

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

FORM 10-K

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

For the fiscal year ended December 31, 2007

or

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

For the transition period from _____ to _____

Commission File No. 1-8625



READING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of incorporation or organization)
500 Citadel Drive, Suite 300
Commerce, CA
(Address of principal executive offices)

95-3885184
(I.R.S. Employer Identification Number)

90040
(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	American Stock Exchange
Class B Voting Common Stock, \$0.01 par value	American Stock Exchange

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 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 17, 2007, there were 20,992,909 shares of Class A Non-voting Common Stock, par value \$0.01 per share and 1,495,490 shares of Class B Voting Common Stock, par value \$0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was \$153,983,000 as of March 26, 2007.

READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2007
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PART I

Item 1 – Our Business

General Description of Our Business

Reading International, Inc., a Nevada corporation (“RDI”), was incorporated in 1999 incident to our reincorporation in Nevada. However, we trace our corporate roots back to the Reading Railroad and its corporate predecessors, first incorporated in 1833. Our Class A Nonvoting Common Stock (“Class A Stock”) and Class B Voting Common Stock (“Class B Stock”) are listed for trading on the American Stock Exchange under the symbols RDI and RDI.B. Our principal executive offices are located at 500 Citadel Drive, Suite 300, Commerce, California 90040. Our general telephone number is (213) 235-2240. Our website can be found at www.readingrdi.com. In this Annual Report, we from time to time use terms such as the “Company,” “Reading” and “we,” “us,” or “our” to refer collectively to RDI and our various consolidated subsidiaries and corporate predecessors.

We are an internationally diversified company principally focused on the ownership and development of land and brick, mortar entertainment and real property assets. Our businesses consist primarily of:

- the development, ownership and operation of multiplex cinemas in the United States, Australia, and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed retail centers (“ETRCs”) in Australia and New Zealand and live theater assets in Manhattan and Chicago in the United States.

Recognizing that we are part of a world economy, we endeavor to keep a balance between our US and overseas assets. Taking into account acquisitions made in February 2008 as described more fully below, we currently have approximately 35% of our assets (based on book value) in the United States, 44% in Australia and 21% in New Zealand.

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

Consistent with this philosophy, on February 22, 2008 we acquired from two commonly owned companies, Pacific Theatres and Consolidated Amusement Theatres, substantially all of their cinema assets in Hawaii, San Diego County, and Northern California for \$69.3 million. In total, we acquired fourteen mature leasehold cinemas and the management rights to one additional mature cinema, representing a total of 181 screens. In saying that these cinema are “mature” we mean that they have been in operation for some years, and are, in our view, proven performers in their markets. For the fiscal year ended December 28, 2007, we estimate that these theatres produced gross revenues of approximately \$78.0 million. We refer to these cinemas from time to time in this report as Consolidated Cinemas. While this was a major acquisition for us, we believe it to have been a reasonably conservative investment, given the mature status of these assets and the fact that our Chairman and Chief Operating Officer are both familiar with these assets and the markets in which they operate due to their prior association with the sellers.

Our acquisition of the Consolidated Cinemas was financed, principally with a combination of commercial lenders institutional finance (\$50.0 million) and seller finance (\$21.0 million). Accordingly, our investment was approximately \$2.2 million to cover for transaction related costs and expenses such as attorneys’ fees, financing fees,

and transfer fees. Reading International, our parent company, has provided a guarantee on the commercial lending up until the time when the leverage ratio reaches a 2.75 to 1.00. The sellers financing is recourse to companies having as their only assets the Consolidated Cinemas and two of our domestic cinemas, our Manville and Angelika Dallas cinemas.

While we have not yet completed a 2007 audit of the results of the operation of these cinema assets, we believe based upon information provided to us by the sellers that these cinemas generated approximately \$78.0 million in gross revenue for the twelve months ended December 31, 2007 as compared to gross revenues of approximately \$76.7 million for the twelve months ended December 31, 2006. This compares to approximately \$103.5 million in revenue for our existing cinemas for the year ended December 31, 2007. While the ultimate purchase price is subject to various downward adjustments (including adjustments to reflect currently anticipated competition from announced cinema developments in the markets serviced by Consolidated Cinemas), we believe that the purchase price represents an approximately 5.5X EBITDA multiple, based upon the proforma EBITDA for these cinemas (calculated without reference to general and administrative costs incurred at levels above the cinema operating level) used in our evaluation of the purchase of these assets. We believe that these cinemas represented an approximately 70% market share of Hawaii and 12% market share of the San Diego County cinema markets for this period. For book purposes, we will carrying Consolidated Cinemas at an initial value of \$69.3 million, but as previously noted, this price is subject to adjustment. While no assurances can be given, we currently anticipate a reduction in this amount of between \$6.25 million and \$22.7 million, depending principally upon competitive developments over the next several years.

We also acquired for 5.1 million (AUS\$6.0 million) a 20% interest in Becker Group Limited ("BGL"), which is in the art film exhibition and distribution business in Australia and the television remote and special event broadcast business in Australia and New Zealand. In February, BGL announced that it had entered into an agreement to sell its cinema and film distribution business for approximately \$18.4 million (AUS\$21.0 million) in cash to Icon Film Distribution Pty Limited (a company associated with Mel Gibson). BGL is controlled by Prime Media Group Limited, which owns approximately 76% of the outstanding shares of that company.

We are currently in discussions with the owners of other cinema circuits as to the possible acquisition of one or more of those circuits or in some cases, for portions of the cinema assets being offered for sale. In New Zealand, SkyCity Cinemas has announced its interest in selling its New Zealand circuit and we have made a non-binding proposal to acquire a substantial portion of those assets. However, no assurances can be given as to the ultimate outcome of those discussions, and we are limited by our confidentiality arrangements from discussing the details of our proposals. We are also in discussion with the owner of a circuit in the United States, but again those discussions are subject to a confidentiality agreement.

On the real estate front, we acquired the long-term ground lease interest underlying our Tower Theatre in Sacramento, we acquired directly fee interests in New Zealand representing some 16,000 square feet of land and some 25,000 square feet of improvements, and through our affiliate, Landplan Property Partners, Ltd ("Landplan") acquired two developmental properties in New Zealand representing some 2.8 million square feet of land, and 8,700 square feet of current improvements, for a total purchase price of \$20.6 million.

Financing

Historically, we have endeavored to match the currency in which we have financed our development with the jurisdiction within which these developments are located. However, believing that the US Dollar was likely to materially decrease in value versus the New Zealand and Australian Dollars, in February 2007 we privately placed \$50.0 million of 20-year Trust Preferred Securities, with dividends fixed at 9.22% for the first five years, to serve as a long term financing foundation for our real estate assets and to pay down our New Zealand and Australia Dollar denominated debt.

There are no principal payments until maturity in 2027 when the notes are paid in full. Although structured as the issuance of trust preferred securities by a related trust, the financing is essentially the same as an issuance of fully subordinated debt: the payments are tax deductible to us and the default remedies are the same as debt. The net proceeds of this issuance were used principally to retire all of our then outstanding bank indebtedness in New Zealand of \$34.4 million (NZ\$50.0 million) and to pay down our bank indebtedness in Australia by \$5.8 million (AUS\$7.4 million).

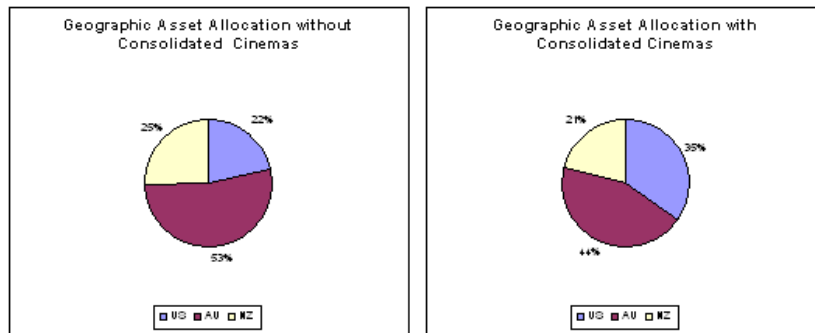
Summary

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

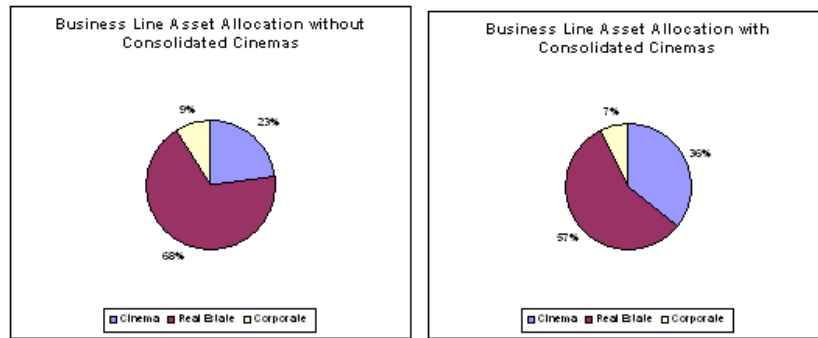
At December 31, 2007, our assets include:

- interests in 44 cinemas comprising some 286 screens;
- fee ownership of approximately 1.1 million square feet of developed commercial real estate, and approximately 15.3 million square feet of land (including approximately 5.2 million square feet of land held for development), located principally in urbanized areas of Australia, New Zealand and the United States;
- cash, cash equivalents and investments in marketable securities aggregating \$20.8 million;
- a 25% interest in the limited liability company that developed *Place 57*, the 36-story, 68-residential unit mixed use condominium project on 57th Street near 3rd Avenue in Manhattan, the principal remaining asset of which is approximately 3,700 square feet of retail space on the ground floor of that building onto 57th Street;
- an approximately 20% interest in BGL, described above; and
- an 18.4% interest in Malulani Investments Limited ("MIL"), a private Hawaiian corporation whose assets consist primarily of real estate, including approximately 22,000 acres of land (a portion of which is improved with the Guenoc Winery and vineyards), located in Napa and Lake Counties, in California.

At December 31, 2007, the book value of our assets was approximately \$346.1 million; and as of that same date, we had a consolidated stockholders' book equity of approximately \$121.4 million. Calculated based on book value, nearly 68% of our assets, or approximately \$235.3 million, relates to our real estate activities. Calculated based on book value, nearly 78% of our assets, or approximately \$270.9 million, represents assets located in Australia and New Zealand. However, taking into account our acquisition of Consolidated Cinemas, this allocation is now approximately 57% and 65% respectively.



At December 31, 2007, the allocation between our cinema assets and our non-cinema assets was approximately 23% and 77%, respectively. However, taking into account our acquisition of Consolidated Cinemas, this allocation is now approximately 36% and 64%, respectively.



We believe that, given the nature of our real estate oriented balance sheet, our development activities, and the appreciation enjoyed by real estate assets over the past several years, that our book value substantially understates the fair market value of our assets.

Summary of Our Cinema Exhibition Activities

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

- first, notwithstanding the enormous advances that have been made in home entertainment technology, humans are essentially social beings, and will continue to want to go beyond the home for their entertainment, provided that they are offered clean, comfortable and convenient facilities, with state of the art technology;
- second, cinemas can be used as anchors for larger retail developments, and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate exclusively with third party anchor tenants;
- third, pure cinema operators can get themselves into financial difficulty as demands upon them to produce cinema based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites. While we believe that there will continue to be attractive cinema acquisition opportunities in the future, and believe that we have taken advantage of one such opportunity through our purchase of Consolidated Cinemas, we do not feel pressure to build or acquire cinemas for the sake of simply adding on units, and intend to focus our cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us; and
- fourth, we are never afraid to convert an entertainment property to another use, if that is a higher and better use of our property, or to sell individual assets, if we are presented with an attractive opportunity. Our former Sutton Theater, for example, provided the real estate base for our Place 57 development.

Our current cinema assets are described in the following chart:

	Wholly Owned	Consolidated ¹	Unconsolidated ²	Managed ³	Totals
Australia	16 cinemas 120 screens	3 cinemas 16 screens	1 cinema ⁴ 16 screens	None	20 cinemas 152 screens
New Zealand	9 cinemas 48 screens	None	6 cinemas ⁵ 30 screens	None	15 cinemas 78 screens
United States	6 cinemas 41 screens	1 cinema ⁶ 6 screens	None	2 cinemas 9 screens	9 cinemas 56 screens
Totals without Consolidated Cinemas	31 cinemas 209 screens	4 cinemas 22 screens	7 cinemas 46 screens	2 cinemas 9 screens	44 cinemas 286 screens
Consolidated Cinemas	14 cinemas 173 screens	None	None	1 cinema 8 screens	15 cinemas 181 screens
Totals with Consolidated Cinemas	45 cinemas 382 screens	4 cinemas 22 screens	7 cinemas 46 screens	3 cinemas 17 screens	59 cinemas 467 screens

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

² Cinemas owned and operated through unconsolidated subsidiaries.

³ Cinemas in which we have no ownership interest, but which are operated by us under management agreements.

⁴ 33.3% unincorporated joint venture interest.

⁵ 50% unincorporated joint venture interests.

⁶ The Angelika Film Center and Café in Manhattan is owned by a limited liability company in which we own a 50% interest with rights to manage.

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

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

With the exception of certain of our joint venture cinemas, we operate and book all of our cinemas on an "in-house" basis, through cinema executives located in Manhattan, Melbourne, Australia and Wellington, New Zealand.

Summary of Our Real Estate Activities

Our real estate activities have historically consisted principally of:

- the ownership of fee or long term leasehold interests in properties used in our cinema exhibition and live theater activities or which were acquired in anticipation of the development of cinemas or ETRCs;
- the acquisition of fee interests for the development of cinemas or ETRCs; and
- the redevelopment of existing cinema sites to their highest and best use.

For example, *Place 57*, a 36-story 68-residential unit mixed-use condominium project on 57th Street near 3rd Avenue was the result of the redevelopment of one of our Manhattan cinema sites. Recently, however, we have begun to diversify into other types of real estate investments.

In 2006, we formed Landplan Property Partners, Ltd, to identify, acquire and develop or redevelop properties on an opportunistic basis. Typically, properties are acquired or held in individual special purpose entities. We refer to Landplan Property Partners, Ltd, collectively with these special purpose entities as "Landplan." As of December 31 2007, Landplan has acquired one property in Australia and two properties in New Zealand for an aggregate investment of \$16.0 million.

In addition, we have acquired an approximately 18.4% common equity interest in Malulani Investments Limited, a closely held Hawaiian company which currently owns approximately 22,000 acres of agricultural land in Northern California. Included among Malulani's assets are the Guenoc Winery, consisting of approximately 400 acres of vineyard land and a winery configured to bottle up to 120,000 cases of wine annually and Langtry Estates and Vineyards. This land and commercial real estate holdings are encumbered by debt.

To date, we have developed, in Australia and New Zealand, three ETRCs comprising approximately 337,000 square feet of development and the shopping center component of a fourth proposed ETRC, comprising some 100,000 square of development. The 100,000 square feet of shopping center space in this fourth proposed ETRC is fully leased, and it is anticipated that the cinema component will be completed in 2009.

Our US holdings include the fee interest in three live theatres in Manhattan (the Union Square, Orpheum and Minetta Lane) a multi-stage live theatre in Chicago (the Royal George) and a 75% interest in the limited liability company that owns the fee interest in our Cinemas 1, 2 & 3 property in Manhattan.

In total, taking into account the acquisition of Consolidated Cinemas, on a consolidated basis, we own approximately 15.3 million square feet of land and approximately 2.3 million square feet of improvements, of which approximately 1.7 million square feet is leased by us as tenant under various cinema leases.

Our real estate activities, holdings, and development are described in more detail in the Item 2 – Properties.

Certain Segment and Geographical Distribution Information

Financial Information about our various segments is set out in Note 22 – *Business Segments and Geographic Area Information*.

The following table sets forth the book value of our property and equipment by geographical area as of December 31, 2007 (dollars in thousands):

	December 31,	
	2007	2006
Australia	\$ 90,956	\$ 86,317
New Zealand	44,030	38,772
United States	43,188	45,578
Property and equipment	\$ 178,174	\$ 170,667

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

	December 31,		
	2007	2006	2005
Australia	\$ 63,657	\$ 53,434	\$ 47,181
New Zealand	24,371	21,230	20,179
United States	31,207	31,461	30,745
Total Revenues	\$ 119,235	\$ 106,125	\$ 98,105

We Are a Controlled Company under American Stock Exchange Rules and Regulations

We are a "Controlled Company" under Section 801(a) of the American Stock Exchange Company Guide. Accordingly, we are not subject to the American Stock Exchange requirements that at least half of our directors be independent or that we have an independent nominating committee.

As of December 31, 2007, we had outstanding 20,987,115 shares of our Class A Stock and 1,495,490 shares of our Class B Stock. As of this same date, Mr. James J. Cotter was our controlling stockholder, with fully diluted beneficial ownership of 1,123,888 shares of our Class B Stock, representing approximately 70.4% of such shares. In addition, Mr. Cotter, his affiliates, and members of his immediate family are the fully diluted beneficial owners of 5,610,833 shares of our Class A Stock. Collectively, their beneficial ownership represents approximately 30.0% of our aggregate outstanding Class A Stock and Class B Stock.

Mr. Cotter and two of his children, Margaret Cotter and James J. Cotter, Jr., currently serve as three of the eight members of our Company's Board of Directors. Mr. James J. Cotter, Jr. is the Vice-Chairman of our Company. Ms. Ellen Cotter, also a child of Mr. Cotter, Sr., is the Chief Operating Officer for our Domestic Cinemas and will be responsible for running the recently acquired Consolidated Cinemas. A company wholly owned by Ms. Margaret Cotter manages our live theater operations. Sutton Hill Capital (a partnership in which Mr. Cotter (i) owns a 50% interest) owns a 25% interest in the limited liability company that owns our Cinemas 1, 2 & 3 property in Manhattan, (ii) owns the ground lease interest and is the sublandlord under our sublease of our Village East property, also in Manhattan, and (iii) holds notes issued by RDI in the amount of \$14.0 million.

The Cotter Family has advised us that they consider their investment in our Company to be a long term investment, and that they do not currently contemplate any change of control transaction with respect to the Company or any material portion of its assets.

A discussion of related party transactions is set forth in Note 25 – *Related Parties and Transactions* to the 2007 Consolidated Financial Statements.

A More Detailed Description of Our Business

Our Pacific Rim Cinema Operations (Australia and New Zealand)

General

On a consolidated basis, we currently own or operate 19 cinemas consisting of 136 screens in Australia, and 15 cinemas with 78 screens in New Zealand. We also own, directly or indirectly, 50% unincorporated joint venture interests in six cinemas, consisting of 30 screens, in New Zealand and a 33% unincorporated joint venture interest in a 16-screen cinema in the Brisbane area of Australia.

We commenced activities in Australia in mid-1995, conducting business in Australia through our wholly owned subsidiary, Reading Entertainment Australia Pty Ltd ("REA" and, collectively with its consolidated subsidiaries, "Reading Australia").

We commenced operations in New Zealand in 1997, conducting operations in New Zealand through our wholly owned affiliate, Reading New Zealand Limited ("RNZ" and collectively with its consolidated subsidiaries, "Reading New Zealand").

Our Australian and New Zealand cinemas derive approximately 73% of their 2007 revenues from box office receipts. Ticket prices vary by location, and provide for reduced rates for senior citizens and children. Box office receipts are reported net of state and local sales or service taxes. Show times and features are placed in advertisements in local newspapers with the costs of such advertisements paid by the exhibitor. Film distributors may advertise certain feature films and pay the cost of such advertising. Film rental costs average approximately 42% of box office revenues in Australia and in New Zealand.

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Concession sales account for approximately 24% and 22% of our total 2007 revenues in Australia and New Zealand, respectively. Concession products primarily include popcorn, candy, and soda; although certain of Reading's Australia and New Zealand cinemas have licenses for the sale and consumption of alcoholic beverages. During 2007, we realized a gross margin on concession sales of approximately 22% and 26% in Australia and New Zealand, respectively.

Screen advertising and other revenues contributed approximately 4% and 5% of our total 2007 revenues in Australia and New Zealand, respectively. The screen advertising business in Australia and New Zealand has moved to prominently 35mm film advertisements by national advertisers. Local advertising is undertaken by individual cinema operators on a site-by-site basis and is largely undertaken via the improved technology offered by digital projection. Our cinemas, where it is applicable, undertake slide advertising as an ancillary function to the overall cinema business.

Joint Venture Interests

Two of our cinemas, consisting of 11 screens and located in country towns, are owned by Australia Country Cinemas Pty, Limited ("ACC"), a company owned 75% by Reading Australia and 25% by a company owned by an individual familiar with the market for cinemas in country towns. ACC has a limited right of first refusal to develop any cinema sites identified by Reading Australia that are located in country towns. Our interest in this joint venture is reported on a consolidated basis.

One of our cinemas, a 5-screen facility in Melbourne, is owned by a joint venture in which we have a 66.6% unincorporated joint venture interest with the original owner. Our interest in this joint venture is likewise reported on a consolidated basis.

Through Rialto Entertainment, we are a 50% joint venture partner with SkyCity Leisure Ltd ("Sky") in Rialto Cinemas, the largest art cinema circuit in New Zealand. The joint venture owns or manages five cinemas with 22 screens in the New Zealand cities of Auckland, Wellington, Dunedin, Hamilton, and Christchurch. All of the cinemas are in leased facilities. Our interest in this joint venture is accounted for using the equity method.

We also own a one-third interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. The remaining 2/3rd interest is owned by the founders of the company, who have been in the art film distribution business since 1993. While prior to our acquisition of this interest in late 2005, we have not historically been involved in the distribution of film, we believe that this investment complements our cinema exhibition operations in Australia and New Zealand and could potentially complement our art film exhibition activities in the United States. Our interest in this joint venture is accounted for using the equity method.

One of our cinemas, consisting of eight screens, in Botany Downs, New Zealand is held in a 50/50 unincorporated joint venture with Everard Entertainment. We also have a 33% unincorporated joint venture interest in a 16-screen multiplex cinema located in a suburb of Brisbane, and operated under the Birch Carroll & Coyle name. Our interest in these joint ventures is accounted for using the equity method.

Management of Cinemas

Our employees manage Reading Australia's wholly owned and consolidated cinemas and Reading New Zealand's wholly owned cinemas. Our six New Zealand joint venture cinemas are operated by two joint ventures in which Reading New Zealand is, directly or indirectly, a 50% joint venture partner. While our employees are actively involved in the management of the Botany Downs joint venture, the management of the five cinemas operated under the *Rialto* name is, generally speaking, performed by Sky, while we are principally responsible for the booking of the Rialto Cinemas. The 16-screen Brisbane joint venture cinema is operated under the supervision of a management committee over which each of the joint venture partners holds certain veto rights and is managed by Birch Carroll & Coyle.

Background Information Concerning Australia

Australia is a self-governing and fully independent member of the Commonwealth of Nations. The constitution resembles that of the United States in that it creates a federal form of government, under which the powers of the central government are specified and all residual powers are left to the states. The country is organized into five mainland states (New South Wales, Queensland, South Australia, Victoria and Western Australia), one island state (Tasmania) and two territories (Australian Capital Territory and the Northern Territory).

The ceremonial supreme executive is the British monarch, represented by the governor-general and in each of the six states by a governor. These officials are appointed by the British monarch, but appointments are always recommended by the Australian government. True executive power rests with the prime minister, the leader of the majority party in the House of Representatives. The legislature is bicameral, with a Senate and a House of Representatives, and the ministers are appointed by the prime minister from the membership of the House and the Senate. The organization of the state government is similar to that of the central government. Each state has an appointed governor, an elected premier, and a legislature.

Australia is the sixth largest country in the world in landmass with a population of approximately 20.4 million people. This population is concentrated in a few coastal urban areas, with approximately 4.1 million in the greater Sydney area, 3.9 million in the greater Melbourne area, 1.8 million in the Brisbane area, 1.5 million in Perth and 1.1 million in Adelaide. Australia is one of the richest countries in the world in terms of natural resources per capita and one of the most economically developed countries in the world, although vast areas of the interior, known as "the Outback," remain all but uninhabited. The principal language is English, and the largest part of the population traces its origin to Britain and Europe, although an increasing portion of the population has emigrated from the Far East. Australian taste in film has historically been similar to that of American audiences.

Internal trade is dominated by the two most populous states, New South Wales (mainly Sydney) and Victoria (mainly Melbourne). Together these two states account for a majority of all wholesale trade and a significant percentage of retail sales. At the present time, Australia's principal trading partners are Japan and the European Union.

Australia does not restrict the flow of currency into the country from the U.S. or out of Australia to the U.S. Also, subject to certain review procedures, U.S. companies are typically permitted to operate businesses and to own real estate. On July 1, 2000, Australia implemented a goods and services tax ("GST") on all goods and services at a consistent rate of 10%. We do not believe that the GST has had a significant impact on our business.

Background Information Concerning New Zealand

New Zealand is also a self-governing member of the Commonwealth of Nations. It is comprised of two large islands, and numerous small islands, with a total land area of approximately 104,500 square miles. The country has a population of approximately 4.1 million people, most of who are of European descent and the principal language is English. Wellington, with a population of approximately 550,000, is the capital and Auckland, with a population of approximately 1.3 million, is the largest city. Most of the population lives in urban areas.

