

READING INTERNATIONAL INC

Form 10-K

April 29, 2016

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)

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NEVADA

95-3885184

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

6100 Center Drive, Suite 900

Los Angeles, CA

90045

(Address of principal executive offices)

(Zip Code)

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

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

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

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

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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.

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READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 2015

INDEX

<u>PART I</u>	3
<u>Item 1 – Our Business</u>	3
<u>Item 1A – Risk Factors</u>	11
<u>Item 1B - Unresolved Staff Comments</u>	19
<u>Item 2 – Properties</u>	20
<u>Item 3 – Legal Proceedings</u>	24
<u>PART II</u>	28
<u>Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	28
<u>Item 6 – Selected Financial Data</u>	30
<u>Item 7 – Management’s Discussions and Analysis of Financial Condition and Results of Operations</u>	32
<u>Item 7A – Quantitative and Qualitative Disclosure about Market Risk</u>	52
<u>Item 8 – Financial Statements and Supplementary Data</u>	53
<u>Report of Independent Registered Public Accounting Firm</u>	54
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	55
<u>Consolidated Statements of Operations for the Three Years Ended December 31, 2015</u>	57
<u>Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2015</u>	58
<u>Consolidated Statements of Stockholders’ Equity for the Three Years Ended December 31, 2015</u>	59
<u>Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2015</u>	60
<u>Notes to Consolidated Financial Statements</u>	61
<u>Schedule II – Valuation and Qualifying Accounts</u>	96
<u>Item 9 – Change in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	97
<u>Item 9A – Controls and Procedures</u>	98
<u>PART III</u>	101
<u>PART IV</u>	129
<u>Item 15 – Exhibits, Financial Statement Schedules</u>	129
<u>SIGNATURES</u>	132

## 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](http://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 exhibiter 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 Harbourtown 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.

6

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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);

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- 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.

7

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## Cinema Exhibition

We own and/or manage cinema assets as follows:

	December 31, 2015					
	Wholly Owned	Consolidated(1)	Unconsolidated(2)	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	--
Screens	130	11	16	157	--	157
New Zealand						
Cinemas	9	--	2	(5)	11	--
Screens	54	--	13	67	--	67
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 increasingly 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:

10

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- 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.

14

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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:

15

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- 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
<b>In United States</b>				
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		\$	
<b>In Australia</b>				
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
<b>In New Zealand</b>				
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 Waurn 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	0.27	\$ \$11,818,622	

	Union Square Theatre			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 Coddington and Mr. Michael Wrotniak, are not named in the Cotter Jr. Derivative Action as they were not Directors at the time of the breaches of fiduciary duty alleged by Mr. Cotter, Jr.

Pursuant to the terms of Mr. Cotter Jr.’s employment agreement with the Company, disputes relating to his employment are to be arbitrated. Accordingly, on July 14, 2015, the Company filed an arbitration demand with the American Arbitration Association against Mr. Cotter, Jr. The demand seeks declaratory relief, among other things, that Mr. Cotter, Jr.’s employment and employment agreement with the Company have been validly terminated and that the Board 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”).

25

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

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

The Amended T2 Derivative Complaint has deleted its request for an order 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."

27

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## 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.

## 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					
Weighted average - basic	23,334,892	23,237,076	23,385,519	23,083,265	22,806,838
Weighted average - diluted	23,293,696	23,431,855	23,348,003	23,028,596	22,764,666
Number of employees at 12/31	23,495,618	23,749,221	23,520,271	23,028,596	22,993,135
	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

30

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- 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:
  - o the number and attractiveness to movie goers of the films released in future periods;
  - o the amount of money spent by film distributors to promote their motion pictures;
  - o the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - o 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;
  - o 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

- o 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:
  - o the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - o the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - o the risks and uncertainties associated with real estate development;
  - o the availability and cost of labor and materials;
  - o competition for development sites and tenants;
  - o environmental remediation issues;

32

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

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

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

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

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

## COMPANY OVERVIEW

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

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

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

business.

We manage our worldwide cinema exhibition businesses under various brands:

- in the U.S., under the following brands: Reading 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.

33

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## 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

35

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· 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.”

