all the foregoing, and conditioned upon such receipt and, if such Assignment is made in accordance with clause (iii) of Section 9.1(b), upon Agent (and the Borrower, if applicable) consenting to such Assignment, from and after the effective date specified in such Assignment, Agent shall record or cause to be recorded in the Register the information contained in such Assignment.

(d) Effectiveness. Subject to the recording of an Assignment by Agent in the Register pursuant to Section 9.1(g), (i) the assignee thereunder shall become a party hereto and, to the extent that rights and obligations under the Loan Documents have been assigned to such assignee pursuant to such Assignment, shall have the rights and obligations of a Lender, (ii) any applicable Note shall be transferred to such assignee through such entry and (iii) the assignor thereunder shall, to the extent that rights and obligations under this Agreement have been assigned by it pursuant to such Assignment, relinquish its rights (except for those surviving the termination of the Commitments and the payment in full of the Obligations) and be released from its obligations under the Loan Documents, other than those relating to events or circumstances occurring prior to such assignment (and, in the case of an Assignment covering all or the remaining portion of an assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party hereto).

(e) Grant of Security Interests. In addition to the other rights provided in this Section 9.1, each Lender may grant a security interest in, or otherwise assign as collateral, any of its rights under this Agreement, whether now owned or hereafter acquired (including rights to payments of principal or interest on the Loans), to (A) any federal reserve bank (pursuant to Regulation A of the Federal Reserve Board), without notice to Agent or (B) any holder of, or trustee for the benefit of the holders of, such Lender's Indebtedness or equity securities, by notice to Agent; provided, however, that no such holder or trustee, whether because of such grant or assignment or any foreclosure thereon (unless such foreclosure is made through an assignment in accordance with clause (b) above), shall be entitled to any rights of such Lender hereunder and no such Lender shall be relieved of any of its obligations hereunder.

(f) Participants and SPVs. In addition to the other rights provided in this Section 9.1, each Lender may, (x) with notice to Agent, grant to an SPV the option to make all or any part of any Loan that such Lender would otherwise be required to make hereunder (and the exercise of such option by such SPV and the making of Loans pursuant thereto shall satisfy the obligation of such Lender to make such Loans hereunder) and such SPV may assign to such Lender the right to receive payment with respect to any Obligation and (y) without notice to or consent from Agent or the Borrower, sell participations to one or more Persons in or to all or a portion of its rights and obligations under the Loan Documents (including all its rights and obligations with respect to the Term Loan A, Revolving Loans and Letters of Credit); provided, however, that, whether as a result of any term of any Loan Document or of such grant or participation, (i) no such SPV or participant shall have a commitment, or be deemed to have made an offer to commit, to make Loans hereunder, and, except as provided in the applicable option agreement, none shall be liable for any obligation of such Lender hereunder, (ii) such Lender's rights and obligations, and the rights and obligations of the Credit Parties and the Secured Parties towards such Lender, under any Loan Document shall remain unchanged and each other party hereto shall continue to deal solely with such Lender, which shall remain the holder of the Obligations in the Register, except that (A) each such participant and SPV shall be entitled to the benefit of Article X, but, with respect to Section 1.15, only to the extent such participant or SPV delivers the tax forms such Lender is required to collect pursuant to Section 1.15 and then only to the extent of any amount to which such Lender would be entitled in the absence of any such grant or participation and (B) each such SPV may receive other payments that would otherwise be made to such Lender with respect to Loans funded by such SPV to the extent provided in the applicable option agreement and set forth in a notice provided to Agent by such SPV and such Lender, provided, however, that in no case (including pursuant to clause (A) or (B) above) shall an SPV or participant have the right to enforce any of the terms of any Loan Document, and (iii) the consent of such SPV or participant shall not be required (either directly, as a restraint on such Lender's ability to consent hereunder or otherwise) for any amendments, waivers or consents with respect to any Loan Document or to exercise or refrain from exercising any powers or rights such Lender may have under or in respect of the Loan Documents (including the right to enforce or direct enforcement of the Obligations), except for those described in clauses (ii) and (iii) of Section 10.2(c) with respect to amounts, or dates fixed for payment of amounts, to which such participant or SPV would otherwise be entitled and, in the case of participants, except for those described in clause (vii) of Section 10.2(c). No party hereto shall institute (and the Borrower and Holdings shall cause each other Credit Party not to institute) against any SPV grantee of an option pursuant to this clause (f) any bankruptcy, reorganization, insolvency, liquidation or similar proceeding, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper of such SPV; provided, however, that each Lender having designated an SPV as such agrees to indemnify each Indemnified Person against any Liability that may be incurred by, or asserted against, such Indemnified Person as a result of failing to institute such proceeding (including a failure to get reimbursed by such SPV for any such Liability). The agreement in the preceding sentence shall survive the termination of the Commitments and the payment in full of the Obligations.

(g) Agent, acting as a non-fiduciary agent of the Borrower solely for tax purposes and solely with respect to the actions described in this Section 9.1(g), shall establish and maintain at its address referred to in Section 11.10 (or at such other address as Agent may notify the Borrower) (A) a record of ownership (the "Register") in which Agent agrees to register by book entry the interests (including any rights to receive payment hereunder) of Agent, each Lender and each L/C Issuer in the Term Loan A, Revolving Loan, L/C Reimbursement Obligations and Letter of Credit Obligations, each of their obligations under this Agreement to participate in each Loan, Letter of Credit, Letter of Credit Obligations and L/C Reimbursement Obligations, and any assignment of any such interest, obligation or right and (B) accounts in the Register in accordance with its usual practice in which it shall record (1) the names and addresses of the Lenders and the L/C Issuers (and each change thereto pursuant to the terms hereof), (2) the Commitments of each Lender, (3) the amount of each Loan and each funding of any participation described in clause (A) above, and for LIBOR Rate Loans, the Interest Period applicable thereto, (4) the amount of any principal or interest due and payable or paid, (5) the amount of the L/C Reimbursement Obligations due and payable or paid in respect of Letters of Credit and (6) any other payment received by Agent from Borrower and its application to the Obligations.

(h) Any Lender may furnish any information concerning Credit Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); provided, that such Lender shall obtain from assignees or participants confidentiality covenants substantially equivalent to those contained in Section 11.8.

9.2 Appointment of Agent. GE Capital is hereby appointed to act on behalf of all Lenders as Agent under this Agreement and the other Loan Documents. The provisions of this Section 9.2 are solely for the benefit of Agent and Lenders and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Except as expressly set forth in this Agreement and the other Loan Documents or required by applicable law, Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries or any Account Debtor that is communicated to or obtained by GE Capital or any of its Affiliates in any capacity. Neither Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it in accordance with this Agreement or in accordance with any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

If Agent shall request instructions from Requisite Lenders, Requisite Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of Agent, expose Agent to Environmental Liabilities or (c) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable.

9.3 Agent's Reliance, Etc.

Neither Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the generality of the foregoing, Agent: (a) may treat the payee of any Note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form reasonably satisfactory to Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Credit Party or to inspect the Collateral (including the books and records) of any Credit Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

9.4 GE Capital and Affiliates. With respect to its Commitments hereunder, GE Capital shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Credit Party, any of their Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not Agent and without any duty to account therefor to Lenders. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

9.5 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the Financial Statements referred to in Section 3.4(a) and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

9.6 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Credit Parties and without limiting the obligations of Credit Parties hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted by any third party or any Credit Party against Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by Agent in connection therewith, including, without limitation, any and all losses arising in connection with Electronic Transmissions hereunder or any other Loan Document with respect hereto or thereto or the use of E-Systems by the parties hereto (as well as any failures of any Lender's, any Credit Party's or any other Person's Equipment, software or services in connection with such Electronic Transmissions and/or E-Systems); provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by Credit Parties.

9.7 Successor Agent. Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within thirty (30) days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least $300,000,000. If no successor Agent has been appointed pursuant to the foregoing, within thirty (30) days after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Requisite Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be required if a Default or an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as Agent under this Agreement and the other Loan Documents.

9.8 Setoff and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 9.9(f), each Lender is hereby authorized at any time or from time to time, without prior notice to any Credit Party or to any Person other than Agent, any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower or any Guarantor (regardless of whether such balances are then due to Borrower or any Guarantor) and any other properties or assets at any time held or owing by that Lender or that holder to or for the credit or for the account of Borrower or any Guarantor against and on account of any of the Obligations that are not paid when due; provided that the Lender exercising such offset rights shall give notice thereof to the affected Credit Party promptly after exercising such rights. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so offset or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares, (other than offset rights exercised by any Lender with respect to Sections 1.13, 1.15 or 1.16). Borrower and each Guarantor agrees, to the fullest extent permitted by law, that (a) any Lender may exercise its right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so offset to other Lenders and holders and (b) any Lender so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of offset, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of offset, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

9.9 Advances; Payments; Non-Funding Lenders; Information; Actions in Concert .

(a) Advances; Payments.

(i) Each Revolving Lender shall make the amount of such Lender's Pro Rata Share of such Revolving Credit Advance available to Agent in same day funds by wire transfer to Agent's account as set forth in Annex H not later than 3:00 p.m. (New York time) on the requested funding date, in the case of an Index Rate Loan and not later than 11:00 a.m. (New York time) on the requested funding date in the case of a LIBOR Loan. After receipt of such wire transfers (or, in the Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Revolving Credit Advance to Borrower. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) Not less than once during each calendar week or more frequently at Agent's election (each, a " Settlement Date"), Agent shall advise each Lender by telephone, or telecopy of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments and Advances required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, Agent shall pay to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid by Borrower since the previous Settlement Date for the benefit of such Lender on the Loans held by it. To the extent that any Lender a Non-Funding Lender described in clause (a) of the definition thereof, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in Annex H or the applicable Assignment) not later than 2:00 p.m. (New York time) on the next Business Day following each Settlement Date.

(b) Availability of Lender's Pro Rata Share. Agent may assume that each Revolving Lender will make its Pro Rata Share of each Revolving Credit Advance available to Agent on each funding date. If such Pro Rata Share is not, in fact, paid to Agent by such Revolving Lender when due, Agent will be entitled to recover such amount on demand from such Revolving Lender without setoff, counterclaim or deduction of any kind. If any Revolving Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent's demand, Agent shall promptly notify Borrower and Borrower shall immediately repay such amount to Agent. Nothing in this Section 9.9(b) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any Revolving Lender or to relieve any Revolving Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrower may have against any Revolving Lender as a result of any default by such Revolving Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Revolving Lender and is not reimbursed therefor on the same Business Day as such Advance is made, Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Revolving Lender.

(c) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders.

(i) Responsibility. The failure of any Non-Funding Lender to make any Revolving Loan, to fund any purchase of any participation to be made or funded by it, or to make any payment required by it hereunder on the date specified therefor shall not relieve any other Lender of its obligations to make such loan, fund the purchase of any such participation, or make any other payment required hereunder on such date, and neither Agent nor, other than as expressly set forth herein, any other Lender shall be responsible for the failure of any Non-Funding Lender to make a loan, fund the purchase of a participation or make any other payment required hereunder.

(ii) Reallocation. If any Revolving Lender is a Non-Funding Lender, all or a portion of such Non-Funding Lender's Letter of Credit Obligations (unless such Lender is the L/C Issuer that issued such Letter of Credit) shall, at Agent's election at any time or upon any L/C Issuer's written request delivered to Agent (whether before or after the occurrence of any Default or Event of Default), be reallocated to and assumed by the Revolving Lenders that are not Non-Funding Lenders or Impacted Lenders pro rata in accordance with their Pro Rata Share of the aggregate Revolving Loan Commitment (calculated as if the Non-Funding Lender's Pro Rata Share was reduced to zero and each other Revolving Lender's (other than an Impacted Lender's) Pro Rata Share had been increased proportionately), provided that no Revolving Lender shall be reallocated any such amounts or be required to fund any amounts that would cause the sum of its outstanding Revolving Loans and outstanding Letter of Credit Obligations to exceed its Revolving Loan Commitment.

(iii) Voting Rights. Notwithstanding anything set forth herein to the contrary, including Section 11.2, a Non-Funding Lender (other than a Non-Funding Lender who only holds the Term Loan A) shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be, or have its Loans and Commitments, included in the determination of "Requisite Lenders", "Requisite Revolving Lenders" or "Lenders directly affected" pursuant to Section 11.2) for any voting or consent rights under or with respect to any Loan Document, provided that (A) the Commitment of a Non-Funding Lender may not be increased, extended or reinstated, (B) the principal of a Non-Funding Lender's Loans may not be reduced or forgiven, and (C) the interest rate applicable to Obligations owing to a Non-Funding Lender may not be reduced, in each case, without the consent of such Non-Funding Lender. Moreover, for the purposes of determining Requisite Lenders and Requisite Revolving Lenders, the Loans, Letter of Credit Obligations, and Commitments held by Non-Funding Lenders shall be excluded from the total Loans and Commitments outstanding.

(iv) Borrower Payments to a Non-Funding Lender. Agent shall be authorized to use all portions of any payments received by Agent for the benefit of any Non-Funding Lender pursuant to this Agreement to pay in full the Aggregate Excess Funding Amount to the appropriate Secured Parties thereof. Agent shall be entitled to hold as cash collateral in a non-interest bearing account up to an amount equal to such Non-Funding Lender's pro rata share, without giving effect to any reallocation pursuant to Section 9.9(d)(ii), of all Letter of Credit Obligations until the Obligations are paid in full in cash, all Letter of Credit Obligations have been discharged or cash collateralized and all Commitments have been terminated. Upon any such unfunded obligations owing by a Non-Funding Lender becoming due and payable, Agent shall be authorized to use such cash collateral to make such payment on behalf of such Non-Funding Lender. With respect to such Non-Funding Lender's failure to fund Revolving Loans or purchase participations in Letters of Credit or Letter of Credit Obligations, any amounts applied by Agent to satisfy such funding shortfalls shall be deemed to constitute a Revolving Loan or amount of the participation required to be funded and, if necessary to effectuate the foregoing, the other Revolving Lenders shall be deemed to have sold, and such Non-Funding Lender shall be deemed to have purchased, Revolving Loans or Letter of Credit participation interests from the other Revolving Lenders until such time as the aggregate amount of the Revolving Loans and participations in Letters of Credit and Letter of Credit Obligations are held by the Revolving Lenders in accordance with their Pro Rata Share of the aggregate Revolving Loan Commitment. Any amounts owing by a Non-Funding Lender to Agent which are not paid when due shall accrue interest at the interest rate applicable during such period to Revolving Loans that are Base Rate Loans. In the event that Agent is holding cash collateral of a Non-Funding Lender that cures pursuant to clause (v) below or ceases to be a Non-Funding Lender pursuant to the definition of Non-Funding Lender, Agent shall return the unused portion of such cash collateral to such Lender. The "Aggregate Excess Funding Amount" of a Non-Funding Lender shall be the aggregate amount of (A) all unpaid obligations owing by such Lender to the Agent, L/C Issuers and other Lenders under the Loan Documents, including such Lender's pro rata share of all Revolving Loans and Letter of Credit Obligations, plus, without duplication, (B) all amounts of such Non-Funding Lender reallocated to other Lenders pursuant to Section 9.9(d)(ii). If a Non-Funding Lender receives any such payment as described in the previous sentence, such Lender shall turn over such payments to Agent in an amount that would satisfy the cash collateral requirements set forth in this Section..

