READING INTERNATIONAL INC
Form 10-K
March 13, 2017
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2016 or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to ______

Commission File No. 1-8625

READING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

NEVADA	95-3885184
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5995 Sepulveda Boulevard, Suite 300	
Culver City, CA	90230
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 10, 2017, there were 21,497,717 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 $286,545,942 as of December 31, 2016.

Documents Incorporated by Reference

Certain portions of the registrant's definitive proxy statement, in connection with its 2017 annual meeting of stockholders, to be filed within 120 days of December 31, 2016, are incorporated by reference into Part III, Items 10-14, of this annual report on Form 10-K.

READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 2016

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The information in this Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 Form 10-K" or "2016 Annual Report") contains certain forward-looking statements, including statements related to trends in the Company's business. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in "Item 1 – Our Business," "Item 1A – Risk Factors," and "Item 7 – Management's Discussions and Analysis of Financial Condition and Results of Operations" as well as those discussed elsewhere in this 2016 Form 10-K.

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. Effective February 2017, our principal executive offices are located at 5995 Sepulveda Blvd, Suite 300, Culver City, California 90230. Our previous address was at 6100 Center Drive, Suite 900, Los Angeles, California 90045. Our general telephone number is (213) 235-2240.

Our company website address is www.ReadingRDI.com. It is our practice to make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission (www.sec.gov). The contents of our company website are not incorporated into this report. Our corporate governance guidelines and charters for our Audit and Conflicts Committee and Compensation and Stock Options Committee are available on our website. In addition, the public may read and copy any materials that we file with the Securities and Exchange Commission at the Securities and Exchange Commission Public Reference Room at 100 F Street, NW, Washington, DC 20549. The public may obtain information about the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330.

DESCRIPTION OF BUSINESS (including information about segments and geographic areas)

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 we believe will stand the test of time and one that is capable of being leveraged. More specifically, the combination of these two segments provides a variety of advantages including the following:

- 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 ETCs in Sydney, Australia; Belmont, Australia; Townsville, Australia; and Wellington, New Zealand and we are adding a new cinema to our Brisbane, Australia shopping center.
- 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 in Union Square, where construction is currently in progress, and in Third Avenue (near 60th Street) in New York City, which is 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 predominantly on a leased-facility model.

We have worked to maintain a balance between our U.S. and our Australia/New Zealand assets. In July 2011, the Australia and New Zealand dollar reached their highest trading value against the U.S. Dollars at 1.1001 and 0.8776, respectively. They have both decreased since then which has adversely impacted our revenues and earnings. The Australian Dollar has decreased by 34% to 0.7230 and New Zealand has decreased by 21% to 0.6958. However, we continue to believe that, over the long term, operating in Australia and New Zealand is a prudent diversification of risk. Over the past five years there have been periods of recovery: the AU dollar has traded as high as 1.077 (February 2012) and the NZ Dollar as high as 0.8755 (June 2014). Australia has been identified by the United Nations as one of the Top 10 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.

At December 31, 2016, the book value of our assets was $405.8 million, and, as of that same date, we had a consolidated stockholders' book equity of $146.6 million. Calculated based on book value, $133.1 million, or 33% of our assets, relate to our cinema exhibition activities and $240.4 million, or 59%, of our assets, relate to our real estate activities.

For additional segment financial information, please see Note 1 – Description of Business and Segment Reporting to our 2016 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, 2016, we had approximately 40% of our assets in the United States, 42% in Australia and 18% in New Zealand compared to 35%, 46%, and 19% respectively, at the end of 2015.

At December 31, 2016, we had cash and cash equivalents of $19.0 million, which are accounted for as a corporate asset. Our cash included $10.5 million denominated in U.S. dollars, $6.3 million (AU $8.7 million) in Australian dollars, and $2.2 million (NZ $3.2 million) in New Zealand dollars. We had non-current assets of $141.1 million in the United States, $122.3 million (AU$169.2 million) in Australia and $69.7 million (NZ$100.2 million) in New Zealand. We had $55.6 million unused capacity of available and unrestricted corporate credit facilities at December 31, 2016.

For 2016, our gross revenues in these jurisdictions were $143.1 million, $97.5 million, and $29.9 million, respectively, compared to $138.8 million, $93.5 million, and $25.6 million for 2015. All of our three operating jurisdictions posted revenue increases in 2016 primarily due to increased box office sales as a result of higher average ticket prices in the United States and attendance increases in our Australia and New Zealand operations. Our food & beverage ("F&B") revenues also increased driven by our expanded F&B offerings, including the sale of alcoholic beverages. The opening of new cinemas and re-opening of the refurbished ones, offset by closure of our money-losing cinema in the Gaslamp area of San Diego, also contributed to increasing our consolidated revenues. Currency variations had minimal impact on translated revenues.

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.

Shown in the following table are the number of locations and theatre screens in our theatre circuit in each country, by state/territory/ region and indicating our cinema brands and our interest in the underlying asset as of December 31, 2016:

Country	State / Territory / Region	Location Count	Screen Count	Interest in Asset Underlying the Cinema		Operating Brands
				Leased	Owned	
United States	Hawaii	9	98	9		Consolidated Theatres
	California	7	88	7		Reading Cinemas, Angelika Film Center
	New York(3)	6	23	5	1	Angelika Film Center, City Cinemas
	Texas	2	13	2		Angelika Film Center
	New Jersey	1	12	1		Reading Cinemas
	Virginia	1	8	1		Angelika Film Center
	Washington DC	1	3	1		Angelika Film Center
	U.S. Total	27	245	26	1	
Australia	New South Wales	6	43	4	2	Reading Cinemas
	Victoria	6	43	6		Reading Cinemas
	Queensland	4	40	2	2	Reading Cinemas, Event Cinemas(1)
	Western Australia	2	16	1	1	Reading Cinemas
	South Australia	2	15	2		Reading Cinemas
	Australia Total	20	157	15	5	
New Zealand	Wellington	2	15	1	1	Reading Cinemas
	Otago	3	15	2	1	Reading Cinemas, Rialto Cinemas(2)
	Auckland	2	15	2		Reading Cinemas, Rialto Cinemas(2)
	Canterbury	1	8	1		Reading Cinemas
	Southland	1	5		1	Reading Cinemas

	Bay of Plenty	1	5		1	Reading Cinemas
	Hawke's Bay	1	4		1	Reading Cinemas
	New Zealand Total	11	67	6	5	
GRAND TOTAL		58	469	47	11	

(1) The Company has a 33.3% unincorporated joint venture interest in a 16-screen cinema located in Mt. Gravatt, Queensland managed by Event Cinemas.
(2) The Company is a 50% joint venture partner in two (2) New Zealand Rialto cinemas. We are responsible for the booking of these cinemas and our joint venture partner, Event Cinemas, manages their day-to-day operations.
(3) Our New York statistics include one (1) managed cinema.

We continue to focus 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 of our own branded large format TITAN XC screen offerings. Our circuit has been completely converted to digital projection and sound systems.

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, where possible, to put our capital to work in properties that we own rather than take on potentially burdensome lease obligations with their built-in rent increases and pass-throughs.

We continue to expand and upgrade our circuit on an opportunistic basis. In October 2016, we opened an eight-screen, state-of-the-art cinema, branded Olino by Consolidated Theatres, our ninth theatre and first to break ground since 2001 in the state of Hawaii. In November 2015, we opened a new state-of-the-art cinema (eight screens) in Auckland, New Zealand. In October 2015, 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 in September 2015, completely renovated our fourteen-screen Harbourtown cinema in Queensland, Australia, converting an auditorium in that theater to a TITAN XC auditorium. In December 2015, we added the first IMAX screen 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.

Since 2015, we have consistently executed our strategic priority of upgrading of 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 eleven of our venues in the U.S. (six of these licenses were obtained during 2016) and are in the application process for an additional three venues. We intend to be able to offer alcoholic beverages at 17 or more of our U.S. cinemas by the end of 2017. In our international cinema operations, we offer beer and wine menu options for nine of our cinema locations in Australia and four of our cinema locations in New Zealand.

As discussed in greater detail below, as part of our real estate operations, we purchased, in December 2015, the ETC in which our Townsville, Australia cinema is located and 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 center. We have completed the Premier Wing section, a six-auditorium wing dedicated to 21+ audiences who can enjoy beer or wine during the film.

On January 31, 2016, following our run of “Star Wars: The Force Awakens”, we surrendered our Gaslamp Cinema in San Diego. In 2015, 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 in the next few years. 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.

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 (as presented in the preceding table within the "Cinema Exhibition" section). 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 have closed our live theater at our Union Square property and commenced construction of a revitalized retail and office offering, known as 44 Union Square, at that location. Also, we continue to pursue the redevelopment of our Cinemas 1,2,3 property.

In 2016, we began the construction phase of the redevelopment of our Union Square property into approximately 73,322 square feet of net leaseable area (inclusive of anticipated BOMA adjustments), comprised of retail and office space. A short video on this project can be seen at www.44unionsquare.com. BKSK Architects has designed the building with an iconic glass dome which has been approved by the City of New York Landmarks Preservation Commission. We have received demolition and building approval of numerous permit applications from the Department of Building in July 2016, including the Alt-1 permit associated with the overall renovation of the structure. All tenancies were terminated at the end of 2015. The building has been vacated, and we have finished abatement and begun internal demolition activities at the site. 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. On December 29, 2016, we entered into construction financing agreements with the Bank of the Ozarks and an affiliate of Fisher Brothers, who will together provide approximately $57.5 million in construction financing. The total cost of the redevelopment is estimated at $71.9 million. We have entered into a guaranteed maximum price construction contract with an affiliate of CNY and have entered into agreement with trades representing some 95% of the projected hard costs of the project. We currently anticipate that construction will be completed by the second quarter of 2018. Newmark advises us that retail tenant demand in our property continues to be strong.

Regarding our Cinemas 1,2,3 property in Manhattan, we have received the consent of the 25% minority member of the ownership entity for the redevelopment of the property. We are evaluating the potential to redevelop the property as a mixed use retail and residential and/or hotel property. Further, 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 owner. On August 31, 2016, we secured a new three-year mortgage loan ($20.0 million) with Valley National Bank, the proceeds of which were used to repay the mortgage on the property with the Bank of Santander ($15.0 million), to repay Reading for its $2.9 million loan to Sutton Hill Properties, LLC (the owner of the property), and for working capital purposes. We own a 75% managing member interest in Sutton Hill Properties, LLC.

On April 11, 2016, we purchased for $11.2 million a 24,000 square foot 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. We anticipate, when the excess space is leased, we will be able to reduce our headquarters occupancy cost. We moved into the building in February 2017 and obtained an $8.4 million refinancing of the property on December 13, 2016 pursuant to a 10-year, fixed rate mortgage loan at an interest rate of 4.64% per annum.

Overseas, on December 23, 2015, we acquired two adjoining ETCs in Townsville, Queensland, Australia for a total of $24.1 million (AU$33.4 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. We will be operating these two (2) properties as a single ETC. For additional information, see Note 4 – Real Estate Transactions.

We continue to work on the expansion and upgrading 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 approximately 15,000 square feet of additional retail space, which will increase the square footage of that center from approximately 117,000 to approximately 132,000 square feet. Of this 15,000 square feet, 10,000 square feet was completed in 2016, with the remaining 5,000 square feet scheduled to be completed by September 2017. This expansion is being funded internally.

At Newmarket, we are in the process of building a state-of-the art eight-screen cinema, approximately 10,000 square feet of additional retail space and approximately 142 additional parking spaces. Construction commenced in the third 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, which is now fully leased. These leases have early termination provisions allowing us to terminate these arrangements in connection with a redevelopment of the property. We intend to ultimately demolish this office building and to integrate this parcel into our Newmarket development. This will increase our Newmarket footprint from approximately 204,000 to approximately 227,000 square feet. Our Newmarket project is currently being funded internally.