New Zealand is a prosperous country with a high standard of social services. The national economy is largely dependent upon the export of raw and processed foods, timber, and machinery. Principally a trading nation, New Zealand exports about 30% of its gross national product. In the past (particularly before the United Kingdom entered the Common Market in 1973), New Zealand's marketing focused on a small number of countries, principally the United Kingdom. Currently, only approximately 5% of New Zealand's trade is with the United Kingdom. Australia and the United States are New Zealand's principal trading partners. New Zealand's economy remains sensitive to fluctuations in demand for its principal exports.

Like Australia, New Zealand has a largely ceremonial governor-general, appointed by the Queen of England. However, the executive branch is run by a prime minister, typically the leader of the majority party in Parliament, and appointed ministers (typically chosen from the members of Parliament). The Parliament is elected by universal adult suffrage using a mixed member proportional system. Under this system, each voter casts two votes at the federal level, one for a local representative and one for a party. Fifty percent of the 120 seats in Parliament are determined by the direct election of local representatives, and the remaining fifty percent are elected based upon the number of votes garnered by the parties. The Prime Minister and his cabinet serve so long as they retain the confidence of the Parliament.

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With the exception of special excise taxes on tobacco, liquor, petroleum products and motor vehicles the only general sales tax is a GST imposed on all such services at the consistent rate of 12.5%. In effect, by a series of refunds, GST is only paid by the end-user of the goods or services in question. Resident companies pay income tax at a rate of 33%; however, dividend imputation credits generally prevent double taxation of company profits. There are no restrictions on repatriation of capital or profits, but some payments to overseas parties are subject to withholding tax. There is no capital gains tax, and there are tax treaties with many countries, including the United States.

The laws for monitoring and approving significant overseas investment into New Zealand reflect the country's generally receptive attitude towards such investment and the generally facilitating nature of the country's foreign investment policies. One hundred percent overseas ownership can be approved in nearly all industry sectors, including motion picture exhibition and distribution. A review process is also applicable to certain land transactions and the purchase of businesses or assets having a value of NZ\$100,000 or more.

Licensing/Pricing

Films exhibited in Australia and New Zealand are licensed under agreements with major film distributors and several local distributors who distribute specialized films. Film exhibitors are provided with an opportunity to view films prior to negotiating with the film distributor the commercial terms applicable to its release. Films are licensed on a film-by-film, theater-by-theater basis. Reading Australia and Reading New Zealand license films from all film distributors as appropriate to each of our cinema location. Generally, film payment terms are based upon various formulas that provide for payments based upon a specified percentage of box office receipts.

Competition

The film exhibition market in both Australia and New Zealand is highly concentrated and, in certain cases in Australia, vertically integrated. The principal exhibitors in Australia include a joint venture of Greater Union and Village (GUV) in certain suburban multiplexes. The major exhibitors control approximately 68% of the total cinema box office: Village/Greater Union/Birch Carroll and Coyle 45% and Hoyts Cinemas ("Hoyts") 21%. Greater Union have 243 screens nationally; Village 218 screens; Birch Carroll & Coyle (a subsidiary of Greater Union) 230 screens and Hoyts 333 screens. By comparison, our cinemas represent approximately 6% of the total box office.

The major players in New Zealand are Sky Cinemas with 94 screens nationally, Reading with 59 screens (not including partnerships), and Hoyts with 61 screens. The major exhibitors in New Zealand control approximately 71% of the total box office: Sky Cinemas 31%, Reading 21% and Hoyts 19%, (Sky and Reading market share figures again do not include any partnership theaters). Sky has announced that it is interested in selling its cinema assets and is currently conducting a controlled auction of those assets. We have made a proposal to acquire a portion of those assets. We understand that Hoyts is also interested in acquiring all or some substantial portion of those assets. Due to antitrust limitations, we believe it unlikely that either Hoyts or we would be permitted by the New Zealand anti-trust authorities to acquire all of Sky's New Zealand cinema assets.

In 2003, we acquired a 33% unincorporated joint venture interest in an existing 16-screen cinema located in suburban Brisbane that is currently owned in principal part by Village and Birch Carroll & Coyle. This is our only joint venture arrangement with any of the Major Exhibitors in Australia. We are a 50/50 joint venture partner with Sky in the Rialto circuit in New Zealand.

Greater Union is the owner of Birch Carroll & Coyle. Generally speaking, all new multiplex cinema projects announced by Village are being jointly developed by a joint venture comprised of Greater Union and Village. These companies have substantial capital resources. Village had a publicly reported consolidated net worth of approximately \$709.8 million (AUS\$808.8 billion) at June 30, 2007. The Greater Union organization does not separately publish financial reports, but its parent, Amalgamated Holdings, had a publicly reported consolidated net worth of approximately \$445.4 million (AUS\$507.6 million) at June 30, 2007. Hoyts does not separately publish financial reports. Hoyts is currently owned by Pacific Equity Partners.

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

In our view, the principal competitive restraint on the development of our business in Australia and New Zealand is the limited availability of good sites for future development. We already have access to substantially all first run film on competitive terms at all of our cinemas. However, our competitors and certain major commercial real estate interests have historically utilized land use development laws and regulations in Australia to prevent or delay our construction of freestanding cinemas in new entertainment oriented complexes, particularly where those complexes are located outside of an established central business district or shopping center development. We also face ongoing competition for alternative sources of entertainment, including, in particular, increased compensation from in-the-home viewing alternatives. These competitive issues are discussed in greater detail below under the caption, *Competition*, and under the caption, Item 1A - Risk Factors.

Currency Risk

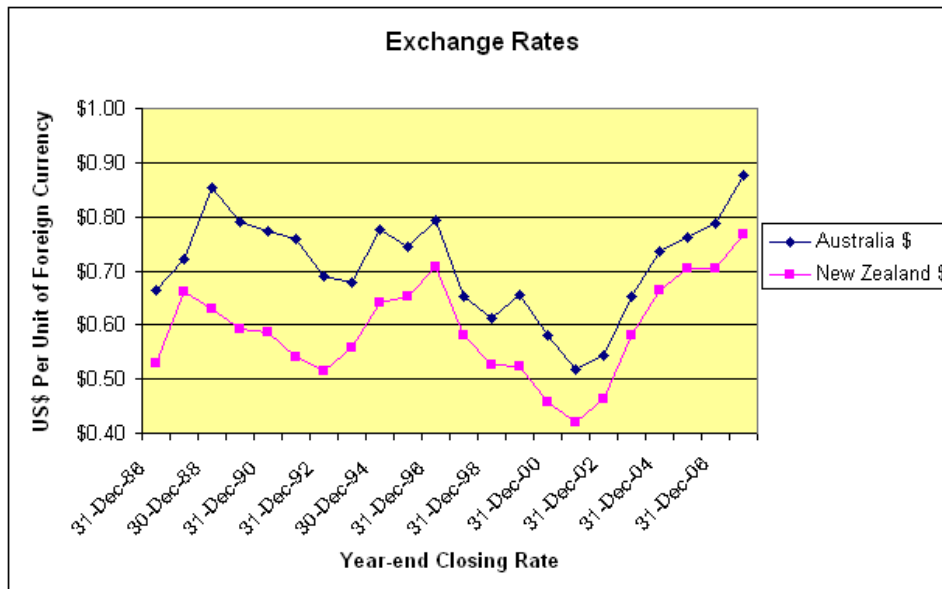
Generally speaking, we do not engage in currency hedging. Rather, to the extent practicable, we operate our Australian and New Zealand operations on a self-funding basis. Other than the capitalization of existing debt from time to time, no funds have been contributed from our U.S. operations to our Australia or New Zealand operations since 2001 until our February 2007 Trust Preferred Offering described below. The book value, stated in U.S. dollars, of our net assets in Australia and New Zealand, (assets less third party liabilities and without intercompany debt), at December 31, 2007 are as follows (dollars in thousands):

	Net Assets
Reading Australia	\$ 81,318
Reading New Zealand	71,214
Net Assets	\$ 152,532

In 2006, we determined that it would be beneficial to have a layer of long-term fully subordinated debt financing to help support our long-term real estate assets. On February 5, 2007 we issued \$50.0 million in 20-year fully subordinated notes, interest fixed for five years at 9.22%, to a trust which we control, and which in turn issued \$50.0 million in trust preferred securities in a private placement. There are no principal payments until maturity in 2027 when the notes are paid in full. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The placement generated \$48.4 million in net proceeds, which were used principally to retire all of our bank indebtedness in New Zealand \$34.4 million (NZ\$50.0 million) and to retire a portion of our bank indebtedness in Australia \$5.8 million (AUS\$7.4 million). This is a departure from our historic practice of borrowing principally in local currencies and adds an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the comparatively favorable interest rate and the long-term nature of the fully subordinated notes. Since February 5, 2007 through December 31, 2007, the US dollar has dropped vis-à-vis both the Australian and the New Zealand dollar.

Virtually all of our operating costs in Australia and New Zealand are denominated in the respective currencies of these two countries. Our concessions are purchased locally, and our film rental is calculated as a percentage of box office receipts. We have also attempted to keep our general and administrative costs localized, although in recent periods, we have begun concentrating more of our financial reporting, control and analysis functions in our Los Angeles corporate headquarters.

Set forth below is a chart of the exchange ratios between these three currencies over the past ten years:



Seasonality

Major films are generally released to coincide with the school holiday periods, particularly the summer holidays. Accordingly, our Australian and New Zealand operations typically record greater revenues and earnings during the first half of the calendar year.

Employees

Reading Australia has 23 full time executive and administrative employees and approximately 707 cinema and property employees. None of our Australia based employees is unionized. Reading New Zealand has 8 full time executive and administrative employees and approximately 261 cinema and property level employees. On January 26, 2007, we entered into a collective agreement with the employees of our Courtenay Central complex which has an 18-month term. This agreement defines the terms of engagement of our employees and is consistent with other industry agreements. Notwithstanding the unionization effort in New Zealand, we believe our relations with our employees to be generally good.

Our Domestic Cinemas

General

We currently operate 237 screens in 24 cinemas in the United States (including 3 managed cinemas with 17 screens). Our domestic cinema operations engage in the exhibition of mainstream general release film in our conventional cinemas, such as the Cinemas 1, 2 & 3, the Village East Theatre and the East 86th Street Cinema in Manhattan and the Manville 12 in Manville, New Jersey and the Consolidated Cinemas. We also engage in the exhibition of art and specialty film at our art cinemas such as the Angelika Film Centers in Manhattan, Dallas, Houston and Plano and the Tower Theatre in Sacramento, California.

Most of our domestic cinemas are leased, other than the Cinemas 1, 2 & 3 property (which is owned by a subsidiary in which we have a 75% interest) and three cinemas which are operated pursuant to management contracts. Our Angelika cinema in Manhattan is owned by a limited liability company owned 50% by us and 50% by a subsidiary of National Auto Credit, but it is under our management. Three of our cinemas are held pursuant to

ground leases which in each case allow long-term renewal rights and provide us with flexibility for altering the use of the property: our Manville 12 in New Jersey, Kapolei 16 in Hawaii, and the Tower Theatre in Sacramento. A fourth theatre, the Village East in Manhattan, is held pursuant to a sublease of a long term ground lease, and we have an option under that sublease to acquire the ground lease estate held by our sublandlord.

In recent years, the domestic cinema exhibition industry has gone through major retrenchment and consolidation, creating considerable uncertainty as to the direction of the domestic film exhibition industry, and our role in that industry. Several major cinema exhibition companies have gone through bankruptcy over the past five years, or have been otherwise financially restructured. Regal Cinemas emerged from bankruptcy and combined with Edwards and United Artists (which also went through bankruptcy) to create a circuit that has now grown to approximately 6,388 screens, in approximately 527 cinemas. AMC now has approximately 5,138 screens in approximately 359 cinemas in the United States and Canada. Landmark Theaters, the largest art and specialty film exhibitor in the United States, has also emerged from bankruptcy and is now owned by a private company controlled by Mark Cuban (an individual with a reported personal net worth of \$2.3 billion). These companies, having used bankruptcy to restructure their debt and to rid themselves of burdensome leases and in some cases to consolidate, are now much stronger competitors than they were just a few years ago.

A significant number of older conventional screens have, as a result of this consolidation process, been taken out of the market. We estimate that the total domestic screen count has decreased from 37,396 in 2000 to 36,165 in 2005. Industry analysts project further consolidation in the industry, as players such as Cablevision seek to divest their domestic cinema exhibition assets. Accordingly, while we believe that recent developments may in some ways have aided the overall health of the domestic cinema exhibition industry, there remains considerable uncertainty as to the impact of this consolidation trend on us and our domestic cinema exhibition business, as we are forced to compete with these stronger and reinvigorated competitors and the significant market share commanded by these competitors.

There is also considerable uncertainty as to the future of digital exhibition and in-the-home entertainment alternatives. In the case of digital exhibition, there is currently considerable discussion within the industry as to the benefits and detriments of moving from conventional film projection to digital projection technology. There are issues:

- as to when it will be available on an economically attractive basis;
- as to who will pay for the conversion from conventional to digital technology between exhibitors and distributors;
- as to what the impact will be on film licensing expense; and
- as to how to deal with security and potential pirating issues if film is distributed in a digital format.

Several major exhibitors have now announced plans to convert their cinemas to digital projection. At some point, this will compel us likewise to incur the costs of conversion, as the costs of digital production are much less than the cost of conventional film production, from the studio's point of view and as distributors will, at some point in time cease distributing film prints. We estimate that, at the present time, it would likely cost in the range of \$23.7 million for us to convert our wholly owned cinemas to digital distribution on a worldwide basis.

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

Our domestic cinemas derive approximately 40% of their revenues from box office receipts. Ticket prices vary by location, and provide for reduced rates for senior citizens and children. Box office receipts are reported net of state and local sales or service taxes. Show times and features are placed in advertisements in local newspapers and, in some cases, Reading contributes a small percentage of these costs. Film distributors may also advertise certain feature films and those costs are generally paid by distributors. Film rental expense represented approximately 39% of box office receipts for 2007.

Concession sales account for approximately 20% of total revenues. Concession products primarily include popcorn, candy and soda, but Reading's art cinemas typically offer a wider variety of concession offerings. Our Angelika cinemas in Manhattan, Dallas, Houston, and Plano include café facilities, and the operations in Dallas, Houston, and Plano are licensed to sell alcoholic beverages. Our domestic cinemas achieved a gross margin on concession sales of approximately 14% for 2007.

Screen advertising and other revenues contribute approximately 8% of total revenues for 2007. Other sources of revenue include revenues from theater rentals for meetings, conferences, special film exhibitions and vending machine receipts or rentals.

Licensing/Pricing

Film product is available from a variety of sources ranging from the major film distributors such as Columbia, Disney, Buena Vista, DreamWorks, Fox, MGM, Paramount, Warner Bros and Universal, to a variety of smaller independent film distributors such as Miramax. The major film distributors dominate the market for mainstream conventional films. Similarly, most art and specialty films come from the art and specialty divisions of these major distributors, such as Fox's Searchlight and Disney's Miramax. Generally speaking, film payment terms are based upon an agreed upon percentage of box office receipts.

Until recently, the surplus of screens currently available to distributors had eroded the bargaining power of the exhibitors and that bargaining power has been on the side of the distributors. However, with the emergence of the mega circuits, it appears that the balance of power may be somewhat shifting towards the exhibitors. Indeed, as discussed in greater detail below, we believe that in certain situations, our access to first-run film has been adversely affected by the market power of exhibitors such as Regal and AMC.

Competition

The principal factor in the success or failure of a particular cinema is access to popular film products. If a particular film is only offered at one cinema in a given market, then customers wishing to see that film will, of necessity, go to that cinema. If two or more cinemas in the same market offer the same film, then customers will typically take into account factors such as the relative convenience and quality of the various cinemas. In many markets, the number of prints in distribution is less than the number of exhibitors seeking that film for that market, and distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion.

Accordingly, competition for films can be intense, depending upon the number of cinemas in a particular market. Our ability to obtain top grossing first run feature films may be adversely impacted by our comparatively small size, and the limited number of screens we can supply to distributors. Moreover, as a result of the dramatic and recent consolidation of screens into the hands of a few very large and powerful exhibitors such as Regal and AMC, these mega exhibition companies are in a position to offer distributors access to many more screens in major markets than we can. Accordingly, distributors may decide to give preferences to these mega exhibitors when it comes to licensing top grossing films, rather than deal with independents such as ourselves. The situation is different in Australia and New Zealand where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the ownership of that multiplex cinema.

In addition, the competitive situation facing our Company is uncertain given the ongoing development of in-the-home entertainment alternatives such as DVD, cable and satellite distribution of films, and the increasing quality and declining cost of in-the-home entertainment components.

Seasonality

Traditionally, the exhibition of mainstream commercial films has been somewhat seasonal, with most of the revenues being generated over the summer and Christmas holiday seasons. However, with the increasing number of releases, this seasonality is becoming less of a factor. The exhibition of art and specialty films has historically been less seasonal than the exhibition of mainstream commercial films.

Management

All of our domestic cinemas are managed by our officers and employees. Angelika Film Center, LLC (the owner of the Angelika Film Center & Café in the Soho district of New York), is owned by us on a 50/50 basis with a subsidiary of National Auto Credit, Inc ("NAC"). However, we manage that theater pursuant to a management contract. Furthermore, the operating agreement of Angelika Film Center, LLC provides that, in the event of deadlock our Chairman will cast the deciding vote.

Employees

At December 31, 2007, we employed approximately 354 individuals to operate our domestic cinemas and to attend to our real property operations. On January 31, 2003, we renegotiated our collective bargaining agreement with the projectionist union with respect to our Manhattan cinemas. We negotiated a termination of our contract with the union effective January 31, 2007. Our principal executive and administrative offices are located in Commerce, California. Approximately 7 executives and 23 other employees are located at our executive offices in Commerce and Manhattan. We believe our relations with our employees to be good.

With the acquisition of Consolidated Cinemas, we took on an additional 580 employees in Hawaii and California. We also assumed two union contracts, previously negotiated by the sellers of those assets. These contracts have terms through August 2008.

Our Real Estate Activities

General

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business. Since our entry into the cinema exhibition business, our real estate activities have principally been in support of that business. Accordingly, in this Annual Report, consistent with our practice in prior periods, we have described our real estate activities as an integrated portion of our cinema operating and development activities.

However, in light of our view that future growth opportunities in the cinema industries are now quite limited in the countries in which we operate, and, as we have no current plan to enter any new foreign markets, we intend to focus more on our real estate activities as a separate business activity.

Our real estate activities, holdings, and development are described in more detail in the Item 2 – Properties.

Landplan Property Partners, Ltd

In 2006, we formed Landplan Property Partners, Ltd, to identify, acquire and develop or redevelop properties on an opportunistic basis. In connection with the formation of Landplan, we entered into an agreement with Mr. Doug Osborne pursuant to which (i) Mr. Osborne will serve as the chief executive officer of Landplan and (ii) Mr. Osborne's affiliate, Landplan Property Group, Ltd ("LPG"), will perform certain property management services for Landplan. The agreement provides for Mr. Osborne to hold an equity interest in the entities formed to hold these properties; such equity interest to be (i) subordinate to our right to an 11% compounded return on investment and (ii) subject to adjustment depending upon various factors including the term of the investment and the amount invested. Generally speaking, this equity interest will range from 27.5% to 15%.

Malulani Investments

In addition, we have acquired an approximately 18.4% common equity interest in Malulani Investments Limited (MIL), a closely held Hawaiian company which currently owns developed real estate principally in California, and Hawaii, and approximately 22,000 acres of agricultural land in Northern California. Included among Malulani's assets are the Guenoc Winery, consisting of approximately 400 acres of vineyard land and a winery configured to bottle up to 120,000 cases of wine annually and Langtry Estates and Vineyards. This land and commercial real estate holdings are encumbered by debt. To date, our requests to management for information about MIL, including consolidated financial information, have not been honored. We have brought litigation against MIL and certain of its directors in an effort to improve our access to information, including consolidated financial information. While we believe that we should prevail in our efforts in this regard, as in all litigation matters, no assurances can be given.

Incident to that investment, we have entered into a shareholders' agreement with Magoon Acquisition & Development, LLC ("Magoon LLC"), which includes certain rights of first refusal and cost sharing provisions and which grants to James J. Cotter (our Chairman, Chief Executive Officer and controlling shareholder), a proxy to vote the shares held by Magoon LLC in MIL and in MIL's parent company, The Malulani Group, Limited ("TMG"). Magoon LLC owns approximately 12% of MIL and 30% of TMG. Accordingly, through Mr. Cotter, we currently vote 30% of the shares of MIL and TMG which represents a voting interest sufficient to elect one representative to the boards of directors of each of these two companies. Through the use of this voting power, we have elected Mr. Cotter to the Board of Directors of MIL. The shareholders agreement also gives us the right to cause Magoon LLC to join with us in the formation of a limited liability company which we would control, and which would provide to us, after return of capital on a last in, first out basis, a 20% preferred allocation of profits and distributions.

In January of this year, we contributed 100 shares of the Class A Common Stock (representing approximately 0.04% of our interest in MIL) to the RDI Employee Investment Fund, LLC (the "Employee Fund"). The Employee Fund currently has 49 members, in addition to Reading.

Item 1A – Risk Factors

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

Business Risk Factors

We are currently engaged principally in the cinema exhibition and real estate businesses. Since we operate in two business segments (cinema exhibition and real estate), we have discussed separately the risks we believe to be material to our involvement in each of these segments. We 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 theatre operations as real estate operations – since we are principally in the business of renting space to producers rather than in licensing or producing plays ourselves – the cinema exhibition and live theatre businesses share certain risk factors and are, accordingly, discussed together below.

Cinema Exhibition and Live Theatre Business Risk Factors

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

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

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

In the case of our live theatres, 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 which would historically have been staged in an off-Broadway theatre, moving directly to larger Broadway venues.

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

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

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

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 theatres and visa versa.

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

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

Adverse economic conditions could materially affect our business by reducing discretionary income.

Cinema and live theater attendance is a luxury, not a necessity. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live-theatre businesses.

Our screen advertising revenues may decline.

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

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

It is generally assumed that eventually, and perhaps in the relatively near future, cinema exhibition will change over from film projection to digital projection technology. Such technology offers various cost benefits to both distributors and exhibitors. While the cost of such a conversion could be substantial, it is presently difficult to forecast the costs of such conversion, as it is not presently clear how these costs would be allocated as between exhibitors and distributors. Also, we anticipate that, as with most technologies, the cost of the equipment will reduce significantly over time. As technologies are always evolving, it is, of course, also possible that other new technologies may evolve that will adversely affect the competitiveness of current cinema exhibition technology.

Real Estate Development and Ownership Business Risks.

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

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

Risks Related to the Real Estate Industry Generally

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

Events and conditions generally applicable to developers, owners and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate; (ii) local conditions such as an oversupply of, or a reduction in demand for commercial space and/or entertainment oriented properties; (iii) reduced attractiveness of our properties to tenants; (iv) competition from other properties; (v) inability to collect rent from tenants; (vi) increased operating costs, including real estate taxes, insurance premiums and utilities; (vii) costs of complying with changes in government regulations; and (viii) the relative illiquidity of real estate

investments. In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in declining rents or increased lease defaults.

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

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

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

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

Real estate development involves a variety of risks.

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

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

The ownership of properties involves risk.

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

International Business Risks

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

- *Risk of currency fluctuations.* While we report our earnings and assets in US dollars, substantial portions of our revenues and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the US dollar and compared to each other. We typically have not hedged against these currency fluctuations, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of box office, and our local operating costs and obligations are likewise typically denominated in local currencies.
- *Risk of adverse government regulation.* At the present time, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that this relationship will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by US companies in their countries.

Risks Associated with Certain Discontinued Operations

Certain of our subsidiaries were previously in industrial businesses. As a consequence, properties that are currently owned or may have in the past been owned by these subsidiaries may prove to have environmental issues. While we have, where we have knowledge of such environmental issues and are in a position to make an assessment as to our exposure, established what we believe to be appropriate reserves, 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 Certain Tax Matters

We 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 moved from a positive to a negative working capital situation. This negative working capital, which we consider to be akin to an interest free loan, is typical in the cinema exhibition industry, since revenues are received in advance of our obligation to pay film licensing fees, rent and other costs. At the present time, we have credit facilities in place which, if drawn upon, could be used to eliminate this negative working capital position.

We have substantial short to medium term debt.

Generally speaking, we have financed our operations through relatively short-term debt. No assurances can be given that we will be able to refinance this debt, or if we can, that the terms will be reasonable. However, as a counterbalance to this debt, we have significant unencumbered real property assets, which could be sold to pay debt or encumbered to assist in the refinancing of existing debt, if necessary. In February 2007, we issued \$50.0 million in 20-year Trust Preferred Securities, and utilized the net proceeds principally to retire short-term bank debt in New Zealand and Australia. However, the interest rate on our Trust Preferred Securities is only fixed for five years, and since we have used US Dollar denominated obligations to retire debt denominated in New Zealand and Australian Dollars, this transaction and use of net proceeds has increased our exposure to currency risk.

With the acquisition of Consolidated Cinemas we have taken on substantial additional debt. This transaction was, in essence, 100% financed, resulting in an increase in our debt for book purposes from \$177.2 million at December 31, 2007 to \$248.2 million as of February 22, 2008.

We have substantial lease liabilities.

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

The Internal Revenue Service has given us notice of a claimed liability of \$20.9 million in back taxes, plus interest of \$17.9 million.

