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FORM 10-K

READING INTERNATIONAL INC - RDI

Filed: April 29, 2016 (period: December 31, 2015)

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, 2015 or

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

For the transition period from _____ to _____

Commission File No. 1-8625



READING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

6100 Center Drive, Suite 900

Los Angeles, CA

(Address of principal executive offices)

95-3885184

(I.R.S. Employer Identification Number)

90045

(Zip Code)

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

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

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

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, 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 April 25, 2016, there were 21,654,302 shares of class A non-voting common stock, par value \$0.01 per share and 1,680,590 shares of class B voting common stock, par value \$0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was \$195,571,016 as of December 31, 2015.

Documents Incorporated by Reference

Certain portions of the registrant's definitive proxy statement, in connection with its 2016 annual meeting of stockholders, to be filed within 120 days of December 31, 2015, are incorporated by reference into Part III, Items 10-14, of this annual report on Form 10-K.

READING INTERNATIONAL, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2015
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PART I

Item 1 – Our Business

GENERAL

Reading International, Inc., a Nevada corporation (“RDI” and collectively with our consolidated subsidiaries and corporate predecessors, the “Company,” “Reading” and “we,” “us,” or “our”), was incorporated in 1999 incident to our reincorporation in Nevada. Our class A non-voting common stock (“Class A Stock”) and class B voting common stock (“Class B Stock”) are listed for trading on the NASDAQ Capital Market (Nasdaq-CM) under the symbols RDI and RDIB, respectively. Our principal executive offices are located at 6100 Center Drive, Suite 900, Los Angeles, California 90045. Our general telephone number is (213) 235-2240 and our website is www.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.

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

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

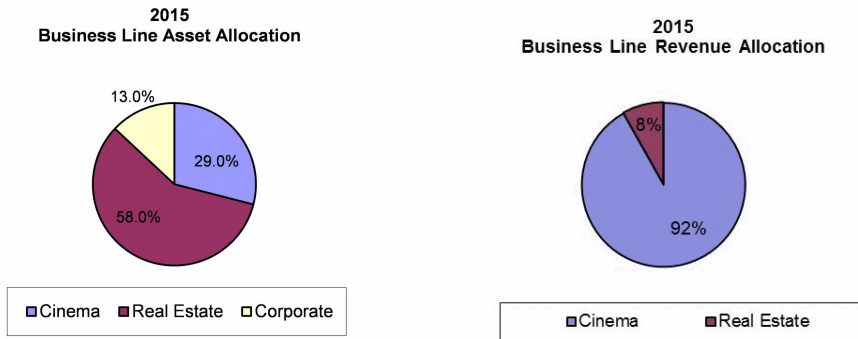
We synergistically bring together real-estate based entertainment and real estate and believe that these two business segments complement one another, as our cinemas have historically provided the steady cash flows that allow us to be opportunistic in acquiring and holding real estate assets (including non-income producing land) and support our real estate development activities. Our real estate allows us to develop an asset base that will stand the test of time and develop a long-term asset base that is capable of being leveraged. More specifically, the combination of these two segments provides advantages as follows:

- Cinemas can be used as anchors for larger retail developments (referred to as entertainment-themed centers, or ETCs), and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate with third-party anchor tenants. We have used cinemas to create our own anchors in our Sydney, Australia, Belmont, Australia, and Wellington, New Zealand ETCs and are adding a new cinema to our Brisbane, Australia shopping center, and, we have acquired the real estate underlying our cinema in Townsville, Australia.
- Pure cinema operators can encounter financial difficulty as demands upon them to produce cinema-based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites or overpaying for existing cinemas. While we believe that there will continue to be attractive opportunities to acquire cinema assets and/or to develop upper end specialty type theaters in the future, we do not feel pressure to build or acquire cinemas for the sake of adding units or building gross revenues. This strategy has, over the years, allowed us to acquire cinemas at multiples of trailing theater cash flow below those paid by third parties in recent acquisitions. We intend to focus our use of cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us.
- We are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets, if we are presented with an attractive opportunity. Our fee interests on Union Square and on Third Avenue (near 60th Street) in New York City, each of which is now slated for redevelopment, were initially acquired as, and in the case of our Third Avenue property, continues to be used as, entertainment properties.

Insofar as we are aware, we are the only publicly traded company in the world to apply this two-track, synergistic approach to the cinema and real estate development businesses on an international basis. None of the major cinema exhibition companies (other than Marcus Theatres) have any material landholdings as they operate on a leased-facility model.

We have worked to maintain a balance between our U.S. and our Australia/New Zealand assets. In recent periods, this has adversely impacted our reported revenues and earnings, as the Australian Dollar has since 2010 dropped 28% from 1.0122 to 0.7286 and the New Zealand Dollar has over that same period decreased 11% from 0.7687 to 0.6842. However, we continue to believe that, over the long term, this is a prudent diversification of risk. In recent periods, the Australian Dollar has traded as high as 1.1001 and the New Zealand Dollar has traded as high as 0.8776. Australia has been identified by the United Nations as having the highest natural resources per person in the world. In 2013, the Organisation for Economic Co-operation and Development rated Australia as the best place to live and work in the world. Dalian Wanda Group (“Wanda”), the purchaser of AMC Entertainment Holdings, Inc. (“AMC”), in June 2015, has recently purchased Hoyts, the second largest exhibitor in Australia and New Zealand.

At December 31, 2015, the book value of our assets was \$375.1 million, and, as of that same date, we had a consolidated stockholders' book equity of \$137.2 million. Calculated based on book value, \$107.8 million, or 29% of our assets, relate to our cinema exhibition activities and \$219.8 million, or 58%, of our assets, relate to our real estate activities.

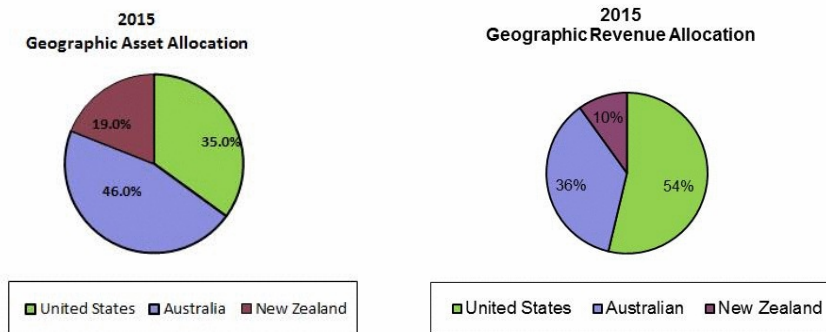


For additional segment financial information, please see Note 1 – *Description of Business and Segments Reporting* to our 2015 consolidated financial statements.

We have diversified our assets among three countries: the United States, Australia, and New Zealand. Based on book value, at December 31, 2015, we had approximately 35% of our assets in the United States, 46% in Australia and 19% in New Zealand compared to 35%, 44%, and 21% respectively, at the end of 2014.

At December 31, 2015, we had cash and cash equivalents of \$19.7 million, which are accounted for as a corporate asset. Our cash included \$9.3 million denominated in U.S. dollars, \$6.8 million (AU\$9.3 million) in Australian dollars, and \$3.6 million (NZ\$5.2 million) in New Zealand dollars. We had non-current assets of \$113.3 million in the United States, \$161.2 million (AU\$221.2 million) in Australia and \$63.6 million in New Zealand (NZ\$93.0 million).

For 2015, our gross revenue in these jurisdictions was \$138.2 million, \$93.5 million, and \$25.6 million, respectively, compared to \$130.8 million, \$97.3 million, and \$26.6 million for 2014. These changes are due primarily to the increased box office sales experienced in the United States, due primarily to higher average ticket prices, compared to reduced revenue in our Australia and New Zealand operations. Revenues fell in Australia and New Zealand primarily as a result of the strengthening U.S. dollar when compared to the Australian and New Zealand dollars; this was partially offset by greater box office and concession sales in local currencies as a result of higher attendance. Measured in local currency, revenues in Australia and New Zealand both increased.



CINEMA EXHIBITION

We are dedicated to creating inspiring cinema experiences for our guests through hospitality-styled comfort and service, cinematic presentation, uniquely designed venues, curated film and event programming, and crafted food and beverage options. We manage our worldwide cinema exhibition business under various brands:

- In the U.S.: under the Reading Cinemas, Angelika Film Center, Consolidated Theatres, and City Cinemas brands;
- In Australia: under the Reading Cinemas brand; and
- In New Zealand: under the Reading Cinemas and Rialto brands.

Historically, we have focused on the ownership and/or operation of three categories of cinemas:

- Modern stadium-seating multiplex cinemas featuring conventional film product;
- Specialty and art cinemas, such as Angelika Film Centers in the U.S. and Rialto Cinema in New Zealand; and
- Conventional sloped-floor cinemas in certain markets, including New York City with its prohibitory occupancy and construction costs and small town markets that will not support the development of a modern stadium-design multiplex cinema.

Currently, we are focused on upgrading our existing cinemas and developing new cinema opportunities to provide our customers with premium offerings, including luxury seating, state-of-the-art presentation including sound, lounges, cafés and bar service, and other amenities. In 2015, we added the first IMAX auditorium to our circuit, but endeavor, where possible to include one or more large format TITAN XC screen offerings.

We believe that the cinema exhibition business will continue to generate fairly consistent cash flows in the years ahead, even in recessionary or inflationary environments, because people will continue to spend a reasonable portion of their entertainment dollars on entertainment outside of the home. When compared to other forms of outside-the-home entertainment, movies continue to be a popular and competitively priced option.

Although the cinema exhibition business is considered a mature business, we see growth opportunities in our cinema exhibition business principally from (i) the enhancement of our existing cinemas, (ii) the development in select markets of art and specialty cinemas, (iii) the development of new state-of-the-art cinemas on land that we already own or may in the future acquire, and (iv) the development of new cinemas in selected markets. While we continue to consider possible opportunities in third party developments, we prefer to put our capital to work on properties that we own rather than take on potentially burdensome lease obligations. Our circuit has been completely converted to digital projection and sound systems.

We continue to expand and upgrade our circuit on an opportunistic basis. During 2015 we opened a new state-of-the-art cinema (eight screens) in Auckland, New Zealand, and entered into a lease for a to-be-built state-of-the-art eight-screen cinema in Kapolei, Hawaii. We anticipate that the Kapolei theater will open in the fourth quarter of this year. We completed the renovation and rebranding as an “Angelika” luxury art cinema of our conventional cinema at the Carmel Mountain Plaza in San Diego, California and completely renovated our fourteen-screen Harbortown cinema in Queensland, Australia, converting an auditorium in that theater to a TITAN XC auditorium. We added the first IMAX to our circuit, which opened at our Bakersfield cinema in time for the opening of “Star Wars: The Force Awakens”. We continue to progress the construction of a new state-of-the-art eight-screen cinema at our Newmarket Shopping Center in Brisbane, Australia. We anticipate opening that cinema in the fourth quarter of 2017.

In 2015 we upgraded the food and beverage menu at a number of our U.S. cinemas. We are focused on the renovation and upgrading of our existing U.S. cinemas, along the lines of our Carmel Mountain cinema. Working with veteran Food Network Executive Bruce Seidel of Hot Lemon Productions and chef Santos Loo we are upgrading our food and beverage offerings. We have obtained beer and wine, and in some cases liquor, licenses for six of our venues and are in the application process for an additional 10 venues. We intend to be able to offer alcoholic beverages at 16 or more of our venues by the end of 2017.

As discussed in greater detail below, as a part of our real estate operations, we acquired the fee interest in the ETC in which our Townsville, Australia cinema is located and in the adjacent discount center.

In January of 2015, we amended the lease of our Ward Theater in Honolulu as part of a planned renovation and further development by The Howard Hughes Company of its Ward Village development.

On January 31, 2016, following our run of “Star Wars: The Force Awakens”, we surrendered our Gaslamp Cinema in San Diego. We paid the landlord a \$1.0 million negotiated termination fee, which was less expensive than continuing to operate an unprofitable

theater at this location. This cinema was acquired in 2008 as a part of the acquisition of a package of 15 locations from Pacific Theatres. The cinema was, at that time, a substantial money-loser and the purchase price was calculated taking into account the losses generated by that cinema and the likelihood that such losses would continue into the future.

In 2014, we completed an upgrade of our Cinemas 1,2,3 in New York City, which included the installation of luxury recliner seats. This property is slated for redevelopment. No determination has been made as to whether a cinema use will be maintained as a part of that redevelopment. If it is not, then the equipment used at this property will be used elsewhere in our circuit.

In 2014, we entered into a long-term lease for a new, state-of-the-art Angelika Film Center in the Union Market district of Washington D.C. However, the lease was terminated as the anticipated location for this cinema ultimately was determined by the landlord, Edens, to not be feasible. We are currently finalizing with Edens the terms and conditions of a new lease for a cinema in a different location in the Union Market area.

REAL ESTATE

We engage in real estate development and the ownership and rental or licensing to third parties of retail, commercial and live theater assets. We own the fee interests in all of our live theaters, and in 11 of our cinemas. Our real estate business creates long-term value for our stockholders through the continuous improvement and development of our investment and operating properties, including our ETCs.

Our real estate activities have historically consisted principally of:

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

Given the substantial increase in Manhattan rents and commercial real estate values in recent periods, we are currently advancing plans for the redevelopment of our Union Square and Cinemas 1,2,3 properties.

We currently anticipate that our Union Square property will be redeveloped into approximately 70,200 square feet of net leaseable area, comprised of retail and office space. BKSK Architects has designed the building with an iconic glass dome which has been approved by the City of New York Landmarks Preservation Commission. On March 22, 2016, our application for a variance was approved by the Board of Standards and Appeals. This was the last major regulatory hurdle to our commencement of construction at the site. While our building plans still must be approved by the New York City Department of Buildings, we do not currently anticipate encountering any material issues in obtaining such approval. All tenancies have been terminated. The building has been vacated, and we have begun internal demolition activities at the site. We currently anticipate that construction will be completed by the second quarter of 2018. We have retained Edifice Real Estate Partners, LLC as our development manager, Newmark Grubb Knight Frank as our leasing agent, and, an affiliate of CNY Construction LLC to provide pre-construction management services. BKSK and Gensler have assisted with the internal layout and interior design of the building.

We have completed a preliminary feasibility study and are currently in negotiations with the owner of the approximately 2,600 square foot corner parcel adjacent to our Cinemas 1,2,3 property on the corner of 60th Street and 3rd Avenue for the joint development of our properties. A combination of the properties would produce approximately 121,000 square foot of FAR and approximately 140,000 square feet of gross buildable area. No assurances can be given that we will be able to come to terms with the adjacent owners.

On April 11, 2016, we purchased for \$11.2 million a 24,000 square foot Class B office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California. We intend to use approximately 50% of the leasable area for our headquarters offices and to lease the remainder to unaffiliated third parties. Culver City has in recent years developed as a center of entertainment and high-tech activity in Los Angeles County. Major tenants in the area include SONY and Google, with Facebook slated to take space in the near future. We anticipate, when the move is complete and the excess space is leased, we will be able to reduce our headquarters occupancy cost by approximately \$350,000 per annum.

Overseas, on December 23, 2015, we acquired two adjoining ETCs in Townsville, Queensland, Australia for a total of \$24.3 million (AU\$33.6 million) comprising approximately 5.6 acres. The total gross leasable area of the two properties, the Cannon Park City Centre and the Cannon Park Discount Centre, is 133,000 square feet. Our multiplex cinema at the Cannon Park City Centre is the anchor tenant of that center. This acquisition is consistent with our business plan to own, where practical, the land underlying our entertainment assets. For additional information, see Note 4 – *Acquisitions, Disposals, and Assets Held for Sale – 2015 Transactions – Cannon Park, Queensland, Australia*.

We continue to work on the expansion of our Auburn ETC in Sydney, Australia, our Newmarket Shopping Center in Brisbane, Australia, and our Courtenay Central ETC in Wellington, New Zealand.

At Auburn, we have entered into agreements to lease for approximately 15,000 square feet of to-be-constructed retail space. Upon completion, this will increase the square footage of that center from approximately 117,000 to approximately 132,000 square feet.

At Newmarket, we have received all necessary land use approvals for the addition of a state-of-the-art eight-screen cinema, approximately 10,000 square feet of additional retail space and approximately 142 additional car parks. Construction is expected to commence in the second quarter of 2016, with a projected opening in the fourth quarter of 2017. On November 30, 2015, we acquired an approximately 23,000 square foot parcel adjacent to our tenant Coles supermarket. This property is currently improved with an office building. We intend, over time, to integrate this property into our Newmarket development. This will increase our Newmarket footprint from approximately 204,000 to approximately 227,000 square feet.

At Courtenay Central, we continue to advance the addition of an approximately 36,000 square foot Countdown supermarket and approximately 4,000 square feet of general retail space. The agreement to lease the supermarket was signed in 2013, all necessary land use approvals have been obtained, construction budgets for the supermarket have been approved by all parties, and we anticipate beginning construction in the third quarter of this year and occupancy by the fourth quarter 2017. Simultaneously, we are working on the renovation of our existing center and the seismic upgrading of the contiguous 9-story parking structure.

In addition to certain historic railroad properties (such as our 2.1 acre Viaduct Property in downtown Philadelphia) and certain expansion space associated with our existing ETC operations, we have two unimproved properties that we acquired for, and are currently being held for, development: our 202-acre parcel in Coachella, California (near Palm Springs) and our 70.4 acre parcel in Manukau, a suburb of Auckland, New Zealand (located adjacent to the Auckland Airport). The Coachella property is currently zoned for residential and mixed-use uses. The Manukau property is currently zoned for agricultural purposes, but we are in the process of seeking a zoning change to industrial.

Over the past 24 months, we have culled our real estate holdings to focus on those projects which we believe offer more upside potential to us. As part of this process we sold our property in Lake Taupo, New Zealand, for \$2.5 million (NZ\$3.4 million), which closed in two tranches, with a balance of \$821,000 (NZ\$1.2 million) received on March 31, 2016. We sold our land holdings in Moonee Ponds, Australia on April 15, 2015 for \$17.8 million (AU\$23.0 million), for which all monies have now been received and our land holdings in Burwood, Australia, for \$47.4 million (AU\$65.0 million) on May 12, 2014, with a balance due of \$42.6 million (AU\$58.5 million) scheduled to be paid at closing in December 2017. Our Burwood agreement provides for mandatory pre-payments in the event that any of the land is sold by the buyer, any such prepayment being in an amount equal to the greater of (a) 90% of the net sales price or (b) the balance of the purchase price multiplied by a fraction the numerator of which is the square footage of property being sold by the buyer and the denominator of which is the original square footage of the property being sold to the buyer. The buyer has informed us that it is under contract to sell a portion of this property and a potential prepayment of approximately \$18.2 million (AU\$25 million) is possible in 2016. We sold our Doheny Drive Condominium in Los Angeles for \$3.0 million, which closed on February 25, 2015. These sales were made based on our belief that the assets involved had reached the highest value that we could reasonably achieve without investing substantial additional sums for land use planning, construction, and marketing.

OPERATING INFORMATION

At December 31, 2015, our principal tangible assets included:

- interests in 57 currently operational cinemas comprising some 472 screens;
- fee interests in three live theaters (the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee interest in one cinema (the Cinemas 1,2,3), in New York City;
- fee interest in our Union Square property, previously used by us as a live theater venue and for rental to third parties and now being redeveloped for retail and office uses;
- our ETCs and shopping centers in Sydney (Auburn Center), Brisbane (Newmarket Center), Townsville (Cannon Park) and Wellington (Courtenay Central);
- In addition to the fee interests described immediately above, fee ownership of approximately 20,700,000 square feet of developed and undeveloped real estate in the United States, Australia and New Zealand; and
- cash and cash equivalents, aggregating \$19.7 million.

Cinema Exhibition

We own and/or manage cinema assets as follows:

December 31, 2015						
	Wholly Owned	Consolidated ⁽¹⁾	Unconsolidated ⁽²⁾	Total owned	Managed ⁽³⁾	Total owned and operated
United States						
Cinemas	25	1	--	26	1	27
Screens	245	3	--	248	4	252
Australia						
Cinemas	17	2	1 ⁽⁴⁾	20	--	20
Screens	130	11	16	157	--	157
New Zealand						
Cinemas	9	--	2 ⁽⁵⁾	11	--	11
Screens	54	--	13	67	--	67
<hr/>						
Total Cinemas	51	3	3	57	1	58
Total Screens	429	14	29	472	4	476

⁽¹⁾ Cinemas owned and operated through consolidated, but not wholly owned, subsidiaries.

⁽²⁾ Cinemas owned and operated through interests in unconsolidated joint venture associates.

⁽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 interest.

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

Our cinemas generated approximately 65% of their 2015 revenue from box office receipts. Ticket prices vary by location, and we offer reduced rates for senior citizens, children and, in certain markets, military and students.

Show times and features are placed in advertisements on our various websites, on internet sites and, in some markets, in local newspapers. Film distributors may also advertise certain feature films in various print, radio and television media, as well as on the internet, and those costs are generally paid by distributors. We are increasing our presence in social media, thereby reducing our dependency on print advertising.

Concession sales accounted for approximately 29% of our total 2015 cinema revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, historically concession products have been primarily popcorn, candy, and soda. This is changing, as more of our theaters are offering expanded food and beverage offerings. One of our focuses for 2016 and 2017 is to upgrade our existing cinemas with expanded food and beverage offerings. We intend to have alcoholic beverage licenses for at least 16 of our domestic cinemas by 2017.

Screen advertising and other revenue contribute approximately 6% of our total 2015 cinema revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and nationally recognized screen-advertising companies provide such advertising for us.

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

Management of Cinemas

With the exception of our three unconsolidated cinemas, we manage all of our cinemas with executives located in Los Angeles; Manhattan; Melbourne, Australia; and Wellington, New Zealand. Approximately 2,506 individuals were employed (on a full-time or part-time basis) in our cinema operations as of December 31, 2015. Our two New Zealand Rialto cinemas are owned by a joint venture

in which Reading New Zealand is a 50% joint venture partner. While we are principally responsible for the booking of these two cinemas, our joint venture partner, Event Cinemas, manages their day-to-day operations. In addition, we have a one-third interest in a 16-screen Brisbane cinema managed by Event Cinemas.

Licensing and Pricing

Film product is available from a variety of sources, ranging from the major film distributors, such as Paramount Pictures, Twentieth Century Fox, Warner Bros, Buena Vista Pictures (Disney), Sony Pictures Releasing, Universal Pictures and Lionsgate, to a variety of smaller independent film distributors. In Australia and New Zealand, some of those major distributors distribute through local unaffiliated distributors. Worldwide, the major film distributors dominate the market for mainstream conventional films. In the U.S. art and specialty film is distributed through the art and specialty divisions of these major distributors, such as Fox Searchlight and Sony Pictures Classics, and through independent distributors such as The Weinstein Company. Generally speaking, film payment terms are based upon an agreed-upon percentage of box office receipts that will vary from film-to-film.

Competition

In certain markets in the U.S. in which we operate, film may be allocated by the distributor among competitive cinemas, commonly known as "clearance", while in other U.S. markets we have access to all available film. This is discussed in greater detail below. Accordingly, we, from time-to-time, are unable to license every film that we may desire to play. In the Australian and New Zealand markets, we generally have access to all available film product.

We believe that the success of a cinema depends on its access to popular film product because film patrons tend to decide on a film they would like to see first and then a cinema where the film is available. If a particular film is only offered at one cinema in a given market, then customers wishing to see that film will, of necessity, go to that cinema. If two or more cinemas in the same market offer the same film, then customers will typically take into account factors such as the relative convenience, quality and cost of the various cinemas. For example, most cinema patrons seem to prefer a modern stadium-design multiplex to an older sloped-floor cinema, and to prefer a cinema that either offers convenient access to free parking (or public transport) over a cinema that does not.

This view is being challenged by some exhibitors, who are now promoting a "dine-in" concept. These exhibitors believe that if offered the right environment, consumers will choose the venue first, and the movie second. We believe that the jury is out as to the economic viability of this concept given, among other things, the space and fit-out costs involved, the necessarily reduced seat count where food is served at the seat, the split between consumers who want and who oppose having in-auditorium dining (some people just want to see the movie, and find in-auditorium service and dining to be a distraction from the movie itself), and the pricing of such offerings. It also appears to us, that one still needs to at least offer top film product. So, even with these dine-in theaters, access to film remains a principal concern.

In the United States in certain markets, distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion, even though the number of "digital prints" is theoretically unlimited and all advertising for conventional film is paid for by the distributors. Some competitors, like AMC, are becoming increasingly aggressive in their efforts to prevent competitors' access to film product in film zones where they have cinemas. We face clearance situations in several markets in which we show film.

The use of clearances is currently under attack. We believe that, as the two principal justifications for clearances (the cost of producing an additional print and the shared advertising cost) no longer exist, that ultimately clearances should (except in exceptional cases – for example where a distributor's strategy is for a limited or staged release) go away. If this occurred, on balance, we believe that this will be a positive development for us, as it will generally speaking increase our access to film in competitive markets. Pressure on the major chains to stop using "clearances" is increasing. An investigation by the United States Department of Justice, Antitrust Division, into the possible anticompetitive activities of major chains has been initiated. Also, there have been private lawsuits by small chains to stop the practice. For example, iPic Theaters has obtained a temporary injunction against clearance practices by one major chain in Harris County, Texas, and is seeking further injunctions against other major chains in Texas as well as in other jurisdictions, such as the District of Columbia.

For now, competition for films can be intense, depending upon the number of cinemas in a particular market. Our ability to obtain top grossing first run feature films may be adversely impacted by our comparatively small size, and the limited number of screens and markets that we can supply to distributors. Moreover, in the United States, because of the dramatic consolidation of screens into the hands of a few very large and powerful exhibitors such as Regal, AMC, Cinemark and Carmike, these mega-exhibition companies are in a position to offer distributors access to many more screens in major markets than we can. Also, the majors have a significant number of markets where they operate without material competition, meaning that the distributors have no alternative exhibitor for their films in these markets. Accordingly, distributors may decide to give preference to these mega-exhibitors when it comes to licensing top grossing films, rather than deal with independents such as ourselves. The situation is different in Australia and New Zealand, where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the

ownership of that multiplex cinema. However, on the reverse side, we have suffered somewhat in these markets from competition from boutique operators, who are able to book top grossing commercial films for limited runs, thus increasing competition for customers wishing to view such top grossing films.

Generally speaking, our cinemas are modern multiplex cinemas with good and convenient parking. The availability of state-of-the-art technology and/or luxury seating can also be a factor in the preference of one cinema over another. In recent periods, a number of cinemas have been opened or re-opened featuring luxury seating and/or expanded food and beverage service, including the sale of alcoholic beverages and food served to the seat. We have for a number of years offered alcoholic beverages in certain of our Australia and New Zealand cinemas and at certain of our Angelika Film Centers in the U.S. We are currently working to upgrade the seating and food and beverage offerings (including the offering of alcoholic beverages) at a number of our existing cinemas.

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibitors in the United States are Regal (with 7,361 screens in 572 cinemas), AMC (with 4,937 screens in 348 cinemas), Cinemark (with 4,489 screens in 334 cinemas), and Carmike (with 2,881 screens in 270 cinemas). As of December 31, 2015, we were the 11th largest exhibitor with 1% of the box office in the United States with 252 screens in 27 cinemas under management. AMC and Carmike have recently announced the acquisition of Carmike by AMC. If this acquisition goes through, AMC/Carmike will be the largest exhibitor in the United States with 9,426 screens in 682 theaters.

The principal exhibitors in Australia are Greater Union, which does business under the Event Cinemas name (a subsidiary of Amalgamated Holdings Limited), Hoyts Cinemas ("Hoyts"), and Village Cinemas. The major exhibitors control approximately 65% of the total cinema box office: Event 31%, Hoyts 19%, and Village 15%. Event has 503 screens nationally, Hoyts 344 screens, and Village 214 screens. By comparison, our 141 screens (excluding any partnership theaters) represent approximately 7% of the total box office. In June 2015, Hoyts was acquired by Wanda, which also holds a controlling interest in AMC.

The principal exhibitors in New Zealand are Event Cinemas with 105 screens nationally and Hoyts with 63 screens. Reading has 54 screens (excluding its interest in unconsolidated joint ventures). The major exhibitors in New Zealand control approximately 56% of the total box office: Event 35% and Hoyts 21%. Reading has 13% of the market (Event and Reading market share figures exclude any partnership theaters).

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

Many of our competitors have substantial financial resources which could allow them to operate in a more competitive manner than we can.

In-Home and Mobile Device Competition

The "in-home" and mobile device entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home and mobile device entertainment systems and in the accessibility to and quality of entertainment programming through cable, satellite, internet distribution channels, and Blu-ray/DVD. The success of these alternative distribution channels puts additional pressure on film distributors to reduce and/or eliminate the time period between theatrical and secondary release dates and the willingness of consumers to take the time and pay the admission price to go to the movie theater. To a certain extent, it appears that consumers are willing to trade convenience for presentation. These are issues common to both our U.S. and international cinema operations.

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

Seasonality

Major films are generally released to coincide with holidays. With the exception of Christmas and New Year's Days, this fact provides some balancing of our revenue because there is no material overlap between holidays in the United States and those in Australia and New Zealand. Distributors will delay, in certain cases, releases in Australia and New Zealand to take advantage of Australian and New Zealand holidays that are not celebrated in the United States. However, the deferral of releases is becoming increasing less common, given the need to address internet and other channels of distribution that operate on a worldwide basis.

Real Estate

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 operation of our various ETCs and shopping centers and properties,
- the acquisition of fee interests in land for general real estate development;
- the leasing to production companies of our live theaters; and
- the redevelopment of our existing fee-owned cinema or live theater sites to their highest and best use.

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business and, historically, has principally been in support of that business. We have, however, acquired or developed certain properties that do not currently have any cinema or other entertainment component.

Our real estate activities, holdings and developments are described in greater detail in Item 2 – *Properties*.

Employees

As of December 31, 2015, we had 88 full-time executive and administrative employees and 2,506 cinema employees. A small number of our cinema employees in New Zealand are union members, as are our projectionists in Hawaii. None of our Australian-based employees or other employees are subject to union contracts. Overall, we are of the view that the existence of these collective-bargaining agreements does not materially increase our costs of labor or our ability to compete. We believe our relations with our employees to be generally good.

Item 1A – Risk Factors

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

BUSINESS RISK FACTORS

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

Cinema Exhibition and Live Theater Business Risk Factors

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

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

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

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

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

Both our cinema and live theater operations face competition from “in-home” and mobile device sources of entertainment. These include competition from network, cable and satellite television, internet streaming video services, Video on Demand, Blu-ray/DVD,

the internet, video games and other sources of entertainment. The quality of in-house entertainment systems, as well as programming available on an in-home and mobile basis, has increased, while the cost to consumers of such systems (and such programming) has decreased in recent periods, and some consumers may prefer the security and/or convenience of an "in-home" or mobile entertainment experience to the more public and presentation oriented experience offered by our cinemas and live theaters. Film distributors have been responding to these developments by, in some cases, decreasing or eliminating the period of time between cinema release and the date such product is made available to "in-home" forms of distribution.

The narrowing and/or elimination of this so-called "window" for cinema exhibition may be problematic for the cinema exhibition industry. However, to date, attempts by the major film distributors to continue to narrow or eliminate the window have been strenuously resisted by the cinema exhibition industry, and we view the total elimination of the cinema exhibition window by major film distributors, while theoretically possible, to be unlikely.

However, there is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. Also, some traditional in-home and mobile distributors have begun the production of full-length movies, specifically for the purpose of direct or simultaneous release to the in-home and mobile markets. These factors may adversely affect the competitive advantage enjoyed by cinemas over "in-home" and mobile forms of entertainment, as it may be that the cinema market and the "in-home" and mobile markets will have simultaneous access to the same motion picture product. In recent times a number of movies were released on a simultaneous basis to movie exhibitors and to in-home and mobile markets. It is likely that this trend will continue, making it increasingly important for exhibitors to enhance the convenience and quality of the theater-going experience.

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

Our cinema and live theater businesses may be vulnerable to fears of terrorism, other natural disasters which could cause customers to avoid public assembly seating

Political events, such as terrorist attacks, and health-related epidemics, such as flu outbreaks, could cause patrons to avoid our cinemas or other public places where large crowds are in attendance. In addition, a natural disaster, such as a typhoon or an earthquake, could impact our ability to operate certain of our cinemas, which could adversely affect our results of operations.

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

Our ability to generate revenue and profits is largely dependent on factors outside of our control, specifically, the continued ability of motion picture and live theater producers to produce films and plays that are attractive to audiences, the amount of money spent by film distributors and theatrical producers to promote their motion pictures and plays, and the willingness of these producers to license their films on terms that are financially viable to our cinemas and to rent our theaters for the presentation of their plays. To the extent that popular movies and plays are produced, our cinema and live theater activities are ultimately dependent upon our ability, in the face of competition from other cinema and live theater operators to book these movies and plays into our facilities, and to provide a superior customer offering.

We rely on film distributors to supply the films shown in our theatres. In the U.S., the film distribution business is highly concentrated, with seven major film distributors accounting for approximately 89.5% of U.S. box office revenues. Numerous antitrust cases and the consent decree resulting from these antitrust cases affect the distribution of films. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major distributors. We are therefore required to negotiate licenses for each film and for each theatre. A deterioration of our relationship with any of the seven major film distributors could adversely affect our ability to obtain commercially successful films and to negotiate favorable licensing terms for such films, both of which could adversely affect our business and operating results.

In the U.S., at least until recently, distributors have had broad discretion not to show the same film at competitive cinemas. This has, in many situations, given the larger exhibitors (as a result of their market power) power to influence distributors to exercise their discretion in this regard in favor of the larger exhibitors. In this industry, this is called "clearance." Recent judicial decisions, however, have thrown doubt on the extent to which this practice will continue to be permitted under applicable antitrust laws.

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

Cinema and live theater attendance is a luxury, not a necessity. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theater businesses. Adverse economic conditions can also affect the supply side of our business, as reduced

liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off-Broadway plays, which are often times financed by high net worth individuals (or groups of such individuals) and that are very risky due to the absence of any ability to recoup investment in secondary markets like Blu-ray/DVD, cable, satellite or internet distribution.

Our screen advertising revenue may decline.

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

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

We have converted all of our cinema auditoriums to digital projection. However, no assurances can be given that other technological advances will not require us to make further material investments in our cinemas or face loss of business. Also, equipment is currently being developed for holographic or laser projection. The future of these technologies in the cinema exhibition industry is uncertain.

We face competition from new competitors offering food and beverage as an integral part of their cinema offerings.

A number of new entrants, such as Alamo Drafthouse and iPic, offering an expanded food and beverage menu (including the sale of alcoholic beverages), have emerged in recent periods. In addition, some competitors are converting existing cinemas to provide such expanded menu offerings and in-theater dining options. The existence of such cinemas may alter traditional cinema selection practices of moviegoers, as they seek out cinemas with such expanded offerings as a preferred alternative to traditional cinemas.

We may be subject to increased labor and benefits costs.

We are subject to laws governing such matters as minimum wages, working conditions and overtime. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees, but also the wages paid to employees at wage rates that are above minimum wage. Labor shortages, increased employee turnover and health care mandates could also increase our labor costs. This in turn could lead us to increase prices which could impact our sales. Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our results of operations may be adversely impacted.

Cyber security threats and our failure to protect our electronically stored data could adversely affect our business.

We store and maintain electronic information and data necessary to conduct our business. Data maintained in electronic form is subject to the risk of intrusion, tampering and theft. While we have adopted industry-accepted security measures and technology to protect the confidential and proprietary information, the development and maintenance of these systems is costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. As such, we may be unable to anticipate and implement adequate preventive measures in time. This may adversely affect our business, including exposure to government enforcement actions and private litigation, and our reputation with our customers and employees may be injured. In addition to Company-specific cyber threats or attacks, our business and results of operations could also be impacted by breaches affecting our peers and partners within the entertainment industry, as well as other retail companies.

Real Estate Development and Ownership Business Risks

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

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

Risks Related to the Real Estate Industry Generally

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

Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions, such as an oversupply of, or a reduction in demand for, commercial space and/or entertainment-oriented properties, (iii) reduced attractiveness of our properties to

tenants, (iv) the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own, (v) competition from other properties, (vi) inability to collect rent from tenants, (vii) increased operating costs, including labor, materials, real estate taxes, insurance premiums, and utilities, (viii) costs of complying with changes in government regulations, (ix) the relative illiquidity of real estate investments, and (x) decreases in sources of both construction and long-term lending as traditional sources of such funding leave or reduce their commitments to real estate-based lending. In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in declining rents or increased lease defaults.

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

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

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

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

Real estate development involves a variety of risks.

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

- *The identification and acquisition of suitable development properties.* Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be "foreign owned" for purposes of certain Australian and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries.
- *The procurement of necessary land use entitlements for the project.* This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors, including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs.
- *The construction of the project on time and on budget.* Construction risks include the availability and cost of financing; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever-present potential for labor-related disruptions.
- *The leasing or sell-out of the project.* Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built-for-sale property. For our ETCs, the extent to which our cinemas can continue to serve as an anchor tenant will be influenced by the same factors as will influence generally the results of our cinema operations. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived.
- *The refinancing of completed properties.* Properties are often developed using relatively short-term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take-out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors. To date, we have been successful in negotiating development loans with "roll over" or other provisions mitigating our need to refinance immediately upon completion of construction.

The ownership of properties involves risk.

The ownership of investment properties involves risks, such as: (i) ongoing leasing and re-leasing risks, (ii) ongoing financing and re-financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental 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, or risks that are subject to caps tied to the concentration of such assets in certain geographic areas, such as earthquakes. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment-type properties.

A number of our assets are in geologically active areas, presenting risk of earthquake and land movement.

We have cinemas in California and New Zealand, areas that present a greater risk of earthquake and/or land movement than other locations. New Zealand has in recent periods had several major earthquakes damaging our facilities in Christchurch and Wellington. The ability to insure for such casualties is limited and may become more difficult and/or more expensive in future periods.

We may be subject to liability under environmental laws and regulations.

We own and operate a large number of cinemas and other properties within the U.S. and internationally, which may be subject to various foreign, federal, state and local laws and regulations relating to the protection of the environment or human health. Such environmental laws and regulations include those that impose liability for the investigation and remediation of spills or releases of hazardous materials. We may incur such liability, including for any currently or formerly owned, leased or operated property, or for any site, to which we may have disposed, or arranged for the disposal of, hazardous materials or wastes. Certain of these laws and regulations may impose liability, including on a joint and several liability, which can result in a liable party being obliged to pay for greater than its share, regardless of fault or the legality of the original disposal. Environmental conditions relating to our properties or operations could have an adverse effect on our business and results of operations and cash flows.

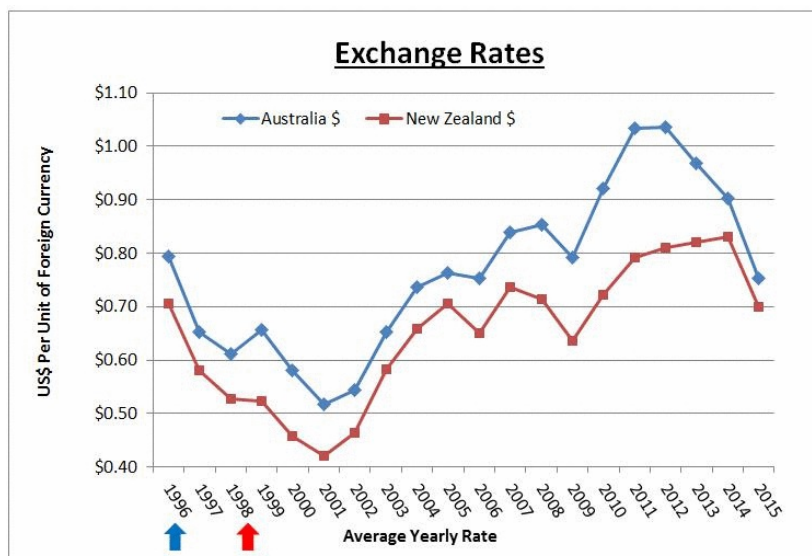
Legislative or regulatory initiatives related to global warming/climate change concerns may negatively impact our business.

Recently, there has been an increasing focus and continuous debate on global climate change including increased attention from regulatory agencies and legislative bodies. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. Legislative, regulatory or other efforts in the U.S. to combat climate change could result in future increases in the cost of raw materials, taxes, transportation and utilities for our vendors and for us which would result in higher operating costs for the Company. Also, compliance by our cinemas and accompanying real estate with new and revised environmental, zoning, land-use or building codes, laws, rules or regulations, could have a material and adverse effect on our business. However, we are unable to predict at this time, the potential effects, if any, that any future environmental initiatives may have on our business.

International Business Risks

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

Currency Risk: while we report our earnings and net assets in U.S. dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the U.S. dollar and compared to each other. We do not hedge the currency risk, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. However, we do have debt at our parent company level that is serviced by our overseas cash flow, and our ability to service this debt could be adversely impacted by declines in the relative value of the Australian and New Zealand dollar compared to the U.S. dollar. Also, our use of local borrowings to mitigate the business risk of currency fluctuations has reduced our flexibility to move cash between jurisdictions. Set forth below is a chart of the exchange ratios between these three currencies over the past twenty years:



- ➔ Initial capital injection in the Australia subsidiary
- ➔ Initial capital injection in the New Zealand subsidiary

- **Risk of adverse government regulation:** currently, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that this relationship will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by U.S. companies in their countries.
- **Risk of adverse labor relations:** deterioration in labor relations could lead to an increased cost of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave).

Risks Associated with Certain Discontinued Operations

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

Operating Results, Financial Structure and Borrowing Risk

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

In recent years, as we have invested our cash in new acquisitions and the development of our existing properties, we have from time-to-time had negative working capital. This negative working capital is typical in the cinema exhibition industry because our short-term liabilities are in part financing our long-term assets instead of long-term liabilities financing short-term assets, as is the case in other industries such as manufacturing and distribution.

We have substantial short to medium term debt.

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

We have substantial lease liabilities.

Most of our cinemas operate in leased facilities. These leases typically have “cost of living” or other rent adjustment features and require that we operate the properties as cinemas. A downturn in our cinema exhibition business might, depending on its severity, adversely affect the ability of our 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. Unlike property rental leases, our newly added digital equipment leases do not have “cost of living” or other lease adjustment features.

Our stock is thinly traded.

Our stock is thinly traded, with an average daily volume in 2015 of only approximately 56,000 Class A Common shares. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

Ownership and Management Structure, Corporate Governance, and Change of Control Risks

Pending disputes among the Cotter family raise uncertainty regarding the ongoing control of the Company and may distract the time and attention of our officers and directors from our business and operations or interfere with the effective management of the Company.

Up until his death on September 13, 2014, James J. Cotter, Sr., the father of Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter, was our controlling stockholder, having the sole power to vote approximately 66.9% of the outstanding voting stock of the Company. Under applicable Nevada Law, a stockholder holding more than 2/3rds of the Company’s voting stock has the power at any time, with or without cause, to remove any one or more directors (up to and including the entire board of directors) by written consent taken without a meeting of the stockholders.

Since his death, disputes have arisen among Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter concerning the voting control of those shares and regarding the exercise by the Estate of James J. Cotter, Sr. Deceased (the “Cotter Estate”) of options to acquire an additional 100,000 shares of Class B Stock. At the present time, Ellen Cotter is the Chair, President and Chief Executive Officer of our Company. James J. Cotter, Jr. is a director and from June 2013 until June 12, 2015 was the President and from August 7, 2014 until June 12, 2015 was the Chief Executive Officer of our Company, having been removed from those positions by Board action on June 12, 2015. Margaret Cotter is the Vice-Chair of our Company and the President of Liberty Theaters, LLC, the company through which we own and operate our live theaters. She heads up the management and redevelopment of our New York properties.

As of December 31, 2015, according to the books of the Company, the Living Trust established by Declaration of Trust dated June 5, 2013, by James J. Cotter, Sr. (the “Cotter Trust”), held of record 696,080 shares of our Class B Voting Stock (“Voting Stock”) constituting approximately 41.4% of the voting power of our outstanding capital stock. According to the books of the Company, the Cotter Estate as of that date held of record an additional 427,808 shares of Voting Stock, constituting approximately 25.5% of the voting power of our outstanding capital stock. We are advised, based upon public filings made by one or more of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. (the “Cotter Filings”) that the Voting Stock currently held of record by the Cotter Estate will eventually pour over into the Cotter Trust. We are further advised from the Cotter Filings that the Cotter Trust also provides for the establishment of a voting trust (the “Cotter Voting Trust”) which will eventually hold the Voting Stock currently held by the Cotter Estate and the Cotter Trust. At the present time, however, such Voting Stock is held of record by the Cotter Trust and the Cotter Estate, respectively.

Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter are currently the trustees of the Cotter Trust. On December 22, 2014, the District Court of Clark County, Nevada appointed Ellen Cotter and Margaret Cotter as co-executors of the Cotter Estate. Accordingly, at the present time, Ellen Cotter and Margaret Cotter acting as a majority of the Trustees of the Cotter Trust with respect to the shares held by the Cotter Trust and as the co-executors of the Cotter Estate with respect to the shares held by the Cotter Estate (including the 100,000 shares of Voting Stock acquired by the Cotter Estate through the exercise of stock options previously granted to Mr. Cotter, Sr.), and voting in their individual capacity their direct holdings of 50,000 shares and 35,100 shares respectively of the Voting Stock, have the power to vote Voting Stock representing 71.9% of our outstanding Voting Stock.

The identity of the trustee(s) of the Cotter Voting Trust and the terms of that trust are in dispute as between Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter.

We are advised by the Cotter Filings that the 2013 amended and restated declaration of trust for the Cotter Trust names Margaret Cotter as the sole trustee of the Cotter Voting Trust and names James J. Cotter, Jr., as the first alternate trustee in the event that Margaret Cotter is unable or unwilling to act as trustee. We are further advised by the Cotter Filings that a 2014 partial amendment to the declaration of trust, signed by Mr. Cotter, Sr. while he was in the hospital, names Margaret Cotter and James J. Cotter, Jr. as co-trustees of the Cotter Voting Trust and provides that, in the event they are unable to agree upon an important trust decision, they shall rotate the voting of the Voting Stock between them annually on each January 1st. It further directs the trustees of the Cotter Voting Trust to, among other things, vote such shares of our Voting Stock held by the Cotter Voting Trust in favor of the election of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. to our board of directors and to rotate annually the chairmanship of our board between Ellen Cotter, Margaret Cotter and James J. Cotter, Jr.

On February 6, 2015, Ellen Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles, captioned *In re James J. Cotter Living Trust dated August 1, 2000* (Case No. BP159755) (the "Trust Case"). The Petition, among other things, seeks relief that could determine the validity of the 2014 partial amendment and who, as between Margaret Cotter and James J. Cotter Jr., has authority as trustee or co-trustees of the Cotter Voting Trust to vote the Cotter Voting Trust's shares of our Voting Stock (in whole or in part) and the scope and extent of such authority. James J. Cotter, Jr. has filed an opposition to the Petition and has filed pleadings in that proceeding seeking the removal of Ellen Cotter and Margaret Cotter as trustees of the Cotter Trust. The Trust Case is currently scheduled to be tried in July of this year.

In addition, James J. Cotter, Jr. and certain other stockholders have filed two derivative actions (discussed in greater detail below) against Ellen Cotter and Margaret Cotter and certain of our Directors and officers, alleging a variety of misconduct on their part, and among other things seeking the reinstatement of James J. Cotter, Jr. as president and chief executive officer of our Company, challenging the voting by Ellen Cotter and Margaret Cotter of the shares held by the Cotter Estate, and seeking to void the result of the election of directors held at our 2015 Annual Meeting of Stockholders. See discussion under the heading, Legal Proceedings; Derivative Litigation and James J. Cotter, Jr. Arbitration, *infra*.

Although the Company is not a party to the Trust Case and takes no position as to the claims asserted or the relief sought therein, the matters raised in the Trust Case create uncertainty regarding the ongoing control of the Company. Until these matters can be resolved, it is unclear whether, upon the creation of and the transfer of ownership of the Voting Stock to the Cotter Voting Trust, Margaret Cotter will be the sole trustee of the Cotter Voting Trust or whether Margaret Cotter and James J. Cotter, Jr. will be co-trustees of the Cotter Voting Trust. It is likewise uncertain, in the event that the court should determine that Margaret Cotter and James J. Cotter are co-trustees of the Cotter Voting Trust, how the power-sharing authority would be applied in practice.

These pending matters could, in the future, potentially distract the time and attention of Ellen Cotter, James J. Cotter, Jr. and Margaret Cotter from the business and operations of our Company and thus potentially have an adverse effect on the effective management of our Company. Furthermore, the uncertainty as to the future management and control of our Company could potentially adversely impact, among other things (i) our ability to develop and maintain favorable business relationships, (ii) our ability to attract and retain talented and experienced directors, executives and employees, (iii) the compensation and other terms needed to attract and retain such individuals, (iv) our ability to borrow money on favorable long-term terms, and (v) our ability to pursue and complete long-term business objectives.

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

As of December 31, 2015, the Cotter Estate and the Cotter Trust beneficially own 66.9% of our outstanding Class B Stock. At the present time, according to the books of the Company, Ellen Cotter and Margaret Cotter vote (including their direct holdings of 50,000 shares and 35,100 shares respectively of the Class B Stock), Class B Stock representing 71.9% of our outstanding Class B Stock. Our Class A Stock is non-voting, while our Class B Stock represents all of the voting power of our Company. For as long as the Cotter Estate, the Cotter Trust and/or the Cotter Voting Trust (referred to herein collectively as the "Cotter Entities") continue to own shares of Class B Stock representing more than 50% of the voting power of our common stock, the Cotter Entities will be able to elect all of the members of our Board of Directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. The Cotter Entities will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to the Cotter Entities but not to other stockholders. To the extent that the Cotter Entities hold more than 2/3rds of our outstanding Class B Stock, the Cotter Entities will have the power at any time, with or without cause, to remove any one or more Directors (up to and including the entire board of directors) by written consent taken without a meeting of the stockholders.

In addition, the Cotter Estate or the Cotter Trust and/or their respective affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 18 – *Related Parties and Transactions*).

While controlling stockholders may owe certain fiduciary duties to the company and/or minority stockholders, these duties are limited. No assurances can be given that the Cotter Entities will not take action that, while beneficial to them and legally enforceable, would not necessarily be in the best interests of our Company and/or our stockholders generally.

We are a “Controlled Company” under applicable NASDAQ Regulations. As permitted by those Regulations, our Board has elected to opt out of certain corporate governance rules applicable to non-controlled companies.

Generally speaking, the NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a “Controlled Company”, such as we, may elect not to be governed by certain of these provisions. Our Board of Directors has elected to exempt our Company from requirements that (i) at least a majority of our Directors be independent, (ii) nominees to our Board of Directors be nominated by a committee comprised entirely of independent Directors or by a majority of our Company’s independent Directors, and (iii) the compensation of our Chief Executive Officer be determined or recommended to our Board of Directors by a compensation committee comprised entirely of independent Directors or by a majority of our Company’s independent Directors. Notwithstanding the determination by our Board of Directors to opt-out of these NASDAQ requirements, we believe that a majority of our Board of Directors is nevertheless currently comprised of independent Directors, and our compensation committee is nevertheless currently comprised entirely of independent Directors. Nominations are considered by the Board, acting as a whole.

We depend on key personnel for our current and future performance.

Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability to us of any member of our senior management team or a key employee could significantly harm us. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms. Due to the uncertainty of our control situation, the ongoing availability of these employees and our ability to replace them is uncertain.

Item 1B - Unresolved Staff Comments

None.

Item 2 – Properties

EXECUTIVE AND ADMINISTRATIVE OFFICES

We lease approximately 11,700 square feet of office space in Los Angeles, California to serve as our executive headquarters. This lease expires on December 31, 2016 and we will not renew it, since as discussed below we have purchased a headquarters building in Culver City, California. We own an 8,100 square foot office building in Melbourne, Australia, approximately 5,200 square feet of which serves as the headquarters for our Australian and New Zealand operations (the remainder being leased to an unrelated third party). We maintain our accounting personnel and certain IT and operational personnel in approximately 5,800 square foot of offices located in our Wellington Courtenay Central ETC. We occupy approximately 3,500 square feet at our Village East leasehold property for administrative purposes.

On April 11, 2016, we purchased a 24,000 square foot Class B office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California. We intend to use approximately 50% of the leasable area for our headquarters offices and to lease the remainder to unaffiliated third parties.

ENTERTAINMENT PROPERTIES

Entertainment Use Leasehold Interests

As of December 31, 2015, we lease approximately 1,800,000 square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

	Aggregate Square Footage	Approximate Range of Remaining Lease Terms (including renewals)
United States	966,000	2017 – 2050
Australia	659,000	2019 – 2039
New Zealand	190,000	2019 – 2050

In 2014, we entered into a long term lease for a new state-of-the-art Angelika Film Center in the Union Market district of Washington DC. However, the lease was terminated as the anticipated location for this cinema ultimately was determined by the landlord, Edens, to not be feasible. We are currently finalizing with Edens the terms and conditions of a new lease for a cinema in a different location in the Union Market area.

In December 2014, we entered into a lease for a new luxury cinema, under the Consolidated Theatres brand, at the new Ka Makana Ali'i Shopping Center being developed in Kapolei, Hawaii by an affiliate of DeBartolo Development and finalized terms for a new eight-screen cinema complex in Auckland, New Zealand, which opened in November 2015.

Fee Interests

In Australia, as of December 31, 2015, we owned approximately 1,200,000 square feet of land at nine locations. Most of this land is located in the greater metropolitan areas of Brisbane, Melbourne, Perth, and Sydney. The foregoing does not include the 50.6-acre Burwood, Australia site, which has been sold but not yet recognized as a sale under accounting principles generally accepted in the United States of America (“US GAAP”). Of these fee interests, approximately 165,000 square feet are currently improved with cinemas. This figure includes an approximately 23,000 square foot parcel currently improved with an approximately 22,000 square foot office building that we intend to integrate with and into our Newmarket Shopping Center and that, accordingly, is not listed above as a separate location.