In May 2015 we received town planning approval for an $11.8 million (NZ$17.0 million) supermarket and retail expansion at our Courtenay Central ETC, located in Wellington, New Zealand. The expansion was anticipated to consist of an approximately 36,000 square foot "Countdown" supermarket and approximately 4,000 square feet of general retail space. In connection with the expansion, we were contemplating an approximately NZ$6.0 million, upgrade and retenanting of the remainder of Courtenay Central. However, recent events have added complexity to our development activities at Courtenay Central, both necessitating and permitting a complete review of our plans for that location.

- First of all, our supermarket tenant has advised that it desires to upgrade the quality of the offering at our Center, which caused initial design and construction delays. This was both good news and bad news, since while we believe that our Center would benefit from an upgraded grocer offering (the tenant being responsible for the increased costs resulting from such enhanced improvements), such upgrades would have delayed the opening date of the supermarket. However, in some ways, these delay concerns may have been mooted by the earthquake that hit the Wellington area on November 14, 2016.
- This earthquake severely damaged our 9 story parking garage at the Center, necessitating its demolition for health and safety reasons. We are advised that the cost of such demolition plus the cost of reconstruction (up to an aggregate cap of $25.0 million) is covered by insurance, subject to a $553,000 (NZ$795,000) deductible. The dangerous condition of the parking garage has also led to the closure of the existing Courtenay Central ETC, including our Reading cinema. We are advised that our lost income resulting from this closure is likewise covered by insurance, again subject to certain caps and deductibles.
- However, the location and configuration of the historic parking garage were less than ideal from the point of view of the refurbishment and expansion of Courtenay Central. Accordingly, while we still intend to construct a supermarket at the site (but now upgraded to a "premium" supermarket), and while we do not contemplate the demolition of any of the remaining elements of Courtenay Central, we are reconsidering the layout of the property and the potential to increase the leasable square footage at the site by optimizing the location and configuration of the replacement parking garage. This re-evaluation process is ongoing.

In addition to certain historic railroad properties (such as our 6.8 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: (i) our 202-acre parcel in Coachella, California (near Palm Springs), currently zoned for residential and mixed-use uses, and (ii) our 70.4–acre parcel in Manukau, a suburb of Auckland, New Zealand (located adjacent to the Auckland Airport).

In the second quarter of 2016, the Auckland City Council revised the zoning of the agricultural portion of our property in Manukau (approximately 64.0 acres) to light industrial uses. The remaining 6.4 acres of our Manukau property were already zoned for heavy industrial use. Light industrial uses include certain manufacturing, production, logistic, transportation, warehouse and wholesale distribution activities and, on an ancillary basis, certain office, retail and educational uses. That decision was subject to a public announcement process, and became final in September 2016. Now that our zoning enhancement goal has been achieved, we are reviewing our options with respect to the commercial exploitation of this asset.

Over the past 36 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 $2.4 million (NZ$3.4 million). We sold our land holdings in Moonee Ponds, Australia for $17.5 million (AU$23.0 million) on April 15, 2015 and our land holdings in Burwood, Australia, for $48.2 million (AU$65.0 million) on May 12, 2014, with a balance due of $42.3 million (AU$58.5 million) scheduled to be paid 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 $15.8 million (AU$21.8 million) is possible during the second quarter of 2017. 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, 2016, our principal tangible assets included:

- interests in 57 cinemas comprising some 465 screens;
- fee interests in three live theaters (the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee interest in one cinema (the Cinemas 1,2,3), in New York City;

- fee interests in three cinemas in Australia (Belmont, Bundaberg and Maitland) and four cinemas in New Zealand (Dunedin, Invercargill, Napier and Rotorua);
- 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 20.7 million square feet of developed and undeveloped real estate in the United States, Australia and New Zealand; and,
- cash and cash equivalents, aggregating $19.0 million.

Cinema Exhibition

We own and/or manage cinema assets as follows:

	December 31, 2016						
	Wholly Owned	Consolidated(1)	Unconsolidated(2)		Total owned	Managed(3)	Total owned and operated
United States							
Cinemas	25	1	--		26	1	27
Screens	238	3	--		241	4	245
Australia							
Cinemas	17	2	1	(4)	20	--	20
Screens	130	11	16		157	--	157
New Zealand							
Cinemas	9	--	2	(5)	11	--	11
Screens	54	--	13		67	--	67
Total							
Cinemas	51	3	3		57	1	58
Total Screens	422	14	29		465	4	469

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

(2) Cinemas owned through interests in unconsolidated joint ventures.

(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 ("F&B") 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 64% of their 2016 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.

F&B sales accounted for approximately 29% of our total 2016 cinema revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, historically F&B 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 strategic focuses is to upgrade our existing cinemas with expanded F&B offerings. We intend to have alcoholic beverage licenses for at least 17 of our U.S. cinemas by end of 2017.

Screen advertising and other revenue contribute approximately 7% of our total 2016 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 to us.

Management of Cinemas

With the exception of our three unconsolidated cinemas, we manage our cinemas with executives located in Los Angeles and Manhattan in the U.S.; Melbourne, Australia; and Wellington, New Zealand. Our two New Zealand Rialto cinemas are owned by a

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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 of our U.S. markets, film may be allocated by the distributor among competitive cinemas, commonly known as “clearance”, while in other such U.S. markets we have access to all film in the market. This is discussed in greater detail below. Accordingly, from time-to-time, we 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 film product in the market.

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, out 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 tickets at 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 certain markets in the U.S., 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, have in recent periods been 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.

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 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. In 2016, several major distributors (including 20th Century Fox and Universal Studios) announced that they would no longer grant clearances. We believe that this will increase our access to top film product.

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 (including the newly acquired Carmike) and Cinemark, 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.

In general, our cinemas are modern multiplex cinemas with competitive 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 AMC (with 8,200 screens in 661 cinemas, which includes the information of newly acquired Carmike), Regal (with 7,267 screens in 561 cinemas), and Cinemark (with 4,542 screens in 339 cinemas). As of December 31, 2016, we were the 9th largest exhibitor with 1% of the box office in the United States with 245 screens in 27 cinemas under management.

The principal exhibitors in Australia are Greater Union, which does business under the Event Cinemas name (a subsidiary of Amalgamated Holdings Limited) ("Events"), Hoyts Cinemas ("Hoyts"), and Village Cinemas ("Village"). The major exhibitors control approximately 68% of the total cinema box office: Event 32%, Hoyts 21%, and Village 15%. Event has 530 screens nationally, Hoyts 355 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 111 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 53% of the total box office: Event 33% and Hoyts 20%. Reading has 15% 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 us.

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 choose convenience over presentation quality. 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:

· 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 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, 2016, we had 88 full-time executive and administrative employees, 118 live theatre employees and 2,587 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.

Executive Officers of the Registrant

The following table sets forth information regarding our key executive officers as of February 28, 2017:

Name	Age	Title
Ellen M. Cotter	50	Chairperson of the Board, Chief Executive Officer and President
Margaret Cotter	49	Vice Chairperson of the Board, Executive Vice President – Real Estate Management and Development-NYC
Dev Ghose	63	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
Andrzej J. Matyczynski	64	Executive Vice President – Global Operations
Robert F. Smerling	82	President – Domestic Cinemas
Wayne D. Smith	59	Managing Director – Australia and New Zealand

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. 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 time 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 41.4% of such Class B Stock).

Ms. Cotter brings to our Board her 18 years of experience working in our Company's cinema operations, both domestically, in the United States and internationally, in Australia and New Zealand. She has also served as the Chief Executive Officer of Reading's subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. In addition, with her direct ownership of 799,765 shares of Class A Stock and 50,000 shares of Class B Stock and her positions as Co-Executor of 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.

Ms. Cotter is also a director of Cecelia Packing Corporation, an agricultural company in the Central Valley of California.

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 in 2016, served as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. The OBI management agreement was terminated with Ms. Cotter's appointment as Executive Vice President-Real Estate Management and Development-NYC. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and is a board member of the League of Off-Broadway Theaters and Producers. Ms. Cotter, a former Assistant District Attorney for King's County in Brooklyn, New York, graduated from Georgetown University and Georgetown University Law Center. She is the sister of Ellen M. Cotter and James J. Cotter, Jr. Ms. Margaret Cotter is a Co-Executor of her father's estate, which is the record owner of 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Margaret Cotter is also a Co-Trustee of the James J. Cotter, Sr. Trust, which is the record owner of 696,080 shares of Class B Voting Common Stock (representing an additional 41.4% of such Class B Stock).

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

Ms. Cotter is also a director of Cecelia Packing Corporation, an agricultural company in the Central Valley of California.

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., and KPMG in the UK from 1975 to 1985. 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.

Andrzej J. Matyczynski. On March 10, 2016, Mr. Matyczynski was appointed 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 company. Mr. Matyczynski holds a Master's Degree in Business Administration from the University of Southern California.

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 and cinema operations, representing Hoyts as a director on various joint venture interests, and coordinating many asset acquisitions and disposals the company made.

Forward Looking Statements

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

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

team may have a different view as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

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

- with respect to our cinema operations:
  - the number and attractiveness to movie goers of the films released in future periods;
  - the amount of money spent by film distributors to promote their motion pictures;
  - the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside-the-home environment;
  - the extent to which we encounter competition from other cinema exhibitors, from other sources of outside-the-home entertainment, and from inside-the-home entertainment options, such as "home theaters" and competitive film product distribution technology, such as, by way of example, cable, satellite broadcast and Blu-ray/DVD rentals and sales, and so called "movies on demand;" and
  - the extent to, and the efficiency with, which we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
  - the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - the risks and uncertainties associated with real estate development;
  - the availability and cost of labor and materials;
  - competition for development sites and tenants;
  - environmental remediation issues;
  - the extent to which our cinemas can continue to serve as an anchor tenant that will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations; and
  - certain of our activities are in geologically active areas, creating a risk of damage and/or disruption of real estate and/or cinema businesses from earthquakes.
- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate and previously engaged for many years in the railroad business in the United States:
  - our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
  - the relative values of the currency used in the countries in which we operate;
  - changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
  - our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
  - our exposure from time-to-time to legal claims and to uninsurable risks, such as those related to our historic railroad operations, including potential environmental claims and health-related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
  - changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
  - changes in applicable accounting policies and practices.

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

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

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

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

Item 1A – Risk Factors

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

BUSINESS RISK FACTORS

We are currently engaged principally in the cinema exhibition and real estate businesses. 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 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 us.

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. In 2016, we closed our principal live theater in New York, the Union Square.

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-home" and mobile 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" or mobile forms of distribution.

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. Also, the amount of programming (including without limitation, the live streaming of sporting, theatrical and political events) available on an "in-home" and mobile basis continues to increase.

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.

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. Also,

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social media offerings – such as Facebook and Snapchat – appear to be commanding increasing portions of the recreational time of our potential audience.

Our cinema and live theater businesses may be vulnerable to fears of terrorism, which could cause customers to avoid public assembly seating, and natural disasters. 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 and alternative entertainment product 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, alternative entertainment and live theater producers to produce films, alternative entertainment and plays that are attractive to audiences, the amount of money spent by film and alternative entertainment distributors and theatrical producers to promote their motion pictures, alternative entertainment and plays, and the willingness of these distributors and producers to license their films and alternative entertainment 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, alternative entertainment 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 such movies, alternative entertainment 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 North America, the film distribution business is highly concentrated, with seven major film distributors accounting for approximately 89.8% of 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. Several major distributors have advised the market that they will no longer clear their films.

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. Furthermore, consumer demand for better and better amenities and food offerings have resulted in an increase of the cost of a night at the movies. 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 and luxury seating 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) and luxury seating, have emerged in recent periods. In addition, some competitors such as AMC 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. In order to compete with these new cinemas, it may be necessary for the Company to materially

increase its capital expenditures. Also, the conversion to luxury seating typically requires a material reduction in the number of seats that an auditorium can accommodate.

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 rising interest rates or declining demand for real estate (for example, due to competition from internet sellers the demand for brick and mortar retail spaces may decline, and due to the increasing popularity of tele-commuting demand for traditional office space may decline), or the public perception that any of these events may occur, could result in declining rents or increased lease defaults. Increasing cap rates can result in lower property values. Also, we have holdings in areas that are subject to earthquake, storm and flooding risk.