While we believe that we have good defenses to this liability, the claimed exposure is substantial compared to our net worth, and significantly in excess of our current or anticipated near term liquidity. This contingent liability is discussed in greater detail under Item 3 – Legal Proceedings: Tax Audit. If we were to lose on this matter, we would also be confronted with a potential additional \$5.4 million in taxes to the California Franchise Tax Board, plus interest of approximately \$4.6 million.

Our stock is thinly traded.

Our stock is thinly traded, with an average daily volume in 2007 of only approximately 4,900 shares. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

Ownership Structure, Corporate Governance and Change of Control Risks

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

Mr. James J. Cotter beneficially owns 70.4% of our outstanding Class B Voting Common Stock. Our Class A Non-Voting Common Stock is essentially non-voting, while our Class B Voting Common Stock represents all of the voting power of our Company. As a result, as of December 31, 2007, Mr. Cotter controlled 70.4% of the voting power of all of our outstanding common stock. For as long as Mr. Cotter continues to own shares of common stock representing more than 50% of the voting power of our common stock, he will be able to elect all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Mr. Cotter will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to Mr. Cotter but not to other stockholders. In addition, Mr. Cotter and his affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 25 – *Related Parties and Transactions*).

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

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

Item 1B - Unresolved Staff Comments

Not applicable.

Item 2 – Properties

Executive and Administrative Offices

We lease approximately 8,000 square feet of office space in Commerce, California to serve as our executive headquarters. During 2005, we purchased a 9,000 square foot office building in Melbourne, Australia, to serve as the headquarters for our Australia and New Zealand operations. We occupy approximately 2,000 square feet of our Village East leasehold property for administrative purposes.

Entertainment Properties

Leasehold Interests

As of December 31, 2007, we lease approximately 1.6 million square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

	Aggregate Square Footage	Approximate Range of Remaining Lease Terms (including renewals)
United States	339,000	5 – 42 years
Australia	869,000	29 – 40 years
New Zealand	402,000	5 – 10 years

On February 22, 2008, we acquired Consolidated Cinemas, comprising approximately 727,000 square feet of cinema improvements. This has increased our worldwide aggregate square footage of property under lease to approximately 2.3 million square feet and our aggregate square footage of property under lease in the United States of 1.1 million square feet.

Fee Interests

In Australia, we owned as of December 31, 2008 approximately 3.2 million square feet of land at eight locations plus one strata title estate consisting of 22,000 square feet. Most of this land is located in the greater metropolitan areas of Brisbane, Melbourne, Perth, and Sydney, including the 50.6-acre Burwood site in suburban Melbourne.

In New Zealand, we own a 190,000 square foot site, which includes an existing 245,000 square foot, nine level parking structure in the heart of Wellington, the capital of New Zealand. All but 38,000 square feet of the Wellington site has been developed as an ETRC which incorporates the existing parking garage. The remaining land is currently leased and is slated for development as phase two of our Wellington ETRC. We own the fee interests underlying three additional cinemas in New Zealand, which properties include approximately 12,000 square feet of ancillary retail space. In 2007, we acquired through our Landplan subsidiary an approximately 64-acre parcel of land in the transportation corridor between the Auckland airport and the Auckland central business district. That land is currently zoned and used exclusively for agricultural purposes, and we are working to rezone the property for commercial/industrial use. Also through Landplan, we acquired a 1.0-acre property on Lake Taupo, a popular recreational destination. At the time we acquired our Lake Taupo property, it was improved as a motel. We are currently in the process of redeveloping that property into condominiums.

Since the close of 2007, we have acquired or entered into agreements to acquire approximately 50,000 square foot of property in Taringa, Australia, comprising four contiguous properties, which we intend to develop. The aggregate purchase price of these properties is \$11.3 million (AUS\$12.9 million), of which \$1.7 million (AUS\$2.0 million) relates to the three properties that have been acquired and \$9.6 million (AUS\$10.9 million) relates to the one property that is still under contract which is subject to certain rezoning conditions.

In the United States, we owned as of December 31, 2007, on a consolidated basis, approximately 121,000 square feet of improved real estate comprised of four live theater buildings which include approximately 58,000 square feet of leasable space, 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), and a residential condominium unit in Los Angeles, used as executive office and residential space by our Chairman and Chief Executive Officer.

Live Theaters (Liberty Theaters)

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

- the Minetta Lane (399 seats);
- the Orpheum (364 seats); and
- the Union Square (499 seats).

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

We are basically in the business of leasing theatre space, and accordingly we do not typically invest in plays. However, we may from time to time participate as a minority investor in order to facilitate the production of a play at one of our facilities, and do from time to time rent space on a basis that allows us to share in a productions revenues or profits. Revenues, expenses, and profits are reported as apart 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 66% unincorporated joint venture interest in a leased 5-screen multiplex cinema in Melbourne, a 75% interest in a subsidiary company that leases two cinemas with eleven screens in two Australian country towns, and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane.
- in New Zealand, we own a 50% unincorporated joint venture interest in an eight-screen mainstream cinema in a suburb of Auckland and we own a 50% unincorporated joint venture interest in five cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, Wellington, Dunedin, and Hamilton.
- in the United States, we own a 50% membership interest in Angelika Film Center, LLC, which holds the lease to the approximately 17,000 square foot Angelika Film Center & Café in the Soho district of Manhattan. We also hold the management rights with respect to this asset. We also own a 75% managing member interest in the limited liability company that owns our Cinemas 1, 2 & 3 property.

Real Estate Development

We are engaged through Reading Australia and Reading New Zealand in real estate development. We have to date developed three Entertainment-Themed Retail Center Developments (so-called ETRCs) each of which consist of a multiplex cinema, complementary restaurant and retail facilities, and convenient parking on land that we own or control. These centers are located in Perth and Auburn (a suburb of Sydney) in Australia and Wellington in New Zealand. We have completed the retail portions of a fourth ETRC (located in a suburb of Brisbane in Australia) and have completed the entitlement process for the construction of the cinema component, which we are in the process of evaluating.

In addition, we are pursuing the development of four additional sites in Australia and three sites in New Zealand. The largest of these are our projects at Burwood and Moonee Ponds, both located in the area of Melbourne, Victoria, and our projects at Wellington and Manukau (a suburb of Auckland) in New Zealand.

Australia

Auburn, New South Wales

We own 109,000 square foot ETRC in Auburn anchored by a 10 screen, 57,000 square foot cinema commonly known as "Red Yard." Adjacent to this property, we own approximately 93,000 square feet of the site that is currently unimproved, and is intended to provide expansion space for phase II of our Red Yard project. The centre also includes an 871 space subterranean parking garage. The Auburn City Council, in coordination with other local governments, is currently reviewing the land use parameters for the areas adjacent to Parramatta Road in which our property is located. Parramatta Road, which runs adjacent to Homebush Bay, the site of the 2000 Olympic Games, is one of the busiest arterial roadways in the greater Sydney area, and is considered by many to be the "gateway" to Sydney. Consequently, there is significant community interest in rezoning the uses along this road. As a major landowner in this area, we intend to be actively involved in this process and are hopeful that this rezoning process will materially enhance the value of our remaining unimproved parcel. We have deferred further work on phase II until we get a better idea of the opportunities that may be opened by this rezoning process. This unimproved parcel is currently carried on our books at \$2.4 million (AUS\$2.7 million). We are currently considering whether to sell this property, and have to date received a number of offers which we are actively considering.

Burwood, Victoria

The biggest real estate project in our pipeline is the development of our 50.6-acre Burwood Project, a suburban area within the Melbourne metropolitan area. In December 1995, we acquired the site initially as a potential ETRC location. In late 2003, that site was designated as a "major activity centre" by the Victorian State Government and in February 2006 was rezoned to permit a broad range of entertainment, retail, commercial and residential uses. On February 20, 2006, the Victoria State Government approved a rezoning of that parcel from an industrial classification to a mixed-use classification allowing a broad range of entertainment, retail, commercial and residential uses. We are continuing to work to remediate environmental issues at the site and to refine that zoning, so as to be able to achieve commercial levels of density on the site.

We contemplate developing the project in a series of phases, with final completion sometime in 2015. While the land use issues are now resolved, individual development plans will need to be prepared and approved for each of the phases, dealing with issues such as project design and traffic management. Ultimately, we estimate that the total project will require development funding of approximately \$500.0 million. We currently carry this property on our books at \$42.0 million (AUS\$47.8 million).

- the site is the largest undeveloped parcel of land in the Burwood Heights "major activity centre" and the largest undeveloped parcel of land in any "major activity centre" in Victoria. Approximately 430,000 people live within five miles of the site, which is well served by both public transit and surface streets. We estimate that approximately 70,000 people pass by the site each day.
- we anticipate that the project will be built in phases, over a significant period of years, and will not likely be completed before sometime in 2015. The initial phase, however, will likely be an ETRC, as this is the area of development and construction with which we are most familiar.
- we do not currently have any funding in place for the development, and are paying for current master planning activities out of cash flow and working capital. The permitted uses outlined in the rezoning for the site are being defined through a Development Plan Overlay review by local government. We currently estimate that complete build-out of the site will require funding in the range of \$500.0 million (AUS\$570.0 million).
- our original cost basis in the site is approximately \$4.2 million (AUS\$5.3 million). The property was originally acquired in 1996, but was revalued upward in connection with our Consolidation in 2001, which was treated as a purchase for accounting purposes. This revaluation was made prior to the designation of the site as a "major activity center" in 2004. The current book value of this property under construction is \$42.0 million (AUS\$47.8 million).
- We are currently working to refine our entitlements for the site, with the intention of increasing densities to commercially reasonable levels.
- as the property was used by its prior owner as a brickworks, it has been necessary to remove or encapsulate the contaminated soil that resulted from those operations from the site before it can be used for mixed-use

retail, entertainment, commercial and residential purposes. During 2007, we conducted further testing on the site and developed a plan to address these environmental concerns. Substantially all of the contaminated soil slated for removal has now been removed. As of December 31, 2007, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$7.9 million (AUS\$9.0 million) and accordingly are not, in our view, material to the overall projected development costs for the project.

Indooroopilly, Brisbane

In September 2006, we acquired a land area of 11,000 square feet, and a two-story 3,000 square foot building. We paid US\$1.8 million (AUS\$2.3 million) for the land. The site is zoned for commercial purposes. We have obtained approval to develop the property to be a 28,000 square foot grade A commercial office building comprising six floors of office space and two basement levels of parking with 33 parking spaces. We expect to spend US\$8 million (AUS\$9.4 million) in development costs. We plan to complete the project in December 2008.

Moonee Ponds, Victoria

We are also in the planning stages of the development for our 3.3-acre Moonee Ponds site. This property is within the Moonee Ponds designated "Principal Activity Area," allowing high-density development. Accordingly, our plans for that property will be necessarily influenced by the manner in which adjacent properties are developed within the "Principal Activity Area." We are currently in the planning phase for a multi-use development. This site is located within the Moonee Ponds "Principal Activity Area" as designated by the Victorian State Government. The site represents an accumulation of three parcels, the last of which was acquired in 2006. We acquired 2.9 acres of the property in April 1997, for a purchase price of \$4.9 million (AUS\$6.4 million). The remaining 0.4 acres was acquired in September 2006 for a purchase price of \$2.5 million (AUS\$3.3 million). We intend to work towards the finalization of a plan for the development of this site during 2008.

Newmarket, Queensland

On November 28, 2005, we opened some of the retail elements of our Newmarket ETRC, a 100,000 square foot retail facility situated on an approximately 177,000 square foot parcel in Newmarket, a suburb of Brisbane, the remainder of the retail areas being rented out during the first half of 2006. Plans for a 6-screen cinema as part of the project have been approved by applicable governmental authorities, and it is anticipated that construction of this entertainment component will commence later this year.

New Zealand

Lake Taupo, New Zealand

In 2007, through Landplan Property Partners, we acquired a 1.0-acre property on Lake Taupo, a popular recreational destination, for approximately \$4.9 million (NZ\$6.9 million). At the time we acquired our Lake Taupo property, it was improved as a motel. We are currently in the process of redeveloping that property into condominiums.

Manukau, New Zealand

This is an approximately 64-acre site located in the transit corridor between Auckland Airport and the Auckland central business district. We acquired the property in July 2007 for \$9.3 million (NZ\$12.1 million). The property is currently zoned for agricultural uses only and used for grazing. We intend to develop a master land use plan for the property and to work to effect a zoning change permitting a more intense use for the land. We believe that the property can be rezoned and developed for a mixture of commercial/industrial uses.

Wellington, New Zealand

We are currently the owner operator of an approximately 160,000 square foot ETRC in Wellington, New Zealand, known as Courtenay Central. The existing ETRC consists of a 10 screen cinema and approximately 38,000 square feet of retail space. The property also includes a separate nine level parking structure, with approximately

1,086 parking spaces. During 2006, approximately 3.5 million people went through the center. We are currently reviewing our options for the second phase of our Wellington ETRC. While we were successful in obtaining regulatory approval during 2006 for an approximately 162,000 square foot expansion of our existing centre, the timing of the development of that space will ultimately depend upon the retail market in Wellington, which has not been strong in recent periods. Accordingly, our plans for that site are currently in a holding pattern, while we wait for demand for retail space to improve and consider other complementary entertainment center uses for the property. The 38,000 square foot pad intended to support this second phase is currently carried on our books at \$2.9 million (NZ\$3.7 million), and is being currently rented on a month-to-month basis as a car sales yard. The retail market has significantly softened in Wellington and this has delayed our ability to secure suitable anchor tenants for the development. Accordingly, phase II is currently in a holding pattern as we wait for the retail market to improve and consider alternative uses for the property.

Real Estate Holdings

Our current real estate holdings are described in detail in Item 2, Properties, below. At December 31, 2007, we owned fee interests in approximately 920,000 square feet of income producing properties (including certain properties principally occupied by our cinemas). In the case of properties leased to our cinema operations, these number include an internal allocation of "rent" for such facilities.

Property ¹	Square Feet of Improvements (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Auburn 100 Parramatta Road Auburn, NSW, Australia	57,000 / 57,000 Plus an 871-space subterranean parking structure	71%	\$31,380,000
Belmont Knutsford Ave and Fulham St Belmont, WA, Australia	19,000 / 49,000	80%	\$13,263,000
Cinemas 1, 2 & 3 ² 1003 Third Avenue Manhattan, NY, USA	0 / 24,000	N/A	\$23,674,000
Courtenay Central 100 Courtenay Place Wellington, New Zealand	38,000 / 68,000 Plus a 245,000 square foot parking structure	76%	\$24,343,000
Invercargill Cinema 29 Dee Street Invercargill, New Zealand	7,000 / 20,000	85%	\$2,996,000
Maitland Cinema Ken Tubman Drive Maitland, NSW, Australia	0 / 22,000	N/A	\$2,088,000
Minetta Lane Theatre 18-22 Minetta Lane Manhattan, NY, USA	0 / 9,000	N/A	\$8,228,000
Napier Cinema 154 Station Street Napier, New Zealand	5,000 / 18,000	100%	\$3,102,000
Newmarket ³ Newmarket, QLD, Australia	93,000 / 0	99%	\$37,874,000
Orpheum Theatre 126 2 nd Street Manhattan, NY, USA	0 / 5,000	N/A	\$3,256,000
Royal George 1633 N. Halsted Street Chicago, IL, USA	37,000 / 23,000 Plus 21,000 square feet of parking	91%	\$3,306,000
Rotorua Cinema 1281 Eruera Street Rotorua, New Zealand	0 / 19,000	N/A	\$2,827,000
Union Square Theatre 100 E. 17 th Street Manhattan, NY, USA	21,000 / 17,000	100%	\$8,971,000

¹ A number of our properties include entertainment components rented to one or more of our subsidiaries. The rental area and percentage leased numbers are net of such entertainment components as is the book value. Book value and rental information are as of December 31, 2007.

² This property is owned by a limited liability company in which we hold a 75% managing interest. The remaining 25% is owned by Sutton Hill Investments, LLC, a company owned in equal parts by our Chairman and Chief Executive Officer, Mr. James J. Cotter, and Michael Forman, a major shareholder in our Company.

³ The rental components of this project have been opened for business. The cinema component is, however, still in the design phase and not anticipated to open until some time in 2009.

In addition, in certain cases we have long-term leases which we view more akin to real estate investments than cinema leases. As of December 31, 2007, we had approximately 179,000 square foot of space subject to such long-term leases.

Property¹	Square Footage (rental/entertainment)	Percentage Leased	Gross Book Value (in U.S. Dollars)
Manville	0 / 63,000	N/A	\$1,642,000
Tower	0 / 16,000	N/A	\$ 151,000
Village East	5,000 / 37,000	100%	\$2,589,000
Waurm Ponds	6,000 / 52,000	100%	\$6,177,000

¹ A number of our properties include entertainment components rented to one or more of our subsidiaries. The rental area and percentage leased numbers are net of such entertainment components. Book value, however, includes the entire investment in the leased property, including any cinema fit-out. Rental and book value information is as of December 31, 2006.

Other Property Interests and Investments

Domestic

Minority Investments in Real Estate Companies

Place 57, Manhattan

We own a 25% membership interest in the limited liability company that has developed the site of our former Sutton Cinema on 57th Street just east of 3rd Avenue in Manhattan, as a 143,000 square foot residential condominium tower, with the ground floor retail unit and the resident manager's apartment. The project is essentially sold out, as all of the residential units have been conveyed and only the ground floor commercial unit is still available for sale. We are currently looking for a tenant for the commercial space, which faces on to 57th Street. At December 31, 2007, all debt on the project had been repaid, and we had received distributions totaling \$9.8 million from this project, on an investment of \$3.0 million made in 2004.

Malulani Investments, Limited

We own an 18.4% equity interest in Malulani Investments, Limited ("MIL") a closely held private company organized under the laws of the State of Hawaii. The assets of MIL consist principally of commercial properties in Hawaii and California. MIL's assets include the Guenoc Winery and approximately 22,000 acres of contiguous property located in Northern California. Approximately 400 acres of the property in California consists of vineyards, while the remainder is used for agricultural purposes. The property is currently subdivided into approximately 60 separate legal parcels. This land and commercial real estate holdings are encumbered by debt. To date, our requests to management for information about MIL, including consolidated financial information, have not been honored. We have brought litigation against MIL and certain of its directors in an effort to improve our access to information, including consolidated financial information. While we believe that we should prevail in our efforts in this regard, as in all litigation matters, no assurances can be given.

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In connection with this investment we have entered into a shareholders agreement with Magoon Acquisition and Development, LLC, a limited liability company organized under the laws of the state of California ("Magoon LLC"). Magoon LLC owns an approximately 12% equity interest in MIL and a 30% interest in The Malulani Group, Limited, a closely held private Hawaiian corporation ("TMG"), and the owner of 70% equity interest in MIL. That shareholders agreement grants to us voting control over the MIL and TMG shares held by Magoon, LLC, and provides for various rights of first refusal and cost sharing. In addition, the shareholders agreement grants to us the right to require Magoon LLC to contribute its MIL and TMG shares into a new limited liability company, which would also own our MIL shares, of which we would be the sole managing member. As the sole managing member, we would be entitled to receive 20% of any distributions as a management fee, after return of capital to the members. MIL and TMG both have cumulative voting, and together with Magoon LLC, we have elected James J. Cotter to serve as a member of the Board of Directors of MIL.

Non-operating Properties

We own the fee interest in 25 parcels comprising 195 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. We believe the value of these properties to be immaterial to our asset base, and while they are available for sale, we are not actively involved in the marketing of such properties. With the exception of certain properties located in Philadelphia (including the raised railroad bed leading to the old Reading Railroad Station), the properties are principally located in rural areas of Pennsylvania and Delaware.

Additionally, we own a condominium in the Los Angeles, California area which is used for offsite corporate meetings and by our Chief Executive Officer when he is in town.

Australia

Melbourne Office Building

On September 29, 2005, we purchased an office building in Melbourne, Australia for \$2.0 million (AUS\$2.6 million) to serve as the headquarters for our Australia and New Zealand operations. We fully financed this property by drawing on our Australian Credit Facility.

Item 3 – Legal Proceedings

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") completed its audits of the tax return of Reading Entertainment Inc. (RDGE) for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation (CRG) for its tax year ended June 30, 1997. With respect to both of these companies, the principal focus of these audits was the treatment of the contribution by RDGE to our wholly owned subsidiary, Reading Australia, and thereafter the subsequent repurchase by Stater Bros. Inc. from Reading Australia of certain preferred stock in Stater Bros. Inc. (the "Stater Stock") received by RDGE from CRG as a part of a private placement of securities by RDGE which closed in October 1996. A second issue involving equipment-leasing transactions entered into by RDGE (discussed below) is also involved.

By letters dated November 9, 2001, the IRS issued reports of examination proposing changes to the tax returns of RDGE and CRG for the years in question (the "Examination Reports"). The Examination Report for each of RDGE and CRG proposed that the gains on the disposition by RDGE of Stater Stock, reported as taxable on the RDGE return, should be allocated to CRG. As reported, the gain resulted in no additional tax to RDGE inasmuch as the gain was entirely offset by a net operating loss carry forward of RDGE. This proposed change would result in an additional tax liability for CRG of approximately \$20.9 million plus interest of approximately \$17.9 million as of December 31, 2007. In addition, this proposal would result in California tax liability of approximately \$5.4 million plus interest of approximately \$4.6 million as of December 31, 2007. Accordingly, this proposed change represented, as of December 31, 2007, an exposure of approximately \$48.8 million.

Moreover, California has "amnesty" provisions imposing additional liability on taxpayers who are determined to have materially underreported their taxable income. While these provisions have been criticized by a number of corporate taxpayers to the extent that they apply to tax liabilities that are being contested in good faith, no assurances can be given that these new provisions will be applied in a manner that would mitigate the impact on such taxpayers. Accordingly, these provisions may cause an additional \$4.0 million exposure to CRG, for a total exposure of approximately \$52.8 million. We have accrued \$4.5 million as a probable loss in relation to this exposure and believe that the possible total settlement amount will be between \$4.0 million and \$52.8 million.

In early February 2005, we had a mediation conference with the IRS concerning this proposed change. The mediation was conducted by two mediators, one of whom was selected by the taxpayer from the private sector and one of whom was an employee of the IRS. In connection with this mediation, we and the IRS each prepared written submissions to the mediators setting forth our respective cases. In its written submission, the IRS noted that it had offered to settle its claims against us at 30% of the proposed change, and reiterated this offer at the mediation. This offer constituted, in effect, an offer to settle for a payment of \$5.0 million federal tax, plus interest, for an aggregate settlement amount of approximately \$8.0 million. Based on advice of counsel given after reviewing the materials submitted by the IRS to the mediation panel, and the oral presentation made by the IRS to the mediation panel and the comments of the mediators (including the IRS mediator), we determined not to accept this offer.

Notices of deficiency ("N/D") dated June 29, 2006 were received with respect to each of RDGE and CRG determining proposed deficiencies of \$20.9 million for CRG and a total of \$349,000 for RDGE for the tax years 1997, 1998 and 1999.

We intend to litigate aggressively these matters in the U.S. Tax Court and an appeal was filed with the court on September 26, 2006. While there are always risks in litigation, we believe that a settlement at the level currently offered by the IRS would substantially understate the strength of our position and the likelihood that we would prevail in a trial of these matters. We are currently in the discovery process, and do not anticipate a trial of this issue before 2010.

Since these tax liabilities relate to time periods prior to the Consolidation of CDL, RDGE, and CRG into Reading International, Inc. and since RDGE and CRG continue to exist as wholly owned subsidiaries of RII, it is expected that any adverse determination would be limited in recourse to the assets of RDGE or CRG, as the case may be, and not to the general assets of RII. At the present time, the assets of these subsidiaries are comprised principally of RII securities. Accordingly, we do not anticipate, even if there were to be an adverse judgment in favor of the IRS that the satisfaction of that judgment would interfere with the internal operation or result in any

levy upon or loss of any of our material operating assets. The satisfaction of any such adverse judgment would, however, result in a material dilution to existing stockholder interests.

The N/D issued to RDGE does not cover its tax year 1996 which will be held in abeyance pending the resolution of the CRG case. An adjustment to 1996 taxable income for RDGE would result in a refund of alternative minimum tax paid that year. The N/D issued to RDGE eliminated the gains booked by RDGE in 1996 as a consequence of its acquisition certain computer equipment and sale of the anticipated income stream from the lease of such equipment to third parties and disallowed depreciation deductions that we took with respect to that equipment in 1997, 1998 and 1999. Such disallowance has the effect of decreasing net operating losses but did not result in any additional regular federal income tax for such years. However, the depreciation disallowance would increase RDGE state tax liability for those years by approximately \$170,000 plus interest. The only tax liability reflected in the RDGE N/D is alternative minimum tax in the total amount of approximately \$349,000 plus interest. On September 26, 2006, we filed an appeal on this N/D with the U.S. Tax Court.

Environmental and Asbestos Claims

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

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

We are in the process of remediating certain environmental issues with respect to our 50-acre Burwood site in Melbourne. That property was at one time used as a brickwork, and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. The total site preparation costs associated with the removal of this contaminated soil is estimated to be \$7.9 million (AUS\$9.0 million). As of December 31, 2007, we had incurred a total of \$7.1 million (AUS\$8.1 million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as much of the work is being done in connection with excavation and other development activity already contemplated for the property.