36

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## CONSOLIDATED RESULTS AND NON-SEGMENT RESULTS

(Dollars in thousands)	2015	2014	2013	% Change Fav/(Unfav)			
				2015 vs. 2014		2014 vs. 2013	
<b>SEGMENT RESULTS</b>							
Cinema exhibition operating income	\$ 31,576	\$ 27,343	\$ 24,545	15	%	11	%
Real estate operating income	6,796	9,475	10,959	(28)	%	(14)	%
<b>NON-SEGMENT RESULTS</b>							
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	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) %

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Cinema Exhibition - 2015 vs. 2014

(Dollars in thousands)		2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Fav / (Unfav)
<b>REVENUE</b>						
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 %
		\$ 132,883	100 %	\$ 125,719	100 %	6 %
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 %
		\$ 86,235	100 %	\$ 88,494	100 %	(3) %
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 %
		\$ 23,163	100 %	\$ 23,648	100 %	(2) %
	Total revenue	\$ 242,281	100 %	\$ 237,861	100 %	2 %
<b>OPERATING EXPENSE</b>						
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) %
		\$ (115,479)	(87) %	\$ (109,430)	(87) %	(6) %
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 %
		\$ (63,140)	(73) %	\$ (67,479)	(76) %	6 %
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 %
		\$ (17,925)	(77) %	\$ (18,987)	(80) %	6 %
	Total cost of services and products (excl. depreciation and amortization)	\$ (196,544)	(81) %	\$ (195,896)	(82) %	- %
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 %
		\$ (7,756)	(6) %	\$ (7,592)	(6) %	(2) %
Australia	Depreciation and amortization	(4,325)	(5) %	(4,669)	(5) %	7 %
	General and administrative expense	(782)	(1) %	(1,054)	(1) %	26 %
		\$ (5,107)	(6) %	\$ (5,723)	(6) %	11 %

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New Zealand	Depreciation and amortization	(1,304)	(6)	%	(1,260)	(5)	%	(3)	%
	General and administrative expense	6	0	%	(47)	(0)	%	113	%

40

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	\$ (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)%	- %
<b>OPERATING INCOME</b>					
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.

41

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Real Estate- 2015 vs. 2014

(Dollars in thousands)		2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Fav / (Unfav)	
<b>REVENUE</b>							
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)	%
		\$ 5,340	100 %	\$ 5,129	100 %	4	%
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	\$ 21,579	100 %	\$ 24,348	100 %	(11)	%
<b>OPERATING EXPENSE</b>							
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)	%
		\$ (5,503)	(103) %	\$ (2,564)	(50) %	(115)	%
Australia	Property cost	(1,675)	(15) %	(2,229)	(16) %	25	%
	Occupancy expense	(1,726)	(15) %	(2,532)	(18) %	32	%
		\$ (3,401)	(30) %	\$ (4,761)	(35) %	29	%
New Zealand	Property cost	(1,344)	(28) %	(1,599)	(29) %	16	%
	Occupancy expense	(700)	(14) %	(846)	(15) %	17	%
		\$ (2,044)	(42) %	\$ (2,445)	(44) %	16	%
	Total cost of services and products (excl. depreciation and amortization)	\$ (10,948)	(51) %	\$ (9,770)	(40) %	(12)	%
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	%
		\$ (289)	(5) %	\$ (341)	(7) %	15	%
Australia	Depreciation and amortization	(1,854)	(16) %	(2,785)	(20) %	33	%
	General and administrative expense	(719)	(6) %	(973)	(7) %	26	%
		\$ (2,573)	(23) %	\$ (3,758)	(27) %	32	%
New Zealand	Depreciation and amortization	(923)	(19) %	(949)	(17) %	3	%
	General and administrative expense	(50)	(1) %	(55)	(1) %	9	%
		\$ (973)	(20) %	\$ (1,004)	(18) %	3	%
	Total depreciation, amortization, and general and administrative expense	\$ (3,835)	(18) %	\$ (5,103)	(21) %	25	%
	Total operating expenses	\$ (14,783)	(69) %	\$ (14,873)	(61) %	1	%
<b>OPERATING INCOME</b>							
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	\$ 6,796	31 %	\$ 9,475	39 %	(28)	%



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

	2014		2013		% Change	
	Cinema	Real Estate	Cinema	Real Estate	Better/(Worse) Cinema	Real Estate
(Dollars in thousands)						
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 %

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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)
<b>REVENUE</b>					
<b>United</b>					
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 %