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.

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 properties 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 intercompany debt 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:

- 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 these relationships 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 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 2016 of only approximately 45,000 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, Executive Vice-President – Real Estate Management and Development, NYC 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, 2016, 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 the Company's outstanding Voting Stock.

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

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 (the "2014 Amendment"), names Margaret Cotter and

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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 (although there is inconsistency on this point within the 2014 Amendment iself as to whether Margaret Cotter is to be the chairman) to rotate annually the chairmanship of our board between Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. In the event that neither Margaret Cotter nor James J. Cotter, Jr. is able or willing to act as trustee, then Ellen Cotter would become the sole trustee of the Cotter Voting Trust.

On February 5, 2015, Ellen Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles (the "California Superior Court"), 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 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 and Margaret Cotter as a trustee of the Cotter Voting Trust. Ellen Cotter and Margaret Cotter have filed pleadings seeking the removal of James J. Cotter, Jr as a trustee of the Cotter Trust and of the Cotter Voting Trust. The Trust Case is currently being tried in parts, the first part dealing with the issue of the effectiveness of the 2014 Amendment and the second part dealing with the removal motions.

On February 8, 2017, James Cotter, Jr. filed an Ex Parte Petition for Appointment of a trustee ad litem and of a guardian ad litem for the benefit of Cotter, Sr.'s, minor grandchildren (two of whom are the children of Margaret Cotter and three of whom are the children of James Cotter, Jr., and who are referred to herein as the "Cotter Grandchildren"), in the case of the trustee ad litem, to evaluate the indication of interest sent by Patton Vision, LLC, to the Trustees of the Cotter Trust to acquire the RDI shares held by the Cotter Trust at $18.50 per share (referred to in Mr. Cotter, Jr's pleadings as the "Offer") and to take reasonable steps to act on the Offer in the trustee's sole discretion. Specifically, Mr. Cotter Jr. sought an order "granting the trustee ad litem with full power, authority, and protections under the Cotter Trust and California trust law, as any other named trustee would have, to evaluate the Offer, conduct due diligence, negotiate with Patton Vision or any other potential offerors, and take all actions necessary or appropriate to consummate the sale of the Cotter Trust's RDI shares, including but not limited to:

a. communicate solely with Patton Vision regarding their Offer to purchase the Cotter Trust's RDI shares;
b. receive solely and exclusively all offers for the purchase of the Cotter Trust's RDI shares;
c. enter into purchase and sale agreements with respect to the Cotter Trust's RDI shares;
d. take all actions necessary to carry out the terms, conditions, and obligations of any purchase and sale agreement with respect to the Cotter Trust's RDI shares, including negotiating any modifications thereto;
e. receive all proceeds of sale from the Cotter Trust's RDI shares;
f. return to the co-trustees of the Cotter Trust, namely Margaret Cotter, Ellen Cotter, and James J. Cotter, Jr., net proceeds of the sale of the Cotter Trust's RDI shares to be invested, managed and distributed in accordance with the terms of the Cotter Trust;
g. hire investment advisors, tax advisors, accountants, attorneys , or any other advisors the trustee ad litem deems necessary and reasonable, in his or her sole discretion, to carry out his powers; and,
h. temporarily suspending James J. Cotter, Jr., Margaret and Ellen's powers with respect to all of the foregoing matters until further order of this Court."

Mr. Cotter Jr. argued to the California Superior Court that Mr. Cotter Sr.'s stated hope that the voting stock of our Company be retained as long as possible and his direction not to diversify and instead to retain such voting stock should be ignored, due to a need for prudent diversification of the inheritance of the Cotter Grandchildren and the fact that he and his sisters cannot get along when it comes to the management of Reading. We are advised that Ellen Cotter and Margaret Cotter are opposed to any sale at this time of the RDI shares held by the Cotter Trust and/or the Cotter Estate.

On February 24, 2016, the California Superior Court heard argument on James J. Cotter, Jr.'s ex parte order determined not to appoint a trustee to oversee a sales process of the RDI shares held by the Cotter Trust but instead ordered the appointment of a Section 730 Expert to advise the California Superior Court on what should be done in light of the recent Patton Vision indication of interest addressed to the Trustees of the Cotter Trust. This Expert has no authority to negotiate with Patton Vision or any other person, or to make any decisions as to the sale of the RDI shares held by the Cotter Trust. The Court also appointed a guardian ad litem for the Cotter Grandchildren. Our Company is advised that this is not unusual in the case where there is disagreement between the trustees as to the administration of a trust whose beneficiaries include minor children, and that nothing more should be read into this action than recognition of the fact that Ellen Cotter, Margaret Cotter and Mr. James Cotter, Jr. are in dispute as to what should be done with the RDI shares held by the Trust.

As we have disclosed in certain public announcements and filings, since May 2016, Patton Vision LLC ("Patton Vision"), has sent three different indications of interest to us to purchase all of our Company's outstanding shares. In each case our Board of Directors

has determination that our Company and our stockholders would be best served by our continued independence and by our pursuit of our business strategy. We have been informed that on January 23, 2017, Patton Vision separately sent a similar indication of interest to the co-trustees of the Cotter Trust to purchase the Cotter Trust's shares and to the Co-Executors of the Cotter Estate to purchase the Cotter Estate's shares.

Most recently, on March 2, 2017, our Board of Directors, following consideration and adoption our three year business strategy, confirmed its determination that our Company and our stockholders would be best served by our continued independence and by our pursuit of our business strategy. Our Board of Directors instructed our management to inform Patton Vision that our Board does not have any present interest in engaging in discussions regarding our possible sale. Our Board of Directors took this action in fulfilling its fiduciary duty on behalf of all stockholders, and in this matter, James J. Cotter, Jr., in his capacity as a director of Reading, abstained.

We are not a party to the Trust Case. The California Superior Court, in the Trust Case, has jurisdiction over the Cotter Trust, which as described in more detail above, currently owns 41.4% of our Voting Stock, and, at such time as the Cotter Estate is probated, may receive up to an additional 25.5% of our Voting Stock, has jurisdiction over a potentially controlling block of our voting power. Should the California Superior Court order the sale of the Trusts' Voting Stock and such sale be completed, then there may be a change of control of our Company (depending on, among other things, who the ultimate purchaser(s) of such shares might be, the number of shares of Voting Stock distributed by the Cotter Estate to the Cotter Trust, and whether the California Superior Court orders a sale of all or only some portion to the Voting Stock held by the Cotter Trust). We cannot predict what reactions, including appeals or other steps, might be taken by Ellen Cotter and Margaret Cotter in their respective capacities under the Cotter Trust, or in other capacities, should the California Superior Court make such an order. We also cannot predict what action our Board of Director would take in response, if any. However, our Board of Directors has an obligation to act in the best interest of our Company and all of our stockholders, and in the event the Californian Superior Court were to order a sale of the Voting Stock held by the Cotter Trust, our Board of Directors would be obligated to consider the interests of all stockholders and to act accordingly.

In addition, James J. Cotter, Jr. has filed a derivative action (discussed in greater detail below) against Ellen Cotter and Margaret Cotter and certain of our Directors, 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, and challenging the voting by Ellen Cotter and Margaret Cotter of the shares held by the Cotter Estate. 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 and 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, or whether, if both Margaret Cotter and James J. Cotter. Jr. are removed as trustees of the Cotter Voting Trust, Ellen Cotter will succeed them as the sole trustee of the Cotter Voting Trust. It is likewise uncertain, in the event that the court should determine that Margaret Cotter and James J. Cotter, Jr. are co-trustees of the Cotter Voting Trust, how the power-sharing authority provided for in the Trust would be applied in practice. Furthermore, it is uncertain whether Mr. Cotter, Jr. will prevail in his attempts to sell the RDI shares owned by the Cotter Trust, or whether Mr. Cotter, Sr.'s instructions that such

shares be held as long as possible, will be honored and control retained indefinitely by the Cotter Family.

These pending matters have, during the year past, required the time and attention of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. could, in the future, potentially distract the time and attention of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr., 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 (including, without limitation, the potential need for retentions agreements and other incentive arrangements typically put into place when control of a public company is uncertain), (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, 2016, 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

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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 19 – Related Party Transactions).

While controlling stockholders may owe certain fiduciary duties to our 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, and (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. 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. Nominations are considered by the Board, acting as a whole. While as a Controlled Company, we are not subject to the requirement that 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, the current charter of our Compensation and Stock Options Committee nevertheless requires that this committee be comprised entirely of independent Directors.

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

As discussed previously, in February 2017, we moved our executive headquarters in the U.S. from an 11,700 square feet of leased office space located at 6100 Center Drive, Suite 900, Los Angeles, California 90045 to a 24,000 square foot Class B office building with 72 parking spaces located at 5995 Sepulveda Boulevard, Suite 300, Culver City, California 90230, which we purchased on April 11, 2016. We are currently using approximately 50% of the leasable area for our headquarters' offices and intend to lease, over time, the remainder to unaffiliated third parties.

We own an 8,300 square foot office building in Melbourne, Australia, approximately 5,200 square feet of which serve 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 5,900 square foot of offices located in our Wellington Courtenay Central ETC, temporarily closed as a result of the damage to the adjacent parking structure in the November 14, 2016 earthquake near Wellington. We also occupy approximately 3,500 square feet at our Village East leasehold property in New York for administrative purposes.

ENTERTAINMENT PROPERTIES

Entertainment Use Leasehold Interests

As of December 31, 2016, 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	953,000	2017 – 2052
Australia	659,000	2019 – 2039
New Zealand	191,000	2019 – 2050

As of December 2014, we entered into (i) a lease for a new luxury cinema, Olino by Consolidated Theatres, which opened on October 21, 2016 at the new Ka Makana Ali'i Shopping Center developed in Kapolei, Hawaii by an affiliate of DeBartolo Development and (ii) 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, 2016, 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. We also own 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, 2016, we owned approximately 3,300,000 square feet of land at six locations. The foregoing includes the Courtenay Central ETC in Wellington, the development land adjacent to our Courtenay Central ETC, the 70.4-acre Manukau site, and the fee interests underlying four cinemas in New Zealand, which properties include approximately 20,000 square feet of ancillary retail space.

In the United States, as of December 31, 2016, we owned approximately 134,000 square feet of improved real estate comprised of three live theater buildings, which include approximately 37,000 square feet of leasable space, the fee interest in the Union Square property currently being redeveloped, 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 or Cotter Trust has a 50% non-managing member interest.

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 food & beverage services. The terms of our licenses are, naturally, principally dependent upon the commercial success of our tenants. While

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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 Theatre 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 Theatre as a part of our redevelopment of that property. As discussed previously, we began the construction phase of the redevelopment during 2016.

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 exhibition 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 (Townsville and Dubbo), and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane. Our joint venture interest in Townsville's Reading Cinemas is separate from our fee interest in the underlying Cannon Park ETC, which we purchased in December 2015.
- 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.