Whitehorse Center Litigation

On October 30, 2000, we commenced litigation in the Supreme Court of Victoria at Melbourne, Commercial and Equity Division, against our joint venture partner and the controlling stockholders of our joint venture partner in the Whitehorse Shopping Center. That action is entitled Reading Entertainment Australia Pty, Ltd vs. Burstone Victoria Pty, Ltd and May Way Khor and David Frederick Burr, and was brought to collect on a promissory note (the "K/B Promissory Note") evidencing a loan that we made to Ms. Khor and Mr. Burr and that was guaranteed by Burstone Victoria Pty, Ltd ("Burstone" and collectively with Ms. Khor and Mr. Burr, the "Burstone Parties"). This loan balance has been previously written off and is no longer recorded on our books. The Burstone Parties asserted in defense certain set-offs and counterclaims, alleging, in essence, that we had breached our alleged obligations to proceed with the development of the Whitehorse Shopping Center, causing the Burstone Parties damages. The matter is currently on appeal. However, if the trial court is ultimately sustained the result will be a payment from the Burstone Parties to us of \$1.1 million (AUS\$1.2 million), as of December 31, 2007. That amount continues to accrue interest at the rate of approximately 10%.

Mackie Litigation

On November 7, 2005, we were sued in the Supreme Court of Victoria at Melbourne by a former construction contractor with respect to the discontinued development of an ETRC at Frankston, Victoria. The action is entitled Mackie Group Pty Ltd v. Reading Properties Pty Ltd, and in it the former contractor seeks payment of a claimed fee in the amount of \$788,000 (AUS\$1.0 million). We do not believe that any such fee is owed, and are contesting the claim. Discovery has now been completed by both parties. The next step in the litigation is likely to be mediation.

In a hearing conducted on November 22 and 29, 2006, Reading successfully defended an application for summary judgment brought by Mackie and was awarded costs for part of the preparation of its defense to the application. A bill of costs has been prepared by a cost consultant in the sum of \$20,000 (AUS\$25,000) (including disbursements). On 27 April 2007, we received payment from Khor & Burr for those costs in the sum of \$17,000 (AUS\$19,000).

A mediation was held in this matter on 12 July 2007, at which time the matter failed to settle. Reading has subsequently made an offer of compromise to Mackie Group in the sum of \$150,000 plus party/party costs, which has not been accepted. The matter has not yet been fixed for trial, however orders have now been made for the preparation of material for trial, and we expect that the matter will be set down for trial before the end of the year.

Malulani Investments Litigation

In December 2006, we commenced a lawsuit against certain officers and directors of Malulani Investments Limited ("MIL") alleging various direct and derivative claims for breach of fiduciary duty and waste and seeking, among other things, access to various company books and records. As certain of these claims were brought derivatively, MIL was also named as a defendant in that litigation. That case is called *Magoon Acquisition & Development, LLC; a California limited liability company, Reading International, Inc.; a Nevada corporation, and James J. Cotter vs. Malulani Investments, Limited, a Hawaii Corporation, Easton T. Mason; John R. Dwyer, Jr.; Philip Gray; Kenwei Chong (Civil No. 06-1-2156-12 (GWBC))* and is currently pending before Judge Chang in the circuit Court of the First circuit State of Hawaii, in Honolulu.

On July 26, 2007, the Court granted TMG's motion to intervene in the Hawaii action. On March 24, 2008, MIL filed a counter claim against us, alleging that we are green mailers, that our purpose in bringing the lawsuit was to harass and harm MIL, and that we should be liable to MIL for the damage resulting from our harassment, including the bringing of our lawsuit (the "MIL Counterclaim").

We do not believe that we have any meaningful exposure with respect to the MIL Counterclaim, and intend to continue to prosecute our claims against the Defendant Directors. We have filed a counterclaim against TMG, alleging various breached of fiduciary duty on its part, as the controlling shareholder of MIL, and are currently seeking permission to amend our initial complaint to add additional allegations principally growing out of the ongoing conduct by the Defendant Directors since the filing of our initial complaint. The action is currently in its discovery phase, with trial currently set for November of this year.

Other Claims – Credit Card Claims

During 2006, the bank, which administers our credit card activities, asserted a claim of potential loss suffered in relation to the use by third parties of counterfeit credit cards and related credit card company fines. At the end of 2006, we expected the associated claims from the bank and credit card companies for these losses and fines to total approximately \$1.2 million. For this reason, we expensed \$1.2 million during the year ending December 31, 2006. During 2007, the majority of the credit card claims and penalties were assessed and paid resulting in realized losses of \$429,000 and \$160,000 for the years ending December 31, 2007 and 2006, respectively, and returned restricted cash of \$551,000 during 2007. The restricted cash balance at December 31, 2007 was \$59,000 relating to the remaining unresolved credit card claims.

Item 4 – Submission of Matters to a Vote of Security Holders

At our 2007, Annual Meeting of Stockholders held on May 10, 2007, the stockholders voted on the following proposals:

· by the following vote, our eight directors were reelected to serve on the Board of Directors until the 2008 Annual Meeting of Stockholders:

Election of Directors	For	Withheld
James J. Cotter	1,117,201	28
Eric Barr	1,117,201	28
James J. Cotter, Jr.	1,117,201	28
Margaret Cotter	1,117,201	28
William D. Gould	1,117,201	28
Edward L. Kane	1,117,201	28
Gerard P. Laheney	1,117,201	28
Alfred Villaseñor	1,117,201	28

PART II

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

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

Market Information

Reading International, Inc., a Nevada corporation (“RDI” and collectively with our consolidated subsidiaries and corporate predecessors, the “Company,” “Reading” and “we,” “us,” or “our”), was incorporated in 1999 and, following the consummation of a consolidation transaction on December 31, 2001 (the “Consolidation”), is now the owner of the consolidated businesses and assets of Reading Entertainment, Inc. (“RDGE”), Craig Corporation (“CRG”), and Citadel Holding Corporation (“CDL”). Until the consolidation of CDL, RDGE, and CRG on December 31, 2001, our common stock was listed and quoted on the American Stock Exchange (“AMEX”) under the symbols CDL.A and CDL.B. Following the consolidation, we changed our name to RDI. Effective January 2, 2002, our common stock traded on the American Stock Exchange under the symbols RDI.A and RDI.B. In March 2004, we changed our nonvoting stock symbol from RDI.A to RDI.

The following table sets forth the high and low closing prices of the RDI and RDI.B common stock for each of the quarters in 2007 and 2006 as reported by AMEX:

		Class A Nonvoting Common Stock		Class B Voting Common Stock	
		High	Low	High	Low
2007:	Fourth Quarter	\$ 10.22	\$ 9.60	\$ 10.50	\$ 10.00
	Third Quarter	\$ 10.64	\$ 9.53	\$ 10.75	\$ 9.40
	Second Quarter	\$ 9.34	\$ 8.35	\$ 9.57	\$ 8.30
	First Quarter	\$ 8.70	\$ 8.18	\$ 8.50	\$ 8.00
2006:	Fourth Quarter	\$ 8.53	\$ 7.77	\$ 8.35	\$ 7.65
	Third Quarter	\$ 8.18	\$ 7.75	\$ 8.00	\$ 7.35
	Second Quarter	\$ 8.42	\$ 7.89	\$ 8.35	\$ 7.50
	First Quarter	\$ 8.62	\$ 7.50	\$ 8.60	\$ 7.30

Holder of Record

The number of holders of record of our Class A and Class B Stock in 2007 was approximately 3,500 and 300, respectively. On March 26, 2007, the closing price per share of our Class A Stock was \$9.42, and the closing price per share of our Class B Stock was \$10.20.

Dividends on Common Stock

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

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

None.

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

None.

Item 6 – Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for the year ended December 31, 2007 (the “2007 Annual Report”), and the related notes to the consolidated financial statements (dollars in thousands, except per share amounts).

	At or for the Year Ended December 31,				
	2007	2006	2005	2004	2003
Revenue	\$ 119,235	\$ 106,125	\$ 98,105	\$ 84,089	\$ 73,911
Gain (loss) from discontinued operations	\$ 1,912	\$ --	\$ 12,231	\$ (469)	\$ (288)
Operating income (loss)	\$ 5,149	\$ 2,415	\$ (6,372)	\$ (6,322)	\$ (5,839)
Net income (loss)	\$ (2,103)	\$ 3,856	\$ 989	\$ (8,463)	\$ (5,928)
Basic earnings (loss) per share – continuing operations	\$ (0.18)	\$ 0.17	\$ (0.51)	\$ (0.37)	\$ (0.26)
Basic earnings (loss) per share – discontinued operations	\$ 0.09	\$ --	\$ 0.55	\$ (0.02)	\$ (0.01)
Basic earnings (loss) per share	\$ (0.09)	\$ 0.17	\$ 0.04	\$ (0.39)	\$ (0.27)
Diluted earnings (loss) per share – continuing operations	\$ (0.18)	\$ 0.17	\$ (0.51)	\$ (0.37)	\$ (0.26)
Diluted earnings (loss) per share – discontinued operations	\$ 0.09	\$ --	\$ 0.55	\$ (0.02)	\$ (0.01)
Diluted earnings (loss) per share	\$ (0.09)	\$ 0.17	\$ 0.04	\$ (0.39)	\$ (0.27)
Other Information:					
Shares outstanding	22,482,605	22,476,355	22,485,948	21,998,239	21,899,290
Weighted average shares outstanding	22,478,145	22,425,941	22,249,967	21,948,065	21,860,222
Weighted average dilutive shares outstanding	22,478,145	22,674,818	22,249,967	21,948,065	21,860,222
Total assets	\$ 346,071	\$ 289,231	\$ 253,057	\$ 230,227	\$ 222,866
Total debt	\$ 177,195	\$ 130,212	\$ 109,320	\$ 72,879	\$ 60,765
Working capital (deficit)	\$ 6,345	\$ (6,997)	\$ (14,282)	\$ (6,915)	\$ (154)
Stockholders' equity	\$ 121,362	\$ 107,659	\$ 99,404	\$ 102,010	\$ 108,491
EBIT	\$ 8,098	\$ 12,734	\$ 6,671	\$ (4,339)	\$ (2,650)
Depreciation and amortization	\$ 11,921	\$ 13,212	\$ 12,384	\$ 11,823	\$ 10,952
Add: Adjustments for discontinued operations	\$ --	\$ --	\$ 567	\$ 1,915	\$ 1,907
EBITDA	\$ 20,019	\$ 25,946	\$ 19,622	\$ 9,399	\$ 10,209
Debt to EBITDA	8.85	5.02	5.57	7.75	5.95
Capital expenditure (including acquisitions)	\$ 42,414	\$ 16,389	\$ 53,954	\$ 33,180	\$ 5,809
Number of employees at 12/31	1,383	1,451	1,523	1,677	1,453

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

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

- in addition, we find EBIT useful as a financial measure that removes the impact from our effective tax rate of factors not directly related to our business operations, such as, whether we have acquired operating assets by purchasing those assets directly, or indirectly by purchasing the stock of a company that might hold such operating assets.
- the use of EBIT as a financial measure also (i) removes the impact of tax timing differences which may vary from time to time and from jurisdiction to jurisdiction, (ii) allows us to compare our performance to that achieved by other companies, and (iii) is useful as a financial measure that removes the impact of our historically significant net loss carryforwards.
- the elimination of net interest expense helps us to compare our operating performance to those companies that may have more or less debt than we do.

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

- we believe that EBITDA is an industry comparative measure of financial performance. It is, in our experience, a measure commonly used by analysts and financial commentators who report on the cinema exhibition and real estate industries and a measure used by financial institutions in underwriting the creditworthiness of companies in these industries. Accordingly, our management monitors this calculation as a method of judging our performance against our peers and market expectations and our creditworthiness.
- also, analysts, financial commentators, and persons active in the cinema exhibition and real estate industries typically value enterprises engaged in these businesses at various multiples of EBITDA. Accordingly, we find EBITDA valuable as an indicator of the underlying value of our businesses.

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

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

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

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

	2007	2006	2005	2004	2003
Net income (loss)	\$ (2,103)	\$ 3,856	\$ 989	\$ (8,463)	\$ (5,928)
Add: Interest expense, net	8,163	6,608	4,473	3,078	2,567
Add: Income tax expense	2,038	2,270	1,209	1,046	711
EBIT	\$ 8,098	\$ 12,734	\$ 6,671	\$ (4,339)	\$ (2,650)
Add: Depreciation and amortization	11,921	13,212	12,384	11,823	10,952
Adjustments for discontinued operations:					
Add: Interest expense, net	--	--	310	839	856
Add: Depreciation and amortization	--	--	257	1,076	1,051
EBITDA	\$ 20,019	\$ 25,946	\$ 19,622	\$ 9,399	\$ 10,209

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

The following review should be read in conjunction with the consolidated financial statements and related notes included in our 2007 Annual Report. Historical results and percentage relationships do not necessarily indicate operating results for any future periods.

Overview

Today, our businesses consist primarily of:

- the development, ownership and operation of multiplex cinemas in the United States, Australia, and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed retail centers (“ETRCs”) in Australia and New Zealand and live theater assets in Manhattan and Chicago in the United States.

We manage our worldwide cinema businesses under various different brands:

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

While we do not believe the cinema exhibition business to be a growth business at this time, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. While we intend to be opportunistic in adding to our existing cinema portfolio (and to continue to work to expand our art cinema operations), we believe it likely that, going forward, we will be reinvesting a greater percentage of our free cash flow in our general real estate development. Over time, we anticipate that our cinema operations will become an increasing source of cash flow to support our real estate oriented activities and that our real estate activities will become the principal thrust of our business.

In short, while we do have operating company attributes, we see ourselves principally as a hard asset company that will add to shareholder value by building the value of our portfolio of tangible assets.

Business Climate

Cinema Exhibition - General

There is continuing uncertainty in the film industry as to the future of digital exhibition and in-the-home entertainment alternatives. In the case of digital exhibition, there is currently considerable discussion within the industry as to the benefits and detriments of moving from conventional film projection to digital projection technology. There are issues as to when it will be available on an economically attractive basis, as to who will pay for the conversion from conventional to digital technology between exhibitors and distributors, as to what the impact will be on film licensing expense, and as to how to deal with security and potential pirating issues if film is distributed in a digital format. In the case of in-the-home entertainment alternatives, the industry is faced with the significant leaps achieved in recent periods in both the quality and affordability of in-the-home entertainment systems and in the accessibility to entertainment programming through cable, satellite, and DVD distribution channels. These are issues common to both our domestic and international cinema operations.

Cinema Exhibition – Australia / New Zealand

The film exhibition industry in Australia and New Zealand is highly concentrated and somewhat vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors, also serves as a distributor of film in Australia and New Zealand for Warner Bros. and New Line. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and mega-plex cinemas, while the independent exhibitors typically have older and smaller cinemas. Accordingly, we believe it likely that the Major Exhibitors may control upwards of 65% of the total cinema box office in Australia and New Zealand. Also, 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, except in the downtown areas of Sydney and Melbourne.

Cinema Exhibition – North America

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

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

Real Estate – Australia and New Zealand

Commercial and retail property values have remained high in Australia and New Zealand due to sound economic growth and, until recently, controlled interest rates. New Zealand has enjoyed consistent growth in rentals and values with some recent signs that this has plateaued in the short term. Project commencements have declined with indications that construction prices will tighten this year. There are continuing signs that large Australian-based funds are actively seeking out opportunities in New Zealand.

The Australian commercial sector of the real estate market has remained buoyant in Australia during 2007. The large institutional funds are still seeking out prime assets with premium prices being paid for good retail and commercial investments and development opportunities. Leasing interest in growth areas such as Brisbane is driving positive returns. Many large residential unit developments in Sydney and Melbourne have however resulted in some oversupply and this sector has softening values.

Real Estate – North America

In the U.S., our real estate interests are predominantly centered on our live theatre rental operations, with the exception of one property relating to a cinema asset that we operate. In addition, our geographic focus of real estate holdings is narrowed to New York and Illinois, and there specifically Manhattan and Chicago.

The four properties that we own relative to our live theatre operations are therefore affected by i) our ability to secure the right live production and ii) the potential for redevelopment of any one site. Any ancillary rental stream, which would be affected by the general state of the US property market, is minor compared to that. Likewise, the rental stream of the one cinema that we own depends solely on our cinema operation, and its value to us depends on this and its redevelopment potential.

The market for redevelopment sites in Manhattan and Chicago has begun to stabilize from the rapid rise in appreciation values over the past few years.

Business Segments

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

Cinema Exhibition

One of our primary businesses consists of the ownership and operation of cinemas. At December 31, 2007 we:

- directly operated 35 cinemas with 231 screens;
- had interests in certain unconsolidated joint ventures in which we have varying interests, which own an additional 7 cinemas with 46 screens;
- managed 2 cinemas with 9 screens;
- had entered into an agreement for lease with respect to a new 8-screen cinema currently under development in a regional shopping center located in a fast growing suburban area in Australia. It is anticipated that this cinema will open in March 2008; and

Consistent with our philosophy to look for opportunities in the cinema exhibition industry, on February 22, 2008 we acquired from two related companies, Pacific Theatres and Consolidated Amusement Theatres, substantially all of their cinema assets in Hawaii of nine complexes (98 screens), San Diego County of four complexes (51 screens), and Northern California of two complexes (32 screens). In total, we acquired fourteen mature leasehold cinemas and the management rights to one additional mature cinema with 8 screens. In saying that these cinema are "mature" we mean that they have been in operation for some years, and are, in our view, proven performers in their markets. We refer to these cinemas from time to time in this report as Consolidated Cinemas.

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

Rental Real Estate Holdings

For fiscal 2007, our rental generating real estate holdings consisted of the following properties:

- our Belmont, Western Australia ETRC, our Auburn, New South Wales ETRC and our Wellington, New Zealand ETRC;
- our Newmarket shopping center in Newmarket, Queensland, a suburb of Brisbane. The center is ultimately intended to be an ETRC, and we recently obtained final government approvals for the construction of an approximately 33,000 square foot cinema as a part of the complex;
- three single auditorium live theaters in Manhattan (Minetta Lane, Orpheum, and Union Square) and a four auditorium live theater complex in Chicago (The Royal George) and, in the case of the Union Square and the Royal George their accompanying ancillary retail and commercial tenants;
- a New Zealand property rented to an unrelated third party, to be held for current income and long-term appreciation;
- our Lake Taupo property in New Zealand that is currently improved with a motel which we are in the process of renovating its units to be condominiums. A portion of this property includes unimproved land that we do not intend to develop; and
- the ancillary retail and commercial tenants at some of our non-ETRC cinema properties.

In addition, we have approximately 5.3 million square feet of unimproved real estate held for development in Australia and New Zealand, discussed in greater detail below, and certain unimproved land in the United States that was used in our historic activities. We also own an 8,783 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand.

In 2007, we acquired the following real property interests:

- *Manukau Land.* On July 27, 2007, we purchased through a Landplan Property Partners property trust a 64.0 acre parcel of undeveloped agricultural real estate for approximately \$9.3 million (NZ\$12.1 million). We intend to rezone the property from its current agricultural use to commercial use, and thereafter to redevelop the property in accordance with its new zoning. No assurances can be given that such rezoning will be achieved, or if achieved, that it will occur in the near term.
- *New Zealand Commercial Property.* On June 29, 2007, we acquired a commercial property for \$5.9 million (NZ\$7.6 million), rented to an unrelated third party, to be held for current income and long-term appreciation.
- *Cinemas 1, 2, & 3 Building.* On June 28, 2007, we purchased the building associated with our Cinemas 1, 2, & 3 for \$100,000 from Sutton Hill Capital ("SHC"). Our option to purchase that building has been previously disclosed, and was granted to us by SHC at the time that we acquired the underlying ground lease from SHC on June 1, 2005. As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved the purchase of the property. The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets.
- *Lake Taupo Property.* On February 14, 2007, we acquired, through a Landplan Property Partners property trust, a 1.0 acre parcel of commercial real estate for approximately \$4.9 million (NZ\$6.9 million). The property was improved with a motel, but we are currently renovating the property's units to be condominiums. A portion of this property includes unimproved land that we do not intend to develop. This land was determined to have a fair value of \$1.8 million (NZ\$2.6 million) at the time of purchase and is included on our balance sheet as land held for sale. The remaining property and its cost basis of \$3.1 million (NZ\$4.3 million) was included in property under development. The operating activities of the motel are not material.
- *Tower Ground Lease.* On February 8, 2007, we purchased the tenant's interest in the ground lease underlying the building lease for one of our domestic cinemas for \$493,000.

In 2006, we acquired the following real property interests:

- *Indooroopilly Land.* On September 18, 2006, we purchased a 0.3 acre property for \$1.8 million (AUS\$2.3 million) as part of our Landplan Property Partners initiative. We have obtained approval to develop the property to be a 28,000 square foot grade A commercial office building comprising six floors of office space and two basement levels of parking with 33 parking spaces. We expect to spend US\$8.2 million (AUS\$9.4 million) in development costs. We plan to complete the project in December 2008.
- *Moonee Ponds Land.* On September 1, 2006, we purchased two parcels of land aggregating 0.4 acres adjacent to our Moonee Ponds property for \$2.5 million (AUS\$3.3 million). This acquisition increases our holdings at Moonee Ponds to 3.3 acres and gives us frontage facing the principal transit station servicing the area. We are currently working to finalize plans for the development of this property into a mixed-use entertainment based retail and commercial complex.
- *Malulani Investments.* On June 28, 2006, we acquired for \$1.8 million, an 18.4% equity interest in Malulani Investments, Limited ("MIL"), a closely held Hawaiian company which currently owns approximately 763,000 square feet of developed commercial real estate principally in California, Hawaii, and Texas, and approximately 22,000 acres of agricultural land in Northern California. Included among MIL's assets is the Guenoc Winery, consisting of approximately 400 acres of vineyard land and a winery equipped to bottle up to 120,000 cases of wine annually. This land and commercial real estate holdings are encumbered by debt.

Property Held For or Under Development

For fiscal 2007, our investments in property held for or under development consisted of:

- an approximately 50.6 acre property located in the Burwood area of Melbourne, Australia, recently rezoned from an essentially industrial zone to a priority zone allowing a variety of retail, entertainment, commercial and residential uses and currently in the planning stages of development;
- an approximately 3.3 acre property located in the Moonee Ponds area of Melbourne, Australia. We are currently working to finalize plans for the development of this property into a mixed use entertainment based retail and commercial complex;
- an approximately 0.9 acre property located adjacent to the Courtenay Central ETRC in Wellington, New Zealand. We have received all necessary governmental approvals to develop the site for retail, commercial and entertainment purposes as Phase II of our existing ETRC. We anticipate the construction of an approximately 162,000 square foot retail project which, when completed, will be integrated into the common areas of our existing ETRC;
- a 25% interest, representing an investment of \$3.0 million, in the company redeveloping the site of our old Sutton Cinema site in Manhattan, New York. The property has been redeveloped as an approximately 100,000 square foot residential condominium project with ground floor retail and marketed under the name "Place 57." In 2006, the joint venture was able to close on the sales of 59 condominiums resulting in gross sales of \$117.7 million and equity earnings from unconsolidated joint venture to us of \$8.3 million. During 2007, this joint venture sold the remaining eight residential condominiums resulting in gross sales of \$25.7 million and equity earnings from unconsolidated joint venture to us of \$1.3 million. Only the commercial unit is still available for sale;
- a 0.3 acre property with a two-story 3,464 square foot building Indooroopilly, Brisbane, Australia. We have obtained approval to develop the property to be a 28,000 square foot grade A commercial office building comprising six floors of office space and two basement levels of parking with 33 parking spaces. We expect to spend US\$8 million (AUS\$9.4 million) in development costs. We plan to complete the project in December 2008;
- the Manukau land parcel was purchased on July 27, 2007 through a Landplan Property Partners property trust a 64.0 acre parcel of undeveloped agricultural real estate for approximately \$9.3 million (NZ\$12.1 million). We intend to rezone the property from its current agricultural use to commercial use, and thereafter to redevelop the property in accordance with its new zoning. No assurances can be given that such rezoning will be achieved, or if achieved, that it will occur in the near term; and
- a 1.0-acre parcel of commercial real estate located in Lake Taupo, New Zealand. The property was improved with a motel, but we are currently renovating the property's units to be condominiums.

Property Held For Sale

At December 31, 2007, the adjacent unimproved land to our recently purchased Lake Taupo property acquired in 2007 was held for sale.

Recent Business Developments

We look to take advantage of those opportunities that may present themselves to expand strategically our existing cinema circuits. However, we do not intend to acquire cinema assets simply for the sake of growing. Rather, we intend to be disciplined in our approach to acquiring and developing cinema assets.

We have, in the past, and may, in the future, dispose of, or put to alternative use some or all of our interests in various operating assets, in order to maximize the values of such assets. Generally speaking, since the Consolidation, we have disposed of our non-cinema and non-real estate related assets so as to focus on our principal two businesses.