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		\$ 88,494	100 %	\$ 91,421	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 %	
		\$ 23,648	100 %	\$ 21,676	100 %	9 %	
	Total revenue	\$ 237,861	100 %	\$ 239,417	100 %	(1) %	
<b>OPERATING EXPENSE</b>							
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) %	
		\$ (109,430)	(87) %	\$ (108,118)	(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 %	
		\$ (67,479)	(76) %	\$ (74,496)	(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 %	
		\$ (18,987)	(80) %	\$ (18,244)	(84) %	(4) %	
	Total cost of services and products (excl. depreciation and amortization)	\$ (195,896)	(82) %	\$ (200,858)	(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) %	
		\$ (7,592)	(6) %	\$ (8,528)	(7) %	11 %	
Australia	Depreciation and amortization	(4,669)	(5) %	(3,603)	(4) %	(30) %	
	General and administrative expense	(1,054)	(1) %	(926)	(1) %	(14) %	
		\$ (5,723)	(6) %	\$ (4,529)	(5) %	(26) %	
New Zealand	Depreciation and amortization	(1,260)	(5) %	(957)	(4) %	(32) %	
	General and administrative expense	(47)	(0) %	-	- %	- %	
		\$ (1,307)	(6) %	\$ (957)	(4) %	(37) %	
	Total depreciation, amortization, and general and administrative expense	\$ (14,622)	(6) %	\$ (14,014)	(6) %	(4) %	
	Total operating expense	\$ (210,518)	(89) %	\$ (214,872)	(90) %	2 %	
<b>OPERATING INCOME</b>							
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	\$ 27,343	11 %	\$ 24,545	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.



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Real Estate- 2014 vs. 2013

(Dollars in thousands)		2014	% of Revenue	2013	% of Revenue	2014 vs. 2013 Fav / (Unfav)
<b>REVENUE</b>						
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 %
		\$ 5,129	100 %	\$ 5,192	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	\$ 24,348	100 %	\$ 26,456	100 %	(8) %
<b>OPERATING EXPENSE</b>						
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) %
		\$ (2,564)	(50) %	\$ (2,836)	(55) %	10 %
Australia	Property cost	(2,229)	(16) %	(2,362)	(16) %	6 %
	Occupancy expense	(2,532)	(18) %	(3,139)	(22) %	19 %
		\$ (4,761)	(35) %	\$ (5,501)	(38) %	13 %
New Zealand	Property cost	\$ (1,599)	(29) %	(1,684)	(25) %	5 %
	Occupancy expense	(846)	(15) %	(809)	(12) %	(5) %
		\$ (2,445)	(44) %	\$ (2,493)	(36) %	2 %
	Total cost of services and products (excl. depreciation and amortization)	\$ (9,770)	(40) %	\$ (10,830)	(41) %	10 %
Depreciation, amortization, and general and administrative expense						
United States	Depreciation and amortization	\$ (327)	(6) %	\$ (314)	(6) %	(4) %
	General and administrative expense	(14)	(0) %	(67)	(1) %	79 %
		\$ (341)	(7) %	\$ (381)	(7) %	10 %
Australia	Depreciation and amortization	(2,785)	(20) %	(2,635)	(18) %	(6) %
	General and administrative expense	(973)	(7) %	(527)	(4) %	(85) %
		\$ (3,758)	(27) %	\$ (3,162)	(22) %	(19) %
New Zealand	Depreciation and amortization	(949)	(17) %	(1,074)	(16) %	12 %
	General and administrative expense	(55)	(1) %	(50)	(1) %	(10) %
		\$ (1,004)	(18) %	\$ (1,124)	(16) %	11 %
	Total depreciation, amortization, and general and administrative expense	\$ (5,103)	(21) %	\$ (4,667)	(18) %	(9) %
	Total operating expenses	\$ (14,873)	(61) %	\$ (15,497)	(59) %	4 %
<b>OPERATING INCOME</b>						
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	\$ 9,475	39 %	\$ 10,959	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		2014 vs.	
				2015 vs. 2014	%	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)	%

47

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### 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

TABLE OF CONTENTS

<u>Report of Independent Registered Public Accounting Firm</u>	54
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	55
<u>Consolidated Statements of Operations for the Three Years Ended December 31, 2015</u>	57
<u>Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2015</u>	58
<u>Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2015</u>	59
<u>Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2015</u>	60
<u>Notes to Consolidated Financial Statements</u>	61
<u>Schedule II – Valuation and Qualifying Accounts</u>	96



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

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Reading International, Inc. and Subsidiaries

Consolidated Balance Sheets as of December 31, 2015 and 2014

(U.S. dollars in thousands, except share data)

	December 31, 2015	December 31, 2014(1)
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 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
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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:		

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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	--	--

55

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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).