(v) Cure. A Lender may cure its status as a Non-Funding Lender under clause (a) of the definition of Non-Funding Lender if such Lender fully pays to Agent, on behalf of the applicable Secured Parties, the Aggregate Excess Funding Amount, plus all interest due thereon. Any such cure shall not relieve any Lender from liability for breaching its contractual obligations hereunder.

(vi) Fees. A Lender that is a Non-Funding Lender pursuant to clause (a) of the definition of Non-Funding Lender shall not earn and shall not be entitled to receive, and Borrower shall not be required to pay, such Lender's portion of the unused commitment fee due under Section 1.9(b) during the time such Lender is a Non-Funding Lender pursuant to clause (a) thereof. In the event that any reallocation of Letter of Credit Obligations occurs pursuant to Section 9.9(e)(ii), during the period of time that such reallocation remains in effect, the Letter of Credit Fee payable with respect to such reallocated portion shall be payable to (A) all Revolving Lenders based on their pro rata share of such reallocation or (B) to the L/C Issuer for any remaining portion not reallocated to any other Revolving Lenders.

(vii) Procedures. Agent is hereby authorized by each Credit Party and each other Secured Party to establish procedures (and to amend such procedures from time to time) to facilitate administration and servicing of the Loans and other matters incidental thereto. Without limiting the generality of the foregoing, Agent is hereby authorized to establish procedures to make available or deliver, or to accept, notices, documents and similar items on, by posting to or submitting and/or completion, on E-Systems.

(e) Dissemination of Information. Agent shall use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by Agent from, or delivered by Agent to, any Credit Party, with notice of any Event of Default of which Agent has actually become aware and with notice of any action taken by Agent following any Event of Default; provided, that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Lenders acknowledge that Borrower is required to provide Financial Statements and Collateral Reports to Lenders in accordance with Annexes E and F hereto and agree that Agent shall have no duty to provide the same to Lenders.

(f) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of setoff) without first obtaining the prior written consent of Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Agent or Requisite Lenders.

10. SUCCESSORS AND ASSIGNS

10.1 Successors and Assigns. This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of each Credit Party, Agent, Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Agent and Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of Agent and Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, Agent and Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

11. MISCELLANEOUS

11.1 Complete Agreement; Modification of Agreement . The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2. Any letter of interest, commitment letter, fee letter or confidentiality agreement, if any, between any Credit Party and Agent or any Lender or any of their respective Affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement. Notwithstanding the foregoing, the GE Capital Fee Letter and any market flex provisions contained in the final commitment letter between Agent and Borrower shall survive the execution and delivery of this Agreement and shall continue to be binding obligations of the parties.

11.2 Amendments and Waivers.

(a) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Borrower and by Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable. Except as set forth in clauses (b) and (c) below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

(b) No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that waives compliance with the conditions precedent set forth in Section 2.2 to the making of any Loan or the incurrence of any Letter of Credit Obligations shall be effective unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower. Notwithstanding anything contained in this Agreement to the contrary, no waiver or consent with respect to any Default or any Event of Default shall be effective for purposes of the conditions precedent to the making of Loans or the incurrence of Letter of Credit Obligations set forth in Section 2.2 unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by Agent and each Lender directly affected thereby: (i) increase the principal amount of any Lender's Commitment (which action shall be deemed to directly affect all Lenders); (ii) reduce the principal of, rate of interest on or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) extend any scheduled payment date (other than payment dates of mandatory prepayments under Section 1.3(b)(ii)-(v)) or final maturity date of the principal amount of any Loan of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected Lender; (v) release any Guaranty (unless the Stock of the relevant Credit Party is sold in a transaction permitted hereby) or, except as otherwise permitted herein or in the other Loan Documents, release, or permit any Credit Party to sell or otherwise dispose of, all or substantially all of the Collateral; (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans that shall be required for Lenders or any of them to take any action hereunder; and (vii) amend or waive this Section 11.2 or the definitions of the terms “Requisite Lenders”, or “Requisite Revolving Lenders” insofar as such definitions affect the substance of this Section 11.2. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification or waiver of this Agreement or any Loan Document altering the ratable treatment of Obligations arising under Secured Rate Contracts resulting in such Obligations being junior in right of payment to principal on the Loans or resulting in Obligations owing to any Secured Swap Provider becoming unsecured (other than release of Liens in accordance with the terms hereof), in each case in a manner adverse to any Secured Swap Provider, shall be effective without the written consent of such Secured Swap Provider (or in the case of a Secured Rate Contract arranged by GE Capital or an Affiliate of GE Capital, GE Capital). No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision of any Note shall be effective without the written concurrence of the holder of that Note. No notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 11.2 shall be binding upon each holder of the Notes at the time outstanding and each future holder of the Notes. Notwithstanding anything to the contrary contained herein, the Loans and Commitments may be increased and/or additional tranches of debt may be added hereunder and may be secured pari passu with the other Obligations upon the written consent of Borrower, Agent and the Requisite Lenders; provided that no Lender’s Commitments or Loans may be increased hereunder without such Lender’s written consent. Notwithstanding the foregoing, this Agreement and the other Loan Documents may be amended (or amended and restated) with the written consent of the Requisite Lenders, Agent and Borrower (i) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Term Loan A and Revolving Loans and the accrued interest and fees in respect thereof and (ii) to include appropriately the Lenders holding such credit facilities in any determination of the Requisite Lenders. Any amendments to effectuate the preceding sentence may be made with Agent’s, Requisite Lenders’ and Borrower’s consent only.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a " Proposed Change"):

(i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clauses (ii) and (iii) below being referred to as "Non Consenting Lender");

(ii) requiring the consent of Requisite Revolving Lenders, the consent of Revolving Lenders holding 51% or more of the aggregate Revolving Loan Commitments is obtained, but the consent of Requisite Revolving Lenders is not obtained; or

(iii) requiring the consent of Requisite Lenders, the consent of Lenders holding 51% or more of the aggregate Commitments is obtained, but the consent of Requisite Lenders is not obtained;

then, so long as Agent is not a Non Consenting Lender, at Borrower's request Agent, or a Person reasonably acceptable to Agent, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non Consenting Lenders, and such Non Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Non Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non Consenting Lenders and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment.

(e) Upon payment in full in cash and performance of all of the Obligations (other than indemnification Obligations), termination of the Commitments and a release of all claims against Agent and Lenders, and so long as no suits, actions proceedings, or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Agent shall deliver to Borrower termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 Fees and Expenses. Borrower shall reimburse (i) Agent for all fees (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors and any fees incurred for any E-Systems allocated by the Agent in its sole discretion to the Credit Agreement transactions contemplated hereby), costs and expenses (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors) and (ii) Agent (and, with respect to clauses (c) and (d) below, all Lenders) for all fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) incurred in connection with the negotiation, preparation and filing and/or recordation of the Loan Documents and incurred in connection with:

(a) any amendment, modification or waiver of, or consent with respect to, or termination of, any of the Loan Documents or Related Transactions Documents or advice in connection with the syndication and administration of the Loans made pursuant hereto or its rights hereunder or thereunder; provided that Borrower's obligations under this clause (a) shall be limited to reasonable out-of-pocket fees and expenses;

(b) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, any Credit Party or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against any or all of the Credit Parties or any other Person that may be obligated to Agent by virtue of the Loan Documents, including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders; provided, further, that no Person shall be entitled to reimbursement under this clause (b) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction;

(c) any attempt to enforce any remedies of Agent or any Lender against any or all of the Credit Parties or any other Person that may be obligated to Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided, that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(d) any workout or restructuring of the Loans during the pendency of one or more Events of Default;

(e) the forwarding to Borrower or any other Person on behalf of Borrower by Agent of the proceeds of any Loan (including a wire transfer fee of $25 per wire transfer); and

(f) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral; provided that Borrower's obligations under this clause (f) shall be limited to reasonable out-of-pocket fees and expenses;

including, as to each of clauses (a) through (f) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 11.3, all of which shall be payable, on demand, by Borrower to Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

11.4 No Waiver. Agent's or any Lender's failure, at any time or times, to require strict performance by the Credit Parties of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of Agent or such Lender thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of Section 11.2, none of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by Agent or any Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Agent and the applicable required Lenders and directed to Borrower specifying such suspension or waiver.

11.5 Remedies. Agent's and Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that Agent or any Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

11.6 Severability. Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement or any other Loan Document shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or such other Loan Document.

11.7 Conflict of Terms. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement conflicts with any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

11.8 Confidentiality. Each Lender aggress to use all reasonable efforts to maintain, in accordance with its customary practices, the confidentiality of information obtained by it pursuant to any Loan Document and not designated by any Credit Party as public, except that such information may be disclosed (i) with the Borrower's consent, (ii) to Related Persons of such Lender, L/C Issuer or the Agent, as the case may be, or to any Person that any L/C Issuer causes to issue Letters of Credit hereunder, that are advised of the confidential nature of such information and are instructed to keep such information confidential, (iii) to the extent such information presently is or hereafter becomes available to such Lender, L/C Issuer or the Agent, as the case may be, on a non-confidential basis from a source other than any Credit Party, (iv) to the extent disclosure is required by applicable Requirements of Law or other legal process or requested or demanded by any Governmental Authority, (v) to the extent necessary or customary for inclusion in league table measurements or in any tombstone or other advertising materials (and the Credit Parties consent to the publication of such tombstone or other advertising materials by the Agent, any Lender, any L/C Issuer or any of their Related Persons), (vi) to the National Association of Insurance Commissioners or any similar organization, any examiner or any nationally recognized rating agency or otherwise to the extent consisting of general portfolio information that does not identify borrowers, (vii) to current or prospective assignees, SPVs grantees of any option described in Section 9.1(f) or participants, direct or contractual counterparties to any Secured Rate Contract permitted hereunder and to their respective Related Persons, in each case to the extent such assignees, participants, counterparties or Related Persons agree to be bound by provisions substantially similar to the provisions of this Section 11.8 and (viii) in connection with the exercise of any remedy under any Loan Document. In the event of any conflict between the terms of this Section 11.8 and those of any other Contracts entered into with any Credit Party (whether or not a Loan Document), the terms of this Section 11.8 shall govern.

11.9 GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH CREDIT PARTY HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES, AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED, THAT AGENT, LENDERS AND THE CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY AND; PROVIDED, FURTHER THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF AGENT. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES ANY OBJECTION THAT SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH INANNEX I OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAILS, PROPER POSTAGE PREPAID.

11.10 Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission during normal business hours on a Business Day (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 11.10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid, (d) when delivered, if hand-delivered by messenger, or (e) upon transmission, when sent by Electronic Transmission or on the date of such posting in the case of posting to a website, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated in Annex I or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrower or Agent) designated in Annex I to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

Each party hereto hereby authorizes the Agent to transmit, post or otherwise make or communicate, in its sole discretion (and the Agent shall not be required to transmit, post or otherwise make or communicate), Electronic Transmissions in connection with this Agreement; provided, however, that notices to any Credit Party shall not be made by any posting to an Internet or extranet-based site or other equivalent service but may be made by e-mail or E-fax. Each party hereto hereby acknowledges and agrees that the use of Electronic Transmissions is not necessarily secure and that there are risks associated with such use, including, without limitation, risks of interception, disclosure and abuse and indicates it assumes and accepts such risks by hereby authorizing the Agent to transmit Electronic Transmissions.

Electronic Transmissions that are not readily capable of bearing either a signature or a reproduction of a signature may be signed, and shall be deemed signed, by attaching to or logically associating with such Electronic Transmission an E-Signature. Each party may rely upon, and assume the authenticity of, any E-Signature contained in or associated with an Electronic Transmission. No Electronic Transmission shall be denied legal effect merely because it is made electronically. Each Electronic Transmission shall be deemed sufficient to satisfy any legal requirement for a "writing" and each e-Signature shall be deemed sufficient to satisfy any legal requirement for a "signature", in each case including, without limitation, pursuant to the Uniform Commercial Code, the Federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act and any substantive or procedural law governing such subject matter. Each Electronic Transmission containing a signature, a reproduction of a signature or an E-Signature shall, for all intents and purposes, have the same effect and weight as a signed paper original. Each party hereto agrees not to contest the validity or enforceability of an Electronic Transmission or E-Signature under the provisions of any applicable law requiring certain documents to be in writing or signed; provided however, that nothing herein shall limit a party's right to contest whether an Electronic Transmission or E-Signature has been altered after transmission.

Each Lender and the Borrower acknowledges that all uses of an E-System will be governed by and subject to, in addition to this clause, separate terms and conditions posted or referenced in such E-System or related agreements executed by such Lender or the Borrower in connection with such use.

The E-Systems and the Electronic Transmissions are provided "as is" and "as available". The Agent does not warrant the accuracy, adequacy or completeness of the E-Systems and the Electronic Transmissions and disclaims liability for errors or omissions therein. No Warranty of any kind is made by the Agent in connection with the E-Systems or the Electronic Communications, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects. Each Lender and the Borrower acknowledge that the Agent shall have no responsibility for maintaining or providing any equipment, software, services and testing required in connection with all Electronic Transmissions or otherwise required for such e-System.

11.11 Section Titles. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

11.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

11.13 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG AGENT, LENDERS AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.14 Press Releases and Related Matters. Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of GE Capital or its affiliates or referring to this Agreement, the other Loan Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to GE Capital and without the prior written consent of GE Capital unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with GE Capital before issuing such press release or other public disclosure. Each Credit Party consents to the publication by Agent or any Lender of advertising material relating to the financing transactions contemplated by this Agreement using Borrower's name, product photographs, logo or trademark. Agent or such Lender shall provide a draft of any advertising material to each Credit Party for review and comment prior to the publication thereof. Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

11.15 Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Credit Party for liquidation or reorganization, should any Credit Party become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Credit Party's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.16 Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.13, with its counsel.

11.17 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

BORROWER:

CONSOLIDATED ENTERTAINMENT, INC.

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

GENERAL ELECTRIC CAPITAL CORPORATION, as Agent and Lender

By: /s/ General Electric Capital Corporation
Duly Authorized Signatory

BANK OF HAWAII

By: /s/ Anna Hu
Name: Anna Hu
Title: Vice President

AMERICAN SAVINGS BANK, F.S.B

By: /s/ Danford H. Oshima
Name: Danford H. Oshima
Title: Senior Vice President

The following Persons are signatories to this Agreement in their capacity as Credit Parties and not as Borrowers.

CONSOLIDATED AMUSEMENT HOLDINGS, INC.

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

READING CINEMAS NJ, INC.

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

ANGELIKA FILM CENTERS (DALLAS) INC.