During the past 24 months, we have engaged in the following transactions which we believe are consistent with our business plan:

- *Consolidated Cinemas.* On October 8, 2007, we entered into agreements to acquire leasehold interests in 15 cinemas then owned by Pacific Theatres Exhibition Corp. and its' affiliates. The cinemas, which are located in the United States, contain 181 screens with annual revenue of approximately \$78.0 million. The aggregate purchase price of the cinemas and related assets is \$69.3 million. This acquisition closed on February 22, 2008.
- *Manukau Land.* On July 27, 2007, we purchased through a Landplan Property Partners property trust a 64.0 acre parcel of undeveloped agricultural real estate for approximately \$9.3 million (NZ\$12.1 million). We intend to rezone the property from its current agricultural use to commercial use, and thereafter to redevelop the property in accordance with its new zoning. No assurances can be given that such rezoning will be achieved, or if achieved, that it will occur in the near term.
- *New Zealand Commercial Property.* On June 29, 2007, we acquired a commercial property for \$5.9 million (NZ\$7.6 million), rented to an unrelated third party, to be held for current income and long-term appreciation. The purchase price allocation for this acquisition is \$1.2 million (NZ\$1.6 million) allocated to land and \$4.7 million (NZ\$6.1 million) allocated to building.
- *Lake Taupo Property.* On February 14, 2007, we acquired, through a Landplan Property Partners property trust, a 1.0 acre parcel of commercial real estate for approximately \$4.9 million (NZ\$6.9 million). The property was improved with a motel, but we are currently renovating the property's units to be condominiums. A portion of this property includes unimproved land that we do not intend to develop. This land was determined to have a fair value of \$1.8 million (NZ\$2.6 million) at the time of purchase and is included on our balance sheet as land held for sale. The remaining property and its cost basis of \$3.1 million (NZ\$4.3 million) was included in property under development. The operating activities of the motel are not material.
- *Cinemas 1, 2, & 3 Building.* On June 28, 2007, we purchased the building associated with our Cinemas 1, 2, & 3 for \$100,000 from Sutton Hill Capital ("SHC"). Our option to purchase that building has been previously disclosed, and was granted to us by SHC at the time that we acquired the underlying ground lease from SHC on June 1, 2005. As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved the purchase of the property. The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets.
- *Tower Ground Lease.* On February 8, 2007, we purchased the tenant's interest in the ground lease underlying the building lease for one of our domestic cinemas. The purchase price of \$493,000 was paid in two installments; \$243,000 was paid on February 8, 2007 and \$250,000 was paid on June 28, 2007.
- *Place 57, Manhattan.* We own a 25% membership interest in the limited liability company that has been developing the site of our former Sutton Cinema on 57th Street just east of 3rd Avenue in Manhattan, as a 143,000 square foot residential condominium tower, with the ground floor retail unit and the resident manager's apartment. All of the residential units have now been sold and only the commercial unit is still available for sale. As of December 31, 2007, we had received distributions totaling \$9.8 million from the earnings of this project and we have received \$1.9 million of return of capital investment.
- *Indooroopilly Land.* On September 18, 2006, we purchased a 0.3 acre property for \$1.8 million (AUS\$2.3 million) as part of our newly established Landplan Property Partners initiative. We have obtained approval to develop the property to be a 28,000 square foot grade A commercial office building comprising six floors of office space and two basement levels of parking with 33 parking spaces. We expect to spend US\$8.2 million (AUS\$9.4 million) in development costs. We plan to complete the project in December 2008.
- *Moonee Ponds Land.* On September 1, 2006, we purchased two parcels of land aggregating 0.4 acres adjacent to our Moonee Ponds property for \$2.5 million (AUS\$3.3 million). This acquisition increased our holdings at Moonee Ponds to 3.3 acres and gave us frontage facing the principal transit station servicing the area. We are now in the process of developing the entire site and anticipate completion of this project in 2008.

- *Berkeley Cinemas.* On August 28, 2006, we sold to our joint venture partner our interest in the cinemas at Whangaparaoa, Takapuna and Mission Bay, New Zealand, the Berkeley Cinema Group, for \$4.6 million (NZ\$7.2 million) in cash and the assumption of \$1.6 million (NZ\$2.5 million) in debt. The sale resulted in a gain on sale of unconsolidated joint venture in 2006 of \$3.4 million (NZ\$5.4 million). See Note 11 – *Investments in and Advances to Unconsolidated Joint Ventures and Entities* for the Berkeley Cinema Group Condensed Balance Sheet and Statement of Operations.

Additionally, effective April 1, 2006, we purchased from our Joint Venture partner the 50% share that we did not already own of the Palms cinema located in Christchurch, New Zealand for cash of \$2.6 million (NZ\$4.1 million) and the proportionate share of assumed debt which amounted to \$987,000 (NZ\$1.6 million). This 8-screen, leasehold cinema had previously been included in our Berkeley Cinemas Joint Venture investment and was not previously consolidated for accounting purposes. Subsequent to April 1, 2006, we have consolidated this entity into our financial statements.

As a result of these transactions, the only cinema owned by this joint venture is the Botany Downs cinema, located in suburban Auckland.

- *Malulani Investments, Ltd.* On June 26, 2006, we acquired for \$1.8 million, an 18.4% interest in a private real estate company with holdings principally in California, Texas and Hawaii including, the Guenoc Winery located on approximately 22,000 acres of land located in Northern California. This land and commercial real estate holdings are encumbered by debt.
- *Queenstown Cinema.* Effective February 23, 2006, we purchased a 3-screen leasehold cinema in Queenstown, New Zealand for \$939,000 (NZ\$1.4 million). We funded this acquisition through internal sources.
- *Newmarket Property:* At the end of 2005 and during the first few months of 2006, we opened the retail elements of our Newmarket ETRC, a 100,373 square foot retail facility situated on an approximately 177,497 square foot parcel in Newmarket, a suburb of Brisbane. The total construction costs for the site were \$26.7 million (AUS\$34.2 million) including \$1.4 million (AUS\$1.9 million) of capitalized interest. This project was funded through our \$78.8 million (AUS\$100.0 million) Australian Corporate Credit Facility with the Bank of Western Australia, Ltd.

Critical Accounting Policies

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

- impairment of long-lived assets, including goodwill and intangible assets;
- tax valuation allowance and obligations; and
- legal and environmental obligations.

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, in the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. We review internal management reports on a monthly basis as well as monitor current and potential future competition in film markets for indications of potential impairment. We evaluate our long-lived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration, the seasonality of our business. If the sum of the estimated future cash flows, undiscounted, were to be less than the carrying amount of the asset, then an impairment would be recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on a discounted cash flow calculation. Goodwill and intangible assets are evaluated on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. Accordingly, actual results could vary materially from such estimates. We recorded an impairment loss for one of our cinema locations for the year ended December 31, 2007.

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, 2007, we had recorded approximately \$57.9 million of deferred tax assets related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry forwards and tax credit carry forwards. These deferred tax assets were fully offset by a valuation allowance in the same amount, resulting in a net deferred tax asset of zero. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income. There is no assurance that sufficient future taxable income will be generated to benefit from our tax loss carry forwards and tax credit carry forwards.

Due to our historical involvement in the railroad industry under RDGE, we have a number of former employees of RDGE claiming monetary compensation for hearing loss, black lung and other asbestos related illness suffered as a result of their past employment with RDGE. With respect to the personal injury claims, our insurance carrier generally pays approximately 98% of the claims and we do not believe that we have a significant exposure. However, we can give no assurance that such reimbursement will continue. In addition, we have an environmental contamination dispute with the City of Philadelphia that has been on going for some time and an EPA claim in relation to one of our formerly owned railroad sites. We intend to defend vigorously our positions, as we believe a complete disclosure about the property was made at the time we sold the property; however, no assurances can be given that we will prevail.

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

Results of Operations

We currently operate two operating segments: Cinema and Real Estate. Our cinema segment includes the operations of our consolidated cinemas. Our real estate segment includes the operating results of our commercial real estate holdings, cinema real estate, live theater real estate and ETRCs. Effective the fourth quarter of 2006, we have changed the presentation of our segment reporting such that our intersegment revenues and expenses are reported separately from our segments' operating activity. The effect of this change is to include intercompany rent revenues and rent expenses into their respective cinema and real estate business segments. The revenues and expenses for 2005 have been adjusted to conform to the current year presentation. We believe that this presentation more accurately portrays how our operating decision makers' view the operations, how they assess segment performance, and how they make decisions about allocating resources to the segments.

The tables below summarize the results of operations for our principal business segments for the years ended December 31, 2007, 2006 and 2005 (dollars in thousands).

Year Ended December 31, 2007	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	\$ 103,467	\$ 21,887	\$ (6,119)	\$ 119,235
Operating expense	83,875	8,324	(6,119)	86,080
Depreciation & amortization	6,942	4,418	--	11,360
General & administrative expense	3,195	831	--	4,026
Segment operating income	\$ 9,455	\$ 8,314	\$ --	\$ 17,769
Year Ended December 31, 2006	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	\$ 94,048	\$ 17,285	\$ (5,208)	\$ 106,125
Operating expense	75,350	7,365	(5,208)	77,507
Depreciation & amortization	8,648	4,080	--	12,728
General & administrative expense	3,658	782	--	4,440
Segment operating income	\$ 6,392	\$ 5,058	\$ --	\$ 11,450
Year Ended December 31, 2005	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	\$ 86,760	\$ 16,523	\$ (5,178)	\$ 98,105
Operating expense	72,665	7,359	(5,178)	74,846
Depreciation & amortization	8,323	3,674	--	11,997
General & administrative expense	6,802	328	--	7,130
Segment operating income (loss)	\$ (1,030)	\$ 5,162	\$ --	\$ 4,132

Reconciliation to net income:	2007	2006	2005
Total segment operating income	\$ 17,769	\$ 11,450	\$ 4,132
Non-segment:			
Depreciation and amortization expense	561	484	387
General and administrative expense	12,059	8,551	10,117
Operating income (loss)	5,149	2,415	(6,372)
Interest expense, net	(8,163)	(6,608)	(4,473)
Other income (expense)	(505)	(1,998)	19
Minority interest	(1,003)	(672)	(579)
Gain on disposal of discontinued operations	1,912	--	13,610 ¹
Loss from discontinued operations	--	--	(1,379)
Income tax expense	(2,038)	(2,270)	(1,209)
Equity earnings of unconsolidated joint ventures and entities	2,545	9,547	1,372
Gain on sale of unconsolidated joint venture	--	3,442	--
Net income (loss)	\$ (2,103)	\$ 3,856	\$ 989

¹ Comprised of \$12.0 million from the sale of our Glendale office building and \$1.6 million from the sale of our Puerto Rico cinema operations.

Cinema Segment

Effective the fourth quarter of 2006, we have changed the presentation of our segment reporting such that our intersegment revenues and expenses are reported separately from our segments' operating activity. The effect of this change is to include intercompany rent revenues and rent expenses into their respective cinema and real estate business segments. The revenues and expenses for 2005 have been adjusted to conform to the current year presentation.

The following tables and discussion which follows detail our operating results for our 2007, 2006 and 2005 cinema segment, adjusted to reflect the discontinuation, in June 2005, of our Puerto Rico cinema operations, respectively (dollars in thousands):

Year Ended December 31, 2007	United States	Australia	New Zealand	Total
Admissions revenue	\$ 18,647	\$ 41,722	\$ 14,683	\$ 75,052
Concessions revenue	5,314	13,577	4,302	23,193
Advertising and other revenues	2,043	2,277	902	5,222
Total revenues	26,004	57,576	19,887	103,467
Cinema costs	18,385	44,460	15,868	78,713
Concession costs	1,029	3,017	1,116	5,162
Total operating expense	19,414	47,477	16,984	83,875
Depreciation and amortization	2,003	3,212	1,727	6,942
General & administrative expense	2,140	1,036	19	3,195
Segment operating income	\$ 2,447	\$ 5,851	\$ 1,157	\$ 9,455

Year Ended December 31, 2006	United States	Australia	New Zealand	Total
Admissions revenue	\$ 18,891	\$ 36,564	\$ 13,109	\$ 68,564
Concessions revenue	5,472	11,288	4,001	20,761
Advertising and other revenues	1,710	2,098	915	4,723
Total revenues	26,073	49,950	18,025	94,048
Cinema costs	18,176	38,743	13,763	70,682
Concession costs	1,047	2,584	1,037	4,668
Total operating expense	19,223	41,327	14,800	75,350
Depreciation and amortization	1,890	5,445	1,313	8,648
General & administrative expense	2,614	1,027	17	3,658
Segment operating income (loss)	\$ 2,346	\$ 2,151	\$ 1,895	\$ 6,392

Year Ended December 31, 2005	United States	Australia	New Zealand	Total
Admissions revenue	\$ 17,802	\$ 33,142	\$ 11,926	\$ 62,870
Concessions revenue	4,979	10,505	3,618	19,102
Advertising and other revenues	1,646	2,233	909	4,788
Total revenues	24,427	45,880	16,453	86,760
Cinema costs	17,869	38,045	12,157	68,071
Concession costs	1,054	2,448	1,092	4,594
Total operating expense	18,923	40,493	13,249	72,665
Depreciation and amortization	1,822	5,537	964	8,323
General & administrative expense	5,839	982	(19)	6,802
Segment operating income (loss)	\$ (2,157)	\$ (1,132)	\$ 2,259	\$ (1,030)

Cinema Results for 2007 Compared to 2006

- cinema revenue increased in 2007 by \$9.4 million or 10.0% compared to 2006. The geographic activity of our revenues can be summarized as follows:
 - o United States - Revenues in the United States decreased by \$69,000 or 0.3%. This decrease in revenues was attributable to a decrease in admissions revenues of \$244,000 and concessions revenues of \$158,000 offset by an increase in advertising and other revenues of \$333,000. The decrease in admissions and concessions revenues resulted from lower year-end holiday admissions compared to last year. The increase in others revenues related to more screen rentals during 2007 than in 2006.
 - o Australia - Revenues in Australia increased by \$7.6 million or 15.3%. This increase in revenues was attributable to an increase in admissions revenues of \$5.2 million related to an increase in box office admissions of 118,000 coupled with a \$0.52 increase in average ticket price, concessions revenues of \$2.3 million, and advertising and other revenues of \$179,000. This increase in revenues was primarily related to more appealing film product in late 2007 compared to the film offerings in 2006 coupled with an increase in the average admissions price of 5.3%.
 - o New Zealand - Revenues in New Zealand increased by \$1.9 million or 10.3%. This increase in revenues was attributable to an increase in admissions revenues of \$1.6 million primarily related to a \$0.42 increase in average ticket price, an increase in concessions revenues of \$301,000, and a decrease in advertising and other revenues of \$13,000. This increase in revenues was primarily related to improved film product in 2007 compared to 2006.
- operating expense increased in 2007 by \$8.5 million or 11.3% compared to 2006. The year on year comparison of operating expenses held steady in relation to revenues at 81% in 2007 compared to 80% in 2006.

- o United States - Operating expenses in the United States increased by \$191,000 or 1.0%.
- o Australia - Operating expenses in Australia increased by \$6.2 million or 14.9%. This increase was in line with the above-mentioned increase in cinema revenues.
- o New Zealand - Operating expenses in New Zealand increased by \$2.2 million or 14.8%. This increase was somewhat in line with the increase in revenues noted above.
- depreciation expense decreased in 2007 by \$1.7 million or 19.7% compared to 2006. This decrease is primarily related to several Australia cinema assets reaching the end of their depreciable lives as of December 31, 2006.
- general and administrative expense decreased in 2007 by \$463,000 or 12.7% compared to 2006. The change was primarily related to a decrease in legal costs associated with our anti-trust claims against Regal and certain distributors.
- the Australia and New Zealand annual average exchange rates have changed by 11.4% and 13.5%, respectively, since 2006, which had an impact on the individual components of the income statement. However, the overall effect of the foreign currency change on operating income was minimal.
- cinema segment operating income increased in 2007 by \$3.1 million compared to 2006 primarily resulting from our improved cinema operations in each region, our increased admissions from better film product, and a reduction in general and administrative expense primarily associated with legal expenses.

Cinema Results for 2006 Compared to 2005

- cinema revenue increased in 2006 by \$7.3 million or 8.4% compared to 2005. The geographic activity of our revenues can be summarized as follows:
 - o United States - Revenues in the United States increased by \$1.6 million or 6.7%. This increase in revenues was attributable to an increase in admissions revenues by \$1.1 million, concessions revenues by \$493,000, and advertising and other revenues by \$64,000. The significant increase in admissions revenues resulted from higher admissions related in part to more appealing film product in 2006 compared to the film offerings in 2005.
 - o Australia - Revenues in Australia increased by \$4.1 million or 8.9%. This increase in revenues was attributable to an increase in admissions revenues by \$3.4 million, concessions revenues by \$783,000, and advertising offset by a decrease in other revenues of \$135,000. This increase in revenues was primarily related to more appealing film product in 2006 compared to the film offerings in 2005.
 - o New Zealand - Revenues in New Zealand increased by \$1.6 million or 9.6%. This increase in revenues was attributable to an increase in admissions revenues by \$1.2 million, concessions revenues by \$383,000, and advertising and other revenues by \$6,000. This increase in revenues was primarily related to the acquisition of the Queenstown cinema in February 2006 and the inclusion of 100% of the revenues from the Palms cinema after our purchase of the remaining 50% which we did not already own, at the beginning of the second quarter of 2006.
- operating expense increased in 2006 by \$2.7 million or 3.7% compared to 2005.
 - o United States - Operating expenses in the United States increased by only \$300,000 or 1.6%. This small increase was due to efforts to hold operating costs steady even with increased admissions.
 - o Australia - Operating expenses in Australia increased by only \$834,000 or 2.1%. This small increase was due to efforts to hold operating costs steady even with increased admissions.
 - o New Zealand - Operating expenses in New Zealand increased by \$1.6 million or 11.7%. This increase was due to higher admissions and concessions predominately resulting from the addition of the Queenstown and Palms cinemas in 2006.
- depreciation expense increased in 2006 by \$325,000 or 3.9% compared to 2005. The increase was primarily from our 2006 acquisitions in New Zealand of the Queenstown Cinema in February 2006 and the Palms Cinema in early April 2006.

- general and administrative expense decreased in 2006 by \$3.1 million or 46.2% compared to 2005. The change was primarily related to a decrease in legal costs associated with our anti-trust claims against Regal and certain distributors.
- cinema segment operating income increased in 2006 by \$7.4 million compared to 2005 primarily resulting from our improved cinema operations in each region, our increased admissions from better film product, and a dramatic reduction in general and administrative expense, driven by a reduction in legal expenses.

Real Estate Segment

As discussed above, our other major business segment is the development and management of real estate. These holdings include our rental live theaters, certain fee owned properties used in our cinema business, and unimproved real estate held for development. Effective the fourth quarter of 2006, we have changed the presentation of our segment reporting such that our intersegment revenues and expenses are reported separately from our segments' operating activity. The effect of this change is to include intercompany rent revenues and rent expenses into their respective cinema and real estate business segments. The revenues and expenses for 2005 have been adjusted to conform to the current year presentation. The tables and discussion which follow detail our operating results for our 2007, 2006 and 2005 real estate segment adjusted to reflect the sale of our Glendale property in May 2005 (dollars in thousands):

Year Ended December 31, 2007	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	\$ 4,043	\$ --	\$ --	\$ 4,043
Property rental income	1,534	9,336	6,974	17,844
Total revenues	5,577	9,336	6,974	21,887
Live theater costs	2,105	--	--	2,105
Property rental cost	1,210	3,076	1,933	6,219
Total operating expense	3,315	3,076	1,933	8,324
Depreciation and amortization	376	2,355	1,687	4,418
General & administrative expense	15	665	151	831
Segment operating income	\$ 1,871	\$ 3,240	\$ 3,203	\$ 8,314
Year Ended December 31, 2006	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	\$ 3,667	\$ --	\$ --	\$ 3,667
Property rental income	1,720	6,334	5,564	13,618
Total revenues	5,387	6,334	5,564	17,285
Live theater costs	2,193	--	--	2,193
Property rental cost	1,164	2,658	1,350	5,172
Total operating expense	3,357	2,658	1,350	7,365
Depreciation and amortization	427	2,129	1,524	4,080
General & administrative expense	--	782	--	782
Segment operating income	\$ 1,603	\$ 765	\$ 2,690	\$ 5,058
Year Ended December 31, 2005	United States	Australia	New Zealand	Total
Live theater rental and ancillary income	\$ 5,199	\$ --	\$ --	\$ 5,199
Property rental income	1,118	4,266	5,940	11,324
Total revenues	6,317	4,266	5,940	16,523
Live theater costs	2,925	--	--	2,925
Property rental cost	692	2,118	1,624	4,434
Total operating expense	3,617	2,118	1,624	7,359
Depreciation and amortization	296	1,588	1,790	3,674
General & administrative expense	29	298	1	328
Segment operating income	\$ 2,375	\$ 262	\$ 2,525	\$ 5,162

Real Estate Results for 2007 Compared to 2006

For 2007, we achieved the following results in our real estate segment:

- revenue increased by \$4.6 million or 26.6% when compared 2006. The increase was primarily related to an enhanced rental stream from our Australia Newmarket shopping center, opened in 2006, and our New Zealand properties. This increase in rents was offset in part by decreased rents from our domestic live theatres due to fewer shows in 2007 compared to 2006.
- operating expense increased by \$959,000 or 13.0% when compared to 2006. This increase in expense was primarily due to higher operating costs related to our recently opened Australia Newmarket shopping center.
- depreciation expense increased by \$338,000 or 8.3% when compared to 2006. The majority of this increase was attributed to the Newmarket shopping center assets in Australia which were put into service during the first quarter 2006.
- general and administrative expense increased by \$49,000 when compared to 2006 primarily due to increased property activities related to our acquisitions in New Zealand.
- the Australia and New Zealand annual average exchange rates have changed by 11.4% and 13.5%, respectively, since 2006, which had an impact on the individual components of the income statement. However, the overall effect of the foreign currency change on operating income was minimal.
- real estate segment operating income increased by \$3.3 million when compared to 2006 mostly related to an increase in revenues in Australia from our Newmarket shopping centre offset by a decrease in domestic live theater income.

Real Estate Results for 2006 Compared to 2005

For 2006, we achieved the following results in our real estate segment:

- revenue increased by \$762,000 or 4.6% when compared 2005. Of this increase, approximately \$2.1 million was primarily attributable to an increase in rent from our Newmarket shopping centre that opened early 2006. This increase in rents was offset in part by decreased rents from our domestic live theatres due to fewer shows in 2006 compared to 2005.
- operating expense increased by \$6,000 or 0.1% when compared to 2005. This decrease primarily relates to a decrease in costs associated with our live theater facilities offset in part by increased costs from our newly opened Newmarket shopping centre.
- depreciation expense increased by \$406,000 or 11.1% when compared to 2005. The majority of this increase was attributable to our newly opened Newmarket shopping centre in Australia.
- general and administrative expense increased by \$454,000 when compared to 2005 primarily due to increased property activities related to our Australia properties.
- real estate segment operating income decreased by \$104,000 when compared to 2005 mostly related to an increase in revenues in Australia from our Newmarket shopping centre offset by a decrease in domestic live theater income.

Non-Segment Activity

2007 Compared to 2006

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

During 2007, the increase of \$3.5 million in corporate General and Administrative expense was primarily made up of:

- \$320,000 in increased corporate compensation expense related to the granting of 70,000 fully vested options to our directors coupled with an \$85,000 increase in director fees;
- \$437,000 in increased corporate compensation expense related to the granting of 844,255 options that are vesting over a 24 month period;
- \$413,000 of compensation for our Chief Operating Officer appointed in February 2007;
- \$840,000 of legal and professional fees associated principally with our real estate acquisition and investment activities; and
- \$342,000 related to our newly adopted Supplemental Executive Retirement Plan.

During 2007:

- our net interest expense increased by \$1.6 million primarily related to a higher outstanding loan balances in 2007 compared to 2006;
- our other expense decreased by \$1.5 million primarily due to lower mark-to-market charges relating to an option liability held by Sutton Hill Capital LLC to acquire a 25% non-managing membership interest in our Cinemas 1, 2 & 3 property which option they exercised in July 2007;
- our minority interest expense increased by \$331,000 compared to 2006 due to an improvement in cinema admission sales particularly in our Australia, joint venture cinemas and an increased activity in Landplan Property Partners;
- the recording of a deferred gain on the sale of a discontinued operation upon the fulfillment of our commitment of \$1.9 million associated with a previously sold property;
- income tax expense decreased by \$232,000 primarily related less tax expense incurred for our equity earnings from our investment in *205-209 East 57th Street Associates, LLC*;
- equity earnings from unconsolidated joint ventures and entities decreased by \$7.0 million primarily due to lower earnings from our investment in *205-209 East 57th Street Associates, LLC*, that has completed most of the development of a residential condominium complex in midtown Manhattan, called *Place 57*. The joint venture closed on the sale of 59 condominiums during 2006, resulting in gross sales of \$117.7 million and equity earnings from unconsolidated joint ventures and entities to us of \$8.3 million compared to eight condominiums during the year ended December 31, 2007 resulting in gross sales of \$25.4 million and net equity earnings from this unconsolidated joint venture of \$1.3 million. All of the residential condominiums have been sold and only the retail condominium is still available for sale; and
- in addition to the aforementioned equity earnings, we recorded a gain on sale of an unconsolidated joint venture of \$3.4 million (NZ\$5.4 million) during 2006 which was not repeated in 2007, from the sale of our 50% interest in the cinemas at Whangaparaoa, Takapuna and Mission Bay, New Zealand.