56

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## 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 Class A		Class B		Additional Paid-In Capital		Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Reading International Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value	Paid-In Capital	Deficit	Stock	Income/(Loss)	Equity	Interests	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)	
	21,890	\$ 225	1,495	\$ 15	\$ 137,849	\$ (57,952)	\$ (4,512)	\$ 41,515	\$ 117,140	\$ 4,607	\$ 121,747	



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At December 31, 2013												
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	(89)	(1)	185	2	1,630	--	(1,832)	--	(201)	--	(201)	

options, net issued												
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.

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## 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)

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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).

Reading International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015

## 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.

	2015			2014			2013		
	Cinema	Real Estate	Total	Cinema	Real Estate	Total	Cinema	Real Estate	Total
(Dollars in thousands)									
Revenue	\$ 242,281	\$ 21,579	\$ 263,860	\$ 237,861	\$ 24,348	\$ 262,209	\$ 239,418	\$ 26,456	\$ 266,074
Inter-segment elimination(1)	--	-	(6,537)	--	-	(7,461)	--	--	(7,461)
Total revenue	242,281	21,579	257,323	237,861	24,348	254,748	239,418	26,456	266,074
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)

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Inter-segment elimination(1)	-	--	6,537	-	--	7,461	-	--	7
Total cost of services and products	(196,544)	(10,948)	(200,955)	(195,896)	(9,770)	(198,205)	(200,859)	(10,830)	(
Depreciation and amortization	(11,161)	(3,107)	(14,268)	(11,047)	(4,061)	(15,108)	(10,741)	(4,023)	(
General and administrative expense	(3,000)	(728)	(3,728)	(3,575)	(1,042)	(4,617)	(3,273)	(644)	(
Total operating expense	(210,705)	(14,783)	(218,951)	(210,518)	(14,873)	(217,930)	(214,873)	(15,497)	(
Segment operating income	\$ 31,576	\$ 6,796	\$ 38,372	\$ 27,343	\$ 9,475	\$ 36,818	\$ 24,545	\$ 10,959	\$ 3

(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

62

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## 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.

70

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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:

	December 31, 2015	December 31, 2014
(Dollars in thousands)		
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:

	December 31, 2015	December 31, 2014
(Dollars in thousands)		
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:

	Interest	December 31, 2015	December 31, 2014
(Dollars in thousands)			
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 57th Street Associates, LLC	--	--	(1)
Mt. Gravatt	1,046	598	990
Total equity earnings	\$ 1,204	\$ 1,015	\$ 1,369

72

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### 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)

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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:

	December 31, 2015			Total
	Beneficial Leases	Trade Name	Other Intangible Assets	
(Dollars in thousands)				
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			
	Beneficial Leases	Trade Name	Other Intangible Assets	Total
(Dollars in thousands)				
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

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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
Net (income) expense attributable to noncontrolling interests:			
United States	206	200	24
Foreign	(127)	(143)	(128)
Equity earnings and gain on sale of unconsolidated subsidiary:			
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
Increase (decrease) in tax expense resulting from:			
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:

(Dollars in thousands)	December 31, 2015		Stated Interest Rate	Effective Interest Rate (1)	
	Maturity Date	Contractual Facility Balance			
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.

(Dollars in thousands)	December 31, 2014		Stated Interest Rate	Effective Interest Rate (1)	
	Maturity Date	Contractual Facility Balance			
Denominated in USD					
Trust Preferred Securities (USA)	April 30, 2027	\$ 27,913	\$ 27,913	4.23%	5.20%
		55,000	29,750	2.67%	3.65%

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Bank of America Credit Facility (USA)	November 28, 2019				
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:

	December	December
(Dollars in thousands)	31, 2015	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

81

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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	\$ 387	\$ 889
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	\$ (207)	\$ (738)
 Total recognized in net periodic benefit cost and other comprehensive income	 \$ 180	 \$ 151

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

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

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	3,500
Total pension payments	\$ 7,775

#### 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.

82

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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:



Minimum Lease Payments at December 31,  
2015

(Dollars in thousands)	Ground Lease	Premises Lease	Equipment Lease	Total
2016	\$ 3,529	\$ 23,894	\$ 2,694	\$ 30,117
2017	3,621	23,712	2,665	29,998
2018	3,629	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 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 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 Coddington and Mr. Michael Wrotniak, are not named in the Cotter Jr. Derivative Action as they were not Directors at the time of the breaches of fiduciary duty alleged by Mr. Cotter, Jr.