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

ANNEX A (Recitals)
to
CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings and all references to Sections, Exhibits, Schedules or Annexes in the following definitions shall refer to Sections, Exhibits, Schedules or Annexes of or to the Agreement:

"Account Debtor" means any Person who may become obligated to any Credit Party under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

"Accounting Changes" has the meaning ascribed thereto in Annex G.

"Accounts" means all "accounts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper or Instruments), (including any such obligations that may be characterized as an account or contract right under the Code), (b) all of each Credit Party's rights in, to and under all purchase orders or receipts for goods or services, (c) all of each Credit Party's rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due to any Credit Party for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered by such Credit Party or in connection with any other transaction (whether or not yet earned by performance on the part of such Credit Party), (e) all healthcare insurance receivables, and (f) all collateral security of any kind, now or hereafter in existence, given by any Account Debtor or other Person with respect to any of the foregoing.

"Activation Event" and "Activation Notice" have the meanings ascribed thereto in Annex C.

"Additional Lender" has the meaning ascribed to it in Section 1.1(c).

"Advance" means any Revolving Credit Advance.

"Affiliate" means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person's officers, directors, joint venturers and partners and (d) in the case of Borrower, the immediate family members, spouses and lineal descendants of individuals who are Affiliates of Borrower. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; provided, however, that the term "Affiliate" shall specifically exclude Agent and each Lender.

"Agent" means GE Capital in its capacity as Agent for Lenders or its successor appointed pursuant to Section 9.7.

"Agreement" means the Credit Agreement by and among Borrower, the other Credit Parties party thereto, GE Capital, as Agent and Lender and the other Lenders from time to time party thereto, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Aggregate Excess Funding Amount has the meaning ascribed to it in Section 9.9(d).

"Angelika JV" means Angelika Film Centers LLC.

"Angelika JV LLC Agreement" means the Limited Liability Company Agreement of the Angelika JV dated as of August 27, 1996.

"Appendices" has the meaning ascribed to it in the recitals to the Agreement.

"Applicable L/C Margin" means the per annum fee, from time to time in effect, payable with respect to outstanding Letter of Credit Obligations as determined by reference to Section 1.5(a).

"Applicable Margins" means collectively the Applicable Index Margin and the Applicable LIBOR Margin.

"Applicable Index Margin" means the per annum interest rate margin from time to time in effect and payable in addition to the Index Rate applicable to the Loans, as determined by reference to Section 1.5(a).

"Applicable LIBOR Margin" means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Loans, as determined by reference to Section 1.5(a).

"Approved Fund" means, with respect to any Lender, any Person (other than a natural Person) that (a) (i) is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of business or (ii) temporarily warehouses loans for any Lender or any Person described in clause (i) above and (b) is advised or managed by (i) such Lender, (ii) any Affiliate of such Lender or (iii) any Person (other than an individual) or any Affiliate of any Person (other than an individual) that administers or manages such Lender.

"Assignment" means an assignment agreement entered into by a Lender, as assignor, and any Person, as assignee, pursuant to the terms and provisions of Section 9.1 (with the consent of any party whose consent is required by Section 9.1), accepted by Agent, substantially in the form of Exhibit 9.1(a) or any other form approved by Agent.

"Bankruptcy Code" means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq.

"Blocked Accounts" has the meaning ascribed to it in Annex C.

"Borrower" has the meaning ascribed thereto in the preamble to the Agreement.

"Borrower Pledge Agreement" means the Pledge Agreement dated as of the Original Closing Date executed by Borrower in favor of Agent, on behalf of itself and Lenders, pledging the Stock of its Subsidiaries described therein, if any, and all Intercompany Notes owing to or held by it.

"Borrowing Availability" means as of any date of determination the Maximum Amount less the Revolving Loan then outstanding.

"Business" means the operation by the Credit Parties of full length motion picture cinemas and associated and ancillary activities in connection therewith.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the States of Georgia and/or New York and in reference to LIBOR Loans shall mean any such day that is also a LIBOR Business Day.

"Capital Expenditures" means, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP but excluding expenditures (i) in respect of the consummation of any Permitted Acquisitions, (ii) constituting amounts constituting proceeds that are reinvested in the business of the Credit Parties in accordance with the terms hereof, (iii) any tenant improvement allowance or landlord contributions to tenancy buildouts (to the extent paid for or reimbursed by the landlord) and (iv) capital expenditures funded from cash proceeds of equity issuances of Holdings, or cash contributions to Holdings from Reading or Affiliates of Reading that are not Credit Parties, the proceeds of which are thereafter contributed to or exchanged for the issuance of incremental equity securities of the Borrower.

"Capital Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" means, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Cash Collateral Account" has the meaning ascribed to it Annex B.

"Cash Equivalents" has the meaning ascribed to it in Annex B.

"Cash Interest Expense" shall mean for any period, cash Interest Expense paid or accrued on Total Debt for such period.

"Cash Management Systems" has the meaning ascribed to it in Section 1.8.

"Change of Control" means any event, transaction or occurrence as a result of which (a) any person or group of persons (within the meaning of the Securities Exchange Act of 1934) other than the Cotter Family shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the issued and outstanding shares of capital Stock of Reading having the right to vote for the election of directors of Reading under ordinary circumstances and the Cotter Family shall cease to beneficially own and control at least 51% of the issued and outstanding shares of capital Stock of Reading having the right to vote for the election of directors of Reading under ordinary circumstances; (b) Reading ceases to own and control all of the economic and voting rights associated with ownership of at least one hundred percent (100%) of all classes of the outstanding capital Stock of Holdings on a fully diluted basis; (c) Holdings ceases to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of Borrower, (d) Borrower ceases to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of its Subsidiaries, except in connection with a transaction permitted hereby or (e) Borrower ceases to own and control at least 50% of the economic and voting rights and the super majority veto right in effect as of the date hereof associated with all of the outstanding capital Stock of the Angelika JV, except in connection with a transaction permitted hereby.

"Charges" means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (d) any Credit Party's ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party's business.

"Chattel Paper" means any "chattel paper," as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by any Credit Party, wherever located.

"Closing Checklist" means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex D.

"Closing Date" means November 30, 2010.

"Closing Date Contributed Theatre" means Reading's 50% equity interest in the theatre owned by Angelika JV, commonly known as the Angelika New York.

"Closing Date Distribution" means a cash dividend paid on or about the Closing Date by Borrower to Holdings and by Holdings to Reading.

"Closing Date Theatre Contribution" means the contribution of Reading's 50% equity interests in Angelika JV by Reading to Holdings and thereafter by Holdings to Borrower on the Closing Date pursuant to the Closing Date Theatre Contribution Documents.

"Closing Date Theatre Contribution Documents" means that certain Consent And Agreement dated as of November 30, 2010, by National Cinemas, Inc., Borrower, Citadel Cinemas, Inc. and Angelika Film Centers, LLC, for their mutual benefit and in favor of Agent and Reading International, Inc.

"Code" means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; provided, that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent's or any Lender's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term " Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Collateral" means the property covered by the Security Agreement, the Mortgages and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of Agent, on behalf of itself and Lenders, to secure the Obligations.

"Collateral Assignments" means each collateral assignment agreement made in favor of Agent, on behalf of itself and Lenders, by any Credit Party, in form and substance acceptable to Agent.

"Collateral Documents" means the Security Agreement, the Pledge Agreements, the Guaranties, the Mortgages, the Patent Security Agreement, the Trademark Security Agreement, the Copyright Security Agreement, the Collateral Assignments and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Collateral Reports" means the reports with respect to the Collateral referred to in Annex F.

"Collection Account" means that certain account of Agent, account number 502-328-54 in the name of Agent at DeutscheBank Trust Company Americas in New York, New York ABA No. 021 001 033, or such other account as may be specified in writing by Agent as the "Collection Account."

"Commitment Termination Date" means the earliest of (a) November __, 2015, (b) the date of termination of Lenders' obligations to make Advances and to incur Letter of Credit Obligations or permit existing Loans to remain outstanding pursuant to Section 8.2(b), and (c) the date of prepayment in full by Borrower of the Loans and the cancellation and return (or stand-by guarantee) of all Letters of Credit or the cash collateralization of all Letter of Credit Obligations pursuant to Annex B, and the permanent reduction of the Commitments to zero dollars ($0).

"Commitments" means (a) as to any Lender, the aggregate of such Lender's Revolving Loan Commitment and Term Loan A Commitment as set forth on Annex J to the Agreement or in the most recent Assignment executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders' Revolving Loan Commitments and Term Loan A Commitments, which aggregate commitment shall be Forty Two Million Five Hundred Thousand Dollars ($42,500,000) on the Closing Date, as to each of clauses (a) and (b), as such Commitments may be reduced, amortized or adjusted from time to time in accordance with the Agreement.

"Compliance Certificate" has the meaning ascribed to it in Annex E.

"Contracts" means all "contracts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

"Control Letter" means a letter agreement between Agent and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of any Credit Party, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of any Credit Party, (iii) a futures commission merchant or clearing house, as applicable, with respect to commodity accounts and commodity contracts held by any Credit Party, whereby, among other things, the issuer, securities intermediary or futures commission merchant limits any security interest in the applicable financial assets in a manner reasonably satisfactory to Agent, acknowledges the Lien of Agent, on behalf of itself and Lenders, on such financial assets, and agrees to follow the instructions or entitlement orders of Agent without further consent by the affected Credit Party.

"Copyright License" means any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

"Copyright Security Agreements" means the Copyright Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party.

"Copyrights" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all copyrights and General Intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

"Cotter Family" means Mr. James J. Cotter, Ms. Ellen M. Cotter, Mr. James J. Cotter, Jr., Ms. Margaret Cotter, their spouses or lineal descendants, the estates of any of the foregoing Persons and any trusts established for the benefit of the foregoing Persons and any corporation, limited liability company, limited partnership or similar entity of which 100% of the Stock of such Person is owned beneficially and of record by any one or more of the foregoing.

"Credit Parties" means Holdings, Borrower, and each of their respective Subsidiaries.

"Current Assets" means, with respect to any Person, all current assets of such Person as of any date of determination calculated in accordance with GAAP, but excluding cash, cash equivalents and debts due from Affiliates.

"Current Liabilities" means, with respect to any Person, all liabilities of such Person that should, in accordance with GAAP, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one year from any date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, but excluding the current portion of long-term debt required to be paid within one year and the aggregate outstanding principal balance of the Revolving Loan.

"Debt Service" means, with respect to any Person for any fiscal period, an amount equal to the sum of (a) Cash Interest Expense for such period and (b) the scheduled amortization of any outstanding Indebtedness during such period.

"Default" means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

"Default Rate" has the meaning ascribed to it in Section 1.5(d).

"Default Rate Notice" has the meaning ascribed to it in Section 1.5(d).

"Deposit Accounts" means all "deposit accounts" as such term is defined in the Code, now or hereafter held in the name of any Credit Party.

"Disclosure Schedules" means the Schedules prepared by Borrower and denominated as Disclosure Schedules (1.4) through (6.7) in the Index to the Agreement.

"Documents" means any "documents," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Dollars" or "$" means lawful currency of the United States of America.

"Domestic Subsidiary" means any direct or indirect Subsidiary of Holdings that is not a Foreign Subsidiary.

"EBITDA" means, with respect to any Person for any fiscal period, without duplication, an amount equal to (a) consolidated net income of such Person for such period, determined in accordance with GAAP, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain or loss during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, and all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains, charges, items and other non-cash purchase accounting adjustments that have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) non-cash reserves for deferred taxes not payable currently plus income taxes paid or accrued by Borrower and its Subsidiaries, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) depreciation and amortization for such period, (v) other non-cash charges, items and any non-cash purchase accounting adjustments (excluding bad debt write-offs and reserves) for such period, (vi) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of such Person or any of its Subsidiaries of any Stock and (vii) transaction expenses associated with the consummation of any Permitted Acquisition, in each case to the extent such expenses are deducted from net income in accordance with GAAP and as approved by Agent.

For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary but specifically including the Angelika JV) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (4) [reserved]; (5) any write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person; (8) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets; and (9) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary.

Notwithstanding the foregoing, EBITDA for the monthly periods ending on or prior to the Closing Date shall be as follows:

December 31, 2009	$ 1,234,022
January 31, 2010	$ 1,592,548
February 28, 2010	$ 469,029
March 31, 2010	$ 617,024
April 30, 2010	$ 634,547
May 31, 2010	$ 1,272,207
June 30, 2010	$ 1,618,599
July 31, 2010	$ 2,546,327
August 31, 2010	$ 832,953
September 30, 2010	$ (127,753)
October 31, 2010	$ 438,841

"EBITDAR" means, with respect to any Person for any period, without duplication, an amount equal to (a) EBITDA for such period, plus (b) Lease Expense for such period.

"E-Fax" means any system used to receive or transmit faxes electronically.

"Electronic Transmission" means each notice, request, instruction, demand, report, authorization, agreement, document, file, information and any other communication transmitted, posted or otherwise made or communicated by e-mail, E-Fax, Internet or extranet-based site or any other equivalent electronic service, whether owned, operated or hosted by the Administrative Agent, any Affiliate of the Agent or any other Person.

"Eligible Assignee" has the meaning ascribed to it in Section 9.1(b).

"E-Signature" means the process of attaching to or logically associating with an Electronic Transmission an electronic symbol, encryption, digital signature or process (including, without limitation, the name or an abbreviation of the name of the party transmitting the Electronic Transmission) with the intent to sign, authenticate or accept the Electronic Transmission.

"E-Systems" means any electronic system such as an Internet or extranet-based site (including, without limitation, Intralinks ™), whether owned, operated or hosted by the Administrative Agent, any Affiliate of the Agent or any other Person, providing for access to data protected by passcodes or other security systems.

"Environmental Laws" means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

"Environmental Liabilities" means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

"Environmental Permits" means all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

"Equipment" means all "equipment," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located and, in any event, including all such Credit Party's machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

"ERISA Affiliate" means, with respect to any Credit Party, any trade or business (whether or not incorporated) that, together with such Credit Party, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"ERISA Event" means, with respect to any Credit Party or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of any Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within thirty (30) days; (g) any other event or condition that would reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA; or (i) the loss of a Qualified Plan's qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

"ESOP" means a Plan that is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

"Event of Default" has the meaning ascribed to it in Section 8.1.

"Excess Cash Flow" means, without duplication, with respect to any Fiscal Year of Borrower and its Subsidiaries, consolidated EBITDA of Borrower (a) plus decreases or minus increases (as the case may be) in Working Capital, minus (b) Capital Expenditures during such Fiscal Year (excluding the financed portion thereof), minus (c) Interest Expense paid or accrued (excluding any original issue discount, interest paid in kind or amortized debt discount, to the extent included in determining Interest Expense), minus (d) scheduled principal payments paid or payable in respect of borrowed money, minus (e) the aggregate amount of all optional prepayments in respect of the Loans (provided, in the case of a prepayment of the Revolving Loans, that there is a concurrent Revolving Loan Commitment reduction in the amount of such prepayment), plus or minus (as the case may be), (f) extraordinary gains or losses which are cash items not included in the calculation of net income plus (g) taxes deducted in determining consolidated net income to the extent not paid for in cash. Notwithstanding the foregoing, the Excluded Theatres shall be excluded for all purposes of calculating Excess Cash Flow.