2006 Compared to 2005

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

During 2006, the decrease of \$1.6 million in corporate General and Administrative expense was primarily made up of:

- \$1.1 million from an additional bonus accrual for our Chief Executive Officer's new employment contract in 2005 not reoccurring in 2006; and
- \$565,000 decrease in Australia legal fees in part related to fewer fees for our Whitehorse lawsuit.

During 2006:

- our net interest expense increased by \$2.1 million primarily related to a higher outstanding loan balance in Australia and due to the effective completion of construction of our Newmarket Shopping Centre in early 2006 which decreased the amount of interest being capitalized. This interest increase was offset by a decrease in interest expense related to the mark-to-market adjustment of our interest rate swaps compared to the adjustment in 2005;

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- our other expense increased by \$2.0 million primarily due to a \$1.6 million mark-to-market charge relating to an option liability held by Sutton Hill Capital LLC to acquire a 25% non-managing membership interest in our Cinemas 1, 2 & 3 property;
- our minority interest expense increased by \$93,000 compared to 2005 due to an improvement in cinema admission sales particularly in our Australia cinemas;
- income tax expense increased by \$1.1 million primarily related to the tax expense incurred for our equity earnings from our investment in *205-209 East 57th Street Associates, LLC*;
- equity earnings from unconsolidated joint ventures and entities increased by \$8.2 million primarily from our investment in *205-209 East 57th Street Associates, LLC*, that has been developing a residential condominium complex in midtown Manhattan, called *Place 57*. The joint venture closed on the sale of 59 condominiums during 2006, resulting in gross sales of \$117.7 million and equity earnings from unconsolidated joint ventures and entities to us of \$8.3 million; and
- in addition to the aforementioned equity earnings, we recorded a gain on sale of an unconsolidated joint venture of \$3.4 million (NZ\$5.4 million), from the sale of our 50% interest in the cinemas at Whangaparaoa, Takapuna and Mission Bay, New Zealand.

Income taxes

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

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

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

Consolidated net income (loss)

For the year ending 2007, our consolidated business unit produced a net loss of \$2.1 million. For 2006 and 2005, we achieved net income of \$3.9 million and \$989,000, respectively. For the years prior to 2005, we consistently experienced net losses. However, as explained in the Cinema and Real Estate segment sections above, we have noted improvements in our operating income such that we have a positive operating income for 2007 and 2006 which in years past has typically been negative. Although we cannot assure that this trend will continue, we are committed to the overall improvement of earnings through good fiscal management.

Business Plan, Liquidity and Capital Resources of the Company

Business Plan

Our business plan has evolved from a belief that while cinema exhibition is not a growth business at this time, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment; movies continue to be a popular and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see our future asset growth coming more from our real estate development activities rather than from the development of new cinemas. While we intend to be opportunistic in adding to our existing cinema portfolio, especially in strategic geographic areas, we believe it likely that, going forward, we will be reinvesting our free cash flow more in our general real estate development activities than in the acquisition or development of additional cinemas. Over time, we anticipate that our cinema operations will become increasingly a source of cash flow to support our real estate oriented activities, rather than a focus of growth, and that our real estate activities will become the principal thrust of our business.

In short, while we do have operating company attributes, we see ourselves principally as a hard asset company and intend to add to shareholder value by building the value of our portfolio of tangible assets. Therefore, while we intend to maintain our entertainment focus, we may from time to time acquire interests in non-entertainment real estate.

In February 2006, we completed the process of rezoning our 50.6-acre site in suburban Melbourne from an essentially industrial zone into a priority zone permitting a wide variety of retail, entertainment, commercial and residential uses. The full development of this property is currently anticipated to require approximately 9 years and funding of approximately \$500.0 million. Accordingly, this project is anticipated to be a major focus of our efforts in the years to come. As the property was previously operated by its prior owner as a brickworks, it will be necessary to remove the contaminated soil that resulted from those operations before we can take advantage of this new zoning. In late February 2007, it became apparent that our cost estimates with respect to the Burwood site preparation were low, as the extent of the contaminated soil present at the site – a former brickworks – was greater than we had originally believed. Our previous estimated cost of \$500.0 million included approximately \$1.4 million (AUS\$1.8 million) of estimated cost to remove the contaminated soil. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of this site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2007, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$7.9 million (AUS\$9.0 million) and as of that date we had incurred a total of \$7.1 million (AUS\$8.1 million) of these costs. In accordance with Emerging Issues Task Force ("EITF") 90-8 *Capitalization of Costs to Treat Environmental Contamination*, contamination clean up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

Liquidity and Capital Resources

Our ability to generate sufficient cash flows from operating activities in order to meet our obligations and commitments drives our liquidity position. This is further affected by our ability to obtain adequate, reasonable financing and/or to convert non-performing or non-strategic assets into cash. We cannot separate liquidity from capital resources in achieving our long-term goals or in order to meet our debt servicing requirements.

Currently, our liquidity needs continue to arise mainly from:

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

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

Discussion of Our Statement of Cash Flows

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

Operating Activities

2007 Compared to 2006. Cash provided by operations was \$13.3 million in the 2007 compared to \$11.9 million in 2006. The decrease in cash provided by operations of \$1.5 million was primarily related to

- increased cinema operational cash flow primarily from our Australia operations;
- increased real estate operational cash flow predominately from our Australia operations. This increase can be particularly attributed to our Newmarket shopping center in Brisbane, Australia; offset by
- a decrease in distributions from unconsolidated joint ventures and entities of \$1.8 million was predominately related to lower distributions from our Place 57 joint venture.

2006 Compared to 2005. Cash provided by operations was \$11.9 million in the 2006 compared to \$2.6 million in 2005. The increase in cash provided by operations of \$9.3 million was primarily related to

- cash distributions from our investments in unconsolidated joint ventures and entities of \$6.6 million, including \$5.9 million received as a return on investment on our \$3.0 million investment in *Place 57*;
- increased cinema operational cash flow from our Australia operations due primarily to increased cinema admissions and improved operational costs; and
- improved cash flow from our U.S. cinemas during 2006 resulting from the sale of our formerly underperforming Puerto Rico operations in June 2005.

Investing Activities

Cash used in investing activities for 2007 was \$38.3 million compared to \$23.4 million in 2006, and \$36.8 million in 2005. The following summarizes our investing activities for each of the three years ending December 31, 2007:

The \$38.3 million cash used in 2007 was primarily related to:

- \$15.7 million to purchase marketable securities;
- \$22.6 million to purchase real estate assets including
 - o \$20.1 million for real estate purchases in New Zealand,
 - o \$100,000 for the purchase of the Cinemas 1, 2, & 3 building,
 - o \$2.0 million acquisition deposit for our acquisition of Consolidated Cinemas, and
 - o \$493,000 for the purchase of the ground lease of our Tower Cinema in Sacramento, California;
- \$2.8 million in property enhancements to our existing properties;
- \$19.0 million in development costs associated with our properties under development; and
- \$1.5 million in our investment in Reading International Trust I securities (the issuer of our Trust Preferred Securities);

offset by

- \$19.9 million in cash provided by the sale of marketable securities;
- 981,000 decrease in restricted cash related to settled claims by our credit card companies; and
- \$2.4 million in distributions from our investment in joint ventures.

The \$23.4 million cash used in 2006 was primarily related to:

- \$8.1 million in acquisitions including:
 - o \$939,000 in cash used to purchase the Queenstown Cinema in New Zealand,
 - o \$2.6 million in cash used to purchase the 50% share that we did not already own of the Palms cinema located in Christchurch, New Zealand,
 - o \$1.8 million for the Australia Indooroopilly property, and
 - o \$2.5 million for the adjacent parcel to our Moonee Ponds property;
- \$8.3 million in cash used to complete the Newmarket property and for property enhancements to our Australia, New Zealand and U.S. properties;
- \$2.7 million in cash used to invest in unconsolidated joint ventures and entities including \$1.8 million paid for Malulani Investments, Ltd. stock and \$876,000 additional cash invested in Rialto Cinemas used to pay off their bank debt;
- \$844,000 increase in restricted cash related to potential claims by our credit card companies; and
- \$8.1 million in cash used to purchase marketable securities.

offset by

- \$4.6 million cash received from the sale of our interest the cinemas at Whangaparaoa, Takapuna and Mission Bay, New Zealand.

The \$36.8 million cash used in 2005 was primarily related to:

- \$12.6 million in net proceeds from the sales of our Glendale office building and Puerto Rico operations;
- \$1.0 million cash provided by a decrease in restricted cash; and
- \$515,000 in cash proceeds from the sale of certain surplus properties used in connection with our historic railroad activities;

offset by

- \$13.7 million paid for acquisitions including \$11.8 million for the acquisition of the fee interest lessor's ground lease interest and lessee's ground lease interest of the Cinemas 1, 2 & 3 property in New York City and \$2.0 million (AUS\$2.6 million) paid for our new Melbourne office building;
- \$6.5 million primarily paid to invest in or add capital to our unconsolidated joint ventures and entities including \$4.8 million (NZ\$6.9 million) to purchase 100% of the stock of Rialto Entertainment, \$694,000 (NZ\$1.0 million) to purchase a 1/3 interest in Rialto Distribution, and \$719,000 paid as additional capital contributions with respect to our joint venture investment in Place 57;
- \$30.5 million in purchases of equipment and development of property. In Australia, \$28.4 million related primarily to the construction work on our Newmarket development in a suburb of Brisbane and the fit-out of our 8-screen Adelaide cinema which opened on October 20, 2005. \$2.1 million in purchases of equipment primarily related to the renovation of our U.S. and New Zealand cinemas; and
- \$376,000 paid to purchase certain marketable securities.

Financing Activities

Cash provided by financing activities for 2007 was \$33.9 million compared to \$13.9 million in 2006, and \$30.4 million in 2005. The following summarizes our financing activities for each of the three years ending December 31, 2007:

The \$33.9 million cash used in 2007 was primarily related to:

- \$49.9 million of net proceeds from our new Trust Preferred Securities;
- \$14.4 million of net proceeds from our new Euro-Hypo loan;
- \$3.1 million of proceeds from our margin account on marketable securities; and
- \$27.9 million of additional borrowing on our Australia and New Zealand credit facilities;

offset by

- \$57.6 million of cash used to retire bank indebtedness which primarily includes \$34.4 million (NZ\$50.0 million) to pay off our New Zealand term debt, \$5.8 million (AUS\$7.4 million) to retire a portion of our bank indebtedness in Australia, \$3.1 million to pay off our margin account on marketable securities, \$12.1 million (NZ\$15.7 million) to pay down our New Zealand Westpac line of credit in August 2007, and \$1.7 million for the final balloon payment on the Royal George Theater Term Loan; and
- \$3.9 million in distributions to minority interests.

The \$13.9 million cash used in 2006 was primarily related to:

- \$19.1 million of net borrowings which includes \$11.8 million from our existing Australian Corporate Credit Facility and \$7.3 million of net proceeds from a renegotiated mortgage on our Union Square Property; and
- \$3.0 million of a deposit received from Sutton Hill Capital, LLC for the option to purchase a 25% non-managing membership interest in the limited liability company that owns the Cinemas 1, 2 & 3;

offset by

- \$6.2 million of cash used to pay down long-term debt which was primarily related to the payoff of \$3.2 million on the mortgage on our Union Square Property as part of a renegotiation of the loan; the payoff of our Movieland purchase note payable of approximately \$512,000; the payoff of the Palms – Christchurch Cinema bank debt of approximately \$1.9 million; and on the pay down of our Australian Corporate Credit Facility by \$280,000;
- \$791,000 of cash used to repurchase the Class A Nonvoting Common Stock (these shares were previously issued to the Movieland sellers who exercised their put option during 2006 to sell back to us the shares they had received in partial consideration for the sale of the Movieland cinemas); and
- \$1.2 million in distributions to minority interests.

The \$30.4 million cash used in 2005 was primarily related to:

- borrowings from our Australian Corporate Credit Facility of approximately \$9.2 million (AUS\$11.9 million) and our Newmarket Construction Loan of \$22.5 million (AUS\$29.6 million)

offset by

- \$944,000 of minority interest distributions; and
- \$513,000 of scheduled loan principal payments.

Future Liquidity and Capital Resources

We believe that we have sufficient borrowing capacity to meet our short-term working capital requirements (see discussion below regarding our Trust Preferred Securities).

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

- on June 28, 2007, Sutton Hill Properties LLC (“SHP”), one of our consolidated subsidiaries, entered into a \$15.0 million loan that is secured by SHP’s interest in the Cinemas 1, 2, & 3 land and building. SHP is owned 75% by Reading and 25% by Sutton Hill Capital, LLC (“SHC”), a joint venture indirectly wholly owned by Mr. James J. Cotter, our Chairman and Chief Executive Officer, and Mr. Michael Forman.
- in February 5, 2007, we issued \$51.5 million in Trust Preferred Securities through our wholly owned trust subsidiary. This transaction closed on February 5, 2007 and we used the funds principally to payoff our bank indebtedness in New Zealand by \$34.4 million (AUS\$50.0 million) and to pay down our indebtedness in Australia by \$5.8 million (AUS\$7.4 million).

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- on December 15, 2006, our New Zealand Corporate Credit Facility with the Westpac Banking Corporation was increased from \$35.2 million (NZ\$50.0 million) to \$42.3 million (NZ\$60.0 million) and the facility's related principal payments were deferred to begin until February 2009.
- on December 4, 2006, we renegotiated our loan agreement with a financial institution secured by our Union Square Theatre in Manhattan from a \$3.2 million loan to a \$7.5 million loan.

Potential uses for funds during 2008 that would reduce our liquidity, other than those relating to working capital needs and debt service requirements include:

- the development of our currently held for development projects;
- the acquisition of additional cinemas and/or real estate properties currently under consideration; and
- the possible further investments in securities.

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

Estimated at approximately \$500.0 million (AUS\$570.0 million), our development in Burwood, Australia will clearly not be funded from normal working capital even in a phased approach. We have approached several financing sources who have already given a high-level, favorable response to this funding. However, we continue to investigate all options available to us including debt financing, equity financing, and joint venture partnering to achieve the optimal financing structure for this most significant development.

In late February 2007, it became apparent that our cost estimates with respect to the Burwood site preparation were low, as the extent of the contaminated soil present at the site – a former brickworks – was greater than we had originally believed. Our previous estimated cost of \$500.0 million included approximately \$1.4 million (AUS\$1.8 million) of estimated cost to remove the contaminated soil. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of this site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2007, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$7.9 million (AUS\$9.0 million) and as of that date we had incurred a total of \$7.1 million (AUS\$8.1 million) of these costs. In accordance with EITF 90-8 Capitalization of Costs to Treat Environmental Contamination, contamination clean up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

There can be no assurance, however, that the business will continue to generate cash flow at or above current levels or that estimated cost savings or growth can be achieved. Future operating performance and our ability to service or refinance existing indebtedness will be subject to future economic conditions and to financial and other factors, such as access to first-run films, many of which are beyond our control. If our cash flow from operations and/or proceeds from anticipated borrowings should prove to be insufficient to meet our funding needs, our current intention is either:

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

Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at December 31, 2007 (in thousands):

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Thereafter</u>
Long-term debt	\$ 395	\$ 88,470	\$ 7,257	\$ 176	\$ 15,132	\$ 218
Long-term debt to related parties	5,000	--	9,000	--	--	--
Subordinated notes	--	--	--	--	--	51,547
Pension liability	5	10	15	20	25	2,370
Lease obligations	11,675	11,699	11,495	10,827	8,528	61,613
Interest on long-term debt	13,880	6,940	6,400	5,619	5,114	66,083
Total	\$ 30,955	\$ 107,119	\$ 34,167	\$ 16,642	\$ 28,799	\$ 181,831

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

We adopted FASB Interpretation ("FIN") 48, *Accounting for Uncertainty in Income Taxes* on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was \$12.5 million increasing to \$13.7 million as of December 31, 2007. We do not expect a significant tax payment related to these obligations within the 12 months.

Unconsolidated Joint Venture Debt

Total debt of unconsolidated joint ventures was \$4.2 million and \$4.8 million as of December 31, 2007 and December 31, 2006, respectively. Our share of unconsolidated debt, based on our ownership percentage, was \$2.0 million and \$2.2 million as of December 31, 2007 and December 31, 2006, respectively. Each loan is without recourse to any assets other than our interests in the individual joint venture.

Off-Balance Sheet Arrangements

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

Financial Risk Management

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

In 2006, we determined that it would be beneficial to have a layer of long-term fully subordinated debt financing to help support our long-term real estate assets. On February 5, 2007 we issued \$51.5 million in 20-year fully subordinated notes, interest fixed for five years at 9.22%, to a trust which we control, and which in turn issued \$50.0 million in trust preferred securities in a private placement. There are no principal payments until maturity in 2027 when the notes are paid in full. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The placement generated \$48.4 million in net proceeds, which were used principally to retire all of our bank indebtedness in New Zealand \$34.4 million (NZ\$50.0 million) and to retire a portion of our bank indebtedness in Australia \$5.8 million (AUS\$7.4 million).

If our operational focus shifts more to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. Historically, we managed our currency exposure by creating natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services as well as borrowing in local currencies. However, by paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our Trust Preferred Securities, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the comparatively favorable interest rate and the long-term nature of the fully subordinated notes.

Our exposure to interest rate risk arises out of our long-term debt obligations. Consistent with our internally developed guidelines, we seek to reduce the negative effects of changes in interest rates by changing the character of the interest rate on our long-term debt, converting a fixed rate into a variable rate and vice versa. Our internal procedures allow us to enter into derivative contracts on certain borrowing transactions to achieve this goal. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than 70% of the loan be swapped into fixed rate obligations.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 133 - *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest swap instruments to market on the consolidated balance sheet resulting in a \$320,000 (AUS\$338,000) decrease to interest expense during 2007, an \$845,000 (AUS\$1.1 million) decrease to interest expense during 2006, and a \$171,000 (AUS\$180,000) increase to interest expense during 2005.

Inflation

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

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 157

In September 2006, the Financial Accounting Standards Board released SFAS No. 157, *Fair Value Measurements*, and is effective for fiscal years beginning after November 15, 2007, which is the year ending December 31, 2008 for the Company. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. In November 2007, FASB agreed to a one-year deferral of the effective date for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. We are currently in the process of evaluating the impact on our financial results if any of the adoption of this pronouncement.

Statement of Financial Accounting Standards No. 159

In February 2007, the Financial Accounting Standards Board released SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, and is effective for fiscal years beginning after November 15, 2007, which is the year ending December 31, 2008 for the Company. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. We are currently evaluating the impact of the adoption of SFAS No. 159, if any, on our consolidated financial position and results of operations.

Statement of Financial Accounting Standards No. 141-R

In December 2007, the Financial Accounting Standards Board released SFAS No. 141-R, *Business Combinations*. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which will include business combinations in the year ending December 31, 2009 for the Company. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination. The Statement changes the requirements for an acquirer's recognition and measurement of the assets acquired and the liabilities assumed in a business combination. We anticipate that this pronouncement will only have an impact on our financial statements in so far as we will not be able to capitalize indirect deal costs to our acquisitions.

Statement of Financial Accounting Standards No. 160

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51 (Statement No. 160)*. SFAS 160 requires (i) that noncontrolling (minority) interests be reported as a component of shareholders' equity, (ii) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations, (iii) that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value, and (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for annual periods beginning after December 15, 2008, which is the year ending December 31, 2009 for the Company, and should be applied prospectively. However, the presentation and disclosure requirements of the statement shall be applied retrospectively for all periods presented. The adoption of the provisions of SFAS 160 is not anticipated to materially impact the company's consolidated financial position and results of operations. We are currently in the process of evaluating the impact on our income statement and balance sheet from adopting this pronouncement.

Forward-Looking Statements

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

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

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

- with respect to our cinema operations:
 - o the number and attractiveness to movie goers of the films released in future periods;
 - o the amount of money spent by film distributors to promote their motion pictures;
 - o the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
 - o the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment;
 - o the extent to which we encounter competition from other cinema exhibitors, from other sources of outside of the home entertainment, and from inside the home entertainment options, such as "home theaters" and competitive film product distribution technology such as, by way of example, cable, satellite broadcast, DVD and VHS rentals and sales, and so called "movies on demand;" and
 - o the extent to and the efficiency with which, we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
 - o the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
 - o the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
 - o the risks and uncertainties associated with real estate development;
 - o the availability and cost of labor and materials;
 - o competition for development sites and tenants;
 - o environmental remediation issues; and
 - o the extent to which our cinemas can continue to serve as an anchor tenant who will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations.
- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:
 - o our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
 - o the relative values of the currency used in the countries in which we operate;

- o changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
- o our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
- o our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
- o changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
- o changes in applicable accounting policies and practices.

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

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

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

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

Item 7A – Quantitative and Qualitative Disclosure about Market Risk

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

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

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

At December 31, 2007, approximately 51% and 25% of our assets (determined by the book value of such assets) were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately \$10.3 million in cash and cash equivalents. Following the acquisition of Consolidated Cinemas on February 22, 2008, these percentages decreased to 43% and 21%, respectively. At December 31, 2006, approximately 49% and 23% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately \$9.0 million in cash and cash equivalents.

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

Historically, our policy has been to borrow in local currencies to finance the development and construction of our entertainment complexes in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, approximately 46% and 82% of our Australian and New Zealand assets (based on book value), respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10% the resulting change in Australian and New Zealand assets would be \$8.1 million and \$7.1 million, respectively, and the change in annual net income would be \$64,000 and \$181,000, respectively. At the present time, we have no plan to hedge such exposure. On February 5, 2007 we issued \$51.5 million in 20-year fully subordinated notes and paid off our bank indebtedness in New Zealand \$34.4 million (NZ\$50.0 million) and retired a portion of our bank indebtedness in Australia \$5.8 million (AUS\$7.4 million). By paying off our New Zealand debt and paying down on our Australia debt with the proceeds of our Trust Preferred Securities, we have added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the comparatively favorable interest rate and the long-term nature of the fully subordinated notes.

We record unrealized foreign currency translation gains or losses which could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately \$48.2 million and \$33.4 million as of December 31, 2007 and 2006, respectively.

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

The majority of our U.S. bank loans have fixed interest rates; however, one of our domestic loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in approximately \$50,000 increase or decrease in our 2007 interest expense.

While we have typically used fixed rate financing (secured by first mortgages) in the U.S., fixed rate financing is typically not available to corporate borrowers in Australia and New Zealand. The majority of our Australian and New Zealand bank loans have variable rates. The Australian facilities provide for floating interest rates, but require that not less than a certain percentage of the loans be swapped into fixed rate obligations (see *Financial Risk Management* above). If we consider the interest rate swaps, a 1% increase in short-term interest rates would have resulted in approximately \$90,000 increase in 2007 Australian and New Zealand interest expense while a 1% decrease in short-term interest rates would have resulted in approximately \$93,000 decrease 2007 Australian and New Zealand interest expense.

Item 8 – Financial Statements and Supplementary Data

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Report of Independent Registered Public Accountants

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

We have audited the accompanying consolidated balance sheets of Reading International, Inc. (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Reading International, Inc. at December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 14 to the Consolidated Financial Statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board, or FASB, Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Los Angeles, California
March 28, 2008

Reading International, Inc. and Subsidiaries
Consolidated Balance Sheets as of December 31, 2007 and 2006
(U.S. dollars in thousands)

	December 31,	
	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 20,782	\$ 11,008
Receivables	5,671	6,612
Inventory	654	606
Investment in marketable securities	4,533	8,436
Restricted cash	59	1,040
Prepaid and other current assets	3,800	2,589
Total current assets	35,499	30,291
Land held for sale	1,984	--
Property held for development	11,068	1,598
Property under development	66,787	38,876
Property & equipment, net	178,174	170,667
Investment in unconsolidated joint ventures and entities	15,480	19,067
Investment in Reading International Trust I	1,547	--
Goodwill	19,100	17,919
Intangible assets, net	8,448	7,954
Other assets	7,984	2,859
Total assets	\$ 346,071	\$ 289,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 12,331	\$ 13,539
Film rent payable	3,275	4,642
Notes payable – current portion	395	2,237
Note payable to related party – current portion	5,000	5,000
Taxes payable	4,770	9,128
Deferred current revenue	3,214	2,565
Other current liabilities	169	177
Total current liabilities	29,154	37,288
Notes payable – long-term portion	111,253	113,975
Notes payable to related party – long-term portion	9,000	9,000
Subordinated debt	51,547	--
Noncurrent tax liabilities	5,418	--
Deferred non-current revenue	566	528
Other liabilities	14,936	18,178
Total liabilities	221,874	178,969
Commitments and contingencies (Note 19)		
Minority interest in consolidated affiliates	2,835	2,603
Stockholders' equity:		
Class A Nonvoting Common Stock, par value \$0.01, 100,000,000 shares authorized, 35,564,339 issued and 20,987,115 outstanding at December 31, 2007 and 35,558,089 issued and 20,980,865 outstanding at December 31, 2006	216	216
Class B Voting Common Stock, par value \$0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at December 31, 2007 and at December 31, 2006	15	15
Nonvoting Preferred Stock, par value \$0.01, 12,000 shares authorized and no outstanding shares at December 31, 2007 and 2006	--	--
Additional paid-in capital	131,930	128,399
Accumulated deficit	(52,670)	(50,058)
Treasury shares	(4,306)	(4,306)
Accumulated other comprehensive income	46,177	33,393
Total stockholders' equity	121,362	107,659
Total liabilities and stockholders' equity	\$ 346,071	\$ 289,231

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Consolidated Statements of Operations for the Three Years Ended December 31, 2007
(U.S. dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2007	2006	2005
Operating revenue			
Cinema	\$ 103,467	\$ 94,048	\$ 86,760
Real estate	15,768	12,077	11,345
Total operating revenue	119,235	106,125	98,105
Operating expense			
Cinema	77,756	70,142	67,487
Real estate	8,324	7,365	7,359
Depreciation and amortization	11,921	13,212	12,384
General and administrative	16,085	12,991	17,247
Total operating expense	114,086	103,710	104,477
Operating income (loss)	5,149	2,415	(6,372)
Non-operating income (expense)			
Interest income	798	308	209
Interest expense	(8,961)	(6,916)	(4,682)
Net loss on sale of assets	(185)	(45)	(32)
Other income (expense)	(320)	(1,953)	51
Loss before minority interest, discontinued operations, income tax expense and equity earnings of unconsolidated joint ventures and entities	(3,519)	(6,191)	(10,826)
Minority interest	(1,003)	(672)	(579)
Loss from continuing operations	(4,522)	(6,863)	(11,405)
Discontinued operations:			
Gain on disposal of business operations	1,912	--	13,610
Loss from discontinued operations, net of tax	--	--	(1,379)
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	(2,610)	(6,863)	826
Income tax expense	(2,038)	(2,270)	(1,209)
Loss before equity earnings of unconsolidated joint ventures and entities	(4,648)	(9,133)	(383)
Equity earnings of unconsolidated joint ventures and entities	2,545	9,547	1,372
Gain on sale of unconsolidated joint venture	--	3,442	--
Net income (loss)	\$ (2,103)	\$ 3,856	\$ 989
Earnings (loss) per common share – basic:			
Earnings (loss) from continuing operations	\$ (0.18)	\$ 0.17	\$ (0.51)
Earnings from discontinued operations, net	0.09	--	0.55
Basic earnings (loss) per share	\$ (0.09)	\$ 0.17	\$ 0.04
Weighted average number of shares outstanding – basic	22,478,145	22,425,941	22,249,967
Earnings (loss) per common share – diluted:			
Earnings (loss) from continuing operations	\$ (0.18)	\$ 0.17	\$ (0.51)
Earnings from discontinued operations, net	0.09	--	0.55
Diluted earnings (loss) per share	\$ (0.09)	\$ 0.17	\$ 0.04
Weighted average number of shares outstanding – diluted	22,478,145	22,674,818	22,249,967

See accompanying notes to consolidated financial statements.