In New Zealand, as of December 31, 2015, we owned approximately 3,400,000 square feet of land at seven locations. The foregoing excludes the 0.5-acre Taupo, New Zealand site, which has been sold but not yet recognized as a sale under US GAAP. The foregoing includes the Courtenay Central ETC in Wellington, the development land behind the Courtenay Central ETC, the 70.4-acre Manukau site, and the fee interests underlying four cinemas in New Zealand, which properties include approximately 21,000 square feet of ancillary retail space.

In the United States, as of December 31, 2015, we owned approximately 74,000 square feet of improved real estate comprised of three live theater buildings, which include approximately 16,000 square feet of leasable space, the fee interest in the Union Square property formally used as a live theater, and the fee interest in our Cinemas 1, 2, 3 in Manhattan (held through a limited liability company in

which we have a 75% managing member interest). We also own 202 acres of unimproved land in Coachella Valley, California, held through a limited liability company in which the Cotter Estate has a 50% non-managing member interest.

As discussed above we purchased a property in Culver City to house our executive offices.

Live Theaters

Included among our real estate holdings are three Off-Broadway style live theaters, operated through our Liberty Theaters subsidiary. We license theater auditoriums to the producers of Off-Broadway theatrical productions and provide various box office and concession services. The terms of our licenses are, naturally, principally dependent upon the commercial success of our tenants. While we attempt to choose productions that we believe will be successful, we have no control over the production itself. At the current time, we have two single-auditorium theaters in Manhattan:

- the Minetta Lane (399 seats); and
- the Orpheum (347 seats);

We also own a four-auditorium theater complex, the Royal George in Chicago (main stage 452 seats, cabaret 199 seats, great room 100 seats and gallery 60 seats), which has ancillary retail and office space.

At the end of 2015, we closed our Union Square Theater as a part of our redevelopment of that property.

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

Joint Venture Interests

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

- in Australia, we own a 75% interest in a subsidiary company that leases two cinemas with 11 screens in two Australian country towns, and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane.
- in New Zealand, we own a 50% unincorporated joint venture interest in two cinemas with 13 screens in the New Zealand cities of Auckland and Dunedin. This Dunedin joint venture interest is in addition to our fee interest in our Dunedin six-screen Cinema.
- In the United States, we own a 75% managing member interest in the limited liability company that owns our Cinemas 1,2,3 property and a 50% managing member interest in Shadow View Land & Farming, LLC, which owns an approximately 202-acre property in Coachella, California that is currently zoned for residential and mixed use, and approved for approximately 550 single-family lots.

OPERATING PROPERTY

As of December 31, 2015, we own fee interests in approximately 1,300,000 square feet of income-producing properties (including certain properties principally occupied by our cinemas) as follows:

Property	Square Feet of Improvements (rental/entertainment) ⁽¹⁾	Percentage Leased ⁽²⁾	Gross Book Value ⁽³⁾ (in USD)	Address
In United States				
1 Cinemas 1, 2, 3 ⁽⁴⁾	0 / 21000	N/A	\$ 25,041,416	1003 Third Avenue, Manhattan, NY
2 Minetta Lane Theatre	0 / 9000	N/A	\$ 8,582,151	18-22 Minetta Lane, Manhattan, NY
3 Orpheum Theatre	1000 / 5000	100%	\$ 3,617,926	126 2nd Street, Manhattan, NY
4 Royal George	16000 / 23000	100%	\$ 3,546,245	1633 N. Halsted Street, Chicago, IL
	plus a 55-space parking structure		\$	
In Australia				
1 Newmarket(5)	126000 / 0	100%	\$ 37,411,774	400 Newmarket Road, Newmarket, QLD
	plus a 521-space parking structure			
2 Auburn(5)	60000 / 57000	100%	\$ 26,531,321	100 Parramatta Road, Auburn, NSW
	plus a 871-space parking structure			
3 Cannon Park City Center	36000 / 28000	95%	\$ 17,465,973	High Range Drive, Thuringowa, Queensland
4 Belmont	15000 / 45000	100%	\$ 11,422,186	Knutsford Avenue and Fulham Street, Belmont, WA
5 Cannon Park Distribution Center	69000 / 0	100%	\$ 6,986,132	High Range Drive, Thuringowa, Queensland
6 York Street Office	3000 / 5000	N/A	\$ 2,149,622	98 York Street, South Melbourne, VIC
7 Maitland Cinema	0 / 22000	N/A	\$ 1,733,329	Ken Tubman Drive, Maitland, NSW
8 Bundaberg	0 / 14000	N/A	\$ 1,596,130	1 Johanna Boulevard, Bundaberg, QLD
In New Zealand				
1 Courtenay Central	34000 / 76000	70%	\$ 32,544,516	100 Courtenay Place, Wellington
	plus a 1,086-space parking structure			
2 Dunedin Cinema	0 / 25000	N/A	\$ 7,335,651	33 The Octagon, Dunedin
3 Napier Cinema	12000 / 18000	100%	\$ 2,935,250	154 Station Street, Napier
4 Invercargill Cinema	9000 / 24000	69%	\$ 2,703,722	29 Dee Street, Invercargill
5 Rotorua Cinema	0 / 19000	N/A	\$ 2,519,445	1281 Eruera Street, Rotorua

⁽¹⁾ Rental square footage refers to the amount of area available to be rented to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries at fair market rent. The rental area to such subsidiaries is noted under the entertainment square footage.

⁽²⁾ Represents the percentage of rental square footage currently leased to third parties.

⁽³⁾ Refers to the gross carrying cost of the land and buildings of the property.

⁽⁴⁾ Owned by a limited liability company in which we hold a 75% managing member interest. The remaining 25% is owned by Sutton Hill Capital, LLC ("SHC"), a company owned in equal parts by the Cotter Estate or the Cotter Trust and a third party.

⁽⁵⁾ For further information on the developments of these properties, refer to succeeding section "Investment and Development Property".

LONG-TERM LEASEHOLD OPERATING PROPERTY

In addition, in certain cases we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2015, we had approximately 155,000 square foot of space subject to such long-term leases as follows:

Property	Square Feet of Improvements (rental/entertainment) ⁽¹⁾	Percentage Leased ⁽²⁾	Gross Book Value ⁽³⁾ (in USD)
In United States			
1 Village East ⁽⁴⁾	4000 / 38000	100%	\$ 9,899,556
2 Manville	0 / 53000	N/A	\$ 2,360,535
In Australia			
1 Waurm Ponds	6000 / 38000	100%	\$ 5,153,928

⁽¹⁾ Rental square footage refers to the amount of area available to be rented to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries at fair market rent. The rental area to such subsidiaries is noted under the entertainment square footage.

⁽²⁾ Represents the percentage of rental square footage currently leased to third parties.

⁽³⁾ Refers to the gross carrying cost of the land and buildings of the property.

⁽⁴⁾ The lease of the Village East provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term in 2020. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. See Note 18 - *Related Parties and Transactions* to our 2015 consolidated financial statements.

INVESTMENT AND DEVELOPMENT PROPERTY

We are engaged in several investment and development projects relative to our currently undeveloped parcels of land. In addition, we anticipate that redevelopment of one or more of our existing developed properties may also occur. The following table summarizes our investment and development projects as of December 31, 2015:

Property ⁽¹⁾	Acreage	Gross Book Value ⁽²⁾ (in USD)	Status
In United States			
1 Union Square Theatre	0.27	\$ \$11,818,622	We closed down the live theatre business and terminated other third party retail tenants in order to actively pursue the development of this property.
2 Coachella, CA	202.00	\$ \$5,510,000	We continue to evaluate our options with regards to this property.
In Australia			
1 Burwood, VIC	50.60	\$ \$37,966,107	Property was contracted to sell in 2014. Currently classified as an Asset Held for Sale.
2 Newmarket, QLD	0.62	\$ \$4,257,504	We are actively pursuing the development of this property. We have obtained approvals for the construction of an eight-screen cinema, 10,297 square foot of additional retail and 142 car parks. It is anticipated that construction will commence later this year and be completed by the fourth quarter 2017. In addition, we have acquired an additional 23,000 square foot parcel of land located adjacent to the center, which is currently improved with a 22,000 square foot office building. We intend, over time, to incorporate this property into our center.
3 Auburn, Sydney, NSW	0.00	\$ \$1,902,000	We are actively pursuing the development of the next phase of this property, and in 2015 entered into agreements to lease approximately 15,000 square feet of to-be-built retail space. It is anticipated that construction will commence later this year and be completed by the first quarter 2017. The center still has approximately 108,000 square foot of land area available for development.

In New Zealand

1	Manukau, Auckland	64.0 acres zoned agricultural and 6.4 acres zoned light industrial	\$	\$11,789,099	The bulk of the land is zoned for agriculture and is currently used for horticultural commercial purposes. A development plan has been filed to rezone the property for warehouse, distribution and manufacturing uses. We currently anticipate that this rezoning will be approved. In 2010, we acquired an adjacent property that is zoned industrial, but is currently unimproved. That property links our existing parcel with the existing road network.
2	Courtenay Central, Wellington (including Wakefield and Taranaki)	1.1	\$	\$6,375,555	We are actively pursuing the development of the next phase of this property, having signed a lease agreement for a Countdown supermarket to be developed on this site. The construction budgets have been agreed between the parties, and we currently estimate that construction will commence in the third quarter 2016, looking towards a completion date of the fourth quarter 2017. In addition, we are adding approximately 4,000 square feet of general retail space.

⁽¹⁾ A number of our real estate holdings include additional land held for development. In addition, we have acquired certain parcels for future development.

⁽²⁾ Includes, as applicable, the land, building, development costs, and capitalized interest of the property.

Some of our income operating properties and our investment and development properties carry various debt encumbrances based on their income streams and geographic locations. For an explanation of our debt and the associated security collateral please see Note 10 – *Debt* to our 2015 consolidated financial statements.

OTHER PROPERTY INTERESTS AND INVESTMENTS

We own the fee interest in 11 parcels comprising 195 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. With the exception of certain properties located in Philadelphia (including the raised railroad bed leading to the old Reading Railroad Station), the properties are principally located in rural areas of Pennsylvania and Delaware. These properties are unencumbered by any debt.

Item 3 – Legal Proceedings

TAX AUDIT/LITIGATION

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

ENVIRONMENTAL AND ASBETOS CLAIMS

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

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

DERIVATIVE LITIGATION AND JAMES J. COTTER, JR. ARBITRATION

On June 12, 2015, the Board of Directors terminated James J. Cotter, Jr. as the President and Chief Executive Officer of our Company. That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a derivative action, and titled "James J. Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al." Case No.: A-15-719860-V, Dept XI (the "Cotter Jr. Derivative Action" and the "Cotter, Jr. Complaint," respectively) against the Company and each of our other than sitting Directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Tim Storey, the "Defendant Directors") in the Eighth Judicial District Court of the State of Nevada for Clark County (the "Nevada District Court"). On October 22, 2015, Mr. Cotter, Jr., amended his complaint to drop his individual claims (the "Amended Cotter Jr. Derivative Complaint"). Accordingly, the Amended Cotter, Jr. Complaint presently purports to assert only purportedly derivative claims and to seek remedies only on behalf of the Company. The lawsuit currently alleges, among other things, that the Defendant Directors breached their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief Executive Officer, continuing to make use of the Executive Committee that has been in place for more than the past ten years, making allegedly potentially misleading statements in its press releases and filings with the Securities and Exchange Commission ("SEC"), paying certain compensation to Ms. Ellen Cotter, and allowing the Cotter Estate to make use of Class A Common Stock to pay for the exercise of certain long outstanding stock options held of record by the Cotter Estate. He seeks reinstatement as President and CEO and alleges as damages fluctuations in the price for our Company's shares after the announcement of his termination as President and CEO and certain unspecified damages to our Company's reputation.

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

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

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

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

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

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

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

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

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

THE STOMP ARBITRATION

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

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

In explaining his decision to award Liberty its reasonable attorneys' fees, the Arbitrator stated as follows: "Liberty is entitled to such an award [of attorneys' fees] not only because it is the prevailing party in this proceeding, but because [the Producer] unfairly disparaged the Orpheum and caused Liberty to incur attorneys' fees in order to address and resolve [the Producer's] groundless and

frivolous allegations with respect to the Orpheum's condition, Liberty's performance under the License Agreement, and Stomp's reasons for seeking to transfer STOMP to a larger theatre."

PART II

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

MARKET INFORMATION

The following table sets forth the high and low closing prices of the RDI and RDIB common stock for each of the quarters in 2015 and 2014 as reported by NASDAQ:

	Class A Stock		Class B Stock	
	High	Low	High	Low
2015				
4th Quarter	\$ 16.21	\$ 13.11	\$ 17.81	\$ 11.15
3rd Quarter	14.15	11.78	15.50	13.00
2nd Quarter	14.06	13.07	15.20	13.00
1st Quarter	13.65	11.97	13.79	12.16
2014(1)				
4th Quarter	\$ 13.26	\$ 8.31	\$ 13.00	\$ 9.50
3rd Quarter	8.84	8.00	11.50	9.70
2nd Quarter	8.92	6.96	10.87	8.11
1st Quarter	7.60	7.15	10.23	9.00

As of December 31, 2015, the approximate number of common stockholders of record was 2,200 for Class A stock and 350, for Class B stock. On April 25, 2016, the closing price per share of our Class A Stock and Class B stock was \$12.79 and \$11.65, respectively.

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

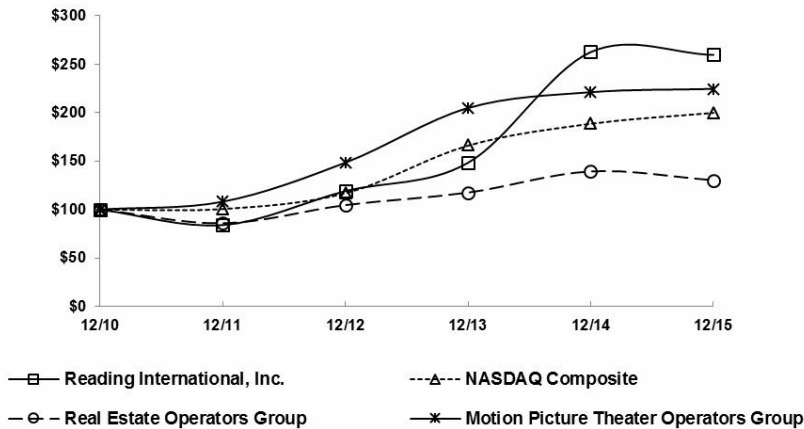
The following table summarizes the securities authorized for issuance under our equity compensation plans:

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	486,565	\$ 8.68	551,800

Performance Graph

The following line graph compares the cumulative total stockholder return on Reading International, Inc.'s common stock for the five-year period ended December 31, 2015 against the cumulative total return as calculated by the NASDAQ composite, a peer group of public companies engaged in the motion picture theater operator industry and a peer group of public companies engaged in the real estate operator industry. Measurement points are the last trading day for each of the five years ended December 31, 2015. The graph assumes that \$100 was invested on December 31, 2010 in our common stock, the NASDAQ composite and the noted peer groups, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
 Among Reading International, Inc., the NASDAQ Composite Index,
 Real Estate Operators Group and Motion Picture Theater Operators Group



*\$100 invested on 12/31/10 in stock or index, including reinvestment of dividends.
 Fiscal year ending December 31.

RECENT SALES OF UNREGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

None.

PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In May 2014, our Board of Directors authorized a stock buy-back program to spend up to an aggregate of \$10.0 million to acquire shares of the Company's common stock. As part of this program, during 2015, we purchased 240,102 Class A Non-voting shares on the open market for \$3.1 million for a weighted average price of \$12.95 per share. As of December 31, 2015, approximately \$2.8 million may yet be purchased under the program.

Also in 2015, a number of executives chose to net settle their share options with the Company, as allowed by our share option plan. This resulted in the Company issuing 52,777 Class A Non-voting shares. As part of this transaction the Company also remitted \$201,000 of taxes on their behalf. The Company also acquired an additional 141,288 Class A Non-voting shares as payment on the excise of 185,100 class B voting stock options that had a combined exercise price of \$1.8 million.

Item 6 – Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with, our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for the year ended December 31, 2015 (the “2015 Annual Report”), and the related notes to the consolidated financial statements.

(\$ in thousands, except per share data)	2015	2014	2013	2012	2011
Statement of operations					
Revenue	\$ 257,323	\$ 254,748	\$ 258,221	\$ 254,430	\$ 244,979
Operating income	23,154	22,173	20,935	19,127	18,178
Income (loss) from discontinued operations	--	--	--	(405)	1,888
Net income (loss) attributable to RDI	22,773	25,701	9,041	(914)	9,956
Per common share					
Net income/(loss) attributed to RDI					
Basic EPS	\$ 0.98	\$ 1.10	\$ 0.39	\$ (0.04)	\$ 0.44
Diluted EPS	0.97	1.08	0.38	(0.04)	0.43
Balance sheet					
Total assets	\$ 375,091	\$ 401,586	\$ 386,807	\$ 428,588	\$ 430,764
Total debt	130,941	164,036	168,460	196,597	209,614
Working capital (deficit)	(38,514)	(15,119)	(75,067)	(25,074)	(14,829)
Stockholders' equity	137,196	132,298	121,747	130,954	124,987
Statement of cash flows					
Cash provided by (used):					
Operating activities	\$ 28,574	\$ 28,343	\$ 25,183	\$ 25,496	\$ 24,253
Investing activities	(29,710)	(9,898)	(6,142)	(6,095)	(3,768)
Financing activities	(27,961)	(3,275)	(17,775)	(12,719)	(23,411)
Other Information					
EBIT	\$ 35,020	\$ 24,916	\$ 24,020	\$ 20,416	\$ 18,664
Depreciation and amortization	\$ 14,562	\$ 15,468	\$ 15,197	\$ 16,049	\$ 16,595
Add: Adjustments for discontinued operations	\$ --	\$ --	\$ --	\$ 335	\$ 365
EBITDA	49,582	40,384	39,217	36,800	35,624
Debt to EBITDA	2.64	4.06	4.30	5.34	5.88
Capital expenditure (including acquisitions)	53,119	14,914	20,082	13,723	9,376
Shares outstanding	23,334,892	23,237,076	23,385,519	23,083,265	22,806,838
Weighted average - basic	23,293,696	23,431,855	23,348,003	23,028,596	22,764,666
Weighted average - diluted	23,495,618	23,749,221	23,520,271	23,028,596	22,993,135
Number of employees at 12/31	2,712	2,596	2,494	2,412	2,263

Both EBIT and EBITDA are non-US GAAP measures and are presented for informational purposes. They should not be construed as an alternative to net earnings (loss), as an indicator of operating performance or as an alternative to cash flow provided by operating activities as a measure of liquidity (as determined in accordance with US GAAP). These measures should be reviewed in conjunction with the relevant US GAAP financial measures. EBIT and EBITDA as we have calculated them may not be comparable to similarly titled measures reported by other companies.

EBIT presented above represents net income (loss) adjusted for interest expense (net of interest income), income tax expense and an adjustment of interest expense for discontinued operations, if any. EBIT is useful in evaluating our operating results for the following reasons:

- EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions where we operate and the impact of tax timing differences that may vary from time-to-time and from jurisdiction-to-jurisdiction

- EBIT removes the impact from our effective tax rate of factors not directly related to our business operations, such as whether we have acquired operating assets by purchasing those assets directly, or indirectly by purchasing the stock of a company that holds such operating assets.
- EBIT removes the impact of our historically significant net loss carry-forwards.
- EBIT allows a better performance comparison between RDI and other companies. For example, it allows us to compare ourselves with other companies that may have more or less debt than we do.

We define EBITDA as net income adjusted for interest expense (net of interest income), income tax expense, depreciation and amortization expense, and an adjustment of interest expense, depreciation, and amortization for discontinued operations, if any. EBITDA is useful principally for the following reasons:

- EBITDA is an industry comparative measure of financial performance. Analysts and financial commentators who report on the cinema exhibition and real estate industries often use EBITDA to determine the valuation of a company in such industries.
- EBITDA is a measure used by financial institutions to determine the credit rating of companies in cinema exhibition and real estate industries.

Reconciliation of EBIT and EBITDA to net income is presented below:

(\$ in thousands)	2015	2014	2013	2012	2011
Net income (loss) attributable to RDI	\$ 22,773	\$ 25,701	\$ 9,041	\$ (914)	\$ 9,956
Add: Interest expense, net	7,304	9,000	10,037	16,426	21,038
Add: Income tax (benefit) expense	4,943	(9,785)	4,942	4,904	(12,330)
EBIT	\$ 35,020	\$ 24,916	\$ 24,020	\$ 20,416	\$ 18,664
Add: Depreciation and amortization	14,562	15,468	15,197	16,049	16,595
Adjustments for discontinued operations	--	--	--	335	365
EBITDA	\$ 49,582	\$ 40,384	\$ 39,217	\$ 36,800	\$ 35,624

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

Organization of Information

Management’s Discussion and Analysis provides a narrative on the Company’s financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Forward-Looking Statements
- Company Overview
- Cinema Activities
- Consolidated Results and Non-Segment Results
- Business Segment Results
- Business Plan, Liquidity and Capital Resources
- Contractual Obligations, Commitments and Contingencies
- Financial Risk Management
- Critical Accounting Policies and Estimates

FORWARD LOOKING STATEMENTS

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

These forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies after having considered a variety of risks and uncertainties. Forward-looking statements are necessarily the product of internal discussion and do not necessarily completely reflect the views of individual members of our Board of Directors or of our management team. Individual Board members and individual members of our management team may have a different view as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

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

- with respect to our cinema operations:
 - the number and attractiveness to movie goers of the films released in future periods;
 - the amount of money spent by film distributors to promote their motion pictures;
 - the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
 - the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside-the-home environment;
 - the extent to which we encounter competition from other cinema exhibitors, from other sources of outside-the-home entertainment, and from inside-the-home entertainment options, such as “home theaters” and competitive film product distribution technology, such as, by way of example, cable, satellite broadcast and Blu-ray/DVD rentals and sales, and so called “movies on demand;” and
 - the extent to, and the efficiency with, which we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
 - the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
 - the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
 - the risks and uncertainties associated with real estate development;
 - the availability and cost of labor and materials;
 - competition for development sites and tenants;
 - environmental remediation issues;

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

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

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

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

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

COMPANY OVERVIEW

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

- Cinema exhibition, through our 58 multiplex cinemas; and
- Real estate, including real estate development and the rental of retail, commercial and live theater assets.

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

We manage our worldwide cinema exhibition businesses under various brands:

- in the U.S., under the following brands: Reading Cinemas, Angelika Film Centers, Consolidated Theatres, and City Cinemas;
- in Australia, under the Reading Cinemas brand; and
- in New Zealand, under the Reading Cinemas and Rialto brands.

CINEMA ACTIVITIES

We believe the cinema business to be one that will likely continue to generate fairly consistent cash flows in the years ahead, even in a recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside-the-home entertainment, movies continue to be a popular and competitively priced option. Because we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from (i) the enhancement of our existing cinemas (for example, by the addition of luxury seating and expanding our food and beverage offerings), (ii) the development in select markets of specialty cinemas, and (iii) the opportunistic acquisition of already existing cinemas, rather than from the development of new conventional cinemas. From time-to-time, we invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. We continue to focus on the development and redevelopment of our existing assets (particularly our New York assets and our Angelika Film Center chain), as well as to continue to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and that we believe to be resistant to recessionary trends.

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

Business Climate

Cinema Exhibition - General

Along with the majority of our industry, we have completed the conversion of all of our U.S., Australia, and New Zealand cinema operations to digital exhibition. We anticipate that the cost of this conversion will be covered in substantial part by the receipt of “virtual print fees” paid by film distributors for the use of such digital projection equipment.

The “in-home” entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to and quality of entertainment programming through alternative film distribution channels, such as network, cable, satellite, internet distribution channels, and Blu-ray/DVD. The success of these alternative distribution channels puts additional pressure on film distributors to reduce and/or eliminate the time period between theatrical and secondary release dates. These are issues common to both our U.S. and international cinema operations.

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

Cinema Exhibition – Australia / New Zealand

The film exhibition industry in Australia and New Zealand is highly concentrated in that Village, Event, and Hoyts (the “Major Exhibitors”) control approximately 65% of the cinema box office in Australia, while Event and Hoyts control approximately 56% of New Zealand’s cinema box office. The industry is also vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors (part of Village), also serves as a distributor of film in Australia and New Zealand for Warner Bros. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and megaplex cinemas, while the independent exhibitors typically have older and smaller cinemas. In addition, the Major Exhibitors have in recent periods built a number of new multiplexes as joint venture partners or under shared facility arrangements, and have historically not engaged in head-to-head competition.

Cinema Exhibition – North America

In North America, distributors may find it more commercially appealing to deal with major exhibitors, rather than to deal with independents like us, which tends to compress the supply of screens in a very limited number of markets. This competitive disadvantage has increased significantly in recent periods, with the development of mega-circuits like Regal and AMC, who are able

to offer distributors access to screens on a truly nationwide basis, or, on the other hand, to deny access if their desires with respect to film supply are not satisfied.

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

Real Estate – Australia and New Zealand

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

Real Estate – North America

The commercial real estate market has improved significantly over the past three years, and we have noted strengthening rental income associated with our real estate located in large urban environments.

Business Segments

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

Cinema Exhibition

One of our primary businesses consists of the ownership and operation of cinemas. For a breakdown of our current cinema assets that we own and/or manage please see Item 1 – *Our Business* of this 2015 Annual Report under the subheading “*Operating Information – Cinema Exhibition.*”

In September 2015, we reopened a completely refurbished state-of-the-art cinema complex in Harbourtown, Australia. In October 2015, we reopened the twelve-screen Angelika Film Center & Cafe, a state-of-the-art luxury cinema, located at Carmel Mountain Plaza in San Diego. Finally, in November 2015, we opened the new state-of-the-art eight-screen Reading Cinemas LynnMall, our first Reading branded Auckland cinema complex, in New Lynn, New Zealand.

In October 2015, at the end of our lease period, we closed our Redbank cinema, in Queensland Australia.

During 2014, we opened a three-screen Angelika Pop-Up! at Union Market in Washington, D.C., as well as a six-screen complex in Dunedin, New Zealand.

In December 2013, we acquired a five-screen cinema in Plano, Texas that we previously had managed since 2003.

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

Real Estate

For 2015, our income operating property consisted of the following:

- our Belmont, Western Australia ETC, our Auburn, New South Wales ETC and our Wellington, New Zealand ETC;
- 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; at the end of December 2015, the Union Square building was closed in connection with the proposed redevelopment of the building;
- Australian commercial properties rented to unrelated third parties, to be held for current income and long-term appreciation; and

- the ancillary retail and commercial tenants at some of our non-ETC cinema properties.

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

Acquisitions

Operating Assets

Cannon Park, Australia

In December 2015, we acquired two adjoining entertainment themed centers in Townsville, Queensland, Australia for a total of \$24.3 million (AU\$33.6 million). The total gross leasable area of the two adjoining properties, the Cannon Park City Centre and the Cannon Park Discount Centre, is 133,000 square feet. The Cannon Park City Centre is anchored by a Reading Cinema, which is owned by Reading International's 75% owned subsidiary, Australia Country Cinemas, and has three mini-major tenants and ten specialty family oriented restaurant tenants. The Cannon Park Discount Centre is anchored by Kingpin Bowling and supported by four other retailers. The properties are located approximately 0.6 miles from downtown Townsville, the second largest city in Queensland, Australia. For additional information, see Note 4 – *Acquisitions, Disposals, and Assets Held for Sale – 2015 Transactions – Cannon Park, Queensland, Australia*.

Newmarket, Australia

In November 2015, we acquired a commercial building in Newmarket adjacent to our Newmarket shopping complex currently improved with an office building. The total cost of the acquisition was \$5.5 million (AU\$7.6 million). Our intention is that this parcel will ultimately be integrated into our Newmarket Shopping Center. See Note 4 – *Acquisitions, Disposals, and Assets Held for Sale – 2015 Transactions – Cannon Park, Queensland, Australia*.

Plano, Texas

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

Disposals

Land Held for Sale – Burwood

On May 12, 2014, we entered into a contract to sell our undeveloped 50.6-acre parcel in Burwood, Victoria, Australia, to an affiliate of Australand Holdings Limited for a purchase price of \$47.5 million (AU\$65.0 million). Reading received \$5.5 million (AU\$6.5 million) on May 23, 2014 closing. The balance of the purchase price is due on December 31, 2017.

Taupo

On March 31, 2015, we entered into sale agreements to sell both of our Lake Taupo properties to the same purchaser. 138 Lake Terrace, an improved 20 unit motor inn, settled on May 6, 2015 for \$1.7 million (NZ\$2.2 million). Settlement of \$821,000 (NZ\$1.2 million) was received on March 31, 2016 for 142 Lake Terrace, an unimproved vacant parcel of land.

Moonee Ponds Property

In 2013, we entered into a purchase and sale agreement to sell our 3.3-acre properties in Moonee Ponds for \$21.4 million (AU\$23.0 million) which closed on April 16, 2015.

Investment and Development Property

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

CONSOLIDATED RESULTS AND NON-SEGMENT RESULTS

(Dollars in thousands)	2015	2014	2013	% Change Fav/(Unfav)	
				2015 vs. 2014	2014 vs. 2013
SEGMENT RESULTS					
Cinema exhibition operating income	\$ 31,576	\$ 27,343	\$ 24,545	15 %	11 %
Real estate operating income	6,796	9,475	10,959	(28)%	(14)%
NON-SEGMENT RESULTS					
Depreciation and amortization expense	(294)	(360)	(433)	18 %	17 %
General and administrative expense	(14,924)	(14,285)	(14,136)	(4)%	(1)%
Interest expense, net	(7,304)	(9,000)	(10,037)	19 %	10 %
Equity earnings of unconsolidated joint ventures and entities	1,204	1,015	1,369	19 %	(26)%
Gain on sale of assets	11,023	25	(56)	> 100%	(> 100)%
Other income (expense)	(440)	1,646	1,876	(> 100)%	(12)%
Income before income taxes	27,637	15,859	14,087	74 %	13 %
Income tax benefit (expense)	(4,943)	9,785	(4,942)	(> 100)%	(> 100)%
Net income	22,694	25,644	9,145	(12)%	> 100%
Less: Net income (loss) attributable to noncontrolling interests	(79)	(57)	104	39 %	> 100%
Net income attributable to RDI common stockholders	\$ 22,773	\$ 25,701	\$ 9,041	(11)%	> 100%
Basic EPS	\$ 0.98	\$ 1.10	\$ 0.39	(11)%	> 100%

Consolidated Results - 2015 vs. 2014

Net income attributable to RDI common stockholders was lower by \$2.9 million or 11% to \$22.8 million. This reduction was mainly due to a \$14.7 million increase in income tax expense, a \$2.7 million decrease in Real Estate segment income, a \$2.1 million reduction in other income and a \$638,000 increase in non-segment general and administrative expense. These were offset by an \$11.0 million gain on sale, a \$4.2 million increase in Cinema segment income and a \$1.7 million reduction in net interest expense. These are discussed in more detail below.

Non-Segment Results - 2015 vs. 2014
General and administrative expense

General and administrative expense for 2015 increased by \$639,000 or 4%, mainly due to higher legal, consulting and Board of Directors fees in the U.S., offset by lower payroll expenses and foreign exchange rate movements resulting in lower Australia and New Zealand general and administration expense in U.S. dollars. For more information about legal expenses, please refer to Item 3- *Legal Proceedings*.

Interest expense, net

Interest expense, net for 2015, decreased by \$1.7 million or 19%, mainly due to a reduction in interest rates, lower net borrowing, favorable revaluations of interest rate swaps, as well as foreign exchange rate movements.

Gain on sale of assets

Net gain on sale of assets for 2015 increased by \$11.0 million, primarily due to the finalization of the sale of our Moonee Ponds site in Australia, our Los Angeles condominium and our Lake Taupo Motel in New Zealand.

Other income (expense)

Other income and expense changed by \$2.1 million or 127%, mainly due to a \$1.6 million (NZ\$2.0 million) reduction in business interruption income from the Courtenay Central carpark building, as well as a \$495,000 (AU\$700,000) settlement relating to a historical accident at one of our Australian sites.

Equity earnings

Equity earnings from unconsolidated investments increased by \$189,000 or 19%, primarily related to a increase in income from our Mt. Gravatt investment.

Income tax benefit (expense)

Income tax expense changed by \$14.7 million compared to 2014, mainly due to the reversal in 2014 of the U.S. valuation allowance that had been recorded against deferred tax assets.

Consolidated Results 2014 vs. 2013

Net income attributable to RDI common stockholders increased by \$16.7 million or 185% to \$25.7 million. This increase was mainly due to a \$14.7 million change in income tax expense, a \$1.3 million increase in segment operating income, as well as a \$1.0 million reduction in net interest expense. These are discussed in more detail below.

Non-Segment Results - 2014 vs. 2013**General and administrative expense**

General and administrative expenses for 2014 increased marginally by \$149,000 or 1.1% from 2013.

Interest expense, net

Net interest expense decreased by \$1.0 million compared to 2013. The decrease in interest expense during 2014 resulted from our ability to refinance certain debt obligations at favorable rates in comparison to the existing rates. Additionally, our interest expense was lower in the 2014 due to a decrease in the fair value of our interest rate swap liabilities in 2014 compared to 2013.

Other income (expense)

The \$1.6 million in other income during 2014 was primarily related to the receipt of insurance proceeds received during 2014 for the Courtenay Central parking structure business interruption recovery claim. The \$1.9 million in other income during 2013 was primarily related to a \$1.4 million gain on the acquisition of a cinema and the receipt of insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand due to the February 22, 2011 earthquake (see Note 19 – *Casualty Loss* to our consolidated financial statements).

Equity earnings

Equity earnings from unconsolidated investments decreased by \$354,000 or 26% primarily related to a decrease in income from our Mt. Gravatt investment.

Income tax benefit (expense)

Income tax benefit of \$9.8 million in 2014 compared to a \$4.9 million expense in 2013 was a result of the reversal of the valuation allowance in the United States. The valuation allowance reversal is a result of the tax benefit that we now expect to realize.

BUSINESS SEGMENT RESULTS

At December 31, 2015, we wholly owned and operated 54 cinemas with 443 screens, had interests in certain unconsolidated joint ventures and entities that own an additional 3 cinemas with 29 screens and managed 1 cinema with 4 screens. During the period, we also (i) owned and operated five ETCs that we developed in Australia and New Zealand, (ii) owned the fee interests in three developed commercial properties in Manhattan and Chicago improved with live theaters, which have six stages and ancillary retail and commercial space, (iii) owned the fee interests in the Union Square building in Manhattan that we are redeveloping, which had, until the end of this fiscal year, operated as a live theater and rental property, (iv) owned the fee interests underlying one of our Manhattan cinemas, (v) held for development an additional four parcels aggregating approximately 74 acres located principally in urbanized areas of Australia and New Zealand (calculated net of our Lake Taupo and Burwood Properties), and (vi) owned 50% of a 202-acre property that is zoned for the development of approximately 550 single-family residential units in the U.S. In addition, we continue to hold various properties that had been previously used in our historic railroad operations.

The Company transacts business in Australia and New Zealand and is subject to risks associated with changing foreign currency exchange rates. During the current year, compared to the prior-year, the Australian dollar and New Zealand dollar weakened against the U.S. dollars by 11% and 12%, respectively.

Business Segment Results - 2015 vs. 2014

(Dollars in thousands)	2015		2014		% Change Better/(Worse)	
	Cinema	Real Estate	Cinema	Real Estate	Cinema	Real Estate
Segment Revenue	\$ 242,281	\$ 21,579	\$ 237,861	\$ 24,348	2 %	(11)%
Segment expenses						
Cost of services and products (excluding depreciation and amortization)	(196,544)	(10,948)	(195,896)	(9,770)	--%	(12)%
Depreciation and amortization	(11,161)	(3,107)	(11,047)	(4,061)	(1)%	23 %
General and administrative expense	(3,000)	(728)	(3,575)	(1,042)	16 %	30 %
Total segment expenses	(210,705)	(14,783)	(210,518)	(14,873)	-%	1 %
Segment operating income	\$ 31,576	\$ 6,796	\$ 27,343	\$ 9,475	15 %	(28)%

Cinema Exhibition - 2015 vs. 2014

(Dollars in thousands)		2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Fav / (Unfav)
REVENUE						
United States	Admission revenue	\$ 86,377	65 %	\$ 83,197	66 %	4 %
	Concession revenue	38,267	29 %	35,580	28 %	8 %
	Advertising and other revenue	8,239	6 %	6,942	6 %	19 %
		<u>\$ 132,883</u>	<u>100 %</u>	<u>\$ 125,719</u>	<u>100 %</u>	<u>6 %</u>
Australia	Admission revenue	54,814	64 %	58,148	66 %	(6) %
	Concession revenue	24,549	28 %	24,278	27 %	1 %
	Advertising and other revenue	6,872	8 %	6,068	7 %	13 %
		<u>\$ 86,235</u>	<u>100 %</u>	<u>\$ 88,494</u>	<u>100 %</u>	<u>(3) %</u>
New Zealand	Admission revenue	15,489	67 %	15,908	67 %	(3) %
	Concession revenue	6,368	27 %	6,475	27 %	(2) %
	Advertising and other revenue	1,306	6 %	1,265	5 %	3 %
		<u>\$ 23,163</u>	<u>100 %</u>	<u>\$ 23,648</u>	<u>100 %</u>	<u>(2) %</u>
Total revenue	<u>\$ 242,281</u>	<u>100 %</u>	<u>\$ 237,861</u>	<u>100 %</u>	<u>2 %</u>	
OPERATING EXPENSE						
Cost of services and products (excl. depreciation and amortization)						
United States	Film rent and advertising cost	\$ (46,175)	(35)%	\$ (43,511)	(35)%	(6) %
	Concession cost	(6,448)	(5)%	(6,145)	(5)%	(5) %
	Occupancy expense	(26,886)	(20)%	(25,701)	(20)%	(5) %
	Other expense	(35,970)	(27)%	(34,073)	(27)%	(6) %
		<u>\$ (115,479)</u>	<u>(87)%</u>	<u>\$ (109,430)</u>	<u>(87)%</u>	<u>(6) %</u>
Australia	Film rent and advertising cost	(25,491)	(30)%	(26,677)	(30)%	4 %
	Concession cost	(4,938)	(6)%	(4,781)	(5)%	(3) %
	Occupancy expense	(14,383)	(17)%	(16,995)	(19)%	15 %
	Other expense	(18,328)	(21)%	(19,026)	(21)%	4 %
		<u>\$ (63,140)</u>	<u>(73)%</u>	<u>\$ (67,479)</u>	<u>(76)%</u>	<u>6 %</u>
New Zealand	Film rent and advertising cost	(7,161)	(31)%	(7,355)	(31)%	3 %
	Concession cost	(1,470)	(6)%	(1,661)	(7)%	11 %
	Occupancy expense	(4,107)	(18)%	(4,459)	(19)%	8 %
	Other expense	(5,187)	(22)%	(5,512)	(23)%	6 %
		<u>\$ (17,925)</u>	<u>(77)%</u>	<u>\$ (18,987)</u>	<u>(80)%</u>	<u>6 %</u>
Total cost of services and products (excl. depreciation and amortization)	<u>\$ (196,544)</u>	<u>(81)%</u>	<u>\$ (195,896)</u>	<u>(82)%</u>	<u>- %</u>	
Depreciation, amortization, and general and administrative expense						
United States	Depreciation and amortization	\$ (5,531)	(4)%	\$ (5,118)	(4)%	(8) %
	General and administrative expense	(2,225)	(2)%	(2,474)	(2)%	10 %
		<u>\$ (7,756)</u>	<u>(6)%</u>	<u>\$ (7,592)</u>	<u>(6)%</u>	<u>(2) %</u>
Australia	Depreciation and amortization	(4,325)	(5)%	(4,669)	(5)%	7 %
	General and administrative expense	(782)	(1)%	(1,054)	(1)%	26 %
		<u>\$ (5,107)</u>	<u>(6)%</u>	<u>\$ (5,723)</u>	<u>(6)%</u>	<u>11 %</u>
New Zealand	Depreciation and amortization	(1,304)	(6)%	(1,260)	(5)%	(3) %
	General and administrative expense	6	0 %	(47)	(0)%	113 %
		<u>\$ (1,298)</u>	<u>(6)%</u>	<u>\$ (1,307)</u>	<u>(6)%</u>	<u>1 %</u>

	\$ (1,298)	(6)%	\$ (1,307)	(6)%	1 %
Total depreciation, amortization, and general and administrative expense	\$ (14,161)	(6)%	\$ (14,622)	(6)%	3 %
Total expenses	\$ (210,705)	(87)%	\$ (210,518)	(89)%	- %
OPERATING INCOME					
United States	\$ 9,648	7 %	\$ 8,697	7 %	11 %
Australia	17,988	21 %	15,292	17 %	18 %
New Zealand	3,940	17 %	3,354	14 %	17 %
Total operating income	\$ 31,576	13 %	\$ 27,343	11 %	15 %

Cinema segment operating income

Cinema segment operating income increased by 15%, or \$4.2 million, to \$31.6 million for the year ended December 31, 2015 compared to December 31, 2014, primarily driven by increased admissions, offset by unfavorable foreign currency movements. Refer below for further explanations.

Revenue

The revenue in the United States for 2015 increased by \$7.2 million or 6%, primarily driven by a higher average admission price. Australian cinema revenue decreased by \$2.3 million, or 3%, primarily due to higher admission revenue and higher concession revenue in local currencies as result of higher attendance, more than offset by unfavorable foreign exchange movements. In New Zealand, cinema revenue decreased by \$485,000 or 2%, mainly due to higher admission revenue and higher concession revenue in local currencies as a result of higher attendance and the opening of our Dunedin cinema in the last week of June 2014 and our LynnMall cinema in November 2015, more than offset by unfavorable foreign exchange movements.

Cost of services and products (excluding depreciation and amortization)

Cost of services and products for 2015 increased by \$648,000, which was mainly attributable to increased costs due to increased admissions, which included higher film rental, payroll, occupancy and other costs. We also had additional costs associated with the refurbishment of our Angelika Film Center Carmel Mountain Plaza, the opening of our new theater, LynnMall in Auckland, New Zealand, and cost relating to the preparation for closing our Gaslamp Theater; these increased costs were mostly offset by movements in foreign currency.

U.S. cost of services and products increased by \$6.0 million or 6%, primarily driven by higher film rent associated with increased box office sales. Australia and New Zealand cinema cost of services and products both decreased by 6%, primarily due to the favorable impact of foreign exchange rate movements.

Cost of services and products as a percentage of gross revenue improved by 1% down to 81%, mainly attributable to the percentage of fixed costs compared to the increases in our revenue streams.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2015 decreased by \$461,000, or 3%, with lower general and administrative expense being the main driver. General and administrative expense decreased by \$574,000, or 16%, mainly driven by cost reductions from a favorable currency effect for expenses in Australia and New Zealand, and some cost savings in the U.S.

Real Estate- 2015 vs. 2014

(Dollars in thousands)		2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Fav / (Unfav)
REVENUE						
United States	Live theater rental and ancillary income	\$ 3,844	72 %	\$ 3,343	65 %	15 %
	Property rental income	1,496	28 %	1,786	35 %	(16) %
		<u>\$ 5,340</u>	<u>100 %</u>	<u>\$ 5,129</u>	<u>100 %</u>	<u>4 %</u>
Australia	Property rental income	\$ 11,374	100 %	\$ 13,702	100 %	(17) %
New Zealand	Property rental income	\$ 4,865	100 %	\$ 5,517	100 %	(12) %
	Total revenue	<u>\$ 21,579</u>	<u>100 %</u>	<u>\$ 24,348</u>	<u>100 %</u>	<u>(11) %</u>
OPERATING EXPENSE						
Cost of services and products (excl. depreciation and amortization)						
United States	Live theater cost	\$ (4,263)	(80)%	\$ (1,592)	(31)%	(168) %
	Property cost	(224)	(4)%	2	0 %	11,300 %
	Occupancy expense	(1,016)	(19)%	(974)	(19)%	(4) %
		<u>\$ (5,503)</u>	<u>(103)%</u>	<u>\$ (2,564)</u>	<u>(50)%</u>	<u>(115) %</u>
Australia	Property cost	(1,675)	(15)%	(2,229)	(16)%	25 %
	Occupancy expense	(1,726)	(15)%	(2,532)	(18)%	32 %
		<u>\$ (3,401)</u>	<u>(30)%</u>	<u>\$ (4,761)</u>	<u>(35)%</u>	<u>29 %</u>
New Zealand	Property cost	(1,344)	(28)%	(1,599)	(29)%	16 %
	Occupancy expense	(700)	(14)%	(846)	(15)%	17 %
		<u>\$ (2,044)</u>	<u>(42)%</u>	<u>\$ (2,445)</u>	<u>(44)%</u>	<u>16 %</u>
	Total cost of services and products (excl. depreciation and amortization)	<u>\$ (10,948)</u>	<u>(51)%</u>	<u>\$ (9,770)</u>	<u>(40)%</u>	<u>(12) %</u>
Depreciation, amortization, and general and administrative expense						
United States	Depreciation and amortization	\$ (330)	(6)%	\$ (327)	(6)%	(1) %
	General and administrative expense	41	1 %	(14)	(0)%	393 %
		<u>\$ (289)</u>	<u>(5)%</u>	<u>\$ (341)</u>	<u>(7)%</u>	<u>15 %</u>
Australia	Depreciation and amortization	(1,854)	(16)%	(2,785)	(20)%	33 %
	General and administrative expense	(719)	(6)%	(973)	(7)%	26 %
		<u>\$ (2,573)</u>	<u>(23)%</u>	<u>\$ (3,758)</u>	<u>(27)%</u>	<u>32 %</u>
New Zealand	Depreciation and amortization	(923)	(19)%	(949)	(17)%	3 %
	General and administrative expense	(50)	(1)%	(55)	(1)%	9 %
		<u>\$ (973)</u>	<u>%</u>	<u>\$ (1,004)</u>	<u>(18)%</u>	<u>3 %</u>
			(20)			
	Total depreciation, amortization, and general and administrative expense	<u>\$ (3,835)</u>	<u>(18)%</u>	<u>\$ (5,103)</u>	<u>(21)%</u>	<u>25 %</u>
	Total operating expenses	<u>\$ (14,783)</u>	<u>(69)%</u>	<u>\$ (14,873)</u>	<u>(61)%</u>	<u>1 %</u>
OPERATING INCOME						
United States		\$ (452)	(8)%	\$ 2,224	43 %	(120) %
Australia		5,400	47 %	5,183	38 %	4 %
New Zealand		1,848	38 %	2,068	37 %	(11) %
	Total operating income	<u>\$ 6,796</u>	<u>31 %</u>	<u>\$ 9,475</u>	<u>39 %</u>	<u>(28) %</u>

Real Estate segment operating income

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

Revenue

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

Cost of services and products (excluding depreciation and amortization)

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

Depreciation, amortization, general and administrative expense

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

Business Segment Results - 2014 vs. 2013

(Dollars in thousands)	2014		2013		% Change Better/(Worse)	
	Cinema	Real Estate	Cinema	Real Estate	Cinema	Real Estate
Revenue	\$ 237,861	\$ 24,348	\$ 239,418	\$ 26,456	(1)%	(8)%
Segment expenses						
Cost of services and products (excluding depreciation and amortization)	(195,896)	(9,770)	(200,859)	(10,830)	2 %	10 %
Depreciation and amortization	(11,047)	(4,061)	(10,741)	(4,023)	(3)%	(1)%
General and administrative expense	(3,575)	(1,042)	(3,273)	(644)	(9)%	(62)%
Total segment expenses	(210,518)	(14,873)	(214,873)	(15,497)	2 %	4 %
Segment operating income	\$ 27,343	\$ 9,475	\$ 24,545	\$ 10,959	11 %	(14)%

Cinema Exhibition- 2014 vs. 2013

(Dollars in thousands)		2014	% of Revenue	2013	% of Revenue	2014 vs. 2013 Fav / (Unfav)
REVENUE						
United States	Admission revenue	\$ 83,197	66 %	\$ 84,725	67 %	(2) %
	Concession revenue	35,580	28 %	35,056	28 %	1 %
	Advertising and other revenue	6,942	6 %	6,539	5 %	6 %
		\$ 125,719	100 %	\$ 126,320	100 %	- %
Australia	Admission revenue	58,148	66 %	61,741	68 %	(6) %
	Concession revenue	24,278	27 %	24,025	26 %	1 %
	Advertising and other revenue	6,068	7 %	5,655	6 %	7 %

		<u>\$ 88,494</u>	100 %	<u>\$ 91,421</u>	100 %	(3) %
New Zealand	Admission revenue	15,908	67 %	15,039	69 %	6 %
	Concession revenue	6,475	27 %	5,596	26 %	16 %
	Advertising and other revenue	1,265	5 %	1,041	5 %	22 %
		<u>\$ 23,648</u>	100 %	<u>\$ 21,676</u>	100 %	9 %
Total revenue		<u>\$ 237,861</u>	100 %	<u>\$ 239,417</u>	100 %	(1) %
OPERATING EXPENSE						
Cost of services and products (excl. depreciation and amortization)						
United States	Film rent and advertising cost	\$ (43,511)	(35)%	\$ (44,284)	(35)%	2 %
	Concession cost	(6,145)	(5)%	(5,924)	(5)%	(4) %
	Occupancy expense	(25,701)	(20)%	(25,981)	(21)%	1 %
	Other operating expense	(34,073)	(27)%	(31,929)	(25)%	(7) %
		<u>\$ (109,430)</u>	(87)%	<u>\$ (108,118)</u>	(86)%	(1) %
Australia	Film rent and advertising cost	(26,677)	(30)%	(29,060)	(32)%	8 %
	Concession cost	(4,781)	(5)%	(4,847)	(5)%	1 %
	Occupancy expense	(16,995)	(19)%	(18,371)	(20)%	7 %
	Other operating expense	(19,026)	(21)%	(22,218)	(24)%	14 %
		<u>\$ (67,479)</u>	(76)%	<u>\$ (74,496)</u>	(81)%	9 %
New Zealand	Film rent and advertising cost	(7,355)	(31)%	(7,116)	(33)%	(3) %
	Concession cost	(1,661)	(7)%	(1,438)	(7)%	(16) %
	Occupancy expense	(4,459)	(19)%	(3,943)	(18)%	(13) %
	Other operating expense	(5,512)	(23)%	(5,747)	(27)%	4 %
		<u>\$ (18,987)</u>	(80)%	<u>\$ (18,244)</u>	(84)%	(4) %
Total cost of services and products (excl. depreciation and amortization)		<u>\$ (195,896)</u>	(82)%	<u>\$ (200,858)</u>	(84)%	2 %
Depreciation, amortization, and general and administrative expense						
United States	Depreciation and amortization	\$ (5,118)	(4)%	\$ (6,181)	(5)%	17 %
	General and administrative expense	(2,474)	(2)%	(2,347)	(2)%	(5) %
		<u>\$ (7,592)</u>	(6)%	<u>\$ (8,528)</u>	(7)%	11 %
Australia	Depreciation and amortization	(4,669)	(5)%	(3,603)	(4)%	(30) %
	General and administrative expense	(1,054)	(1)%	(926)	(1)%	(14) %
		<u>\$ (5,723)</u>	(6)%	<u>\$ (4,529)</u>	(5)%	(26) %
New Zealand	Depreciation and amortization	(1,260)	(5)%	(957)	(4)%	(32) %
	General and administrative expense	(47)	(0)%	-	-%	- %
		<u>\$ (1,307)</u>	(6)%	<u>\$ (957)</u>	(4)%	(37) %
Total depreciation, amortization, and general and administrative expense		<u>\$ (14,622)</u>	(6)%	<u>\$ (14,014)</u>	(6)%	(4) %
Total operating expense		<u>\$ (210,518)</u>	(89)%	<u>\$ (214,872)</u>	(90)%	2 %
OPERATING INCOME						
United States		\$ 8,697	7 %	\$ 9,674	8 %	(10) %
Australia		15,292	17 %	12,396	14 %	23 %
New Zealand		3,354	14 %	2,475	11 %	36 %
Total operating income		<u>\$ 27,343</u>	11 %	<u>\$ 24,545</u>	10 %	11 %

Cinema segment operating income

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

Revenue

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

The revenue in the United States for 2014 decreased \$602,000, or 0%. This decrease was partially driven by a reduction in box office revenue of \$1.5 million, in turn driven by an 82,000 admissions reduction, together with a 1.0% reduction in average ticket price, offset by increased concession and café revenues of approximately \$524,000. Revenue in Australia decreased by \$2.9 million or 3.2%. This decrease was primarily due to the strengthening of the U.S. dollar against the Australian dollar in 2014. Local currency box office was consistent with 2013, with a decrease in average ticket price of 4.5% being offset by increased ticket sales of 4.9%. Excluding currency effects, concession revenue was up 7.0%, reflecting increased admission volume and spend per admit. Revenue in New Zealand increased by \$2.0 million or 9.1%. Attendance increased by 88,000 or 5.1%. The majority of this increase was achieved through the opening of our Dunedin cinema. The attendance increase more than offset the local currency reduction in average ticket price of 1.8%. Concession revenue increased by \$879,000 due to the combined positive effect of increased admission volumes, improved spend per patron, and a positive U.S. dollar to N.Z. dollar exchange rate movement

Cost of services and products (excluding depreciation and amortization)

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

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

Depreciation, amortization, general and administrative expense

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

Real Estate- 2014 vs. 2013

(Dollars in thousands)		2014	% of Revenue	2013	% of Revenue	2014 vs. 2013 Fav / (Unfav)
REVENUE						
United States	Live theater rental and ancillary income	\$ 3,343	65 %	\$ 3,500	67 %	(4) %
	Property rental income	1,786	35 %	1,692	33 %	6 %
		<u>\$ 5,129</u>	100 %	<u>\$ 5,192</u>	100 %	(1) %
Australia	Property rental income	\$ 13,702	100 %	\$ 14,424	100 %	(5) %
New Zealand	Property rental income	\$ 5,517	100 %	\$ 6,840	100 %	(19) %
	Total revenue	<u>\$ 24,348</u>	100 %	<u>\$ 26,456</u>	100 %	(8) %
OPERATING EXPENSE						
Cost of services and products (excl. depreciation and amortization)						
United States	Live theater cost	\$ (1,592)	(31)%	\$ (1,574)	(30)%	(1) %
	Property cost	2	0 %	(316)	(6)%	101 %
	Occupancy expense	(974)	(19)%	(946)	(18)%	(3) %
		<u>\$ (2,564)</u>	(50)%	<u>\$ (2,836)</u>	(55)%	10 %
Australia	Property cost	(2,229)	(16)%	(2,362)	(16)%	6 %
	Occupancy expense	(2,532)	(18)%	(3,139)	(22)%	19 %
		<u>\$ (4,761)</u>	(35)%	<u>\$ (5,501)</u>	(38)%	13 %
New Zealand	Property cost	\$ (1,599)	(29)%	(1,684)	(25)%	5 %
	Occupancy expense	(846)	(15)%	(809)	(12)%	(5) %
		<u>\$ (2,445)</u>	(44)%	<u>\$ (2,493)</u>	(36)%	2 %
	Total cost of services and products (excl. depreciation and amortization)	<u>\$ (9,770)</u>	(40)%	<u>\$ (10,830)</u>	(41)%	10 %
Depreciation, amortization, and general and administrative expense						
United States	Depreciation and amortization	\$ (327)	(6)%	\$ (314)	(6)%	(4) %
	General and administrative expense	(14)	(0)%	(67)	(1)%	79 %
		<u>\$ (341)</u>	(7)%	<u>\$ (381)</u>	(7)%	10 %
Australia	Depreciation and amortization	(2,785)	(20)%	(2,635)	(18)%	(6) %
	General and administrative expense	(973)	(7)%	(527)	(4)%	(85) %
		<u>\$ (3,758)</u>	(27)%	<u>\$ (3,162)</u>	(22)%	(19) %
New Zealand	Depreciation and amortization	(949)	(17)%	(1,074)	(16)%	12 %
	General and administrative expense	(55)	(1)%	(50)	(1)%	(10) %
		<u>\$ (1,004)</u>	(18)%	<u>\$ (1,124)</u>	(16)%	11 %
	Total depreciation, amortization, and general and administrative expense	<u>\$ (5,103)</u>	(21)%	<u>\$ (4,667)</u>	(18)%	(9) %
	Total operating expenses	<u>\$ (14,873)</u>	(61)%	<u>\$ (15,497)</u>	(59)%	4 %
OPERATING INCOME						
United States		\$ 2,224	43 %	\$ 1,975	38 %	13 %
Australia		5,183	38 %	5,761	40 %	(10) %
New Zealand		2,068	37 %	3,223	47 %	(36) %
	Total operating income	<u>\$ 9,475</u>	39 %	<u>\$ 10,959</u>	41 %	(14) %

Real Estate segment operating income

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

Revenue

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

Cost of services and products

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

Depreciation, amortization, general and administrative expense

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

BUSINESS PLAN, LIQUIDITY AND CAPITAL RESOURCES

Business plan

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

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

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

Liquidity and capital resources

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

The change in cash and cash equivalents is as follows:

(Dollars in thousands)	2015	2014	2013	% Change	
				2015 vs. 2014	2014 vs. 2013
Net cash provided by operating activities	\$ 28,574	\$ 28,343	25,183	1 %	13 %
Net cash used in investing activities	(29,710)	(9,898)	(6,142)	> 100%	61 %
Net cash used in financing activities	(27,961)	(3,275)	(17,775)	> 100%	(82)%
Impact of exchange rate on cash	(1,449)	(2,618)	(2,101)	(45)%	25 %
Increase (decrease) in cash and cash equivalents	\$ (30,546)	\$ 12,552	\$ (835)	(> 100)%	(> 100)%

Operating activities

2015 vs. 2014: Cash provided by operating activities for 2015 increased by \$231,000 or 1%, to \$28.6 million, primarily driven by a \$6.2 million change in operating assets and liabilities, partially offset by a \$6.0 million decrease in operational cash flows.