"Excluded Theatres" means the movie theatres leased by the Borrower on the Closing Date located in Kaahumanu and Kukui Hawaii.

"Existing Term Loan B" means the Term Loan B outstanding under the Original Closing Date immediately prior to this Agreement becoming effective.

"Fair Labor Standards Act" means the Fair Labor Standards Act, 29 U.S.C. §201 et seq.

"FATCA" means Sections 1471 through 1474 of the IRC, the United States Treasury Regulations promulgated thereunder and published guidance with respect thereto

"Federal Funds Rate" means, for any day, a floating rate equal to the weighted average of the rates on overnight federal funds transactions among members of the Federal Reserve System, as determined by Agent in its sole discretion, which determination shall be final, binding and conclusive (absent manifest error).

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

"Fees" means any and all fees payable to Agent or any Lender pursuant to the Agreement or any of the other Loan Documents.

"Financial Covenants" means the financial covenants set forth in Annex G.

"Financial Statements" means the consolidated and, if applicable and if requested by Agent, consolidating income statements, statements of cash flows and balance sheets of Borrower delivered in accordance with Section 3.4 and Annex E.

"Fiscal Month" means any of the monthly accounting periods of Borrower.

"Fiscal Quarter" means any of the quarterly accounting periods of Borrower, ending on March 31, June 30, September 30 and December 31 of each year.

"Fiscal Year" means any of the annual accounting periods of Borrower ending on December 31 of each year.

"Fixed Charges" means, with respect to any Person for any fiscal period, (a) Debt Service for such period , plus (b) income taxes paid in cash with respect to such fiscal period, plus (c) Capital Expenditures during such period (excluding the financed portion thereof), plus (d) Lease Expense for such period.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any fiscal period, the ratio of EBITDAR to Fixed Charges.

"Fixtures" means all "fixtures" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party.

"Foreign Subsidiary" means any Subsidiary organized in a jurisdiction other than the United States of America or any state thereof or the District of Columbia.

"Funded Debt" means, with respect to any Person, without duplication, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness and that by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person's option under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor, and also including, in the case of Borrower, the Obligations and, without duplication, Guaranteed Indebtedness consisting of guaranties of Funded Debt of other Persons.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied, as such term is further defined in Annex G to the Agreement.

"GE Capital" means General Electric Capital Corporation, a Delaware corporation.

"GE Capital Fee Letter" means that certain letter, dated as of October 11, 2010, between GE Capital and Borrower with respect to certain Fees to be paid from time to time by Borrower to GE Capital.

"General Intangibles" means "general intangibles," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including all right, title and interest that such Credit Party may now or hereafter have in or under any Contract, all payment intangibles, customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, chooses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

"Goods" means any "goods" as defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, including embedded software to the extent included in "goods" as defined in the Code, manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guaranteed Indebtedness" means, as to any Person, any obligation of such Person guaranteeing, providing comfort or otherwise supporting any Indebtedness, lease, dividend, or other obligation (" primary obligation") of any other Person (the "primary obligor") in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Guaranties" means, collectively, the Holdings Guaranty, each Subsidiary Guaranty and any other guaranty executed by any Guarantor in favor of Agent and Lenders in respect of the Obligations.

"Guarantors" means Holdings, each Subsidiary of Borrower, and each other Person, if any, that executes a guaranty or other similar agreement in favor of Agent, for itself and the ratable benefit of Lenders, in connection with the transactions contemplated by the Agreement and the other Loan Documents.

"Hazardous Material" means any substance, material or waste that is regulated by, or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a "solid waste," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB's), or any radioactive substance.

"Holdings" has the meaning ascribed thereto in the recitals to the Agreement.

"Holdings Guaranty" means the guaranty dated as of the Original Closing Date executed by Holdings in favor of Agent and Lenders.

"Holdings Pledge Agreement" means the Pledge Agreement dated as of the Original Closing Date executed by Holdings in favor of Agent, on behalf of itself and Lenders, pledging all Stock of Borrower and its other Subsidiaries and all Intercompany Notes owing to or held by it.

"Impacted Lender" means any Lender that fails to provide Agent, within three (3) Business Days following Agent's written request, satisfactory assurance that such Lender will not become a Non-Funding Lender, or any Lender that has a Person that directly or indirectly controls such Lender and such Person (a) becomes subject to a voluntary or involuntary case under the Bankruptcy Code or any similar bankruptcy laws, (b) has appointed a custodian, conservator, receiver or similar official for such Person or any substantial part of such Person's assets, or (c) makes a general assignment for the benefit of creditors, is liquidated, or is otherwise adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent or bankrupt, and for each of clauses (a) through (c), Agent has determined that such Lender is reasonably likely to become a Non-Funding Lender. For purposes of this definition, control of a Person shall have the same meaning as in the second sentence of the definition of Affiliate.

"Indebtedness" means, with respect to any Person, without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred 6 months or more, but excluding (1) deferred compensation, (2) film rent payable and (3) obligations to trade creditors incurred in the ordinary course of business, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Closing Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations.

"Indemnified Liabilities" has the meaning ascribed to it in Section 1.13.

"Indemnified Person" has the meaning ascribed to it in Section 1.13.

"Index Rate" means, for any day, a rate per annum equal to the highest of (a) the rate last quoted by The Wall Street Journal as the "Prime Rate" in the United States or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by Agent) or any similar release by the Federal Reserve Board (as determined by Agent), (b) the sum of 0.50% per annum and the Federal Funds Rate, and (c) the sum of (x) LIBOR calculated for each such day based on an Interest Period of three months determined two (2) Business Days prior to such day, plus (y) the excess of the Applicable Margin for LIBOR Rate Loans over the Applicable Margin for Base Rate Loans, in each instance, as of such day. Any change in the Base Rate due to a change in any of the foregoing shall be effective on the effective date of such change in the "bank prime loan" rate, the Federal Funds Rate or LIBOR for an Interest Period of three months.

"Index Rate Loan" means a Loan or portion thereof bearing interest by reference to the Index Rate.

"Instruments" means all "instruments," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"Intellectual Property" means any and all Licenses, Patents, Copyrights, Trademarks, and the goodwill associated with such Trademarks.

"Intercompany Notes" has the meaning ascribed to it in Section 6.3.

"Interest Coverage Ratio" means, with respect to any Person for any period, the ratio of EBITDA to Cash Interest Expense.

"Interest Expense" means, with respect to any Person for any fiscal period, interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date, including interest expense with respect to any Funded Debt of such Person and interest expense for the relevant period that has been capitalized on the balance sheet of such Person.

"Interest Payment Date" means (a) as to any Index Rate Loan, the last Business Day of each quarter to occur while such Loan is outstanding, and (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period; provided, that in the case of any LIBOR Period greater than three months in duration, interest shall be payable at three month intervals and on the last day of such LIBOR Period; and provided further that, in addition to the foregoing, each of (x) the date upon which all of the Commitments have been terminated and the Loans have been paid in full and (y) the Commitment Termination Date shall be deemed to be an "Interest Payment Date" with respect to any interest that has then accrued under the Agreement.

"Inventory" means any "inventory," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property that are held by or on behalf of any Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, supplies or materials of any kind, nature or description used or consumed or to be used or consumed in such Credit Party's business or in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded software.

"Investment Property" means all "investment property" as such term is defined in the Code now owned or hereafter acquired by any Credit Party, wherever located, including (i) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (ii) all securities entitlements of any Credit Party, including the rights of such Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (iii) all securities accounts of any Credit Party; (iv) all commodity contracts of any Credit Party; and (v) all commodity accounts held by any Credit Party.

"IRC" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, and all regulations promulgated thereunder.

"IRS" means the Internal Revenue Service.

"Kahala Management Agreement" means that certain Management Agreement, dated as of February 21, 2008, by and between Borrower and Consolidated Amusement Theatres, Inc., a Hawaii corporation, in form and substance reasonably satisfactory to Agent.

"L/C Issuer" has the meaning ascribed to it in Annex B.

"L/C Sublimit" has the meaning ascribed to it in Annex B.

"Lease Expense" means, with respect to any Person for any fiscal period, the aggregate rental obligations of such Person determined in accordance with GAAP which are payable in respect of such period under leases of real or personal property (net of income from subleases thereof, but including taxes, insurance, maintenance and similar expenses that the lessee is obligated to pay under the terms of such leases), whether or not such obligations are reflected as liabilities or commitments on a consolidated balance sheet of such Person or in the notes thereto, excluding, however, any such obligations under Capital Leases.

"Lenders" means (a) GE Capital, the other Lenders named on the signature pages of the Agreement, any Additional Lenders, and, if any such Lender shall decide to assign all or any portion of the Obligations, such term shall include any assignee of such Lender and (b) solely for the purpose of obtaining the benefit of the Liens granted to the Agent for the benefit of the Lenders under the Collateral Documents, a Person to whom any Obligations in respect of a Secured Rate Contract are owed. For the avoidance of doubt, any Person to whom any Obligations in respect of a Secured Rate Contract are owed and which does not hold any Loans or Commitments shall not be entitled to any other rights as a "Lender" under this Agreement or any other Loan Document.

"Letter of Credit Fee" has the meaning ascribed to it in Annex B.

"Letter of Credit Obligations" means all outstanding obligations incurred by Agent and Lenders at the request of Borrower, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of Letters of Credit by Agent or another L/C Issuer or the purchase of a participation as set forth in Annex B with respect to any Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount that may be payable by Agent or Lenders thereupon or pursuant thereto.

"Letters of Credit" means documentary or standby letters of credit issued for the account of Borrower by any L/C Issuer, and bankers' acceptances issued by Borrower, for which Agent and Lenders have incurred Letter of Credit Obligations.

"Letter-of Credit Rights" means "letter-of-credit rights" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including rights to payment or performance under a letter of credit, whether or not such Credit Party, as beneficiary, has demanded or is entitled to demand payment or performance.

"Leverage Ratio" means, with respect to Borrower, on a consolidated basis, the ratio of (a) Total Debt as of any date of determination (including the average daily closing balance of the Revolving Loan for the thirty (30) days preceding and including any date of determination), to (b) EBITDA.

"LIBOR Business Day" means a Business Day on which banks in the City of London are generally open for interbank or foreign exchange transactions.

"LIBOR Loan" means a Loan or any portion thereof bearing interest by reference to the LIBOR Rate.

"LIBOR Period" means, with respect to any LIBOR Loan, each period commencing on a LIBOR Business Day selected by Borrower pursuant to the Agreement and ending one, two, three or six months thereafter, as selected by Borrower's irrevocable notice to Agent as set forth in Section 1.5(e); provided, that the foregoing provision relating to LIBOR Periods is subject to the following:

(a) if any LIBOR Period would otherwise end on a day that is not a LIBOR Business Day, such LIBOR Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such LIBOR Period into another calendar month in which event such LIBOR Period shall end on the immediately preceding LIBOR Business Day;

(b) [reserved]

(c) any LIBOR Period that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Period) shall end on the last LIBOR Business Day of a calendar month;

(d) Borrower shall select LIBOR Periods so as not to require a payment or prepayment of any LIBOR Loan during a LIBOR Period for such Loan; and

(e) Borrower shall select LIBOR Periods so that there shall be no more than 6 separate LIBOR Loans in existence at any one time.

"LIBOR Rate" means, for each Interest Period, the highest of (a) 1.00% per annum, (b) the offered rate per annum for deposits of Dollars for the applicable Interest Period that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) two (2) Business Days prior to the first day in such Interest Period, and (c) the offered rate per annum for deposits of Dollars for an Interest Period of three (3) months that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) two (2) Business Days prior to the first day of the applicable Interest Period. If no such offered rate exists, such rate will be the rate of interest per annum, as determined by Agent at which deposits of Dollars in immediately available funds are offered at 11:00 A.M. (London, England time) two (2) Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to Agent in the London interbank market for such Interest Period for the applicable principal amount on such date of determination.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by any Credit Party.

"Lien" means any mortgage, deed of trust, deed to secure debt, pledge, hypothecation, collateral assignment, deposit arrangement, lien, charge, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"Litigation" has the meaning ascribed to it in Section 3.13.

"Loan Account" has the meaning ascribed to it in Section 1.12.

"Loan Documents" means the Agreement, the Notes, the Collateral Documents, the Master Standby Agreement, the GE Fee Capital Letter, and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Credit Party, or any employee of any Credit Party, and delivered to Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

"Loans" means the Revolving Loan and the Term Loan A.

"Lock Boxes" has the meaning ascribed to it in Annex C.

"Margin Stock" has the meaning ascribed to it in Section 3.10.

"Master Standby Agreement" means the Master Agreement for Standby Letters of Credit dated as of the Closing Date between Borrower, as Applicant, and GE Capital, as Issuer.

"Material Adverse Effect" means a material adverse effect on (a) the condition (financial or otherwise), the business, performance, operations or property of the Credit Parties taken as a whole, (b) Borrower's ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement or the other Loan Documents, or the ability of the Credit Parties to perform their obligations under the Loan Documents, (c) the Collateral or Agent's Liens, on behalf of itself and Lenders, on the Collateral or the priority of such Liens, or (d) Agent's or any Lender's rights and remedies under the Agreement and the other Loan Documents.

"Material Contracts" means any agreement or arrangement to which any Credit Party is a party (other than the Loan Documents) (a) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; or (b) that relates to Indebtedness in an aggregate principal amount of $500,000 or more.

"Maximum Amount" means, as of any date of determination, an amount equal to the Revolving Loan Commitment of all Lenders as of that date.

"Mortgaged Properties" all Real Estate of the Credit Parties which is subject to a Mortgage..

"Mortgages" means each of the mortgages, deeds of trust, deed to secure debt, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by any Credit Party to Agent on behalf of itself and Lenders with respect to the Mortgaged Properties, all in form and substance reasonably satisfactory to Agent.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, and to which any Credit Party or ERISA Affiliate is making, is obligated to make or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"Non-Funding Lender" means any Lender that has (a) failed to fund any payments required to be made by it under the Loan Documents within two (2) Business Days after any such payment is due (excluding expense and similar reimbursements that are subject to good faith disputes), (b) given written notice (and Agent has not received a revocation in writing), to Borrower, Agent, any Lender, or the L/C Issuer or has otherwise publicly announced (and Agent has not received notice of a public retraction) that such Lender believes it will fail to fund payments or purchases of participations required to be funded by it under the Loan Documents or one or more other syndicated credit facilities, (c) failed to fund, and not cured, loans, participations, advances, or reimbursement obligations under one or more other syndicated credit facilities, unless subject to a good faith dispute, or (d) any Lender that has (i) become subject to a voluntary or involuntary case under the Bankruptcy Code or any similar bankruptcy laws, (ii) a custodian, conservator, receiver or similar official appointed for it or any substantial part of such Person's assets, or (iii) made a general assignment for the benefit of creditors, been liquidated, or otherwise been adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent or bankrupt.