OPERATING PROPERTY

As of December 31, 2016, we own fee interests on approximately 786,000 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)	Net Book Value(3) (US Dollars in thousands)	Reporting Segment	Address
United States					
1 Cinemas 1, 2, 3(4)	0 / 21000	n/a	$ 24,401	Cinema Exhibition	1003 Third Avenue, Manhattan, NY
2 Minetta Lane Theatre	0 / 9000	n/a	2,627	Real Estate	18-22 Minetta Lane, Manhattan, NY
3 Orpheum Theatre	1000 / 5000	100%	1,424	Real Estate	126 2nd Street, Manhattan, NY
4 Royal George	37000 / 23000 plus a 55-space parking structure	91%	2,374	Real Estate	1633 N. Halsted Street, Chicago, IL
Australia					
1 Newmarket(5)	113000 / 1000 plus a 486-space parking structure	99%	27,721	Real Estate	400 Newmarket Road, Newmarket, QLD
2 Auburn(5)	69000 / 57000 plus a 871-space parking structure	77%	18,912	Cinema Exhibition / Real Estate	100 Parramatta Road, Auburn, NSW
3 Cannon Park City Center(6)	36000 / 28000	86%	16,662	Cinema Exhibition / Real Estate	High Range Drive, Thuringowa, QLD
4 Belmont	15000 / 45000	64%	5,660	Cinema Exhibition	Knutsford Avenue and Fulham Street, Belmont, WA
5 Cannon Park Discount Center(6)	68000 / 0	100%	6,694	Real Estate	High Range Drive, Thuringowa, QLD
6 York Street Office	3000 / 5000	100%	1,859	Real Estate	98 York Street, South Melbourne, VIC
7 Maitland Cinema	0 / 22000	n/a	1,060	Cinema Exhibition	Ken Tubman Drive, Maitland, NSW
8 Bundaberg	0 / 14000	n/a	1,198	Cinema Exhibition	1 Johanna Boulevard,

					Bundaberg, QLD
New Zealand					
1 Courtenay Central(5)	31000 / 76000 plus a 996-space parking structure	46%	21,942	Cinema Exhibition / Real Estate	100 Courtenay Place, Wellington 24 Tory Street, Wellington (Parking)
2 Dunedin Cinema	0 / 25000	n/a	6,511	Cinema Exhibition	33 The Octagon, Dunedin
3 Napier Cinema	12000 / 18000	100%	2,063	Cinema Exhibition	154 Station Street, Napier
4 Invercargill Cinema	8000 / 24000	88%	1,653	Cinema Exhibition	29 Dee Street, Invercargill
5 Rotorua Cinema	0 / 19000	n/a	1,841	Cinema Exhibition	1281 Eruera Street, Rotorua
TOTAL(7)			$ 144,602		

(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 net carrying value of the land and buildings of the property presented as “Operating Property” in our Consolidated Balance Sheet as of December 31, 2016 (net of any impairments recorded).

(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) Our Courtenay Central parking structure is currently being demolished due to an earthquake on November 14, 2016. For further information on the on-going development projects of these properties, refer to succeeding section "Investment and Development Property."

(6) Our Cannon Park City and Discount Centers are operated as a single ETC.

(7) This schedule does not include (i) our leasehold assets on cinemas under leased-facility model, (ii) those portion of the owned assets that are not income-producing or purely used for administrative purposes, and (iii) our assets on our legacy business in Philadelphia and New Jersey.

LONG-TERM LEASEHOLD OPERATING PROPERTY

In certain cases, we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2016, we had approximately 155,000 square foot of space subject to such long-term leases, which are reported as part of our Cinema Exhibition segment, detailed as follows:

Property		Square Feet of Improvements (rental/entertainment)(1)	Percentage Leased(2)	Net Book Value(3) (US Dollars in thousands)
In United States				
1	Village East(4)	4000 / 38000	100%	$ 5,812
2	Manville	0 / 53000	n/a	143
3	Tower	0 / 16000	n/a	--
In Australia				
1	Waurn Ponds	6000 / 38000	100%	1,724
TOTAL				$ 7,679

(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 net carrying value of the leasehold property presented as “Operating Property” in our Consolidated Balance Sheet as of December 31, 2016 (net of any impairments recorded).

(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 19 – Related Party Transactions to our 2016 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 are currently executing, or still pursuing to execute, our redevelopment plans on several of our existing developed properties to take them to their highest and best use. The following table summarizes our investment and development projects as of December 31, 2016, which are reported as part of our Real Estate segment:

Property(1)		Acreage	Net Book Value(2) (US Dollars in thousands)	Status
United States				
1	Union Square Theatre	0.27	$ 18,202	We closed down the live theatre business and terminated third party retail tenants in order to actively pursue the redevelopment of this property. Construction phase began and construction financing was obtained during 2016, and we still anticipate this redevelopment project will be substantially completed by second quarter of 2018. The net book value of $18.2 million represents historic cost plus capital expenditures through December 31, 2016.
2	Coachella, CA	202.00	4,047	We continue to evaluate our options with regards to this property.
Australia				
1	Newmarket, Queensland	0.61	2,106	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. Construction has commenced during the third quarter of 2016 with a projected opening in the fourth quarter of 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 23,000 square foot office building. This office building is now 100% leased, under leases that permit us to terminate early in the event of redevelopment of the property. We intend, over time, to incorporate this property into our center.
2	Auburn, Sydney, New South Wales	2.62	1,465	We have commenced the development of the next phase of this property. In 2015 and 2016, we entered into agreements to lease approximately 15,000 square feet of to-be-built retail space. Two (2) newly constructed retailers (Intersport and MCMD) opened during the third quarter of 2016, one (1) (Chicago Jones Cafe) is due to open in March 2017 and two restaurants are expected to open during the third quarter of 2017. The center has approximately 118,000 square feet of land area available for development.
New Zealand				
1	Manukau, Auckland	64.0 acres zoned	12,057	In August 2016, the agricultural portion of our property in Manukau (approximately 64.0 acres) was rezoned to light

		agricultural and 6.4 acres zoned light industrial		industrial uses. In 2010, we acquired an adjacent property (6.4 acres) that is already zoned for heavy industrial use. That property links our existing parcel with the existing road network.
2	Courtenay Central, Wellington (including Wakefield and Taranaki)	1.08	5,810	We are still actively pursuing the development of the next phase of this property, having signed an agreement to lease for a Countdown supermarket to be developed on this site. The construction budgets have been agreed between the parties. However, the Tenant advised us that they wish to upgrade their design criteria and this will necessarily result in a delay in the commencement of construction. In addition, we are adding approximately 4,000 square feet of general retail space. In November 2016, an earthquake struck near Wellington which substantially damaged our parking garage structure at Courtenay Central. Refer to Note 20 - Asset Impairment and Other Losses Recoverable Through Insurance Claim for further details. We have subsequently closed the Courtenay Central due to its proximity to the parking garage structure.
TOTAL			$ 43,687	

(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) Refers to the recorded values of our non-operating and currently in-development stage properties, which are comprised of land, building, development costs and capitalized interest, and presented as “Investment and Development Property” in our Consolidated Balance Sheet as of December 31, 2016. Not included in this number is the book value of those portions of such properties which have already been developed.

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 2016 consolidated financial statements.

OTHER PROPERTY INTERESTS AND INVESTMENTS

We own the fee interests in eight parcels comprising 197 acres in Pennsylvania and New Jersey. These acres consist primarily of vacant land. With the exception of certain properties located in Philadelphia (including the raised railroad bed near the Center City), the properties are principally located in rural areas of Pennsylvania and New Jersey. These properties are unencumbered by any debt.

Item 3 – Legal Proceedings

The information required under Part I, Item 3 (Legal Proceedings) is incorporated by reference to the information contained in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this Annual Report on Form 10-K.

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 (Class A) and RDIB (Class B) common stock for each of the quarters in 2016 and 2015 as reported by NASDAQ:

	Class A Stock		Class B Stock	
	High	Low	High	Low
2016				
4th Quarter	$ 16.88	$ 12.59	$ 18.88	$ 15.05
3rd Quarter	13.83	12.07	16.99	12.59
2nd Quarter	13.63	11.79	13.80	11.65
1st Quarter	12.80	9.78	13.72	11.69
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

As of December 31, 2016, the approximate number of common stockholders of record was 2,300 for Class A stock and 375, for Class B stock. On March 10, 2017, the closing prices per share of our Class A Stock and Class B stock were $15.52 and $16.29, respectively.

We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend.

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	Number of securities remaining available for future issuance under equity compensation plans

		options, warrants, and rights	
Equity compensation plans approved by security holders			
Stock options	535,077	$ 9.84	
Restricted stock units	68,153	11.96	
Total	603,230		604,857

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Performance Graph

The following line graph compares the cumulative total stockholder return on RDI's common stock for the five-year period ended December 31, 2016 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, 2016. The graph assumes that $100 was invested on December 31, 2011 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 Class A non-voting stock. We executed these repurchases pursuant to the publicly announced stock buy-back program requirements. As of December 31, 2016, we have fully spent the $10.0 million budget. Refer to Note 14 - Equity and Stock-Based Compensation in the 2016 Consolidated Financial Statements for further details. The following table summarizes the repurchases (by month) during the fiscal year 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of our Stock Buy-Back Program	Approximate Dollar Value of Shares that may yet be Purchased under the Stock Buy-Back Program
11/1/2016 - 11/30/2016	81,439	$ 15.16	81,439	$ 1,608,313
12/1/2016 - 12/31/2016	100,300	16.04	100,300	--
Total	181,739	$ 15.64	181,739	$ --

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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 2016 Annual Report, and the related notes to the consolidated financial statements.

($ in thousands, except per share data)	2016	2015(2)		2014(2)	2013(3)	2012(3)
Statement of operations						
Revenue	$ 270,473	$ 257,865		$ 255,242	$ 258,221	$ 254,430
Operating income	20,311	23,696		22,667	20,935	19,127
Loss from discontinued operations	--	--		--	--	(405)
Net income (loss) attributable to RDI	9,403	23,110		25,335	9,041	(914)
Per common share						
Net income/(loss) attributed to RDI						
Basic EPS	$ 0.40	$ 0.99		$ 1.08	$ 0.39	$ (0.04)
Diluted EPS	0.40	0.98		1.07	0.38	(0.04)
Balance sheet						
Total assets	$ 405,766	$ 372,198		$ 401,586	$ 386,807	$ 428,588
Total debt (gross of deferred financing costs)	148,535	130,941		164,036	168,460	196,597
Working capital (deficit)	6,655	(35,581)		(15,119)	(75,067)	(25,074)
Stockholders’ equity	146,615	138,951		133,716	123,531	130,954
Statement of cash flows						
Cash provided by / (used in):						
Operating activities	$ 30,188	$ 28,574		$ 28,343	$ 25,183	$ 25,496
Investing activities	(42,861)	(29,710)		(9,898)	(6,142)	(6,095)
Financing activities	11,246	(27,961)		(3,275)	(17,775)	(12,719)
Other Information						
EBIT	$ 20,205	$ 35,562		$ 25,410	$ 24,020	$ 20,416
EBITDA	$ 35,894	$ 50,124	(1)	$ 40,878	$ 39,217	$ 36,800
Debt to EBITDA Ratio	4.14	2.61		4.01	4.30	5.34
Capital expenditure (including acquisitions)	$ 49,166	$ 53,119		$ 14,914	$ 20,082	$ 13,723
Shares outstanding	23,178,307	23,334,892		23,237,076	23,385,519	23,083,265
Weighted average - basic	23,320,048	23,293,696		23,431,855	23,348,003	23,028,596
Weighted average - diluted	23,521,157	23,495,618		23,749,221	23,520,271	23,028,596
Number of employees at 12/31	2,793	2,712		2,596	2,494	2,412

(1) Includes gain on sale of assets amounting to $11.0 million.

(2) Certain 2015 and 2014 balances included the restatement impact as a result of a change in accounting principle (see Note 2 – Summary of Significant Accounting Policies – Accounting Changes). For 2014, financial information relating to our Statement of Operations were restated to conform to the restatement adjustments. For the Balance Sheet, no other changes made, except for the Stockholders’ Equity balance as of 12/31/2014, as we are not required to present the restatement numbers as of December 31, 2014.

(3) Years 2013 and 2012 are periods not covered by the restatement as a result of a change in accounting principle. Except for the Stockholders’ Equity balance as of 12/31/2013, no other changes made.

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

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

· EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions where we operate and the impact of tax timing differences that may vary from time-to-time and from jurisdiction-to-jurisdiction
· EBIT removes the impact from our effective tax rate of factors not directly related to our business operations.
· 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)	2016	2015	2014	2013(1)	2012(1)
Net income (loss) attributable to RDI	$ 9,403	$ 23,110	$ 25,335	$ 9,041	$ (914)
Add: Interest expense, net	6,782	7,304	9,000	10,037	16,426
Add: Income tax (benefit) expense	4,020	5,148	(8,925)	4,942	4,904
EBIT	$ 20,205	$ 35,562	$ 25,410	$ 24,020	$ 20,416
Add: Depreciation and amortization	15,689	14,562	15,468	15,197	16,049
Adjustments for discontinued operations	--	--	--	--	335
EBITDA	$ 35,894	$ 50,124	$ 40,878	$ 39,217	$ 36,800

(1) Years 2013 and 2012 are periods not covered by the restatement as a result of a change in accounting principle.