Pursuant to the terms of Mr. Cotter Jr.’s employment agreement with the Company, disputes relating to his employment are to be arbitrated. Accordingly, on July 14, 2015, the Company filed an arbitration demand with the American Arbitration Association against Mr. Cotter, Jr. The demand seeks declaratory relief, among other things, that Mr. Cotter, Jr.’s employment and employment agreement with the Company have been validly terminated and that the Board 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 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”).

85

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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).

87

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## 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.

88

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

	Outstanding Stock Options					Aggregate Intrinsic Value
	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life		
	Class A	Class B	Class A	Class 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					Aggregate Intrinsic Value
	Number of Options		Weighted Average Exercise Price		Weighted Average Remaining Years of Contractual Life	
	Class A	Class B	Class A	Class 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:

(Dollars in thousands)	December 31, 2015				
	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.

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

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

## Nonrecurring Fair Value Measurement

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



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(Dollars in thousands)	Carrying Value	Fair Value Measurement at December 31, 2015			Total
		Level 1	Level 2	Level 3	
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			Total
		Level 1	Level 2	Level 3	
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

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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

	Balance at January 1	Additions	Deductions	Balance at December 31
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.

97

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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

100

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

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

James J. Cotter, Jr. James J. Cotter, Jr. has been a Director of our Company since March 21, 2002, and currently serves as a member of our Tax Oversight Committee. The Tax Oversight Committee has been inactive since November 2, 2015, in anticipation that its functions will move to the Audit and Conflicts Committee (the “Audit Committee”) under its new charter. Mr. Cotter, Jr. served as our Vice Chairperson from June 2007 until August 7, 2014. Mr. Cotter, Jr. served as our President from June 1, 2013 through June 12, 2015 and as our Chief Executive Officer from August 7, 2014 through June 12, 2015. He is currently the lead director of Cecelia Packing Corporation (a Cotter family owned citrus grower, packer and marketer) and served as the Chief Executive Officer of that company from July 2004 until 2013. Mr. Cotter, Jr. served as a Director of Cecelia Packing Corporation from February 1996 to September 1997 and as a Director of Gish Biomedical from September 1999 to March 2002. He was an attorney in the law firm of Winston & Strawn (and its predecessor), specializing in corporate law, from September 1997 to May 2004. Mr. Cotter, Jr. is the brother of Margaret Cotter and Ellen M. Cotter. Mr. Cotter, Jr. has advised the Company that he is a Co-Trustee of the James J. Cotter, Sr. Trust, which is the record owner of 696,080 shares of Class B Stock (representing 44.0% of such Class B Stock). The Company understands that Mr. Cotter’s status as a trustee of the James J. Cotter, Sr. Trust is disputed by his sisters, Ellen M. Cotter and Margaret Cotter. See Item 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 (“OBI”), which, from 2002 until her appointment as Executive Vice President – Real Estate Management and Development, NYC, managed our live-theater operations under a management agreement. Pursuant to the OBI management agreement, Ms. Cotter also served as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. The OBI management agreement was terminated with Ms. Cotter’s appointment as Executive Vice President-Real Estate Management and Development-NYC. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and is a board member of the League of Off-Broadway Theaters and Producers. Ms. Cotter, a former Assistant District Attorney for King’s County in Brooklyn, New York, graduated from Georgetown University and Georgetown University Law Center. She is the sister of Ellen M. Cotter and James J. Cotter, Jr. Ms. Margaret Cotter is a Co-Executor of her father’s estate, which is the record owner of 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Margaret Cotter is also a Co-Trustee of the James J. Cotter, Sr. Trust, which is the record owner of 696,080 shares of Class B Voting Common Stock (representing an additional 41.4% of such Class B Stock).

102

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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.(5)	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.

106

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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.

107

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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)

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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.