"Notes" means, collectively, the Revolving Notes and the Term A Notes.

"Notice of Conversion/Continuation" has the meaning ascribed to it in Section 1.5(e).

"Notice of Revolving Credit Advance" has the meaning ascribed to it in Section 1.1(a).

"Obligations" means all loans, advances, debts, liabilities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Agent, any Lender or any Secured Swap Provider, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement, letter of credit agreement or other instrument, arising under the Agreement, any of the other Loan Documents or any Secured Rate Contract. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), Fees, hedging obligations under swaps, caps and collar arrangements provided by any Lender in accordance with the terms of the Agreement, expenses, attorneys' fees and any other sum chargeable to any Credit Party under the Agreement, any of the other Loan Documents or any Secured Rate Contract.

"Original Closing Date" means February 21, 2008.

"Original Credit Agreement" has the meaning ascribed to such term in the recitals.

"Patent License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

"Patent Security Agreements" means the Patent Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party.

"Patents" means all of the following in which any Credit Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means a Plan described in Section 3(2) of ERISA.

"Permitted Encumbrances" means the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet delinquent or that remain payable without penalty or which are being contested in accordance with Section 5.2(b); (b) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Credit Party is a party as lessee made in the ordinary course of business; (d) workers', mechanics' or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e) carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business the assets in the possession of the beneficiary of such liens; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 8.1(i) so long as any such attachment or judgment lien is subordinate to the Agent's Liens; (h) zoning restrictions, easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such Real Estate; (i) presently existing or hereafter created Liens in favor of Agent, on behalf of Lenders; (j) Liens expressly permitted under clauses (b) and (c) of Section 6.7 of the Agreement; (k) Liens arising under leases, subleases, licenses and rights to use granted to third parties and not interfering in any material respect with the ordinary conduct of the business of the Credit Parties; (l) any (1) interest or title of a lessor or sublessor under any lease not prohibited by this Agreement, (2) Lien or restriction that the interest or title of such lessor or sublessor may be subject to, or (3) subordination of the interest of the lessee or sublessee under such lease to any Lien or restriction referred to in the preceding clause (2), so long as the holder of such Lien or restriction agrees to recognize the rights of such lessee or sublessee under such lease; (m) non-material Liens described on a title report delivered in connection with a Mortgage required to be delivered hereunder, so long as such Liens do not secured Funded Debt; and (n) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Plan" means, at any time, an "employee benefit plan," as defined in Section 3(3) of ERISA, that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Credit Party or ERISA Affiliate.

"Pledge Agreements" means the Borrower Pledge Agreement, the Holdings Pledge Agreement, and any other pledge agreement entered into after the Closing Date by any Credit Party (as required by the Agreement or any other Loan Document).

"Proceeds" means "proceeds," as such term is defined in the Code, including (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit Party from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning any of the Collateral including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock, and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

"Pro Forma" means the unaudited consolidated balance sheet of Borrower and its Subsidiaries as of October 31, 2010 after giving pro forma effect to the Related Transactions.

"Projections" means Borrower's forecasted consolidated: (a) profit and loss statements; (b) cash flow statements; and (c) capitalization statements, all prepared on a Subsidiary by Subsidiary or theatre by theatre basis, if applicable, and otherwise consistent with the historical Financial Statements of Borrower with respect to the existing movie theaters or cinemas owned by Borrower prior to the Closing Date and October 31, 2010 with respect to the Closing Date Contributed Theatre, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" means with respect to all matters relating to any Lender (a) with respect to the Revolving Loan, the percentage obtained by dividing (i) the Revolving Loan Commitment of that Lender by (ii) the aggregate Revolving Loan Commitments of all Lenders, (b) with respect to the Term Loan A, the percentage obtained by dividing (i) the Term Loan A Commitment of that Lender by (ii) the aggregate Term Loan A Commitments of all Lenders, as any such percentages may be adjusted by assignments permitted pursuant to Section 9.1, (c) with respect to all Loans, the percentage obtained by dividing (i) the aggregate Commitments of that Lender by (ii) the aggregate Commitments of all Lenders, and (d) with respect to all Loans on and after the Commitment Termination Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the Loans held by that Lender, by (ii) the outstanding principal balance of the Loans held by all Lenders.

"Qualified Plan" means a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

"Rate Contracts" means swap agreements (as such term is defined in Section 101 of the Bankruptcy Code) and any other agreements or arrangements designed to provide protection against fluctuations in interest or currency exchange rates.

"Reading" means Reading International, Inc., a Nevada corporation.

"Reading Management Agreement" means that certain Amended and Restated Management Agreement, dated as of the Closing Date by and between Borrower and Reading, in form and substance reasonably satisfactory to Agent.

"Reading Note" means that certain Promissory Note, dated as of February 22, 2008, in the original principal amount of $21,000,000, of which $600,000 remains outstanding as of the date hereof, made by Reading in favor of Nationwide Theatres Corp., as be amended from time to time in accordance with the terms hereof.

"Real Estate" has the meaning ascribed to it in Section 3.6.

"Register" has the meaning ascribed to it in Section 9.1(g).

"Related Transactions" means the initial borrowing under the Revolving Loan, if any, and the Term Loan A on the Closing Date, the Closing Date Theatre Contribution, the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all of the Related Transactions Documents.

"Related Transactions Documents" means the Loan Documents, the Closing Date Theatre Contribution Documents, the Unanimous Written Consent of the Members of the Angelika JV, dated on or about the date hereof and all other agreements or instruments executed in connection with the Related Transactions.

"Release" means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

"Requirements of Law" means, with respect to any Person, collectively, the common law and all federal, state, local, foreign, multinational or international laws, statutes, codes, treaties, standards, rules and regulations, guidelines, ordinances, orders, judgments, writs, injunctions, decrees (including administrative or judicial precedents or authorities) and the interpretation or administration thereof by, and other determinations, directives, requirements or requests of, any Governmental Authority, in each case whether or not having the force of law and that are applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Requisite Lenders" means Lenders having (a) more than 50% of the Commitments of all Lenders, or (b) if the Commitments have been terminated, more than 50% of the aggregate outstanding amount of the Loans.

"Requisite Revolving Lenders" means Lenders having (a) more than 50% of the Revolving Loan Commitments of all Lenders, or (b) if the Revolving Loan Commitments have been terminated, more than 50% of the aggregate outstanding amount of the Revolving Loan.

"Responsible Financial Officer" means the Borrower's chief financial officer.

"Responsible Officer" means the Borrower's chief executive officer, chief operating officer or chief financial officer.

"Restricted Payment" means, with respect to any Credit Party (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of Stock; (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of such Credit Party's Stock or any other payment or distribution made in respect thereof, either directly or indirectly; (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any subordinated debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Credit Party now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Credit Party's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Credit Party other than payment of compensation in the ordinary course of business to Stockholders who are employees of such Credit Party; and (g) any payment of management fees (or other fees of a similar nature) by such Credit Party to any Stockholder of such Credit Party or its Affiliates.

"Retiree Welfare Plan" means, at any time, a Welfare Plan that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

"Revolving Credit Advance" has the meaning ascribed to it in Section 1.1(a)(i).

"Revolving Lenders" means, as of any date of determination, Lenders having a Revolving Loan Commitment.

"Revolving Loan" means, at any time, the sum of (i) the aggregate amount of Revolving Credit Advances outstanding to Borrower plus (ii) the aggregate Letter of Credit Obligations incurred on behalf of Borrower. Unless the context otherwise requires, references to the outstanding principal balance of the Revolving Loan shall include the outstanding balance of Letter of Credit Obligations.

"Revolving Loan Commitment" means (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make Revolving Credit Advances or incur Letter of Credit Obligations as set forth on Annex J to the Agreement or in the most recent Assignment executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make Revolving Credit Advances or incur Letter of Credit Obligations, which aggregate commitment shall be Five Million Dollars and No/100 ($5,000,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement.

"Revolving Note" has the meaning ascribed to it in Section 1.1(a)(ii).

"Sale" has the meaning ascribed to it in Section 9.1(h).

"Security Agreement" means the Security Agreement dated as of the Original Closing Date entered into by and among Agent, on behalf of itself and Lenders, and each Credit Party that is a signatory thereto.

"Secured Party" means Agent, each Lender, each L/C Issuer, each other Indemnified Party and each other holder of any Obligation of a Credit Party including each Secured Swap Provider.

"Secured Rate Contract" means any Rate Contract between Borrower and a Secured Swap Provider.

"Secured Swap Provider" means (i) a Lender or an Affiliate of a Lender (or a Person who was a Lender or an Affiliate of a Lender at the time of execution and delivery of a Rate Contract) who has entered into a Secured Rate Contract with Borrower, or (ii) a Person with whom Borrower has entered into a Secured Rate Contract provided or arranged by GE Capital or an Affiliate of GE Capital, and any assignee thereof.

"Software" means all "software" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, other than software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

"Solvent" means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can reasonably be expected to become an actual or matured liability.

"SPV" means any special purpose-funding vehicle identified as such in a writing by any Lender to Agent.

"Stock" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

"Stockholder" means, with respect to any Person, each holder of Stock of such Person.

"Subsidiary" means, with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or may exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of the Borrower.

"Subsidiary Guaranty" means the Subsidiary Guaranty of the Original Closing Date executed by each Subsidiary of Borrower in favor of Agent, on behalf of itself and Lenders.

"Supporting Obligations" means all "supporting obligations" as such term is defined in the Code, including letters of credit and guaranties issued in support of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

"Target" has the meaning ascribed to it in Section 6.1.

"Taxes" means taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of Agent or a Lender by the jurisdictions under the laws of which Agent and Lenders are organized or conduct business or any political subdivision thereof and in the case of a Foreign Lender, any United States federal withholding taxes imposed on amounts payable to such Foreign Lender as a result of such Foreign Lender's failure to comply with FATCA to establish a complete exemption from withholding thereunder.

"Termination Date" means the date on which (a) the Loans have been repaid in full, (b) all other Obligations under the Agreement and the other Loan Documents have been completely discharged, (c) all Letter of Credit Obligations have been cash collateralized, cancelled or backed by standby letters of credit in accordance with Annex B, and (d) Borrower shall not have any further right to borrow any monies under the Agreement.

"Term Lenders" means those Lenders having Term Loan A Commitments.

"Term Loan A" has the meaning assigned to it in Section 1.1(b)(i).

"Term Loan A Commitment" means (a) as to any Lender with a Term Loan A Commitment, the commitment of such Lender to make its Pro Rata Share of the Term Loan as set forth on Annex J to the Agreement or in the most recent Assignment executed by such Lender, and (b) as to all Lenders with a Term Loan A Commitment, the aggregate commitment of all Lenders to make the Term Loan, which aggregate commitment shall be Thirty Seven Million and Five Hundred Thousand Dollars and No/100 ($37,500,000) on the Closing Date. After advancing the Term Loan A, each reference to a Lender's Term Loan A Commitment shall refer to that Lender's Pro Rata Share of the outstanding Term Loan A.

"Term A Note" has the meaning assigned to it in Section 1.1(b)(i).

"Theater Acquisition" means, whether in a single transaction or a series of transactions, (a) any purchase, lease, assumption of lease or other acquisition of, or any payment, cash outlay, expense, expenditure or Capital Expenditure in respect of the purchase or other acquisition of, an existing movie theater or cinema; (b) any purchase, lease, assumption of lease or other acquisition of any Real Property for the purpose of developing, building, or constructing any movie theater, complex (whether single or multiple viewing screens) or cinema or (c) the development, building or construction of any movie theater, complex (whether single or multiple viewing screens) or cinema at any location where a movie theater did not exist immediately prior to the commencement of such development, building or construction.

"Theatre Disposition" means the disposition of the leasehold interests in the Excluded Theatres, by Borrower to Holdings and thereafter by Holdings to Reading pursuant to the Theatre Disposition Documents.

"Theatre Disposition Documents" means the documents and agreements evidencing the Theatre Disposition, which shall be in form and substance reasonably satisfactory to Agent.

"Theatre Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person for the purpose of operating a movie theater.

"Title IV Plan" means a Pension Plan (other than a Multiemployer Plan), that is covered by Title IV of ERISA, and that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Total Debt" means, with respect to any Person, all Indebtedness of such Person as of the date of determination (excluding therefrom (a) Indebtedness described in clauses (f) and (g) of the definition of Indebtedness and (b) all operating leases).

"Trademark Security Agreements" means the Trademark Security Agreements made in favor of Agent, on behalf of Lenders, by each applicable Credit Party.

"Trademark License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

"Trademarks" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

"Unfunded Pension Liability" means, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five (5) years following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Credit Party or any ERISA Affiliate as a result of such transaction.

"Welfare Plan" means a Plan described in Section 3(i) of ERISA.

"Working Capital" means Borrower's Current Assets less Current Liabilities as of the last day of the prior Fiscal Year as set forth on the Borrower's audited Financial Statements for such Fiscal Year compared to Borrower's Current Assets less Current Liabilities as of the last day of the current Fiscal Year as set forth on the Borrower's audited Financial Statements for such Fiscal Year.

Rules of construction with respect to accounting terms used in the Agreement or the other Loan Documents shall be as set forth in Annex G. All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Code, the definition contained in Article or Division 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or circumstance or that such Credit Party, if it had exercised reasonable diligence, would have known or been aware of such fact or circumstance.

ANNEX B (Section 1.2)
to
CREDIT AGREEMENT

LETTERS OF CREDIT

(a) Issuance. Subject to the terms and conditions of the Agreement, Agent and Revolving Lenders agree to incur, from time to time prior to the Commitment Termination Date, upon the request of Borrower and for Borrower's account, Letter of Credit Obligations by causing Letters of Credit to be issued by GE Capital or a Subsidiary thereof or a bank or other legally authorized Person selected by or acceptable to Agent in its sole discretion (each, an "L/C Issuer") for Borrower's account and guaranteed by Agent; provided, that if the L/C Issuer is a Revolving Lender, then such Letters of Credit shall not be guaranteed by Agent but rather each Revolving Lender shall, subject to the terms and conditions hereinafter set forth, purchase (or be deemed to have purchased) risk participations in all such Letters of Credit issued with the written consent of Agent, as more fully described in paragraph (b)(ii) below. The aggregate amount of all such Letter of Credit Obligations shall not at any time exceed the lesser of (i) One Million Dollars and No/100 ($1,000,000) (the " L/C Sublimit"), and (ii) the Maximum Amount less the aggregate outstanding principal balance of the Revolving Credit Advances. No such Letter of Credit shall have an expiry date that is more than one year following the date of issuance thereof, unless otherwise determined by Agent in its sole discretion (including with respect to customary evergreen provisions), and neither Agent nor Revolving Lenders shall be under any obligation to incur Letter of Credit Obligations in respect of, or purchase risk participations in, any Letter of Credit having an expiry date that is later than the Commitment Termination Date. Notwithstanding anything else to the contrary herein, if any Lender is a Non-Funding Lender or Impacted Lender, no L/C Issuer shall be obligated to Issue any Letter of Credit unless (w) the Non-Funding Lender or Impacted Lender has been replaced in accordance with Section 1.16(d), (x) the Letter of Credit Obligations of such Non-Funding Lender or Impacted Lender have been cash collateralized, (y) the Revolving Loan Commitments of the other Lenders have been increased by an amount sufficient to satisfy Agent that all future Letter of Credit Obligations will be covered by all Revolving Lenders that are not Non-Funding Lenders or Impacted Lenders, or (z) the Letter of Credit Obligations of such Non-Funding Lender or Impacted Lender have been reallocated to other Revolving Lenders in a manner consistent with Section 9.9(d)(ii). Furthermore, GE Capital as an L/C Issuer may elect only to issue Letters of Credit in its own name and may only issue Letters of Credit to the extent permitted by Requirements of Law, and such Letters of Credit may not be accepted by certain beneficiaries such as insurance companies.