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This MD&A should be read in conjunction with the accompanying consolidated financial statements included in Part II, Item 8 (Financial Statements and Supplementary Data). The foregoing discussions and analyses contain certain forward-looking statements. Please refer to the "Forward Looking Statements" included as a preface in Part I, Item 1A – Risk Factors of this 2016 Form 10-K.

Item 7 – Management's Discussions and Analysis ("MD&A") of Financial Condition and Results of Operations

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BUSINESS 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.

Our Business Strategy: Applying A Synergistic Approach

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 dollars 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 recliner seating and expanding our food and beverage program), (ii) the development in select markets of specialty cinemas and where applicable, new cinemas in underserved markets, and (iii) the opportunistic acquisition of already existing cinemas. From time-to-time, we might 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 real estate assets in (i) New York, (ii) Brisbane and Sydney in Australia, and (iii) Wellington, New Zealand, 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.

Industry Outlook

Cinema Exhibition

Along with the most of our industry, we have completed the conversion of all of our U.S., Australia, and New Zealand cinema operations to digital exhibition. We believe that a substantial part of this cost of conversion is being recovered 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. Based on our experience, we 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.

Below is a summary discussion of the competitive aspects of our two cinema exhibition cinema exhibition markets:

- North America: We face strong competition in North America as distributors may find it more commercially appealing to deal with major exhibitors, rather than to deal with independents like us. 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 limit access if their desires with respect to film supply are not satisfied.

AMC has now completed its acquisition of the 4th largest exhibitor in the U.S., Carmike Cinemas, making it the largest circuit in the U.S. and when considered with its parent (Dalian Wanda), the largest exhibitor in the world. With the restructuring and consolidation undertaken in the industry, and the emergence of increasingly attractive “in-home” and mobile entertainment alternatives, the continued growth of the in-home and mobile viewing options are decreasing exhibitors and resulting in shortened release windows.

- 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 53% of New Zealand’s cinema box office. The industry is also somewhat 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.

Real Estate

A summary discussion of the competition aspects of the markets where we own real estate properties follows:

- North America: U.S. retail real estate owners will continue to reuse the space vacated by anchor retailers to offer a variety of entertainment options and ultimately enhance customer experience. Online marketplaces will offer a platform to brands, designers, and artists to find physical retail space for short duration. This will likely spur a broader subleasing phenomenon. Subleasing will be bigger than leasing physical stores will remain, although their form and functionality will continue to evolve. Credit availability may be a concern going forward, due to the continued low CMBS issuances and banks tightening the lending standards across all commercial real estate loan categories due to increased federal scrutiny.

Demand for office space is likely to reduce as corporations adapt to employees’ “live, work, and play” behavior and leverage technology to automate tasks. The leasing of large office spaces and sub-leasing them on demand for a wide variety of short-term rentals, ranging from day offices, hourly use of office space or meeting rooms, to virtual offices and other uses, will be a continuing growth trend. In essence, office space demand will tilt in favor of open, flexible, co-sharing spaces and the per-employee office space requirement is likely to shrink. As a result there will be a higher demand for dynamically configurable spaces.

Our U.S. business plan is aligned with these real estate trends – to expand our U.S. cinema offering, offer premium retail locations and versatile office product.

- 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 optimistic that our Australian and New Zealand holdings will continue to provide value and cash flows to our operations.

RECENT DEVELOPMENTS

Recent developments in our two business segments are discussed below:

Cinema Exhibition

Our cinema revenue consists primarily of admissions, F&B, advertising and theater rentals. 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. For a breakdown of our current cinema assets that we own and/or manage, please see Part I, Item 1 – Our Business of this 2016 Annual Report.

While our capital projects in recent years have been focused in growing our real estate segment, we have also achieved some considerable changes in our cinema exhibition portfolio, as discussed below:

Cinema Additions (including re-openings)

Here are the latest additions to our cinema portfolio since 2014:

- Opening a new state-of-the-art eight-screen cinema (Olino by Consolidated Theatres) in West Oahu, Hawaii. On October 21, 2016, we opened our ninth theater and the first to break ground since 2001 in the state of Hawaii. The cinema is located at Ka Makana Ali'i, a 1.4 million square foot regional mall in West Oahu, anchored by Macy's. Each of Olino's well-appointed auditoriums feature luxurious electric recliner seats, expansive wall-to-wall screens and pristine digital projection by Barco, the leader in digital cinema technology. Expanding on the cutting edge technology from the iconic premium large format TITAN XC (Extreme Cinema) at Ward Theatres, Olino introduced a new premium TITAN XC experience, TITAN LUXE.
- Opening of Reading Cinemas LynnMall. 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. The cinema is located in LynnMall Shopping Centre, anchored by Farmers Department Store, Countdown Supermarket and our own Reading Cinemas.
- Re-opening of refurbished cinemas. 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, California.
- Openings during 2014. 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. The Dunedin cinema is located on land that we own.

Cinema Closures

We evaluate the performance of each of our cinemas and in some instances, we may decide to close an operation when it is not economically viable to continue doing so. Here are the recent closures in our cinema business:

- Gaslamp Cinema in San Diego, California. This location was closed on January 31, 2016 and 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.
- Redbank Cinema in Queensland Australia. In October 2015, at the end of our lease period, we closed our Redbank cinema.

Upgrades to our Film Exhibition Technology and Theatre Amenities

As discussed previously, we continue to focus in areas of the matured cinema business where we believe we have growth potential and ultimately, provide long-term value to our stockholders. These are the (i) upgrading of our existing cinemas and (ii) developing new cinemas to provide our customers with premium offerings, including state-of-the-art presentation (including sound, lounges and bar service) and luxury seating. As of December 31, 2016, the upgrades to our theater circuit's film exhibition technology and amenities are summarized in the following table (excluding our managed cinema):

Screen Format	Location Count	Screen Count
Digital (all cinemas in our theatre circuit)	57	465
IMAX	1	1
Titan XC and LUXE, with Dolby Atmos sound system	10	11

Dine-in Service (for international operations)		
Gold Lounge(1)	8	20
Premium(2)	5	10
Upgraded Food & Beverage menu (for U.S. operations)(3)	9	n/a
Premium Seating (recliner seating features)	15	58
Liquor Licenses Obtained(4)	24	n/a

(1) Gold Lounge: This is our "First Class Full Dine-in Service" in our Australian and New Zealand cinemas, which includes upgraded F&B menu (with alcoholic beverages), luxury recliner seating features (intimate 30-40 seat cinemas) and waiter service.

(2) Premium Service: This is our "Business Class Dine-in Service" in our Australian and New Zealand cinemas, which includes upgraded F&B menu (with alcoholic beverages) and luxury recliner seating features (less intimate 80-seat cinemas), but no waiter service.

(3) Upgraded Food & Beverage Menu: Contrary to our offerings in Australia and New Zealand, our upgraded F&B offerings in the U.S. cinemas are available in a common counter in each of our cinema locations rather than a dine-in service at each screen room. We have worked with renowned former Food Network executive and chefs to curate a menu of locally inspired and freshly prepared items.

(4) Liquor Licenses: Licenses are applicable at each cinema location, rather than each theatre room (except for our Hawaii licenses, where we are licensed for particular auditoriums). For the U.S. alone, we obtained six new liquor licenses in 2016 of the eleven existing at December 31, 2016. In March 2017, we were awarded the liquor license for our Cal Oaks Cinema in California, making it to a total of 25 cinema locations with liquor licenses in our global circuit. For accounting purposes, we have capitalized the costs of successfully purchasing or applying for liquor licenses meeting certain thresholds as an intangible asset due to long-term economic benefits derived on future sales of alcoholic beverages.

Real Estate

For 2016, our income operating property consisted of the following:

- our Belmont, Western Australia ETC, our Auburn, New South Wales ETC, our Townsville, Queensland ETC and our Wellington, New Zealand ETC;
- our Newmarket shopping center in Newmarket, Queensland, a suburb of Brisbane, which is being developed into an ETC with the addition of a Reading Cinema;
- two (2) single-auditorium live theaters in Manhattan (Minetta Lane and Orpheum) and a four-auditorium live theater complex (including the accompanying ancillary retail and commercial tenants) in Chicago (The Royal George); and,
- the ancillary retail and commercial tenants at some of our non-ETC cinema properties.

At the beginning of January 2016, we ceased our live theatre business at our Union Square property in New York, terminated all tenant leases and prepared the property for redevelopment. Accordingly, this property is no longer treated as an operating property.

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 legacy 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. During 2016, we bought a new property in Culver City, California to serve as our new Corporate Headquarters in Los Angeles (refer to "Strategic Acquisitions" section below for more details).

The key real estate transactions in recent years are as follows:

Strategic Acquisitions

- Purchase of New Corporate Headquarters Building in Los Angeles. On April 11, 2016, we purchased a 24,000 square foot office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California (a Los Angeles suburb) for $11.2 million. We currently use approximately 50% of the leasable area for our headquarters offices and we plan to lease the remainder to unaffiliated third parties.
- Purchase of Cannon Park ETCs in Queensland, Australia. In December 2015, we acquired two adjoining ETCs in Townsville, Queensland, Australia for a total of $24.1 million (AU$33.4 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 our 75% owned subsidiary, Australia Country Cinemas, and has three mini-major tenants and ten specialty family oriented restaurant tenants at the time of the acquisition. 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 fourth largest city in Queensland, Australia. This acquisition is consistent with our business plan to own, where practical, the land underlying our entertainment assets. We are now operating these properties as a single ETC.
- Purchase of Property in 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.

Opportunistic Sales

- Sale of Doheny Condominium in Los Angeles. On February 25, 2015, we sold our Los Angeles condominium for $3.0 million resulting in a $2.8 million gain on sale.
- Sale of Properties in Taupo, New Zealand. On March 31, 2015, we entered into sale agreements to sell both of our Lake Taupo properties to the same purchaser. The first sale agreement for 138 Lake Terrace, an improved 20 unit

motor inn, was settled on May 6, 2015 for $1.6 million (NZ$2.2 million). Settlement of $831,000 (NZ$1.2 million) was received on March 31, 2016 in regards the second sale agreement for 142 Lake Terrace, an unimproved vacant parcel of land.

· Sale of Landholding in 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 for a purchase price of $48.2 million (AU$65.0 million). We received $5.9 million (AU$6.5 million) on May 23, 2014. The balance of the purchase price of $42.3 million (AU$58.5 million) is due on December 31, 2017.

· Sale of Landholding in Moonee Ponds, Australia. In 2013, we entered into a purchase and sale agreement to sell our 3.3-acre properties in Moonee Ponds for $17.5 million (AU$23.0 million) which closed on April 16, 2015.

Value-creating Opportunities

We are engaged in several real estate development projects to take our properties to their highest and best use. The most notable of these value-creating projects are as follows:

- Redevelopment of Union Square Property in New York, USA. We are currently executing the development plan to transform our Union Square property from a live theatre into approximately 73,322 square feet of net leasable space (inclusive of anticipated BOMA adjustments), comprised of retail and office spaces. We have fulfilled all the necessary regulatory hurdles and successfully negotiated the $57.5 million construction financing during 2016. We expect this project will be completed by second quarter of 2018.
- Expansion Project for our Newmarket Shopping Center at an affluent suburb of Brisbane, Australia. We have obtained the necessary government approvals for the addition of an eight-screen Reading Cinema, 10,297 square feet of additional retail space and 142 parking spaces. Construction commenced during the third quarter of 2016 and we project the opening during the fourth quarter of 2017.
- Expansion Project for our Courtenay Central ETC in Wellington, New Zealand. Our supermarket development plan for this property will be delayed pending completion of the demolition of the adjacent parking structure as a result of the November 14, 2016 earthquake and the design of the new and likely reconfigured parking facility for the Center. Refer to Note 20 – Asset Impairment and Other Losses Recoverable Through Insurance Claim for further details on the impact of the earthquake incident.

For a complete list and further details of our value creation projects, see Part I, Item 2 – Properties under the heading "Investment and Development Property".