Cumulative foreign exchange rate adjustment	--	--	--	--	--	--	--	14,731	14,731
Accrued pension service costs	--	--	--	--	--	--	--	(2,063)	(2,063)
Unrealized gain on securities	--	--	--	--	--	--	--	116	116
Total comprehensive income	--	--	--	--	--	--	--	--	10,681
Stock option and restricted stock compensation expense	--	--	--	--	994	--	--	--	994
Adjustment to accumulated deficit for adoption of FIN 48	--	--	--	--	--	--	(509)	--	(509)
Exercise of Sutton Hill Properties option	--	--	--	--	2,512	--	--	--	2,512
Class A common stock issued for stock options exercised	6	--	--	--	25	-	--	--	25
At December 31, 2007	20,987	\$ 216	1,495	\$ 15	\$ 131,930	\$ (4,306)	\$ (52,670)	\$ 46,177	\$ 121,362

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2007
(U.S. dollars in thousands)

	Year Ended December 31,		
	2007	2006	2005
Operating Activities			
Net income (loss)	\$ (2,103)	\$ 3,856	\$ 989
<i>Adjustments to reconcile net income(loss) to net cash provided by operating activities:</i>			
Realized (gain) loss on foreign currency translation	(131)	38	(417)
Equity earnings of unconsolidated joint ventures and entities	(2,545)	(9,547)	(1,372)
Distributions of earnings from unconsolidated joint ventures and entities	4,619	6,647	855
Gain on the sale of unconsolidated joint venture	--	(3,442)	--
Gain on sale of Puerto Rico	--	--	(1,597)
Gain on sale of Glendale Building	(1,912)	--	(12,013)
Gain on sale of marketable securities	(773)	--	--
Actuarial gain on pension plan	385	--	--
Loss provision on marketable securities	779	--	--
Loss provision on impairment of asset	89	--	--
Loss on extinguishment of debt	99	167	--
Loss on sale of assets, net	185	45	32
Depreciation and amortization	11,921	13,212	12,384
Amortization of prior service costs related to pension plan	253	--	--
Stock based compensation expense	994	284	--
Minority interest	1,003	672	579
<i>Changes in assets and liabilities:</i>			
(Increase) decrease in receivables	1,377	(556)	1,559
(Increase) decrease in prepaid and other assets	(1,753)	(1,914)	797
Increase in payable and accrued liabilities	307	1,108	748
Increase (decrease) in film rent payable	(1,631)	(103)	549
Increase (decrease) in deferred revenues and other liabilities	2,121	1,442	(506)
Net cash provided by operating activities	13,284	11,909	2,587
Investing Activities			
Proceeds from sale of unconsolidated joint venture	--	4,573	--
Proceeds from sale of Puerto Rico	--	--	2,335
Proceeds from sale of Glendale Building	--	--	10,300
Acquisitions of real estate and leasehold interests	(20,633)	(8,087)	(13,693)
Acquisition deposit	(2,000)	--	--
Purchases of and additions to property and equipment	(21,781)	(8,302)	(30,461)
Investment in Reading International Trust I	(1,547)	--	--
Distributions of investment in unconsolidated joint ventures and entities	2,445	--	--
Investment in unconsolidated joint ventures and entities	--	(2,676)	(6,468)
(Increase) decrease in restricted cash	981	(844)	1,011
Purchases of marketable securities	(15,651)	(8,109)	(376)
Sale of marketable securities	19,900	--	--
Proceeds from disposal of assets, net	--	--	515
Net cash used in investing activities	(38,286)	(23,445)	(36,837)
Financing Activities			
Repayment of long-term borrowings	(57,560)	(6,242)	(513)
Proceeds from borrowings	97,632	19,274	31,666
Capitalized borrowing costs	(2,334)	(223)	--
Option deposit received	--	3,000	--
Proceeds from exercise of stock options	25	88	161
Repurchase of Class A Nonvoting Common Stock	--	(791)	--
Proceeds from contributions to minority interest	50	--	--
Minority interest distributions	(3,870)	(1,167)	(944)
Net cash provided by financing activities	33,943	13,939	30,370
Effect of exchange rate on cash	833	57	136
Increase (decrease) in cash and cash equivalents	9,774	2,460	(3,744)
Cash and cash equivalents at beginning of year	11,008	8,548	12,292
Cash and cash equivalents at end of year	\$ 20,782	\$ 11,008	\$ 8,548
Supplemental Disclosures			
Cash paid during the period for:			
Interest on borrowings	\$ 12,389	\$ 8,731	\$ 6,188
Income taxes	\$ 282	\$ 585	\$ 328
Non-Cash Transactions			
Increase in cost basis of Cinemas 1, 2, & 3 related to the purchase price adjustment of the call option liability to a related party	(2,100)	1,087	--
Debt issued to purchase Cinemas 1, 2, 3 (Note 8)	--	--	9,000
Deposit applied to Cinemas 1, 2, 3 (Note 8)	--	--	800
Property addition from purchase option asset (Note 8)	--	--	1,337
Buyer assumption of note payable on Glendale Building (Note 9)	--	--	(10,103)
Common stock issued for note receivable (Note 21)	--	--	55
Treasury shares received (Note 21)	--	--	(3,515)
Stock options exercised in exchange for treasury shares received (Note 21)	--	--	3,515
Adjustment to retained earnings related to adoption of FIN 48 (Note 10)	509	--	--
Decrease in deposit payable and increase in minority interest liability related to the exercise of the Cinemas 1, 2 & 3 call option by a related party (Note 15)	(3,000)	--	--
Decrease in call option liability and increase in additional paid in capital related to the exercise of the Cinemas 1, 2 & 3 call option by a related party (Note 15)	(2,512)	--	--
Accrued addition to property and equipment	385	--	--

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2007

Note 1 – Nature of Business

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

- the development, ownership and operation of multiplex cinemas in the United States, Australia, and New Zealand; and
- the development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed retail centers (“ETRC”) in Australia and New Zealand and live theater assets in Manhattan and Chicago in the United States.

Note 2 – Summary of Significant Accounting Policies

Basis of Consolidation

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

With the exception of one other investment, we have concluded that all other investment interests are appropriately accounted for unconsolidated joint ventures and entities, and accordingly, our unconsolidated joint ventures and entities in 20% to 50% owned companies are accounted for on the equity method. These investment interests include our

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

We also have an 18.4% undivided interest in a private real estate company with holdings principally in California, Texas and Hawaii, including the Guenoc Winery and other land located in Northern California. We have been in contact with the controlling shareholder of Malulani Investments, Ltd. (“MIL”) and requested quarterly or annual operating financials. To date, he has not responded to our request for relevant financial information (see Note 19 – *Commitments and Contingencies*). Based on this situation, we do not believe that we can assert significant influence over the dealings of this entity. As such and in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 35 – *Criteria for Applying the Equity Method of Accounting for Investments in Common Stock – an Interpretation of APB Opinion No. 18*, we are treating this investment on a cost basis by recognizing earnings as they are distributed to us.

Accounting Principles

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

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Receivables

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

Inventory

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

Investment in Marketable Securities

We account for investments in marketable debt and equity securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*" (SFAS No. 115). Our investment in Marketable Securities includes equity instruments which are classified as available for sale and are recorded at market using the specific identification method. In accordance with SFAS No. 115, available for sale securities are carried at their fair market value and any difference between cost and market value is recorded as unrealized gain or loss, net of income taxes, and is reported as accumulated other comprehensive income in the consolidated statement of stockholders' equity. Premiums and discounts of debt instruments are recognized in interest income using the effective interest method. Realized gains and losses and declines in value expected to be other-than-temporary on available for sale securities are included in other expense. During 2007, we realized a loss of \$779,000 on certain marketable securities due to an other than temporary decline in market price. There were no unrealized gains or losses at December 31, 2007. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in interest income.

Restricted Cash

We classify restricted cash as those cash accounts for which the use of funds is restricted by contract or bank covenant. At December 31, 2006, our restricted cash balance was \$1.0 million made up of deposits transferred to restricted cash accounts under our name by, and in accordance with, our agreement with our domestic credit card processing bank. The deposits were transferred to cover any potential loss suffered by the bank in relation to the use by third parties of counterfeit credit cards and related credit card company fines. During 2007, the majority of the credit card claims and penalties were assessed and resulted in paid claims of \$429,000 and \$160,000 for the years ending December 31, 2007 and 2006, respectively, and returned restricted cash of \$551,000 during 2007. This activity resulted in a restricted cash balance at December 31, 2007 of \$59,000 due to the remaining unresolved credit card claims.

Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, restricted cash and accounts payable approximate fair value due to their short-term maturities. The carrying amounts of our variable-rate secured debt approximate fair value since the interest rates on these instruments are equivalent to rates currently offered to us. See Note 16 – *Fair Value of Financial Instruments*.

Derivative Financial Instruments

In accordance with SFAS No. 133 - *Accounting for Derivative Instruments and Hedging Activities*, as subsequently amended by SFAS No. 138 - *Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of SFAS No. 133*, we carry all derivative financial instruments on our Consolidated Balance Sheets at fair value. Derivatives are generally executed for interest rate management purposes but are not designated as hedges in accordance with SFAS No. 133 and SFAS No. 138. Therefore, changes in market values are recognized in current earnings.

Property Held for Development

Property held for development consists of land (including land acquisition costs) initially acquired for the potential development of multiplex cinemas and/or ETRC's. Property held for development is carried at cost. At the time construction of the related multiplex cinema, ETRC, or other development commences, the property is transferred to "property under development."

Property Under Development

Property under development consists of land, new buildings and improvements under development, and their associated capitalized interest and other development costs. These building and improvement costs are directly associated with the development of potential cinemas (whether for sale or lease), the development of ETRC locations, or other improvements to real property. Start-up costs (such as pre-opening cinema advertising and training expense) and other costs not directly related to the acquisition and development of long-term assets are expensed as incurred.

Incident to the development of our Burwood property, in late 2006, we began various fill and earth moving operations. In late February 2007, it became apparent that our cost estimates with respect to site preparation were low, as the extent of the contaminated soil present at the site – a former brickworks – was greater than we had originally believed. Our previous estimated cost of \$500.0 million included approximately \$1.4 million (AUS\$1.8 million) of estimated cost to remove the contaminated soil. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of the site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2007, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$7.9 million (AUS\$9.0 million) and as of that date we had incurred a total of \$7.1 million (AUS\$8.1 million) of these costs. In accordance with EITF 90-8, *Capitalization of Costs to Treat Environmental Contamination*, contamination clean up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

Property and Equipment

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

Construction-in-Progress Costs

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

Accounting for the Impairment of Long Lived Assets

We assess whether there has been an impairment in the value of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is then measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. At December 31, 2007, no impairment in the net carrying values of our investments in real estate and cinema leasehold interests or in unconsolidated real estate entities had occurred for the periods presented.

Goodwill and Intangible Assets

We use the purchase method of accounting for all business combinations. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least annually. Prior to conducting our goodwill impairment analysis, we assess long-lived assets for impairment in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. We then perform the impairment analysis at the reporting unit level (one level below the operating segment level) (see Note 10 – *Goodwill and Intangibles*) as defined by SFAS 142. This analysis requires management to make a series of critical assumptions to: (1) evaluate whether any impairment exists; and (2) measure the amount of impairment. We estimate the fair value of our reporting units as compared with their estimated book value. If the estimated fair value of a reporting unit is less than the book value, then impairment is deemed to have occurred. In estimating the fair value of our reporting units, we primarily use the income approach (which uses forecasted, discounted cash flows to estimate the fair value of the reporting unit).

Revenue Recognition

Revenue from cinema ticket sales and concession sales are recognized when sold. Revenue from gift certificate sales is deferred and recognized when the certificates are redeemed. Rental revenue is recognized on a straight-line basis in accordance with SFAS No. 13 – *Accounting for Leases*.

Deferred Leasing/Financing Costs

Direct costs incurred in connection with obtaining tenants and/or financing are amortized over the respective term of the lease or loan on a straight-line basis.

General and Administrative Expenses

For the years ended December 31, 2007, 2006 and 2005, we booked gains on the settlement of litigation of \$523,000, \$900,000, and \$494,000, respectively, as a recovery of legal expenses included in general and administrative expenses.

Depreciation and Amortization

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

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

Translation of Non-U.S. Currency Amounts

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

The carrying value of our Australian and New Zealand assets fluctuates due to changes in the exchange rate between the U.S. dollar and the Australian and New Zealand dollars. The exchange rates of the U.S. dollar to the Australian dollar were \$0.8776 and \$0.7884 as of December 31, 2007 and 2006, respectively. The exchange rates of the U.S. dollar to the New Zealand dollar were \$0.7678 and \$0.7046 as of December 31, 2007 and 2006, respectively.

Earnings Per Share

Basic earnings per share is calculated using the weighted average number of shares of Class A and Class B Stock outstanding during the years ended December 31, 2007, 2006, and 2005, respectively. Diluted earnings per share is calculated by dividing net earnings available to common stockholders by the weighted average common shares

outstanding plus the dilutive effect of stock options. Stock options to purchase 577,850, 514,100, and 521,100 shares of Class A Common Stock were outstanding at December 31, 2007, 2006, and 2005, respectively, at a weighted average exercise price of \$5.60, \$5.21, and \$5.00 per share, respectively. Stock options to purchase 185,100 shares of Class B Common Stock were outstanding at each of the years ended December 31, 2007, 2006, and 2005 at a weighted average exercise price of \$9.90 per share. In accordance with SFAS 128 – *Earnings Per Share*, as we had recorded an operating loss before discontinued operations for the years ended December 31, 2007 and 2005, the effect of the stock options was anti-dilutive and accordingly excluded from the earnings per share computation.

Real Estate Purchase Price Allocation

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

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

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

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

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

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

Business Acquisition Valuations Under FAS 141

The assets and liabilities of businesses acquired are recorded at their respective preliminary fair values as of the acquisition date in accordance with SFAS 141 - *Business Combinations*. We obtain third-party valuations of material property, plant and equipment, intangible assets, debt and certain other assets and liabilities acquired. We also perform valuations and physical counts of property, plant and equipment, valuations of investments and the involuntary termination of employees, as necessary. Costs in excess of the net fair values of assets and liabilities acquired is recorded as goodwill.

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

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

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 157

In September 2006, the Financial Accounting Standards Board released SFAS No. 157, *Fair Value Measurements*, and is effective for fiscal years beginning after November 15, 2007, which is the year ending December 31, 2008 for the Company. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. In November 2007, FASB agreed to a one-year deferral of the effective date for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. We are currently in the process of evaluating the impact on our financial results if any of the adoption of this pronouncement.

Statement of Financial Accounting Standards No. 159

In February 2007, the Financial Accounting Standards Board released SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, and is effective for fiscal years beginning after November 15, 2007, which is the year ending December 31, 2008 for the Company. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. We are currently evaluating the impact of the adoption of SFAS No. 159, if any, on our consolidated financial position and results of operations.

Statement of Financial Accounting Standards No. 141-R

In December 2007, the Financial Accounting Standards Board released SFAS No. 141-R, *Business Combinations*. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which will include business combinations in the year ending December 31, 2009 for the Company. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination. SFAS No. 141-R changes the requirements for an acquirer's recognition and measurement of the assets acquired and the liabilities assumed in a business combination. We anticipate that this pronouncement will only have an impact on our financial statements in so far as we will not be able to capitalize indirect deal costs to our acquisitions.

Statement of Financial Accounting Standards No. 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51*. SFAS 160 requires (i) that noncontrolling (minority) interests be reported as a component of shareholders' equity, (ii) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations, (iii) that changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (iv) that any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value, and (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for annual periods beginning after December 15, 2008,

which is the year ending December 31, 2009 for the Company, and should be applied prospectively. However, the presentation and disclosure requirements of the statement shall be applied retrospectively for all periods presented. The adoption of the provisions of SFAS 160 is not anticipated to materially impact the company's consolidated financial position and results of operations.

Use of Estimates

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

Note 3 – Stock Based Compensation and Employee Stock Option Plan

Stock Based Compensation

As part of his compensation package, Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, was granted \$250,000 of restricted Class A Non-Voting Common Stock for each of the years ending December 31, 2006 and 2005 and \$350,000 for the year ending December 31, 2007. These stock grants each have a vesting period of two years, a stock grant price of \$7.79, \$8.26, \$9.99, respectively; and a total unrealized gain in market value at December 31, 2007 of \$26,000. At December 31, 2007, in recognition of the vesting of one-half of his 2006 and one-half of his 2005 stock grants, we issued to Mr. Cotter 15,133 and 16,047 shares, respectively, of Class A Non-Voting Common Stock which had a stock grant price of \$8.26 and \$7.79 per share and fair market values of \$151,000 and \$160,000, respectively. At December 31, 2006, in recognition of the vesting of one-half of the 2005 stock grant, we issued to Mr. Cotter 16,047 shares of Class A Non-Voting Common Stock which had a stock grant price of \$7.79 per share and a fair market value of \$133,000.

As part of his compensation package, Mr. John Hunter, our Chief Operating Officer, was granted \$100,000 of restricted Class A Non-Voting Common Stock on February 12, 2007. This stock grant has a vesting period of two years, a stock grant exercise price of \$8.63, and a total unrealized gain in market value at December 31, 2007 of \$8,000.

During the year ended December 31, 2007 and 2006, we recorded compensation expense of \$238,000 and \$188,000, respectively, for the vesting of restricted stock grants. The following table details the grants and vesting of restricted stock to our employees (dollars in thousands):

	Non-Vested Restricted Stock	Weighted Average Fair Value at Grant Date
Outstanding – January 1, 2005	--	\$ --
Granted	32,094	250
Outstanding – December 31, 2005	32,094	250
Granted	30,266	250
Vested	(16,047)	(188)
Outstanding – December 31, 2006	46,313	312
Granted	46,623	450
Vested	(31,180)	(238)
Outstanding – December 31, 2007	61,756	\$ 524

In 2006, we formed Landplan Property Partners, Ltd ("LPP"), to identify, acquire and develop or redevelop properties on an opportunistic basis. In connection with the formation of Landplan, we entered into an agreement with Mr. Doug Osborne pursuant to which (i) Mr. Osborne will serve as the chief executive officer of Landplan and (ii) Mr. Osborne's affiliate, Landplan Property Group, Ltd ("LPG"), will perform certain property management services for Landplan. The agreement provides for Mr. Osborne to hold an equity interest in the entities formed to hold these properties; such equity interest to be (i) subordinate to our right to an 11% compounded return on investment and (ii) subject to adjustment depending upon various factors including the term of the investment and the amount invested. In general, this equity interest will range from 27.5% to 15%.

During 2006, Landplan acquired one property in Indooroopilly, Brisbane, Australia and, during 2007, Landplan acquired two properties in New Zealand; the first called the Lake Taupo Motel and the other is a parcel of land referred to as the Manukau property. With the purchase of these properties, based on SFAS 123(R), we calculated the fair value of Mr. Osborne's equity interest in their various trusts to be \$482,000 and \$77,000 at December 31, 2007 and 2006, respectively. Based on SFAS 123(R), we have calculated the fair value of Mr. Osborne's interest at \$77,000 for the Indooroopilly property, \$171,000 for the Lake Taupo Motel and \$234,000 for the Manukau property. During the years ended December 31, 2007 and 2006, we expensed \$215,000 and \$14,000, respectively, associated with Mr. Osborne's interests. At December 31, 2007, the total unrecognized compensation expense related to the LPP equity awards was \$231,000, which is expected to be recognized over the remaining weighted average period of approximately 91 months.

Employee Stock Option Plan

We have a long-term incentive stock option plan that provides for the grant to eligible employees and non-employee directors of incentive stock options and non-qualified stock options to purchase shares of the Company's Class A Nonvoting Common Stock. For the stock options exercised during the year ending December 31, 2007, we issued for cash to an employee of the corporation under this stock based compensation plan, 6,250 shares of Class A Nonvoting Common Stock at an exercise price of \$4.01, and, for the stock options exercised during the year ending December 31, 2006, 12,000 shares and 15,000 shares of Class A Nonvoting Common Stock were issued at exercise prices of \$3.80 and \$2.76 per share, respectively. During the year ending December 31, 2005, we did not issue any shares under this stock based compensation plan.

Prior to January 1, 2006, we accounted for stock-based employee compensation under the intrinsic value method as outlined in the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations while disclosing pro-forma net income and pro-forma net income per share as if the fair value method had been applied in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*. Under the intrinsic value method, we did not recognize any compensation expense when the exercise price of the stock options equaled or exceeded the market price of the underlying stock on the date of grant. We issued all stock option grants with exercise prices equal to, or greater than, the market value of the common stock on the date of grant. No stock compensation expense was recognized in the consolidated statements of operations through December 31, 2005.

Effective January 1, 2006, we adopted SFAS No. 123(R), *Share-Based Payment* (SFAS 123(R)) which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS 123(R) requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award. This statement was adopted using the modified prospective method, which requires that we recognize compensation expense on a prospective basis for all newly granted options and any modifications or cancellations of previously granted awards. Therefore, prior period consolidated financial statements have not been restated. Under this method, in addition to reflecting compensation expense for new share-based payment awards, modifications to awards, and cancellations of awards, expense is also recognized to reflect the remaining vesting period of awards that had been included in pro-forma disclosures in prior periods. We estimate the valuation of stock based compensation using a Black-Scholes option pricing formula.

When our tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. SFAS 123(R) requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. Had we previously adopted SFAS 123(R), there would have been no impact on our presentation of the consolidated statement of cash flows because there were no recognized tax benefits relating to the years ended December 31, 2005. For the years ended December 31, 2007 and 2006, there was also no impact to the consolidated statements of cash flows because there were no recognized tax benefits during these periods.

SFAS No. 123(R) requires companies to estimate forfeitures. Based on our historical experience, we did not estimate any forfeitures for the granted options during the years ended December 31, 2007 and 2006.

In November 2005, the FASB issued FASB Staff Position No. SFAS 123(R)-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards*. The Company has elected to adopt the alternative transition method provided in this FASB Staff Position for calculating the tax effects of share-based compensation pursuant to SFAS No. 123(R). The alternative transition method includes a simplified method to establish the beginning balance of the

additional paid-in capital pool or APIC pool related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS No. 123(R).

In accordance with SFAS No. 123(R), we estimate the fair value of our options using the Black-Scholes option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the expected stock price volatility, and the expected life of the options. The dividend yield is excluded from the calculation, as it is our present intention to retain all earnings. We estimated the expected stock price volatility based on our historical price volatility measured using daily share prices back to the inception of the Company in its current form beginning on December 31, 2001. We estimate the expected option life based on our historical share option exercise experience during this same period. We expense the estimated grant date fair values of options issued on a straight-line basis over the vesting period.