2014 vs. 2013: Cash provided by operating activities for 2014 increased by \$3.2 million or 13%, to \$28.3 million, primarily driven by an increase of \$2.3 million increase in operational cash flows and a \$900,000 change in operating assets and liabilities.

Investing activities

In 2015, the \$29.7 million of cash used by investing activities was mainly related to the \$53.1 million spent on fixed assets, which included the \$24.3 million (AU\$33.6 million) purchase of the two Cannon Park centers in Queensland, Australia, as well as enhancements to our existing properties, offset by \$21.9 million dollars received from the sale of the Moonee Ponds properties, the Los Angeles condo and the Lake Taupo sites.

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

Financing activities

The \$28.0 million of cash used in financing activities in 2015 was primarily due to a repayment of debt in the amount of \$24.7 million, as well as \$3.1 million used in our stock buyback program and \$201,000 as part of share option transactions.

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

Future liquidity and capital resources

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

At December 31, 2015, our consolidated cash and cash equivalents totaled \$19.7 million. Of this amount, \$6.8 million and \$3.6 million were held by our Australian and New Zealand subsidiaries, respectively. Our intention is to reinvest indefinitely Australian earnings but not reinvest indefinitely New Zealand earnings. If the Australian earnings were used to fund U.S. operations, they would be subject to additional income taxes upon repatriation.

Our working capital deficiency increased from \$15.1 million at December 2014 to \$38.5 million at December 2015. This was due to a \$30.5 million reduction in cash primarily due to surplus cash being used to pay down long term debt. This was partially offset by a reduction in short term debt due to the refinancing of the Westpac Corporate Credit facility and the Union Square loan, which is no longer current.

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

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

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

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

(Dollars in thousands)	2016	2017	2018	2019	2020	Thereafter	Total
Notes payable	\$ 15,000	\$ 10,500	\$ 21,184	\$ 56,344	\$ --	\$ --	\$ 103,028
Subordinated debt	--	--	--	--	--	27,913	27,913
Pension liability	1,539	684	684	684	684	3,500	7,775
Lease obligations	30,117	29,998	26,087	23,374	16,712	122,129	248,417
Estimated interest on debt ⁽¹⁾	4,511	4,230	3,629	2,642	1,196	7,775	23,984
Total	\$ 51,167	\$ 45,412	\$ 51,584	\$ 83,044	\$ 18,592	\$ 161,317	\$ 411,117

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

Litigation

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

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

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

Off-Balance Sheet Arrangements

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

FINANCIAL RISK MANAGEMENT

Currency and interest rate risk

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

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

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

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

Inflation

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

Accounting Pronouncements Adopted and Issued During 2015

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

For certain non-income producing properties, we obtain appraisals or other evidence to evaluate whether there are impairment indicators for these assets. No impairment losses were recorded for the years ended December 31, 2015, 2014 or 2013.

Pursuant to US GAAP, goodwill and intangible assets are evaluated annually on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the present value. The most significant assumptions include our estimated future cash flow, cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. There was no impairment for the goodwill and intangible assets for the years ended December 31, 2015, 2014, and 2013.

Tax valuation allowance and obligations

We record our estimated future tax benefits and liabilities arising from the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards. We estimate the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. As of December 31, 2015, we had recorded approximately \$37.1 million of deferred tax assets (net of \$13.4 million deferred tax liabilities) related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards and tax credit carry-forwards. These deferred tax assets were offset by a valuation allowance of \$11.5 million resulting in a net deferred tax asset of \$25.6 million. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income. There is no assurance that sufficient future taxable income will be generated to benefit from our tax loss carry-forwards and tax credit carry-forwards.

Legal and environmental obligations

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

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

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

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

Item 7A – Quantitative and Qualitative Disclosure about Market Risk

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

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

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

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

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

Historically, our policy has been to borrow in local currencies to finance the development and construction of our long-term assets in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, and as a result of our issuance of fully subordinated Trust Preferred Securities in 2007, and their subsequent partial repayment, approximately 75% and 52% of our Australian and New Zealand assets, respectively, remain subject to such exposure, unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10%, the resulting change in Australian and New Zealand assets would be \$13.0 million and \$3.7 million, respectively, and the change in our net income for the year would be \$1.9 million and \$102,000, respectively. Presently, we have no plan to hedge such exposure.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately \$14.6 million and \$31.1 million as of December 31, 2015 and 2014, respectively.

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

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

Item 8 – Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Reading International, Inc.

We have audited the accompanying consolidated balance sheets of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Schedule II. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 29, 2016 expressed an adverse opinion.

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

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

	December 31, 2015	December 31, 2014 ⁽¹⁾
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 19,702	\$ 50,248
Receivables	10,036	11,348
Inventory	1,122	1,010
Investment in marketable securities	51	54
Restricted cash	160	1,433
Prepaid and other current assets	5,429	3,426
Land held for sale-current	421	10,112
Total current assets	36,921	77,631
Operating property, net	210,298	186,889
Land held for sale-non current	37,966	42,588
Investment and development property, net	23,002	26,124
Investment in unconsolidated joint ventures and entities	5,370	6,169
Investment in Reading International Trust I	838	838
Goodwill	19,715	21,281
Intangible assets, net	9,889	11,486
Deferred tax asset, net	25,649	22,267
Other assets	5,443	6,313
Total assets	\$ 375,091	\$ 401,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 23,638	\$ 19,517
Film rent payable	9,291	9,328
Debt – current portion	15,000	38,104
Taxes payable	5,275	4,593
Deferred current revenue	14,591	14,239
Other current liabilities	7,640	6,969
Total current liabilities	75,435	92,750
Debt – long-term portion	88,028	98,019
Subordinated debt	27,913	27,913
Noncurrent tax liabilities	16,457	17,045
Other liabilities	30,062	33,561
Total liabilities	237,895	269,288
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Class A non-voting common stock, par value \$0.01, 100,000,000 shares authorized, 32,831,113 issued and 21,654,302 outstanding at December 31, 2015 and 32,537,008 issued and 21,741,586 outstanding at December 31, 2014	229	228
Class B voting common stock, par value \$0.01, 20,000,000 shares authorized and 1,680,590 issued and outstanding at December 31, 2015 and 1,495,490 issued and outstanding at December 31, 2014	17	15
Nonvoting preferred stock, par value \$0.01, 12,000 shares authorized and no issued or outstanding shares at December 31, 2015 and 2014	--	--

Additional paid-in capital	143,815	140,237
Accumulated deficit	(9,478)	(32,251)
Treasury shares	(13,524)	(8,582)
Accumulated other comprehensive income	11,806	28,039
Total Reading International, Inc. stockholders' equity	132,865	127,686
Noncontrolling interests	4,331	4,612
Total stockholders' equity	137,196	132,298
Total liabilities and stockholders' equity	\$ 375,091	\$ 401,586

See accompanying notes to consolidated financial statements.

⁽¹⁾ Certain prior period amounts have been reclassified to conform to the current period presentation (see Note 2 – *Significant Accounting Policies – Reclassifications*).

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

	2015	2014 ⁽¹⁾	2013 ⁽¹⁾
Revenue			
Cinema	\$ 242,281	\$ 237,861	\$ 239,418
Real estate	15,042	16,887	18,803
Total revenue	257,323	254,748	258,221
Costs and expenses			
Cinema	(190,007)	(188,435)	(193,206)
Real estate	(10,948)	(9,770)	(10,830)
Depreciation and amortization	(14,562)	(15,468)	(15,197)
General and administrative	(18,652)	(18,902)	(18,053)
Total costs and expenses	(234,169)	(232,575)	(237,286)
Operating income	23,154	22,173	20,935
Interest income	1,268	662	407
Interest expense	(8,572)	(9,662)	(10,444)
Net gain (loss) on sale of assets	11,023	25	(56)
Other income (expense)	(440)	1,646	1,876
Income before income taxes and equity earnings of unconsolidated joint ventures and entities			
	26,433	14,844	12,718
Equity earnings of unconsolidated joint ventures and entities	1,204	1,015	1,369
Income before income taxes	27,637	15,859	14,087
Income tax benefit (expense)	(4,943)	9,785	(4,942)
Net income	\$ 22,694	\$ 25,644	\$ 9,145
Less: Net income (loss) attributable to noncontrolling interests	(79)	(57)	104
Net income attributable to Reading International, Inc. common shareholders	\$ 22,773	\$ 25,701	\$ 9,041
Basic income per share attributable to Reading International, Inc. shareholders	\$ 0.98	\$ 1.10	\$ 0.39
Diluted income per share attributable to Reading International, Inc. shareholders	\$ 0.97	\$ 1.08	\$ 0.38
Weighted average number of shares outstanding—basic	23,293,696	23,431,855	23,348,003
Weighted average number of shares outstanding—diluted	23,495,618	23,749,221	23,520,271

See accompanying notes to consolidated financial statements.

⁽¹⁾ Certain prior period amounts have been reclassified to conform to the current period presentation (see Note 2 – *Significant Accounting Policies – Reclassifications*).

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

	2015		2014 ⁽¹⁾		2013	
Net income	\$	22,694	\$	25,644	\$	9,145
Cumulative foreign currency adjustment		(16,488)		(14,255)		(19,368)
Unrealized income on available for sale investments		2		--		--
Accrued pension service benefit (costs)		207		738		(593)
Comprehensive income (loss)	\$	6,415	\$	12,127	\$	(10,816)
Less: Net income (loss) attributable to noncontrolling interests		(79)		(57)		104
Less: Comprehensive loss attributable to noncontrolling interests		(46)		(41)		(107)
Comprehensive income (loss) attributable to Reading International, Inc.	\$	6,540	\$	12,225	\$	(10,813)

See accompanying notes to consolidated financial statements.

⁽¹⁾ Certain prior period amounts have been reclassified to conform to the current period presentation (see Note 2 – *Significant Accounting Policies – Reclassifications*).

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

	Common Stock				Accumulated			Reading International Inc.		Total	
	Class A Shares	Class A Par Value	Class B Shares	Class B Par Value	Paid-In Capital	Accumulated Deficit	Treasury Stock	Other Comprehensive Income/(Loss)	Stockholders' Equity	Noncontrolling Interests	Stockholders' Equity
At January 1, 2013	21,588	\$ 223	1,495	\$ 15	\$ 136,754	\$ (66,993)	\$ (4,512)	\$ 61,369	\$ 126,856	\$ 4,098	\$ 130,954
Net income	--	--	--	--	--	9,041	--	--	9,041	104	9,145
Other comprehensive loss	--	--	--	--	--	--	--	(19,854)	(19,854)	(107)	(19,961)
Stock option and restricted stock compensation expense	--	2	--	--	948	--	--	--	950	--	950
In-kind exchange of stock for the exercise of options, net issued	22	--	--	--	--	--	--	--	--	--	--
Class A common stock issued for stock bonuses and options exercised	280	--	--	--	248	--	--	--	248	--	248
Conversion of noncontrolling interest to equity	--	--	--	--	(101)	--	--	--	(101)	101	--
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	2,513	2,513
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(2,102)	(2,102)
At December 31, 2013	21,890	\$ 225	1,495	\$ 15	\$ 137,849	\$ (57,952)	\$ (4,512)	\$ 41,515	\$ 117,140	\$ 4,607	\$ 121,747
Net income (loss)	--	--	--	--	--	25,701	--	--	25,701	(57)	25,644
Other comprehensive loss	--	--	--	--	--	--	--	(13,476)	(13,476)	(41)	(13,517)
Stock option and restricted stock compensation expense	--	3	--	--	1,410	--	--	--	1,413	--	1,413
Stock repurchase plan	(432)	--	--	--	--	--	(4,070)	--	(4,070)	--	(4,070)
Class A common stock issued for stock bonuses and options exercised	283	--	--	--	978	--	--	--	978	--	978
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	327	327
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(224)	(224)
At December 31, 2014	21,741	\$ 228	1,495	\$ 15	\$ 140,237	\$ (32,251)	\$ (8,582)	\$ 28,039	\$ 127,686	\$ 4,612	\$ 132,298
Net income (loss)	--	--	--	--	--	22,773	--	--	22,773	(79)	22,694
Other comprehensive loss	--	--	--	--	--	--	--	(16,233)	(16,233)	(46)	(16,279)
Stock option and restricted stock compensation expense	7	--	--	--	1,458	--	--	--	1,458	--	1,458
Stock repurchase plan	(240)	--	--	--	--	--	(3,110)	--	(3,110)	--	(3,110)
Class A common stock issued for stock bonuses and options exercised	235	2	--	--	490	--	--	--	492	--	492
In-kind exchange of stock for the exercise of options, net issued	(89)	(1)	185	2	1,630	--	(1,832)	--	(201)	--	(201)
Contributions from noncontrolling shareholders	--	--	--	--	--	--	--	--	--	17	17
Distributions to noncontrolling shareholders	--	--	--	--	--	--	--	--	--	(173)	(173)
At December 31, 2015	21,654	\$ 229	1,680	\$ 17	\$ 143,815	\$ (9,478)	\$ (13,524)	\$ 11,806	\$ 132,865	\$ 4,331	\$ 137,196

See accompanying notes to consolidated financial statements.

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

	2015	2014 ⁽¹⁾	2013 ⁽¹⁾
Operating Activities			
Net income	\$ 22,694	\$ 25,644	\$ 9,145
Adjustments to reconcile net income to net cash provided by operating activities:			
Foreign currency transactions	--	--	(415)
Equity earnings of unconsolidated joint ventures and entities	(1,204)	(1,015)	(1,369)
Distributions of earnings from unconsolidated joint ventures and entities	1,074	857	1,095
(Gain) loss on sale of assets	(11,023)	(25)	56
Gain on cinema acquisition and settlement	--	--	(1,359)
Change in net deferred tax assets	(4,067)	(14,029)	2,198
Depreciation and amortization	14,562	15,468	15,197
Other amortization	919	2,077	2,601
Stock based compensation expense	1,458	1,413	950
Net change in:			
Receivables	620	(2,753)	281
Prepaid and other assets	(2,386)	(493)	(16)
Accounts payable and accrued expenses	6,479	148	556
Film rent payable	282	3,117	133
Taxes payable	(631)	(4,743)	(3,294)
Deferred revenue and other liabilities	(203)	2,677	(576)
Net cash provided by operating activities	28,574	28,343	25,183
Investing Activities			
Cash received from cinema acquisition	--	--	1,936
Purchases of and additions to operating property	(53,119)	(14,914)	(20,082)
Change in restricted cash	1,292	(614)	1,609
Proceeds from notes receivable	--	--	2,000
Distributions of investment in unconsolidated joint ventures and entities	228	208	395
Proceeds from sale of property	21,889	5,422	--
Proceeds from time deposits	--	--	8,000
Net cash used in investing activities	(29,710)	(9,898)	(6,142)
Financing Activities			
Repayment of long-term borrowings	(35,239)	(7,140)	(28,121)
Proceeds from borrowings	10,500	8,173	12,500
Capitalized borrowing costs	(248)	(1,320)	(563)
Repurchase of Class A Nonvoting Common Stock	(3,310)	(4,070)	--
Proceeds from the exercise of stock options	492	978	248
Noncontrolling interest contributions	17	327	263
Noncontrolling interest distributions	(173)	(223)	(2,102)
Net cash used in financing activities	(27,961)	(3,275)	(17,775)
Effect of exchange rate on cash	(1,449)	(2,618)	(2,101)
Increase (decrease) in cash and cash equivalents	(30,546)	12,552	(835)
Cash and cash equivalents at the beginning of the period	50,248	37,696	38,531
Cash and cash equivalents at the end of the period	\$ 19,702	\$ 50,248	\$ 37,696
Supplemental Disclosures			
Interest paid	\$ 9,023	\$ 9,504	\$ 6,953
Income taxes paid, net	8,553	6,407	5,903
Non-Cash Transactions			
Lease make-good accrual	\$ 1,314	\$ 4,385	\$ --
Contribution from noncontrolling shareholder in exchange for debt reduction - related party	--	--	2,250
Conversion of noncontrolling interest to equity	--	--	101
In-kind exchange of stock for the exercise of options, net	1,833	--	301

See accompanying notes to consolidated financial statements.

⁽¹⁾ Certain prior period amounts have been reclassified to conform to the current period presentation (see Note 2 – *Significant Accounting Policies – Reclassifications*).

NOTE 1 – Description of Business and Segment Reporting

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

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

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

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

(Dollars in thousands)	2015			2014			2013		
	Cinema	Real Estate	Total	Cinema	Real Estate	Total	Cinema	Real Estate	Total
Revenue	\$ 242,281	\$ 21,579	\$ 263,860	\$ 237,861	\$ 24,348	\$ 262,209	\$ 239,418	\$ 26,456	\$ 265,874
Inter-segment elimination ⁽¹⁾	--	-	(6,537)	--	-	(7,461)	--	--	(7,653)
Total revenue	242,281	21,579	257,323	237,861	24,348	254,748	239,418	26,456	258,221
Operating expense									
Cost of services and products (excluding depreciation and amortization)	(196,544)	(10,948)	(207,492)	(195,896)	(9,770)	(205,666)	(200,859)	(10,830)	(211,689)
Inter-segment elimination ⁽¹⁾	-	--	6,537	-	--	7,461	-	--	7,653
Total cost of services and products	(196,544)	(10,948)	(200,955)	(195,896)	(9,770)	(198,205)	(200,859)	(10,830)	(204,036)
Depreciation and amortization	(11,161)	(3,107)	(14,268)	(11,047)	(4,061)	(15,108)	(10,741)	(4,023)	(14,764)
General and administrative expense	(3,000)	(728)	(3,728)	(3,575)	(1,042)	(4,617)	(3,273)	(644)	(3,917)
Total operating expense	(210,705)	(14,783)	(218,951)	(210,518)	(14,873)	(217,930)	(214,873)	(15,497)	(222,717)
Segment operating income	\$ 31,576	\$ 6,796	\$ 38,372	\$ 27,343	\$ 9,475	\$ 36,818	\$ 24,545	\$ 10,959	\$ 35,504

⁽¹⁾ Inter-segment eliminations relates to the internal charge between the two segments where the cinema operates within real estate owned within the group.

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

(Dollars in thousands)	2015	2014	2013
Segment operating income	\$ 38,372	\$ 36,818	\$ 35,504
Unallocated corporate expense:			
Depreciation and amortization expense	(294)	(360)	(433)
General and administrative expense	(14,924)	(14,285)	(14,136)
Interest expense, net	(7,304)	(9,000)	(10,037)
Equity earnings of unconsolidated joint ventures and entities	1,204	1,015	1,369
Gain (loss) on sale of assets	11,023	25	(56)
Other income (expense)	(440)	1,646	1,876
Income before income taxes	\$ 27,637	\$ 15,859	\$ 14,087

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

(Dollars in thousands)	December 31, 2015	December 31, 2014	December 31, 2013
By segment:			
Cinema	\$ 107,808	\$ 107,695	\$ 120,709
Real estate	219,813	219,737	226,926
Corporate ⁽¹⁾	47,470	74,154	39,172
Total assets	\$ 375,091	\$ 401,586	\$ 386,807
By country:			
United States	\$ 131,965	\$ 141,768	\$ 110,677
Australia	173,227	178,202	196,050
New Zealand	69,899	81,616	80,080
Total assets	\$ 375,091	\$ 401,586	\$ 386,807

⁽¹⁾ Includes cash and cash equivalents of \$19.7million, \$50.2 million, and \$37.7 million for the years ended December 31, 2015, 2014, and 2013, respectively.

The following table sets forth our operating properties by country:

(Dollars in thousands)	December 31, 2015	December 31, 2014	December 31, 2013
Australia	\$ 106,985	\$ 87,536	\$ 97,240
New Zealand	36,526	39,800	36,319
United States	66,787	59,553	58,101
Total operating property	\$ 210,298	\$ 186,889	\$ 191,660

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

(Dollars in thousands)	2015	2014	2013
Segment capital expenditures	\$ 52,989	\$ 14,310	\$ 19,910
Corporate capital expenditures	130	604	172
Total capital expenditures	\$ 53,119	\$ 14,914	\$ 20,082

NOTE 2 – Summary of Significant Accounting Policies

Significant Accounting Policies

Basis of Consolidation

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

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

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

Accounting Principles

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

Reclassifications

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

Use of Estimates

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

Cash and Cash Equivalents

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

Receivables

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

Investment in Marketable Securities

Our investment in Marketable Securities includes equity instruments that are classified as available for sale and are recorded at market using the specific identification method. Available for sale securities are carried at their fair market value and any difference between cost and market value is recorded as unrealized gain or loss, net of income taxes, and is reported as accumulated other comprehensive income in the consolidated statement of stockholders' equity. Premiums and discounts of any debt instruments are recognized in interest income using the effective interest method. Realized gains and losses and declines in value expected to be other-than-temporary on available for sale securities are included in other expense. We evaluate our available for sale securities for other than

temporary impairments at the end of each reporting period. These investments have a cumulative unrealized gain of \$12,000 included in other comprehensive income at December 31, 2015. For the years ended December 31, 2015, 2014, and 2013, our net unrealized losses were \$2,000, \$1,000, and \$0, respectively. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in interest income.

Inventory

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

Restricted Cash

We classify restricted cash as those cash accounts for which the use of funds is restricted by contract or bank covenant. At December 31, 2015 and 2014, our restricted cash balance was \$160,000 and \$1,433,000, respectively.

Fair Value Measurements

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

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

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

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

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

Recurring Fair Value Measurements

Cash Equivalents

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

Investments in Marketable Securities

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

Derivatives

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

Nonrecurring Fair Value Measurements

Goodwill, Other Intangible Assets, and Long-Lived Assets

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

Debt

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

Fair Value of Financial Instruments

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

Derivative Financial Instruments

We carry all derivative financial instruments on our consolidated balance sheets at fair value. Derivatives are generally executed for interest rate management purposes but are not designated as hedges. Therefore, changes in market values are recognized in current earnings.

Operating property

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

Investment and Development Property

Investment and development property consists of land, new buildings and improvements under development, and their associated capitalized interest and other development costs that we are either holding for development, currently developing, or holding for investment appreciation purposes. These properties are initially recorded at the lower of cost or fair market value. Within investment and development property are building and improvement costs directly associated with the development of potential cinemas (whether for sale or lease), the development of entertainment-themed centers ("ETCs"), or other improvements to real property. As incurred, we expense start-up costs (such as pre-opening cinema advertising and training expense) and other costs not directly related to the acquisition and development of long-term assets. We cease capitalization on a development property when the property is complete and ready for its intended use, or if activities necessary to get the property ready for its intended use have been substantially curtailed.

Goodwill, Other Intangible Assets and Long-Lived Assets

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

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

For certain non-income producing properties, we obtain appraisals or other evidence to evaluate whether there are impairment indicators for these assets. No impairment losses were recorded for long-lived and finite lived intangible assets for the years ended December 31, 2015, 2014 or 2013.

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least annually on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. No impairment losses were recorded for goodwill and indefinite lived intangible assets for the years ended December 31, 2015, 2014, and 2013.

Variable Interest Entity

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

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

Properties Held for Sale

When a property is classified as held for sale, we present the respective assets and liabilities related to the property held for sale separately on the balance sheet and cease to record depreciation and amortization expense. Properties held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell.

Revenue Recognition

Revenue from cinema ticket sales and concession sales are recognized when sold. Revenue from gift certificate sales is deferred and recognized when the certificates are redeemed. Rental revenue is recognized on a straight-line basis.

Deferred Leasing/Financing Costs

Direct costs incurred in connection with obtaining tenants and/or financing are amortized over the respective term of the lease or loan on a straight-line basis. Direct costs incurred in connection with financing are amortized over the respective term of the loan utilizing the effective interest method, or straight-line method if the result is not materially different. In addition, interest on loans with increasing interest rates and scheduled principal pre-payments are also recognized on the effective interest method. Net deferred financing costs are included in prepaid and other assets (see Note 8 – *Prepaid and Other Assets*)

Advertising Expense

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

Legal Settlement Income/Expense

For the years ended December 31, 2015, 2014, and 2013, we recorded gains/(losses) on the settlement of litigation of (\$495,000), (\$83,000), and (\$285,000), respectively, included in other income/(expense). Also included in other income/(expense) for the year ended December 31, 2013, was a \$1.4 million net gain on acquisition and settlement (see Note 4 – *Acquisitions, Disposals, and Assets Held for Sale*).

Depreciation and Amortization

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

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

Translation Policy

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

The carrying value of our Australian and New Zealand assets fluctuates due to changes in the exchange rate between the U.S. dollar and the Australian and New Zealand dollars. The exchange rates of the Australian dollar to the U.S. dollar were \$0.7286, \$0.8173 and \$0.8929 as of December 31, 2015, 2014 and 2013 respectively. The exchange rates of the New Zealand dollar to the U.S. dollar were \$0.6842, \$0.7796 and \$0.8229 as of December 31, 2015, 2014 and 2013 respectively.

Income Taxes

We account for income taxes under an asset and liability approach. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and are classified as noncurrent on the balance sheets in accordance with current US GAAP (see *Accounting Pronouncements Adopted and Issued During 2015* below). Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense (benefit) is the tax payable (refundable) for the period and the change during the period in deferred tax assets and liabilities.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results

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

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

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

Earnings Per Share

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

Real Estate Purchase Price Allocation

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

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

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

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

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

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

Business Acquisition Valuations

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

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

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

Out-of-Period Adjustment

In the fourth quarter of fiscal year 2015, we recorded out-of-period adjustments of \$514,000 to decrease our income tax expenses in our consolidated statements of operations. The adjustments, which increased deferred tax asset by \$2,116,000, increased additional paid in capital by \$793,000, increased other comprehensive income by \$1,859,000 and decreased other non-current liabilities by \$1,050,000, were made to correct our income tax and related equity and liability accounts. Of the \$514,000 adjustment to decrease the income tax expense in 2015, \$1,286,000 relates to the adjustment that should have been recorded in 2014, thus reducing our income tax benefit by this amount. The remaining \$1,800,000 relates to income taxes pertaining to years prior to 2014 cumulatively, that would have increased our deferred tax asset by such amount. We determined that the adjustments did not have a material impact to our current or prior period consolidated financial statements.

Accounting Pronouncements Adopted and Issued During 2015

Adopted:

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

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

Issued:

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

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

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

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

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

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

NOTE 3 – Earnings Per Share

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

(Dollars in thousands, except share and per share data)	2015	2014	2013
Numerator:			
Net income attributable to RDI common stockholders	\$ 22,773	\$ 25,701	\$ 9,041
Denominator:			
Weighted average shares of common stock – basic	23,293,696	23,431,855	23,348,003
Weighted average dilutive impact of stock-based awards	201,922	317,366	172,268
Weighted average shares of common stock – diluted	23,495,618	23,749,221	23,520,271
Basic EPS attributable to RDI common stockholders	\$ 0.98	\$ 1.10	\$ 0.39
Diluted EPS attributable to RDI common stockholders	\$ 0.97	\$ 1.08	\$ 0.38
Awards excluded from diluted EPS	-	248,750	528,850

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

2015 Transactions

Doheny Condo, Los Angeles

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

Taupo, New Zealand

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

Newmarket, Australia

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

Cannon Park, Queensland, Australia

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

The acquired assets consist primarily of the land and buildings, which is approximately 98% leased to existing tenants. Tenancies range from having 9 months to 8 years left to run on their leases.

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

(Dollars in thousands)	US Dollars	AU dollars
Prepaid assets	\$ 28	38
Property & Equipment:		
Land	7,609	10,500
Building	16,712	23,060
Total purchase price	\$ 24,349	33,598

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

2014 Transactions

Burwood, Australia

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

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

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

2013 Transactions

Plano Cinema

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

Moonee Ponds, Australia

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

NOTE 5 – Property and Equipment**Operating Property, Net**

Property associated with our operating activities is summarized as follows:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Land	\$ 70,063	\$ 62,024
Building and improvements	126,622	120,913
Leasehold improvements	46,874	46,813
Fixtures and equipment	112,423	107,286
Construction-in-progress	7,825	4,681
Total cost	363,807	341,717
Less: accumulated depreciation	(153,509)	(154,828)
Operating property, net	\$ 210,298	\$ 186,889

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

Investment and Development Property

Investment and development property is summarized as follows:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Land	\$ 21,434	\$ 23,833
Construction-in-progress (including capitalized interest)	1,568	2,291
Investment and development property, net	\$ 23,002	\$ 26,124

NOTE 6 – Investments in and Advances to Unconsolidated Joint Ventures and Entities

Investments in and advances to unconsolidated joint ventures and entities are accounted for under the equity method of accounting, except for Rialto Distribution as described below. The table below summarizes our investments in unconsolidated joint ventures and entities:

(Dollars in thousands)	Interest	December 31, 2015	December 31, 2014
Rialto Distribution	33.3%	\$ --	\$ --
Rialto Cinemas	50.0%	1,276	1,564
Mt. Gravatt	33.3%	4,094	4,605
Total investments		\$ 5,370	\$ 6,169

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

(Dollars in thousands)	2015	2014	2013
Rialto Distribution	\$ 22	\$ 120	\$ 159
Rialto Cinemas	136	297	221
205-209 East 57 th Street Associates, LLC	--	--	(1)
Mt. Gravatt	1,046	598	990
Total equity earnings	\$ 1,204	\$ 1,015	\$ 1,369

Rialto Distribution

Due to significant losses in years past, we determined that the goodwill associated with Rialto Distribution's investment in the film distribution business was fully impaired. As a result of these losses, as of January 1, 2010, we treat our interest as a cost method interest in an unconsolidated joint venture, and record income based on the distributions we receive. We have also fully provided for any losses that may result from the bank guarantee that has been given to Rialto Distribution.

Rialto Cinemas

We own an undivided 50.0% interest in the assets and liabilities of the Rialto Entertainment joint venture that owns and operates 2 movie theaters, with 13 screens in New Zealand.

Mt. Gravatt

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

Malulani Investments, Limited

On June 26, 2006, we acquired for \$1.8 million, an 18.4% interest in a private real estate company. On July 2, 2009, Magoon Acquisition and Development, LLC ("Magoon LLC") and we entered into a settlement agreement (the "Settlement Terms") with respect to a lawsuit against certain officers and directors of Malulani Investments, Limited ("MIL"). Under the Settlement Terms, Magoon LLC and we received \$2.5 million in cash, a \$6.8 million three-year 6.25% secured promissory note issued by The Malulani Group ("TMG"), and a ten-year "tail interest" in MIL and TMG in exchange for the transfer of all ownership interests in MIL and TMG held by both Magoon, LLC and RDI and for the release of all claims against the defendants in this matter. A gain on the transfer of our ownership interest in MIL of \$268,000 was recognized during 2009 as a result of this transaction. The tail interest allows us to participate in certain distributions made or received by MIL, TMG, and in certain cases, the shareholders of TMG. The tail interest, however, continues only for a period of ten years and we cannot assure that we will receive any distributions from this tail interest. During 2013, we received \$191,000 in interest on the promissory note, and, on June 14, 2011, we received \$6.8 million of principal and interest owed on this note. We believe that further amounts are owed under the note and we have begun litigation to collect such amounts. Any further collections will be recognized when received.

NOTE 7 – Goodwill and Intangible Assets

The table below summarizes goodwill by business segment:

(Dollars in thousands)	Cinema	Real Estate	Total
Balance at January 1, 2014	\$ 16,935	\$ 5,224	\$ 22,159
Foreign currency translation adjustment	(878)	--	(878)
Balance at December 31, 2014	\$ 16,057	\$ 5,224	\$ 21,281
Foreign currency translation adjustment	(1,566)	--	(1,566)
Balance at December 31, 2015	\$ 14,491	\$ 5,224	\$ 19,715

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

The tables below summarize intangible assets other than goodwill:

(Dollars in thousands)	December 31, 2015			Total
	Beneficial Leases	Trade Name	Other Intangible Assets	
Gross carrying amount	\$ 26,793	\$ 7,254	\$ 696	\$ 34,743
Less: Accumulated amortization	(20,108)	(4,300)	(446)	(24,854)
Net intangible assets other than goodwill	\$ 6,685	\$ 2,954	\$ 250	\$ 9,889

December 31, 2014

(Dollars in thousands)	Beneficial Leases	Trade Name	Other Intangible Assets	Total
Gross carrying amount	\$ 24,150	\$ 7,254	\$ 423	\$ 31,827
Less: Accumulated amortization	(15,989)	(3,929)	(423)	(20,341)
Net intangible assets other than goodwill	\$ 8,161	\$ 3,325	\$ --	\$ 11,486

We amortize our beneficial leases over the lease period, the longest of which is approximately 24 years; our trade name using an accelerated amortization method over its estimated useful life of 45 years; and our option fee and other intangible assets over 10 years. For the years ended December 31, 2015, 2014, and 2013, our amortization expense was \$1.7 million, \$2.0 million, and \$2.2 million, respectively. As of December 31, 2015, the estimated amortization expense in the five succeeding years and thereafter is as follows:

(Dollars in thousands)	Estimated Future Amortization Expense
2016	\$ 1,657
2017	1,263
2018	1,148
2019	815
2020	813
Thereafter	4,193
Total future amortization expense	\$ 9,889

NOTE 8 – Prepaid and Other Assets

Prepaid and other assets are summarized as follows:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Prepaid and other current assets		
Prepaid expenses	\$ 879	\$ 1,166
Prepaid taxes	1,023	855
Income taxes receivable	2,137	--
Prepaid rent	1,021	1,033
Deposits	369	369
Other	--	3
Total prepaid and other current assets	\$ 5,429	\$ 3,426
Other non-current assets		
Other non-cinema and non-rental real estate assets	\$ 1,134	\$ 1,134
Deferred financing costs, net	1,828	2,515
Interest rate cap at fair value	1	--
Straight-line rent asset	2,417	2,547
Long-term deposits	63	97
Other	--	20
Total non-current assets	\$ 5,443	\$ 6,313

NOTE 9 - Income Taxes

Income before income tax expense includes the following:

(Dollars in thousands)	2015	2014	2013
United States	\$ 3,284	\$ 2,778	\$ 8,745
Foreign	23,149	12,066	3,973
Income before income tax expense and equity earnings of unconsolidated joint ventures and entities	\$ 26,433	\$ 14,844	\$ 12,718
<i>Net (income) expense attributable to noncontrolling interests:</i>			
United States	206	200	24
Foreign	(127)	(143)	(128)
<i>Equity earnings and gain on sale of unconsolidated subsidiary:</i>			
United States	--	--	(1)
Foreign	1,204	1,015	1,370
Income before income tax expense, net of non-controlling interests	\$ 27,716	\$ 15,916	\$ 13,983

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

(Dollars in thousands)	2015	2014	2013
Current income tax expense			
Federal	\$ 481	\$ 827	\$ 1,121
State	516	511	432
Foreign	3,120	1,251	1,283
Total	4,117	2,589	2,836
Deferred income tax expense (benefit)			
Federal	438	(14,341)	--
State	(971)	(1,234)	--
Foreign	1,359	3,201	2,106
Total	826	(12,374)	2,106
Total income tax expense (benefit)	\$ 4,943	\$ (9,785)	\$ 4,942

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

(Dollars in thousands)	December 31, 2015	December 31, 2014
Deferred Tax Assets:		
Net operating loss carry-forwards	\$ 13,286	\$ 9,218
Alternative minimum tax credit carry-forwards	540	3,540
Compensation and employee benefits	5,531	6,625
Deferred revenue	7,657	8,564
Accrued expenses	7,971	7,409
Accrued taxes	3,285	4,264
Land and property	11,264	12,797
Other	1,058	924
Total Deferred Tax Assets	50,592	53,341
Deferred Tax Liabilities:		
Intangibles	(2,321)	(3,217)
Cancellation of indebtedness	(2,396)	(3,824)
Notes receivable	(8,696)	(8,097)
Total Deferred Tax Liabilities	(13,413)	(15,138)
Net deferred tax assets before valuation allowance	37,179	38,203
Valuation allowance	(11,530)	(15,936)
Net deferred tax asset	\$ 25,649	\$ 22,267

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. US GAAP presumes that a valuation allowance is required when there is substantial negative evidence about the realization of deferred tax assets, such as a pattern of comprehensive losses in recent years, coupled with facts that suggest such losses may continue. Because such negative evidence is available for our Puerto Rico, New Zealand and US state operations as of December 31, 2015, we recorded a valuation allowance of \$11.5 million.

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

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

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

We expect no other substantial limitations on the future use of U.S. or foreign loss carry-forwards except as described above.

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

(Dollars in thousands)	2015	2014	2013
Expected tax provision	\$ 9,397	\$ 5,571	\$ 4,894
<i>Increase (decrease) in tax expense resulting from:</i>			
Foreign tax rate differential	(654)	1,252	3,095
Change in valuation allowance	1,531	(17,187)	(3,882)
Indefinite reinvestment assertion	(3,089)	--	--
State and local tax provision	1,113	375	296
State rate and law change	(3,635)	--	--
Prior year adjustments	(514)	--	--
Unrecognized tax benefits	946	700	1,140
Other	(152)	(496)	(601)
Actual tax provision (benefit)	\$ 4,943	\$ (9,785)	\$ 4,942

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

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

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

(Dollars in thousands)	2015	2014	2013
Unrecognized tax benefits – gross beginning balance	\$ 3,760	\$ 2,160	\$ 2,171
Gross increases – prior period tax provisions	6,679	1,600	(11)
Gross increases – current period tax positions	583	--	--
Unrecognized tax benefits – gross ending balance	\$ 11,022	\$ 3,760	\$ 2,160

We record interest and penalties related to income tax matters as part of income tax expense.

We had approximately \$10.8 million and \$11.4 million of gross tax benefits as of the adoption date and December 31, 2007, respectively, plus \$1.7 million and \$2.3 million of tax interest unrecognized on the financial statements as of each date, respectively. The gross tax benefits mostly reflect operating loss carry-forwards and the IRS “*Tax Audit/Litigation*” case described below in Note 12 – *Commitments and Contingencies*.

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

It is difficult to predict the timing and resolution of uncertain tax positions. Based upon the Company’s assessment of many factors, including past experience and judgments about future events, it is probable that within the next 12 months the reserve for uncertain tax positions will increase within a range of \$500,000 to \$1.5 million. The reasons for such change include but are not limited to tax positions expected to be taken during 2016, revaluation of current uncertain tax positions, and expiring statutes of limitations.

Generally, changes to our federal and most state income tax returns for the calendar year 2010 and earlier are barred by statutes of limitations. Certain U.S. subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. Those deficiencies have been settled, as discussed in “*Tax Audit/Litigation*,” Note 12 – *Commitments and Contingencies*. New Zealand tax returns for the Reading New Zealand tax consolidated group for 2009 and later are under examination as of December 31, 2015. The income tax returns filed in Australia and Puerto Rico for calendar year 2011 and afterward generally remain open for examination as of December 31, 2015.

NOTE 10 - Debt

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

December 31, 2015						
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	
Denominated in USD						
Trust Preferred Securities (USA)	April 30, 2027	\$ 27,913	\$ 27,913	4.32%	5.20%	
Bank of America Credit Facility (USA)	November 28, 2019	55,000	29,750	2.92%	3.65%	
Bank of America Line of Credit (USA)	October 31, 2017	5,000	2,500	3.42%	3.42%	
Cinema 1, 2, 3 Term Loan (USA)	July 1, 2016	15,000	15,000	3.75%	3.75%	
Cinema 1, 2, 3 Line of Credit (USA)	July 1, 2016	6,000	--	3.75%	3.75%	
Minetta & Orpheum Theatres Loan (USA)	June 1, 2018	7,500	7,500	3.00%	3.00%	
Union Square Line of Credit (USA)	June 2, 2017	8,000	8,000	3.65%	3.65%	
Denominated in FC ⁽²⁾						
NAB Corporate Term Loan (AU)	June 30, 2019	48,452	26,594	3.06%	3.06%	
Westpac Corporate Credit Facility (NZ)	March 31, 2018	34,210	13,684	4.45%	4.45%	
Total		\$ 207,075	\$ 130,941			

⁽¹⁾ Effective interest rate includes the impact of interest rate derivatives hedging the interest rate risk associated with Trust Preferred Securities and Bank of America Credit Facility that were outstanding as of December 31, 2015.

⁽²⁾ The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollars based on the applicable exchange rates as of December 31, 2015.

December 31, 2014						
(Dollars in thousands)	Maturity Date	Contractual Facility	Balance	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	
Denominated in USD						
Trust Preferred Securities (USA)	April 30, 2027	\$ 27,913	\$ 27,913	4.23%	5.20%	
Bank of America Credit Facility (USA)	November 28, 2019	55,000	29,750	2.67%	3.65%	
Bank of America Line of Credit (USA)	October 31, 2017	5,000	--	3.17%	3.17%	
Cinema 1, 2, 3 Term Loan (USA)	July 1, 2016	15,000	15,000	3.69%	3.69%	
Cinema 1, 2, 3 Line of Credit (USA)	July 1, 2016	6,000	--	3.69%	3.69%	
Minetta & Orpheum Theatres Loan (USA)	June 1, 2018	7,500	7,500	2.94%	2.94%	
Union Square Theatre Term Loan (USA)	May 1, 2015	7,500	6,468	5.92%	5.92%	
Denominated in FC ⁽²⁾						
NAB Corporate Term Loan (AU)	June 30, 2019	47,403	47,403	5.04%	7.85%	
NAB Corporate Credit Facility (AU)	June 30, 2019	8,173	8,173	5.04%	5.04%	
Westpac Corporate Credit Facility (NZ)	March 31, 2015	21,829	21,829	5.80%	5.80%	
Total		\$ 201,318	\$ 164,036			

⁽¹⁾ Effective interest rate includes the impact of interest rate derivatives hedging interest rate risk associated with Trust Preferred Securities, Bank of America Credit Facility and NAB Corporate Term Loan.

⁽²⁾ The contractual facilities and outstanding balances of the FC-denominated borrowings were translated into U.S. dollar based on the applicable exchange rates as of December 31, 2014.

Debt denominated in USD

Trust Preferred Securities ("TPS")

On February 5, 2007, we issued \$51.5 million in 20-year fully subordinated notes to a trust that we control, which in turn issued \$51.5 million in securities. Of the \$51.5 million, \$50.0 million in TPS were issued to unrelated investors in a private placement and \$1.5 million of common trust securities were issued by the trust to Reading called "Investment in Reading International Trust I" on our balance sheets. Effective May 1, 2012, the interest rate on our Trust Preferred Securities changed from a fixed rate of 9.22%, which was in effect for five years, to a variable rate of three month LIBOR plus 4.00%, which will reset each quarter through the end of the loan unless we exercise our right to re-fix the rate at the current market rate at that time. Effective October 28, 2013, we entered into a fixed interest rate swap of \$27.9 million at 1.20% plus the 4.00% margin, expiring on October 31, 2017, see Note 15 – *Derivative Instruments*. There are no principal payments due until maturity in 2027 when the notes and the trust securities are scheduled to be paid in full. We may pay off the debt after the first five years at 100% of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a number of affirmative and negative covenants designed to monitor our ability to service the debt. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. However, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years (through December 31, 2017), in consideration of the payment of \$1.6 million, consisting of an initial payment of \$1.1 million, a payment of \$270,000 made in December 2011, and a payment of \$270,000 in December 2014.

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

During 2015, 2014, and 2013, we paid \$1.4 million, \$1.4 million, and \$1.2 million, respectively, in preferred dividends to the unrelated investors that are included in interest expense. At December 31, 2015 and 2014, we had preferred dividends payable of \$198,000 and \$194,000, respectively. Interest payments for this loan are required every three months.

Bank of America Credit Facility

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

Bank of America Line of Credit

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

Cinemas 1,2,3 Term Loan and Line of Credit

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

Minetta and Orpheum Theatres Loan

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

Union Square Theatre Line of Credit

On June 2, 2015, we replaced our Union Square Term Loan with an \$8.0 million "non-revolving" LOC with East West Bank, collateralized by our Union Square property. The LOC bears an interest rate of 2.95% above the 90-day LIBOR and matures on June 2, 2017, with an option to extend for one additional year.

Debt denominated in foreign currencies

Australian NAB Corporate Term Loan and Revolver

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

2.35% above the BBSY, and amortization at AU\$2.0 million per year; (2) the Bill Discount Facility – Revolving with a facility limit of AU\$10.0 million and an interest rate of 1.50% above the BBSY on any undrawn portion; and (3) the Bank Guarantee Facility with a facility limit of AU\$5.0 million, into a corresponding \$48.5 million (AU\$66.5 million) Revolving Corporate Markets Loan facility. The new facility has an interest rate of 0.95% above BBSY on any outstanding borrowings and an unchanged maturity date of June 30, 2019. In addition, we will incur a facility fee of 0.95% per annum. We also have a \$3.6 million (AU\$5.0 million) Bank Guarantee facility at a rate of 1.90% per annum. The modifications of this particular term loan were not considered to be substantial in accordance with US GAAP.

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

New Zealand Corporate Credit Facility

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

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

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

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

NOTE 11 – Pension and Other Liabilities

Other liabilities including pension are summarized as follows:

(Dollars in thousands)	December 31, 2015		December 31, 2014	
Current liabilities				
Lease liability ⁽¹⁾	\$	5,900	\$	5,900
Accrued pension ⁽²⁾		1,539		855
Security deposit payable		180		202
Other		21		12
Other current liabilities	\$	7,640	\$	6,969
Other liabilities				
Straight-line rent liability	\$	10,823	\$	9,246
Accrued pension ⁽²⁾		6,236		6,740
Lease make-good provision		5,228		4,385
Environmental reserve		1,656		1,656
Interest rate swap		156		2,177
Deferred Revenue - Real Estate		4,596		5,083
Acquired leases		866		1,265
Other		501		3,009
Other liabilities	\$	30,062	\$	33,561

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

⁽²⁾ Represents the pension liability associated with the Supplemental Executive Retirement Plan explained below.

Lease Liability - Village East Purchase Option

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires June 1, 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than \$100,000 each. Because our late Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, Sr. was also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we have recorded the Village East Cinema building as a property asset of \$4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding lease liability of \$5.9 million presented under other liabilities which accreted up to the \$5.9 million liability till July 1, 2013 (see Note 18 – *Related Parties and Transactions*). As the option is able to be exercised by SHC starting on July 1, 2013, the lease liability has been classified as part of other current liabilities.

Pension Liability - Supplemental Executive Retirement Plan

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

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

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

(Dollars in thousands)	December 31, 2015	December 31, 2014
Benefit obligation at January 1	\$ 7,595	\$ 7,398
Interest cost	180	255
Actuarial gain	--	(58)
Benefit obligation at December 31	\$ 7,775	\$ 7,595
Funded status at December 31	\$ (7,775)	\$ (7,595)

Amounts recognized in the balance sheet consists of:

(Dollars in thousands)	December 31, 2015	December 31, 2014
Current liabilities	\$ 1,539	\$ 855
Other liabilities - Non current	6,236	6,740
	\$ 7,775	\$ 7,595

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

(Dollars in thousands)	December 31, 2015	December 31, 2014
Net periodic benefit cost		
Interest cost	\$ 180	\$ 209
Amortization of prior service costs	--	254
Amortization of net actuarial gain	207	426
Net periodic benefit cost	<u>\$ 387</u>	<u>\$ 889</u>
Items recognized in other comprehensive income		
Net loss	\$ --	\$ (58)
Amortization of prior service cost	--	(254)
Amortization of net loss	(207)	(426)
Total recognized in other comprehensive income	<u>\$ (207)</u>	<u>\$ (738)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 180</u>	<u>\$ 151</u>

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

(Dollars in thousands)	December 31, 2015	December 31, 2014
Unamortized actuarial loss	\$ 2,848	\$ 3,055
Accumulated other comprehensive loss	<u>\$ 2,848</u>	<u>\$ 3,055</u>

The estimated unamortized actuarial loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year will be \$207,000.

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

(Dollars in thousands)	Estimated Future Pension Payments	
2016	\$	1,539
2017		684
2018		684
2019		684
2020		684
Thereafter		<u>3,500</u>
Total pension payments	<u>\$</u>	<u>7,775</u>

Lease Make-Good Provision

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

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

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

NOTE 12 - Commitments and Contingencies

LEASE COMMITMENTS

The Company has entered into various leases for our cinema exhibition segment because most of our cinemas operate in leased facilities. We also lease office space and equipment under non-cancelable operating leases. As of December 31, 2015, the remaining terms of these leases, inclusive of options, range from 1 to 35 years. All of our leases are accounted for as operating leases and we do not have any capital leases as of December 31, 2015.

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

(Dollars in thousands)	2015	2014	2013
Base rent expense	\$ 30,565	\$ 30,914	\$ 32,054
Contingent rental expense	1,848	1,223	1,302
Total cinema rent expense	\$ 32,413	\$ 32,137	\$ 33,356

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

(Dollars in thousands)	Minimum Lease Payments at December 31, 2015			
	Ground Lease	Premises Lease	Equipment Lease	Total
2016	\$ 3,529	\$ 23,894	\$ 2,694	\$ 30,117
2017	3,621	23,712	2,665	29,998
2018	3,629	22,458	--	26,087
2019	3,691	19,683	--	23,374
2020	1,388	15,324	--	16,712
Thereafter	11,339	110,790	--	122,129
Total	\$ 27,197	\$ 215,861	\$ 5,359	\$ 248,417

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

LITIGATION

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

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

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

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

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

TAX AUDIT/LITIGATION

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

ENVIRONMENTAL AND ASBESTOS CLAIMS

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

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

DERIVATIVE LITIGATION AND JAMES J. COTTER, JR. ARBITRATION

On June 12, 2015, the Board of Directors terminated James J. Cotter, Jr. as the President and Chief Executive Officer of our Company. That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a derivative action, and titled "James J. Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al." Case No.: A-15-719860-V, Dept XI (the "Cotter Jr. Derivative Action" and the "Cotter, Jr. Complaint," respectively) against the Company and each of our other then sitting Directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Tim Storey, the "Defendant Directors") in the Eighth Judicial District Court of the State of Nevada for Clark County (the "Nevada District Court"). On October 22, 2015, Mr. Cotter, Jr., amended his complaint to drop his individual claims (the "Amended Cotter Jr. Derivative Complaint"). Accordingly, the Amended Cotter, Jr. Complaint presently purports to assert only purportedly derivative claims and to seek remedies only on behalf of the Company. The lawsuit currently alleges, among other things, that the Defendant Directors breached their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief Executive Officer,

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

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

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

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

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

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

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

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

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

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

THE STOMP ARBITRATION

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

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

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

NOTE 13 – Noncontrolling interests

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

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

The components of noncontrolling interest are as follows:

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

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

(Dollars in thousands)	2015	2014	2013
AFC LLC	\$ --	\$ --	\$ 173
Australian Country Cinemas, Pty Ltd	126	143	129
Shadow View Land and Farming, LLC	(77)	(64)	(50)
Sutton Hill Properties, LLC	(128)	(136)	(148)
Noncontrolling interests in consolidated subsidiaries	\$ (79)	\$ (57)	\$ 104

AFC LLC Acquisition of Noncontrolling Interest

On June 28, 2013, we acquired the interest in AFC LLC that we did not already own in consideration of the release of certain claims we held against the owner of that interest under a guaranty agreement. The removal of the AFC LLC noncontrolling interest balance at December 31, 2013 was reflected as a change in our additional paid in capital.