OVERALL RESULTS OF OPERATIONS

At December 31, 2016, we wholly owned and operated 54 cinemas with 436 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 four ETCs 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, in Chicago, an 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 2015, operated as a live theater and rental property, (iv) owned through a 75% owned limited liability company the fee interests underlying one of our Manhattan cinemas, (v) held for development approximately 70.4 acres located in New Zealand, and (vi) owned through a 50% owned and controlled limited liability company of a 202-acre property that is zoned for the development of approximately 150 acres for single-family residential use (550 homes) and approximately 50 acres for high density mixed use 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 1.1% and 0.4%, respectively.

The following table sets forth the overall results of operations for the three years ended December 31, 2016:

(Dollars in thousands)	2016	% of Revenue	2015	% of Revenue	2014	% of Revenue	% Change - Favorable / (Unfavorable) 2016 vs. 2015	2015 vs. 2014
SEGMENT RESULTS								
Cinema exhibition operating income	$ 35,498	13 %	$ 32,118	12 %	$ 27,837	11 %	11 %	15 %
Real estate operating income	6,929	3 %	6,796	3 %	9,475	4 %	2 %	(28) %

NON-SEGMENT RESULTS														
Depreciation and amortization expense	(395)	(0.1)	%	(294)	(0.1)	%	(360)	(0.1)	%	(34)	%	18	%
General and administrative expense	(21,721)	(8)	%	(14,924)	(6)	%	(14,285)	(6)	%	(46)	%	(4)	%
Interest expense, net	(6,782)	(3)	%	(7,304)	(3)	%	(9,000)	(4)	%	7	%	19	%
Equity earnings of unconsolidated joint ventures	999	0.4	%	1,204	0.5	%	1,015	0.4	%	(17)	%	19	%
Gain on sale of assets	393	0.1	%	11,023	4	%	25	0.0	%	(96)	%	> 100	%
Casualty loss	(1,421)	(1)	%	--	--	%	--	--	%	(100)	%	--	
Other income (expense)	(63)	(0)	%	(440)	(0.2)	%	1,646	1	%	nm		(> 100)	%
Income before income taxes	13,437	5	%	28,179	11	%	16,353	6	%	(52)	%	72	%
Income tax benefit (expense)	(4,020)	(1)	%	(5,148)	(2)	%	8,925	3	%	22	%	(> 100)	%
Net income	9,417	3	%	23,031	9	%	25,278	10	%	(59)	%	(9)	%
Less: Net income (loss) attributable to noncontrolling interests	14	0	%	(79)	(0)	%	(57)	(0)	%	nm		nm	
Net income attributable to RDI common stockholders	$ 9,403	3	%	$ 23,110	9	%	$ 25,335	10	%	(59)	%	(9)	%
Basic EPS	$ 0.40			$ 0.99			$ 1.08			(60)	%	(8)	%

“nm” – not meaningful for further analysis

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CONSOLIDATED RESULTS

2016 vs. 2015

Net income attributable to RDI common stockholders was lower by $13.7 million, or 59%, to $9.4 million. This reduction was mainly due to: (i) $10.6 million higher gain on property sales in 2015 compared to 2016, (ii) $6.8 million increase in non-segment general and administrative expenses, and (iii) $1.4 million casualty loss relating to the 2016 Courtenay Central parking structure earthquake damage in Wellington, New Zealand. These were offset by the (i) increases in both Cinema Exhibition and Real Estate segment operating income amounting to $3.4 million and $133,000, respectively, and (ii) decrease in income tax expense amounting to $1.1 million.

2015 vs. 2014

Net income attributable to RDI common stockholders was lower by $2.2 million, or 9%, to $23.1 million. This reduction was mainly due to: (i) $14.1 million increase in income tax expense, (ii) $2.7 million decrease in Real Estate segment income, (iii) $2.1 million reduction in other income, and (iv) $639,000 increase in non-segment general and administrative expenses. These were offset by: (i) $11.0 million gain on property sales, (ii) $4.3 million increase in Cinema Exhibition segment income and (iii) $1.7 million reduction in net interest expense.

Each of these factors affecting our consolidated results for the three years ended December 31, 2016 are discussed in more detail in the succeeding sections.

BUSINESS SEGMENT RESULTS – 2016 vs 2015

Presented below is the comparison of the segment operating income of our two business segments for the years ended December 31, 2016 and 2015:

	2016		2015		% Change Favorable/(Unfavorable)	
(Dollars in thousands)	Cinema	Real Estate	Cinema	Real Estate	Cinema	Real Estate
Segment Revenues	$ 256,922	$ 20,917	$ 242,823	$ 21,579	6 %	(3) %
Segment Operating Expenses						
Cost of services and products (excluding depreciation and amortization)	(205,889)	(9,044)	(196,544)	(10,948)	(5) %	17 %
Depreciation and amortization	(11,772)	(3,522)	(11,161)	(3,107)	(5) %	(13) %
General and administrative expense	(3,763)	(1,422)	(3,000)	(728)	(25) %	(95) %
Total segment expenses	(221,424)	(13,988)	(210,705)	(14,783)	(5) %	5 %
Segment operating income	$ 35,498	$ 6,929	$ 32,118	$ 6,796	11 %	2 %
Breakdown by country:						
United States	$ 12,351	$ 690	$ 10,190	$ (450)	21 %	253 %

Australia	18,101	5,252	17,988	5,400	1	%	(3)	%
New Zealand	5,046	987	3,940	1,846	28	%	(47)	%
	$ 35,498	$ 6,929	$ 32,118	$ 6,796	11	%	2	%

The discussion for each segment follows:

Cinema Exhibition – 2016 vs. 2015

(Dollars in thousands)	2016	% of Revenue		2015	% of Revenue		2016 vs. 2015 Favorable / (Unfavorable)	
Revenues								
Admission revenue	$ 164,727	64	%	$ 156,680	65	%	5	%
Food & beverage revenue	75,229	29	%	69,184	28	%	9	%
Advertising and other revenue	16,966	7	%	16,959	7	%	--	%
Total Segment Revenues	$ 256,922	100	%	$ 242,823	100	%	6	%
Operating Expenses								
Cost of services and products (excl. depreciation and amortization)								
Film rent and advertising cost	$ (82,873)	(32)	%	$ (78,827)	(32)	%	(5)	%
Food & beverage cost	(14,734)	(6)	%	(12,856)	(5)	%	(15)	%
Occupancy expense	(44,914)	(17)	%	(45,376)	(19)	%	1	%
Other expense	(63,367)	(25)	%	(59,483)	(24)	%	(7)	%
Depreciation, amortization, and general and administrative expense								
Depreciation and amortization	(11,772)	(5)	%	(11,160)	(5)	%	(5)	%
General and administrative expense	(3,764)	(1)	%	(3,003)	(1)	%	(25)	%
Total Segment Expenses	$ (221,424)	(86)	%	$ (210,705)	(87)	%	(5)	%
Segment Operating Income	$ 35,498	14	%	$ 32,118	13	%	11	%

Cinema Exhibition segment operating income

Cinema Exhibition segment operating income increased by 11%, or $3.4 million, to $35.5 million for the year ended December 31, 2016 compared to December 31, 2015, primarily driven by higher admissions and F&B revenues and the impact of new and re-opening of cinemas mostly during the last quarter of 2015 and the closure of our money-losing Gaslamp Cinema in January 2016, partially offset by minor unfavorable foreign currency movements. Refer below for further explanations.

Revenue

Cinema revenue increased by 6%, or $14.1 million, to $256.9 million for the year ended December 31, 2016 compared to 2015, primarily driven by higher admissions and F&B revenues and the impact of new and re-opening of cinemas during the last quarter of 2015, partially offset by slightly weaker foreign currency movements. Comparing the current and prior years, Australian dollars and New Zealand dollars slightly declined against U.S. dollars by 1% and 0.4% (on average rates), respectively. Shown below is the revenue breakdown by country:

(Dollars in thousands)	2016	% of Revenue	2015	% of Revenue	2016 vs. 2015 Favorable / (Unfavorable)
United States	$ 139,820	54 %	$ 133,423	55 %	5 %
Australia	89,053	35 %	86,235	36 %	3 %
New Zealand	28,049	11 %	23,165	10 %	21 %
Total Segment Revenues	$ 256,922	100 %	$ 242,823	100 %	6 %

- In the United States, 2016 revenues increased by 5%, or $6.4 million, primarily driven by higher average ticket prices, improved F&B revenues and the impact of the refurbishment and rebranding of our Carmel Mountain cinema in San Diego, California to an Angelika Film Center in October 2015, and offset by the impact of the closure of our Gaslamp Cinema in San Diego, California and the slight decline (1%) in attendance.
- Australia's cinema revenue, stated in U.S. dollars, increased by 3%, or $2.8 million, primarily due to increase in attendance (including the impact of the refurbishment of our cinema in Harbourtown, Australia in September 2015), offset by minor unfavorable foreign currency movements and reduction in average ticket prices.
- In New Zealand, cinema revenue increased by 21%, or $4.9 million, mainly due to increase in attendance, including the impact of the opening of our LynnMall cinema in November 2015. The New Zealand exhibition market benefited from the most successful local film release of all time, "Hunt for the Wilderpeople".

Cost of services and products (excluding depreciation and amortization)

Cost of services and products for 2016 increased by 5%, or $9.3 million, to $205.9 million mainly attributable to higher film rent and advertising costs, higher F&B costs and the impact of the opening of the new LynnMall cinema in New Zealand, partially offset by the impact of slight decline in foreign currency movements. This was reduced by the closure of Gaslamp Cinema in San Diego, California on January 31, 2016 and the closure of our Redbank Cinema in Australia on October 7, 2015.

Cost of services and products as a percentage of gross revenue remained stable for 2016 and 2015, in the 80-81% range.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2016 increased by 10%, or $1.4 million, to $15.5 million primarily driven by the increase in depreciation resulting from improvements in several of our cinema facilities, the opening of our new LynnMall cinema in New Zealand and the re-opening of our Carmel Mountain cinema in San Diego, California.

Real Estate – 2016 vs. 2015

(Dollars in thousands)	2016	% of Revenue	2015	% of Revenue	2016 vs. 2015 Favorable / (Unfavorable)
Revenues					
Live theater rental and ancillary income	$ 2,840	14 %	$ 3,844	18 %	(26) %
Property rental income	18,077	86 %	17,735	82 %	2 %
Total Segment Revenues	$ 20,917	100 %	$ 21,579	100 %	(3) %
Operating Expenses					
Cost of services and products (excl. depreciation and amortization)					
Live theater cost	$ (1,371)	(7) %	$ (4,264)	(20) %	68 %
Property cost	(4,401)	(21) %	(3,243)	(15) %	(36) %
Occupancy expense	(3,270)	(16) %	(3,442)	(16) %	5 %
Depreciation, amortization, and general and administrative expense					
Depreciation and amortization	(3,522)	(17) %	(3,107)	(14) %	(13) %
General and administrative expenses	(1,424)	(7) %	(727)	(3) %	(96) %
Total Segment Expenses	$ (13,988)	(67) %	$ (14,783)	(69) %	5 %
Segment Operating Income	$ 6,929	33 %	$ 6,796	31 %	2 %

Real Estate segment operating income

Real Estate segment operating income increased by 2%, or $133,000, to $6.9 million for the year ended December 31, 2016 compared to 2015, primarily attributable to: (i) $2.2 million less legal fees incurred in relation to the “STOMP” arbitration process compared to 2015 (For more information about the legal expense, please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report), (ii) the STOMP settlement, $415,000 was collected in 2016 which was recorded as a recovery against legal expenses allocated to this segment in 2016, and (iii) an increase in property rental income in Australia of $2.0 million of which $2.7 million was attributed to Cannon Park in Australia purchased in December 2015 (offset by a reduction of $706,000 relating to the existing sites), offset by the closure of the Union Square property in New York for redevelopment and a reduction in revenue due to the earthquake and redevelopment of our Courtenay Central assets in Wellington, New Zealand. Please refer below for further explanation.