(b)(i) Advances Automatic; Participations. In the event that Agent or any Revolving Lender shall make any payment on or pursuant to any Letter of Credit Obligation, such payment shall then be deemed automatically to constitute a Revolving Credit Advance under Section 1.1(a) of the Agreement regardless of whether a Default or Event of Default has occurred and is continuing and notwithstanding Borrower's failure to satisfy the conditions precedent set forth in Section 2, and each Revolving Lender shall be obligated to pay its Pro Rata Share thereof in accordance with the Agreement. The failure of any Revolving Lender to make available to Agent for Agent's own account its Pro Rata Share of any such Revolving Credit Advance or payment by Agent under or in respect of a Letter of Credit shall not relieve any other Revolving Lender of its obligation hereunder to make available to Agent its Pro Rata Share thereof, but no Revolving Lender shall be responsible for the failure of any other Revolving Lender to make available such other Revolving Lender's Pro Rata Share of any such payment.

(ii) If it shall be illegal or unlawful for Borrower to incur Revolving Credit Advances as contemplated by paragraph (b)(i) above because of an Event of Default described in Sections 8.1(g) or (h) or otherwise or if it shall be illegal or unlawful for any Revolving Lender to be deemed to have assumed a ratable share of the reimbursement obligations owed to an L/C Issuer, or if the L/C Issuer is a Revolving Lender, then (A) immediately and without further action whatsoever, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation equal to such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations in respect of all Letters of Credit then outstanding and (B) thereafter, immediately upon issuance of any Letter of Credit, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation in such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations with respect to such Letter of Credit on the date of such issuance. Each Revolving Lender shall fund its participation in all payments or disbursements made under the Letters of Credit in the same manner as provided in the Agreement with respect to Revolving Credit Advances.

(c) Cash Collateral. (i) If Borrower is required to provide cash collateral for any Letter of Credit Obligations pursuant to the Agreement, including Section 8.2 of the Agreement, prior to the Commitment Termination Date, Borrower will pay to Agent for the ratable benefit of itself and Revolving Lenders cash or cash equivalents acceptable to Agent ("Cash Equivalents") in an amount equal to 105% of the maximum amount then available to be drawn under each applicable Letter of Credit outstanding. Such funds or Cash Equivalents shall be held by Agent in a cash collateral account (the " Cash Collateral Account") maintained at a bank or financial institution acceptable to Agent. The Cash Collateral Account shall be in the name of Borrower and shall be pledged to, and subject to the control of, Agent, for the benefit of Agent and Lenders, in a manner satisfactory to Agent. Borrower hereby pledges and grants to Agent, on behalf of itself and Lenders, a security interest in all such funds and Cash Equivalents held in the Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due in respect of the Letter of Credit Obligations and other Obligations, whether or not then due. The Agreement, including this Annex B, shall constitute a security agreement under applicable law.

(ii) If any Letter of Credit Obligations, whether or not then due and payable, shall for any reason be outstanding on the Commitment Termination Date, Borrower shall either (A) provide cash collateral therefor in the manner described above, or (B) cause all such Letters of Credit and guaranties thereof, if any, to be canceled and returned, or (C) deliver a stand-by letter (or letters) of credit in guarantee of such Letter of Credit Obligations, which stand-by letter (or letters) of credit shall be of like tenor and duration (plus thirty (30) additional days) as, and in an amount equal to 105% of the aggregate maximum amount then available to be drawn under, the Letters of Credit to which such outstanding Letter of Credit Obligations relate and shall be issued by a Person, and shall be subject to such terms and conditions, as are satisfactory to Agent in its sole discretion.

(iii) From time to time after funds are deposited in the Cash Collateral Account by Borrower, whether before or after the Commitment Termination Date, Agent may apply such funds or Cash Equivalents then held in the Cash Collateral Account to the payment of any amounts, and in such order as Agent may elect, as shall be or shall become due and payable by Borrower to Agent and Lenders with respect to such Letter of Credit Obligations of Borrower and, upon the satisfaction in full of all Letter of Credit Obligations of Borrower, to any other Obligations then due and payable.

(iv) Neither Borrower nor any Person claiming on behalf of or through Borrower shall have any right to withdraw any of the funds or Cash Equivalents held in the Cash Collateral Account, except that upon the termination of all Letter of Credit Obligations and the payment of all amounts payable by Borrower to Agent and Lenders in respect thereof, any funds remaining in the Cash Collateral Account shall be applied to other Obligations then due and owing and upon payment in full of such Obligations any remaining amount shall be paid to Borrower or as otherwise required by law. Interest earned on deposits in the Cash Collateral Account shall be held as additional collateral.

(d) Fees and Expenses. Borrower agrees to pay to Agent for the benefit of Revolving Lenders, as compensation to such Lenders for Letter of Credit Obligations incurred hereunder, (i) all reasonable costs and expenses incurred by Agent or any Lender on account of such Letter of Credit Obligations and (ii) for each month during which any Letter of Credit Obligation shall remain outstanding, a fee (the " Letter of Credit Fee") in an amount equal to the Applicable LIBOR Margin from time to time in effect multiplied by the maximum amount available from time to time to be drawn under the applicable Letter of Credit. Such fee shall be paid to Agent for the benefit of the Revolving Lenders in arrears, on the last day of each quarter and on the Commitment Termination Date. In addition, Borrower shall pay to any L/C Issuer, on demand, for each month during which any Letter of Credit Obligation shall remain outstanding, a fronting fee equal to 0.25% multiplied by the maximum amount available from time to time to be drawn under the applicable Letter of Credit and such other customary fees (including all per annum fees), charges and expenses of such L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(e) Request for Incurrence of Letter of Credit Obligations. Borrower shall give Agent at least two (2) Business Days' prior written notice requesting the incurrence of any Letter of Credit Obligation. The notice shall be accompanied by the form of the Letter of Credit (which shall be acceptable to the L/C Issuer) and a completed Application for Standby Letter of Credit in the form Exhibit B-1 attached hereto. Notwithstanding anything contained herein to the contrary, Letter of Credit applications by Borrower and approvals by Agent and the L/C Issuer may be made and transmitted pursuant to electronic codes and security measures mutually agreed upon and established by and among Borrower, Agent and the L/C Issuer.

(f) Obligation Absolute. The obligation of Borrower to reimburse Agent and Revolving Lenders for payments made with respect to any Letter of Credit Obligation shall be absolute, unconditional and irrevocable, without necessity of presentment, demand, protest or other formalities, and the obligations of each Revolving Lender to make payments to Agent with respect to Letters of Credit shall be unconditional and irrevocable. Such obligations of Borrower and Revolving Lenders shall be paid strictly in accordance with the terms hereof under all circumstances including the following:

(i) any lack of validity or enforceability of any Letter of Credit or the Agreement or the other Loan Documents or any other agreement;

(ii) the existence of any claim, setoff, defense or other right that Borrower or any of its Affiliates or any Lender may at any time have against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such transferee may be acting), Agent, any Lender, or any other Person, whether in connection with the Agreement, the Letter of Credit, the transactions contemplated herein or therein or any unrelated transaction (including any underlying transaction between Borrower or any of its Affiliates and the beneficiary for which the Letter of Credit was procured);

(iii) any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by Agent (except as otherwise expressly provided in paragraph (g)(ii)(C) below) or any L/C Issuer under any Letter of Credit or guaranty thereof against presentation of a demand, draft or certificate or other document that does not comply with the terms of such Letter of Credit or such guaranty;

(v) any other circumstance or event whatsoever, that is similar to any of the foregoing; or

(vi) the fact that a Default or an Event of Default has occurred and is continuing.

(g) Indemnification; Nature of Lenders' Duties.

(i) In addition to amounts payable as elsewhere provided in the Agreement, Borrower hereby agrees to pay and to protect, indemnify, and save harmless Agent and each Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and allocated costs of internal counsel) that Agent or any Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or guaranty thereof, or (B) the failure of Agent or any Lender seeking indemnification or of any L/C Issuer to honor a demand for payment under any Letter of Credit or guaranty thereof as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority, in each case other than to the extent as a result of the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction.

(ii) As between Agent and any Lender and Borrower, Borrower assumes all risks of the acts and omissions of, or misuse of any Letter of Credit by beneficiaries of any Letter of Credit. In furtherance and not in limitation of the foregoing, to the fullest extent permitted by law neither Agent nor any Lender shall be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document issued by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to demand payment under such Letter of Credit; provided, that in the case of any payment by Agent under any Letter of Credit or guaranty thereof, Agent shall be liable to the extent such payment was made solely as a result of its gross negligence or willful misconduct as finally determined by a court of competent jurisdiction in determining that the demand for payment under such Letter of Credit or guaranty thereof complies on its face with any applicable requirements for a demand for payment under such Letter of Credit or guaranty thereof; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they may be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a payment under any Letter of Credit or guaranty thereof or of the proceeds thereof; (G) the credit of the proceeds of any drawing under any Letter of Credit or guaranty thereof; and (H) any consequences arising from causes beyond the control of Agent or any Lender. None of the above shall affect, impair, or prevent the vesting of any of Agent's or any Lender's rights or powers hereunder or under the Agreement.

(iii) Nothing contained herein shall be deemed to limit or to expand any waivers, covenants or indemnities made by Borrower in favor of any L/C Issuer in any letter of credit application, reimbursement agreement or similar document, instrument or agreement between Borrower and such L/C Issuer, including an Application and Agreement for Documentary Letter of Credit or a Master Documentary Agreement and a Master Standby Agreement entered into with Agent.

ANNEX C (Section 1.8)
to
CREDIT AGREEMENT

CASH MANAGEMENT SYSTEM

Each Credit Party shall, and shall cause its Subsidiaries to, establish and maintain the bank account arrangements described below:

(a) On or before the Closing Date and until the Termination Date, Borrower and each other Credit Party shall grant and maintain at all times a perfected Lien in all of its bank accounts, other than its payroll, benefits, trust, petty cash, or other local collection accounts (so long as the proceeds in such local collection accounts are wire transferred at least weekly to a Blocked Account over which Agent has a perfected Lien) or any other deposit account, when taken together with all such other deposit accounts that are not otherwise the subject of perfected Lien in favor of the Agent, where the aggregate credit balances in all such other deposit accounts does not exceed $250,000 at any one time outstanding (all such non-excluded accounts, the " Blocked Accounts"; and, such excluded accounts, the "Excluded Accounts"), to the Agent for the benefit of the Lenders. All Blocked Accounts, and the banks at which such Blocked Accounts are maintained (each, a "Relationship Bank") as of the Closing Date are set forth on Disclosure Schedule (3.19). Borrower shall, and shall cause each other Credit Party to, deposit or cause to be deposited promptly, and in any event no later than the fifth Business Day after the date of receipt thereof, all cash, checks, drafts or other similar items of payment into one or more Blocked Accounts or Excluded Accounts.

(b) On the Closing Date (or such later date as Agent shall consent to in writing), all Relationship Banks shall have entered into tri-party blocked account agreements with Agent, for the benefit of itself and Lenders, and Borrower and the other Credit Parties, as applicable, in form and substance reasonably acceptable to Agent, which shall become operative on the Closing Date. Each such blocked account agreement shall provide, among other things, that (i) the Relationship Bank will honor the instructions of the Agent with respect to all Blocked Accounts and the funds therein, and not the instructions of the Credit Parties, except that until the Activation Notice described below is delivered, Credit Parties shall have access to the funds in the Blocked Accounts, and (ii) the Relationship Bank executing such agreement has no rights of setoff or recoupment or any other claim against such account, as the case may be, other than as expressly set forth in such agreement. If an Event of Default has occurred and is continuing (any of the foregoing being referred to herein as an "Activation Event"), the Agent shall have the right to notify one or more Relationship Banks that such Relationship Bank should no longer permit the Credit Parties to have access to the funds in the Blocked Accounts (each such notice, an " Activation Notice"), and such notice may authorize the Relationship Banks to immediately forward all amounts received in the Blocked Account to an account in the name of Agent or any Lender specified in the Activation Notice or a subsequent notice from Agent. From and after the date Agent has delivered an Activation Notice to any bank with respect to any Blocked Account(s), Borrower shall not, and shall not cause or permit any other Credit Party to, accumulate or maintain cash in any payroll accounts or other accounts in which the Agent does not have a perfected Lien as of any date of determination, other than amounts maintained in the Excluded Accounts.

(d) So long as no Event of Default has occurred and is continuing, Borrower may amend Disclosure Schedule (3.19) to add or replace a Relationship Bank or Blocked Account; provided, that (i) Agent shall have consented in writing in advance to the opening of such account with the relevant bank and (ii) prior to the time of the opening of such account, Borrower or its Subsidiaries, as applicable, and such bank shall have executed and delivered to Agent a tri-party blocked account agreement, in form and substance reasonably satisfactory to Agent.

(e) The Blocked Accounts shall be cash collateral accounts, with all cash, checks and other similar items of payment in such accounts securing payment of the Loans and all other Obligations, and in which Borrower and each Subsidiary thereof shall have granted a Lien to Agent, on behalf of itself and Lenders, pursuant to the Security Agreement.

(f) All amounts deposited in the Collection Account shall be deemed received by Agent in accordance with Section 1.10 and shall be applied (and allocated) by Agent in accordance with Section 1.11. In no event shall any amount be so applied unless and until such amount shall have been credited in immediately available funds to the Collection Account.

(g) Borrower shall and shall cause its Subsidiaries, officers, employees, agents, directors or other Persons acting for or in concert with Borrower (each a "Related Person") to (i) hold in trust for Agent, for the benefit of itself and Lenders, all checks, cash and other items of payment received by Borrower or any such Related Person in any case that constitute Collateral, and (ii) within five (5) Business Days after receipt by Borrower or any such Related Person of any checks, cash or other items of payment, deposit the same into a Blocked Account. Borrower on behalf of itself and each Related Person acknowledges and agrees that all cash, checks or other items of payment constituting proceeds of Collateral are part of the Collateral. All proceeds of the sale or other disposition of any Collateral shall be deposited directly into Blocked Accounts.