Shadow View Land and Farming, LLC

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

Sutton Hill Properties

On June 18, 2013, our co-investor, having a 25% interest in our Sutton Hill Properties subsidiary, contributed \$2.25 million toward the payoff of our SHC Note 2 for \$9.0 million, resulting in a \$2.25 million contribution of capital to Sutton Hill Properties (See Note 10 – *Debt*).

NOTE 14 – Equity and Stock-Based Compensation

Former Executive Stock Based Compensation

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

	Fair Value	Number of Shares	Fair Value Per Share
2014	\$ 1,200,000	160,643	\$ 7.47
2013	750,000	125,209	5.99

Employee and Director Stock Option Plan

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

Stock options are generally granted at exercise prices equal to the grant-date market prices and expire no later than ten years from the grant date. In recent periods, we have typically limited the exercise period of granted options to five years. At the discretion of our Compensation and Stock Options Committee, the vesting period of stock options ranges from zero to four years. At the time that options are exercised, at the discretion of management, we will either issue treasury shares or make a new issuance of shares to the option holder.

We estimate the grant-date fair value of our options using the Black-Scholes option-valuation model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the expected stock price volatility, and the expected life of the options. We expense the estimated grant-date fair values of options over the vesting period on a straight-line basis. Based on our historical experience and the relative market price to strike price of the options, we have not hereto estimated any forfeitures of vested or unvested options.

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

	2015	2014	2013
Stock option exercise price	\$ 13.30	\$ 8.56	\$ 6.19
Risk-free interest rate	2.23%	2.51%	2.25%
Expected dividend yield	--	--	--
Expected option life in years	4	5	5
Expected volatility	31.86%	31.33%	31.80%
Weighted average fair value	\$ 3.82	\$ 2.76	\$ 1.98

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

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

	Outstanding Stock Options					
	Number of Options		Weighted Average Exercise Price		Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
	Class A	Class B	Class A	Class B	Class A&B	Class A&B
Outstanding - January 1, 2013	672,350	185,100	\$ 6.24	\$ 9.90		
Granted	175,000	--	6.19	--		
Exercised	(137,500)	--	4.00	--		\$ 133,000
Outstanding - December 31, 2013	709,850	185,100	\$ 6.66	\$ 9.90	4.70	\$ 938,503
Granted	80,000	--	8.56	--		
Exercised	(157,600)	--	6.21	--		\$ 374,022
Expired	(64,000)	--	6.83	--		
Outstanding - December 31, 2014	568,250	185,100	\$ 6.88	\$ 9.90	2.40	\$ 4,197,000
Granted	112,000	--	13.30	--		
Exercised	(185,685)	(185,100)	6.09	9.90		\$ 327,170
Expired	(8,000)	--	6.23	--		
Outstanding - December 31, 2015	486,565	--	\$ 8.68	\$ --	2.89	\$ 2,188,011

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

	Vested Stock Options					
	Number of Options		Weighted Average Exercise Price		Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
	Class A	Class B	Class A	Class B	Class A&B	Class A&B
December 31, 2015	256,065	--	\$ 7.64	\$ --	2.14	\$ 1,401,321
December 31, 2014	348,000	185,100	6.82	9.90	3.63	2,476,230
December 31, 2013	490,350	185,100	6.85	9.90	3.11	646,032

Common Stock Repurchase

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

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

The Company repurchased its common stock as follows:

	Shares Acquired	Share Price	Total Paid (in thousands)
2015	240,102	\$ 12.95	\$ 3,109
2014	432,252	9.42	4,070
Total	672,354	\$ 10.68	\$ 7,178

Accumulated Other Comprehensive Income

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

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

NOTE 15 – Derivative Instruments

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

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

December 31, 2015					
(Dollars in thousands)	Notional	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Interest rate swap	\$ 52,413	\$ --	\$ --	\$ 156	\$ --
Interest rate cap	7,500	--	1	--	--

December 31, 2014					
(Dollars in thousands)	Notional	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Interest rate swap	\$ 105,360	\$ --	\$ --	\$ 2,153	\$ --
Interest rate cap	7,500	--	--	24	--

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

(Dollars in thousands)	2015	2014	2013
Net unrealized gains on interest rate derivatives	\$ 2,021	\$ 1,036	\$ 2,642

NOTE 16 – Fair Value Measurement

Recurring Fair Value Measurement

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

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

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

Nonrecurring Fair Value Measurement

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

Fair Value Measurement at December 31, 2015					
(Dollars in thousands)	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and Cash equivalents	\$ 19,702	\$ 19,702	\$ --	\$ --	\$ 19,702
Accounts receivables	10,036	10,036	--	--	10,036
Restricted Cash	160	160	--	--	160
Financial liabilities					
Accounts and film rent payable	\$ 32,929	\$ 32,929	\$ --	\$ --	\$ 32,929
Notes payable	103,028	--	--	99,554	99,554
Subordinated debt	27,913	--	--	13,338	13,338

(Dollars in thousands)	Carrying Value	Fair Value Measurement at December 31, 2014			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and Cash equivalents	\$ 50,248	\$ 50,248	\$ --	\$ --	\$ 50,248
Accounts receivables	11,348	11,348	--	--	11,348
Restricted Cash	1,433	1,433	--	--	1,433
Financial liabilities					
Accounts and film rent payable	\$ 28,845	\$ 28,845	\$ --	\$ --	\$ 28,845
Notes payable	136,123	--	--	116,115	116,115
Subordinated debt	27,913	--	--	10,096	10,096

NOTE 17 - Future Minimum Rental Income

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

(Dollars in thousands)	Future Minimum Rental Income
2016	\$ 7,919
2017	6,781
2018	5,889
2019	4,938
2020	3,913
Thereafter	16,380
Total	\$ 45,820

NOTE 18 – Related Parties and Transactions

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC (“SHC”) regarding the master leasing, with an option to purchase, of certain cinemas located in Manhattan including our Village East and Cinemas 1,2,3 theaters. In connection with that transaction, we also agreed (i) to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and (ii) to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by the Cotter Estate or the Cotter Trust and a third party.

As previously reported, over the years, two of the cinemas subject to the master leasing agreement have been redeveloped and one (the Cinemas 1, 2 & 3 discussed below) has been acquired. The Village East is the only cinema that remains subject to this master lease. We paid an annual rent of \$590,000 for this cinema to SHC in each of 2015, 2014, and 2013. During this same period, we received management fees from the 86th Street Cinema of \$151,000, \$123,000 and \$183,000.

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

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

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema by 10 years, with a new termination date of June 30, 2020. This amendment was reviewed and approved by our Audit and Conflicts Committee. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than \$100,000 each. We recorded the Village East Cinema building as a property asset of \$4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding capital lease liability of \$5.9 million presented under other liabilities (see Note 11 – *Pension and Other Liabilities*).

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

OBI Management Agreement

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

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

OBI Management historically conducted its operations from our office facilities on a rent-free basis, and we shared the cost of one administrative employee of OBI Management. We reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex. Other than these expenses, OBI Management was responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renewed automatically each year unless either party gives at least six months' prior notice of its determination to allow the Management Agreement to expire. In addition, we could terminate the Management Agreement at any time for cause.

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

Ms. Cotter's compensation as Executive Vice-President was set as part of an extensive executive compensation process. For 2016, Ms. Cotter's base salary will be \$350,000, she will have a short term incentive target bonus opportunity of \$105,000 (30% of her base salary), and she was granted a long term incentive of a stock option for 19,921 shares of Class A common stock and 4,184 restricted stock units under the Company's 2010 Stock Incentive Plan, as amended, which long term incentives vest over a four year period.

Live Theater Play Investment

From time to time, our officers and Directors may invest in plays that lease our live theaters. The play STOMP has been playing in our Orpheum Theatre since prior to the time we acquired the theater in 2001. The Cotter Estate or the Cotter Trust and Mr. Michael Forman own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater. Refer to Item 3 – *Legal Proceedings* for more information about the show STOMP.

Shadow View Land and Farming LLC

During 2012, Mr. James J. Cotter, Sr., our then Chairman, Chief Executive Officer and controlling shareholder, contributed \$2.5 million cash and \$255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which the Cotter Estate or the Cotter Trust owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC (see Note 13 – *Noncontrolling Interests*). The property is held debt free, and operating and holding costs are covered by member contributions. The Audit and Conflicts Committee of the Board of Directors is charged with responsibility for oversight of our management of the management of Shadow View.

Document Storage Agreement

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

NOTE 19 – Casualty Loss

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

NOTE 20 – Unaudited Quarterly Financial Information

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Revenue	\$ 60,584	\$ 72,802	\$ 57,788	\$ 66,149
Net income	3,102	16,006	328	3,258
Net income attributable to RDI shareholders	3,118	15,997	381	3,277
Basic earnings per share	0.13	0.69	0.02	0.14
Diluted earnings per share	0.13	0.68	0.02	0.14
2014				
Revenue	\$ 58,053	\$ 69,922	\$ 65,031	\$ 61,742
Net income (loss)	(254)	4,773	3,939	17,186
Net income (loss) attributable to RDI shareholders	(215)	4,757	3,939	17,220
Basic earnings (loss) per share	(0.01)	0.20	0.17	0.74
Diluted earnings (loss) per share	(0.01)	0.20	0.17	0.72

NOTE 21 – Subsequent Events

Bank of America Credit Facility

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

Acquisition of New Corporate Headquarters in Los Angeles

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

Updates to the Redevelopment Project of Union Square New York

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

Schedule II – Valuation and Qualifying Accounts

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

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

None.

Item 9A — Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

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

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

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

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

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Disclosure Controls and Procedures

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to

ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A disclosure committee consisting of the principal accounting officer, and senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon our evaluation that the controls over income taxes need to be further enhanced during 2016, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as required by the Securities Exchange Act Rule 13a-15(e) and 15d – 15(e) as of the end of the period covered by this report.

Changes in Internal Controls Over Financial Reporting

The continuing enhancements, described above, to controls relating to tax provisioning as part of the remediation of the material weakness existing at December 31, 2015, are the only changes in internal control over financial reporting that have occurred during the quarter ended December 31, 2015 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Reading International, Inc.

We have audited the internal control over financial reporting of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

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

The Company identified a material weakness related to the internal controls over the accounting and reporting for income taxes. In our opinion, because of the effect of the material weakness described on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2015. The material weakness identified above was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 consolidated financial statements, and this report does not affect our report dated April 29, 2016 which expressed an unqualified opinion on those financial statements.

We do not express an opinion or any other form of assurance on management's plan for remediation of the above mentioned material weakness.

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

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

Directors

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

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

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

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

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

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

public and private equity transactions. He has served as an advisor to James J. Cotter, Sr. and continues to provide professional advisory services to various enterprises now owned by either the James J. Cotter, Sr. Estate or the James J. Cotter, Sr. Trust. Mr. Adams received his Bachelor of Science degree in Petroleum Engineering from Louisiana State University and his Masters of Business Administration from Harvard Graduate School of Business Administration.

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

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

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

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

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

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

Ms. Cotter brings to the Board her experience as a live theater producer, theater operator and an active member of the New York theatre community, which gives her insight into live theater business trends that affect our business in this sector. Operating and overseeing these properties for over 17 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, with her direct ownership of 804,173 shares of Class A Stock and 35,100 shares of Class B Stock and her positions as Co-Executor of her father's estate and Co-Trustee of the James J. Cotter, Sr. Trust, Ms. Cotter is a significant stakeholder in our Company.

William D. Gould. William D. Gould has been a Director of our Company since October 15, 2004, and currently serves as our Lead Independent Director. Mr. Gould has been a member of the law firm of TroyGould PC since 1986. Previously, he was a partner of the law firm of O'Melveny & Myers. We have from time to time retained TroyGould PC for legal advice. Total fees payable to Mr. Gould's law firm for [calendar year] 2015 were \$61,000.84. Mr. Gould is an author and lecturer on the subjects of corporate governance and mergers and acquisitions. Mr. Gould brings to our Board more than fifty years of experience as a corporate lawyer and advisor focusing on corporate governance, mergers and acquisitions.

Edward L. Kane. Edward L. Kane has been a Director of our Company since October 15, 2004. Mr. Kane was also a Director of our Company from 1985 to 1998, and served as President from 1987 to 1988. Mr. Kane currently serves as the chair of our Compensation Committee, and until its disbandment in January 2016, as chair of our Tax Oversight Committee. He also serves as a member of our Executive Committee and our Audit Committee. The Tax Oversight Committee has been inactive since November 2, 2015, in anticipation that its functions will move to the Audit Committee under its new charter. Mr. Kane practiced as a tax attorney for many years in San Diego, California. Since 1996, Mr. Kane has acted as a consultant and advisor to the health care industry, serving as the President and sole shareholder of High Avenue Consulting, a healthcare consulting firm, and as the head of its successor proprietorship. During the 1990s, Mr. Kane also served as the Chairman and CEO of ASMG Outpatient Surgical Centers in southern California, and he served as a director of BDI Investment Corp., which was a regulated investment company, based in San Diego. For over a decade, he was the Chairman of Kane Miller Books, an award-winning publisher of children's books. At various times during the past three decades, Mr. Kane has been Adjunct Professor of Law at two of San Diego's law schools, most recently in 2008 and 2009 at Thomas Jefferson School of Law, and prior thereto at California Western School of Law.

In addition to his varied business experience, Mr. Kane brings to our Board his many years as a tax attorney and law professor. Mr. Kane also brings his experience as a past President of Craig Corporation and of Reading Company, two of our corporate predecessors, as well as his experience as a former member of the boards of directors of several publicly held corporations.

Douglas J. McEachern. Douglas J. McEachern has been a Director of our Company since May 17, 2012 and Chair of our Audit Committee since August 1, 2012. He has served as a member of the board and of the audit and compensation committee for Willdan Group, a NASDAQ listed engineering company, since 2009. From June 2011 until October 2015, Mr. McEachern was a director of Community Bank in Pasadena, California and a member of its audit committee. Mr. McEachern served as the chair of the board of Community Bank from October 2013 until October 2015. He also is a member of the finance committee of the Methodist Hospital of Arcadia. From September 2009 to December 2015, Mr. McEachern served as an instructor of auditing and accountancy at Claremont McKenna College. Mr. McEachern was an audit partner from July 1985 to May 2009 with the audit firm of Deloitte and Touche, LLP, with client concentrations in financial institutions and real estate. Mr. McEachern was also a Professional Accounting Fellow with the Federal Home Loan Bank board in Washington DC, from June 1983 to July 1985. From June 1976 to June 1983, Mr. McEachern was a staff member and subsequently a manager with the audit firm of Touche Ross & Co. (predecessor to Deloitte & Touche, LLP). Mr. McEachern received a B.S. in Business Administration in 1974 from the University of California, Berkeley, and an M.B.A. in 1976 from the University of Southern California.

Mr. McEachern brings to our Board his more than 38 years' experience meeting the accounting and auditing needs of financial institutions and real estate clients, including our Company. Mr. McEachern also brings his experience reporting as an independent auditor to the boards of directors of a variety of public reporting companies and as a board member himself for various companies and not-for-profit organizations.

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

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

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

Executive Officers

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

Name	Age	Title
Dev Ghose	62	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
Robert F. Smerling	81	President - Domestic Cinemas
Wayne D. Smith	58	Managing Director – Australia and New Zealand
Andrzej J. Matyczynski	63	Executive Vice President – Global Operations

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

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

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

Andrzej J. Matyczynski. On March 10, 2016, Mr. Matyczynski was appointed as our Executive Vice President—Global Operations. From May 11, 2015 until March 10, 2016, Andrzej J. Matyczynski acted as the Strategic Corporate Advisor to the Company. Mr. Matyczynski served as our Chief Financial Officer and Treasurer from November 1999 until May 11, 2015 and as Corporate Secretary from May 10, 2011 to October 20, 2014. Prior to joining our Company, he spent 20 years in various senior roles throughout the world at Beckman Coulter Inc., a U.S. based multi-national. Mr. Matyczynski earned a Master’s Degree in Business Administration from the University of Southern California.

Section 16(a) Beneficial Ownership Reporting Compliance

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

Filer	Form	Transaction Date	Date of Filing
Andrzej J. Matyczynski	4	December 31, 2015	Not filed ⁽¹⁾
Andrzej J. Matyczynski	4	December 31, 2014	Not filed ⁽²⁾
Andrzej J. Matyczynski	4	December 31, 2013	Not filed ⁽³⁾
Mark Cuban	4	November 11, 2015	Not filed ⁽⁴⁾
Estate of James J. Cotter	4	December 31, 2014	October 9, 2015
James J. Cotter Living Trust	3	September 13, 2014	October 9, 2015

Ellen M. Cotter	4	April 16, 2015	October 9, 2015
Margaret Cotter	4	April 8, 2015	October 9, 2015
William Gould	4	April 6, 2015	October 8, 2015
James J. Cotter Jr. ⁽¹⁾	4	March 10, 2016	March 15, 2016
James J. Cotter Jr.	4	November 25, 2015	December 1, 2015
James J. Cotter Jr.	4	August 17, 2015	August 24, 2015
James J. Cotter Jr.	4	July 16, 2015	July 31, 2015
James J. Cotter Jr.	4	June 30, 2015 ⁽⁶⁾	July 16, 2015
James J. Cotter, Jr.	4	June 4, 2016 ⁽⁷⁾	July 16, 2015
Wayne Smith	4	July 16, 2015	July 31, 2015

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

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

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

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

Code of Ethics

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

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

Audit Committee

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

Item 11 – Executive Compensation

Compensation Discussion and Analysis

Role and Authority of the Compensation Committee

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

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

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

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

2015 EXECUTIVE COMPENSATION

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

CEO Compensation

As a matter of general practice prior to 2016, the Compensation Committee recommended to our Board the annual compensation of our Chief Executive Officer, based primarily upon the Compensation Committee's annual review of peer group practices and the advice of an independent third-party compensation consultant engaged annually to assist the Compensation Committee. The Compensation Committee had established three components of our Chief Executive Officer's compensation—a base cash salary, a discretionary annual cash bonus, and a fixed stock grant. The objective of each element was to reasonably reward our Chief Executive Officer for his or her performance and leadership.

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

Prior to the work commenced in early 2016, Willis Towers Watson had most recently updated its analysis of our Chief Executive Officer's compensation in 2014, when Mr. Cotter, Sr. held that position. The Willis Towers Watson analysis focused on the competitiveness of Mr. Cotter, Sr.'s annual base salary, total cash compensation and total direct compensation (*i.e.*, total cash compensation plus expected value of long-term compensation) relative to a peer group of 17 United States and Australian companies and published compensation survey data, and to our Company's compensation philosophy, which was to target Mr. Cotter, Sr.'s total direct compensation to the 66th percentile of the peer group. The peer group consisted of the following 17 companies:

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

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

On June 12, 2015, our Board appointed Ellen M. Cotter as our interim President and Chief Executive Officer. No new compensatory arrangements were entered into with Ms. Cotter in connection with her appointment as interim President and Chief Executive Officer, and she continued to receive the same base salary of \$402,000 that she received at the time of her appointment.

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

Total Direct Compensation

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

Compensation of Other Named Executive Officers

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

Historically, our Chief Executive Officer determined the base salaries of our executive officers other than himself and members of his family. Our Chief Executive Officer considered the following guidelines in setting the type and amount of executive compensation:

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

Personal and Company performances were just two factors historically considered in establishing base salaries. We had no pre-established policy or target for allocating total executive compensation between base and discretionary or incentive compensation, or between cash and stock-based incentive compensation. Historically, including in 2015, a majority of total compensation to our named executive officers has been in the form of annual base salaries and discretionary cash bonuses, although stock bonuses have been granted from time to time under special circumstances.

These elements of our executive compensation are discussed further below.

Salary: Annual base salary was intended to compensate named executive officers for services rendered during the fiscal year in the ordinary course of performing their job responsibilities. Factors considered in setting the base salaries prior to 2015 included (i) the negotiated terms of each executive's employment agreement or the original terms of employment, (ii) the individual's position and level of responsibility with our Company, (iii) periodic review of the executive's compensation, both individually and relative to our other named executive officers, and (iv) a subjective evaluation of individual job performance of the executive.

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

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

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

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

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

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

2015 Base Salaries and Bonuses

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

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

Name	2014 Base Salary (\$)	2015 Base Salary (\$)
Ellen M. Cotter ⁽¹⁾	335,000	402,000
James J. Cotter, Jr ⁽²⁾	335,000	335,000 ⁽²⁾

- (1) Ellen M. Cotter was appointed Interim President and Chief Executive Officer on June 12, 2015 and President and Chief Executive Officer on January 8, 2016.
- (2) James J. Cotter, Jr. served as President from June 1, 2013 through June 12, 2015, and Chief Executive Officer from August 7, 2014 through June 12, 2015. Mr. Cotter, Jr. had an annual base salary of \$335,000 for 2015. When his employment ended, Mr. Cotter, Jr. earned a prorated base salary of \$195,417 for 2015, which includes his severance payment paid through the end of July 2015.

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

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

- (1) Devasis Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015. For 2015, Mr. Ghose earned a prorated base salary of \$257,692.
- (2) Andrzej J. Matyczynski, our former Chief Financial Officer, Treasurer and Corporate Secretary, has a written agreement with our Company that provides certain severance and deferred compensation benefits. Mr. Matyczynski resigned as Corporate Secretary on October 20, 2014 and as our Chief Financial Officer and Treasurer effective May 11, 2015, however he continued as an employee to assist in the transition of our new Chief Financial Officer, and was appointed Executive Vice President-- Global Operations on March 10, 2016. Under Mr. Matyczynski's employment contract, upon his retirement and provided there has been no termination for cause, he will become entitled under his agreement to a lump-sum severance payment of \$50,000, subject to certain offsets, and to the payment of his vested benefit under his deferred compensation plan discussed below in this section.
- (3) William Ellis submitted his resignation on February 18, 2016, effective March 11, 2016. For 2014, Mr. Ellis earned a prorated base salary of \$71,795.
- (4) Mr. Smith's salary was paid in Australian Dollars in the amounts of AUD\$359,250 in 2014 (shown in the table in U.S. Dollars using exchange rate 0.9027), and AUD\$365,360 in 2015 (shown in the table in U.S. Dollars using exchange rate 0.7524).

Prior to 2016, all named executive officers were eligible to receive a discretionary annual cash bonus. Cash bonuses are typically prorated to reflect a partial year of service.

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

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

Name	2015 Performance Bonus (\$)
Ellen M. Cotter	250,000
Dev Ghose	75,000
Andrzej J. Matyczynski	0
William Ellis	0 ⁽¹⁾
James J. Cotter, Jr.	0
Robert F. Smerling	75,000
Wayne Smith	71,478 ⁽²⁾

- (1) Pursuant to his employment agreement, in 2015 Mr. Ellis received a guaranteed bonus of \$60,000, and as such, it was not subject to the process above. Mr. Ellis submitted his resignation on February 18, 2016.
- (2) Mr. Smith's bonus was paid in Australian Dollars in the amount of AUD\$95,000 (shown in the table in U.S. Dollars using exchange rate 0.7524).

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

Employment Agreements

James J. Cotter, Jr. On June 12, 2015, the Board terminated the employment of James J. Cotter, Jr. as our President and Chief Executive Officer. Under Mr. Cotter, Jr.'s employment agreement with the Company, he is entitled to the compensation and benefits he was receiving at the time of a termination without cause for a period of twelve months from notice of termination. At the time of termination, Mr. Cotter Jr.'s annual salary was \$335,000, and the Company paid Mr. Cotter Jr. severance payments in the amount of \$43,750. A dispute has arisen between the Company and Mr. Cotter as to whether the Company is required to continue to make these payments, which dispute is currently subject to arbitration.

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

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

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

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

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

2016 AND FUTURE COMPENSATION STRUCTURE

Background

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

Compensation Committee Charter

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

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

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

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

to further amendments and modifications by our Board. The Compensation Committee charter is available on our website at <http://www.readingrdi.com/Committee-Charters>.

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

Executive Compensation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reflecting the new approach, our Compensation Committee established (i) 2016 annual base salaries at levels that it believed (based heavily on the data provided by Willis Towers Watson) are generally competitive with executives in our peer group and in other comparable publicly-held companies as described in the executive pay assessment prepared by Willis Towers Watson, (ii) short term incentives in the form of discretionary annual cash bonuses based on the achievement of identified goals and benchmarks, and (iii) long-term incentives in the form of employee stock options and restricted stock units will be used as a retention tool and as a means to further align an executive's long-term interests with those of our stockholders, with the ultimate objective of affording our executives an appropriate incentive to help drive increases in stockholder value.

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

Role of Chief Executive Officer in Compensation Decisions

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

Our Compensation Committee expects to perform an annual review of executive compensation, generally in the first quarter of the year following the year in review, with a presentation by the Chief Executive Officer regarding each element of the executive compensation arrangements. At our Compensation Committee's direction, our Chief Executive Officer prepared an executive compensation review for each executive officer (other than the Chief Executive Officer), as well as the full executive team, which included recommendations for:

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

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

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

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

Base Salaries

Our Compensation Committee reviewed the executive pay assessment prepared by Willis Towers Watson and other factors and engaged in extensive deliberation and then recommended the following 2016 base salaries (the 2015 base salaries are shown for comparison purposes) for the following officers. Our Board approved the recommendations of our Compensation Committee on March 10, 2016 for the President and Chief Executive Officer, Chief Financial Officer and our named executive officers other than William D. Ellis and our prior Chief Executive Officers James J. Cotter, Sr. and James J. Cotter, Jr.

Name	Title	2015 Base Salary ⁽⁴⁾	2016 Base Salary ⁽⁴⁾
Ellen Cotter ⁽¹⁾	President and Chief Executive Officer	\$402,000	\$450,000
Dev Ghose ⁽²⁾	EVP, Chief Financial Officer, Treasurer and Corporate Secretary	400,000	400,000
Andrzej J. Matyczynski ⁽³⁾	EVP-Global Operations	324,000	336,000
Robert F. Smerling	President, US Cinemas	350,000	375,000
Wayne Smith	Managing Director, Australia and New Zealand	274,897 ⁽⁴⁾	282,491 ⁽⁴⁾

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

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

Andrzej J. Matyczynski was the Company's Chief Financial Officer and Treasurer until May 11, 2015 and thereafter he acted as Strategic Corporate Advisor to the Company. He was appointed EVP-Global Operations on March 10, 2016. In 2015, Mr. Smith was paid in Australian dollars in the amount of AUD\$365,360 (shown in U.S. Dollars in the table above, using the conversion rate of 0.7524). In 2016, Mr. Smith will be paid in Australian dollars in the amount of AUD\$370,000 (shown above in U.S. Dollars using the exchange rate of 0.76349).

Short Term Incentives

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

Ms. Ellen M. Cotter, our President and Chief Executive Officer, has a potential target bonus opportunity of 95% of Base Salary, or \$427,500 at target based on Ms. Cotter's achievement of her performance goals and over achievement of corporate goals discussed above. Of that potential target bonus opportunity, a threshold bonus of \$213,750 may be achieved based upon Ms. Cotter's achievement of certain performance goals and our achievement of certain corporate goals, and a potential maximum target of \$641,250 is based on achieving additional performance goals. Ms. Cotter's aggregate annual bonus opportunity can range from \$0 to \$641,250. Mr. Dev Ghose, our EVP, Chief Financial Officer, Treasurer and Corporate Secretary, has a potential target bonus opportunity of 50% of Base Salary, or \$200,000 at target, which is based on achievement of his performance goals and our achievement of corporate goals, as discussed above. Mr. Ghose's aggregate annual bonus opportunity can range from \$0 to \$300,000 (the maximum potential target if additional performance goals are met by Mr. Ghose). Mr. Andrzej J. Matyczynski, our EVP - Global Operations, has a target bonus opportunity of 50% of Base Salary, or \$168,000 at target, which is based on achievement of his performance goals, our achievement of corporate goals and certain divisional goals. Mr. Matyczynski's aggregate annual bonus opportunity can range from \$0 to \$252,000 (the maximum potential target if additional performance goals are met by Mr. Matyczynski). Mr. Robert Smerling, President, US Cinemas, has a target bonus opportunity of 30% of base pay, or \$112,500 at target,

which is based on achievement of his performance goals, our achievement of corporate goals and certain divisional goals. Mr. Smerling's aggregate annual bonus opportunity can range from \$0 to \$168,750 (the maximum potential target if additional performance goals are met by Mr. Smerling). Mr. Wayne Smith, Managing Director, Australia New Zealand, has a target bonus opportunity of 40% of Base Salary, or A\$148,000 at target, which is based on achievement of his performance goals, our achievement of corporate goals and certain divisional goals. Mr. Smith's aggregate annual bonus opportunity can range from A\$0 to A\$222,000 (the maximum potential target if additional performance goals are met by Mr. Smith). The positions of other management team members have target bonus opportunities ranging from 20% to 30% of Base Salary based on achievement certain goals. The highest level of achievement, participants may be eligible to receive up to a maximum of 150% of his or her target bonus amount.

Long-Term Incentives

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

On March 10, 2016, the following grants were made:

Name	Title	Dollar Amount of Restricted Stock Units	Dollar Amount of Non-Statutory Stock Options (1)
Ellen M. Cotter	President and Chief Executive Officer	\$150,000	\$150,000
Devasis Ghose ⁽²⁾	EVP, Chief Financial Officer, Treasurer and Corporate Secretary	0	0
Andrzej J. Matyczynski	EVP-Global Operations	37,500	37,500
Robert F. Smerling	President, US Cinemas	50,000	50,000
Wayne Smith	Managing Director, Australia and New Zealand	27,000 ⁽³⁾	27,000 ⁽³⁾

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

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

(3) Although Mr. Smith was paid 50% of \$75,000 in Australian Dollars, the amount shown above is quoted in U.S. Dollars.

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

Other Elements of Compensation

Retirement Plans

We maintain a 401(k) retirement savings plan that allows eligible employees to defer a portion of their compensation, within limits prescribed by the Internal Revenue Code, on a pre-tax basis through contributions to the plan. Our named executive officers other than Mr. Smith, who is a non-resident of the U.S., are eligible to participate in the 401(k) plan on the same terms as other full-time employees generally. Currently, we match contributions made by participants in the 401(k) plan up to a specified percentage, and these matching contributions are fully vested as of the date on which the contribution is made. We believe that providing a vehicle for tax-deferred retirement savings through our 401(k) plan, and making fully vested matching contributions, adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies.

Other Retirement Plans

During 2012, Mr. Matyczynski was granted an unfunded, nonqualified deferred compensation plan ("DCP") that was partially vested and was to vest further so long as he remained in our continuous employ. The DCP allowed Mr. Matyczynski to defer part of the cash portion of his compensation, subject to annual limits set forth in the DCP. The funds held pursuant to the DCP are not segregated and do not accrue interest or other earnings. If Mr. Matyczynski were to be terminated for cause, then the total vested amount would be reduced to zero. The incremental amount vested each year was made subject to review and approval by our Board. Please see the "Nonqualified Deferred Compensation" table for additional information. In addition, Mr. Matyczynski is entitled to a

lump-sum severance payment of \$50,000, provided there has been no termination for cause and subject to certain offsets, upon his retirement.

Upon the termination of Mr. Matyczynski's employment, he will also be entitled under the DCP agreement to payment of the vested benefits under his DCP in annual installments following the later of (a) 30 days following Mr. Matyczynski's 65th birthday or (b) six months after his separation from service for reasons other than his death or termination for cause. The DCP was to vest over 7 years and with full vesting to occur in 2019 at \$1,000,000 in deferred compensation. However, in connection with his changed employment to EVP - Global Operations, the Company and Mr. Matyczynski agreed that the Company would cease making contributions to the DCP on April 15, 2016 and that the final contributions by the Company to the DCP would be \$150,000 for 2015, and \$21,875 for 2016, satisfying the Company's total contribution obligations under the DCP at an amount of \$621,875.

The DCP is an unfunded contractual obligation of the Company. DCP benefits are paid from the general assets of the Company. However, the Company reserves the right to establish a grantor trust from which DCP benefits may be paid.

In March 2016, the Compensation Committee approved a one-time retirement benefit for Robert Smerling, President, Cinema Operations, due to his significant long term service to the Company. The retirement benefit an amount equal to the average of the two highest total cash compensation (base salary plus cash bonus) years paid to Mr. Smerling in the then most recently completed five year period.

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

Key Person Insurance

We maintain life insurance on certain individuals who we believe to be key to our management. In 2015, these individuals included James J. Cotter, Jr. (through September 13, 2015), Ellen M. Cotter, Margaret Cotter, William Ellis, Dev Ghose, Andrzej Matyczynski, Robert Smerling, Craig Tompkins and Wayne Smith. If such individual ceases to be our employee, Director or independent contractor, as the case may be, she or he is permitted, by assuming responsibility for all future premium payments, to replace our Company as the beneficiary under such policy. These policies allow each such individual to purchase up to an equal amount of insurance for such individual's own benefit. In the case of our employees, the premium for both the insurance as to which we are the beneficiary and the insurance as to which our employee is the beneficiary, is paid by us. In the case of named executive officers, the premium paid by us for the benefit of such individual is reflected in the Compensation Table in the column captioned "All Other Compensation."

Employee Benefits and Perquisites

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as all full-time employees generally. We do not generally provide our named executive officers with perquisites or other personal benefits. Historically, many of our other named executive officers also received an automobile allowance. The table below shows car allowances granted to certain officers under their employment agreements or arrangements. From time to time, we may provide other perquisites to one or more of our other named executive officers.

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

(1) Mr. Ellis and Mr. Cotter, Jr. are no longer employees of the Company.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Subject to an exception for "performance-based compensation," Section 162(m) of the Internal Revenue Code generally prohibits publicly held corporations from deducting for federal income tax purposes annual compensation paid to any senior executive officer to the extent that such annual compensation exceeds \$1.0 million. Our Compensation Committee and our Board consider the

limits on deductibility under Section 162(m) in establishing executive compensation, but retain the discretion to authorize the payment of compensation that exceeds the limit on deductibility under this Section.

Nonqualified Deferred Compensation

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

Say on Pay

At our Annual Meeting of Stockholders held on May 15, 2014, we held an advisory vote on executive compensation. Our stockholders voted in favor of our Company's executive compensation. The Compensation Committee reviewed the results of the advisory vote on executive compensation in 2014 and did not make any changes to our compensation based on the results of the vote. We expect that our next advisory vote of our stockholders on executive compensation will be at our 2017 Annual Meeting of Stockholders.

Executive Compensation

This section discusses the material components of the compensation program for our executive officers named in the 2015 Summary Compensation Table below. In 2015, our named executive officers and their positions were as follows:

- Ellen M. Cotter, Chairperson of the Board, President and Chief Executive Officer, interim President and Chief Executive Officer, Chief Operating Officer – Domestic Cinemas and Chief Executive Officer of Consolidated Entertainment, LLC.
- Dev Ghose, EVP, Chief Financial Officer and Treasurer.
- William Ellis, General Counsel and Corporate Secretary
- Robert F. Smerling, President – Domestic Cinema Operations.
- Wayne Smith, Managing Director – Australia and New Zealand.
- James J. Cotter, Jr., former Vice Chairman, President and Chief Executive Officer.
- Andrzej J. Matyczynski, former Chief Financial Officer, Treasurer and Corporate Secretary.

Summary Compensation Table

The following table shows the compensation paid or accrued during the last three fiscal years ended December 31, 2015 to (i) Mr. James J. Cotter, Jr., who served as our principal executive officer until June 12, 2015, (ii) Ellen M. Cotter, who served as our interim principal executive officer from June 12, 2015 through December 31, 2015, (iii) Mr. Andrzej J. Matyczynski, who served as our Chief Financial Officer and Treasurer until May 11, 2015, (iv) Mr. Dev Ghose, who served as our Chief Financial Officer starting May 11, 2015, and (v) the other three most highly compensated persons who served as executive officers in 2015. The following executives are herein referred to as our "named executive officers."

	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Change in Pension Value and Nonqualified Deferred Compensation Earning (\$)	All Other Compensation (\$)	Total (\$)
Ellen M. Cotter ⁽²⁾ Interim President and Chief Executive Officer, Chief Operating Officer -Domestic Cinemas	2015	402,000	250,000	--	--	--	25,465 ⁽³⁾	677,465
	2014	335,000	--	--	--	--	75,190 ⁽³⁾⁽⁴⁾	410,190
	2013	335,000	--	--	--	--	24,915 ⁽³⁾	359,915
James J. Cotter, Jr. ⁽⁵⁾⁽⁶⁾ Former President and Chief Executive Officer	2015	195,417	--	--	50,027--	--	16,161 ⁽³⁾	261,605
	2014	335,000	--	--	50,027--	--	26,051 ⁽³⁾	411,078
	2013	195,417	--	--	29,182--	--	9,346 ⁽³⁾	233,945
Devasis Ghose ⁽⁶⁾ Chief Financial Officer and Treasurer	2015	257,692	75,000	--	382,334	--	15,730 ⁽³⁾	407,005
	2014	--	--	--	--	--	--	--
	2013	--	--	--	--	--	--	--
Andrzej J. Matyczynski ⁽⁷⁾ Former Chief Financial Officer and Treasurer	2015	324,000	--	--	33,010	150,000 (8)	27,140 ⁽³⁾	534,150
	2014	308,640	--	--	33,010	150,000 (8)	26,380 ⁽³⁾	518,030
	2013	308,640	35,000	--	33,010	50,000 (8)	25,755 ⁽³⁾	452,405

William Ellis	2015	350,000	60,000	57,194			28,330 ⁽¹⁾	495,524
General Counsel ⁽¹⁰⁾	2014	71,795	10,000	9,532			2,500 ⁽¹⁾	93,827
	2013	--	--	--	--	--	--	--
Robert F. Smerling	2015	350,000	75,000	--	--	--	22,899 ⁽¹⁾	447,899
President – Domestic	2014	350,000	65,000	--	--	--	22,421 ⁽¹⁾	437,421
Cinema Operations	2013	350,000	25,000	--	--	--	21,981 ⁽¹⁾	396,981
Wayne Smith ⁽¹¹⁾	2015	274,897	71,478	--	--	--	2,600 ⁽¹⁾	348,975
Managing Director -	2014	324,295	72,216	--	--	--	2,340 ⁽¹⁾	398,851
Australia and New Zealand	2013	340,393	48,420	--	--	--	2,075 ⁽¹⁾	390,888

- (1) Amounts represent the aggregate grant date fair value of awards computed in accordance with ASC Topic 718, excluding the effects of any estimated forfeitures. The assumptions used in the valuation of these awards are discussed in [Note 3] to our consolidated financial statements. Amounts do not include the value of restricted stock units that will not vest within 60 days following the date of which this information is provided.
- (2) Ms. Ellen M. Cotter was appointed our interim President and Chief Executive Officer on June 12, 2015.
- (3) Includes our matching employer contributions under our 401(k) plan, the imputed tax of key person insurance, and any automobile allowances. Aside from the car allowances only the employer contributions for the 401(k) plan exceeded \$10,000, see table below. See the table in the section entitled Employee Benefits and Perquisites for the amount of each individual's car allowance.

Name	2015	2014	2013
Ellen M. Cotter	\$10,600	\$10,400	\$10,200
James J. Cotter, Jr.	6,700	10,400	0
Dev Ghose	4,000	0	0
Andrzej J. Matyczynski	10,600	10,400	10,200
William Ellis	10,500	0	0
Robert F. Smerling	0	0	0
Wayne Smith	0	0	0

- (4) Includes a \$50,000 tax gross-up for taxes incurred as a result of the exercise of nonqualified stock options that were intended to be issued as incentive stock options.
- (5) Mr. Cotter, Jr., served as our Chief Executive Officer until June 12, 2015. In the case of Mr. Cotter Jr., the "All Other Compensation" column includes \$43,750 in severance payments paid pursuant to Mr. Cotter Jr.'s employment agreement. Of this amount, the Company has a claim against Mr. Cotter Jr. for approximately \$18,000, which, if the Company is successful in this claim, may be recovered from Mr. Cotter Jr. For additional information, see the information set forth in *Item 3, Legal Proceedings*.
- (6) Mr. Ghose became Chief Financial Officer and Treasurer on May 11, 2015, as such, he was paid a prorated amount of his \$400,000 salary for 2015.
- (7) Mr. Matyczynski resigned as our Chief Financial Officer and Treasurer on May 11, 2015, and acted as our Strategic Corporate Advisor until March 10, 2016.
- (8) Represents the increase in the vested benefit of the DCP for Mr. Matyczynski. Payment of the vested benefit under his DCP will be made in accordance with the terms of the DCP.
- (9) Mr. Cotter, Jr. had an annual base salary of \$335,000 for 2015. As his employment ended in June 2015, Mr. Cotter, Jr. earned a prorated base salary of \$195,417 for 2015, which includes his severance payment paid through the end of July 2015.
- (10) Mr. Ellis became General Counsel and Corporate Secretary on October 20, 2014 as such he was paid a prorated amount of his \$350,000 salary in 2014. Mr. Ellis submitted his resignation on February 18, 2016.
- (11) Mr. Smith is paid in Australian Dollars. Amounts in the table above are shown in U.S. Dollars, using the conversion rates of 0.9684 for 2013, 0.9027 for 2014 and 0.7524 for 2015.

Grants of Plan-Based Awards

The following table contains information concerning the stock grants made to our named executive officers for the year ended December 31, 2015:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Futures Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Award (\$/share) (3)	Grant Date Fair Value of Stock and Option Awards \$(4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Ellen M. Cotter											
James J. Cotter, Jr.											
Devasis Ghose	5-11-2015							100,000		13.42	\$382,334
Andrzej J. Matyczynski											
William Ellis											
Robert F. Smerling											
Wayne Smith (1)	7-16-2015							6,000			\$84,000

- (1) Mr. Wayne Smith was issued an award of restricted Class A Common Stock, which vests in equal installments on May 13, 2015 and May 13, 2016. The closing price per share for the Class A Common Stock on the date of grant was \$14.00. The awards issued to Mr. Wayne Smith are related to his prior-year performance.
- (2) Mr. Dev Ghose was issued an option to purchase 100,000 shares of Class A Common Stock at the commencement of his employment, which award vests in four equal installments.
- (3) Options are granted with an exercise price equal to the closing price per share on the date of grant.
- (4) Represents the total option value estimated as per ASC 718.

Nonqualified Deferred Compensation

Name	Executive contributions in 2015 (\$)	Registrant contributions in 2015 (\$)	Aggregate earnings in 2015 (\$)	Aggregate withdrawals/distributions (\$)	Aggregate balance at December 31, 2015 (\$)
Andrzej J. Matyczynski	0	150,000	0	0	600,000

See Item 11 - Other Retirement Plans for a description of the DCP.

2010 Equity Incentive Plan

On May 13, 2010, our stockholders approved the Plan at the annual meeting of stockholders in accordance with the recommendation of the Board of Directors of the Company. The Plan provides for awards of stock options, restricted stock, bonus stock, and stock appreciation rights to eligible employees, Directors, and consultants. The Board of Directors approved an amendment to the Plan to permit the award of restricted stock units on March 10, 2016. The Plan permits issuance of a maximum of 1,250,000 shares of Class A Stock. The Plan expires automatically on March 11, 2020.

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

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

Outstanding Equity Awards

The following table sets forth outstanding equity awards held by our named executive officers as of December 31, 2015 under the Plan:

Outstanding Equity Awards at Year Ended December 31, 2015

	Class	Option Awards				Stock Awards			
		Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units that Have Not Vested (\$)		
James J. Cotter, Jr. ⁽¹⁾	A	25,000	20,000	6.31	06/02/2018	0	0		
Ellen M. Cotter	A	20,000	--	5.55	03/06/2018	0	0		
William Ellis ⁽²⁾	A	8,815	40,000	8.94	12/31/2016	0	0		
Devasis Ghose	A	25,000 ⁽³⁾	75,000	13.42	05/10/2020				
Andrzej J. Matyczynski	A	25,000	--	6.02	08/22/2022	0	0		
Robert F. Smerling	A	43,750	--	10.24	05/08/2017	0	0		
Wayne Smith	A	--	--	--	--	3,000 ⁽⁴⁾	42,000		

- Mr. Cotter, Jr. has stated that he has unvested options to acquire 50,000 shares of Class A Stock at an exercise price of \$6.31 per share, expiring February 6, 2018, of an original stock option grant of 100,000 Class A Stock. Mr. Cotter, Jr. exercised 50,000 stock options in June 2015. The Company's position is that all unvested options expired upon the termination of Mr. Cotter, Jr.'s employment. The matter is under review by the Company.
- Mr. Ellis resigned effective March 11, 2106. As part of his separation agreement, 20,000 of the 40,000 remaining unvested shares will vest on October 20, 2016. Thereafter, no additional options will vest.
- 25,000 of Mr. Ghose's options will vest on May 11, 2016.
- Mr. Smith was granted 6,000 restricted shares of Class A stock on July 16, 2015, which vest over two years in annual installments.

Option Exercises and Stock Vested

The following table contains information for our named executive officers concerning the option awards that were exercised and stock awards that vested during the year ended December 31, 2015:

Name	Class	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
James J. Cotter, Sr.	B	100,000	1,024,000	--	--
James J. Cotter, Jr. ⁽¹⁾	A	50,000	315,500	--	--
James J. Cotter, Jr.	A	12,500	48,375	--	--
James J. Cotter, Jr.	A	10,000	83,500	--	--
Ellen M. Cotter	B	50,000	512,000	--	--
Andrzej J. Matyczynski	A	35,100	180,063	--	--

- Mr. Cotter, Jr. has stated that he has unvested options to acquire 50,000 shares of Class A Stock at an exercise price of \$6.31 per share, expiring February 6, 2018, of an original stock option grant of 100,000 Class A Stock. Mr. Cotter, Jr. exercised 50,000 stock options in June 2015. The Company's position is that all unvested options expired upon the termination of Mr. Cotter, Jr.'s employment. The matter is under review by the Company.

Pension Benefits

The following table contains information concerning pension plans for each of the named executive officers for the year ended December 31, 2015:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit as of 12/31/2015 (\$)	Payments During Last Fiscal Year (\$)
Andrzej J. Matyczynski	DCP	6	600,000	\$ --

Potential Payments upon Termination of Employment or Change in Control

The following paragraphs provide information regarding potential payments to each of our named executive officers in connection with certain termination events, including a termination related to a change of control of the Company, as of December 31, 2015:

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

Mr. William Ellis – Termination without Cause. Mr. Ellis resigned his employment effective March 11, 2016. We have entered into a separation agreement with Mr. Ellis which provides, among other things, that, in consideration of the payment to Mr. Ellis of \$205,010 (to be paid in 19 equal semi-monthly installments of \$10,790) and the vesting of options to acquire 20,000 shares of our Class A Common Stock on October 15, 2016, Mr. Ellis has agreed to be available to advise us on matters on which he previously worked until December 31, 2016. Mr. Ellis' employment agreement contained a noncompetition clause that did not extend beyond his termination.

Mr. Wayne Smith – Termination of Employment for Failing to Meet Performance Standards. If Mr. Smith's employment is terminated by the Board for failing to meet the standards of his anticipated performance, Mr. Smith will be entitled to a severance payment of six months' base salary.

Mr. Andrzej J. Matyczynski – Deferred Compensation Benefits. During 2012, Mr. Matyczynski was granted an unfunded, nonqualified deferred compensation plan ("DCP") that was partially vested and was to vest further so long as he remained in our continuous employ. If Mr. Matyczynski were to be terminated for cause, then the total vested amount would be reduced to zero. The incremental amount vested each year was made subject to review and approval by our Board. Please see the "Nonqualified Deferred Compensation" table for additional information.

Upon the termination of Mr. Matyczynski's employment, he will be entitled under the DCP agreement to payment of the vested benefits under his DCP in annual installments following the later of (a) 30 days following Mr. Matyczynski's 65th birthday or (b) six months after his separation from service for reasons other than his death or termination for cause. The DCP was to vest over 7 years and with full vesting to occur in 2019 at \$1,000,000 in deferred compensation. However, in connection with his employment as EVP Global Operations, the Company and Mr. Matyczynski agreed that the Company would cease making contributions to the DCP on April 15, 2016 and that the final contributions by the Company to the DCP would be \$150,000 for 2015 and \$21,875 for 2016, satisfying the Company's obligations under the DCP. Mr. Matyczynski's agreement contains nonsolicitation provisions that extend for one year after his retirement.

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

Robert F. Smerling – Retirement Benefit. In March 2016, the Compensation Committee approved a one-time retirement benefit for Robert Smerling, President, Cinema Operations, due to his significant long-term service to the Company. The retirement benefit is the average of the two highest total cash compensation (base salary plus cash bonus) years paid to Mr. Smerling in the then most recently completed five year period.

No other named executive officers currently have employment agreements or other arrangements providing benefits upon termination or a change of control. The table below shows the maximum benefits that would be payable to each person listed above in the event of such person's termination without cause or termination in connection with a change in control, if such events occurred on December 31, 2015, assuming the transaction took place on December 31, 2015 at price equal to the closing price of the Class A stock, which was of \$13.11.

Mr. Ellis' agreement terminated when his employment ended as of March 11, 2016. As such, his information is excluded from the table below.

	Payable on upon Termination without Cause (\$)			Payable upon Termination in Connection with a Change in Control (\$)			Payable upon Retirement (\$)
	Severance Payments	Value of Vested Stock Options	Value of Health Benefits	Severance Payments	Value of Vested Stock Options	Value of Unvested Stock Options Accelerated	
Ellen Cotter	0	151,200	0	0	151,200	0	0
Dev Ghose	400,000	0	23,040	800,000	0		0
Wayne Smith	175,000 ⁽³⁾	39,330	--	0	39,330	39,330	0
Andrzej J. Matyczynski	50,000 ⁽¹⁾	177,250	0	0	177,250	0	600,000
Robert F. Smerling	0	125,562	0	0	125,562	0	415,000 ⁽²⁾

- (1) Mr. Matyczynski's severance payment is payable upon his retirement, and is subject to certain offsets as set forth in his agreement, and is subject to certain offsets.
- (2) Mr. Smerling's one-time retirement benefit is based on the average of the two highest total cash compensation years paid to Mr. Smerling in the most recently completed five-year period. The figure quoted in the table represents the average of total compensation paid for years 2015 and 2014.
- (3) Represents value of stock grants.

Director Compensation Table

The following table sets forth information concerning the compensation to persons who served as our non-employee Directors during 2015 for their services as Directors.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Judy Codding	11,957	0	0	11,957
Margaret Cotter ⁽²⁾	35,000	7,656	0	42,656
Guy W. Adams ⁽³⁾	75,000	7,656	0	82,656
William D. Gould	80,000	7,656	0	87,656
Edward L. Kane	98,000	7,656	0	105,656
Douglas J. McEachern	82,000	7,656	0	89,656
Tim Storey ⁽³⁾	112,500	7,656	21,136 ⁽⁴⁾	140,292
Michael Wrotniak	11,005	0	0	11,005
Total				

- (1) Fair value of the award computed in accordance with FASB ASC Topic 718.
- (2) Until March 10, 2016, in addition to her Director's fees, Ms. Margaret Cotter received a combination of fixed and incentive management fees under the OBI management agreement described under the caption "Certain Transactions and Related Party Transactions - OBI Management Agreement," below.
- (3) Mr. Storey served on our Board and Compensation Committee through October 11, 2015.
- (4) Represents fees paid to Mr. Storey as the sole independent Director of our Company's wholly owned New Zealand subsidiary.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently composed of Mr. Kane, who serves as Chair, Mr. Adams and Dr. Codding. Mr. Storey, who served on our Board until October 11, 2015, served on our Compensation Committee until that date. None of the members of the Compensation Committee was an officer or employee of the Company at any time during 2015. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has or had one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

REPORT OF THE COMPENSATION COMMITTEE

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

Respectfully submitted,
Edward L. Kane, Chair
Guy W. Adams
Judy Codding

Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2015, a summary of certain information related to our equity incentive plans under which our equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	486,565 (2)	\$ 8.68	551,800
Equity compensation plans not approved by security holders			
Total	486,565		

(1) These plans are the Company’s 1999 Stock Option Plan and 2010 Stock Incentive Plan.

(2) Represents outstanding options only.

BENEFICIAL OWNERSHIP OF SECURITIES

Except as described below, the following table sets forth the shares of Class A Stock and Class B Stock beneficially owned on April 22, 2016 by:

- each of our incumbent Directors and Director nominees;
- each of our incumbent executive officers and named executive officers set forth in the Summary Compensation Table of this Form 10-K;
- each person known to us to be the beneficial owner of more than 5% of our Class B Stock; and
- all of our incumbent Directors and incumbent executive officers as a group.