Revenue

Real estate revenue for the year ended December 31, 2016 decreased by 3% or $662,000, mainly driven by lower property rental income from the U.S. and New Zealand due to the closure of our Union Square property in New York currently being redeveloped and the sale of Taupo property in New Zealand along with reduced revenue due to the earthquake and redevelopment of our Courtenay Central assets in Wellington, New Zealand, in addition to the impact of unfavorable foreign exchange rates on our Australia and New Zealand operations. This was offset by the increase in property rental income attributable to Cannon Park in Australia, which was purchased in December 2015. Shown below is the revenue breakdown by country:

(Dollars in thousands)	2016	% of Revenue	2015	% of Revenue	2016 vs. 2015 Favorable / (Unfavorable)
United States	$ 3,271	16 %	$ 5,342	25 %	(39) %
Australia	13,334	64 %	11,374	53 %	17 %
New Zealand	4,312	21 %	4,863	23 %	(11) %
Total Segment Revenues	$ 20,917	100 %	$ 21,579	100 %	(3) %

Cost of services and products (excluding depreciation and amortization)

Operating expense for 2016 decreased by 17%, or $1.9 million, as a result of the closure of the Union Square property in New York at the beginning of 2016 and the sale of the Taupo property in New Zealand, offset by the purchase of Cannon Park in Australia. Also, the initial settlement received in 2016 from STOMP in the amount of $415,000 was recorded as a recovery against legal expenses incurred in 2016.

Depreciation, amortization, general and administrative expense

Depreciation, amortization, general and administrative expense for 2016 increased by 29%, or $1.1 million, primarily driven by increased depreciation expense due to recent acquisitions and property enhancements, as well as increased salary costs due to staff expansion as we continue to develop our Real Estate capacity.

NON-SEGMENT RESULTS – 2016 vs. 2015

Gain on sale of assets

Net gain on sale of assets for 2016 decreased by $10.6 million, primarily due to the following sale transactions resulting in gains realized in 2015: (i) the sale of our Doheny condominium in Los Angeles resulting in a $2.8 million gain during Q1 2015, (ii) the closing of the sale of Moonee Ponds in Australia for a gain of $8.0 million (AU$10.3 million) during Q2 2015 and (iii) the gain on the first of the two sale agreements for our Taupo Property in New Zealand in the amount of $246,000 (NZ$353,000) during Q2 2015, compared to the gain from the final closing of the second sale agreement of the Taupo property in New Zealand in the amount of $393,000 (NZ$585,000) realized in First Quarter 2016.

General and administrative expense

Non-segment general and administrative expense for 2016 increased by $6.8 million or 46%, to $21.7 million. Significant elements of this increase were as follows: (i) higher legal expenses ($3.2 million), (ii) release of overaccrual in prior years' bonus accruals during 2015 resulting in lower general & administrative expenses in 2015 ($1.6 million), (iii) additional expenses incurred in connection with the 2015 year-end audit ($960,000), (iv) expenses incurred in connection with the change in status of certain executives ($400,000), and (v) higher compensation expense relating to equity-based performance awards as a result of the introduction of restricted stock units ($419,000). The additional expenses incurred for the 2015 audit (not accrued in 2015) related to the further review of the Company's tax matters for prior years. We do not expect expenses incurred in connection with the year-end audit and the expenses connected with the change in status of certain executives to recur.

The increase in legal expenses in 2016 mainly relate to the defense of the derivative litigation, the arbitration of certain claims related to the termination of James J. Cotter, Jr. as our President and Chief Executive Officer and on a more limited basis, for the work undergone to improve corporate governance matters. While the legal costs incurred by the Company were undoubtedly high, we

believe that the majority of these costs were thrust upon the Company as it became necessary to vigorously defend the Company's position in the derivative litigation and to resolve Mr. Cotter, Jr.'s claims relating to his termination. As such, these costs should also be treated as non-recurring in nature.

For more information about the legal expense, please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

Casualty loss

Our parking structure at Courtenay Central in Wellington, New Zealand was significantly damaged by the earthquake on November 14, 2016 and was subsequently slated for demolition due to safety reasons. We filed an insurance claim to recover the impairment loss on the parking structure and the ancillary demolition costs. The $1.4 million casualty loss relates to the 5% deductible portion calculated based on the estimated value of the insured parking structure and the portion of demolition costs that may not be recoverable under our insurance policy. Refer to Note 20 – Asset Impairment and Other Losses Recoverable through Insurance Claim for further details.

Income tax expense

Income tax expense decreased by $1.1 million, or 22%, compared to 2015, mainly due to reduction in pre-tax income.

Interest expense, net

Interest expense (net of interest income) decreased by $522,000, or 7%, mainly due to a reduction in interest rates as a result of our renegotiation of loan arrangements, offset by an increase in loan balance necessitated by our capital project needs.

BUSINESS SEGMENT RESULTS – 2015 vs. 2014

Presented below is the comparison of the segment operating income for our two business segments for the years ended December 31, 2015 and 2014:

	2015		2014		% Change Favorable/(Unfavorable)	
(Dollars in thousands)	Cinema	Real Estate	Cinema	Real Estate	Cinema	Real Estate
Segments Revenues	$ 242,823	$ 21,579	$ 238,355	$ 24,348	2 %	(11) %
Segment Operating 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	$ 32,118	$ 6,796	$ 27,837	$ 9,475	15	%	(28)	%
Breakdown by country:								
United States	10,190	(450)	9,189	2,225	11	%	(120)	%
Australia	17,988	5,400	15,292	5,183	18	%	4	%
New Zealand	3,940	1,846	3,356	2,067	17	%	(11)	%
	$ 32,118	$ 6,796	$ 27,837	$ 9,475	15	%	(28)	%

The discussion for each segment follows:

Cinema Exhibition – 2015 vs. 2014

(Dollars in thousands)	2015	% of Revenue		2014	% of Revenue		2015 vs. 2014 Favorable / (Unfavorable)	
Revenues								
Admission revenue	$ 156,680	65	%	$ 157,253	66	%	--	%
Food & beverage revenue	69,184	28	%	66,333	28	%	4	%
Advertising and other revenue	16,959	7	%	14,769	6	%	15	%
Total Segment Revenues	$ 242,823	100	%	$ 238,355	100	%	2	%
Operating Expenses								
Cost of services and products (excl. depreciation and amortization)								
Film rent and advertising cost	$ (78,827)	(32)	%	$ (77,543)	(33)	%	(2)	%
Food & beverage cost	(12,856)	(5)	%	(12,587)	(5)	%	(2)	%
Occupancy expense	(45,376)	(19)	%	(47,155)	(20)	%	4	%
Other operating expense	(59,483)	(24)	%	(58,611)	(25)	%	(1)	%
Depreciation, amortization, and general and administrative expense								
Depreciation and amortization	(11,160)	(5)	%	(11,047)	(5)	%	(1)	%
General and administrative expense	(3,003)	(1)	%	(3,575)	(1)	%	16	%
Total Segment Expenses	$ (210,705)	(87)	%	$ (210,518)	(88)	%	--	%
Segment Operating Income	$ 32,118	13	%	$ 27,837	12	%	15	%

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Cinema segment operating income

Cinema segment operating income increased by 15%, or $4.3 million, to $32.1 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 F&B revenue in local currencies as result of higher attendance, more than offset by unfavorable foreign exchange movements. In New Zealand, cinema revenue decreased by $484,000 or 2%, mainly due to higher admission revenue and higher F&B 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.

Shown below is the revenue breakdown by country:

(Dollars in thousands)	2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Favorable / (Unfavorable)
United States	$ 133,423	55 %	$ 126,212	53 %	6 %
Australia	86,235	36 %	88,494	37 %	(3) %
New Zealand	23,165	10 %	23,649	10 %	(2) %
Total Segment Revenues	$ 242,823	100 %	$ 238,355	100 %	2 %

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 at Carmel Mountain Plaza in San Diego, California the opening of our new theater at LynnMall in Auckland, New Zealand, and cost relating to the preparation for closing our Gaslamp Cinema; 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 $575,000, or 16%, mainly driven by cost reductions from a favorable currency effect for expenses in Australia and New Zealand, and some cost savings in the U.S.

Real Estate – 2015 vs. 2014

(Dollars in thousands)	2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Favorable / (Unfavorable)
Revenues					
Live theater rental and ancillary income	$ 3,844	18 %	$ 3,343	14 %	15 %
Property rental income	17,735	82 %	21,005	86 %	(16) %
Total Segment Revenues	$ 21,579	100 %	$ 24,348	100 %	(11) %
Operating Expenses					
Cost of services and products (excl. depreciation and amortization)					
Live theater cost	$ (4,264)	(20) %	$ (1,591)	(7) %	(168) %
Property cost	(3,243)	(15) %	(3,826)	(16) %	15 %
Occupancy expense	(3,442)	(16) %	(4,353)	(18) %	21 %
Depreciation, amortization, and general and administrative expense					
Depreciation and amortization	(3,107)	(14) %	(4,061)	(17) %	23 %
General and administrative expense	(727)	(3) %	(1,042)	(4) %	30 %
Total Segment Expenses	$ (14,783)	(69) %	$ (14,873)	(61) %	1 %
Segment 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. For more information about the legal expense, please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

Revenue

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

Shown below is the revenue breakdown by country:

(Dollars in thousands)	2015	% of Revenue	2014	% of Revenue	2015 vs. 2014 Favorable / (Unfavorable)
United States	$ 5,342	25 %	$ 5,128	21 %	4 %
Australia	11,374	53 %	13,702	56 %	(17) %
New Zealand	4,863	23 %	5,518	23 %	(12) %
Total Segment Revenues	$ 21,579	100 %	$ 24,348	100 %	(11) %

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. For more information about the legal expense, please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

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.

NON-SEGMENT RESULTS – 2015 vs. 2014

Income tax benefit (expense)

Income tax expense increased by $14.1 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.

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 Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

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 insurance income related to the damage suffered by our Courtenay Central carpark building in 2014, as well as a $495,000 (AU$700,000) settlement relating to a historical personal injury claim with respect to an accident that occurred at one of our cinemas in Australia.

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.

LIQUIDITY AND CAPITAL RESOURCES

Our cinema exhibition business plan is to enhance our current cinemas where it is financially reasonable 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 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 explore potential synergistic acquisitions that may not readily fall into either our cinema or real estate segment.

The success of our Company is dependent on our ability to execute these business plans effectively through our available resources (both cash and available borrowing facilities) while still timely addressing our liquidity risk. Liquidity risk is the risk relating to our ability to meet our financial obligations when they come due. At the present, 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 or extension of maturity dates under reasonable arrangements, and/or to convert non-performing or non-strategic assets into cash.

The table below presents the changes in our total available resources (cash and borrowings), debt-to-equity ratio, working capital and other relevant information addressing our liquidity for the last five years:

($ in thousands)	2016	2015(2)	2014(2)	2013(3)	2012(3)
Net Cash from Operating Activities	$ 30,188	$ 28,574	$ 28,343	$ 25,183	$ 25,496
Total Resources (cash and borrowings)					
Cash and cash equivalents (unrestricted)	$ 19,017	$ 19,702	$ 50,248	$ 37,696	$ 38,531
Unused borrowing facility	117,599	70,134	45,700	19,400	23,300
Restricted for capital projects(1)	62,024	10,263	--	--	--
Unrestricted capacity	55,575	59,871	45,700	19,400	23,300
Total resources at 12/31	136,616	89,836	95,948	57,096	61,831
Total unrestricted resources at 12/31	74,592	79,573	95,948	57,096	61,831
Debt-to-Equity Ratio					
Total contractual facility	$ 266,233	$ 207,075	$ 201,318	$ 187,860	$ 219,897
Total debt (gross of deferred financing costs)	148,535	130,941	164,036	168,460	196,597
Current	567	15,000	38,104	75,538	28,714
Non-current	147,968	115,941	125,932	92,922	167,883
Total book equity	146,615	138,951	133,716	123,531	130,954
Debt-to-equity ratio	1.01	0.94	1.23	1.36	1.50
Changes in Working Capital					
Working capital (deficit)	$ 6,655	$ (35,581)	$ (15,119)	$ (75,067)	$ (25,074)

Current ratio	1.10	0.51	0.84	0.43	0.75
Capital Expenditures (including acquisitions)	$ 49,166	$ 53,119	$ 14,914	$ 20,082	$ 13,723

(1) This relates to the construction facilities specifically negotiated for: (i) Union Square redevelopment project, obtained in December 2016, and (ii) New Zealand construction projects, obtained in May 2015.