ANNEX D (Section 2.1(a))
to
CREDIT AGREEMENT

CLOSING CHECKLIST

In addition to, and not in limitation of, the conditions described in Section 2.1 of the Agreement, pursuant to Section 2.1(a), the following items must be received by Agent in form and substance satisfactory to Agent on or prior to the Closing Date (each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in Annex A to the Agreement):

A. Appendices. All Appendices to the Agreement, in form and substance satisfactory to Agent.

B. Revolving Notes and Term Notes. Duly executed originals of the Revolving Notes and Term Notes for each applicable Lender, dated the Closing Date.

C. Master Reaffirmation of Collateral Documents/Joinder. Duly executed originals of the Master Reaffirmation of Collateral Documents and Joinder Agreement, dated the Closing Date, and all instruments, documents and agreements executed pursuant thereto, including without limitation, a power of attorney executed by each Credit Party.

D. Security Interests and Code Filings. (a) Evidence satisfactory to Agent that Agent (for the benefit of itself and Lenders) has a valid and perfected first priority security interest in the Collateral, including (i) such documents duly executed by each Credit Party (including financing statements under the Code and other applicable documents under the laws of any jurisdiction with respect to the perfection of Liens) as Agent may request in order to perfect its security interests in the Collateral, (ii) copies of Code search reports listing all effective financing statements that name any Credit Party as debtor, together with copies of such financing statements (and those relating to the Prior Lender Obligations which shall be terminated on the Closing Date) and Permitted Encumbrances and (iii) a perfection certificate, duly executed on behalf of each Person who is a Credit Party.

(b) Evidence reasonably satisfactory to Agent, including copies, of all UCC-1 and other financing statements filed in favor of Borrower or any other Credit Party with respect to each location, if any, at which Inventory may be consigned.

(c) Control Letters from (i) all issuers of uncertificated securities and financial assets held by Borrower, (ii) all securities intermediaries with respect to all securities accounts and securities entitlements of Borrower, and (iii) all futures commission agents and clearing houses with respect to all commodities contracts and commodities accounts held by Borrower.

E Intellectual Property Security Agreements. Duly executed originals of Trademark Security Agreements, Copyright Security Agreements and Patent Security Agreements, each dated the Closing Date and signed by each Credit Party which owns Trademarks, Copyrights and/or Patents, as applicable, all in form and substance reasonably satisfactory to Agent, together with all instruments, documents and agreements executed pursuant thereto.

F. Initial Notice of Revolving Credit Advance. Duly executed originals of a Notice of Revolving Credit Advance, dated the Closing Date, with respect to the initial Revolving Credit Advance to be requested by Borrower on the Closing Date.

G. Letter of Direction. Duly executed originals of a letter of direction from Borrower addressed to Agent, on behalf of itself and Lenders, with respect to the disbursement on the Closing Date of the proceeds of the Term Loan A and the initial Revolving Credit Advance.

H. Cash Management System; Control Account Agreements. Evidence satisfactory to Agent that, as of the Closing Date, Cash Management Systems complying with Annex C to the Agreement have been established and are currently being maintained in the manner set forth in such Annex C, together with copies of duly executed tri-party control account agreements, reasonably satisfactory to Agent, with the banks as required by Annex C.

I. Charter and Good Standing. For each Credit Party, such Person's (a) charter and all amendments thereto, (b) good standing certificates (including verification of tax status) in its state of incorporation or organization and (c) good standing certificates (including verification of tax status) and certificates of qualification to conduct business in each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, each dated a recent date prior to the Closing Date and certified by the applicable Secretary of State or other authorized Governmental Authority.

J. Bylaws and Resolutions. For each Credit Party, (a) such Person's bylaws, partnership agreement or operating agreement, as the case may be, together with all amendments thereto and (b) resolutions of such Person's Board of Directors, approving and authorizing the execution, delivery and performance of the Loan Documents to which such Person is a party and the transactions to be consummated in connection therewith, each certified as of the Closing Date by such Person's corporate secretary or an assistant secretary as being in full force and effect without any modification or amendment.

K. Incumbency Certificates. For each Credit Party, signature and incumbency certificates of the officers of each such Person executing any of the Loan Documents, certified as of the Closing Date by such Person's corporate secretary or an assistant secretary as being true, accurate, correct and complete.

L. Opinions of Counsel. Duly executed originals of opinions of (i) Gibson, Dunn & Crutcher LLP, counsel for the Credit Parties, (ii) Kummer Kaempfer Bonner Renshaw & Ferrario, special Nevada counsel for the Credit Parties, (iii) Cades Schutte LLP, special Hawaiian counsel for the Credit Parties, and (iv) Gibson, Dunn & Crutcher LLP, special Texas counsel to the Credit Parties, each in form and substance reasonably satisfactory to Agent and its counsel, dated the Closing Date, which opinions shall include an express statement to the effect that Agent and Lenders are authorized to rely on such opinion.

M. Insurance. Satisfactory evidence that the insurance policies required by Section 5.4 are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements, as reasonably requested by Agent, in favor of Agent, on behalf of Lenders.

N. Officer's Certificate. Agent shall have received duly executed originals of a certificate of the Chief Executive Officer and Chief Financial Officer of Borrower, dated the Closing Date, stating that, since December 31, 2009 (a) no event or condition has occurred or is existing which could reasonably be expected to have a Material Adverse Effect; (b) there has been no material adverse change in the industry in which Borrower operates; (c) no Litigation has been commenced which, if successful, would have a Material Adverse Effect or could challenge any of the transactions contemplated by the Agreement and the other Loan Documents; (d) there have been no Restricted Payments made by any Credit Party; and (e) before and after giving effect to the transactions contemplated by the Credit Agreement, each of the Borrower individually, and the Credit Parties taken as a whole, will be Solvent, and (f) there has been no material increase in liabilities, liquidated or contingent, and no material decrease in assets of Borrower or any of its Subsidiaries.

O. Waivers. Agent, on behalf of Lenders, shall have received landlord waivers and consents (including consents to leasehold mortgages), bailee letters and mortgagee agreements with respect to the Closing Date Contributed Theatre in form and substance satisfactory to Agent, in each case as required pursuant to Section 5.9.

P. Mortgages. Amendments to all existing Mortgages together with: (a) title insurance policies reasonably satisfactory in form and substance to Agent, in its sole discretion; (b) evidence that counterparts of such amendments to Mortgages have been recorded in all places to the extent necessary or desirable, in the judgment of Agent, to create a valid and enforceable first priority lien (subject to Permitted Encumbrances) on each such Mortgaged Property in favor of Agent for the benefit of itself and Lenders (or in favor of such other trustee as may be required or desired under local law); and (c) an opinion of counsel in each state in which any such Mortgaged Property is located in form and substance and from counsel reasonably satisfactory to Agent.

Q. Reading Management Agreement. Agent and Lenders shall have received a true and complete copy of the Reading Management Agreement, together with all schedules thereto.

R. Audited Financials; Financial Condition. Agent shall have received the Financial Statements, Projections and other materials set forth in Section 3.4, certified by a Responsible Financial Officer, in each case in form and substance satisfactory to Agent, and Agent shall be satisfied, in its sole discretion, with all of the foregoing. Agent shall have further received a certificate of a Responsible Financial Officer of Borrower, based on such Pro Forma and Projections, to the effect that (a) Borrower will be Solvent upon the consummation of the transactions contemplated herein; (b) the Pro Forma fairly presents the financial condition of Borrower as of the date thereof after giving effect to the transactions contemplated by the Loan Documents; (c) the Projections are based upon estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Closing Date, reflect Borrower's good faith and reasonable estimates of its future financial performance and of the other information projected therein for the period set forth therein; and (s) containing such other statements with respect to the solvency of Borrower and matters related thereto as Agent shall request.

S. Master Standby Agreement. A Master Agreement for Standby Letters of Credit between Borrower and GE Capital.

T. Material Contracts. Agent and Lenders shall have received a true and complete copy of each Material Contract in effect as of the Closing Date that was entered into or modified after the Original Closing Date and each Material Contract in effect as of the Closing Date with respect to the Closing Date Contributed Theatre.

U. Pledge Agreements Supplements. Duly executed originals of a Supplement to the Borrower Pledge Agreement pursuant to which the Borrower shall pledge 100% of its equity interests in Angelika Cinemas, Inc. and Angelika Cinemas, Inc. shall pledge its ownership interests in the Angelika JV, accompanied by (as applicable) (a) share certificates, if any, representing all of the outstanding Stock being pledged pursuant to such Pledge Agreement and stock powers for such share certificates executed in blank and (b) the original Intercompany Notes and other instruments evidencing Indebtedness being pledged pursuant to such Pledge Agreement, duly endorsed in blank.

V. Collateral Assignments. Agent and Lenders shall have received duly executed Collateral Assignment for the Reading Management Agreement

W. Other Documents. Such other certificates, documents and agreements respecting any Credit Party as Agent may reasonably request.

ANNEX E (Section 4.1(a))
to
CREDIT AGREEMENT

FINANCIAL STATEMENTS AND PROJECTIONS -- REPORTING

Borrower shall deliver or cause to be delivered to Agent, and upon the request of Agent, to each Lender, the following:

(a) Monthly Financials. To Agent and each Lender, if requested by Agent, within thirty (30) days after the end of each Fiscal Month (other than a Fiscal Month that is also the end of a Fiscal Quarter), financial information regarding Borrower and its Subsidiaries, certified by a Responsible Financial Officer of Borrower, consisting of consolidated and, if applicable and if requested by Agent, consolidating (i) unaudited balance sheets as of the close of such Fiscal Month and the related statements of income and a summary of Capital Expenditures in each case for that portion of the Fiscal Year ending as of the close of such Fiscal Month; (ii) unaudited statements of income and cash flows for such Fiscal Month for each site, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the operating plan (as defined in Annex E, subsection (c)) for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments); (iii) a summary of the outstanding balance of all Intercompany Notes as of the last day of that Fiscal Month and (iv) a summary of the location and a brief description of each digital projector owned by the Credit Parties. Such financial information shall be accompanied by the certification of a Responsible Financial Officer of Borrower that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position and results of operations of Borrower and its Subsidiaries, on a consolidated and, if applicable and if requested by Agent, consolidating basis, in each case as at the end of such Fiscal Month and for that portion of the Fiscal Year then ended and (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(b) Quarterly Financials. To Agent and each Lender, if requested by Agent, within forty-five (45) days after the end of each Fiscal Quarter, consolidated and, if applicable and if requested by Agent, consolidating financial information regarding Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, including (i) unaudited balance sheets as of the close of such Fiscal Quarter and the related statements of income and cash flow for that portion of the Fiscal Year ending as of the close of such Fiscal Quarter and (ii) unaudited statements of income and cash flows for such Fiscal Quarter, in each case setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the operating plan (as defined in Annex E, subsection (c)) for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by (A) a statement in reasonable detail (each, a " Compliance Certificate") showing the calculations used in determining compliance with each of the Financial Covenants that is tested on a quarterly basis and the Loan to Contributed Capital Ratio and (B) the certification of the Chief Financial Officer of Borrower that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position, results of operations and statements of cash flows of Borrower and its Subsidiaries, on a consolidated and, if applicable and if requested by Agent, consolidating basis, as at the end of such Fiscal Quarter and for that portion of the Fiscal Year then ended, (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default. In addition, Borrower shall deliver to Agent and Lenders, within forty-five (45) days after the end of each Fiscal Quarter, a management discussion and analysis that includes a comparison to budget for that Fiscal Quarter and a comparison of performance for that Fiscal Quarter to the corresponding period in the prior year.

(c) Operating Plan. To Agent and each Lender, if requested by Agent, as soon as available, but not later than forty-five (45) days after the end of each Fiscal Year, an annual operating plan for Borrower, approved by the Board of Directors of Borrower, for the following Fiscal Year, which (i) includes a statement of all of the material assumptions on which such plan is based, (ii) includes monthly balance sheets and a monthly budget for the following year and (iii) integrates sales, gross profits, operating expenses, operating profit, cash flow projections and Borrowing Availability projections, all prepared on a theater by theater basis and on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities.

(d) Annual Audited Financials. To Agent and each Lender, if requested by Agent, within ninety (90) days after the end of each Fiscal Year, audited Financial Statements for Borrower and its Subsidiaries on a consolidated and, if applicable and if requested by Agent, (unaudited) consolidating basis, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous Fiscal Year, which Financial Statements shall be prepared in accordance with GAAP and certified without qualification, by an independent certified public accounting firm of national standing or otherwise acceptable to Agent. Such Financial Statements shall be accompanied by (i) a statement prepared in reasonable detail showing the calculations used in determining compliance with each of the Financial Covenants, (ii) a report from such accounting firm to the effect that, in connection with their audit examination, nothing has come to their attention to cause them to believe that a Default or Event of Default has occurred with respect to the Financial Covenants (or specifying those Defaults and Events of Default that they became aware of), it being understood that such audit examination extended only to accounting matters and that no special investigation was made with respect to the existence of Defaults or Events of Default, (iii) the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, and (iv) the certification of the Chief Executive Officer or Chief Financial Officer of Borrower that all such Financial Statements present fairly in accordance with GAAP the financial position, results of operations and statements of cash flows of Borrower and its Subsidiaries on a consolidated and, if applicable and if requested by Agent, consolidating basis, as at the end of such Fiscal Year and for the period then ended, and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(e) Management Letters. To Agent and each Lender, if requested by Agent, within five (5) Business Days after receipt thereof by any Credit Party, copies of all management letters, exception reports or similar letters or reports received by such Credit Party from its independent certified public accountants.

(f) Default Notices. To Agent and each Lender, if requested by Agent, as soon as practicable, and in any event within five (5) Business Days after an executive officer of Borrower has actual knowledge of the existence of any Default, Event of Default or other event that has had a Material Adverse Effect, telephonic or telecopied notice specifying the nature of such Default or Event of Default or other event, including the anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day.

(g) SEC Filings and Press Releases. To Agent and each Lender, if requested by Agent, promptly upon their becoming available, copies of: (i) all Financial Statements, reports, notices and proxy statements made publicly available by any Credit Party to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by any Credit Party with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority; and (iii) all press releases and other statements made available by any Credit Party to the public concerning material changes or developments in the business of any such Person.

(h) Equity Notices. To Agent, as soon as practicable, copies of all material written notices given or received by any Credit Party with respect to any Stock of such Person.

(i) Supplemental Schedules. To Agent, supplemental disclosures, if any, required by Section 5.6.