Except as noted, and except pursuant to applicable community property laws, we believe that each beneficial owner has sole voting power and sole investment power with respect to the shares shown. An asterisk (*) denotes beneficial ownership of less than 1%.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)			
	Class A Stock		Class B Stock	
	Number of Shares	Percentage of Stock	Number of Shares	Percentage of Stock
<i>Directors and Named Executive Officers</i>				
Ellen M. Cotter (2)(12)	3,146,965	14.5	1,173,888	69.8
James J. Cotter, Jr. (12)(13)	3,084,976	14.2	696,080	41.4
Margaret Cotter (3)(12)	3,335,012	15.4	1,158,988	66.9

Guy W. Adams (8)	2,000	*	--	--
Judy Coddling (9)	2,000	*	--	--
William D. Gould (4)	56,340	*	--	--
Edward L. Kane (5)	21,500	*	100	*
Andrzej J. Matyczynski (16)	50,880	*	--	--
Douglas J. McEachern (6)	39,300	*	--	--
Michael Wrotniak (10)	2,000	--	--	--
Robert F. Smerling (7)	43,750	*	--	--
Wayne Smith (11)	3,000	*	--	--
William Ellis (17)	20,000	*	--	--
Dev Ghose (18)	25,000	--	--	--
5% or Greater Stockholders				
James J. Cotter Living Trust (12)	1,897,649	8.8	696,080	41.4
Estate of James J. Cotter, Sr. (Deceased) (12)	326,800	1.5	427,808	25.5
Mark Cuban (14) 5424 DeLoache Avenue Dallas, Texas 75220	72,164	*	207,913	12.4
PICO Holdings, Inc. and PICO Deferred Holdings, LLC (15) 875 Prospect Street, Suite 301 La Jolla, California 92037	--	--	117,500	7.0
James J. Cotter Foundation	102,751	*		
Cotter 2005 Grandchildren's Trust	289,390	1.3		
All Directors and executive officers as a group (14 persons) (18)	5,007,094	22.9	1,209,088	71.9

- (1) Percentage ownership is determined based on 21,654,302 shares of Class A Stock and 1,680,590 shares of Class B Stock outstanding on March 31, 2016. Beneficial ownership has been determined in accordance with SEC rules. Shares subject to options that are currently exercisable, or exercisable within 60 days following the date as of which this information is provided, and not subject to repurchase as of that date, which are indicated by footnote, are deemed to be beneficially owned by the person holding the options and are deemed to be outstanding in computing the percentage ownership of that person, but not in computing the percentage ownership of any other person.
- (2) The Class A Stock shown includes 20,000 shares subject to stock options as well as 799,765 shares held directly. The Class A Stock shown also includes 102,751 shares held by the James J. Cotter Foundation (the "Cotter Foundation"). Ellen M. Cotter is Co-Trustee of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown also includes 297,070 shares that are part of the Estate of James J. Cotter, Deceased (the "Cotter Estate") that is being administered in the State of Nevada and 29,730 shares from the Cotter Profit Sharing Plan. On December 22, 2014, the District Court of Clark County, Nevada, appointed Ellen M. Cotter and Margaret Cotter as co-executors of the Cotter Estate. As such, Ellen M. Cotter would be deemed to beneficially own such shares. The shares of Class A Stock shown also include 1,897,649 shares held by the James J. Cotter Living Trust (the "Living Trust"). See footnotes (12) to this table for information regarding beneficial ownership of the shares held by the Living Trust. As Co-Trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (12). Together Margaret Cotter and Ellen M. Cotter beneficially own 1,208,988 shares of Class B Stock.
- (3) The Class A Stock shown includes 17,000 shares subject to stock options as well as 804,173 shares held directly. The Class A Stock shown also includes 289,390 shares held by the Cotter 2005 Grandchildren's Trust and 29,730 shares from the Cotter Profit Sharing Plan. Margaret Cotter is Co-Trustee of the Cotter 2005 Grandchildren's Trust and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown includes 297,070 shares of Class A Stock that are part of the Cotter Estate. As Co-Executor of the Cotter Estate, Ms. Cotter would be deemed to beneficially own such shares. The shares of Class A Stock shown also include 1,897,649 shares held by the Living Trust. See footnotes (12) for information regarding beneficial ownership of the shares held by the Living Trust. As Co-Trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (12). Together Margaret Cotter and Ellen M. Cotter beneficially own 1,208,988 shares of Class B Stock.
- (4) The Class A Stock shown includes 19,000 shares subject to stock options.
- (5) The Class A Stock shown includes 4,000 shares subject to stock options.
- (6) The Class A Stock shown includes 29,000 shares subject to stock options.
- (7) The Class A Stock shown consists 43,750 shares subject to stock options.
- (8) The Class A Stock shown consists of 2,000 shares subject to stock options.
- (9) The Class A Stock shown consists of 2,000 shares subject to stock options.
- (10) The Class A Stock shown consists of 2,000 shares subject to stock options.
- (11) The Class A Stock shown consists of 3,000 restricted stock grants.
- (12) On June 5, 2013, the Declaration of Trust establishing the Living Trust was amended and restated (the "2013 Restatement") to provide that, upon the death of James J. Cotter, Sr., the Trust's shares of Class B Stock were to be held in a separate trust, to be known as the "Reading Voting Trust," for the benefit of the

grandchildren of Mr. Cotter, Sr. Mr. Cotter, Sr. passed away on September 13, 2014. The 2013 Restatement also names Margaret Cotter the sole trustee of the Reading Voting Trust and names James J. Cotter, Jr. as the first alternate trustee in the event that Ms. Cotter is unable or unwilling to act as trustee. The trustees of the Living Trust, as of the 2013 Restatement, were Ellen M. Cotter and Margaret Cotter. On June 19, 2014, Mr. Cotter, Sr. signed a 2014 Partial Amendment to Declaration of Trust (the "2014 Amendment") that names Margaret Cotter and James J. Cotter, Jr. as the co-trustees of the Reading Voting Trust and provides that, in the event they are unable to agree upon an important trust decision, they shall rotate the trusteeship between them annually on each January 1st. It further directs the trustees of the Reading Voting Trust to, among other things, vote the Class B Stock held by the Reading Voting Trust in favor of the appointment of Ellen M. Cotter, Margaret Cotter and James J. Cotter, Jr. to our Board and to take all actions to rotate the chairmanship of our Board among the three of them. The 2014 Amendment states that James J. Cotter, Jr., Ellen M. Cotter and Margaret Cotter are Co-Trustees of the Living Trust. On February 6, 2015, Ellen M. Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles, captioned *In re James J. Cotter Living Trust* dated August 1, 2000 (Case No. BP159755). The Petition, among other things, seeks relief that could determine the validity of the 2014 Amendment and who between Margaret Cotter and James J. Cotter Jr. will have authority as trustee or co-trustees of the Reading Voting Trust to vote the shares of Class B Stock shown (in whole or in part) and the scope and extent of such authority. Mr. Cotter, Jr. has filed an opposition to the Petition. The [696,080] shares of Class B Stock shown in the table as being beneficially owned by the Living Trust are reflected on the Company's stock register as being held by the Living Trust and not by the Reading Voting Trust. The information in the table reflects direct ownership of the [696,080] shares of Class B Stock by the Living Trust in accordance with the Company's stock register and beneficial ownership of such shares as being held by each of the three potential Co-Trustees, Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter, who, unless a court determines otherwise, are deemed to share voting and investment power of the shares held by the Living Trust.

- (13) The Class A Stock shown includes 25,000 shares subject to stock options as well as 770,186 shares held directly. The Class A Stock shown also includes 289,390 shares held by the Cotter 2005 Grandchildren's Trust and 102,751 held by the Cotter Foundation. Mr. Cotter, Jr. is Co-Trustee of the Cotter 2005 Grandchildren's Trust and of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Mr. Cotter, Jr. disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any, in such shares. The Class A Stock shown also includes 1,897,649 shares held by the Living Trust, which became irrevocable upon Mr. Cotter, Sr.'s death on September 13, 2014. See footnote (12) above for information regarding beneficial ownership of the shares held by the Living Trust. As Co-Trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (12). The Class A Stock shown includes 770,186 shares pledged as security for a margin loan.
- (14) Based on Mr. Cuban's Form 5 filed with the SEC on February 19, 2016 and Schedule 13D/A filed on February 22, 2016.
- (15) Based on the PICO Holdings, Inc. and PICO Deferred Holdings, LLC Schedule 13G filed with the SEC on January 14, 2009.
- (16) The Class A Stock shown includes 25,000 shares subject to stock options.
- (17) The Class A Stock shown includes 8,815 shares subject to stock options.
- (18) The Class A Stock shown includes 222,565 shares subject to options not exercisable.

Item 13 – Certain Relationships and Related Transactions, and Director Independence

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The members of our Audit Committee are Douglas McEachem, who serves as Chair, Edward Kane and Michael Wrotniak. Management presents all potential related party transactions to the Audit Committee for review. Our Audit Committee reviews whether a given related party transaction is beneficial to our Company, and approves or bars the transaction after a thorough analysis. Only Committee members disinterested in the transaction in question participate in the determination of whether the transaction may proceed. See the discussion entitled "*Review, Approval or Ratification of Transactions with Related Persons*" on page [11] for additional information regarding the review process.

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the master leasing, with an option to purchase, of certain cinemas located in Manhattan including our Village East and Cinemas 1, 2, 3 theaters. In connection with that transaction, we also agreed (i) to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and (ii) to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by the Cotter Estate and a third party.

As previously reported, over the years, two of the cinemas subject to the master leasing agreement have been redeveloped and one (the Cinemas 1, 2, 3 discussed below) has been acquired. The Village East is the only cinema that remains subject to this master lease. We paid an annual rent of \$590,000 for this cinema to SHC in each of 2015, 2014, and 2013. During this same period, we received management fees from the 86th Street Cinema of \$151,000, \$123,000 and \$183,000.

In 2005, we acquired (i) from a third party the fee interest underlying the Cinemas 1, 2, 3 and (ii) from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1, 2, 3. The ground lease estate and the improvements acquired from SHC were originally a part of the master lease transaction, discussed above. In connection with that transaction, we granted to SHC an option to acquire at cost a 25% interest in the special purpose entity (Sutton Hill Properties, LLC ("SHP")) formed to acquire these fee, leasehold and improvements interests. On June 28, 2007, SHC exercised this option, paying \$3.0 million and assuming a proportionate share of SHP's liabilities. At the time of the option exercise and the closing of the acquisition of the 25% interest, SHP had debt of \$26.9 million, including a \$2.9 million, non-interest bearing intercompany loan from the Company. As of December 31, 2015, SHP had debt of \$19.4 million (again, including the intercompany loan). Since the acquisition by SHC of its 25% interest, SHP has covered its operating costs and debt service through cash flow from the Cinemas 1, 2, 3, (ii) borrowings from third parties, and (iii) pro-rata contributions from the members. We receive an annual management fee equal to 5% of SHP's gross

income for managing the cinema and the property, amounting to \$153,000, \$123,000 and \$183,000 in 2015, 2014 and 2013 respectively. This management fee was modified in 2015, as discussed below, retroactive to December 1, 2014.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema by 10 years, with a new termination date of June 30, 2020. This amendment was reviewed and approved by our Audit Committee. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require Reading to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than \$100,000 each. We recorded the Village East Cinema building as a property asset of \$4.7 million on our balance sheet based on the cost carry-over basis from an entity under common control with a corresponding capital lease liability of \$5.9 million presented under other liabilities (see Note 11 – *Pension and Other Liabilities*).

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

OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations were, until recently, managed by Off-Broadway Investments, LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of the late Mr. James J. Cotter, Sr., the sister of Ellen M. Cotter and James Cotter, Jr., and a member of our Board of Directors. The Management Agreement was terminated effective March 10, 2016 in connection with the retention by our Company of Margaret Cotter as a full time employee. The Theater Management Agreement generally provided for the payment of a combination of fixed and incentive fees for the management of our four live theaters. Historically, these fees have equated to approximately 21% of the net cash flow generated by these properties. We currently estimate that fees to be paid to OBI for 2015 will be approximately \$389,000. We paid \$397,000 and \$401,000 in fees with respect to 2014, and 2013, respectively. We also reimbursed OBI for certain travel expenses, shared the cost of an administrative assistant and provided office space at our New York offices. The fees payable to OBI for the period January 1, 2016 through and including March 9, 2016, will be prorated.

OBI Management historically conducted its operations from our office facilities on a rent-free basis, and we shared the cost of one administrative employee of OBI Management. We reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex. Other than these expenses, OBI Management was responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renewed automatically each year unless either party gives at least six months' prior notice of its determination to allow the Management Agreement to expire. In addition, we could terminate the Management Agreement at any time for cause.

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

Ms. Cotter's compensation as Executive Vice-President was set as part of an extensive executive compensation process. For 2016, Ms. Cotter's base salary will be \$350,000, she will have a short term incentive target bonus opportunity of \$105,000 (30% of her base salary), and she was granted a long term incentive of a stock option for 19,921 shares of Class A common stock and 4,184

restricted stock units under the Company's 2010 Stock Incentive Plan, as amended, which long term incentives vest over a four year period.

Live Theater Play Investment

From time to time, our officers and Directors may invest in plays that lease our live theaters. The play STOMP has been playing in our Orpheum Theatre since prior to the time we acquired the theater in 2001. The Cotter Estate or the Cotter Trust and Mr. Michael Forman own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater. Refer to Item 3 – *Legal Proceedings* for more information about the show STOMP.

Shadow View Land and Farming, LLC

Director Guy Adams has performed consulting services for James J. Cotter, Sr., with respect to certain holdings that are now controlled by the Cotter Estate and/or the Cotter Trust (collectively the "Cotter Interests"). These holdings include a 50% non-controlling membership interest in Shadow View Land and Farming, LLC (the "Shadow View Investment" and "Shadow View" respectively), certain agricultural interests in Northern California (the "Cotter Farms") and certain land interests in Texas (the "Texas Properties"). In addition, Mr. Adams is the CFO of certain captive insurance entities, owned by a certain trust for the benefit of Ellen M. Cotter, James J. Cotter, Jr. and Margaret Cotter (the "captive insurance entities").

Shadow View is a consolidated subsidiary of the Company. The Company has from time to time made capital contributions to Shadow View. The Company has also, from time to time, as the managing member, funded on an interim basis certain costs incurred by Shadow View, ultimately billing such costs through to the two members. The Company has never paid any remuneration to Shadow View. Mr. Adams' consulting fees with respect to the Shadow View Interest were to have been measured by the profit, if any, derived by the Cotter Interests from the Shadow View Investment. He has no beneficial interest in Shadow View or the Shadow View Investment. His consulting fees with respect to Shadow View were equal to 5% of the profit, if any, derived by the Cotter Interests from the Shadow View Investment after recoupment of its investment plus a return of 100%. To date, no profits have been generated by Shadow View and Mr. Adams has never received any compensation with respect to these consulting services. His consulting fee would have been calculated only after the Cotter Interests had received back their costs and expenses and two times their investment in Shadow View. Mr. Adams' consulting fees would have been 2.5% of the then-profit, if any, recognized by Shadow View, considered as a whole.

The Company and its subsidiaries (i) do not have any interest in, (ii) have never conducted any business with, and (iii) have not made any payments to, the Cotter Family Farms, the Texas Properties and/or the captive insurance entities.

Document Storage Agreement

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

Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee has adopted a written charter, which includes responsibility for approval of "Related Party Transactions." Under its charter, the Audit Committee performs the functions of the "Conflicts Committee" of the Board and is delegated responsibility and authority by the Board to review, consider and negotiate, and to approve or disapprove on behalf of the Company the terms and conditions of any and all Related Party Transactions (defined below) with the same effect as though such actions had been taken by the full Board. Any such matter requires no further action by the Board in order to be binding upon the Company, except in the case of matters that, under applicable Nevada Law, cannot be delegated to a committee of the Board and must be determined by the full Board. In those cases where the authority of the Board cannot be delegated, the Audit Committee nevertheless provides its recommendation to the full Board.

As used in the Audit Committee's Charter, the term "Related Party Transaction" means any transaction or arrangement between the Company on one hand, and on the other hand (i) any one or more directors, executive officers or stockholders holding more than 10% of the voting power of the Company (or any spouse, parent, sibling or heir of any such individual), or (ii) any one or more entities under common control with any one of such persons, or (iii) any entity in which one or more such persons holds more than a 10% interest. Related Party Transactions do not include matters related to employment or employee compensation related issues.

The charter provides that the Audit Committee reviews transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the Audit Committee takes into account, among other factors it deems appropriate:

- the approximate dollar value of the amount involved in the transaction and whether the transaction is material to us;

- whether the terms are fair to us, have resulted from arm's length negotiations and are on terms at least as favorable as would apply if the transaction did not involve a Related Person;
- the purpose of, and the potential benefits to us of, the transaction;
- whether the transaction was undertaken in our ordinary course of business;
- the Related Person's interest in the transaction, including the approximate dollar value of the amount of the Related Person's interest in the transaction without regard to the amount of any profit or loss;
- required public disclosure, if any; and

any other information regarding the transaction or the Related Person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

Director Independence

The Company has elected to take the "controlled company" exception under applicable listing rules of The NASDAQ Stock Market (the "NASDAQ Listing Rules"). Accordingly, the Company is exempted from the requirement to have an independent nominating committee and to have a board composed of at least a majority of independent directors. We are nevertheless nominating six independent directors for election to our Board. We have an Audit and Conflicts Committee (the "Audit Committee") and a Compensation Committee composed entirely of independent directors. We have a four member Executive Committee composed of our Chairperson and Vice-Chairperson and two independent directors (Messrs. Guy W. Adams and Edward L. Kane). Due to this structure, the concurrence of at least one independent member of the Executive Committee is required in order for the Executive Committee to take action.

We believe that our Directors bring a broad range of leadership experience to our Company and regularly contribute to the thoughtful discussion involved in effectively overseeing the business and affairs of the Company. We believe that all Board members are well engaged in their responsibilities and that all Board members express their views and consider the opinions expressed by other Directors. Six Directors on our Board are independent under the NASDAQ Listing Rules and SEC rules, and William D. Gould serves as the lead director among our Independent Directors. In that capacity, Mr. Gould chairs meetings of the Independent Directors and acts as liaison between our Chairperson of the Board and interim Chief Executive Officer and our Independent Directors. Our Independent Directors are involved in the leadership structure of our Board by serving on our Audit Committee, the Compensation Committee and the Tax Oversight Committee, each of which has a separate independent chairperson. Nominations to our Board for the Annual Meeting were made by our entire Board, consisting of a majority of Independent Directors.

Audit Committee. Our Board has determined that the Audit Committee is composed entirely of independent Directors (as defined in section 5605(a)(2) of the NASDAQ Listing Rules), and that Mr. McEachem, the Chair of our Audit Committee, is qualified as an Audit Committee Financial Expert. Our Audit Committee is currently composed of Mr. McEachem, who serves as Chairperson, Mr. Kane and Mr. Wrotniak. Mr. Storey, who served on our board through October 11, 2015, served on our Audit Committee through the same date. The Audit Committee held four meetings during 2015. For additional information, see the Audit Committee section of Item 10 – Directors, Executive Officers and Corporate Governance, above.

Compensation Committee. The Compensation Committee is currently composed of Mr. Kane, who serves as Chairperson, Mr. Adams and Dr. Coddling. Mr. Storey served on our Compensation Committee through October 11, 2015. The Compensation Committee's charter is available on our website at <http://www.readingrdi.com/compensation-stock-options-committee/>. The Compensation Committee evaluates and makes recommendations to the full Board regarding the compensation of our Chief Executive Officer and other executive officers (including the Cotter family members). In addition, the Compensation Committee establishes the Company's general compensation philosophy and objectives (in consultation with management), approves and adopts on behalf of the Board incentive compensation and equity-based compensation plans, subject to stockholder approval as required, and performs other compensation related functions as delegated by our Board. The Compensation Committee held three meetings during 2015.

Item 14 – Principal Accounting Fees and Services

Summary of Principal Accounting Fees for Professional Services Rendered

Our independent public accountants, Grant Thornton LLP, have audited our financial statements for the fiscal year ended December 31, 2015, and are expected to have a representative present at the Annual Meeting, who will have the opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

Audit Fees

The aggregate fees for professional services for the audit of our financial statements, audit of internal controls related to the Sarbanes-Oxley Act, and the reviews of the financial statements included in our Forms 10-K and 10-Q provided by Grant Thornton LLP for 2015 and 2014 were approximately \$931,500 and \$661,700, respectively.

Audit-Related Fees

Grant Thornton LLP did not provide us any audit related services for 2015 or 2014.

Tax Fees

Grant Thornton LLP did not provide us any products or any services for tax compliance, tax advice, or tax planning for 2015 or 2014.

All Other Fees

Grant Thornton LLP did not provide us any services for 2015 or 2014, other than as set forth above.

Pre-Approval Policies and Procedures

Our Audit Committee must pre-approve, to the extent required by applicable law, all audit services and permissible non-audit services provided by our independent registered public accounting firm, except for any *de minimis* non-audit services. Non-audit services are considered *de minimis* if (i) the aggregate amount of all such non-audit services constitutes less than 5% of the total amount of revenues we paid to our independent registered public accounting firm during the fiscal year in which they are provided; (ii) we did not recognize such services at the time of the engagement to be non-audit services; and (iii) such services are promptly submitted to our Audit Committee for approval prior to the completion of the audit by our Audit Committee or any of its members who has authority to give such approval. Our Audit Committee pre-approved all services provided to us by Grant Thornton LLP for 2015 and 2014.

PART IV

Item 15 – Exhibits, Financial Statement Schedules

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

1. *Financial Statements*

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

Description

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Balance Sheets as of December 31, 2015 and 2014](#)

[Consolidated Statements of Operations for the Three Years Ended December 31, 2015](#)

[Consolidated Statements of Comprehensive Income \(Loss\) for the Three Years Ended December 31, 2015](#)

[Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2015](#)

[Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2015](#)

[Notes to Consolidated Financial Statements](#)

2. *Financial Statements and Schedules for the years ended December 31, 2015, 2014, and 2013*

Schedule II – Valuation and Qualifying Accounts

3. *Exhibits*

(b) Exhibits

See Item (a) 3. above.

(c) Financial Statement Schedule

See Item (a) 2. above.

Exhibits

- 3.1+ Amended and Restated Articles of Incorporation of Reading International, Inc., a Nevada corporation, effective as of August 6, 2014.
- 3.2.1+ Amended and Restated Bylaws of Reading International, Inc., a Nevada corporation, effective as of October 5, 2015.
- 4.1* 1999 Stock Option Plan of Reading International, Inc., as amended on December 31, 2001 (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed on January 21, 2004, and incorporated herein by reference).
- 4.2* 2010 Stock Incentive Plan and related forms of (i) Stock Option Agreement, (ii) Stock Bonus Agreement, (iii) Restricted Stock Agreement, and (iv) Stock Appreciation Right Agreement (filed as Exhibits 4.1, 4.2, 4.3, 4.4 and 4.5, respectively, to the Company's report on Form S-8 on May 26, 2010, and incorporated herein by reference).
- 4.3* Amendment to the 2010 Stock Incentive Plan effective May 19, 2011 (filed as Appendix A of the Company's proxy statement on April 29, 2011, and incorporated here by reference).
- 4.4* First Amendment to the 2010 Stock Incentive Plan dated as of March 10, 2016 (filed as Exhibit 10 the Company's report on Form 8-K filed on March 15, 2016, and incorporated herein by reference).
- 4.5 Form of Preferred Securities Certificate evidencing the preferred securities of Reading International Trust I (filed as Exhibit 4.1 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
- 4.6 Form of Common Securities Certificate evidencing common securities of Reading International Trust I (filed as Exhibit 4.2 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
- 4.7 Form of Reading International, Inc. and Reading New Zealand, Limited, Junior Subordinated Note due 2027 (filed as Exhibit 4.3 to the Company's report on Form 8-K filed on February 9, 2007, and incorporated herein by reference).
- 4.8 Form of Indenture (filed as Exhibit 4.4 to the Company's report on Form S-3 on October 20, 2009, and incorporated herein by reference).
- 10.1 Amended and Restated Lease Agreement, dated as of July 28, 2000, as amended and restated as of January 29, 2002, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.2 Second Amendment to Amended and Restated Master Operating Lease dated as of September 1, 2005 (filed as exhibit 10.58 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.3 Assignment and Assumption of Lease between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005 (filed as exhibit 10.56 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.4 Third Amendment to Amended and Restated Master Operating Lease Agreement, dated June 29, 2010, between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.21 to the Company's report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference).
- 10.5 Omnibus Amendment Agreement, dated as of October 22, 2003, between Citadel Cinemas, Inc., Sutton Hill Capital, L.L.C., Nationwide Theatres Corp., Sutton Hill Associates, and Reading International, Inc. (filed as Exhibit 10.49 to the Company's report on Form 10-Q for the period ended September 30, 2003, and incorporated herein by reference).
- 10.6 Theater Management Agreement, effective as January 1, 2002, between Liberty Theaters, Inc. and 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).
- 10.7 Amended and Restated Declaration of Trust, dated February 5, 2007, among Reading International Inc., as sponsor, the Administrators named therein, and Wells Fargo Bank, N.A., as property trustee, and Wells Fargo Delaware Trust Company as Delaware trustee (filed as Exhibit 10.2 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- Indenture among Reading International, Inc., Reading New Zealand Limited, and Wells Fargo Bank, N.A., as indenture trustee (filed as Exhibit 10.4 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- 10.9+ Amended and Restated Corporate Markets Loan & Bank Guarantee Facility Agreement dated December 23, 2015, among Reading Entertainment Australia Pty Ltd and National Australia Bank Limited.
- 10.10+ Wholesale Term Loan Facility dated May 21, 2015, among Reading Courtenay Central Limited and Westpac New Zealand Limited.

10.11+	Loan agreement dated June 26, 2014, between Santander Bank, N.A. and Sutton Hill Properties, LLC.
10.13	Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banc of America Leasing & Capital, LLC (filed as Exhibit 10.31 to the Company's report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference).
10.14	Amendment dated October 31, 2012 to the Master Lease Agreement dated October 26, 2012, between Consolidated Cinema Services LLC and Banc of America Leasing & Capital, LLC (filed as Exhibit 10.32 to the Company's report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference).
10.15*	Form of Indemnification Agreement, as routinely granted to the Company's Officers and Directors (filed as Exhibit 10.77 to the Company's report on Form 10-Q for the period ended September 30, 2008, and incorporated herein by reference).
10.16*	Employment Agreement between Reading International, Inc. and Devasis Ghose, Chief Financial Officer (filed as Exhibit 10.1 to the Company's report on Form 10-Q for the period ended March 31, 2015, and incorporated herein by reference).
10.17*	Employment Agreement between Reading International, Inc. and William D. Ellis, General Counsel (filed as Exhibit 10.1 to the Company's report on Form 10-Q for the period ended September 30, 2015, and incorporated herein by reference).
10.18*	Separation and Release Agreement dated March 11, 2016 between Reading International, Inc. and William D. Ellis (filed as Exhibit 12.1 to the Company's report on Form 8-K filed on March 15, 2016, and incorporated herein by reference).
10.19*+	Separation and Release Agreement dated May 30, 2014 between Reading International, Inc. and Andrzej Matyczynski.
10.20*+	First Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of August 6, 2014.
10.21*+	Second Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of November 26, 2014.
10.22*+	Third Amendment to the Separation and Release Agreement between Reading International, Inc. and Andrzej Matyczynski, effective as of May 1, 2015.
10.23*+	Amended and Restated Compensatory Arrangements for Executive and Management Employees dated as of March 28, 2016.
10.24+	OBI Termination Agreement and Release
21+	List of Subsidiaries.
23.1+	Consent of Independent Registered Public Accounting Firm, Grant Thornton LLP.
31.1+	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

*These exhibits constitute the executive compensation plans and arrangements of the Company.

+These exhibits are filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

READING INTERNATIONAL, INC.

(Registrant)

Date: April 29, 2016

By: /s/ Devasis Ghose

Devasis Ghose
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ Ellen M. Cotter</u> Ellen M. Cotter	President, Chief Executive Officer and Chairman of the Board and Director (Principal Executive Officer)	April 29, 2016
<u>/s/ Devasis Ghose</u> Devasis Ghose	Chief Financial Officer and Treasurer (Principal Financial Officer)	April 29, 2016
<u>/s/ Steve Lucas</u> Steve Lucas	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	April 29, 2016
<u>/s/ Margaret Cotter</u> Margaret Cotter	Vice Chairman of the Board and Director	April 29, 2016
<u> </u> James J. Cotter	Director	
<u> </u> Guy W. Adams	Director	
<u>/s/ William D. Gould</u> William D. Gould	Director	April 29, 2016
<u>/s/ Edward L. Kane</u> Edward L. Kane	Director	April 29, 2016
<u>/s/ Douglas J. McEachem</u> Douglas J. McEachem	Director	April 29, 2016
<u>/s/ Dr. Judy Codding</u> Dr. Judy Codding	Director	April 29, 2016
<u>/s/ Michael Wrotniak</u> Michael Wrotniak	Director	April 29, 2016

STATE OF NEVADA

ROSS MILLER
Secretary of State



SCOTT W. ANDERSON
Deputy Secretary
for Commercial Recordings

OFFICE OF THE
SECRETARY OF STATE

Certified Copy

August 6, 2014

Job Number: C20140806-2938
Reference Number:
Expedite:
Through Date:

The undersigned filing officer hereby certifies that the attached copies are true and exact copies of all requested statements and related subsequent documentation filed with the Secretary of State's Office, Commercial Recordings Division listed on the attached report.

Document Number(s)	Description	Number of Pages
20140570142-96	Amendment	6 Pages/1 Copies



Respectfully,

A handwritten signature in black ink, appearing to read "Ross Miller".

ROSS MILLER
Secretary of State

Certified By: Angela Warwick
Certificate Number: C20140806-2938
You may verify this certificate
online at <http://www.nvsos.gov/>

Commercial Recording Division
202 N. Carson Street
Carson City, Nevada 89701-4069
Telephone (775) 684-5708
Fax (775) 684-7138

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ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 686-5708
Website: www.nvsos.gov



090:01

**Certificate to Accompany
Restated Articles or
Amended and Restated Articles**
(PURSUANT TO NRS)

Filed in the office of Ross Miller Secretary of State State of Nevada	Document Number 20140570142-96
	Filing Date and Time 08/06/2014 3:51 PM
	Entity Number C26913-1999

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS PG-1 OFFICE USE ONLY

This Form is to Accompany Restated Articles or Amended and Restated Articles of Incorporation
(Pursuant to NRS 78.403, 82.371, 86.221, 87A, 88.355 or 88A.250)

(This form is also to be used to accompany Restated Articles or Amended and Restated Articles for Limited-Liability Companies, Certificates of Limited Partnership, Limited-Liability Limited Partnerships and Business Trusts)

1. Name of Nevada entity as last recorded in this office:
Reading International, Inc.

2. The articles are: (mark only one box) Restated Amended and Restated
Please entitle your attached articles "Restated" or "Amended and Restated," accordingly.

3. Indicate what changes have been made by checking the appropriate box:*

- No amendments, articles are restated only and are signed by an officer of the corporation who has been authorized to execute the certificate by resolution of the board of directors adopted on:
The certificate correctly sets forth the text of the articles or certificate as amended to the date of the certificate.
 - The entity name has been amended.
 - The registered agent has been changed. (attach Certificate of Acceptance from new registered agent)
 - The purpose of the entity has been amended.
 - The authorized shares have been amended.
 - The directors, managers or general partners have been amended.
 - IRS tax language has been added.
 - Articles have been added.
 - Articles have been deleted.
 - Other. The articles or certificate have been amended as follows: (provide article numbers, if available)
Section 4.7 has been added to Article IV
- All remaining Articles have been restated.

4. Effective date and time of filing: (optional) Date: _____ Time: _____
(must not be later than 90 days after the certificate is filed)

* This form is to accompany Restated Articles or Amended and Restated Articles which contain newly altered or amended articles. The Restated Articles must contain all of the requirements as set forth in the statutes for amending or altering the articles for certificates.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.
This form must be accompanied by appropriate fees.

Nevada Secretary of State
Revised: 8-31-11

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**CERTIFICATE OF AMENDMENT AND RESTATEMENT
OF
ARTICLES OF INCORPORATION
OF
READING INTERNATIONAL, INC.
A Nevada Corporation**

THE UNDERSIGNED hereby certifies as follows:

1. He is the duly elected and acting Secretary of Reading International, Inc., a Nevada corporation (the "Corporation").

2. On March 7, 2013, the Board of Directors of the Corporation unanimously approved the amendment and restatement of the Corporation's articles of incorporation (the "Articles"), pursuant to Section 78.385 of the Nevada Revised Statutes ("NRS").

3. On May 16, 2013, upon the recommendation of the Board of Directors of the Corporation, the proposed amendment to the Articles was submitted to the stockholders of the Corporation. The stockholders of the Corporation's \$0.01 par value Class B Voting common stock ("Class B Common Stock") were entitled to vote on the amendment, with the amendment to the Articles requiring the affirmative vote of a majority of the outstanding Class B Common Stock. The holders of a majority of Class B Common Stock voted in favor of the amendment to Article IV to add Section 4.7, requiring the Corporation to obtain stockholder approval to engage in any transaction(s), involving the sale, issuance or potential issuance of the Corporation's Class B Common Stock. The Corporation, having received the approval required for the amendment, incorporates the amended provision of the Articles in the Amended and Restated Articles of Incorporation attached hereto.

4. Article IV, Capital Stock, is hereby amended to include Section 4.7, such section to read in full as follows:

4.7 Certain Issuances of Preferred Stock. The Corporation shall not, without the approval or ratification of the holders of a majority of the outstanding shares of Class B Voting Common Stock, engage in any transaction or series of related transactions, involving the sale, issuance or potential issuance by the Corporation of shares of any class of Preferred Stock (or securities convertible into or exchangeable for shares of any class of Preferred Stock) having voting rights, other than voting rights with respect to the approval of any change in the rights, privileges or preferences of such class of Preferred Stock.

5. The Corporation's Articles are hereby amended and restated to read in full as follows:

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AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
READING INTERNATIONAL, INC.
A NEVADA CORPORATION

ARTICLE I
NAME

The name of the corporation is Reading International, Inc. (the "Corporation").

ARTICLE II
RESIDENT AGENT AND REGISTERED OFFICE

This section was intentionally omitted.

ARTICLE III
PURPOSE

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

ARTICLE IV
CAPITAL STOCK

4.1 Number of Authorized Shares; Par Value. The aggregate number of shares which the Corporation shall have authority to issue is one hundred forty million (140,000,000) shares to be designated respectively as "Class A Non-Voting Common Stock," "Class B Voting Common Stock" and "Preferred Stock" divided as follows:

- (a) Class A Non-Voting Common Stock. The total number of authorized shares of Class A Non-Voting Common Stock shall be one hundred million (100,000,000) shares with the par value of \$.01 per share.
- (b) Class B Voting Common Stock. The total number of authorized shares of Class B Voting Common Stock shall be twenty million (20,000,000) shares with the par value of \$.01 per share.
- (c) Preferred Stock. The total number of authorized shares of Preferred Stock shall be twenty million (20,000,000) shares with the par value of \$.01 per share.
- (d) Increase or Decrease in Authorized Shares. The total number of authorized shares of Class A Non-Voting Common Stock, Class B Voting Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

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4.2 Class A Non-Voting Common Stock Voting Rights. Class A Non-Voting Common Stock shall have no voting rights; provided, however, that the holders of the Class A Non-Voting Common Stock will be entitled to vote as a separate class on any amendments to the Articles of Incorporation or any merger which would adversely affect their rights, privileges or preferences, or any liquidation or dissolution in which such holders would receive securities with rights, privileges or preferences less beneficial than those held by them as holders of Class A Non-Voting Common Stock.

4.3 Class B Voting Common Stock Voting Rights. The holders of the Class B Voting Common Stock shall be entitled to one vote per one share of Class B Voting Common Stock on all matters submitted to the stockholders of the Corporation for a vote.

4.4 Other Rights, Preferences and Privileges of Class A Non-Voting Common Stock and Class B Voting Common Stock. Except as otherwise specifically set forth herein with respect to voting, all shares of Class A Non-Voting Common Stock and Class B Voting Common Stock shall have the same rights, preferences and privileges with respect to dividends, distributions, or any liquidation or dissolution of the Corporation.

4.5 Preferred Stock. The Preferred Stock may be issued at any time or from time to time, in any one or more series, and any such series shall be comprised of such number of shares and may have such voting powers, whole or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including liquidation preferences, as shall be stated and expressed in the resolution or resolutions of the board of directors of the Corporation, the board of directors being hereby expressly vested with such power and authority to the full extent now or hereafter permitted by law.

4.6 Certain Issuances of Class B Voting Common Stock. The Corporation shall not, without the approval or ratification of the holders of a majority of the outstanding shares of Class B Voting Common Stock, engage in any transaction, or series of related transactions, involving the sale, issuance or potential issuance by the Corporation of shares of Class B Voting Common Stock (or securities convertible into or exchangeable for shares of Class B Voting Common Stock) equal to 5% or more of the shares of Class B Voting Common Stock as of the date of such sale or issuance; provided, however, that this Section 4.6 shall not apply to the sale or issuance of shares of Class B Voting Common Stock pursuant to the exercise of stock options outstanding as of the date this Section 4.6 is made part of the Amended and Restated Articles of Incorporation of the Corporation.

4.7 Certain Issuances of Preferred Stock. The Corporation shall not, without the approval or ratification of the holders of a majority of the outstanding shares of Class B Voting Common Stock, engage in any transaction or series of related transactions, involving the sale, issuance or potential issuance by the Corporation of shares of any class of Preferred Stock (or securities convertible into or exchangeable for shares of any class of Preferred Stock) having voting rights, other than voting rights with respect to the approval of any change in the rights, privileges or preferences of such class of Preferred Stock.

ARTICLE V DIRECTORS

The business and affairs of the Corporation shall be managed by or under the direction of the board of directors, which initially shall consist of one director. Provided that the Corporation has at least

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one director, the number of directors may at any time or times be increased or decreased as provided in the bylaws; provided, however that the number of directors shall not exceed ten.

**ARTICLE VI
BYLAWS**

In furtherance and not in limitation of the powers conferred upon the board of directors of the Corporation by the NRS, the board of directors shall have the power to alter, amend, change, add to and repeal, from time to time, the bylaws of the Corporation, subject to the rights of the stockholders entitled to vote with respect thereto to alter, amend, change, add to and repeal the bylaws adopted by the directors of the Corporation.

**ARTICLE VII
ELECTION OF DIRECTORS**

Unless the bylaws of the Corporation provide for the division of the directors into classes and except as may otherwise be provided in the bylaws of the Corporation, all directors shall be elected to hold office until their respective successors are elected and qualified, or until their earlier resignation or removal, at the annual meeting of the stockholders, whether telephonic or not, within or without the State of Nevada or by written consent and such election need not be by written ballot.

**ARTICLE VIII
SALE OF ASSETS**

In furtherance of the powers conferred on the stockholders of the Corporation by the NRS, the stockholders of the Corporation shall have the power to vote on any proposed sale of substantially all of the Corporation's assets.

**ARTICLE IX
AMENDMENT OF ARTICLES OF INCORPORATION**

In the event the board of directors of the Corporation determines that it is in the Corporation's best interest to amend these Articles of Incorporation, the board of directors shall adopt a resolution setting forth the proposed amendment and declaring its advisability and submit the matter to the stockholders entitled to vote thereon for the consideration thereof in accordance with the provisions of the NRS and these Articles of Incorporation. In the resolution setting forth the proposed amendment, the board of directors may insert a provision allowing the board of directors to later abandon the amendment, without concurrence by the stockholders, after the amendment has received stockholder approval but before the amendment is filed with the Nevada Secretary of State.

**ARTICLE XI
ACQUISITIONS OF CONTROLLING INTEREST**

The Corporation elects not to be governed by the provisions of Chapters 78.378 to 78.3793, inclusive, of the NRS pertaining to acquisitions of controlling interest.

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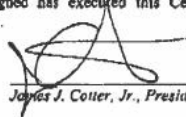
**ARTICLE XII
COMBINATIONS WITH INTERESTED STOCKHOLDERS**

The Corporation elects not to be governed by the provisions of Chapters 78.411 to 78.444, inclusive, of the NRS pertaining to combinations with interested stockholders.

**ARTICLE XIII
DIRECTORS' AND OFFICERS' LIABILITY**

A director or officer of the Corporation shall not be personally liable to this Corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, but this Article shall not eliminate or limit the liability of a director or officer for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law or (ii) the unlawful payment of distributions. Any repeal or modification of this Article by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director or officer of the Corporation for acts or omissions prior to such repeal or modification.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment and Restatement as of the 27th day of June, 2014.



James J. Cotter, Jr., President

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

AMENDED AND RESTATED
 BYLAWS
 OF
 READING INTERNATIONAL, INC.
 A Nevada Corporation
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AMENDED AND RESTAED

BYLAWS¹

OF

READING INTERNATIONAL, INC.

A Nevada Corporation

**ARTICLE I
STOCKHOLDERS****SECTION 1 ANNUAL MEETING**

Annual meetings of the stockholders, commencing with the year 2000, shall be held each year within 150 days of the end of the fiscal year on the third Thursday in May if not a legal holiday, and if a legal holiday, then on the next secular day following at ten o'clock a.m., or such other date and time as may be set by the Board of Directors² from time to time and stated in the notice of the meeting, at which the stockholders shall elect by a plurality vote a Board of Directors and transact such other business as may properly be brought before the meeting.

SECTION 2 SPECIAL MEETINGS

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

SECTION 3 NOTICE OF MEETINGS

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

¹ These Amended and Restated Bylaws are hereinafter referred to as the Bylaws.

² The "Board" and "Board of Directors" are hereinafter used in reference to the Board of Directors of Reading International, Inc.

SECTION 4 PLACE OF MEETINGS

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

SECTION 5 STOCKHOLDER LISTS

The officer who has charge of the stock ledger of the Corporation shall prepare and make, not less than ten nor more than sixty days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any proper purpose germane to the meeting, during ordinary business hours for a period not less than ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 6 QUORUM; ADJOURNED MEETINGS

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

SECTION 7 VOTING

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

of the votes cast by the holders (acting as such) of shares of stock of the Corporation entitled to elect such directors.

SECTION 8 PROXIES

At any meeting of the stockholders any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No proxy, proxy revocation or power of attorney to vote shall be used at a meeting of the stockholders unless it shall have been filed with the secretary of the meeting; provided, however, nothing contained herein shall prevent any stockholder from attending any meeting and voting in person. All questions regarding the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by the inspectors of election who shall be appointed by the Board of Directors, or if not so appointed, then by the presiding officer of the meeting.

SECTION 9 ACTION WITHOUT MEETING

Any action which may be taken by the vote of the stockholders at a meeting may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power, unless the provisions of the statutes governing the Corporation or of the Articles of Incorporation require a different proportion of voting power to authorize such action in which case such proportion of written consents shall be required. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

SECTION 10 CERTAIN LIMITATIONS

The Board of Directors shall not, without the prior approval of the stockholders, adopt any procedures, rules or requirements which restrict a stockholders right to (i) vote, whether in person, by proxy or by written consent; (ii) elect, nominate or remove directors; (iii) call a special meeting; or (iv) to bring new business before the stockholders, except as may be required by applicable law.

ARTICLE II DIRECTORS

SECTION 1 MANAGEMENT OF CORPORATION

The business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

SECTION 2 NUMBER, TENURE, AND QUALIFICATIONS

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

SECTION 3 CHAIRMAN AND VICE CHAIRMAN OF THE BOARD

The directors may elect one of their members to be Chairman of the Board of Directors and one of their members to be Vice Chairman of the Board of Directors. The Chairman and Vice Chairman shall be subject to the control of and may be removed by the Board of Directors. The Chairman and Vice Chairman shall perform such duties as may from time to time be assigned to them by the Board of Directors.

SECTION 4 VACANCIES; REMOVAL

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

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

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

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

SECTION 5 ANNUAL AND REGULAR MEETINGS

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

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

SECTION 6 FIRST MEETING

The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the directors in order legally to constitute the meeting, provided a quorum is present. In the event of the failure of the stockholders to fix the time and place of such first meeting, or in the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

SECTION 7 SPECIAL MEETINGS

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

SECTION 8 BUSINESS OF MEETINGS

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 9 QUORUM; ADJOURNED MEETINGS

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number is required by law or by the Articles of Incorporation. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other members of the Board shall be as valid and effective in all respects as if passed by the Board of Directors in a regular meeting.

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

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

SECTION 10 COMMITTEES

The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees of the Board of Directors, each committee to consist of at least one or more directors of the Corporation which, to the extent provided in the resolution, shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the Corporation and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power to amend the Articles of Incorporation, to adopt an agreement or plan of merger or consolidation, to recommend to the stockholders a sale, lease or exchange of all or substantially all of the Corporation's assets, to recommend to the stockholders dissolution or revocation of dissolution, or to amend these Bylaws, and, unless the resolution or the Articles of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by the Board of Directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The members of any such committee present at any meeting and not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. At meetings of such committees, a majority of the members or alternate members shall constitute a quorum for the transaction of business, and the act of a majority of the members or alternate members at any meeting at which there is a quorum shall be the act of the committee.

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

SECTION 11 ACTION WITHOUT MEETING; TELEPHONE MEETINGS

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

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

SECTION 12 SPECIAL COMPENSATION

The directors may be paid their expenses of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director as fixed by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation

therefor. Members of committees may be allowed like reimbursement and compensation for attending committee meetings.

ARTICLE III NOTICES

SECTION 1 NOTICE OF MEETINGS

Whenever, under the provisions of the Articles of Incorporation or applicable law or these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholders, at his address as it appears on the records of the Corporation, postage prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Notices of meetings of stockholders shall be in writing and signed by the President or a Vice-President or the Secretary or an Assistant Secretary or by such other person or persons as the directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time and the place, which may be within or without this State, where it is to be held. Personal delivery of any notice to any officer of a corporation or association, or to any member of a partnership, shall constitute delivery of such notice to such corporation, association or partnership. In the event of the transfer of stock after delivery of such notice of and prior to the holding of the meeting it shall not be necessary to deliver or mail notice of the meeting to the transferee.

SECTION 2 EFFECT OF IRREGULARLY CALLED MEETINGS

Whenever all parties entitled to vote at any meeting, whether of directors or stockholders, consent, either by a writing on the records of the meeting or filed with the secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

SECTION 3 WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of the statutes, the Articles of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

**ARTICLE IV
OFFICERS****SECTION 1 ELECTION**

The officers of the Corporation shall be elected annually at the first meeting by the Board of Directors held after each annual meeting of the stockholders and shall be a President, one or more Vice Presidents, a Treasurer and a Secretary, and such other officers with such titles and duties as the Board of Directors may determine, none of whom need be directors. The President shall be the Chief Executive Officer, unless the Board designates the Chairman of the Board as Chief Executive Officer. Any person may hold one or more offices and each officer shall hold office until his successor shall have been duly elected and qualified or until his death or until he shall resign or is removed in the manner as hereinafter provided for such term as may be prescribed by the Board of Directors from time to time.

SECTION 2 CHAIRMAN AND VICE CHAIRMAN OF THE BOARD

The Board of Directors at its first annual meeting after each annual meeting of the stockholders may choose a Chairman and Vice Chairman of the Board from among the directors of the Corporation. The Chairman of the Board, and in his absence the Vice Chairman, shall preside at meetings of the stockholders and the Board of Directors and shall see that all orders and resolutions of the Board of Directors are carried into effect.

SECTION 3 PRESIDENT

The President shall be the chief operating officer of the Corporation, shall also be a director and shall have active management of the business of the Corporation. The President shall execute on behalf of the Corporation all instruments requiring such execution except to the extent the signing and execution thereof shall be expressly designated by the Board of Directors to some other officer or agent of the Corporation.

SECTION 4 VICE-PRESIDENT

The Vice-President shall act under the direction of the President and in the absence or disability of the President shall perform the duties and exercise the powers of the President. The Vice-President shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice-Presidents or may otherwise specify the order of seniority of the Vice-Presidents. The duties and powers of the President shall descend to the Vice-Presidents in such specified order of seniority.

SECTION 5 SECRETARY

The Secretary shall act under the direction of the President. Subject to the direction of the President, the Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record the proceedings. The Secretary shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings

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

SECTION 6 ASSISTANT SECRETARIES

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

SECTION 7 TREASURER

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

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

SECTION 8 ASSISTANT TREASURERS

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

SECTION 9 COMPENSATION

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

SECTION 10 REMOVAL; RESIGNATION

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

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

Any director or officer of the Corporation, or any member of any committee, may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President, or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if the time is not specified, then upon receipt thereof. The acceptance of such resignation shall not be necessary to make it effective.

ARTICLE V CAPITAL STOCK

SECTION 1 CERTIFICATED AND UNCERTIFICATED SHARES OF STOCK

Shares of stock in the Corporation shall be represented by certificates, or shall be uncertificated, as determined by the Board of Directors in its discretion. As to any shares represented by certificates, every stockholder shall be entitled to have a certificate signed by the Chairman or Vice Chairman of the Board of Directors, the President or a Vice-President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such person in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of the various classes of stock or series thereof and the qualifications, limitations or restrictions of such rights, shall be set forth in full or summarized on the face or back of any certificate which the Corporation shall issue to represent such stock; provided, however, that except as otherwise provided in NRS 78.242, in lieu of the foregoing requirements, there may be set forth on the face or back of any certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests, the designations, preferences and relative, participating, optional or other special rights of the various classes or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

If a certificate representing stock is signed (1) by a transfer agent other than the Corporation or its employees or (2) by a registrar other than the Corporation or its employees, the signatures of the officers of the Corporation may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall cease to be such officer before such certificate is issued, such certificate may be issued with the same effect as though the person had not ceased to be such officer. The seal of the Corporation, or a facsimile thereof, may, but need not be, affixed to any certificates representing stock.

SECTION 2 SURRENDERED; LOST OR DESTROYED CERTIFICATES

The Board of Directors or any transfer agent of the Corporation may direct a new certificate or certificates to be issued, or, if such stock is no longer certificated, a registration of such stock, in place of any certificate or certificates theretofore issued by the Corporation alleged

to have been lost or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, or new registration of uncertificated stock, the Board of Directors (or any transfer agent of the Corporation authorized to do so by a resolution of the Board of Directors) may, in its discretion and as a condition precedent to the issuance or registration thereof, require the owner, of such lost or destroyed certificate or certificates, or the owner's legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

SECTION 3 REGULATIONS

The Board of Directors shall have the power and authority to make all such rules and regulations and procedures as it may deem expedient concerning the issue, transfer and cancellation of stock of the Corporation and replacement of any stock certificates representing stock and registration and re-registration of any uncertificated stock.

SECTION 4 RECORD DATE

The Board of Directors may fix in advance a date not more than sixty days nor less than ten days preceding the date of any meeting of stockholders, or the date for the payment of any distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining the consent of stockholders for any purpose, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting, and any adjournment thereof, or entitled to receive payment of any such distribution, or to give such consent, and in such case, such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to notice of and to vote at such meeting, or any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

SECTION 5 REGISTERED OWNER

The Corporation shall be entitled to recognize the person registered on its books as the owner of the shares to be the exclusive owner for all purposes, including voting and distribution, and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

ARTICLE VI GENERAL PROVISIONS

SECTION 1 REGISTERED OFFICE

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

The Corporation may also have offices at such other places both within and without the State of Nevada as the Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 2 CHECKS; NOTES

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

SECTION 3 FISCAL YEAR

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

SECTION 4 STOCK OF OTHER CORPORATIONS OR OTHER INTERESTS

Unless otherwise ordered by the Board of Directors, the President, the Secretary, and such other attorneys or agents of the Corporation as may be from time to time authorized by the Board of Directors or the President, shall have full power and authority on behalf of the Corporation to attend and to act an vote in person or by proxy at any meeting of the holders of securities of any corporation or other entity in which the Corporation may own or hold shares or other securities, and at such meetings shall possess and may exercise all the rights and powers incident to the ownership of such shares or other securities which the Corporation, as the owner or holder thereof, might have possessed and exercised if present. The President, the Secretary or other such attorneys or agents may also execute and deliver on behalf of the Corporation, powers of attorney, proxies, consents, waivers and other instruments relating to the shares or securities owned or held by the Corporation.

SECTION 5 CORPORATE SEAL

The corporation will have a corporate seal, as may from time to time be determined by resolution of the Board of Directors. If a corporate seal is adopted, it shall have inscribed thereon the name of the corporation and the words "Corporate Seal" and "Nevada." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

SECTION 6 ANNUAL STATEMENT

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by a vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

SECTION 7 DIVIDENDS

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

Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute and sole discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property or the Corporation, or for such other purpose or purposes as the directors believe to be in the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 8 CONFLICTS OF INTEREST

In the event of any proposed transaction which would result in the merger of the Corporation with or into any other company or entity, or the sale, dividend, spin-off or transfer of all or substantially all of the assets of the Corporation, whether in one or more related transactions (a "Covered Transaction"), such Covered Transaction shall require the approval of a two-thirds majority of the Board of Directors after a review and written report of the terms and fairness of such transaction have been conducted and prepared by a special committee of the Board appointed to conduct such review. Such special committee shall consist of not less than two directors and shall be composed entirely of directors who are neither employees, directors, officers, agents or appointees or representatives of any company or entity affiliated with any party to the Covered Transaction, other than the Corporation. Such special committee is authorized to retain such professional advisors, including investment bankers, attorneys, and accountants as it may determine, in its sole discretion, to be appropriate under the circumstances.

ARTICLE VII INDEMNIFICATION

SECTION 1 INDEMNIFICATION OF OFFICERS AND DIRECTORS, EMPLOYEES AND AGENTS

Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or a person of whom that person is the legal representative is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation or for its benefit as a director, officer, employee or agent of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the NRS from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. The expenses of officers, directors, employee or agents incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay the amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Corporation. Such right of indemnification shall be a contract right, which may be enforced in any manner desired by such person. Such right of indemnification shall not be exclusive of any other right which such directors, officers, employees or agents may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law or otherwise, as well as their rights under this Article VII.