(2) Certain 2015 balances included the restatement impact as a result of a change in accounting principle (see Note 2 – Summary of Significant Accounting Policies – Accounting Changes). For 2014, no changes made, except for the Stockholders' Equity balance as of 12/31/2014, as we were not required to present the restatement numbers as of December 31, 2014 for Balance Sheet.

(3) Years 2013 and 2012 are periods not covered by the restatement as a result of a change in accounting principle. Except for the Stockholders' Equity balance as of 12/31/2013, no other changes made.

On or before the end of 2017, we expect to receive $42.3 million (AU$58.5 milion) in proceeds from the deferred sale of our Burwood property. On March 2, 2017, the Board of Directors has authorized a stock repurchase program to repurchase up to $25.0 million of Reading's Non-Voting Common Stock.

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. In recent years, our treasury management has been focused on more aggressive cash management using cash balances to reduce debt. In earlier years, we maintained significant cash balances in our bank accounts. We have used cash generated from operations and other excess cash, to the extent not needed for any capital expenditures, to paydown our loans and credit facilities providing us some flexibility on our available loan facilities for future use and thereby, reducing interest charges.

For the year ended December 31, 2016, we:

(i) refinanced the $15.0 million loan with Santander Bank, with a 3-year $20.0 million term loan through a new lender (Valley National Bank);
(ii) extended the maturity date of our $5.0 million Bank of America line of credit for two years, originally scheduled to mature in October 2017;
(iii) replaced the funding that we used to purchase the new U.S. Corporate Headquarters in Los Angeles through a new $8.4 million loan with 10-year repayment term; and,
(iv) successfully negotiated in December 2016 the $57.5 million 3-year term construction financing for our Union Square redevelopment project, $8.0 million of which was advanced before year-end to repay the existing $8.0 million Union Square mortgage loan with East West Bank, originally scheduled to mature in July 2017.

Refer to Note 10 – Debt in the Consolidated Financial Statements for further details on our various borrowing arrangements.

At December 31, 2016, our consolidated cash and cash equivalents totaled $19.0 million. Of this amount, $10.5 million, $6.3 million and $2.2 million were held by our U.S., Australian and New Zealand operations, 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.

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. As noted in the preceding table, we have $55.6 million unused capacity of available corporate credit facilities at December 31, 2016. In addition, we have $49.5 million and $12.5 million (NZ$18.0 million) unused capacity for Union Square development uses and construction funding for New Zealand, respectively.

The change in cash and cash equivalents for the three years ended December 31, 2016 is as follows:

				% Change	
				2016 vs.	2015 vs.
(Dollars in thousands)	2016	2015	2014	2015	2014
Net cash provided by operating activities	$ 30,188	$ 28,574	$ 28,343	6 %	1 %
Net cash used in investing activities	(42,861)	(29,710)	(9,898)	(44) %	(> 100) %
Net cash provided by (used in) financing activities	11,246	(27,961)	(3,275)	> 100 %	(> 100) %
Impact of exchange rate on cash	742	(1,449)	(2,618)	> 100 %	(45) %
Net increase (decrease) in cash and cash equivalents	$ (685)	$ (30,546)	$ 12,552	98 %	(> 100) %

Operating activities

2016 vs. 2015: Cash provided by operating activities for 2016 increased by $1.6 million or 6%, to $30.2 million, primarily driven by a $1.3 million increase in operational cash flows as a result of the increase in segment operating income.

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.

Investing activities

2016: In 2016, the $42.9 million of cash used in investing activities was mainly related to the $49.2 million capital expenditures, which included the following: (i) $11.2 million acquisition of the new Corporate Headquarters office in Los Angeles, (ii) expenditures relating to the fit-out and opening of Olino and enhancement to our existing cinemas, and (iii) expenditures relating to our various value creation projects, notably the Union Square redevelopment project and expansion projects for our Newmarket and Courtenay centers. These are offset by the $5.0 million advanced insurance settlement on our Courtenay Central parking structure earthquake damage and $831,000 proceeds from the sale closing of the Lake Taupo undeveloped land.

2015: In 2015, the $29.7 million of cash used in investing activities was mainly related to the $53.1 million capital expenditures, which included the $24.1 million (AU$33.4 million) purchase of the Cannon Park ETCs in Queensland, Australia and the $5.5 million (AU$7.6 million) purchase of a parcel of land and office building adjacent to our existing Newmarket shopping center, as well as enhancements to our existing properties, offset by $21.9 million dollars received from the sales of the Moonee Ponds properties (Australia), the Doheny condo in Los Angeles and the Lake Taupo sites (New Zealand).

Financing activities

2016: The $11.2 million of cash provided by financing activities was primarily due to the $17.9 million new loan advances (net of $63.7 million repayments), offset by expenditures relating to the following: (i) $4.0 million capitalized borrowing costs to negotiate new loan arrangements, specifically the new Union Square construction financing and the U.S. Corporate Headquarters term loan, and

(ii) $2.9 million cash outlays to complete our $10.0 million stock buyback program.

2015: The $28.0 million of cash used in financing activities in 2015 was primarily due to the $24.7 million net repayment of debt and $3.3 million used in our stock buyback program, offset by $492,000 proceeds from share option exercises.

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, 2016:

(Dollars in thousands)	2017	2018	2019	2020	2021	Thereafter	Total
Debt - current and non-current portion(1)	$ 567	$ 16,453	$ 95,793	$ 208	$ 218	$ 7,383	$ 120,622
Subordinated debt(1)	--	--	--	--	--	27,913	27,913
Tax settlement liability	--	--	--	--	2,653	--	2,653
Pension liability	2,223	684	684	684	684	2,996	7,955
Village East purchase option(2)	5,900	--	--	--	--	--	5,900
Lease obligations	31,335	27,148	24,776	18,136	14,348	126,677	242,420
Estimated interest on debt(3)	5,828	5,432	4,274	1,711	1,701	9,038	27,984
Total	$ 45,853	$ 49,717	$ 125,527	$ 20,739	$ 19,604	$ 174,007	$ 435,447

(1) Information is presented gross of deferred financing costs.
(2) Represents the lease liability of the option associated with the ground purchase of the Village East cinema.
(3) 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 Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report for more information.

Off-Balance Sheet Arrangements

Other than the operating lease arrangements detailed in Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report, 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

Our 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 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 our Company's policy to enter into interest rate derivative transactions only to the extent considered necessary to meet its objectives as stated above. Our 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.

CRITICAL ACCOUNTING ESTIMATES

We believe that the application of the following accounting policies requires significant judgments and estimates in the preparation of our Consolidated Financial Statements and hence, are critical to our business operations and the understanding of our financial results:

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.

(i) Impairment of Long-lived Assets (other than Goodwill and Intangible Assets with indefinite lives) – we evaluate our long-lived assets and finite-lived intangible assets using historical and projected data of cash flows 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 or for those assets with no consistent historical or projected cash flows, 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 three years ended December 31, 2016, other than the write-down of the carrying amount of our parking structure adjacent to our Courtenay Central ETC in Wellington, New Zealand due to earthquake damage during the 4th quarter of 2016. Refer to Note 20 – Asset Impairment and Other Losses Recoverable through Insurance Claim for further details.

(ii) Impairment of Goodwill and Intangible Assets with indefinite lives – 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 three years ended December 31, 2016.

Business Combination

In recent years, our business acquisition efforts have been focused on our real estate segment. For real estate acquisitions meeting the definition of a "business" in accordance with ASC 805, Business Combinations, the assets acquired and the liabilities assumed are recorded at their fair values as of the acquisition date. To accomplish this, we typically obtain third party valuations to allocate the purchase price to the assets acquired and liabilities assumed, including both tangible and intangible components. The determination of the fair values of the acquisition components and its related determination of the estimated lives of depreciable tangible assets and amortizing intangible assets/liabilities require significant judgment and several considerations, as described in more detail in the section "Business Acquisition Valuation and Purchase Price Allocation" in Note 2 – Summary of Significant Accounting Policies to the Consolidated Financial Statements.

Recognition of Gift Card Breakage Income

Generally, our revenue recognition is not assessed as an area requiring significant judgment and estimation in that our revenues from ticket and food and beverage sales are recognized when collected principally in cash or credit card at our theatre locations and through our online selling channels. In regards our real estate business, we execute lease contracts for existing tenancies, but revenue is recognized on a straight-line basis over the lease term.

Prior to 2014, we recognized revenue for our gift cards and gift certificates issued in the U.S., which do not expire and have no dormancy fees, only when they were redeemed. At the end of fourth quarter of 2016, we determined that we have sufficient historical information to recognize breakage income on them. Based on our review of our own historical redemption patterns using company-wide data accumulated over many years, we considered it preferable to estimate a certain percentage of our gift card and gift certificate sales to be recorded as breakage income as it better reflects of our historical redemption patterns and our earnings process. Effectively, we concluded that a portion of these sales may have a remote likelihood of redemption based on our own historical redemption patterns and thus the liability is derecognized for them. We will continue to review historical gift card redemption information at each reporting period to assess the continued appropriateness of the gift card breakage rates and pattern of redemption. Please refer to Note 2 – Summary of Significant Accounting Policies – Accounting Changes for the impact of this accounting change.

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, 2016, we had recorded approximately $39.3 million of deferred tax assets (net of $10.4 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 $10.6 million resulting in a net deferred tax asset of $28.7 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.

Contingencies (including the insurance recoverability of losses incurred as a result of the recent earthquake in New Zealand)

For loss contingencies, we record any loss contingencies if the following two conditions are satisfied: (a) there is a "probable" likelihood that the liability had been incurred, that is, there is virtual certainty that we will eventually make payments as a result of an obligating past event, and (b) the amount of the loss can be reasonably estimated.

For other contingencies,

(i) for recoveries through an insurance claim, we record a recoverable asset (not to exceed the amount of the total losses incurred) only when the collectability of such claim is considered probable. To evaluate the probable collectability of an insurance claim, we consider communications with our insurance company.
(ii) for gain contingencies resulting from legal settlements, we record those settlements in our consolidated statements of operations when cash or other forms of payments are received.

Here are the discussions in regards our significant contingencies during 2016:

Legal contingencies

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 have probable likelihood of occurrence and can be properly estimated as to their expected negative

outcome. We do not record expected gains until the proceeds (either in cash or other forms of payments) are received by us. Please refer to Note 12 – Commitments and Contingencies to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report for more information on legal matters.

Contingencies arising from earthquake damage on our Courtenay Central parking garage

We filed an insurance claim with our Insurer shortly after the earthquake incident. Our policy allows us to record a recoverable asset (to the extent of incurred losses) only when the collectability is probable. We have recorded certain incurred losses, consisting of the (i) written down carrying value of the damaged parking structure and (ii) certain losses related to the demolition activities, net of any expected insurance recovery, as discussed more fully in Note 20 – Asset Impairment and Other Losses Recoverable Through Insurance Claim to the Consolidated Financial Statements.

For a summary of our significant accounting policies, including the critical accounting estimates discussed above, see Note 2 to the Consolidated Financial Statements included herein in Part II, Item 8 (Financial Statements and Supplementary Data) on this report.

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, 2016, approximately 42% and 18% of our assets were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately $8.5 million in cash and cash equivalents. At December 31, 2015, approximately 46% and 19% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately $10.4 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. 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 an increase of $142,000 for the year ended December 31, 2016. 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 73% and 53% 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 $12.5 million and $3.9 million, respectively, and the change in our net income for the year would be $1.1 million and $45,000, 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 $14.8 million and $14.6 million as of December 31, 2016 and 2015, 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 $1.2 million increase or decrease in our 2016 interest expense.

Item 8 – Financial Statements and Supplementary Data

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