(j) Litigation. To Agent in writing, promptly upon the Chief Financial Officer, Chief Operating Officer or General Counsel of Borrower learning thereof, notice of any Litigation commenced or threatened against any Credit Party that (i) seeks damages in excess of $500,000 over the amount of any applicable insurance coverage, (ii) seeks injunctive relief, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Credit Party or ERISA Affiliate in connection with any Plan, (iv) alleges criminal misconduct by any Credit Party, (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Liabilities that, in any such case, would reasonably be expected to result in liability in excess of $500,000 over any applicable insurance coverage; or (vi) involves any product recall.

(k) Insurance Notices. To Agent, disclosure of losses or casualties required by Section 5.4.

(l) Lease Default Notices. To Agent, (i) within two (2) Business Days after receipt thereof, copies of any and all default or termination notices received under or with respect to any Theatre Lease, (ii) monthly within three (3) Business Days after payment thereof, evidence of payment of lease or rental payments as to each Theatre Lease which a landlord or bailee waiver has not been obtained, (iii) notice of termination of any Theatre Lease within 30 days prior to the termination of such lease in accordance with its terms and (iv) such other notices or documents as Agent may reasonably request.

(m) Lease Amendments. To Agent, within two (2) Business Days after receipt thereof, copies of all material amendments to any Theatre Lease.

(n) Hedging Agreements. To Agent within two (2) Business Days after entering into such agreement or amendment, copies of all interest rate, commodity or currency hedging agreements or amendments thereto.

(o) Commercial Tort Claims. To Agent, promptly and in any event within two (2) Business Days after the same is acquired by it, notice of any commercial tort claim (as defined in the Code) in excess of $100,000 acquired by it and unless otherwise consented to by Agent, a supplement to this Security Agreement, granting to Agent a Lien in such commercial tort claim.

(p) Good Standing Certificates. Upon Agent's request, after an Event of Default has occurred and is continuing, a good standing certificate from the jurisdiction of incorporation or organization of each Credit Party dated as of a recent date, certifying that such Credit Party is in good standing or in existence, as applicable.

(r) Other Documents. To Agent and Lenders, such other financial and other information respecting any Credit Party's business or financial condition as Agent or any Lender shall, from time to time, reasonably request.

ANNEX F (Section 4.1(b))
to
CREDIT AGREEMENT

COLLATERAL REPORTS

Borrower shall deliver or cause to be delivered the following:

(a) To Agent, at the time of delivery of each of the annual Financial Statements delivered pursuant to Annex E, a list of any applications for the registration of any Patent, Trademark or Copyright filed by any Credit Party with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in the prior Fiscal Quarter;

(b) [Reserved];

(c) Borrower, at its own expense, shall deliver to Agent such appraisals of its assets as Agent may request at any time after the occurrence and during the continuance of a Default or an Event of Default, such appraisals to be conducted by an appraiser, and in form and substance reasonably satisfactory to Agent; and

(d) Such other reports, statements and reconciliations with respect to the Collateral or Obligations of any or all Credit Parties as Agent shall from time to time request in its reasonable discretion.

ANNEX G (Section 6.10)
to
CREDIT AGREEMENT

FINANCIAL COVENANTS

Borrower shall not breach or fail to comply with any of the following financial covenants, each of which shall be calculated in accordance with GAAP consistently applied:

(a) Maximum Capital Expenditures. (a) Borrower and its Subsidiaries on a consolidated basis shall not make Capital Expenditures during the following periods that exceed in the aggregate the amounts set forth opposite each of such periods:

Period	Maximum Capital Expenditures per Period
Fiscal Year 2011	$ 3,000,000
Fiscal Year 2012	$ 3,000,000
Each Fiscal Year thereafter	$ 1,500,000

; provided, however, that the amount of permitted Capital Expenditures referenced above will be increased in any period by the positive amount equal to the amount (if any), equal to the difference obtained by taking the Capital Expenditures limit specified above for the immediately prior period minus the actual amount of any Capital Expenditures expended during such prior period (the "Carry Over Amount"), and for purposes of measuring compliance herewith, the Carry Over Amount shall be deemed to be the last amount spent on Capital Expenditures in that succeeding year; provided that at no time shall the Carry Over Amount in any Fiscal Year exceed $750,000.

(b) Minimum Fixed Charge Coverage Ratio. Borrower and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter, a Fixed Charge Coverage Ratio for the 12-month period then ended of not less than (i) for the Fiscal Quarters ending on March 31, 2011 through and including December 31, 2012, 1.02:1.0 and (ii) for each Fiscal Quarter thereafter, 1.05:1.0.

Notwithstanding anything contained herein to the contrary, for purposes of calculating the Fixed Charge Coverage Ratio, (A) Debt Service shall equal (i) for the first full Fiscal Quarter completed after the Closing Date, that Fiscal Quarter's Debt Service times four (4), (ii) for the second Fiscal Quarter completed after the Closing Date, the sum of the most recent two Fiscal Quarters' Debt Service times two (2) and (iii) for the third Fiscal Quarter completed after the Closing Date, the sum of the most recent three Fiscal Quarters' Debt Service divided by three (3) and the result multiplied by four (4) and (B) all EBITDAR and Fixed Charges attributable to the Excluded Theatres shall be excluded in such calculation.

(c) Maximum Leverage Ratio. Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following

Fiscal Quarter	Leverage Ratio
March 31, 2011 and June 30, 2011	3.25:1.0
September 30, 2011 and December 31, 2011	3.00:1.0
March 31, 2012 and June 30, 2012	2.75:1.0
September 30, 2012 and December 31, 2012	2.50:1.0
and each Fiscal Quarter thereafter	2.25:1.0

Notwithstanding anything contained herein to the contrary, for purposes of calculating the Leverage Ratio, all EBITDA attributable to the Excluded Theatres shall be excluded in such calculation.

(e) Minimum Interest Coverage Ratio. Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, an Interest Coverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not less than:

Fiscal Quarter	Interest Coverage Ratio
March 31, 2011 through June 30, 2013	2.50:1.0
and each Fiscal Quarter thereafter	3.00:1.0

Notwithstanding anything contained herein to the contrary, for purposes of calculating the Interest Coverage Ratio, (A) Interest Expense shall equal (i) for the first full Fiscal Quarter completed after the Closing Date, that Fiscal Quarter's Interest Expense times four (4), (ii) for the second Fiscal Quarter completed after the Closing Date, the sum of the most recent two Fiscal Quarters' Interest Expense times two (2) and (iii) for the third Fiscal Quarter completed after the Closing Date, the sum of the most recent three Fiscal Quarters' Interest Expense divided by three (3) and the result multiplied by four (4) and (B) all EBITDA attributable to the Excluded Theatres shall be excluded in such calculation.

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any "Accounting Changes" (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in the Agreement or any other Loan Document, then Borrower, Agent and Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating Borrower's and its Subsidiaries' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made; provided, however, that the agreement of Requisite Lenders to any required amendments of such provisions shall be sufficient to bind all Lenders. " Accounting Changes" means (i) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (ii) changes in accounting principles concurred in by Borrower's certified public accountants; (iii) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (iv) the reversal of any reserves established as a result of purchase accounting adjustments. If Agent, Borrower and Requisite Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. If Agent, Borrower and Requisite Lenders cannot agree upon the required amendments within thirty (30) days following the date of implementation of any Accounting Change, then all Financial Statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be prepared, delivered and made without regard to the underlying Accounting Change. For purposes of Section 8.1, a breach of a Financial Covenant contained in this Annex G shall be deemed to have occurred as of any date of determination by Agent or as of the last day of any specified measurement period, regardless of when the Financial Statements reflecting such breach are delivered to Agent.

ANNEX H (Section 9.9(a))
to
CREDIT AGREEMENT

LENDERS' WIRE TRANSFER INFORMATION

ANNEX I (Section 11.10)
to
CREDIT AGREEMENT

NOTICE ADDRESSES

ANNEX J (from Annex A - Commitments definition)
to
CREDIT AGREEMENT

Lender(s)	Revolving Loan Commitment	Term Loan A Commitment
General Electric Capital Corporation	$ 2,352,941.18	$ 17,647,058.82
Bank of Hawaii	$ 1,350,000.00	$ 10,125,000.00
American Savings Bank F.S.B.	$ 1,297,058.82	$ 9,727,941.18

READING INTERNATIONAL, INC. – LIST OF SUBSIDIARIES

Subsidiary	Jurisdiction of Incorporation
A.C.N. 143 633 096 Pty Ltd	Australia
AHGP, Inc.	Delaware
AHLP, Inc.	Delaware
Angelika Film Center Mosaic, LLC	Nevada
Angelika Film Centers (Dallas), Inc.	Texas
Angelika Film Centers (Plano) LP	Nevada
Angelika Film Centers LLC	Delaware
Australia Country Cinemas Pty Ltd	Australia
Australian Equipment Supply Pty Ltd	Australia
Bayou Cinemas LP	Delaware
Bogart Holdings Ltd	New Zealand
Burwood Developments Pty Ltd	Australia
Carmel Theatres, LLC	Nevada
Citadel 57th Street, LLC	Nevada
Citadel Agriculture, Inc.	California
Citadel Cinemas, Inc.	Nevada
Citadel Realty, Inc.	Nevada
City Cinemas, LLC	Nevada
Consolidated Amusement Holdings, Inc.	Nevada
Consolidated Entertainment, Inc.	Nevada
Copenhagen Courtenay Central Ltd	New Zealand
Courtenay Car Park Ltd	New Zealand
Craig Corporation	Nevada
Darnelle Enterprises Ltd	New Zealand
Dimension Specialty, Inc.	Delaware
Epping Cinemas Pty Ltd	Australia
Gaslamp Theatres, LLC	Nevada
Hope Street Hospitality, LLC	Delaware
Hotel Newmarket Pty Ltd	Australia
Liberty Live, LLC	Nevada
Liberty Theaters, LLC	Nevada
Liberty Theatricals, LLC	Nevada
Minetta Live, LLC	Nevada
Movieland Cinemas (NZ) Ltd	New Zealand
Newmarket Properties #3 Pty Ltd	Australia
Newmarket Properties No. 2 Pty Ltd	Australia
Newmarket Properties Pty Ltd	Australia
Orpheum Live, LLC	Nevada
Queenstown Land Holdings Ltd	New Zealand
Reading Arthouse Distribution Ltd	New Zealand
Reading Arthouse Ltd	New Zealand
Reading Auburn Pty Ltd	Australia
Reading Australia Leasing (E&R) Pty Ltd	Australia
Reading Belmont Pty Ltd	Australia
Reading Capital Corporation	Delaware
Reading Center Development Corporation	Pennsylvania
Reading Charlestown Pty Ltd	Australia
Reading Cinemas Courtenay Central Ltd	New Zealand
Reading Cinemas Management Pty Ltd	Australia
Reading Cinemas NJ, Inc.	Delaware
Reading Cinemas of Puerto Rico, Inc.	Puerto Rico
Reading Cinemas Pty Ltd	Australia
Reading Cinemas Puerto Rico LLC	Nevada
Reading Cinemas USA LLC	Nevada
Reading Colac Pty Ltd	Australia
Reading Company	Pennsylvania
Reading Consolidated Holdings, Inc.	Nevada
Reading Consolidated Holdings (Hawaii), Inc.	Hawaii
Reading Courtenay Central Ltd	New Zealand
Reading Dandenong Pty Ltd	Australia
Reading Elizabeth Pty Ltd	Australia
Reading Entertainment Australia Pty Ltd	Australia
Reading Exhibition Pty Ltd	Australia

Reading Holdings, Inc.	Nevada
Reading International Cinemas LLC	Delaware
Reading International Services Company	California
Reading Licenses Pty Ltd	Australia
Reading Maitland Pty Ltd	Australia
Reading Malulani, LLC	Nevada
Reading Melton Pty Ltd	Australia
Reading Moonee Ponds Pty Ltd	Australia
Reading New Zealand Holdings Ltd	New Zealand
Reading New Zealand Ltd	New Zealand
Reading Pacific LLC	Nevada
Reading Properties Indooroopilly Pty Ltd	Australia
Reading Properties Lake Taupo Ltd	New Zealand
Reading Properties Manukau Ltd	New Zealand
Reading Properties New Zealand Ltd	New Zealand
Reading Properties Pty Ltd	Australia
Reading Properties Taringa Pty Ltd	Australia
Reading Property Holdings Pty Ltd	Australia
Reading Queenstown Ltd	New Zealand
Reading Real Estate Company	Pennsylvania
Reading Rouse Hill Pty Ltd	Australia
Reading Royal George, LLC	Delaware
Reading Sunbury Pty Ltd	Australia
Reading Theaters, Inc.	Delaware
Reading Wellington Properties Ltd	New Zealand
Rhodes Peninsula Cinema Pty Ltd	Australia
Rialto Brands Ltd	New Zealand
Rialto Cinemas Ltd	New Zealand
Rialto Distribution Ltd	New Zealand
Rialto Entertainment Ltd	New Zealand
Ronwood Investments Ltd	New Zealand
Rydal Equipment Co.	Pennsylvania
Sails Apartments Management Ltd	New Zealand
Sutton Hill Properties, LLC	Nevada
Tobrooke Holdings Ltd	New Zealand
Trans-Pacific Finance Fund I, LLC	Delaware
Trenton-Princeton Traction Company	New Jersey
Twin Cities Cinemas, Inc.	Delaware
US Agricultural Investors, LLC	Delaware
US Development, LLC	Nevada
US International Property Finance Pty Ltd	Australia
Washington and Franklin Railway Company	Pennsylvania
Westlakes Cinema Pty Ltd	Australia
Whitehorse Properties Pty Ltd	Australia
The Wilmington and Northern Railroad Company	Pennsylvania

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-36277 on Form S-8 and in Registration Statement No. 333-162581 on Form S-3 of our reports dated March 15, 2011, relating to the financial statements and financial statement schedule of Reading International, Inc. and subsidiaries (the "Company") ,which report includes an explanatory paragraph regarding the current maturity of the Company's Australian Credit Facility, and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Reading International, Inc. and subsidiaries for the year ended December 31, 2010.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California

March 15, 2011

EXHIBIT 23.2

Consent of Independent Auditor

The Management Committee and Joint Venturers

Mt. Gravatt Cinemas Joint Venture:

We consent to the incorporation by reference in the registration statements No. 333-162581 on Form S-3 and No. 333-167101 on Form S-8 of Reading International, Inc., of our report dated March 15, 2011 with respect to the statement of financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2010, and the related income statement, statement of changes in members' equity, and statement of cash flows for the year ended December 31, 2010, which report appears in the December 31, 2010, annual report on Form 10-K of Reading International, Inc.

KPMG

Sydney, Australia

March 15, 2011

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Cotter, certify that:

1) I have reviewed this Form 10-K of Reading International, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James J. Cotter
James J. Cotter
Chief Executive Officer
March 15, 2011

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrzej Matyczynski, certify that:

1) I have reviewed this Form 10-K of Reading International, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer
March 15, 2011

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2009 (the "Report"), I, James J. Cotter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James J. Cotter
James J. Cotter
Chief Executive Officer
March 15, 2011

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2009 (the "Report"), I, Andrzej Matyczynski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer
March 15, 2011