SECTION 2 INSURANCE

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

SECTION 3 FURTHER BYLAWS

The Board of Directors may from time to time adopt further Bylaws with respect to indemnification and may amend these and such Bylaws to provide at all times the fullest indemnification permitted by the laws of the State of Nevada.

**ARTICLE VIII
AMENDMENTS****SECTION 1 AMENDMENTS BY STOCKHOLDERS**

The Bylaws may be amended by the stockholders at any annual or special meeting of the stockholders by a majority vote, provided notice of intention to amend or repeal shall have been contained in the notice of such meeting.

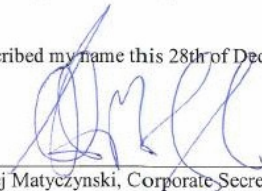
SECTION 2 AMENDMENTS BY BOARD OF DIRECTORS

The Board of Directors at any regular or special meeting by a majority vote may amend these Bylaws, including Bylaws adopted by the stockholders, but the stockholders may from time to time specify particular provisions of the Bylaws, which shall not be amended by the Board of Directors.

CERTIFICATE OF SECRETARY

I, the undersigned, hereby certify that I am the duly elected and qualified Secretary of Reading International, Inc. (formerly Citadel Holding Corporation), a Nevada corporation (the "Company"), and that the foregoing Bylaws, consisting of 17 pages (including cover page and table of contents), constitute the Amended and Restated Bylaws of the Company as duly adopted by the Board of Directors on November 19, 1999 and amended by the Board of Directors on March 21, 2002, September 26, 2002, October 15, 2004, December 27, 2007 and December 28, 2011

IN WITNESS WHEREOF, I have hereunto subscribed my name this 28th of December, 2011.



Andrzej Matyczynski, Corporate Secretary



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

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

Borrower

Reading Courtenay Central Limited (the "Borrower")

Westpac NZ

Westpac New Zealand Limited (1763882) incorporated in New Zealand and having its principal place of business in New Zealand at Westpac On Takutai Square, 16 Takutai Square, Auckland ("Westpac NZ")

Charging Group

The Borrower, Reading New Zealand Limited, Reading Cinemas Courtenay Central Limited, Courtenay Carpark Limited, Reading Restaurants NZ Limited, Darnelle Enterprises Limited, MovieLand Cinemas (NZ) Limited, Queenstown Land Holdings Limited, Reading Queenstown Limited, Reading Wellington Properties Limited and Reading Dunedin Limited (the "Charging Group")

This Agreement is dated the _____ day of _____ 2015

signature section

This Agreement is signed on behalf of the Borrower by:	Signed in my presence by the Borrower:
_____	Signature of Witness _____
Director	Print Name _____
_____	Occupation _____
Director/Authorised Person	Address _____

This Agreement is signed by WestpacNZ by its attorney:	Attorney _____

In the presence of:	
Signature of Witness _____	
Print Name _____	
Occupation _____	
Address _____	

Introduction

Westpac NZ has agreed to provide the Borrower with a term loan of \$50,000,000 on the terms and conditions of this

Agreement.

Agreement

1. condition precedent

1.1 Pre-condition

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

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

1.2 Failure to Satisfy Pre-condition

If the condition contained in clause 1.1 is not satisfied or waived before 30 June 2015 then Westpac NZ may terminate this Agreement whereupon it shall have no further liability or obligation to the Borrower.

2. availability of loan

2.1 Loan

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

- a) the Borrower has complied with the relevant drawdown procedure;
- b) no Event of Default or Potential Event of Default has occurred and is continuing or will occur as a result of the making of the Loan;
- c) the First Tranche is utilised to repay the Borrower's existing indebtedness with Westpac NZ (account no. 03- 0104-0786183-91) and any surplus may be utilised for the Borrower's general requirements and CAPEX funding and the first drawdown must occur prior to 30 June 2015;
- d) the Second Tranche is utilised to assist the Borrower in completing the Development;
- e) prior to the first drawdown under the Second Tranche being made available, the special conditions contained in the Letter of Offer for Advances of the Second Tranche must have been satisfied in Westpac NZ's absolute discretion.

2.2 Termination of Loan

On termination of the Loan:

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

2.3 Effect of Termination

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

3. procedure for drawdown

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

4. interest

4.1 Payment

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

4.2 Telephone Communications

a) validity of instructions

Westpac NZ will be under no obligation to enquire as to the validity of any telephone instructions or acceptance which it receives or to require any evidence as to the authenticity, validity or legality of any telephone advice received or as to the authority of the person giving the telephone advice to act on behalf of the Borrower.

b) authority to tape calls

The Borrower acknowledges that Westpac NZ may from time to time keep tape recordings of telephone conversations between Westpac NZ and the Borrower and consents to the recording of those telephone conversations.

5. repayment and prepayment of loan

5.1 Repayment

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

5.2 Prepayment

a) notice and prepayment multiples

The Borrower may prepay all or part of the Loan:

- i. after giving Westpac NZ not less than 5 Banking Days irrevocable notice in writing of its intention to do so and then making payment on the specified date; and
- ii. in multiples of \$10,000.

b) losses

On any prepayment made other than at the end of a Floating Rate Period applying to the amount prepaid, the Borrower must at the time of prepayment pay to Westpac NZ any losses, costs, penalties and expenses certified by Westpac NZ to have been sustained or incurred as a consequence of the prepayment.

c) interest ceases

Interest on any amount prepaid will cease to accrue from the date of the prepayment.

d) redrawing

Any amount prepaid will be available for redrawing.

5.3 Payment

The Borrower must not later than 3.00 p.m. on the due date for payment of interest or any other Outstanding Moneys, pay to Westpac NZ an amount equal to the amount due in cleared funds in Dollars to the account and/or in the manner Westpac NZ may from time to time advise.

Amounts due and payable by the Borrower will be debited from the Westpac NZ account nominated by the Borrower. If the Borrower does not nominate an account, Westpac NZ may, at any time, debit from any account of the Borrower with Westpac NZ any amounts due and payable by the Borrower.

5.4 Banking Days

If any payment by the Borrower falls due on a day which is not a Banking Day it must be made on the following Banking Day.

6. fees, charges, expenses and review entitlement

6.1 Fees, Charges and Expenses Payable

The Borrower must pay to Westpac NZ the following:

a) establishment fee

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

b) line of credit charge

A line of credit charge payable in arrears with the first charge being in respect of the period from the Commencement Date to the last Banking Day of the month in which that date occurs and thereafter monthly on the last Banking Day of each month through to the Termination Date and calculated at 0.40% per annum on the amount of the Loan.

c) expenses

The expenses of Westpac NZ and each Officer in relation to:

- i) the
Outstanding
Moneys:
- ii) the preparation, execution and completion of each Bank Document, and any subsequent consent, approval, waiver, amendment or release;
- iii) any contemplated, attempted or actual enforcement of any Bank Document or the actual or contemplated, attempted or actual exercise or defence of any Power; and
- iv) any enquiry by a Governmental Agency concerning the Borrower or related to a Bank Document.

This includes expenses incurred in retaining consultants to evaluate matters of concern to Westpac NZ. It also includes administrative time and costs including the time of Officers and other employees of Westpac NZ (whose time and costs are to be charged at reasonable rates).

It will include, in each case, legal fees and expenses on a full indemnity basis plus goods and services tax on those amounts.

All these expenses are payable on demand.

d) government charges

Any government duties, taxes and charges on the Bank Documents and payments and receipts under them.

6.2 Review of margin

Westpac NZ may, by 3 Banking Days' notice to the Borrower, increase or decrease the Margin provided no increase will take effect within 12 months of the Commencement Date.

7. interest on arrears

7.1 Default Interest Payable

If the Borrower does not pay any sum payable on the due date, it must pay interest on that overdue sum at the Default Rate from the due date until the Borrower remedies the default and pays all default interest.

7.2 Default in Payment of Interest

If the Borrower does not pay any sum on or before 14 days after the date on which payment was due, then the following rules apply:

- a) Interest on all amounts on which interest is payable will be calculated at the Default Rate;
- b) Interest at the Default Rate:
 - i) will accrue during the period beginning on the date the last payment was due and paid by the Borrower and ending on the date the Borrower remedies the default and pays all default interest. Where no payments have been made by the Borrower, the period begins on the date of drawdown;
 - ii) will be calculated on a daily basis by reference to successive periods of durations selected by Westpac NZ from time to time. Each period will begin on the last day of the previous period except for the first period which will begin on the due date;
 - iii) will be payable on the last day of each period and on the date of receipt of the overdue sum by Westpac NZ. Any interest which is not paid when due will be added to the overdue sum and will itself bear interest under this clause.

8. undertakings

8.1 General undertakings

The Borrower and the Charging Group (where applicable) undertake to Westpac NZ as follows, except to the extent that Westpac NZ agrees otherwise:

a) Personal Property Securities Act 1999

Whenever Westpac NZ asks it to do anything to better secure any property which secures or is intended to secure financial accommodation from Westpac NZ (including, without limitation, the Loan), the Borrower must do it (or procure that it is done) immediately at its own cost. This may include signing and delivering documents and anything else that Westpac NZ requires to ensure that Westpac NZ has perfected security interest(s) under the Personal Property Securities Act 1999 ("PPSA").

The Borrower waives any rights to receive a copy of a verification statement under the PPSA and agrees, to the extent permitted by law, that in respect of any arrangement between the Borrower and Westpac NZ:

- i) sections
114(1)
(a), 133
and 134
of the
PPSA
shall not
apply;
- ii) the Borrower shall have none of the rights referred to in paragraphs (c) to (e) and (h) to (j) of section 107(2) of the PPSA; and

- iii) where Westpac NZ has rights in addition to those in Part 9 of the PPSA, those rights shall continue to apply and, in particular, shall not be limited by section 109 of the PPSA.

The Borrower must, immediately upon request by Westpac NZ, procure from any person considered by Westpac NZ to be relevant to its security position such agreements and waivers (including as equivalent to those above) as Westpac NZ may at any time require.

b) project invoices

It must ensure that, until such time as the Development has been completed, it promptly provides to Westpac NZ (and in any event within 7 days after being requested by Westpac NZ) copies of project invoices and the Quantity Surveyor's monthly report, which are to be acceptable to Westpac NZ in its absolute discretion.

c) valuation

It must ensure that, within 45 days of a written request being made by Westpac NZ, Westpac NZ is provided with up-to-date valuations for all assets of the Group secured to Westpac NZ (including the leasehold interests in the cinemas). The valuations must be:

- i) addressed to Westpac NZ;
- ii) provided by a registered valuer acceptable to Westpac NZ;
- iii) in a format acceptable to Westpac NZ; and
- iv) satisfactory to Westpac NZ in its absolute discretion in all respects.

Westpac NZ will not request such valuations more than once per year unless, in Westpac NZ's reasonable opinion, there has been a material change in the value of the Group's assets.

d) reporting and information

It must ensure that the Group provides to Westpac NZ:

- i) as soon as practicable (and in any event not later than 120 days) after the close of each financial year copies of the Group's consolidated balance sheet and profit and loss account for that financial year all of which must be audited unless Westpac NZ agrees otherwise;
- ii) as soon as practicable (and in any event not later than 45 days) after the close of each financial quarter copies of the Group's unaudited management accounts (showing performance against budget for each asset) for that financial quarter;
- iii) prior to the start of each financial year, the Group's financial budget for that financial year, which is to show forecast expenditure on capital items and repairs and maintenance for each asset secured to Westpac NZ together with a brief commentary on such expenditure;
- iv) at the same time the information required by paragraph 8.1(d)(i) is provided to Westpac NZ, a commentary on the Group's capital expenditure and repairs and maintenance undertaken by the Group for that financial year in respect of each asset secured to Westpac NZ; and
- v) promptly (and in any event within 7 days after request by Westpac NZ) any other information in relation to the Group's assets, financial condition or business which Westpac NZ reasonably requests.

e) accounting standards

It must ensure that the financial statements of the Group, at any time delivered to Westpac NZ:

- i) are prepared in accordance with current accounting practice;
- ii) give a true and fair view of the Group's financial position and operations as at the date, and for the period to which the financial statements relate;
- iii) together with the notes to them, disclose all liabilities (actual or contingent) of the Group; and
- iv) are prepared and delivered to all relevant persons within the period in which they are required by law or under any agreement to be delivered.

f) insurance

It must ensure that insurance is maintained in respect of the Land for full replacement value (or as agreed by Westpac NZ). It must also take out contractor's all risk insurance during the construction of any improvements. Westpac NZ's interest as mortgagee must be noted on all insurance policies. Copies of such policies are to be provided to Westpac NZ and are to be satisfactory to Westpac NZ in all respects in its absolute discretion.

g) acquisition of assets

It must, if it uses any part of the Loan to finance the acquisition of an asset in New Zealand in excess of \$5,000,000, provide to Westpac NZ details of such assets and any other documents or information in respect of such asset which Westpac NZ reasonably requests.

h) consent required to structure/acquisition

No member of the Charging Group can enter into a joint venture, make a material acquisition or provide advances outside the Charging Group (either to related or unrelated parties) without Westpac NZ's prior written consent.

i) payments

No member of the Charging Group can make any payments (including but not limited to capital reductions, dividends, repayment of loans, interest payments and management fees) to associated or related parties unless Westpac NZ is satisfied that all covenants contained in the Agreement are and will continue to be met following such payment being made.

8.2 Financial Covenants

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

a) equity ratio

It must ensure that the Group maintains, at all times, Shareholders Funds of not less than 40% of Adjusted Tangible Assets. Shareholders Funds is the Group's Adjusted Tangible Assets less Adjusted Total Liabilities. Adjusted Tangible Assets is the aggregate of the consolidated book values of all of the Group's assets excluding assets of an intangible nature, advances to shareholders, investments in related and associate companies and future asset revaluations (except as individually approved by Westpac NZ). Adjusted Total Liabilities is the aggregate of the consolidated book values of all of the Group's liabilities excluding only advances from shareholders. This covenant will be tested quarterly for compliance and will be determined by Westpac NZ in its absolute discretion.

b) interest cover ratio

It must ensure that the Group's Earnings for each 12 month period are not less than 2.0 times its Funding Costs for that 12 month period. Earnings is the Group's net profit before Funding Costs, income Tax, Extraordinaries and management costs (on the basis that management costs are accrued only and not paid externally) and amortisation of goodwill for the relevant financial quarter. Funding Costs comprise all interest, charges and fees related to all funding other than interest on shareholder/related party advances provided such interest is capitalised and not paid outside the Group. Extraordinaries are items that are not expected to occur frequently and are distinct from the Group's ordinary operations.

9. deductions from payments

9.1 Gross-Up of Borrower's Withholding Tax

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

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

9.2 Gross-Up for Westpac NZ's Withholding Tax

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

9.3 Indemnity for Tax on Funding

if:

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

9.4 Tax Credit

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

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

10. events of default

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

11. change in circumstances

11.1 Increased Costs

If as a result of:

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

any of the following occur:

- c) the cost to Westpac NZ of making, funding or maintaining the Loan is increased; or
- d) the moneys payable to Westpac NZ or the effective return to Westpac NZ under or in connection with this Agreement is reduced; or
- e) Westpac NZ makes any payment or foregoes any interest or other return on, or calculated by reference to, any sum received or receivable by it under any Bank Document; or
- f) Westpac NZ is unable to obtain the rate of return on capital (including any notional return on capital calculated on a risk adjusted basis) which it would have received at the date of this Agreement;

then:

- g) Westpac NZ will use its best efforts promptly to notify the Borrower in writing of those events, provided that failure to do so will not affect Westpac NZ's rights under this clause; and
- h) the Borrower must pay on demand, from time to time, for the account of Westpac NZ, the amount certified by an Officer which will compensate Westpac NZ for its increased cost, reduction, payment or foregone interest or other return.

11.2 Survival of Obligations

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

11.3 Re-negotiation of Loan

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

11.4 Illegality

If as a result of:

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

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

12. indemnity

12.1 General Indemnity

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

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

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

12.2 Examples

Without limitation, the indemnity in clause 12.1 will extend to:

- a) any losses, costs, penalties and expenses incurred by reason of the liquidation or re-employment of deposits or other funds acquired or contracted for by Westpac NZ (including loss of margin); and
- b) any losses, costs, penalties and expenses which may be incurred by Westpac NZ in:
 - i) terminating any options or forward rate agreements or interest or currency swap contracts entered into in connection with the Loan; or
 - ii) in entering into any new contracts which it deems appropriate to protect the return it would otherwise have expected under this Agreement.

12.3 Currency Indemnity

If for any reason:

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

12.4 Unconditional Indemnities

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

13. Set off and combination

13.1 Set Off

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

13.2 Contingent Amounts

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

13.3 Combination

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

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

13.4 Contractual Rights

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

13.5 Deposits with Westpac NZ

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

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

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

13.6 Interest

Each amount deposited with Westpac NZ under clause 13.5 will (unless otherwise agreed) bear interest calculated by reference to successive deposit periods of a duration agreed by Westpac NZ and the Borrower (or, in the absence of agreement, as Westpac NZ may nominate). The rate of interest applicable to a deposit period will be as agreed by Westpac NZ and the Borrower (or, in the absence of agreement, as Westpac NZ certifies as applicable to deposits of similar size and maturity placed with it by customers). As long as no Event of Default or Potential Event of Default has occurred (in which case interest is to be added to the deposit) and subject to clause 13.1, that interest is to be paid to the Borrower as it may direct.

14. protection of officers

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

15. no reliance on Westpac NZ

The Borrower confirms that:

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

16. assignment

16.1 Westpac NZ may assign

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

16.2 Borrower may not assign

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

16.3 disclosure of information

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

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

17. counterpart execution

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

18. anti-money laundering

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

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

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

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

19. interpretation

19.1 Definitions

The following definitions apply, unless the context requires otherwise:

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

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

Availability Period means the period beginning on the date that Westpac NZ confirms to the Borrower that the condition precedent in this Agreement has been satisfied and expiring on 30 June 2015;

Bank Document means a document or agreement:

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

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

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

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

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

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

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

First Tranche means \$35,000,000;

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

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

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

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

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

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

Group means Reading New Zealand Limited and its subsidiaries;

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

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

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

Interest Payment Date means, unless Westpac NZ shall determine otherwise, the date falling on the day after each Interest Calculation Date provided that:

- (a) where the Interest Calculation Date would otherwise fall on a non-Banking Day then the Interest Payment Date shall be the Banking Day after the next Banking Day; and
- (b) where the Interest Calculation Date would otherwise fall on a Banking Day which immediately precedes a non-Banking Day then the Interest Payment Date shall be the next Banking Day;

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

Letter of Offer means the letter of offer dated 13 April 2015 from Westpac NZ to the Borrower in relation to the Loan;

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

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

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

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

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

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

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

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

Second Tranche means \$15,000,000;

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

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

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

Termination Date means 31 March 2018.

19.2 General

Headings are for convenience only. They do not affect interpretation. The following rules apply unless the context requires otherwise:

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

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

WITNESSETH:

WHEREAS, Lender is the holder of that certain Amended and Restated Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of June 28, 2012, made by the Borrower, as borrower, in favor of lender, as Lender, in the principal amount of \$15,000,000.00, and recorded on July 20, 2012 in the Register's Office of the City and State of New York as CRFN 2012000288512 (together with all extensions, renewals, modifications, substitutions and amendments thereof the "First Mortgage") which secures that certain Second Amended and Restated Promissory Note in the original principal amount of \$15,000,000.00 made by Borrower to the order of Lender (together with all extensions, renewals, modifications, substitutions and amendments thereof, the "First Note"; the First Note, the First Mortgage and any of the loan documents which secure and evidence the indebtedness pursuant to the First Note shall hereinafter be referred to as the "First Mortgage Loan Documents");

WHEREAS, the Borrower desires to borrow and the Lender desires to lend to the Borrower, for Borrower's use, as more particularly set forth herein (the "Loan") in connection with its ownership of the real property located at 1001-1007 Third Avenue, New York, New York 10022 (the "Property"), the principal amount of Six Million and 001100 Dollars (US \$6,000,000.00), subject and pursuant to the terms of this Agreement and of that certain Promissory Note in like amount of even date herewith executed and delivered by the Borrower (the "Note") ;

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

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

NOW, THEREFORE, the parties hereto agree as follows: Article

I. THE ADVANCE
Section 1.01 Advances.

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

Section 1.02 **Manner of Borrowing.**

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

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

Article II. REPRESENTATIONS AND COVENANTS

Section 2.01 **Representations.**

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

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

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

(c) There are no actions, suits, or proceedings before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality pending against the Borrower which if determined adversely to the Borrower, would have a material adverse effect on the business, properties, operations or conditions, financial or otherwise, of the Borrower;

(d) No Event of Default has occurred under this Agreement and no default has occurred under any of the other Loan Documents beyond the expiration of any applicable notice, grace or cure period;

(e) The Borrower makes no claim that the terms of the Note, including without limitation the interest rate thereon, is usurious nor that there exists any offset, deduction or defense with respect to the Borrower's obligations under the Loan Documents;

(f) The Property is free and clear of any liens, charges or encumbrances other than the First Mortgage;

(g) To Borrower's knowledge, there are no outstanding judgments against the Borrower which have not been paid;

(h) The most recent Financial Statements heretofore delivered to the Lender are complete and correct and since the date thereof there has not occurred any material adverse change in the financial condition or operations of the Borrower, Guarantor or the Property from that shown on said Financial Statements;

(i) Borrower has no knowledge of any impediments to the full and complete performance by the Borrower hereunder or under any of the Loan Documents;

(j) Neither the Borrower nor any person or entity acting or purporting to act on the Borrower's behalf has dealt with any broker in connection with the making of this loan, except as set forth in the commitment letter of Santander Bank, N.A. addressed to Borrower and dated as of June 11, 2014, as amended by letter agreement, if any. Borrower hereby indemnifies Lender, and agrees to hold Lender harmless, from and against all loss, liability, damage and expense, including reasonable attorneys' fees and expenses, suffered or incurred by Lender by reason of a breach of this representation. This provision will survive the closing and the repayment of the Note;

(k) The Borrower is a limited liability company duly organized and validly existing under the laws of the State of Nevada and duly authorized to do business in the State of New York pursuant to the laws of the State of New York; and

(l) That the funds received by the Borrower from the Advance requested hereunder and pursuant to the Note will be expended exclusively in connection with the acquisition of floor area rights and/or air rights related to future development of the Property as same will be more particularly described in the Security Instrument.

Section 2.02 **Certain Covenants.**

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

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

Section 2.03 **Negative Pledge Covenants.**

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

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

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

Section 2.04 Books and Records. 1

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

2.04 same as Section 3.8 of the Mortgage

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

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

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

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

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

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

Article III. CONDITIONS TO ADVANCE

Section 3.01 Conditions

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

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

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

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

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

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

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

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

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

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

Article IV. DEFAULT

Section 4.01 Events of Default.

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

(a) if any representation or warranty of Borrower or of its members, general partners, principals, affiliates, agents or employees, or of any Guarantor made herein or in the Environmental Indemnity or in any Loan Document, in any guaranty, or in any certificate, report, financial statement or other instrument or document furnished to Lender shall have been false or misleading in any material respect when made;

(b) The failure to make any payment of principal or interest under the Note on or before the tenth (10th) calendar day after the day on which the same is due (without regard to any applicable cure and/or notice period) or if the entire Debt is not paid on or before the Maturity Date, along with applicable prepayment premiums, if any

(c) if Borrower, or its general partner, member or manager, if applicable, violates or does not comply with any of the provisions of Section 3.3, Section 4.3, or Article 8 hereof, or Article 19 of the Note, or fails to deliver any of the reports required by Section

(d) if Borrower or any Guarantor shall make an assignment for the benefit of creditors or if Borrower or any Guarantor shall admit in writing its inability to pay, or Borrower's or any Guarantor's failure to pay its debts as they become due;

(e) if (i) Borrower or any member or manager of Borrower, or any Guarantor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other

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

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

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

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

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

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

Section 4.02 **Effect of Default.**

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

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

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

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

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

Section 4.03 No Waiver.

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

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

Article V. MISCELLANEOUS

Section 5.01 Notices.

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

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

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

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

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

Section 5.02 Successors and Assigns.

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

Section 5.03 **Severability.**

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

Section 5.04 **Expenses of Lender.**

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

Section 5.05 **Indemnity.**

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

Section 5.06 **Applicable Law.**

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

Section 5.07 **Jurisdiction.**

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

Section 5.08 **Waiver of Certain Defenses.**

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

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

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

Section 5.10 Joint and Several Liability.

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

Section 5.11 Origination Fee.

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

Section 5.12 Counterparts.

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

Section 5.13 Satisfaction of Note.

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

Section 5.14 Authorization.

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

Section 5.15 Cooperation

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

Separation and Release Agreement

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

RECITALS:

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

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

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

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

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

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

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

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

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

4.1 Payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. General Provisions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

 /S/ AJM
Executive’s Initials

[Signature page follows]

READ CAREFULLY BEFORE SIGNING

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

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

“Executive”

Date : May 30, 2014
Matczynski

/s/ Andrzej

Andrzej Matczynski, an individual

“Company”

Reading International, Inc.

Date : May 30, 2014
Cotter

By: /s/ James J.

James J. Cotter, President

Re: Amendment of Separation and Release Agreement

Dear Mr. Matyczynski,

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

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

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

Very truly yours,

/s/ James J. Cotter

James J. Cotter, President

ACCEPTED AND AGREED as of this 6th day of August, 2014

/s/ Andrzej Matyczynski

Andrzej Matyczynski

SECOND AMENDMENT
TO
SEPARATION AND RELEASE AGREEMENT

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

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

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

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

Reading International, Inc.

By: /s/ James J. Cotter

James J. Cotter, Jr.

Chief Executive Officer

Executive:

/s/ Andrzej Matyczynski

Andrzej Matyczynski

THIRD AMENDMENT
TO
SEPARATION AND RELEASE AGREEMENT

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

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

1. Retirement Date: Section 1 of the First Amendment is hereby deleted in its entirety and replaced with the following: "Executive's "Retirement Date" will be the last day Services are provided during the period starting on the date of this Agreement and ending on April 15, 2016, or such earlier termination date (such period, the "Term"). After May 11, 2015, on which date Executive shall cease to serve as the Company's Chief Financial Officer and Treasurer, Executive shall serve as a financial advisor to the Company principally to assist in the transition of the Company to its new chief financial officer and to provide such additional financial advisory services as the Company may from time to time request. It is understood that these services will be provided as a full time employee of the Company; such services being referred as the "Services" for purposes of this Third Amendment and superseding the prior definition of "Services" as used in the Amended SRA
2. Deferred Compensation: Section 2 of the Second Amendment is hereby deleted in its entirety and replaced with the following: "The third sentence of Section 4.1(d) is amended to change the reference to the "2014 plan year" to the "2015 plan year," to change the reference to "\$50,000" to 21,875," and thereafter to change the reference to "2014" to "2015." In addition, it is agreed that the Company will make a 2015 contribution to Executive's Deferred Compensation plan, in the amount of \$150,000 (\$75,000 more than currently provided for in the Executive's Deferred Compensation Plan).
3. Venue: Notwithstanding any other provision of the Amended SRA, it is agreed that during the Term, Executive may do a majority of his work from his home in Atlanta, Georgia. Executive will only be required to be at the Company's Los Angeles offices for a total of seventeen (17) weeks (Monday through Thursday) between the date hereof and the Retirement Date. It is anticipated that the parties will work together to schedule such time in full week blocks, one week in one month, two weeks in the next month, one week in the next month, etc. The Company will promptly reimburse Executive for all reasonable travel expenses (against reasonable documentation), including airfare, hotel and car rental (such travel expenses not to exceed \$1,500.00 per weekly trip).
4. Salary: Section 4.1 of the Original SRA is hereby amended to provide that, effective January 1, 2015 and for the balance of the Term, Executive shall be paid as compensation for the performance of his duties

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

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

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

Reading International, Inc.

By: /s/ James J. Cotter

James J. Cotter, Jr.

Chief Executive Officer

Executive:

/s/ Andrzej Matyczynski

Andrzej Matyczynski

**Amended and Restated
Compensatory Arrangements for Executive and Management Employees**

Executive Compensation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Role of Chief Executive Officer in Compensation Decisions

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

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

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

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

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

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

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

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

Base Salaries

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

Name	Title	2016 Base Salary (4)	2015 Base Salary (4)
Ellen Cotter (1)	President and Chief Executive Officer	\$450,000	\$402,000
Devasis Ghose (2)	Chief Financial Officer	400,000	400,000
Andrzej Matyczynski (3)	EVP Global Operations	336,000	312,000
Robert F. Smerling	President, US Cinemas	375,000	350,000
Wayne Smith	Managing Director, ANZ	A\$370,000	A\$365,360

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

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

Short Term Incentives

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

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

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

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

Long-Term Incentives

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

On March 10, 2016 the following grants were made:

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

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

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

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

TERMINATION AGREEMENT AND RELEASE

This Termination Agreement and Release (this "Agreement") is made as of March 10, 2016, by and between Liberty Theaters, LLC ("LTLLC") and OBI, LLC ("OBI"). Capitalized terms not defined in this Agreement shall have the meaning ascribed to such terms in the Theater Management Agreement (as defined herein).

WHEREAS, reference is made to that certain Theater Management Agreement (the "Theater Management Agreement") dated effective as of January 1, 2002, by and between Liberty Theaters, Inc. ("LTI") and OBI.

WHEREAS, LTI was subsequently merged into LTLLC.

WHEREAS, pursuant to the Theater Management Agreement, OBI provides Management Services to theaters owned by LTLLC and its Operating Subsidiaries.

WHEREAS, LTLLC and OBI desire to terminate the Theater Management Agreement as of March 10, 2016 ("Termination Date").

WHEREAS, LTLLC acknowledges and agrees that OBI has fully and satisfactorily performed its obligations under and pursuant to the Theater Management Agreement.

WHEREAS, OBI acknowledges and agrees that other than the Final Payment (defined hereafter) LTLLC has fully and satisfactorily performed its obligations under and pursuant to the Theater Management Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, The parties hereto agree as follows:

1. Effective as of the Termination Date, the Theater Management Agreement is hereby terminated. On and after the Termination Date, LTLLC shall have no further obligations to OBI under the Theater Management Agreement other than its indemnity obligations set forth in Section 5.1 of the Theater Management Agreement, and OBI shall have no further obligations to LTLLC under the Theater Management Agreement. Any and all amounts owed by LTLLC to OBI for Management Services performed by OBI on or prior to the Termination Date, including, but not limited to, compensation payable to OBI for 2015 and incentive compensation for the period between January 1, 2016 and the Termination Date (collectively, the "Final Payment") under the Theater Management Agreement shall be paid by LTLLC within 15 days of the parties' mutual agreement (acting in good faith) as to the amount of such Final Payment and, in the case of reimbursement of expenses, within 30 days of presentation of appropriate substantiating documentation.

2. OBI waives its right to receive incentive fees pursuant to Section 4.1(d) of the Theater Management Agreement accrued after the Termination Date.

3. Other than payment of the Final Payment by LTLLC to OBI and except as provided in Section 1, above, with respect to the survival of certain indemnity obligations, OBI does hereby irrevocably, unconditionally, voluntarily, knowingly, fully, finally and completely forever releases and discharges LTLLC and its parents, subsidiaries, divisions, affiliates (that currently exist or may exist in the future), successors, assigns and predecessors and their present and former owners, stockholders, members, managers, directors, officers, employees, agents, attorneys, representatives, successors, beneficiaries, heirs and assigns, individually and collectively (the "LTLLC Released Parties") from, against and with respect to any and all actions, accounts, agreements, causes of action, complaints, charges, claims, covenants, contracts, costs, damages, demands, debts, defenses, duties, expenses, executions, fees, injuries, interest, judgments, liabilities, losses, obligations, penalties, promises, reimbursements, remedies, suits, sums of money, and torts of whatever kind or character, whether in law, equity or otherwise, direct or indirect, fixed or contingent, foreseeable or unforeseeable, liquidated or unliquidated, known or unknown, matured or unmatured, absolute or contingent, determined or determinable (excluding, however, for a claim found by a court of competent jurisdiction that any LTLLC Released Party has committed fraud or an intentional act causing material financial damage to OBI), that OBI or anyone claiming through or under OBI, ever had, now has, or may hereafter have or acquire, against such LTLLC Released Party that arises out of or in any way relate, directly or indirectly, to any matter, cause or

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

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

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

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


7. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original document, but all of which together shall constitute one and the same instrument.

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

OBI MANAGEMENT, LLC

By: 
Name: Margaret Cotter
Title: Manager

LIBERTY THEATERS, LLC

By: 
Name: D. GHOUSE
Title: CFO



National Australia Bank Limited
Reading Entertainment Australia Pty Ltd
Each Guarantor

Restatement Deed

(Corporate Markets Loan & Bank Guarantee Facility Agreement)

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Corrs Chambers Westgarth

Date:

Parties

National Australia Bank Limited ABN 12 004 044 937 of Pier 3 Level 4, 800 Bourke Street, Docklands, Victoria 3008 (**Bank**)

Reading Entertainment Australia Pty Ltd ACN 070 893 908 of 98 York Street, South Melbourne, Victoria 3205 (**Borrower**)

Each person listed in schedule 1 (each a **Guarantor**)

Agreed terms

1 Definitions

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

Facility Agreement

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

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

Restated Facility Agreement

The Facility Agreement as varied and restated by this document.

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

2 Consideration

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

3 Conditions precedent

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

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

4 Variation of Facility Agreement

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

5 Acknowledgments

The Borrower and each Guarantor:

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

6 Warranties and representations

6.1 General

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

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

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

6.2 Survival of warranties

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

7 General

7.1 Construction

Unless expressed to the contrary, in this document:

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

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

7.2 Costs and Expenses

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

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

7.3 Counterparts

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

7.4 Entire understanding

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

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

7.5 Governing law and jurisdiction

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

Schedule 1

Guarantors

Name	ACN	Particulars for delivery of notices
Reading Entertainment Australia Pty Ltd	070 893 908	<p>Address: 98 York Street, South Melbourne VIC 3205 Australia</p> <p>Fax: 03 9685 0999</p> <p>Attention: Managing Director, Wayne Smith</p> <p>AND TO:</p> <p>Reading International Inc. Address: 6100 Center Drive, Suite 900 Los Angeles California 90045 United States of America</p> <p>Fax: +1 213 235 2229</p> <p>Attention: Chief Financial Officer, Dev Ghose</p>
Australia Country Cinemas Pty Ltd	076 276 349	Same as for Borrower
Australian Equipment Supply Pty Ltd	122 571 420	Same as for Borrower
Burwood Developments Pty Ltd	105 384 905	Same as for Borrower
Epping Cinemas Pty Ltd	073 997 172	Same as for Borrower
Hotel Newmarket Pty Ltd	094 367 969	Same as for Borrower
Newmarket Properties Pty Ltd	105 386 409	Same as for Borrower
Newmarket Properties No. 2 Pty Ltd	109 038 806	Same as for Borrower
Newmarket Properties #3 Pty Ltd	126 697 505	Same as for Borrower
Reading Auburn Pty Ltd	126 697 470	Same as for Borrower
Reading Australia Leasing (E&R) Pty Ltd	107 939 211	Same as for Borrower
Reading Belmont Pty Ltd	126 697 498	Same as for Borrower
Reading Bundaberg 2012 Pty Ltd	122 406 320	Same as for Borrower

Name	ACN	Particulars for delivery of notices
(formerly Reading Moonee Ponds Pty Ltd)		
Reading Charlestown Pty Ltd	123 938 483	Same as for Borrower
Reading Cinemas Pty Ltd	073 808 643	Same as for Borrower
Reading Cinemas Management Pty Ltd	122 406 311	Same as for Borrower
Reading Colac Pty Ltd	108 861 061	Same as for Borrower
Reading Dandenong Pty Ltd	129 018 739	Same as for Borrower
Reading Elizabeth Pty Ltd	114 582 099	Same as for Borrower
Reading Exhibition Pty Ltd	103 529 782	Same as for Borrower
Reading Licences Pty Ltd	089 544 605	Same as for Borrower
Reading Maitland Pty Ltd	126 697 461	Same as for Borrower
Reading Melton Pty Ltd	109 074 517	Same as for Borrower
Reading Properties Pty Ltd	071 195 429	Same as for Borrower
Reading Properties Indooroopilly Pty Ltd as trustee for The Landplan Property Partners Discretionary Trust	121 284 884	Same as for Borrower
Reading Properties Taringa Pty Ltd as trustee for the Reading Property Partners No. 1 Discretionary Trust	128 819 483	Same as for Borrower
Reading Property Holdings Pty Ltd	126 289 772	Same as for Borrower
Reading Rouse Hill Pty Ltd	123 245 885	Same as for Borrower
Reading Sunbury Pty Limited	109 074 571	Same as for Borrower
Rhodes Peninsula Cinema Pty Ltd	120 827 812	Same as for Borrower
Westlakes Cinema Pty Ltd	108 531 308	Same as for Borrower
A.C.N. 143 633 096 Pty Ltd	143 633 096	Same as for Borrower

Annexure A

Restated Facility Agreement

Annexure A - Restated Facility Agreement

National Australia Bank Limited

Reading Entertainment Australia Group

Corporate Markets Loan & Bank Guarantee Facility Agreement

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Date

15th December 2015

Parties

National Australia Bank Limited ABN 12 004 044 937 of Pier 3 Level 4, 800 Bourke Street, Docklands, Victoria 3008 (**Bank**)

Reading Entertainment Australia Pty Ltd ACN 070 893 908 of 98 York Street, South Melbourne, Victoria 3205 (**Borrower**)

Each person listed in schedule 1 (each an **Original Guarantor**)

Agreed terms

1 Interpretation

1.1 Definitions

In this document:

Accounting Standards means accounting principles and practices consistently applied which are generally accepted in Australia and are consistent with any applicable legislation in each case as in effect on the date of this document, including instruments in force under section 334 of the Corporations Act and provisions of such instruments.

Adjusted EBITDA means, for any period, EBITDA adjusted to exclude:

- (a) any non-cash impairment for non-current assets included in the consolidated financial statements of the Reading Entertainment Australia Group during the relevant period; and
- (b) any net foreign exchange amounts (whether realised or unrealised) included in the consolidated financial statements of the Reading Entertainment Australia Group during the relevant period.

and subject to adjustment in respect of any further extraordinary items with the Bank's written consent.

Advance means the principal amount of an advance made under the Corporate Markets Loan Facility or, where appropriate, requested under the Corporate Markets Loan Facility.

Aggregate Amount means, in relation to a Drawing, the aggregate of the Face Values of all Bank Guarantees comprising that Drawing.

Annual Compliance Certificate means, in relation to a Financial Year, a

certificate substantially in the form of **schedule 9**.

Approved Valuer means a company or firm of duly qualified and licensed real estate valuers acceptable to the Bank in all respects and instructed by (or with the approval of) the Bank.

Attorney means any attorney appointed under this document and any sub-attorney appointed by an Attorney.

Authorisation includes any authorisation, consent, licence, permission, approval or exemption from any Government Body. If a Government Body could prohibit anything being done in connection with any matter or otherwise intervene within a specified time after notice has been given to it or any document lodged or filed with it in connection with the matter, the relevant matter will not be taken to have been Authorised until the specified time limit has expired without the Government Body taking any relevant action.

Authorised Representative means, in relation to any party to this document, a person with the right to act as the agent of that party for the purposes of this document. It includes a director or company secretary of that party (if it is a corporation) and, in the case of the Bank, an employee of the Bank whose title contains the word "manager", "director", "associate" or a similar term and a lawyer for the Bank. It also includes a person appointed by a party as an Authorised Representative of that party whose appointment is notified by the appointor to the other party in a notice which contains the specimen signature of the appointee.

Availability Period means in respect of each Facility, the period beginning on the date on which the conditions precedent are satisfied or waived by the Bank in accordance with the Transaction Documents and ending on the Termination Date.

Available Commitment means in respect of a Facility, the Facility Limit less the Outstanding Accommodation relating to that Facility.

Bank Guarantee means each bank guarantee issued (or deemed to have been issued) in accordance with this document.

Bank Guarantee Facility means the Facility described as such in **schedule 2** and granted pursuant to **clause 4.1(a)(ii)**.

Bank Guarantee Margin means, in respect of each Bank Guarantee:

- (a) prior to the 'Variation Date' under the Restatement Deed, 2.35% per annum; and
- (b) on and from the first services fee charge date (to be determined in accordance with **clause 9.1(e)**) following the 'Variation Date' under the Restatement Deed, 1.90% per annum.

Base Rate means, in relation to a Pricing Period:

- (a) the rate (expressed as a percentage yield per annum to maturity) being the arithmetic average (rounded up to the nearest four decimal places) of the buying rates published at or about 10.15 am on the first Business

Day of the Pricing Period on the Reuters Screen under the heading "BBSY" for Bills with a tenor as nearly as possible equal to that Pricing Period; or

- (b) if:
- (i) the rate is not displayed for a term equivalent to that period; or
 - (ii) the basis of the calculation of the rate is changed after the date of this document so that in the opinion of the Bank it ceases to reflect the cost of providing the Facility,

the Base Rate will be the rate per centum per annum determined by the Bank to be the average of the buying rates quoted to the Bank by at least three Reference Banks at or about that time on that date. The buying rates must be for bills of exchange accepted by a leading Australian bank and which have a term equivalent to the period. If there are no buying rates, the rate will be determined by the Bank having regard to indexes or other bases which the Bank determines to be as near as practicable to the indexes and bases used to determine the rate referred to in paragraph (a).

Beneficiary means in relation to a Bank Guarantee, the person who from time to time is entitled to make a claim for payment under that Bank Guarantee against the Bank.

Bill means a bill of exchange as defined in the *Bills of Exchange Act 1909* (but does not include a cheque). It includes a document which, when signed by the persons named as drawer and acceptor in the relevant document, will become such a bill of exchange.

Break Costs means, in relation to any financial accommodation provided or to be provided by the Bank under a Facility, any liability or costs incurred by the Bank by reason of:

- (a) liquidating or re-deploying deposits or other funds acquired or contracted for by or on account of the Borrower or the Bank;
- (b) terminating or reversing any agreement or arrangement (including by entering into new agreements or arrangements to close out or net off existing agreements or arrangements) entered into by or on account of the Borrower or the Bank with a counterparty or an internal department of the Bank responsible for such agreements or arrangements to hedge, fix, swap or limit its effective cost of funding; or
- (c) any loss of any margins in relation to future lending or loss of any fees.

Burwood Property means:

- (a) the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood, Victoria; and
- (b) all present or future agreements, documents or rights relating to the ownership, occupation, use, sale, transfer or disposal of all or any part of the land and improvements described in paragraph (a).

Business Day means a day which is not a Saturday, Sunday or bank or public holiday in Melbourne.

Cash Cover Rate means the rate (expressed as a rate per centum per annum) determined by the Bank (in good faith) to be the interest rate which it would pay on deposits at call for an amount similar to the amount at which the relevant deposit is made.

Calculation Date means 31 March, 30 June, 30 September and 31 December in each year.

Calculation Period means each period of twelve months ending on a Calculation Date.

Change of Control means there is a change (from that prevailing at the date of this document) in the persons who control any of the following in respect of a Transaction Party:

- (a) more than 50% of the votes eligible to be cast in the election of directors or any similar matter; or
- (b) the right to appoint or remove directors (or members of a governing body having functions similar to a board of directors) representing more than 50% of the votes exercisable by the directors (or persons have similar functions); or
- (c) an interest of more than 50% in any category of the profits, distributions or net liquidation proceeds.

Collateral Security means:

- (a) any Guarantee by which any person Guarantees the Borrower's compliance with its obligations under any of the Transaction Documents;
- (b) any Security which secures the payment of money owing (actually or contingently) from time to time by:
 - (i) any Transaction Party in relation to any of the Transaction Documents; or
 - (ii) any person in relation to a Guarantee of any Transaction Party's compliance with its obligations under any of the Transaction Documents; and
- (c) without limiting the generality of paragraphs (a) and (b) each thing listed in **schedule 3**.

Contaminant means a noxious, harmful or hazardous condition (including an odour, temperature, sound, vibration or radiation) or substance the presence or use of which (having regard, without limitation, to the nature and quantity of the substance and other substances with which it is stored or used) does or may result in the breach of an Environmental Law or the issuing of an order or direction under an Environmental Law.

Corporate Markets Loan Facility means the Facility described as such in **schedule 2** and granted pursuant to **clause 4.1(a)(i)**.

Corporations Act means the *Corporations Act 2001* (Cth).

Current Bank Guarantee means a Bank Guarantee which has not Matured or Expired.

Daily Interest Rate means, for any day, the Interest Rate on that day divided by 365.

Disposal means a sale, lease, transfer or other disposal by any Transaction Party of any interest in:

- (a) any share or stock (whether or not ordinary or preference and whether or not redeemable) or any other instrument convertible or exchangeable into or entitling a person to acquire or subscribe for any share or stock;
- (b) the whole or any part of a business, business unit or line of business; or
- (c) any other asset under a particular transaction or related transactions not in the ordinary course of business of the Reading Entertainment Australia Group taken as a whole.

Distribution means:

- (a) in relation to any share capital of a Transaction Party, any dividend, charge, interest, fee, payment or other distribution (whether in cash or in kind) or redemption, repurchase, defeasance, retirement or redemption;
- (b) any interest, any redemption or early redemption of any amount of principal or any other payment in respect of any shareholder loan or other subordinated loans made to any Transaction Party; or
- (c) any loan or other financial accommodation made available by a Transaction Party to a person other than another Transaction Party.

Drawing means each Bank Guarantee issued or to be issued in accordance with this document under the same Funding Notice.

EBIT means, in relation to any period and without double counting, operating profit (loss) of the Reading Entertainment Australia Group (on a consolidated basis) from ordinary operations before interest, income tax and minority interests, but after deduction of depreciation and amortisation for that period, as determined in accordance with Accounting Standards.

EBITDA means, in relation to any period, EBIT for the Reading Entertainment Australia Group for that period, plus depreciation and amortisation as determined in accordance with Accounting Standards.

Encumbrance means any interest in or right over property and anything which would at any time prevent, restrict or delay the registration of any interest in or dealing with property. It includes a Security Interest.

Environmental Assessment Report means a report in relation to compliance with Environmental Law of the Land and any activities carried out on the Land.

Environmental Law means any legislation, regulations or related codes, standards or policies which relate to environmental and planning matters, including matters concerning land use, development, building works, pollution,

contamination, waste, toxic and hazardous substances, disposal of waste or other substances, human health, conservation of natural or cultural resources, heritage and resource allocation.

Environmental Liability means any liability, obligation, expense, penalty or fine arising out of a breach of Environmental Law which could be imposed on any Transaction Party or the Bank in respect of the Land as a result of activities carried on during the ownership, occupation or control of the Land by that Transaction Party, the Bank, any predecessor in title or any previous occupier or controller of the Land.

Event of Default means any event or circumstance described in **clause 10.1**.

Excluded Financial Indebtedness means Financial Indebtedness of the kind referred to in paragraph (a), (c) or (d) of the definition of Permitted Financial Indebtedness.

Excluded Property means:

- (a) the Burwood Property;
- (b) the present or future interest of Reading Cinemas Pty Ltd in the joint venture with Champion Pictures Pty Ltd relating to the Elsternwick cinema business or the assets the subject of the joint venture or the relevant joint venture agreement;
- (c) the present or future interest of Reading Exhibition Pty Ltd in the Garden City Cinema joint venture with Village Roadshow Exhibition and Birch Carroll & Coyle or the assets the subject of the joint venture or the relevant joint venture agreement; and
- (d) the present or future interest of Epping Cinemas Pty Ltd in the lease granted by Bevendale Pty Ltd or the property the subject of the lease to the extent that the existence of a charge over that interest or property would cause a breach of the that lease.

Expired means, in relation to a Bank Guarantee, that its Expiry Date has passed whether or not a claim has been made under it by the Beneficiary.

Expiry Date means, in relation to a Bank Guarantee, the date specified in that Bank Guarantee as the latest date by which the Beneficiary may make a claim under it.

Face Value means, in relation to a Bank Guarantee:

- (a) subject to paragraph (b), the amount specified in that Bank Guarantee as the aggregate maximum amount which the Beneficiary may claim under it; or
- (b) if the Beneficiary makes a claim, then between when the Beneficiary makes the first of those claims and the first to occur of the Bank Guarantee Maturing or Expiring, the Face Value of the Bank Guarantee will be the difference between its original face value and the aggregate of all valid claims made under it.

Facility means each of the facilities listed in **schedule 2** (and each Facility

may be referred to by the Facility Name listed in **schedule 2**).

Facility Limit means, in respect of each Facility, the relevant Facility Limit set out in **schedule 2**, as reduced under this document.

Financial Close means the initial Funding Date.

Financial Indebtedness means any indebtedness or other liability (present or future, actual or contingent) relating to any financial accommodation including indebtedness or other liability:

- (a) for money borrowed or raised;
- (b) relating to the sale or negotiation of any negotiable instrument;
- (c) as lessee under any finance lease, as hirer under any hire purchase agreement or as purchaser under any title retention agreement;
- (d) relating to any preference share or unit categorised as debt under Accounting Standards;
- (e) under any commodity, currency or interest rate swap agreement, forward exchange rate agreement or futures contract (as defined in any statute);
- (f) under any Guarantee relating to any financial accommodation; or
- (g) for any deferred purchase price (other than in the nature of warranty retention amounts) for any asset or service.

Financial Statements means a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, notes comprising a summary of significant accounting policies and other explanatory note; and any directors' declarations, directors' reports and auditor's reports attached to, intended to be read with or required by the Corporations Act to accompany, all or any of those documents.

Financial Year means a period of 12 months ending on 31 December.

Fixed Charges Cover Ratio means, at any date, the ratio of:

- (a) the aggregate amount of:
 - (i) Adjusted EBITDA in respect of the 12 month period ending on that date; and
 - (ii) Total Lease Payments in respect of the 12 month period ending on that date,
- to
- (b) the aggregate amount of:
 - (i) Gross Interest Expense paid or payable by the Reading Entertainment Australia Group (whether payable in respect of the Facilities or otherwise) in respect of the 12 month period ending on that date; and
 - (ii) Total Lease Payments in respect of the 12 month period ending on that date.

Freehold Property means each freehold property owned by a Transaction Party that is the subject of a real property mortgage referred to in of **schedule 3**.

Funding Date means a date on which:

- (a) an Advance is, or is proposed to be, made; or
- (b) a Bank Guarantee is, or is proposed to be, issued, under this document.

Funding Notice means a notice in accordance with **clause 4.4**.

Government Body means any person or body exercising an executive, legislative, judicial or other governmental function. It includes any public authority constituted under a law of any country or political sub-division of any country. It also includes any person deriving a power directly or indirectly from any other person or body referred to in this definition.

Gross Interest Expense means, in relation to any period, the aggregate of all interest and amounts in the nature of interest (including commissions, discount fees, acceptance fees, facility fees, the interest element of a finance lease and fees or charges) payable in connection with any Financial Indebtedness of the Reading Entertainment Australia Group (other than Excluded Financial Indebtedness) for that period on a consolidated basis, whether accrued, paid, payable or expensed (including interest expense under each of the Facilities).

Guarantee means:

- (a) a guarantee, indemnity, undertaking, letter of credit, Security, acceptance or endorsement of a negotiable instrument or other obligation (actual or contingent) given by any person to secure compliance with an obligation by another person;
- (b) an obligation (actual or contingent) of a person to ensure the solvency of another person or the ability of another person to comply with an obligation, including by the advance of money or the acquisition for valuable consideration of property or services; and
- (c) an option under which a person is obliged on the exercise of the option to buy:
 - (i) any debt or liability owed by another person; or
 - (ii) any property which is subject to a Security Interest.

Guaranteed Money means all money:

- (a) which now or in the future is owing (actually or contingently) by a Transaction Party to the Bank under or in relation to any of the Transaction Documents;
- (b) which having now or in the future become owing (actually or contingently) by a Transaction Party to the Bank under or in relation to any of the Transaction Documents, ceases to be owing by reason of any law relating to insolvency and remains unpaid by the Transaction Party

and unreleased by the Bank; or

- (c) that now or in the future may become owing (actually or contingently) by a Transaction Party to the Bank under or in relation to any of the Transaction Documents,

for any reason, whether such money is payable:

- (d) by a Transaction Party alone or jointly or severally with any other person;
- (e) by a Transaction Party in its own right or in any capacity;
- (f) to the Bank in its own right or in any capacity; and
- (g) by a Transaction Party as liquidated or unliquidated damages caused or contributed to by any breach by the Transaction Party of any obligation owed by the Transaction Party (or any other Transaction Party) to the Bank under or in relation to any of the Transaction Documents,

and if any Transaction Document or any obligation of a Transaction Party to the Bank under or in relation to any of the Transaction Documents is void, voidable or otherwise unenforceable by the Bank in accordance with its terms, it includes all money which would have been within this definition if that Transaction Document or obligation was not void, voidable or otherwise unenforceable.

Guarantor means the Original Guarantors and each person that becomes a guarantor under **clause 16**. If there are more than one, Guarantor means each of them individually and every two or more of them jointly.

Guarantor Accession Deed means a deed substantially in the form of **schedule 8**.

Half means each six month period ending on 30 June and 31 December in each year.

Hedging Transaction means a contract, agreement or arrangement (other than in respect of the price of electricity, gas, oil, foreign exchange or any other non-interest rate derivative contract) which is a futures contract or an interest rate hedge, swap, option, swaption, forward rate agreement or any other contract, agreement or arrangement similar to or having in respect of its subject matter a similar effect to any of the preceding.

Indemnity Amount means, in relation to a Bank Guarantee, the amount or, as the case may be, the aggregate of the amounts payable by the Borrower in relation to a Bank Guarantee in accordance with **clause 5.3**.

Insolvency means:

- (a) in relation to a corporation, its winding up or dissolution or its administration, provisional liquidation or any administration having a similar effect;
- (b) in relation to an individual, his or her bankruptcy; and
- (c) in relation to a person, any arrangement (including a scheme of arrangement or deed of company arrangement), composition or

compromise with, or assignment for the benefit of, all or any class of that person's creditors or members or a moratorium involving any of them

Insolvency Event means any of the following:

- (a) a person is or states that the person is unable to pay from the person's own money all the person's debts as and when they become due and payable;
- (b) a person is taken or must be presumed to be insolvent or unable to pay the person's debts under any applicable legislation;
- (c) an order is made for the winding up or dissolution or an effective resolution is passed for the winding up or dissolution of a corporation;
- (d) an administrator, provisional liquidator, liquidator or person having a similar or analogous function under the laws of any relevant jurisdiction is appointed in relation to a corporation or an effective resolution is passed to appoint any such person and the action is not stayed, withdrawn or dismissed within 10 Business Days;
- (e) a controller is appointed in relation to any property of a corporation;
- (f) a corporation is deregistered under the Corporations Act or notice of its proposed deregistration is given to the corporation;
- (g) a distress, attachment or execution is levied or becomes enforceable against any property of a person;
- (h) a person enters into or takes any action to enter into an arrangement (including a scheme of arrangement or deed of Borrower arrangement), composition or compromise with, or assignment for the benefit of, all or any class of the person's creditors or members or a moratorium involving any of them;
- (i) a petition for the making of a sequestration order against the estate of a person is presented and the petition is not stayed, withdrawn or dismissed within seven days or a person presents a petition against himself or herself;
- (j) a person presents a declaration of intention under section 54A of the *Bankruptcy Act 1966*; or
- (k) anything analogous to or of a similar effect to anything described above under the law of any relevant jurisdiction occurs in relation to a person.

Insurance means insurance which a Transaction Party is obliged to take out or maintain under a Transaction Document.

Interest Rate means, in relation to a Pricing Period for an Advance until it becomes due and owing, an interest rate equal to the aggregate of the Base Rate for that Pricing Period and the Margin.

Interim Compliance Certificate means a certificate in substantially the form set out in **schedule 10**.

Land means any land owned or occupied by a Transaction Party that forms

part of the Secured Property.

Leasehold Properties means each leasehold property leased by a Transaction Party that is the subject of a mortgage of lease referred to in **schedule 3** (including the mortgage of lease described at item 11 of **schedule 3**).

Leverage Ratio means, as at any date, the ratio of:

- (a) Total Gross Debt outstanding on that date; to
- (b) Adjusted EBITDA in respect of the 12 month period ending on that date.

For the purposes of calculating Leverage Ratio on any date occurring before the first anniversary of Financial Close, Leverage Ratio will be based on a pro forma EBITDA for the 12 month period to that date.

Loan to Value Ratio at any date means the ratio (expressed as a percentage) of:

- (a) the aggregate of the Total Gross Debt outstanding on that date and any Outstanding Accommodation in relation a Current Bank Guarantee as at that date; to
- (b) the market value of the Freehold Properties and Leasehold Properties included in the Secured Property as noted in the most recent Valuation provided to the Bank pursuant to this document and accepted by the Bank.

Management Fees means management and consulting fees payable to Reading International Inc each Financial Year.

Margin means 0.95% per annum.

Material Adverse Effect means a material adverse effect on:

- (a) the business, operation, property, condition (financial or otherwise) of a Transaction Party or the Reading Entertainment Australia Group taken as a whole;
- (b) the ability of a Transaction Party to perform its obligations under the Transaction Documents; or
- (c) the validity or enforceability of the whole or any material part of any Transaction Document or any rights or remedies of the Bank under the Transaction Documents.

Matured means, in relation to a Bank Guarantee, that the Beneficiary has made a claim and is not entitled to claim any more under the relevant Bank Guarantee.

Month means a calendar month.

Outstanding Accommodation means at any time, the aggregate of:

- (a) the aggregate of the unpaid Advances outstanding under the Corporate Markets Loan Facility;
- (b) the Face Values of all Current Bank Guarantees and all Indemnity

- Amounts in relation to each Bank Guarantee which are due and payable; and
- (c) for the purposes of **clauses 5.5, 10 and 18.14** only and for no other purposes, any other amounts which the Borrower owes to the Bank or which the Borrower may owe to the Bank under or in connection with the Facilities and includes:
 - (i) any other amounts which the Borrower owes to the Bank or which the Borrower may owe to the Bank under or in connection with any Hedging Transaction; and
 - (ii) all interest, costs and fees payable under the Transaction Documents,whether such amounts are owing actually or contingently and whether such amounts are then due for payment or will or may become due for payment and includes all interest, costs and fees payable under the Transaction Documents.

When used in relation to any Facility, it means the Outstanding Accommodation in relation to Advances or Drawings under that Facility (as applicable).

Overdue Money means money due and payable from time to time under each Transaction Document.

Overdue Rate means at any time, the aggregate of the Interest Rate and a default margin of 4.50% per annum.

Parent Subordination Agreement means the document entitled 'subordination deed' dated on or about the date of this document between the Borrower, Reading International Cinemas LLC and the Bank.

Permitted Disposal means a disposal:

- (a) of assets between the Transaction Parties;
- (b) of the land and improvements known as 70 Station Road, Indooroopilly Queensland and described in certificate of title 11485156, subject to Reading Properties Indooroopilly Pty Ltd seeking a release of the Bank's Security over that property and compliance with **clause 5.4(b)**;
- (c) of the Burwood Property;
- (d) of Reading Cinemas Pty Ltd's interest as lessee in the Elsternwick cinema business, to Champion Pictures Pty Ltd;
- (e) of trading stock or cash made in the ordinary course of business;
- (f) of plant and equipment in exchange for other assets comparable or superior as to type, value and quality;
- (g) of obsolete or redundant assets;
- (h) arising as a result of a Permitted Encumbrance or a Distribution or payment permitted by **clause 9.5(f), clause 9.5(j) or clause 5.4(b)(ii)**;

- (i) of assets that are the subject of a floating charge (or its equivalent) under a Collateral Security, provided the disposal is made in the ordinary course of business; or
- (j) where the aggregate value of the assets disposed of in the 12 month period ending on the date of the relevant disposal (and including the value of the relevant disposal) does not exceed \$500,000.

Permitted Distributions means a distribution of any proceeds of the sale of:

- (a) 40 Hall Street, Moonee Ponds, Victoria; or
- (b) 78 Middleborough Road, Old Burwood Road, Burwood, Victoria, applied towards:
- (c) first, the repayment of parent loans to the Borrower from Reading International Inc (including accrued Management Fees, interest, capitalised interest or principal); and
- (d) after the repayment of all parent loans under paragraph (c), dividends paid to shareholders of the Borrower, provided the Leverage Ratio is less than 3.0 times at the time of the payment.

Permitted Encumbrance means:

- (a) an Encumbrance which has been approved by the Bank (including the Security Interests created by any Transaction Document);
- (b) any right of set off or combination arising by operation of law or practice over money deposited with a bank or financial institution in the ordinary course of the business of a Transaction Party;
- (c) an Encumbrance which arises by operation of law in the ordinary course of the business of a Transaction Party provided the debt secured by that Encumbrance is paid when due or contested in good faith by appropriate proceedings;
- (d) every easement, restrictive covenant, caveat or similar restriction over property, right of way, exception, encroachment, reservation, restriction, condition or limitation which arises in the ordinary course of the ordinary business of the relevant Transaction Party and does not either by itself or in the aggregate materially interfere with or impair the operation or use of a property affected thereby, have a Material Adverse Effect or otherwise restrict or prevent the Bank exercising its rights against any Secured Property under the relevant Collateral Security;
- (e) every right reserved to, or vested in, any municipality or governmental or other public authority by the terms of any right, power, franchise, grant, licence or permit to control or regulate any part of the property of a Transaction Party, or to use that property in any manner which does not either by itself or in the aggregate materially interfere with or impair the operation or the use thereof, have a Material Adverse Effect or otherwise restrict or prevent the Bank exercising its rights against any Secured Property under the relevant Collateral Security;

- (f) every Encumbrance incurred or deposits made in the ordinary course of ordinary business to secure the performance of tenders, statutory obligations, surety bonds, bids, leases, government contracts, performance and return of money bonds (provided that such Encumbrances do not restrict or prevent the Bank exercising its rights against any Secured Property under the relevant Collateral Security) or in connection with workers' compensation, unemployment insurance and other types of social security;
- (g) every Encumbrance incurred or deposit made in the ordinary course of the business of a Transaction Party in respect of a leasehold property, the purchase of assets or the use of utilities, provided that:
 - (iii) in relation to an Encumbrance incurred or deposit made in respect of the purchase of assets which secures an aggregate amount greater than \$250,000 the Bank has given prior written consent to the Borrower; and
 - (iv) the recourse of the holder of that Encumbrance is limited to the leasehold interest, the assets purchased or use of utilities and the proceeds of enforcement of the Encumbrance.
- (h) every retention of title arrangement in respect of trading stock acquired or to be acquired by a Transaction Party in the ordinary course of business;
- (i) any easement, caveat or other restriction in relation to a Freehold Property that would be apparent from a title search conducted before the date of this document; and
- (j) an Encumbrance over the Burwood Property granted by a Transaction Party in connection with the sale of the Burwood Property and the development of the Burwood Property by the purchaser (or an affiliate of the purchaser), provided that the recourse of the holder of that Encumbrance is limited to the Burwood Property and the proceeds of enforcement of the Encumbrance.

Permitted Financial Accommodation means:

- (a) financial accommodation granted by a Transaction Party to another Transaction Party;
- (b) any trade credit extended by a Transaction Party to its customers on normal commercial terms and in the ordinary course of business; or
- (c) any other financial accommodation granted with the prior consent of the Bank.

Permitted Financial Indebtedness means:

- (a) trade debt incurred in the ordinary course of business of the Transaction Parties;
- (b) Financial Indebtedness incurred under the Transaction Documents;
- (c) Financial Indebtedness owing from one Transaction Party to another

Transaction Party;

- (d) any Subordinated Debt;
- (e) a \$225,000 loan from the landlord of the Westlakes Cinema property;
- (f) a \$400,000 loan from the landlord of the Rhodes Cinema property;
- (g) Financial Indebtedness arising under any performance or similar bond guaranteeing performance by a Transaction Party under any contract entered into in the ordinary course of business;
- (h) Financial Indebtedness arising under a guarantee given to a landlord in respect of a lease entered into by a Transaction Party;
- (i) Financial Indebtedness under finance or capital leases of vehicles, plant, equipment or computers existing at the date of this document; and
- (j) Financial Indebtedness not permitted by the preceding paragraphs and the outstanding principal amount of which does not exceed \$500,000 in aggregate for the Transaction Parties at any time.

PPS Act means the *Personal Property Securities Act 2009 (Cth)*.

PPS property means all property (other than Excluded Property) over which the Borrower or a Security Provider is legally capable under the PPS Act of granting a security interest.

Potential Event of Default means any thing which, with the giving of notice, lapse of time or determination of materiality, will constitute an Event of Default.

Pricing Period means, in relation to an Advance under the Corporate Markets Loan Facility, the period having the duration selected in accordance with **clause 6.1** and beginning on the Funding Date in relation to the Advance.

Quarter means each three month period ending on 31 March, 30 June, 30 September and 31 December in each year.

Reading Entertainment Australia Group means, at any time, the Borrower and any subsidiary of the Borrower and **Reading Entertainment Australia Group Member** means any one of them.

Release Date means the Business Day following the later of:

- (a) the latest of the Expiry Dates of all Current Bank Guarantees; and
- (b) the date on which the Bank is satisfied in its reasonable opinion that it has been paid all amounts which are then or may in the future become due and payable to the Bank under any of the Transaction Documents and that there is no prospect that any amounts which the Bank has received in relation to any of the Transaction Documents will subsequently be made void or be required to be repaid in whole or in part.

Relevant Jurisdiction means Victoria.

Receiver means a receiver or receiver and manager appointed by the Bank under any Transaction Document and any person who derives a right directly

or indirectly from a Receiver.

Reference Banks means each of Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia and Westpac Banking Corporation, or any other banks or financial institutions determined by the Bank from time to time following consultation with the Borrower.

Regulatory Event means any:

- (a) change in, or introduction of a new, law or other form of regulation;
- (b) change in, or introduction of a new, practice or policy of an Government Body;
- (c) investigation into a Transaction Party or any related entity of a Transaction Party by a Government Body;
- (d) application for or grant of an injunction or order in respect of any Encumbrance, Facility or account held with the Bank made by a Government Body, or
- (e) change in, or introduction of a new, code of practice or custom relating to the provision of the Services which a reasonable and prudent banker would comply with,

whether in Australia or elsewhere, that, in the Bank's good faith opinion, applies in any way to a Transaction Party, or the Service.

Representative of a person means an officer, employee, contractor or agent of that person.

Restatement Deed means the document entitled 'Restatement Deed' executed in December 2015 between the Bank and the Transaction Parties.

Review Event means any event or circumstance described in **clause 10.4. Secured**

Property means all property which, from time to time, is subject to a Security which forms part of the Collateral Security.

Security means any document or transaction which reserves or creates a Security Interest.

Security Interest means any interest or right which secures the payment of a debt or other monetary obligation or the compliance with any other obligation. It includes any retention of title to any property and any right to set off or withhold payment of any deposit or other money.

Security Provider means each person who gives a Collateral Security (other than a related body corporate of the Bank).

Service means any service the Bank provides to the Borrower under or in relation to a Facility including making or processing any payment or issuing any document.

Subordinated Debt means:

- (a) Financial Indebtedness that is or may become owing by the Borrower to Reading International Cinemas, LLC, that is fully subordinated on the

terms set out in the Parent Subordination Agreement; and

- (b) Financial Indebtedness that is or may become owing by a Transaction Party to Reading International Inc (or any subsidiary or affiliate of Reading International Inc) that is fully subordinated on substantially the same terms (except for the name and other details of the subordinated lender) as those set out in the Parent Subordination Agreement.

Tax means a tax (including any tax in the nature of a goods and services tax), rate, levy, impost or duty (other than a tax on the net overall income of the Bank) and any interest, penalty, fine or expense relating to any of them.

Termination Date means, in respect of each Facility, the Termination Date set out in **schedule 2**, or such other date agreed in writing by the parties.

Total Gross Debt means, on any date, all Financial Indebtedness of the Reading Entertainment Australia Group, but excluding any Excluded Financial Indebtedness.

Total Lease Payments means the aggregate amount of all rental expenditure of the Reading Entertainment Australia Group, other than rental expenditure payable to any Transaction Party, calculated in accordance with Accounting Standards, for that period.

Transaction Documents means:

- (a) this document;
- (b) not used;
- (c) each Guarantor Accession Deed;
- (d) the Collateral Security;
- (e) the Parent Subordination Agreement;
- (f) the ISDA Master Agreement dated 17 June 2011 between the Bank and the Borrower, as amended from time to time;
- (g) each deed of consent listed in paragraph 6 of **schedule 5** upon it being executed by the relevant parties;
- (h) any agreement relating to the priority of any Security which is a Collateral Security;
- (i) any document which the Borrower and the Bank agree is a Transaction Document for the purposes of this document; and
- (j) each document entered into for the purpose of amending, novating, restating or replacing any of them.

Transaction Parties means the Borrower and each Guarantor.

Trust means, in relation to any Transaction Party that enters into a Transaction Document in the capacity as trustee of a trust, the relevant trust.

Trust Deed means, in relation to a Trust, the trust deed or other document which establishes or evidences that Trust.

Trustee means a Transaction Party that enters into a Transaction Document acting as the trustee of a Trust.

Valuation means a valuation of the Freehold Properties or leasehold properties included in the Secured Property addressed to the Bank, by an Approved Valuer in form and substance satisfactory to the Bank in all respects.

Verification Certificate means a certificate in substantially the form set out in **schedule 6**.

1.2 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
 - (b) any gender includes the other genders;
 - (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
 - (d) "includes" means includes without limitation;
 - (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it; and
 - (f) a reference to:
 - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
 - (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
 - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
 - (iv) an obligation includes a representation or warranty and a reference to a failure to comply with an obligation includes a breach of representation or warranty;
 - (v) a right includes a benefit, remedy, discretion or power;
 - (vi) time is to local time in Melbourne;
 - (vii) "\$" or "dollars" is a reference to Australian currency;
 - (viii) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties;
 - (ix) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;
 - (x) any thing (including any amount) is a reference to the whole or any
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part of it and a reference to a group of things or persons is a reference to any one or more of them;

- (xi) this document includes all schedules and annexures to it; and
- (xii) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document.

1.3 Headings

Headings do not affect the interpretation of this document.

1.4 Corporations Act, GST and Accounting Standards

Unless expressed to the contrary:

- (a) “control”, “controller”, “corporation”, “disclosing entity”, “holding company”, “marketable security”, “prospective liability”, “public company”, “related body corporate” and “subsidiary” each has the meaning which it is defined to have in the Corporations Act;
- (b) “adjustment event”, “consideration”, “GST”, “input tax credit”, “supply”, “taxable supply” and “tax invoice” each has the meaning which it is defined to have in the *A New Tax System (Goods and Services Tax) Act 1999*; and
- (c) “economic entity”, “entity” and “finance lease” each has the meaning which it has in the Accounting Standards.
- (d) terms have the meanings given to them in the PPS Act.

1.5 Subsisting Events of Default and Potential Events of Default

- (a) An Event of Default subsists if it has occurred and has not been waived by the Bank in accordance with this document or remedied.
- (b) A Potential Event of Default subsists if it exists and has not been waived by the Bank in accordance with this document or remedied.

1.6 Not used

1.7 Inconsistency

If there is any inconsistency between this document and any other Transaction Document, then this document prevails to the extent of that inconsistency.

2 Consideration

The Borrower enters into this document in consideration of the Bank agreeing to make the Facility available in accordance with this document.

3 Conditions precedent

3.1 Not used

3.2 Conditions precedent to Advances and Drawings

The obligation of the Bank to make any Advances or Drawings is subject to the further conditions precedent that the Bank is satisfied in its absolute discretion that:

- (a) the representations and warranties set out in **clause 8.1** are correct and in all material respects not misleading in any material respect when the Funding Notice is given and on the Funding Date;
- (b) all fees and charges then due and payable in connection with the Facility have been paid (including the Restructure Fee set out in **clause 9.1(a)**); and
- (c) no Event of Default or Potential Event of Default subsists when the Funding Notice is given and on the Funding Date.

3.3 Not used

4 Facility

4.1 Nature

- (a) Subject to **clauses 3** and **10.2**, the Bank will make available:
 - (i) the revolving Corporate Markets Loan Facility under which it will make Advances; and
 - (ii) the Bank Guarantee Facility under which it will issue Bank Guarantees at the request of the Borrower,in accordance with this document.
- (b) The Borrower may request one or more Advances and Drawings in accordance with this **clause 4**, but so that the Outstanding Accommodation under each Facility does not at any time exceed the relevant Facility Limit.

4.2 Purpose

The Borrower must only use Advances and Drawings under each Facility for the relevant purposes set out in **schedule 2**, and the Borrower must promptly repay to the Bank all Advances and Drawings not used for these purposes.

4.3 Advances and Drawings

- (a) The Borrower may request an Advance or a Drawing by giving a Funding Notice to the Bank by 11.00 am at least one clear Business Day before the date the proposed Advance or Drawing is required.
- (b) An Advance under the Corporate Markets Loan Facility must not be for an amount which, when added to the Outstanding Accommodation (if

any) under that Facility, causes the Facility Limit for that Facility to be exceeded. In determining with an Advance will cause the Facility Limit to be exceeded:

- (i) the amount of all Advances repaid on the Funding Date are excluded from the calculation of the Outstanding Accommodation; and
 - (ii) the aggregate amount of all other Advances which the Borrower has requested to be made on the same Funding Date are included in that calculation.
- (c) The Aggregate Amount of a Drawing under the Bank Guarantee Facility must not, when added to the Outstanding Accommodation (if any) under that Facility, cause the Facility Limit for that Facility to be exceeded at any time during the Funding Period. In determining whether the Aggregate Amount of a Drawing will cause the Facility Limit to be exceeded:
- (i) the Face Value of all Bank Guarantees under a Facility which will mature on the Funding Date for the relevant Drawing are excluded from the calculation of the Outstanding Accommodation; and
 - (ii) the Aggregate Amount of all other Drawings which the Borrower has requested to be made under the same Facility and on the same Funding Date are included in that calculation.
- (d) The Bank is only obliged to make Advances or accept any Drawings during the Availability Period.

4.4 Funding Notices

- (a) A Funding Notice must:
- (i) be substantially in the form of **schedule 7**;
 - (ii) be signed by an Authorised Representative of the Borrower;
 - (iii) specify the proposed Funding Date which must be a Business Day during the Availability Period;
 - (iv) specify the amount of the proposed Advance or the Aggregate Amount of the proposed Drawing;
 - (v) specify the duration of the Pricing Period for each Advance; and
 - (vi) in the case of any Drawing, specify whether the Drawing is:
 - (A) to comprise the issue of a new Bank Guarantee, and if so, also specify the date to be shown as the Expiry Date, the person to be named as the Beneficiary and the Face Value of each requested Bank Guarantees; or
 - (B) deemed to comprise an existing bank guarantee that prior to the date of this document has been issued by the Bank at the request of the Borrower and, if so, specify the date shown as the Expiry Date, the person named as the

Beneficiary and the Face Value of that bank guarantee.

- (b) The requirement of a Funding Notice is for the benefit of the Bank. The Bank may waive the requirement at any time and in any manner.
- (c) A Funding Notice is irrevocable from the time of its actual receipt in legible form by the Bank.

4.5 Not used

4.6 Not used

4.7 Not used

4.8 Bank Guarantee Facilities

In the case of the Bank Guarantee Facility on the Funding Date specified in the Funding Notice:

- (a) the Bank must for the purposes of a Drawing contemplated under **clause 4.4(a)(vi)(A)**, issue each Bank Guarantee requested in the Funding Notice in accordance with that Funding Notice; or
- (b) the parties agree that for the purposes of a Drawing contemplated under **clause 4.4(a)(vi)(B)**, the existing bank guarantee referred to in the Funding Notice is deemed to be a Bank Guarantee issued in accordance with the Bank Guarantee Facility and that Funding Notice.

4.9 Cancellation

The Borrower may cancel the Available Commitment or any part of it (being \$100,000 or an integral multiple of that amount) by giving 30 Business Days' notice to the Bank specifying the amount to be cancelled and the date on which the cancellation takes effect. The cancellation takes effect on the date specified in the notice (which must be a date not earlier than five Business Days after the date the Bank receives the notice).

4.10 Market disruption

- (a) If the Bank determines that a Market Disruption Event occurs or has occurred in relation to an Advance, then the Bank will promptly notify the Borrower, and the Interest Rate on that Advance for that Pricing Period will be the rate per annum which is the sum of:
 - (i) the Margin for the Advance; and
 - (ii) the rate notified to the Borrower as soon as practicable and in any event no later than the Business Day before interest is due to be paid in respect of that Pricing Period, to be that which expresses as a percentage rate per annum the cost to the Bank of funding that Advance from whatever source or sources the Bank may reasonably select.
- (b) For the purposes of clause 4.10(a):
 - (i) **Market Disruption Event** means:
 - (A) at or about the time on the day (Quotation Day) for the Bank

to determine the Screen Rate for the relevant currency and Pricing Period, the Screen Rate is not available and the Bank is unable to specify another page or service displaying an appropriate rate; or

- (B) in relation to an Advance, before 5pm (local time) on the Business Day after the Quotation Day for the relevant period, the Bank notifies the Borrower, that as a result of market circumstances not limited to the Bank the cost to the Bank of funding the Advance exceeds the Screen Rate.

- (ii) **Screen Rate** means the rate specified in paragraph (a) of the definition of "Base Rate".

4.11 Alternative basis of interest or funding

If a Market Disruption Event occurs and the Bank or the Borrower so requires, the Bank and the Borrower will enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest or discount.

4.12 Pricing Review Events

- (a) The Bank has the right to review the pricing applicable to a Facility (**Review**):
 - (i) on or about the third anniversary of the date of this document;
 - (ii) at any time if the Bank reasonably believes that an Event of Default subsists;
 - (iii) at any time:
 - (A) a change occurs in the financial markets which affects financial institutions generally; and/or
 - (B) a general change occurs in the cost of funds in the financial markets in which the Bank raises funds (not being a change resulting from a change in the Bank's credit rating or any other matter relating specifically to the Bank).
- (b) The Bank may request the Borrower to provide information in connection with a Review and the Borrower must provide such information as soon as possible following receipt of the request.

4.13 Consequences of a Pricing Review

- (a) Following a Review, the Bank may, by giving written notice to the Borrower and/or by way of advertisement in the local or national press:
 - (i) introduce a new fee, charge or premium or change an existing fee, charge or premium (including its amount, the way in which it is calculated and when it is charged); and
 - (ii) change the acceptance margin, line fee, interest rate or yield rate applicable to a Facility including by changing or introducing a margin (including by making the margin positive or negative), or

substituting a different indicator rate for the relevant indicator rate (except where the rate is a fixed rate).

- (b) Where the Bank gives the Borrower notice under **clause 4.10(a)** by way of advertisement in the local or national press, the Bank will also endeavour to directly notify the Borrower of the change although the Bank will not be precluded from charging the new or adjusted pricing if it does not directly notify the Borrower.
- (c) An introduction or change of a matter specified in **clause 4.10(a)** takes effect on the date specified in the relevant notice to the Borrower (which must be at least 30 days after the date on which the notice is given to the Borrower).

5 Payments

5.1 Not used

5.2 Voluntary prepayments

- (a) In relation to any Advance, the Borrower:
 - (i) may prepay any Advance or a part of it (being a minimum of \$100,000 or an integral multiple of that amount) by giving 5 Business Days' notice to the Bank specifying the amount to be prepaid and the date on which the prepayment will be made;
 - (ii) may, subject to **clause 4.3**, redraw any amount prepaid in accordance with this **clause 5.2**; and
 - (iii) must make any prepayment under this document together with accrued interest on the amount prepaid, any fees payable under **clause 9.1** and any Break Costs, but otherwise without premium or penalty.
- (b) The Borrower may reimburse or repay the Face Value in respect of any Current Bank Guarantee by:
 - (i) providing to the Bank, cash collateral (on terms satisfactory to the Bank and subject to **clause 10.3**) in an amount not less than the Face Value of the Bank Guarantee; or
 - (ii) cancelling that Bank Guarantee by returning the original to the Bank together with written confirmation from the Beneficiary that the Bank has no further liability under that Bank Guarantee.

5.3 Indemnity in respect of Bank Guarantees

- (a) Without limiting **clause 12.1**, the Borrower indemnifies the Bank against any liability, loss, cost or expense sustained or incurred in relation to any Bank Guarantee or as a direct or indirect consequence of any claim made or purported to be made under any Bank Guarantee, or anything done by any person who is or claims to be entitled to the benefit of a Bank Guarantee.

- (b) Without limiting **clause 5.3(a)**, the Borrower must pay to the Bank all amounts claimed by or paid to any Beneficiary in relation to any Bank Guarantee (whether or not the Beneficiary was entitled to make that claim or the Bank was required to make that payment), including any payment made by the Bank under **clause 10.2(a)(iv) (B)**.
 - (c) The Borrower's obligations under **clause 5.4(a)** and **(b)** are absolute and unconditional. They are not affected by any reduction, termination or other impairment by set-off, deduction, abatement, counterclaim, agreement, defence, suspension, deferment or otherwise.
 - (d) The Borrower is not released, relieved or discharged from any obligation under this document, nor will such obligation be prejudiced or affected for any reason, including:
 - (i) any falsity, inaccuracy, insufficiency or forgery of or in any demand, certificate or declaration or other document which on its face purports to be signed or authorised under a Bank Guarantee;
 - (ii) any failure by the Bank to enquire whether a cable, telex or other notification was inaccurately transmitted, received or given by an unauthorised person (other than where such failure occurs due to the wilful default or fraud of the Bank);
 - (iii) the impossibility or illegality of performance of, or any invalidity of or affecting, any Transaction Document or Bank Guarantee or any other document;
 - (iv) any act of any Government Body or arbitrator including any law, judgment, decree or order at any time in effect in any jurisdiction affecting any Transaction Document or Bank Guarantee or any document delivered under a Transaction Document;
 - (v) any failure to obtain any consent, license or other authorisation necessary or desirable in connection with any Transaction Document or any Bank Guarantee; or
 - (vi) any other cause or circumstance, foreseen or unforeseen, whether or not similar to any of the above, affecting any Transaction Document or Bank Guarantee or any transaction under a Transaction Document or Bank Guarantee,
 - (vii) and the Bank need not inquire into any of these matters.
 - (e) The Bank is irrevocably authorised and directed by the Borrower to pay immediately against a demand appearing or purporting to be made by or on behalf of a Beneficiary, any sums up to the Face Value of a Bank Guarantee which may be demanded from the Bank from time to time without any reference to or any necessity for confirmation or verification on the part of the Borrower, and notwithstanding any instructions from the Borrower to the contrary.
 - (f) The obligations of the Borrower will not be affected or in any way limited by any falsity, inaccuracy, insufficiency or forgery of or in any notice or
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demand pursuant to any liability or the failure of the Bank to enquire (other than where such failure arises due to the wilful default or fraud of the Bank) whether any notice or demand has been inaccurately transmitted or received from any cause whatsoever or has been given or sent by an unauthorised person.

5.4 Mandatory prepayments

- (a) Unless the Bank otherwise agrees, if any of the assets, business or undertaking of any Transaction Party is the subject of any Disposal (other than a Permitted Disposal) the Borrower must apply or ensure is applied an amount equal to the cash or equivalent proceeds received by the Transaction Party from the Disposal net of reasonable transaction costs and Taxes in prepayment of Outstanding Accommodation or (other than in respect of a disposal contemplated by **clause 5.4(b)**), at the Borrower's election, in permanent reduction of the unused portion of one or more of the Facility Limits.
- (b) If the land and improvements known as 70 Station Road, Indooroopilly Queensland and described in certificate of title 11485156 are sold:
 - (i) unless the Bank otherwise agrees in writing, the Borrower must apply or ensure is applied an amount equal to 50% of the proceeds arising from that sale net of reasonable transaction costs and Taxes in prepayment of the Outstanding Accommodation and/or in permanent reduction of the unused portion of the Facility Limit for the Corporate Markets Loan Facility; and
 - (ii) subject to the prior written consent of the Bank (such consent not to be unreasonably withheld), a Transaction Party may make a Distribution or other payment to Reading International Inc (or any subsidiary or affiliate of Reading International Inc that is outside of the Reading Entertainment Australia Group) of an amount equal to 50% of the proceeds arising from that sale net of reasonable transaction costs and Taxes.
- (c) For the avoidance of doubt the requirements to prepay under **clause 5.4(b)** will to the extent of the prepayment permanently reduce the Facility Limit of the relevant Facility or Facilities.

5.5 Repayment

Subject to **clause 10.2 and clause 10.3**, each Borrower must:

- (a) repay the Outstanding Accommodation in respect of each Facility on the Termination Date in respect of that Facility; and
- (b) subject to **clause 6**, and any other provision in a Transaction Document that provides otherwise, pay any other amounts payable in connection with the Transaction Documents, to the Bank on demand.

5.6 Not used

6 Interest and fees

6.1 Pricing Periods

- (a) Subject to **clause 6.1(c)**, the Pricing Period for each Advance must be a period of 30, 60 or 90 days or six Months or another period agreed by the Bank.
- (b) Subject to **clause 6.1(c)**, the first Pricing Period for an Advance commences on its Funding Date and will have the duration specified in the relevant Funding Notice. Each subsequent Pricing Period for the Advance:
 - (i) commences on the day after the preceding Pricing Period for the Advance expires; and
 - (ii) is a period notified by the Borrower to the Bank at least two Business Days before the last day of the current Pricing Period, but if the Borrower does not give notice, is of the same duration as the Pricing Period which immediately precedes it.
- (c) A Pricing Period:
 - (i) which would otherwise end on a day which is not a Business Day ends on the next Business Day and a Pricing Period which would otherwise end after the Termination Date ends on the Termination Date. For the avoidance of doubt, if a Pricing Period ends on a day that is not followed by a Business Day, the Bank may extend that Pricing Period accordingly (except where this would be contrary to **clause 6.1(c)(ii)**, in which case the Bank may shorten the Pricing Period); and
 - (ii) May be adjusted by the Bank where necessary so that:
 - (A) a Pricing Period starts on a Business Day;
 - (B) all Advances will have the same Pricing Period;
 - (C) a Pricing Period does not end after the Termination Date; and
 - (D) if a new Advance is made during a Pricing Period for an existing Advance, the first Pricing Period for that new Advance ends on the same day as the Pricing Period for the existing Advance.

6.2 Payment and rate

- (a) In respect of the Corporate Markets Loan Facility:
 - (i) interest for each day is calculated by applying the Daily Interest Rate to the Advance at the end of that day (excluding any amount to which the Overdue Rate applies); and

- (ii) the Borrower must pay accrued interest in respect of:
 - (A) each Pricing Period, on the First Business Day after the expiry of that Pricing Period; and
 - (B) the last Pricing Period, for the period up to and including the Termination Date, on the Termination Date.
- (b) The Borrower must pay interest on Overdue Money, and such interest must be paid on demand by the Bank.
- (c) The interest rate on Overdue Money will be the Overdue Rate.

6.3 Computation of interest

Interest will:

- (a) accrue from day to day;
- (b) be computed from and including the day when the money on which interest is payable becomes owing to the Bank by the Borrower until but excluding the day of payment of that money; and
- (c) be calculated on the actual number of days elapsed on the basis of a 365 day year.

6.4 Capitalisation of interest

The Bank may:

- (a) capitalise, on a monthly or other periodical basis as the Bank determines, any part of any interest which becomes due and payable and interest is payable in accordance with this document on capitalised interest; and
- (b) continue to capitalise interest despite:
 - (i) that as between the Bank and the Borrower the relationship of Bank and customer has ceased;
 - (ii) any composition agreed to by the Bank;
 - (iii) any judgment or order against the Borrower; or
 - (iv) any other thing.

6.5 Merger

If the liability of the Borrower to pay to the Bank any money payable under a Transaction Document becomes merged in any deed, judgment, order or other thing, the Borrower must pay interest on the amount owing from time to time under that deed, judgment, order or other thing at the higher of the rate payable under the Transaction Documents and that fixed by or payable under that deed, judgment, order or other thing.

7 Payments

7.1 Place, manner and time of payment

Each Transaction Party must make payments to the Bank under the Transaction Documents:

- (a) at the address specified in **clause 19.3** or at such other place reasonably required by the Bank;
- (b) in a manner reasonably required by the Bank;
- (c) by 11.00 am local time in the place where payment is required to be made; and
- (d) in immediately available funds and without set-off, counter claim, condition or, unless required by law, deduction or withholding.

7.2 Gross-up

If a Transaction Party is required by law to deduct or withhold Taxes from any payment it must:

- (a) make the required deduction and withholding;
- (b) pay the full amount deducted or withheld in accordance with the relevant law;
- (c) deliver to the Bank an original receipt for each payment; and
- (d) pay an additional amount with such payment so that, after all applicable deductions or withholdings, the Bank actually receives for its own benefit the full amount which would have been payable to the Bank if no deduction or withholding had been required.

7.3 Appropriation

Subject to any express provision to the contrary in any Transaction Document, the Bank may appropriate any payment towards the satisfaction of any money due for payment by the Borrower in relation to a Transaction Document in any way that the Bank thinks fit and despite any purported appropriation by the Borrower.

8 Representations and warranties

8.1 Nature

Each Transaction Party represents and warrants that:

- (a) **duly incorporated:** if it purports to be a corporation, it is duly incorporated in accordance with the laws of its place of incorporation, validly exists under those laws and has the capacity to sue or be sued in its own name and to own its property and conduct its business as it is being conducted;
- (b) **capacity:** it has capacity unconditionally to execute and deliver and comply with its obligations under the Transaction Documents;

- (c) **action taken:** it has taken all necessary action to authorise the unconditional execution and delivery of, and the compliance with its obligations under, the Transaction Documents to which it is a party;
- (d) **binding obligations:** each Transaction Document constitutes the valid and legally binding obligations of, and is enforceable against it by the Bank in accordance with its terms (subject to any necessary stamping or registration and to equitable principles and insolvency laws);
- (e) **priority:** each Security Interest which each Transaction Document purports to create exists and has the priority which the Bank has agreed to (subject to any necessary stamping and registration);
- (f) **authorisations:** each authorisation from, and filing and registration with, a Government Body necessary to enable it to unconditionally execute and deliver and comply with its obligations under the Transaction Documents to which it is a party has been obtained, effected and complied with;
- (g) **no contravention:** the unconditional execution and delivery of, and compliance with its obligations by it under, the Transaction Documents to which it is a party do not:
 - (i) contravene any law to which it or any of its property is subject or any order or directive from a Government Body binding on it or any of its property;
 - (ii) contravene its constituent documents;
 - (iii) contravene any agreement or instrument to which it is a party;
 - (iv) contravene any obligation it has to any other person; or
 - (v) require it to make any payment or delivery in relation to any Financial Indebtedness (other than Excluded Financial Indebtedness) before the scheduled date for that payment or delivery;
- (h) **correct information:** all information given and each statement made to any Bank by it or at its direction in relation to the Transaction Documents, is correct, complete and not misleading;
- (i) **full disclosure:** it has disclosed to the Bank all information which the Borrower has or has access to and which is relevant to the assessment by the Bank of the nature and amount of the risks undertaken by the Bank becoming a creditor of or taking a Security from it;
- (j) **Financial Statements:** the Financial Statements of each of Transaction Party given to the Bank under **clause 9.3:**
 - (i) are a true, fair and accurate statement of their respective financial performance and position and their respective consolidated financial performance and position at the date to which they are prepared; and
 - (ii) have been prepared in accordance with **clause 9.2 and 9.3,**

except for such departures expressly disclosed in those Financial Statements;

- (k) **no change in financial position:** there has been no change in the financial performance or position of a Transaction Party since the date to which the last Financial Statements given to the Bank under **clause 9.3** were prepared, which has a Material Adverse Effect;
- (l) **no related party transaction:** no person has contravened or will contravene sections 208 or 209 of the Corporations Act due to a Transaction Party entering into or performing its obligations under a Transaction Document;
- (m) **no proceeding:** except as notified to the Bank in writing before the date of this document, no litigation, arbitration or administrative proceeding is current, pending or, to the knowledge of the Borrower, threatened, which has, or the adverse determination of which would be likely to have, a Material Adverse Effect;
- (n) **no trust:** except as notified to the Bank in writing before the date of this document, no Transaction Party enters into a Transaction Document as trustee of any trust;
- (o) **sole owner and no Encumbrances:** except as notified to the Bank in writing before the date of this document:
 - (i) each Transaction Party is the sole legal and beneficial owner of the property it purports to own; and
 - (ii) there are no Encumbrances over the property of any Transaction Party other than Permitted Encumbrances;
- (p) **no existing default:** no Event of Default, Review Event or Potential Event of Default subsists;
- (q) **ranking of obligations:** each obligation of the Borrower under this document ranks at least pari passu with all unsecured and unsubordinated obligations of the Borrower except obligations mandatorily preferred by law;
- (r) **warranties correct:** the representations and warranties given by any Transaction Party in any Transaction Document are correct in all material respects and not misleading in any material respect and will be when given or repeated;
- (s) **no immunity:** each Transaction Party and its property are free of any right of immunity from set-off, proceedings or execution in relation to its obligations under any Transaction Document;
- (t) **insurance:** the Insurances are enforceable against the relevant insurer in accordance with their terms and are not void or voidable;
- (u) **trust provisions:** in relation to each Transaction Party which enters into any Transaction Document as trustee of a Trust:
 - (i) the Trustee has power as trustee of the Trust to execute and

perform its obligations under the Transaction Documents;

- (ii) the Trustee, in executing the Transaction Documents and entering into those transactions, have properly performed their obligations to the beneficiaries of the Trust;
- (iii) all necessary action required by the Trust Deed to authorise the unconditional execution and delivery of, and compliance with its obligations under, the Transaction Documents has been taken;
- (iv) the Trustee is the only trustee of the Trust;
- (v) no effective action has been taken to remove the Trustee as trustee of the Trust or to appoint an additional trustee of the Trust;
- (vi)
 - (A) the Trustee has a right to be fully indemnified out of the property of the Trust in relation to all of its obligations under the Transaction Documents;
 - (B) the Trustee has not released or disposed of its equitable lien over the property of the Trust which secures that indemnity; and
 - (C) the property of the Trust is sufficient to satisfy that indemnity;
- (vii) the Trustee has complied with all of its obligations as trustee of the Trust in relation to execution of the Transaction Documents;
- (viii) no effective action has been taken or, so far as the Trustee is aware, is contemplated by the beneficiaries of the Trust to terminate the Trust;
- (ix) the Trustee has disclosed to the Bank full details of:
 - (A) the Trust and any other trust or fiduciary relationship affecting the property of the Trust and, without limitation, has given to the Bank copies of any instruments creating or evidencing the Trust; and
 - (B) the Trustee's other trusteeships (if any);
- (x) the Trust is properly constituted and the Trust Deed is not void, voidable or otherwise unenforceable;
- (xi) the rights of the beneficiaries of the Trust in relation to, and their interest in, the property of the Trust are subject to:
 - (A) the rights of the Bank in relation to, and their respective interests in, the property of the Trust; and
 - (B) any rights or interests in the property of the Trust to which the Bank may from time to time be subrogated; and
- (xii) the Trustee:
 - (A) if it is a corporation, is duly incorporated in accordance with the laws of its place of incorporation, validly exists under those laws and has the capacity to sue and be sued in its

- own name, to own property and to act as trustee of the Trust;
- (B) if it is natural person, has the capacity to be trustee of the Trust;
- (v) **solvency:** each Transaction party is not insolvent;
- (w) **corporate benefit:** each of the Transaction Parties will receive corporate benefit by entering into the Transaction Documents to which they are a party.

8.2 General

- (a) The interpretation of any statement contained in any representation or warranty will not be restricted by reference to or inference from any other statement contained in any other representation or warranty.
- (b) The Borrower acknowledges that the Bank enters into the Transaction Documents in reliance on each representation and warranty.
- (c) Each representation and warranty survives the execution of the Transaction Documents and is deemed to be repeated with reference to the facts and circumstances then existing on the date each Funding Notice is issued, on each Funding Date, on the last day of each Funding Period and on each day that an Annual Compliance Certificate or Interim Compliance Certificate is given.

9 General obligations

9.1 Fees

The Borrower must pay to the Bank:

- (a) **restructure fee:** on or before execution of the Restatement Deed, a non-refundable Restructure Fee of \$30,000;
- (b) **Corporate Markets Loan Facility Fee:** a non-refundable facility fee on the Facility Limit in respect of the Corporate Markets Loan Facility calculated at 0.95% per annum from the date of the 'Variation Date' under the Restatement Deed, which will:
- (i) accrue from day to day from the date of this document up to and including the Termination Date;
- (ii) be payable monthly in arrears, on the first Business Day of each Month;
- (iii) be calculated on the actual number of days elapsed and on the basis of a 365 day year;
- (c) **Reset Fee:** on the first Business Day of each Pricing Period (other than the first Pricing Period) a non-refundable fee of \$150.00;
- (d) **Not used**
- (e) **Bank Guarantee service fee:** on and from the first services fee charge

date following 30 June 2014, a non-refundable fee in respect of each Bank Guarantee of 50% of the applicable Bank Guarantee Margin calculated on the Face Value of the Bank Guarantee, payable on a pro-rata basis half yearly in arrears, with the first payment due six months after the relevant Funding Date of the Bank Guarantee, and subsequent payments due every six months thereafter until the Bank Guarantee Matures or Expires or is cancelled. This fee will be calculated on the actual number of days elapsed and on the basis of a 365 day year; and

- (f) **Bank Guarantee issuance fee:** a non-refundable fee in respect of each Bank Guarantee of 50% of the applicable Bank Guarantee Margin calculated on the Face Value of the Bank Guarantee (or \$125 whichever is greater), payable on the relevant Funding Date of the Bank Guarantee.

9.2 Records

The Borrower must ensure that each Transaction Party:

- (a) prepares and keeps books, accounts and other records in accordance with the law and Accounting Standards; and
- (b) on demand, makes the same available for inspection and copying by the Bank.

9.3 Financial Statements and other financial information

The Borrower must give to the Bank:

- (a) **annual Financial Statements:** as soon as practicable, and in any event within 120 days after the end of each Financial Year the consolidated audited Financial Statements of the Reading Entertainment Australia Group for that Financial Year;
- (b) **Quarterly Financial Statements:** as soon as practicable, and in any event within 45 days after the end of each Quarter (other than the Quarter ending 31 December) the consolidated unaudited Financial Statements of the Reading Entertainment Australia Group for that Quarter (showing both actual and budget figures);
- (c) **group structure diagram:** within 120 days after the end of each Financial Year, a group structure diagram in relation to Reading International Inc. and the Reading Entertainment Australia Group which lists all the then Group Members and which contains such other information in relation to the legal relationship between Reading International Inc. and the Reading Entertainment Australia Group Members as the Bank reasonably requires;
- (d) **budget:** as soon as practicable, and in any event before 31 March for each Financial Year, a consolidated budget for the Reading Entertainment Australia Group for the current Financial Year showing the budgeted profit and loss, balance sheet and cash flow for the Reading Entertainment Australia Group and such other matters customarily dealt with in such budgets;
- (e) **deregistration:** not used; and

- (f) **other financial information:** promptly on reasonable notice from the Bank, such additional information in relation to the financial condition and the operations of the Borrower and each other Transaction Party as the Bank reasonably requests from time to time.

The Borrower must ensure that all Financial Statements given to the Bank under the Transaction Documents are prepared in accordance with the Corporations Act and the Accounting Standards.

If after the date of this document there is a change in the accounting principles or practices referred to in the definition of 'Accounting Standards' and the Bank or the Borrower reasonably considers that, if the change were to apply for the purposes of this document, the change would have a material effect on the Financial Statements or the calculation of the financial ratios in **clause 9.7**, the Bank and the Borrower shall endeavour to agree mutually acceptable changes to this document so that the accounting change can be adopted for the purposes of this document.

9.4 Other information

The Borrower must give to the Bank:

- (a) **other information:** on reasonable notice from the Bank, any other information in the possession or under the control of a Transaction Party which in the Bank's reasonable opinion is necessary to verify the Borrower's compliance with any Transaction Document;
- (b) **Annual Compliance Certificate:** as soon as practicable, and in any event within 120 days after the end of each Financial Year, an Annual Compliance Certificate for that Financial Year signed by at least one director of the Borrower;
- (c) **Interim Compliance Certificate:** as soon as practicable, and in any event within 45 days after the end of each Quarter (other than the Quarter ending 31 December) an Interim Compliance Certificate for the previous 12 months signed by at least one director of the Borrower;
- (d) **tenancy schedule:** as soon as practicable, and in any event within 120 days of the end of each Financial Year an updated tenancy schedule for each Freehold Property, including (without limitation) the following details:
- (i) the name of each tenant;
 - (ii) area let by each tenant;
 - (iii) current passing rent paid by each tenant;
 - (iv) the lease start date;
 - (v) the lease term;
 - (vi) the lease maturity date;
 - (vii) the option term (if any);
 - (viii) rent review details; and

- (ix) any other material or special clauses or conditions;
- (e) **Valuations:** on demand (provided that no more than one demand is made in a Financial Year and the Bank reasonably considers that there has been a material devaluation of the freehold and leasehold interests subject to the Collateral Security), and in any event within 30 days of the end of every 36 month period from the date of this document, a Valuation in respect of each Freehold Property and leasehold interest that is subject to the Collateral Security. Each Valuation is to be at the Borrower's expense, addressed to the Bank, conducted by an Approved Valuer and in a form and substance (other than as to value) reasonably satisfactory to the Bank;
- (f) not used;
- (g) **details of any proceeding:** full details of any litigation, arbitration, administrative proceeding or native title claim which affects a Transaction Party and which has or the adverse determination of which would be likely to have a Material Adverse Effect, as soon as it is commenced or to the knowledge of the Borrower is threatened; and
- (h) **claims:** on being notified of it, full details of any event which entitles the Borrower or the Bank to claim more than \$1,000,000 under the Insurances.

9.5 Other financial undertakings

Each Transaction Party must ensure that:

- (a) **negative pledge:** no Encumbrances exist on its property (including the Secured Property and the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood Victoria), except Permitted Encumbrances;
- (b) **permitted financial transactions:** it does not, without the prior written consent of the Bank:
 - (i) incur any Financial Indebtedness except Permitted Financial Indebtedness;
 - (ii) provide any financial accommodation (excluding trade credit in the ordinary course of business) except Permitted Financial Accommodation;
- (c) **disposals:** must not dispose of any of its assets, either in a single transaction or in a series of transactions whether related or not and whether voluntary or involuntary, except Permitted Disposals;
- (d) **mergers:** a Transaction Party does not:
 - (i) enter into any merger, reconstruction or amalgamation; or
 - (ii) acquire any property or business or make any investment if the property, business or investment is substantial in relation to the relevant Transaction Party,

if it would have or be likely to have a Material Adverse Effect;

- (e) **maintain status:** it does everything necessary to maintain its corporate existence in good standing and:
 - (i) ensures that it has the right and is properly qualified to conduct its business in all relevant jurisdictions; and
 - (ii) obtains and maintains all Authorisations necessary for the conduct of its business;
 - (iii) comply with all laws affecting it or its business in all relevant jurisdictions
- (f) **Distributions:** it must not make any Distribution except:
 - (i) Permitted Distributions;
 - (ii) to another Transaction Party; or
 - (iii) with the Bank's prior written consent (such consent not to be unreasonably withheld),and provided that:
 - (iv) no Event of Default subsists; and
 - (v) such Distribution will not cause an Event of Default;
- (g) **Taxes:** must
 - (i) promptly pay when they become due for payment (or reimburse the Bank on demand for) all Taxes payable by it from time to time other than Taxes being contested in good faith where it has made adequate provisioning;
 - (ii) not transfer any Tax losses to any person other than to the Borrower in connection with the preparation of consolidated annual Financial Statements or in connection with the Reading Entertainment Australia Group's tax consolidation arrangements; and
 - (iii) not become a member of a consolidated group for the purposes of Part 3-90 of the *Income Tax Assessment Act 1936* and the *Income Tax Act 1997* including any amendments thereto (including any amendments made by the *New Business Tax (Consolidation Act (No. 1)) 2002* and the *New Business Tax System (Consolidation, Value Shifting, Damages and other Measures) Act 2002*) other than in accordance with a Tax Sharing Agreement or otherwise on terms approved by the Bank;
- (h) **Guarantor accession:** if at any time:
 - (i) there is a new wholly-owned member of the Reading Entertainment Australia Group that earns any revenue, holds an asset or is otherwise not dormant; or
 - (ii) a wholly-owned member of the Reading Entertainment Australia

Group (as at the date of this document that is not a Guarantor) generates any revenue, acquires an asset or ceases to be dormant, promptly, and in any event within 45 days, it procures the execution of:

(iii) a Guarantor Accession Deed; and

(iv) an all assets fixed and floating charge in favour of the Bank, in such form as the Bank requires,

by such of those wholly-owned subsidiaries as are required to rectify that situation and provides to the Bank any documents or evidence in relation to any such acceding entity as the Bank may reasonably consider necessary in respect to the entering into, validity and enforceability of the accession documents;

(i) **Major developments:** in respect of any major development projects to be undertaken by the Transaction Parties (that are outside of the budgeted capital expenditure that has been disclosed to the Bank):

(i) the Bank is provided with development budgets and other information reasonably requested by the Bank; and

(ii) the Bank is given the first right of refusal in relation to the funding of the project;

(j) **Major acquisitions:** in respect to any acquisitions or investments in assets to be undertaken by the Transaction Parties, the Bank's written consent is obtained for (and prior to) the purchase of:

(i) any freehold title or ground lease with a remaining tenor of 25 years or more and a consideration greater than \$50,000,000; and

(ii) the purchase of any other operating business assets with a consideration greater than \$25,000,000.

(k) **Management Fees:** the aggregate Management Fees paid by the Transaction Parties in a Financial Year does not exceed the amount set out in the 'Amount' column corresponding to that Financial Year set out in the following table (without the Bank's prior written consent):

Financial Year Ending	Amount
31 December 2015	\$5,250,000
31 December 2016	\$5,512,500
31 December 2017	\$5,788,125
31 December 2018	\$6,077,531
31 December 2019	\$6,381,408

No Management Fees may be paid while an Event of Default subsists;

(l) **Burwood property:**

- (i) no Encumbrances exist on the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood Victoria (except Permitted Encumbrances); and
- (ii) it does not, without the prior written consent of the Bank, incur any Financial Indebtedness in respect of (or secured by) the land and improvements known as 78 Middleborough Road, Old Burwood Road, Burwood Victoria (except Permitted Financial Indebtedness);
- (m) **Preservation and protection of Security:** it does everything necessary or reasonably required by the Bank to:
 - (i) keep the Secured Property in good repair and in good working order;
 - (ii) promptly pay when they become due for payment (or reimburse the Bank on demand for) all Taxes payable in respect of the Secured Property;
 - (iii) preserve and protect the value of the Secured Property as a whole; and
 - (iv) protect and enforce its title and the Bank's title as mortgagee to the Secured Property.

9.6 Insurance

- (a) Subject to the provisions of the Transaction Documents, the Borrower must effect and maintain insurance over and in relation to the Secured Property, the business operations of the Group (including business interruption) and for public liability with insurers, for amounts, against risks and on terms and conditions:
 - (i) that the Bank reasonably requires; or
 - (ii) if the Bank does not notify the Borrower of its requirements, that a prudent and reasonable owner of the Secured Property would effect and maintain, including insurance for full replacement value on a reinstatement basis.
- (b) Subject to the provisions of the Transaction Documents, the Borrower must give to the Bank on demand a certificate in form and substance satisfactory to the Bank from the insurer to the effect that the required Insurances are current and no premium is overdue.

9.7 Financial ratios

- (a) The Borrower must ensure that:
 - (i) **Fixed Charges Cover Ratio:** at each Calculation Date, the Fixed Charges Cover Ratio for the Calculation Period ending on that date is not less than 1.70 times.
 - (ii) **Leverage Ratio:** at each Calculation Date, the Leverage Ratio for the Calculation Period ending on that date is less than or equal to

3.25 times.

- (iii) **Loan to Value Ratio:** at each Calculation Date, the Loan to Value Ratio for the Calculation Period ending on that date is less than or equal to 70%.
- (b) A financial ratio or amount to be determined under **clause 9.7(a)** must be tested or determined by reference to the most recently prepared Financial Statements. The calculation of any amounts on a consolidated basis must be made in accordance with the requirements of the Accounting Standards relating to the consolidation of entities.

9.8 Environment

- (a) Each Transaction Party must ensure that at all times all practical and reasonable steps that can be taken and measures and precautions that can be adopted are taken or adopted by each Transaction Party to ensure that:
 - (i) all persons, things and activities of any kind on or using the Land comply with all Environmental Laws and any consent, permit, approval, licence, authorisation, certification, order or direction granted or issued under any Environmental Law;
 - (ii) if there is any non-compliance with any Environmental Law or any consent, permit, approval, licence, authorisation, certification, order or direction granted or issued under any Environmental Law:
 - (A) the impact on the Land and the environment is minimised; and
 - (B) steps are taken as quickly as possible to rectify the non-compliance, eliminate or reduce any liability arising from the non-compliance and to ensure the non-compliance does not recur;
 - (iii) it or any person on the Land does not:
 - (A) allow onto or permit to exist on the Land any Contaminant; or
 - (B) allow a Contaminant to escape or be released into the environment,

if to do so would be in breach of any Environmental Law or any consent, permit, approval, licence, authorisation, certification, order or direction granted or issued under any Environmental Law or could give rise to an order or direction being issued under any Environmental Law; and
 - (iv) if any Contaminant is discovered on or affecting the Land (other than a Contaminant which is safely stored in accordance with lawful authority) or, without lawful authority, escapes or is released from the Land into the environment:
 - (A) the impact on the Land and the environment is minimised;

and

- (B) steps are taken as quickly as possible to safely contain the Contaminant and to remove the Contaminant from the environment or the Land or reduce the levels of the Contaminant to a level required or recommended by the relevant Government Body as safe and in either case to eliminate or reduce any liability arising from the Contaminant and do all things necessary to restore the Land and the environment.
 - (b) If there is any non-compliance under **clauses 9.8(a)(i), (ii) or (iii)** or any Contaminant is discovered or the Borrower has reason to believe that there is some Contaminant on the Land requiring action to be taken under **clause 9.8(a)(iv)**, the Borrower must immediately notify the Bank.
 - (c) If there is or the Bank has reason to believe that there may be any non-compliance under **clauses 9.8(a)(i), (ii) or (iii)** or any Contaminant is discovered or the Bank has reason to believe that there is some Contaminant on the Land requiring action to be taken under **clause 9.8(a)(iv)**, the Borrower, at the request of the Bank, must procure and furnish to the Bank, in a form acceptable to the Bank, an Environmental Assessment Report in relation to the Land and any operations conducted on it.
 - (d) The Borrower indemnifies the Bank from and against all:
 - (i) Environmental Liability; and
 - (ii) damages, losses, outgoings, costs, charges or expenses suffered or incurred by the Bank in respect of any action, claim or demand made or brought in respect of or otherwise arising from or in connection with any breach of any Environmental Law in relation to the Land.
 - (e) The Borrower must immediately notify the Bank of:
 - (i) the existence of any Contaminant on or adjacent to or affecting the Land; and
 - (ii) the receipt by any Transaction Party of any notice, order or direction:
 - (A) to clean up any Contaminant on the Land; or
 - (B) alleging any breach of Environmental Law.
 - (f) If requested by the Bank, the Borrower must provide the Bank with a copy of each environmental consent, permit, approval, licence, authorisation, certification, order and direction relating to the Land together with confirmation that:
 - (i) it is complying with the terms and conditions of each consent, permit, approval, licence, authorisation, certification, order and direction; and
-

- (ii) it has renewed each consent, permit, approval, licence, authorisation, certification, order and direction as appropriate.
- (g) The Borrower must:
 - (i) when reasonably required by the Bank, obtain or permit the Bank to obtain an Environmental Assessment Report from a person approved by the Bank in relation to the Land; and
 - (ii) promptly comply with any reasonable recommendation contained in any Environmental Assessment Report relating to compliance with Environmental Law in relation to the Land and obtain any consent, permit, approval, licence, authorisation, certification, order and direction required in order to comply with that recommendation.

9.9 No default

The Borrower must ensure that an Event of Default does not occur.

9.10 Obligations of Trustees

If a Transaction Party is a Trustee the Borrower must ensure that it:

- (a) ensures that the property of the Trust is not mixed with any other property;
- (b) complies with its obligations as trustee of the Trust;
- (c) does not release, dispose of or otherwise prejudice its right of indemnity against, and equitable lien over, the property of the Trust and its right of indemnity (if any) against the beneficiaries of the Trust in relation to any money owing to the Bank;
- (d) at the Bank's request:
 - (i) exercises its right of indemnity against, and equitable lien over, the property of the Trust and its right of indemnity (if any) against the beneficiaries of the Trust in relation to any money owing to the Bank; and
 - (ii) assigns to the Bank those indemnities and that equitable lien and otherwise facilitates the subrogation of the Bank to those indemnities and that equitable lien;
- (e) does not, if the Trust is a unit trust, consent to or register the transfer of units in the Trust or cancel, repurchase, redeem or issue any units in the Trust;
- (f) ensures that:
 - (i) another person is not appointed as trustee of the Trust;
 - (ii) the Trust is not terminated or its terms varied;
 - (iii) the Trustee does not resign and is not removed or replaced as trustee of the Trust;
 - (iv) the property of the Trust is not resettled;

- (v) the capital of the property of the Trust is not distributed at any time; and
- (vi) income of the Trust is not distributed to anyone other than a Transaction Party while an Event of Default or Potential Event of Default subsists;
- (g) prepares and keeps full and true records and books of accounts of the Trust and makes them available for inspection and copying by the Bank on demand; and
- (h) does not default in performing or observing its obligations under the Transaction Documents.

9.11 Release for Permitted Disposals

The Bank must on request from (and at the cost of) a Transaction Party release from the Collateral Security that part of the Secured Property that is the subject of a Permitted Disposal (other than a Permitted Disposal of the kind referred to in paragraph (a) of that term's definition).

10 Events of Default

10.1 Nature

Each of the following is an Event of Default (whether or not caused by anything outside the control of any Transaction Party):

- (a) **non-payment:** a Transaction Party does not pay on the due date any principal, interest and fees due for payment by it under a Transaction Document in accordance with the relevant Transaction Document;
- (b) **other non-compliance:** a Transaction Party does not comply with any other obligation under a Transaction Document and if that default is capable of rectification:
 - (i) it is not rectified within five Business Days (or any other longer period agreed by the Bank) after its occurrence; or
 - (ii) the Transaction Party does not during that period take all action which in the Bank's reasonable opinion is necessary to rectify that default;
- (c) **untrue warranty:** a representation, warranty or statement made or deemed to be made by a Transaction Party in a Transaction Document is untrue or misleading in any material respect or a reply by a Transaction Party to a requisition made by, or on behalf of, the Bank is untrue or misleading in any material respect;
- (d) **void document:** a Transaction Document is void, voidable or otherwise unenforceable by the Bank or is claimed to be so by a Transaction Party;
- (e) **compliance unlawful:** it is unlawful for a Transaction Party to comply with any of its obligations under a Transaction Document or it is claimed to be so by a Transaction Party;

- (f) **loss of priority:** a Security Interest created by or purportedly created by a Collateral Security does not have or ceases to have the priority which it purports to have under the relevant Transaction Document or becomes ineffective to secure the payment of the money or compliance with the obligations which it purports to secure, otherwise than by any act of the Bank;
- (g) **Insolvency Event:** an Insolvency Event occurs in relation to a Transaction Party;
- (h) **authorisation ceasing:** an Authorisation from a Government Body necessary to enable:
 - (i) a Transaction Party to comply with its obligations under a Transaction Document or carry on its principal business or activity;
 - (ii) a Transaction Party to carry on its principal business or activity; or
 - (iii) the Bank to exercise its rights under a Transaction Document, is withheld or ceases to be in full force and effect and, in the case of **clause 10.1(h)(i)**, would have a Material Adverse Effect;
- (i) **Material Adverse Effect:** an event or series of events whether related or not, including any material adverse change in the property or financial condition of a Transaction Party, occurs which has a Material Adverse Effect;
- (j) **cross default:**
 - (i) Financial Indebtedness (other than Excluded Financial Indebtedness) of a Transaction Party in excess of \$500,000 becomes due for payment before its stated maturity other than by the exercise of an option of the Transaction Party to pay it before its maturity;
 - (ii) a Transaction Party fails to pay when due for payment (or within any applicable grace period) any Financial Indebtedness (other than Excluded Financial Indebtedness) in excess of \$500,000;
 - (iii) an obligation by a person to a Transaction Party to provide financial accommodation or to acquire or underwrite Financial Indebtedness (other than Excluded Financial Indebtedness) in excess of \$500,000 ceases before its stated maturity other than by the exercise of an option of the Transaction Party to cancel that obligation; or
 - (iv) a marketable security issued by a Transaction Party and having a face value over \$500,000 is required to be redeemed or repurchased before its stated maturity other than by the exercise of an option of the issuer to redeem or repurchase;
- (k) **cessation of business:** a Transaction Party ceases or threatens to cease to carry on its business or a substantial part of its business;
- (l) **enforcement of other Security:** a person who holds a Security over

property of a Transaction Party exercises a right under that Security against the property to recover any money the payment of which is secured by that Security or enforce any other obligation the compliance with which is secured by it;

- (m) **undertaking:** an undertaking given to the Bank (or its lawyers) by or on behalf of a Transaction Party (or its lawyers) is not honoured in accordance with its terms and if capable of rectification, is not rectified within three Business Days (or any other longer period agreed by the Bank) after its occurrence;
 - (n) **reduction of capital:** if a Transaction Party is a corporation:
 - (i) it reduces or takes any action to reduce its capital other than by the redemption of redeemable preference shares;
 - (ii) it passes or takes any action to pass a resolution of the type referred to in section 254N of the Corporations Act;
 - (iii) it:
 - (A) buys or takes any action to buy, or
 - (B) financially assists (within the meaning of section 260A of the Corporations Act) or takes any action to financially assist any person to acquire,
shares in itself or in a holding company of it,
 - (o) **investigation:** if a Transaction Party is a corporation, an investigation is instituted under the Corporations Act or other legislation into, or an inspector is appointed to investigate, its affairs, which would have a Material Adverse Effect;
 - (p) **environmental claim:** a Government Body takes any action, there is a legally valid claim or there is a legally enforceable requirement for expenditure or for cessation or alteration of activity under an Environmental Law, which, in the reasonable opinion of the Bank, would have a Material Adverse Effect;
 - (q) **Management Fees:** the aggregate Management Fees paid by the Transaction Parties in a Financial Year exceed the amount specified for that Financial Year under **clause 9.5(k)** (without the Bank's prior written consent); or
 - (r) **Trust:** if a Transaction Party is a Trustee:
 - (i) the Trustee ceases to be the trustee or the only trustee of the Trust or any action is taken for the removal of the Trustee as trustee of the Trust, or for the appointment of another person as trustee in addition to the Trustee;
 - (ii) an application or order is sought or made in any court, which is not withdrawn or dismissed within ten Business Days, for:
 - (A) the property of the Trust to be administered by the court; or
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- (B) an account to be taken in relation to the Trust; or
- (iii) non-compliance by the Trustee with its obligations as trustee under the Trust Deed which has a Material Adverse Effect.

10.2 Effect of Event of Default

- (a) If an Event of Default subsists the Bank may at any time by notice to the Borrower do any or all of the following:
 - (i) **cancel Facility:** cancel any or all of the Facilities or any part of a Facility, specified in the notice;
 - (ii) **accelerate:** make so much of the Outstanding Accommodation which is not then immediately due and payable, any unpaid accrued interest or fees and any other money owing by the Borrower to the Bank in relation to the Transaction Documents either:
 - (A) payable on demand; or
 - (B) immediately due for payment;
 - (iii) **Not used**
 - (iv) **Bank Guarantees:**
 - (A) by notice to the Borrower require the Borrower to pay immediately to the Bank the aggregate of the Face Values for all Current Bank Guarantees as at the date of the notice, together with any unpaid accrued interest or fees and any other money (including all Indemnity Amounts) owing by the Borrower to the Bank in relation to the Transaction Documents;
 - (B) pay the Beneficiaries of any one or more of the Current Bank Guarantees the amount agreed between the Bank and the relevant Beneficiary sufficient to obtain from the Beneficiary an unconditional release of the Bank's obligations under the relevant Bank Guarantee on terms satisfactory to the Bank (acting reasonably).
 - (v) **engage consultants:** at the cost of the Borrower, appoint (or require the Borrower to appoint) such accountancy, financial management and other consultants as the Bank may nominate to investigate the business affairs and financial condition of any Transaction Party and whether each Transaction Party has complied with each Transaction Document to which it is a party and to make recommendations relating to the manner in which the Transaction Party carries on its business. Each Transaction Party agrees to provide all assistance and information required by the consultants (including making all financial records available and giving access to all premises and records) to enable the consultants to conduct their examination promptly, completely and accurately. No Transaction Party is obliged to accept the

recommendations of any consultant, and the Bank will assume no liability with respect to any actions a Transaction Party takes, or does not take, as a result of those recommendations; or

- (vi) **treasury related transactions:** if there are any Hedging Transactions or treasury related transactions in existence between the Bank and the Borrower (**Open Positions**) then:
 - (A) the Bank may close out the Open Positions, by entering into opposite positions for the balance of the unexpired term, or by such other means as may be usual in the relevant market. Any such close out must be at market rates prevailing at the time;
 - (B) any costs incurred by the Bank in closing out Open Positions must be paid by the Borrower to the Bank immediately upon demand by the Bank;
 - (C) any gain derived from the closing out of the Open Positions will be credited to the Borrower and set off against the Amount Owing; and
 - (D) the Bank will give the Borrower reasonable particulars of the manner of close out of the Open Positions and the basis of calculation of any amounts payable by or to the relevant Borrower arising from that close out.
- (b) On receipt of a notice under **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)**, the Borrower must immediately pay in full the amounts referred to in that notice.

10.3 Cash Cover Account regarding Bank Guarantees

- (a) The Bank must credit so much of the money paid by the Borrower under **clause 10.2(a)(iv)(A)** which the Bank appropriates towards the Face Values of Current Bank Guarantees to an account maintained by the Bank for this purpose (**Cash Cover Account**).
- (b) The following provisions apply to the Cash Cover Account:
 - (i) the account will be in the name of the Borrower;
 - (ii) despite the Cash Cover Account being in the name of the Borrower, until the Release Date the money held in the account is not owed by the Bank to the Borrower and the Borrower is not entitled to withdraw or be paid any of that money (including interest credited to the account);
 - (iii) the Bank must credit to the account interest at the Cash Cover Rate from time to time and that interest will be credited to the account monthly and on the Release Date; and
 - (iv) without limiting this **clause 10.3**, the Bank may apply any amounts from time to time held in the account towards payment of any amounts due and payable from time to time to the Bank under any

Transaction Document.

- (c) On the Release Date, the Bank must pay to the Borrower the credit balance of the Cash Cover Account.

10.4 Review Events

Each of the following is a Review Event (whether or not caused by anything outside the control of any Transaction Party):

- (a) there is an Insolvency Event in respect of Reading International Inc; and
- (b) a Change of Control occurs in relation to any Transaction Party.

10.5 Reviews

- (a) In addition to any other review rights the Bank has under this document, the Bank may conduct a review of any Facility following a Review Event.
- (b) If a Review Event has occurred, then, at any time or from time to time:
 - (i) the Bank may change any of the conditions applying to the Facility including, but not limited to, increasing or otherwise varying the fees payable in connection with the Facility; and/or
 - (ii) the Bank may terminate the Facility. If the Bank terminates the Facility, the Termination Date occurs on the date 30 days after the date the Bank notifies the Borrower that it wishes to terminate the Facility.
- (c) The Bank may not change any of the conditions applying to the Facility unless it has first given 30 days prior notice to the Borrower of the intended change.
- (d) If the Bank gives notice of any change to the conditions of any Facility and the Borrower refuses to accept the changes before the end of the period of notice, then at the end of that period, the Facility will become repayable within 30 days of any demand by the Bank.
- (e) Nothing in this clause affects the Bank's rights if any Event of Default occurs.

11 Costs and expenses

11.1 Interpretation

A reference to "costs and expenses" in a Transaction Document includes legal costs and expenses on a full indemnity basis.

11.2 Nature

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

- (a) the Bank's reasonable costs and expenses relating to:
 - (i) any Valuation obtained for the purposes of any Transaction

Document;

- (ii) the negotiation, preparation, execution, stamping and registration of the Transaction Documents or any document contemplated by them;
 - (iii) any consent, request for consent (whether or not given), communication or waiver of any right, or the variation, replacement or discharge of any Transaction Document or any document contemplated by it;
 - (iv) the enforcement or attempted enforcement or the preservation of any rights of the Bank under the Transaction Documents;
 - (v) the occurrence of any Event of Default or Potential Event of Default; and
 - (vi) the lodgment or removal of any Encumbrance on the Secured Property by any person; and
- (b) subject to **clause 18.14(d)**, any Taxes and registration or other fees (including fines and penalties relating to the Taxes and fees) which are payable or are assessed by a relevant Government Body or other person to be payable in relation to the Transaction Documents or any document or transaction contemplated by them.

11.3 Remuneration

The Bank, any Receiver and any Attorney must be remunerated by the Borrower for any services rendered by them in relation to the enforcement of any right under the Transaction Documents. The rate of the remuneration and the manner of payment will be that determined by the Bank, acting reasonably.

12 Indemnities

12.1 Nature

The Borrower indemnifies the Bank on demand against any liability, loss, cost or expense (including Break Costs) caused or contributed to by:

- (a) any failure by any Transaction Party to comply with any obligation under any Transaction Document;
- (b) any Event of Default or Potential Event of Default;
- (c) the enforcement or attempted enforcement of any right by the Bank, any Receiver or any Attorney under the Transaction Documents;
- (d) any Drawing requested by the Borrower not being granted by the Bank for any reason other than a default by the Bank;
- (e) any payment not being made by the Borrower in accordance with any Transaction Document; or
- (f) any act by the Bank in reliance on any communication purporting to be from the Borrower or to be given on behalf of the Borrower.

12.2 Representatives

The Borrower indemnifies each Receiver and Attorney and their respective Representatives and the Representatives of the Bank against any liability, loss, cost and expense caused by anything the Bank is indemnified against under **clause 12.1** and the Bank holds the benefit of this **clause 12.2** on trust for those persons.

12.3 Currency deficiency

If there is any deficiency between:

- (a) an amount payable by a Transaction Party under a Transaction Document which is received by the Bank in a currency other than the currency payable under the Transaction Document because of a judgment, order or otherwise; and
- (b) the amount produced by converting the payment received from the currency in which it was paid into the currency in which it was agreed to be paid either directly or through a currency other than that in which it was agreed to be paid,

the Borrower must pay to the Bank the deficiency and any loss, costs or expenses resulting from it.

12.4 Independence and survival

Each indemnity in a Transaction Document is a continuing obligation, separate and independent from the other obligations of the Borrower and survives the termination of that Transaction Document.

12.5 Accounting for transactions

- (a) The Borrower irrevocably authorises the Bank to open such accounts as the Bank requires in connection with a Facility.
- (b) The Borrower irrevocably authorises the Bank to debit from any account in the name of the Borrower (including an account the Bank opens in the Borrower's name) any amounts payable by the Borrower in relation to that Facility or account, including interest, costs, Taxes, enforcement expenses and any amount payable under an indemnity.
- (c) If the Borrower authorises the Bank to debit any amount from an account, the Bank can debit that amount from that account even if it causes the account to become overdrawn. Alternatively, if there are insufficient cleared funds in that account, the Borrower authorises the Bank to debit that amount from any account of the Borrower the Bank decides, including an account the Bank opens in the Borrower's name.
- (d) Where the Bank debits an account in the name of the Borrower, opened by:
 - (i) the Borrower, the Borrower must pay the Bank interest (including default interest if applicable) on any debit balance in accordance with the terms of that account;

- (ii) the Bank, the Borrower must pay the Bank interest on the overdrawn balance of that account at the Overdue Rate applying to the relevant Facility or, if there is none, in accordance with the terms normally applied by the Bank to accounts of that type; or
- (iii) either the Borrower or the Bank, the overdrawn balance of the account in excess of the applicable Facility Limit is immediately payable without further notice.
- (e) Unless otherwise provided, the Bank may apply any payment under or in connection with this document towards satisfying obligations under this document as the Bank sees fit.
- (f) Where the Bank is authorised to debit an amount from an account under this document, it can do so without prior notice.

12.6 Liability for Regulatory Events

- (a) The Borrower acknowledges that the Services may be interrupted, prevented, delayed or otherwise adversely affected by a Regulatory Event.
- (b) To the extent permitted by Law:
 - (i) the Bank is not liable for any loss incurred by a Borrower or any other person if an event described in **clause 12.6(a)** occurs, irrespective of the nature or cause of that loss, and the Bank has no obligation to contest any Regulatory Event or to mitigate its impact on the Borrower or the Bank; and
 - (ii) the Borrower releases the Bank from all liability in connection with any loss incurred by a Borrower or any other person if an event described in **clause 12.6(a)** occurs.
- (c) To the extent that the Bank's liability cannot be excluded, the Bank's liability is limited to the cost of having the Service supplied again.
- (d) The Bank may use and disclose to any other financial institution or agency, any information about any Borrower, the Services or any person connected with it or the Services, for any purpose which the Bank, or any other financial institution, considers appropriate or necessary in connection with any Regulatory Event or the Services and this may result in information being transmitted overseas.
- (e) The Borrower agrees to provide information to the Bank about it, the Services or any person connected with it or the Services on request, and to promptly procure any consents the Bank requires to give effect to **clause 12.6(d)**.

13 Goods and Services Tax

13.1 Taxable supply

- (a) If GST is payable by the Bank on any supply made under a Transaction

Document, the Borrower must pay to the Bank an amount equal to the GST payable on the supply.

- (b) That amount must be paid at the same time that the consideration for the supply is to be provided under the Transaction Document and must be paid in addition to the consideration expressed elsewhere in the Transaction Document.
- (c) On receiving that amount from the Borrower, the Bank must provide the Borrower with a tax invoice for the supply.

13.2 Adjustment events

If an adjustment event arises in relation to a supply made by the Bank to the Borrower under a Transaction Document, a corresponding adjustment must be made between the Bank and the Borrower in relation to any amount paid to the Bank by the Borrower under **clause 13.1** and payments to give effect to the adjustment must be made.

13.3 Payments

If the Borrower is required under a Transaction Document to pay for or reimburse an expense or outgoing of the Bank or is required to make a payment under an indemnity in relation to an expense or outgoing of the Bank, the amount to be paid by the Borrower is the sum of:

- (a) the amount of the expense or outgoing less any input tax credit in relation to that expense or outgoing that the Bank is entitled to; and
- (b) if the Bank's recovery from the Borrower is in relation to a taxable supply, an amount equal to the GST payable by the Bank in relation to that recovery.

14 Increased costs

If the Bank determines that:

- (a) the cost to it of providing, funding or maintaining the Facility is increased;
- (b) an amount payable to the Bank or the effective return to the Bank under a Transaction Document is reduced;
- (c) the effective return to the Bank under any Transaction Document as a proportion of the capital of the Bank is reduced; or
- (d) the Bank must make a payment or forego any interest or other return calculated by reference to any amount received or receivable by it from any Transaction Party under a Transaction Document,

because of:

- (e) any law, regulation or Government Body directive or request (whether or not having the force of law) introduced or made after the date of this document, including those relating to taxation, capital adequacy or reserve requirements or banking or monetary controls; or

(f) any change in the interpretation or application of any of them,

the Borrower must, within two Business Days after a demand by the Bank, pay to the Bank the amount which, in the Bank's reasonable opinion, will compensate the Bank for the increased cost, reduction, payment or foregone interest or other return.

15 Illegality

15.1 Prepayment

If because of any change after the date of this document in:

- (a) a law, regulation or a Government Body directive or request which is legally enforceable or compliance with which is in accordance with the practice of responsible Banks in the relevant jurisdiction; or
- (b) the interpretation or application of any of them,

the Bank determines that it is or it will become impossible or illegal or contrary to that Government Body directive or request for:

- (c) the Bank to fund, provide or maintain the Facility or otherwise comply with its obligations under the Transaction Documents; or
- (d) a person from whom the Bank has raised or proposes to raise money in relation to the Facility to fund, provide or maintain that money,

the Borrower must, within five Business Days after receipt of a notice from the Bank to do so, pay the amount referred to in **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)** as if that notice were a notice under **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)**.

15.2 Facility terminated

The Bank's obligation to make Advances or Drawings under this document terminates on the giving of a notice under **clause 15.1**.

16 Guarantee and indemnity

16.1 Guarantee

- (a) Each Guarantor unconditionally and irrevocably guarantees the payment to the Bank of the Guaranteed Money.
 - (b) If the Borrower does not pay the Guaranteed Money on time and in accordance with the Transaction Documents, then the Guarantors agree to pay the Guaranteed Money on demand from the Bank.
 - (c) A demand may be made at any time and from time to time and whether or not the Bank or the Bank has made demand on the Borrower or any other Transaction Party.
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16.2 Nature of guarantee

- (a) The guarantee in **clause 16.1** is a continuing obligation despite any intervening payment, settlement or other thing and extends to all of the Guaranteed Money.
- (b) As between each Guarantor and the Bank (but without affecting the obligations of any other Transaction Party) each Guarantor is liable under this document in relation to the Guaranteed Money as a sole and principal debtor and not as surety.

16.3 Indemnity

- (a) Each Guarantor indemnifies the Bank against any liability or loss arising and any costs it suffers or incurs:
 - (i) if a Transaction Party does not, is not obliged to or is unable to pay the Guaranteed Money in accordance with the Transaction Documents;
 - (ii) if a Guarantor is not obliged to pay the Bank an amount under **clause 16**;
 - (iii) if the Bank is obliged, or agrees, to pay an amount to a trustee in bankruptcy or liquidator (of an insolvent person) in connection with a payment by a Transaction Party under or in connection with a Transaction Document;
 - (iv) if a Guarantor defaults under the Guarantee in **clause 16.1**; or
 - (v) in connection with any person exercising, or not exercising, rights under the Guarantee in **clause 16.1**.
- (b) Each Guarantor agrees to pay amounts due under this indemnity immediately on demand from the Bank.

16.4 Reinstatement of rights

- (a) Following an Insolvency Event in respect of a Transaction Party, a person may claim that a transaction (including a payment) in connection with this Guarantee or the Guaranteed Money is void or voidable.
- (b) If a claim is made and upheld, conceded or comprised:
 - (i) the Bank is immediately entitled as against the Guarantors to the rights in respect of the Guaranteed Money to which it was entitled immediately before the transaction; and
 - (ii) on request from the Bank, each Guarantor agrees to do anything (including signing any document) to restore to the Bank any Security Interest (including this Guarantee) held by it from the Guarantors immediately before the transaction.

16.5 Rights of the Bank are protected

Rights given to the Bank under this Guarantee (and each Guarantor's liabilities under it) are not affected by any act or omission by the Bank or by anything else that might otherwise affect them under law or otherwise, including:

- (a) the fact that it varies or novates any agreement under which the Guaranteed Money is expressed to be owing, such as by increasing the Facility Limit or extending the term;
- (b) the fact that it releases any Transaction Party or gives it a concession, such as more time to pay;
- (c) the fact that a Transaction Party opens an account with it;
- (d) the fact that it releases, loses the benefit of or does not obtain any Security Interest;
- (e) the fact that it does not register any Security Interest which could be registered;
- (f) the fact that it releases any person who gives a guarantee or indemnity in connection with any Transaction Party's obligations (including under **clause 16.13**);
- (g) the fact that a person becomes a Guarantor after the date of this document (including under **clause 16.14**);
- (h) the fact the obligations of any person who guarantees any Transaction Party's obligations (including under this Guarantee) may not be enforceable;
- (i) the fact that any person who was intended to guarantee any Transaction Party's obligations does not do so or does not do so effectively;
- (j) changes in the membership, name or business of any person; or
- (k) the fact that a person who is a co-surety or co-indemnifier for payment of the Guaranteed Money is discharged under an agreement or by operation of law.

16.6 No merger

- (a) This Guarantee does not merge with or adversely affect, and is not adversely affected by, any of the following:
 - (i) any other guarantee, indemnity, or Security Interest, or other right or remedy to which the Bank is entitled; or
 - (ii) a judgment which the Bank obtains against the Guarantors in connection with the Guaranteed Money or any other amount payable under this Guarantee.
- (b) The Bank may still exercise rights under this Guarantee as well as under the judgment, other guarantee, indemnity, Security Interest, or other right or remedy.

16.7 Extent of Guarantor's obligations

If more than one person is named as "Guarantor", each of them is liable for all the obligations under this Guarantee both individually and jointly with any one or more other persons named as "Guarantor".

16.8 Guarantor's rights are suspended

As long as any of the Guaranteed Money remains unpaid, the Guarantor may not, without the Bank's consent:

- (a) reduce its liability under this Guarantee by claiming that it or any other Transaction Party or any other person has a right of set-off or counterclaim against the Bank;
- (b) exercise any legal right to claim to be entitled to the benefit of another guarantee, indemnity, or Security Interest given in connection with the Guaranteed Money or any other amount payable under this Guarantee;
- (c) claim an amount from another Transaction Party, or another guarantor of the Guaranteed Money (including a person who has signed this document as a "Guarantor"), under a right of indemnity in respect of this guarantee; or
- (d) claim an amount in the insolvency of a Transaction Party or of another guarantor of the Guaranteed Money (including a person who has signed this document as a "Guarantor").

16.9 Guarantor's right of proof limited

Each Guarantor agrees not to exercise a right of proof after an event occurs relating to the insolvency of a Transaction Party or another guarantor of the Guaranteed Money (including a person who has signed this document as a "Guarantor") independently of an attorney appointed under **clause 16.12**.

16.10 No set-off against assignees

If the Bank assigns or otherwise deals with its rights under this Guarantee, the Guarantors may not claim against any assignee (or any other person who has an interest in this Guarantee) any right of set-off or other right the Guarantors have against the Bank.

16.11 Suspense account

The Bank may place in a suspense account any payment it receives from the Guarantors if there is currently an Insolvency Event, or an Insolvency Event is likely to occur, in relation to any Transaction Party, but must apply it towards satisfying the Guaranteed Money within six months unless the winding up of the relevant Guarantor has commenced.

16.12 Right to prove

- (a) The Guarantor irrevocably appoints the Bank and each of its Authorised Representatives individually as its attorney and agrees to formally approve all action taken by an attorney under this **clause 16**.
- (b) Each attorney may, at any time while any Guaranteed Money is outstanding:
 - (i) do anything which a Guarantor may lawfully do to exercise their right of proof in respect of a Transaction Party after an Insolvency Event occurs in respect of such Transaction Party. These things

may be done in the Guarantor's name or the attorney's name and they include signing and delivering documents, taking part in legal proceedings and receiving any dividends arising out of the right of proof;

- (ii) delegates its powers (including this power) and may revoke a delegation; and
 - (iii) exercise its powers even if this involves a conflict of duty and even if it has a personal interest in doing so.
- (c) The attorney need not account to a Guarantor for any dividend received on exercising the right of proof under **clause 16.12(i)** except to the extent that any dividend remains after the Bank has received all of the Guaranteed Money and all other amounts payable under the Guarantee.

16.13 Release of Guarantors

- (a) The Bank must, at the Borrower's cost, execute any release documentation in respect of the Bank's rights under **clause 16**.
- (b) As between the Transaction Parties and the Bank, the Bank is not obliged to consent to a release unless required to do by the terms of another Transaction Document.
- (c) The rights and obligations of the remaining Guarantors under the Guarantee in **clause 16.1** will continue in full force and effect despite the release of a Guarantor under this **clause 16.13**.

16.14 New Guarantors

If a Subsidiary of any Transaction Party is required by the terms of a Transaction Document to become a Guarantor, the Borrower must ensure that such subsidiary executes a Guarantor Accession Deed as a new Transaction Party.

16.15 Consideration

Each Guarantor acknowledges having executed this document in return for the Bank entering into the Transaction Documents at the request of the Guarantor and other valuable consideration.

16.16 New Guarantors

- (a) A person automatically becomes a party to this document as a Guarantor and Transaction Party (after the date of this document) by signing and delivering to the Bank a Guarantor Accession Deed and doing anything else which the Bank reasonably requests to ensure the enforceability of that person's obligations as a Guarantor.
- (b) Each of the other parties to his document irrevocably appoints the Bank as its agent to sign on its behalf any Guarantor Accession Deed.
- (c) The execution of a Guarantor Accession Deed will not operate to release any party from its obligations under any Transaction Document.

17 Attorney

17.1 Appointment

If and for so long as an Event of Default occurred and is continuing, the Borrower irrevocably appoints the Bank its attorney with the power:

- (a) at any time to:
 - (i) do everything which in the Attorney's reasonable opinion is necessary or expedient to enable the exercise of any right of the Bank in relation to the Transaction Documents;
 - (ii) not used;
 - (iii) complete the Transaction Documents to which it is a party; and
 - (iv) appoint its directors, officers, employees and solicitors as substitutes and otherwise delegate its powers to any of them (except this power of delegation); and
- (b) at any time after a notice is given under **clause 10.2(a)(ii)(A) or 10.2(a)(ii)(B)**, to do all acts and things which the Borrower is obliged to do under the Transaction Documents or which in the Attorney's opinion are necessary or expedient to enable the exercise of any right of the Bank in relation to the Transaction Documents.

17.2 Not used

17.3 General

- (a) Any Attorney may exercise any right solely for the benefit of the Bank, even if the exercise of the right constitutes a conflict of interest or duty.
 - (b) The Borrower by this document ratifies anything done or not done by the Attorney pursuant to the power of attorney.
 - (c) The power of attorney is granted:
 - (i) to secure the compliance by the Borrower with its obligations to the Bank under the Transaction Documents and any proprietary interests of the Bank under the Transaction Documents; and
 - (ii) for valuable consideration (receipt of which is acknowledged) which includes entry into of this document by the Bank at the Borrower's request.
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18 General

18.1 Set-off

The Bank may set off any money due for payment by the Bank to the Borrower, whatsoever, including any money in any currency held by the Bank for the account of the Borrower in any place, against any money due for payment by the Borrower to the Bank under a Transaction Document.

18.2 Bank's certificate

- (a) A certificate by the Bank relating to any amount owing under a Transaction Document or as to its opinion in relation to any matter under any Transaction Document is prima facie evidence against the Borrower of the matters certified unless proven incorrect or there is a manifest error.
- (b) The Bank is not obliged to give the reasons for its determination or opinion in relation to any matter under any Transaction Document. Any certification, determination or opinion relating to an amount must contain reasonable detail as to how the amount was calculated.
- (c) A determination or an opinion of an Authorised Representative of the Bank which is given to the Borrower or otherwise expressed or acted on by the Bank as being a determination or an opinion of the Bank will be deemed to be a determination or opinion of the Bank.

18.3 Supervening legislation

Any present or future legislation which operates:

- (a) to lessen or vary in favour of the Borrower any of its obligations in connection with the Transaction Documents; or
- (b) to postpone, stay, suspend or curtail any rights of the Bank under the Transaction Documents,

is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

18.4 Time of the essence

Time is of the essence as regards any obligations of the Borrower or any date or period determined under the Transaction Documents, and if any date or period is altered by agreement between the parties, time is of the essence as regards such altered date or period.

18.5 Business Days

- (a) If the day on or by which anything, other than making a payment, must be done by the Borrower under a Transaction Document is not a Business Day, that thing must be done on or by the preceding Business Day.
- (b) If a payment would otherwise be due on a day which is not a Business Day it will be due on the immediately following Business Day. However,

if this would result in the payment being due in the month after the original due day or after the Termination Date it will be due on the immediately preceding Business Day.

- (c) If anything, including making a payment, is to be done by the Borrower on or by a particular day and it is done:
 - (i) after the time by which a Transaction Document states it must be done or, if the Transaction Document does not state a time, after 4.00 pm in the place where it is to be done; or
 - (ii) on a day which is not a Business Day,it will be deemed to have been done at 9.00 am on the next Business Day.

18.6 Confidentiality

- (a) The Bank must keep any information or document relating to a Transaction Party confidential. However, the Bank may disclose to any person any information or document relating to a Transaction Party:
 - (i) where permitted in a Transaction Document;
 - (ii) to another party to a Transaction Document;
 - (iii) to a potential transferee, assignee, participant or sub-participant of the Bank's interests under a Transaction Document or to any other person who is considering entering into contractual relations with it in connection with a Transaction Document;
 - (iv) to the Bank's related bodies corporate and shareholders, or to any employee, banker, lawyer, auditor or other consultant of the Bank, its related bodies corporate or its shareholders;
 - (v) to the professional advisers or consultants of any party involved in connection with any Facility who are bound by a duty or obligation of confidence;
 - (vi) if required by law or by any Government Body or stock exchange;
 - (vii) in connection with any legal proceedings relating to a Transaction Document or a document delivered under or in relation to a Transaction Document;
 - (viii) if the information or document is in the public domain; or
 - (ix) with the consent of the Borrower (which must not be unreasonably withheld or delayed).
- (b) Subject to **paragraph (c)**, the Transaction Parties shall keep confidential and not disclose to any other person the terms of the Transaction Documents.
- (c) However, the Transaction Parties and any officers or employees of each Transaction Party may disclose such information:
 - (i) with the prior written consent of the Bank;

- (ii) to the extent required by any applicable law or regulation;
 - (iii) to the extent it reasonably deems necessary in connection with any actual or contemplated proceedings or a claim with respect to this **clause 18.6**; or
 - (iv) to the extent permitted by **clause 18.6(a)** (other than paragraph (iii)) as if each reference in that clause to the 'Bank' were to a 'Transaction Party' and each reference to the 'Borrower' were to the 'Bank'.
- (d) The Bank and the Transaction Parties agree that:
- (i) neither of them will disclose information of the kind mentioned in section 275(1) of the PPS Act; and
 - (ii) this document does not create a Security Interest.
- (e) This **clause 18.6** survives the termination of this document.
- (f) The Bank acknowledges that:
- (i) information provided from time to time by the Transaction Parties to the Bank may constitute confidential non-public information; and
 - (ii) trading in marketable securities of Reading International Inc while in possession of the information referred to **clause 18.6(f)(i)** will violate United States' federal securities laws.
- (g) The Bank agrees to:
- (i) take reasonable precautions to maintain the confidentiality of the information referred to in **clause 18.6(f)(i)**; and
 - (ii) advise any party to whom the information referred to in **clause 18.6(f)(i)** is disclosed that it may not trade in the marketable securities of Reading International Inc while in the possession of such information.
- (h) This **clause 18.6** will not be deemed to restrict the provision of information by any party to the Internal Revenue Service of the United States of America.

18.7 Exchange rate

Subject to any express provision to the contrary, if for the purposes of a Transaction Document it is necessary to convert one currency into another currency, the conversion must be effected using an exchange rate selected by the Bank acting reasonably and in accordance with its usual practices.

18.8 Records as evidence

The Bank may maintain records specifying:

- (a) payments made by the Bank for the account of a Transaction Party under a Transaction Document;
 - (b) payments by a Transaction Party for the account of the Bank under a Transaction Document; and
-

- (c) interest, fees, charges, costs and expenses payable in relation to the Transaction Documents,

and those records will against the Borrower constitute prima facie evidence of the matters set out in them.

18.9 Further assurances

The Borrower must promptly execute all documents and do all things that the Bank from time to time reasonably requires to:

- (a) effect, perfect or complete the provisions of each Transaction Document or any transaction contemplated by it;
- (b) establish the priority of or reserve or create any Security Interest contemplated by or purported to be reserved or created by a Transaction Document; and
- (c) stamp and register each Transaction Document in any relevant jurisdiction and by any person that the Bank thinks fit.

18.10 Amendment

This document may only be varied or replaced by a document executed by the parties.

18.11 Waiver and exercise of rights

- (a) A right in favour of the Bank under a Transaction Document, a breach of an obligation of the Borrower under a Transaction Document or an Event of Default can only be waived by an instrument signed by the Bank. No other act, omission or delay of the Bank constitutes a waiver binding, or estoppel against, the Bank.
- (b) A single or partial exercise or waiver by the Bank of a right relating to a Transaction Document does not prevent any other exercise of that right or the exercise of any other right.
- (c) The Bank and its Representatives are not liable for any loss, cost or expense of the Borrower caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right and the Bank holds the benefit of this **clause 18.11** on trust for itself and its Representatives.

18.12 Rights cumulative

The rights of the Bank under the Transaction Documents are cumulative and in addition to its other rights.

18.13 Approval and consent

Except where a Transaction Document expressly provides otherwise, the Bank may conditionally or unconditionally give or withhold any consent under a Transaction Document and is not obliged to give its reasons for doing so.

18.14 Assignment

- (a) The Borrower must not dispose of or Encumber any right under the

Transaction Documents without the consent of the Bank.

- (b) The Bank may assign any of its rights or novate, sub-participate, sell-down or transfer by whatever form or otherwise deal with any or all of its rights and obligations under any Transaction Document without the consent of, or notice to, the Borrower.
- (c) If an Event of Default subsists then, in order to facilitate the Bank to deal with its rights and obligations, the Bank may (but is not obliged to), from time to time, separate and sever any of its rights (or any part of any of its rights) described in a notice given by the Bank to the Borrower from its other rights and obligations under any Transaction Document. Any such notice is effective on the time of delivery to separate and sever the rights described in the notice so that:
 - (i) those rights and obligations are independent from, and may be assigned (including at law), novated, sub-participated, sold-down, transferred or otherwise dealt with separately from, any other of the rights and obligations of the Bank under that Transaction Document;
 - (ii) those rights and obligations may be exercised differently from any other rights and obligations of the Bank under that Transaction Document; and
 - (iii) the Outstanding Accommodation in respect of those rights may be calculated separately from the other Outstanding Accommodation.
- (d) If the Bank assigns its rights or transfers its rights and obligations under this document or any other Transaction Document, no Transaction Party will be required to pay any net increase in the aggregate amount of costs, Taxes, fees or charges which is a direct consequence of the assignment or transfer.

18.15 Counterparts

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

18.16 Sovereign immunity

The Borrower irrevocably waives any immunity that it or its property has from:

- (a) set-off;
- (b) legal, arbitral or administrative proceedings;
- (c) any process or order of any court, administrative tribunal or arbitrator for the satisfaction or enforcement of a judgment, order or arbitral award or for the arrest, detention or sale of any property; or
- (d) service on it of any process, judgment, order or arbitral award,

on the grounds of sovereignty or otherwise under any law of any jurisdiction where any proceedings may be brought or enforced in relation to any Event of Default under a Transaction Document.

18.17 Governing law and jurisdiction

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

18.18 Telephone recording

The Borrower consents to the Bank recording any telephone conversations between it and the Bank in relation to any Facility that are customarily recorded in the finance industry or where the Borrower is notified prior to the commencement of the telephone conversation and such recordings being used in any arbitral or legal proceedings and any telephone recording remains the Bank's sole property at all times.

18.19 Legal advice

The Borrower acknowledges that, except as expressly set out in a Transaction Document:

- (a) none of the Bank or any of its advisers have given any representation or warranty or other assurance to it in relation to any Transaction Document or the transactions contemplated by any Transaction Document, including as to Tax or other effects;
- (b) it has not relied on the Bank or any of its advisers or on any conduct (including any recommendation) by the Bank or any of its advisers; and
- (c) it has obtained its own independent financial, Tax and legal advice.

18.20 Further assurances

Whenever the Bank requests a Transaction Party to do anything:

- (a) to ensure any Transaction Document (or any security interest (as defined in the PPS Act) or other Security Interest, right or power under any Transaction Document) is fully effective, enforceable and perfected with the contemplated priority;
- (b) for more satisfactorily assuring or securing to the Bank the property the subject of any such security interest or other Security in a manner consistent with the Transaction Documents; or
- (c) for aiding the exercise of any right or power in any Transaction Document,

the Transaction Party shall do it promptly at its own cost. This may include obtaining consents, getting documents completed and signed, supplying information, delivering documents and evidence of title and executed blank transfers, and giving possession or control with respect to any Secured Property.

18.21 Exclusion of certain provisions

Where there is a Security Interest under any Transaction Document:

- (a) to the extent permitted, sections 142 and 143 of the PPS Act are excluded in full and will not apply to that Security Interest and the Bank need not comply with sections 95, 118, 121(4), 125, 130, 132(3)(d), and 132(4) of the PPS Act; and
- (b) each Transaction Party waives its right to receive from the Bank any notice required under s157 of the PPS Act or the provisions of the PPS Act referred to in s144 of the PPS Act, except section 135.

This does not affect any rights a person has or would have other than by reason of the PPS Act and applies despite any other clause in any Transaction Document.

18.22 Notice of changes

Each Transaction Party agrees to notify the Bank at least 14 days before:

- (a) a Transaction Party (or if the Transaction Party is trustee of a Trust or a partner of a partnership, the Trust or the partnership) changes its name;
- (b) any ABN, ARBN or ARSN allocated to a Transaction Party (or if the Transaction Party is trustee of a Trust or a partner of a partnership, the Trust or the partnership) changes, is cancelled or otherwise ceases to apply to it (or if it does not have an ABN, ARBN or ARSN, one is allocated, or otherwise starts to apply, to it); or
- (c) the Borrower becomes trustee of a trust, or a partner in a partnership, which is not expressly contemplated in the Transaction Documents.

19 Notices

19.1 General

A notice, demand, certification, process or other communication relating to a Transaction Document must be in writing in English and may be given by an Authorised Representative of the sender.

19.2 How to give a communication

In addition to any other lawful means, a communication may be given by being:

- (a) personally delivered;
- (b) left at the party's current address for notices;
- (c) sent to the party's current address for notices by pre-paid ordinary mail or, if the address is outside Australia, by pre-paid airmail; or
- (d) sent by fax to the party's current fax number for notices.

19.3 Particulars for delivery of notices

- (a) The particulars for delivery of notices are initially:

Transaction Parties:

As set out in **schedule 1. Bank:**

Address: Level 28, 500 Bourke Street, Melbourne, Victoria 300

Fax: 1300 889 390

Attention: Andrew Tham

- (b) Each party may change its particulars for delivery of notices by notice to each other party.

19.4 Communications by post

Subject to **clause 19.6**, a communication is given if posted:

- (a) within Australia to an Australian address, three Business Days after posting; or
(b) in any other case, ten Business Days after posting.

19.5 Communications by fax

Subject to **clause 19.6**, a communication is given if sent by fax when the sender's fax machine produces a report that the fax was sent in full to the addressee. That report is conclusive evidence that the addressee received the fax in full at the time indicated on that report.

19.6 After hours communications

If a communication is given:

- (a) after 5.00 pm in the place of receipt; or
(b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

19.7 Process service

Any process or other document relating to litigation, administrative or arbitral proceedings relating to a Transaction Document may be served on a party to this document by any method contemplated by this **clause 19.7** or in accordance with any applicable law.

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 Centers, LLC (Delaware)
 Angelika Film Center Mosaic, LLC (Nevada)
 Angelika Film Center Union Market, LLC (Nevada)
 Angelika Film Centers (Dallas), Inc. (Texas)
 Angelika Film Centers (Plano) LP (Nevada)
 Angelika Plano Beverage LLC (Texas)
 Angelika Plano Holdings, LLC (Nevada)
 Australia Country Cinemas Pty Ltd (Australia)
 Australian Equipment Supply Pty Ltd (Australia)
 Bayou Cinemas LP (Delaware)
 Bogart Holdings Ltd (New Zealand)
 Burwood Developments Pty Ltd (Australia)
 Carmel Theatres, LLC (Nevada)
 Citadel Agriculture, Inc. (California)
 Citadel Cinemas, Inc. (Nevada)
 Citadel Realty, Inc. (Nevada)
 City Cinemas, LLC (Nevada)
 Consolidated Amusement Holdings, LLC (Nevada)
 Consolidated Cinema Services, LLC (Nevada)
 Consolidated Cinemas Kapolei, LLC (Nevada)
 Consolidated Entertainment, LLC (Nevada)
 Courtenay Car Park Ltd (New Zealand)
 Craig Corporation (Nevada)
 Damelle Enterprises Limited (New Zealand)
 Dimension Specialty, Inc. (Delaware)
 Epping Cinemas Pty Ltd (Australia)
 Gaslamp Theatres, LLC (Nevada)
 Hope Street Hospitality, LLC (Delaware)
 Hotel Newmarket Pty Ltd (Australia)
 Kaahumanu Cinemas, LLC (Nevada)
 Kahala Cinema Company LLC (Nevada)
 KMA Cinemas, LLC (Nevada)
 Liberty Live, LLC (Nevada)
 Liberty Theaters, LLC (Nevada)
 Liberty Theatres Properties LLC (Nevada)
 Liberty Theatricals, LLC (Nevada)
 Minetta Live, LLC (Nevada)
 Movieland Cinemas (NZ) Ltd (New Zealand)
 NZ Equipment Supply Limited (New Zealand)
 Newmarket Properties #3 Pty Ltd (Australia)
 Newmarket Properties No. 2 Pty Ltd (Australia)
 Newmarket Properties Pty Ltd (Australia)
 Orpheum Live, LLC (Nevada)
 Queenstown Land Holdings Ltd (New Zealand)
 RCPA LLC (Pennsylvania)

RDI Employee Investment Fund LLC (California)
Reading Arthouse Limited (New Zealand)
Reading Auburn Pty Ltd (Australia)
Reading Australia Leasing (E&R) Pty Ltd (Australia)
Reading Belmont Pty Ltd (Australia)
Reading Cannon Park 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 Consolidated Holdings (Hawaii), Inc. (Hawaii)
Reading Consolidated Holdings, Inc. (Nevada)
Reading Courtenay Central Limited (New Zealand)
Reading Dandenong Pty Ltd (Australia)
Reading Dunedin Limited (New Zealand)
Reading Elizabeth Pty Ltd (Australia)
Reading Entertainment Australia Pty Ltd (Australia)
Reading Exhibition Pty Ltd (Australia)
Reading Foundation, LTD (Nevada)
Reading Holdings, Inc. (Nevada)
Reading International Cinemas LLC (Delaware)
Reading International Services Company (California)
Reading Licenses Pty Ltd (Australia)
Reading Maitland Pty Ltd (Australia)
Reading Malulani, LLC (Nevada)
Reading Management NZ Limited (New Zealand)
Reading Melton Pty Ltd (Australia)
Reading Moonee Ponds Pty Ltd (Australia)
Reading Murrieta Theater, LLC (Nevada)
Reading New Lynn Limited (New Zealand)
Reading New Zealand Ltd (New Zealand)
Reading Pacific LLC (Nevada)
Reading Properties Indooroopilly Pty Ltd (Australia)
Reading Properties Lake Taupo Ltd (New Zealand)
Reading Properties LLC (Nevada)
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 Restaurants NZ Limited (New Zealand)
Reading Rouse Hill Pty Ltd (Australia)
Reading Royal George, LLC (Delaware)
Reading Sunbury Pty Ltd (Australia)
Reading Theaters, Inc. (Delaware)
Reading Wellington Properties Ltd (New Zealand)
Rhodes Peninsula Cinema Pty Ltd (Australia)
Rialto Brands Ltd (New Zealand)

Rialto Cinemas Ltd (New Zealand)
Rialto Distribution Ltd (New Zealand)
Rialto Entertainment Ltd (New Zealand)
Ronwood Investments Ltd (New Zealand)
RREC LLC (Pennsylvania)
Rydal Equipment Co. (Pennsylvania)
S Note Liquidation Company, LLC (Nevada)
Sails Apartments Management Ltd (New Zealand)
Shadow View Land and Farming, LLC (Nevada)
Sutton Hill Properties, LLC (Nevada)
The Port Reading Railroad Company (New Jersey)
The Theatre At Legacy L.P (Texas).
Tobrooke Holdings Ltd (New Zealand)
Trans-Pacific Finance Fund I, LLC (Delaware)
Trenton-Princeton Traction Company (New Jersey)
Twin Cities Cinemas, Inc. (Delaware)
US Agricultural Investors, LLC (Delaware)
US Development, LLC (Nevada)
US International Property Finance Pty Ltd (Australia)
Washington and Franklin Railway Company (Pennsylvania)
Westlakes Cinema Pty Ltd (Australia)
Wilmington and Northern Railroad Company (Pennsylvania)

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated April 29, 2016, with respect to the consolidated financial statements, schedule and internal control over financial reporting included in the Annual Report of Reading International, Inc. on Form 10-K for the year ended December 31, 2015. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Reading International, Inc. on Forms S-8 (File No. 333-112069, effective January 21, 2004, File No. 333-167101, effective May 26, 2010) and on Form S-3 (File No. 333-162581, effective October 20, 2009).

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

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ellen M. 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/ Ellen M. Cotter

Ellen M. Cotter

President and Chief Executive Officer

(Principal Executive Officer)

April 29, 2016

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Devasis Ghose, 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/ Devasis Ghose

Devasis Ghose

Chief Financial Officer and Treasurer

(Principal Financial Officer)

April 29, 2016

**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, 2015 (the "Report"), I, Ellen M. 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/ Ellen M. Cotter

Ellen M. Cotter

President and Chief Executive Officer

(Principal Executive Officer)

April 29, 2016

**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, 2015 (the "Report"), I, Devasis Ghose, 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/ Devasis Ghose

Devasis Ghose

Chief Financial Officer

(Principal Financial Officer)

April 29, 2016