There were 7,500 options granted during the year ended December 31, 2005. In accordance with APB 25, we used the intrinsic value method and did not recognize any compensation expense when the exercise price of the stock options equaled or exceeded the market price of the underlying stock on the date of grant. For the 301,250 and 20,000 options granted during 2007 and 2006, respectively, we estimated the fair value of these options at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2007	2006
Stock option exercise price	\$8.35 – \$10.30	\$ 8.10
Risk-free interest rate	4.636 – 4.824%	4.22%
Expected dividend yield	--	--
Expected option life	9.60 – 9.96 yrs	5.97 yrs
Expected volatility	33.64 – 45.47%	34.70%
Weighted average fair value	\$ 4.42 – \$4.82	\$ 4.33

Using the above assumptions and in accordance with the SFAS No. 123(R) modified prospective method, we recorded \$756,000 and \$98,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the years ended December 31, 2007 and 2006, respectively. The effect on earnings per share of the compensation charge was \$0.03 per share in 2007 and less than \$0.01 in 2006. At December 31, 2007 and 2006, the total unrecognized estimated compensation cost related to non-vested stock options granted was \$876,000 and \$90,000, respectively, which is expected to be recognized over a weighted average vesting period of 1.27 and 2.09 years, respectively. The total realized value of stock options exercised during the years ended December 31, 2007, 2006, and 2005 was \$37,000, \$136,000, and \$102,000, respectively. The grant date fair value of options that vested during the year ending December 31, 2007 was \$55,000 and for each of the years ending December 31, 2006 and 2005 was \$199,000. We recorded cash received from stock options exercised of \$25,000, \$88,000, and \$161,000 during the years ended December 31, 2007, 2006, and 2005, respectively. The intrinsic, unrealized value of all options outstanding, vested and expected to vest, at December 31, 2007 and 2006 was \$2.5 million and \$1.6 million, respectively, of which 98.7% and 99.9%, respectively, were currently exercisable.

All stock options granted have a contractual life of 10 years at the grant date. The aggregate total number of shares of Class A Nonvoting Common Stock and Class B Voting Common Stock authorized for issuance under our 1999 Stock Option Plan is 1,287,150. At the time that options are exercised, at the discretion of management, we will either issue treasury shares or make a new issuance of shares to the employee or board member. Dependent on the grant letter to the employee or board member, the required service period for option vesting is between zero and four years.

We had the following stock options outstanding and exercisable:

	Common Stock Options Outstanding		Weighted Average Exercise Price of Options Outstanding		Common Stock Exercisable Options		Weighted Average Price of Exercisable Options	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Outstanding- January 1, 2005	1,488,200	185,100	\$ 4.19	\$ 9.90	1,377,700	185,100	\$ 4.80	\$ 9.90
Granted	7,500	--	\$ 7.86	\$ --				
Exercised	(974,600)	--	\$ 3.78	\$ --				
Outstanding-December 31, 2005	521,100	185,100	\$ 5.00	\$ 9.90	474,600	185,100	\$ 5.04	\$ 9.90
Granted	20,000	--	\$ 8.10	\$ --				
Exercised	(27,000)	--	\$ 3.22	\$ --				
Outstanding-December 31, 2006	514,100	185,100	\$ 5.21	\$ 9.90	488,475	185,100	\$ 5.06	\$ 9.90
Granted	151,250	150,000	\$ 9.37	\$ 10.24				
Exercised	(6,250)	--	\$ 4.01	\$ --				
Expired	(81,250)	(150,000)	\$ 10.25	\$ 10.24				
Outstanding-December 31, 2007	577,850	185,100	\$ 5.60	\$ 9.90	477,850	35,100	\$ 4.72	\$ 8.47

The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at December 31, 2007 and 2006 were approximately 6.22 and 3.60 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at December 31, 2007 and 2006 was approximately 4.74 and 3.39, respectively.

The following table illustrates the effect on net income per common share for the year ended December 31, 2005 as if we had consistently measured the compensation cost for stock option programs under the fair value method adopted on January 1, 2006 (dollars in thousands):

	2005
Pro forma net income (loss):	
Net income (loss)	\$ 989
Add: Stock-based compensation costs included in reported net loss	--
Deduct: Stock-based compensation costs under SFAS 123	83
Proforma net income (loss)	\$ 906
Pro forma basic net earnings (loss) per common share:	
Pro forma net earnings (loss) per common share-basic and diluted	\$ 0.04
Reported net earnings (loss) per common share-basic and diluted	\$ 0.04

Note 4 – Earnings (Loss) Per Share

For the three years ended December 31, 2007, we calculated the following earnings (loss) per share (dollars in thousands, except per share amounts):

	2007	2006	2005
Income (loss) from continuing operations	\$ (4,015)	\$ 3,856	\$ (11,242)
Income from discontinued operations	1,912	--	12,231
Net income (loss)	(2,103)	3,856	989
Weighted average shares of common stock – basic	22,478,145	22,425,941	22,249,967
Weighted average shares of common stock – diluted	22,478,145	22,674,818	22,249,967
Earnings (loss) per share:			
Earnings (loss) from continuing operations – basic and diluted	\$ (0.18)	\$ 0.17	\$ (0.51)
Earnings (loss) from discontinued operations – basic and diluted	\$ 0.09	\$ --	\$ 0.55
Earnings (loss) per share – basic and diluted	\$ (0.09)	\$ 0.17	\$ 0.04

Note 5 – Prepaid and Other Assets

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

	December 31,	
	2007	2006
Prepaid and other current assets		
Prepaid expenses	\$ 569	\$ 1,214
Prepaid taxes	602	552
Deposits	2,097	534
Other	532	289
Total prepaid and other current assets	\$ 3,800	\$ 2,589
Other non-current assets		
Other non-cinema and non-rental real estate assets	\$ 1,270	\$ 1,270
Deferred financing costs, net	2,805	898
Interest rate swap	526	206
Other receivables	1,648	--
Pre-acquisition costs	948	--
Other	787	485
Total non-current assets	\$ 7,984	\$ 2,859

Note 6 – Property Under Development

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

	December 31,	
	2007	2006
Property Under Development		
Land	\$ 36,994	\$ 30,296
Construction-in-progress (including capitalized interest)	29,793	8,580
Property Under Development	\$ 66,787	\$ 38,876

The amount of capitalized interest for our properties under development was \$4.4 million, \$1.8 million, and \$2.6 million for the three years ending December 31, 2007, 2006 and 2005, respectively.

Note 7 – Property and Equipment

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

	December 31,	
	2007	2006
Property and Equipment		
Land	\$ 58,757	\$ 56,830
Building and improvements	112,818	99,285
Leasehold interests	12,430	11,138
Construction-in-progress	1,318	425
Fixtures and equipment	64,648	58,164
Total cost	249,971	225,842
Less accumulated depreciation	(71,797)	(55,175)
Property and equipment, net	\$ 178,174	\$ 170,667

Depreciation expense for property and equipment was \$11.1 million, \$12.3 million, and \$9.6 million, for the three years ending December 31, 2007, 2006 and 2005, respectively.

Note 8 – Acquisitions and Property Development2007 Acquisitions and Property DevelopmentAcquisition of Consolidated Cinemas

On October 8, 2007, we entered into agreements to acquire leasehold interests in 15 cinemas then owned by Pacific Theatres Exhibition Corp. and its affiliates. The cinemas, which are located in the United States, contain 181 screens. The aggregate purchase price of the cinemas and related assets is \$69.3 million.

We subsequently closed on this acquisition on February 22, 2008 (see Note 27 - *Subsequent Events*). The acquisition was made through a wholly owned subsidiary of RDI and was financed principally by a combination of debt financing and seller financing.

New Zealand Property Acquisitions

On July 27, 2007, we purchased through a Landplan Property Partners property trust a 64.0 acre parcel of undeveloped agricultural real estate for approximately \$9.3 million (NZ\$12.1 million). We intend to rezone the property from its current agricultural use to commercial use, and thereafter to redevelop the property in accordance with its new zoning. No assurances can be given that such rezoning will be achieved, or if achieved, that it will occur in the near term.

On June 29, 2007, we acquired a commercial property for \$5.9 million (NZ\$7.6 million), rented to an unrelated third party, to be held for current income and long-term appreciation. We have completed our purchase price allocation for this property and the related acquired operating lease in accordance with SFAS 141 – *Business Combinations*. The initial purchase price allocation was based on the assets acquired from the seller. The purchase price allocation for this acquisition is \$1.2 million (NZ\$1.6 million) allocated to land and \$4.7 million (NZ\$6.1 million) allocated to building.

On February 14, 2007, we acquired, through a Landplan Property Partners property trust, a 1.0 acre parcel of commercial real estate for approximately \$4.9 million (NZ\$6.9 million). The property was improved with a motel, but we are currently renovating the property's units to be condominiums. A portion of this property includes unimproved land that we do not intend to develop. This land was determined to have a fair value of \$1.8 million (NZ\$2.6 million) at the time of purchase and is included on our balance sheet as land held for sale. The remaining property and its cost basis of \$3.1 million (NZ\$4.3 million) was included in property under development. The operating activities of the motel are not material. We have completed our purchase price allocation for this property in accordance with SFAS 141 - *Business Combinations*.

Cinemas 1, 2, & 3 Building

On June 28, 2007, we purchased the building associated with our Cinemas 1, 2, & 3 for \$100,000 from Sutton Hill Capital ("SHC"). Our option to purchase that building has been previously disclosed, and was granted to us by SHC at the time that we acquired the underlying ground lease from SHC on June 1, 2005. As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved the purchase of the property. The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets in New York City.

Tower Ground Lease

On February 8, 2007, we purchased the tenant's interest in the ground lease underlying the building lease for one of our domestic cinemas. The purchase price of \$493,000 was paid in two installments; \$243,000 was paid on February 8, 2007 and \$250,000 was paid on June 28, 2007. The purchase price for the ground lease is being amortized to rent expense over the remaining ground lease term.

2006 Acquisitions and Property Development

Indooroopilly Land

On September 18, 2006, we purchased a 0.3 acre property for \$1.8 million (AUS\$2.3 million) as part of our newly established Landplan Property Partners arrangement with Mr. Doug Osborne. We have obtained approval to develop the property to be a 28,000 square foot grade A commercial office building comprising six floors of office space and two basement levels of parking with 33 parking spaces. We expect to spend US\$8 million (AUS\$9.4 million) in development costs. We plan to complete the project in December 2008.

In July 2006, we entered into an agreement with Mr. Doug Osborne pursuant to which (i) Mr. Osborne will serve as the chief executive officer of our newly formed Australian subsidiary Landplan Property Partners, Ltd ("LPP") and (ii) Mr. Osborne's affiliate, Landplan Property Group, Ltd ("LPG"), will perform certain property management services for LPP. LPP was formed to identify, acquire, develop, and operate properties in Australia and New Zealand offering redevelopment possibilities and, ultimately, to sell the resultant redeveloped properties. The agreement provides for a base salary and an equity interest to Mr. Osborne in these properties. Mr. Osborne's ownership interest in these properties, however, is subordinate to our right to an 11% compounded return on investment and is subject to adjustment depending upon his length of service and the amounts we invest. In general, his ownership interest will range from 27.5% to 15% based on meeting the defined service requirements and depending on our level of investment. At December 31, 2006, Landplan had acquired one property in Indooroopilly, Brisbane, Australia. With the purchase of the Indooroopilly property, based on SFAS 123(R), we calculated the fair value of Mr. Osborne's equity interest in the Indooroopilly Trust at the grant date as \$77,000 (AUS\$98,000) and we have expensed \$49,000 (AUS\$59,000) and \$13,000 (AUS\$17,000) of this value during the years ended December 31, 2007 and 2006, respectively.

Moonee Ponds Land

On September 1, 2006, we purchased two parcels of land aggregating 0.4 acres adjacent to our Moonee Ponds property for \$2.5 million (AUS\$3.3 million). This acquisition increases our holdings at Moonee Ponds to 3.3 acres and gives us frontage facing the principal transit station servicing the area. We are now in the planning process of developing this property.

Berkeley Cinemas

Additionally, effective April 1, 2006, we purchased from our Joint Venture partner the 50% share that we did not already own of the Palms cinema located in Christchurch, New Zealand for cash of \$2.6 million (NZ\$4.1 million) and the proportionate share of assumed debt which amounted to \$987,000 (NZ\$1.6 million). This 8-screen, leasehold cinema had previously been included in our Berkeley Cinemas Joint Venture investment and was not previously consolidated for accounting purposes. We drew down \$4.8 million (AUS\$6.3 million) on our Australian Corporate Credit Facility to purchase the Palms cinema and to payoff its bank debt of \$2.0 million (NZ\$3.1 million). We have finalized the purchase price allocation of this acquisition, which resulted in a 50% step up in basis of assets acquired and liabilities assumed, in accordance with SFAS No. 141 - *Business Combinations*. A summary of the increased assets and liabilities relating to this acquisition as recorded at estimated fair values is as follows (dollars in thousands):

	<u>Palms Cinema</u>
Assets	
Accounts receivable	\$ 31
Inventory	11
Other assets	8
Property and equipment	1,430
Goodwill	2,310
Total assets	3,790
Liabilities	
Accounts payable and accrued liabilities	178
Note payable	987
Other liabilities	12
Total liabilities	1,177
Total net assets	\$ 2,613

As a result of these transactions, the only cinema held in the Berkeley Joint Venture at December 31, 2006 was the Botany Downs cinema in suburban Auckland.

Malulani Investments, Ltd.

On June 26, 2006, we acquired for \$1.8 million, an 18.4% interest in a private real estate company with holdings principally in California, Texas and Hawaii, including the Guenoc Winery and other land located in Northern California.

Queenstown Cinema

Effective February 23, 2006, we purchased a 3-screen leasehold cinema in Queenstown, New Zealand for \$939,000 (NZ\$1.4 million). Of this purchase price, \$647,000 (NZ\$977,000) was allocated to the acquired fixed assets and \$297,000 (NZ\$448,000) was allocated to goodwill. We funded this acquisition through internal sources.

Newmarket ETRC

During the first quarter of 2006, we completed the development and opened the remaining retail portion of an ETRC on our 177,497 square foot parcel in Newmarket, a suburb of Brisbane, in Queensland, Australia. The total construction costs for the site were \$26.7 million (AUS\$34.2 million) including \$1.4 million (AUS\$1.9 million) of capitalized interest. This project was primarily funded through our \$78.8 million (AUS\$100.0 million) Australian Corporate Credit Facility with the Bank of Western Australia, Ltd. As of December 31, 2007, this property was 99% leased.

2005 Acquisitions and Property Development

Newmarket ETRC

During 2005, we developed and partially opened the retail portion of an ETRC on our 177,497 square foot parcel in Newmarket, a suburb of Brisbane, in Queensland, Australia. At December 31, 2005, the remaining tenants were scheduled to take occupancy by April 2006. Through December 31, 2005, the construction costs of the site were \$24.2 million (AUS\$32.5 million) including \$1.4 million (AUS\$1.9 million) of capitalized interest. Most of this project was funded by a \$23.8 million (AUS\$32.7 million) construction loan with the Bank of Western Australia, Ltd. As of December 31, 2005, the balance on this loan was \$21.7 million (AUS\$29.6 million) related to the construction on this property.

Elizabeth Cinema

During 2005, we developed the leasehold interest in an 8-screen cinema in Adelaide, Australia. The cost to us of the leasehold development was \$2.2 million (AUS\$2.9 million) and was funded from internal sources.

Rialto Cinemas

Effective October 1, 2005, we purchased, indirectly, a beneficial ownership of 100% in the stock of Rialto Entertainment for \$4.8 million (NZ\$6.9 million). Rialto Entertainment is a 50% joint venture partner with Village Roadshow Ltd ("Village") and SkyCity Leisure Ltd ("Sky") in Rialto Cinemas the largest art cinema circuit in New Zealand. The joint venture owns or manages five cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, Wellington, Dunedin and Hamilton.

Rialto Distribution

Effective October 1, 2005, we purchased for \$694,000 (NZ\$1.0 million) a 1/3 interest in Rialto Distribution which we funded from internal sources. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia.

Melbourne Office Building

On September 29, 2005, we purchased an office building in Melbourne, Australia for \$2.0 million (AUS\$2.6 million) to serve as our Australia headquarters. We fully financed this property by drawing on our Australian Corporate Credit Facility.

Cinemas 1, 2 & 3 Ground Lease

On September 19, 2005, we acquired the tenant's interest in the ground lease estate that is currently between (i) our fee ownership of the underlying land and (ii) our current possessory interest as the tenant in the building and improvements constituting the Cinemas 1, 2 & 3 in Manhattan. This tenant's ground lease interest was purchased from Sutton Hill Capital LLC ("SHC") for a \$9.0 million promissory note, bearing interest at a fixed rate of 8.25% and maturing on December 31, 2010. As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved the purchase of the property (see Note 25 – *Related Parties and Transactions*). The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets.

The acquisition of the tenant's ground lease interest finalized the acquisition side of a tax deferred exchange under Section 1031 of the Internal Revenue Code designed to exchange our interest in our only non-entertainment oriented fee property in the United States for the fee interest underlying our leasehold estate in the Cinemas 1, 2 & 3. The acquisition of this tenant's ground lease interest and the Cinemas 1, 2, 3 Fee Interest described below have resulted in a book value of approximately \$23.9 million and a tax basis of \$10.4 million (which includes \$1.3 million of option fees paid in 2000 as part of the City Cinemas Master Lease Agreement, see Note 10 – *Goodwill and Intangible Assets*).

Cinemas 1, 2 & 3 Fee Interest

On June 1, 2005, we acquired for \$12.6 million the fee interest and the landlord's ground lease interest underlying our Cinemas 1, 2 & 3 property in Manhattan, as a part of a tax deferred exchange under Section 1031 of the Internal Revenue Code. The funds used for the acquisition came primarily from the sale proceeds of our Glendale, California office building. As a result of the acquisition of this fee interest, the landlord's interest in the ground lease and the tenant's interest in the ground lease, our effective rental expense with respect to the Cinemas 1, 2 & 3 and the Village East cinema has decreased by approximately \$1.0 million annually beginning September 30, 2005.

As part of the purchase of this ground lease interest, we agreed in principal, as a part of our negotiations to acquire the land and the SHC interests in the Cinemas 1, 2 & 3, to grant an option to Sutton Hill Capital, LLC, a limited liability company beneficially owned in equal 50/50 shares by Messrs. James J. Cotter and Michael Forman (see Note 25 – *Related Parties and Transactions*) to acquire, at cost, up to a 25% non-managing membership interest in the limited liability company that we formed to acquire these interests. In relation to this option, we recorded \$3.7 million and \$1.0 million as call option liabilities in our other liabilities at December 31, 2006 and 2005, respectively. In accordance with SFAS No. 141 – *Business Combinations*, the purchase price allocation was finalized in the first quarter of 2006.

Note 9 – Discontinued Operations and Disposals

2007 Transactions

In June 2007, upon the fulfillment of our commitment, we recorded the release of a deferred gain on the sale of a discontinued operation of \$1.9 million associated with a previously sold property.

2006 Transactions

Berkeley Cinema Group. On August 28, 2006, we sold to our joint venture partner our interest in the cinemas at Whangaparaoa, Takapuna and Mission Bay, New Zealand for \$4.6 million (NZ\$7.2 million) in cash and the assumption of \$1.6 million (NZ\$2.5 million) in debt. The sale resulted in a gain on sale of unconsolidated joint venture for the year ended December 31, 2006 of \$3.4 million (NZ\$5.4 million).

2005 Transactions

Railroad Properties

On September 26, 2005, we sold certain surplus properties used in connection with our historic railroad activities for cash totaling \$515,000 resulting in a nominal loss on sale.

Glendale Building

On May 17, 2005, we sold our Glendale office building in Glendale, California for \$10.3 million cash and \$10.1 million of assumed debt resulting in a \$12.0 million gain. All the cash proceeds from the sale were used in the purchase for \$12.6 million of the Cinemas 1, 2 & 3 fee interest and of the landlord's interest in the ground lease, encumbering that land, as part of a tax-deferred exchange under Section 1031 of the Internal Revenue Code.

For the year ended December 31, 2005, we recorded the following results for the Glendale building discontinued operations:

	2005
Revenue	\$ 1,103
Operating expense	355
Depreciation & amortization expense	51
General & administrative expense	--
Operating income	697
Interest income	2
Interest expense	312
Income from discontinued operations before gain on sale	387
Gain on sale	12,013
Total income from discontinued operations	\$ 12,400

Puerto Rico Cinema Operations

On June 8, 2005, we sold our assets and certain liabilities associated with our Puerto Rico cinema operations for \$2.3 million resulting in a \$1.6 million gain.

For the year ended December 31, 2005, we recorded the following results for the Puerto Rico discontinued operations:

	2005
Revenue	\$ 4,575
Operating expense	5,752
Depreciation & amortization expense	206
General & administrative expense	383
Loss from discontinued operations before gain on sale	(1,766)
Gain on sale	1,597
Total loss from discontinued operations	\$ (169)

Note 10 – Goodwill and Intangible Assets

Goodwill associated with our asset acquisitions is tested for impairment in the third quarter with continued evaluation through the fourth quarter of every year. Based on the projected profits and cash flows of the related assets, it was determined that there is no indication of impairment to our goodwill as of December 31, 2007 or 2006. Goodwill increased during the period primarily due to 2006 acquisitions discussed in Note 8 – *Acquisitions and Property Development*. At December 31, 2007 and 2006, our goodwill consisted of the following (dollars in thousands):

	Cinema	Real Estate	Total
2007			
Balance as of January 1, 2007	\$ 12,713	\$ 5,206	\$ 17,919
Foreign currency translation adjustment	1,114	67	1,181
Balance at December 31, 2007	\$ 13,827	\$ 5,273	\$ 19,100
2006			
Balance as of January 1, 2006	\$ 9,489	\$ 5,164	\$ 14,653
Goodwill acquired during 2006	2,849	--	2,849
Foreign currency translation adjustment	375	42	417
Balance at December 31, 2006	\$ 12,713	\$ 5,206	\$ 17,919

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

	Beneficial Lease	Option Fee	Other Intangibles	Total
As of December 31, 2007				
Gross carrying amount	\$ 12,295	\$ 2,773	\$ 238	\$ 15,306
Less: Accumulated amortization	4,311	2,521	26	6,858
Total, net	\$ 7,984	\$ 252	\$ 212	\$ 8,448

As of December 31, 2006	Beneficial Lease	Option Fee	Other Intangibles	Total
Gross carrying amount	\$ 10,984	\$ 2,773	\$ 219	\$ 13,976
Less: Accumulated amortization	3,577	2,426	19	6,022
Total, net	\$ 7,407	\$ 347	\$ 200	\$ 7,954

We amortize our beneficial leases over the lease terms of up to twenty years and our option fees over 10 years. For the years ended December 31, 2007, 2006 and 2005, our amortization expense totaled \$836,000, \$868,000, and \$1.1 million, per year, respectively. The estimated amortization expense in the five succeeding years and thereafter is as follows (dollars in thousands):

Year Ending December 31,	
2008	\$ 1,057
2009	1,057
2010	1,025
2011	962
2012	770
Thereafter	3,577
Total future amortization expense	\$ 8,448

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

Investments in and advances to unconsolidated joint ventures and entities are accounted for under the equity method of accounting except for Malulani Investments, Ltd. as described below. As of December 31, 2007 and 2006, these investments in and advances to unconsolidated joint ventures and entities include the following (dollars in thousands):

	Interest	December 31,	
		2007	2006
Malulani Investments	18.4%	\$ 1,800	\$ 1,800
Rialto Distribution	33.3%	1,029	782
Rialto Cinemas	50.0%	5,717	5,608
205-209 East 57 th Street Associates, LLC	25.0%	1,059	5,557
Mt. Gravatt	33.3%	5,159	4,713
Berkeley Cinema – Group	50.0%	--	--
Berkeley Cinemas – Palms & Botany	50.0%	716	607
Total		\$ 15,480	\$ 19,067

For the years ending December 31, 2007, 2006 and 2005, we recorded our share of equity earnings (loss) from our unconsolidated joint ventures and entities as follows:

	December 31,		
	2007	2006	2005
Rialto Distribution	\$ 250	\$ 25	\$ 50
Rialto Cinemas	(101)	(169)	--
205-209 East 57 th Street Associates, LLC	1,329	8,277	(56)
Mt. Gravatt	793	648	501
Berkeley Cinema – Group	--	322	383
Berkeley Cinemas – Palms & Botany	274	444	494
Total	\$ 2,545	\$ 9,547	\$ 1,372

Malulani Investments, Ltd.

On June 26, 2006, we acquired for \$1.8 million, an 18.4% interest in a private real estate company with holdings principally in California, Texas and Hawaii, including the Guenoc Winery and other land in Northern California. This land and commercial real estate holdings are encumbered by debt. We have been in contact with Malulani Investments, Ltd. ("MIL") and requested quarterly or annual operating financials. To date, we have received no response to our request for relevant financial information as described more fully in Note 19 – *Commitments and Contingencies*. Based on this situation, we do not believe that we can assert significant influence over the dealings of this entity. As such and in accordance with FASB Interpretation No. 35 – *Criteria for Applying the Equity Method of Accounting for Investments in Common Stock – an Interpretation of APB Opinion No. 18*, we are treating this investment on a cost basis by recognizing earnings as they are distributed to us.

Rialto Distribution

Effective October 1, 2005, we purchased for \$694,000 (NZ\$1.0 million) a 1/3 interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. We own an undivided 1/3 interest in the assets and liabilities of the joint venture and treat our interest as an equity method interest in an unconsolidated joint venture.

Rialto Cinemas

Effective October 1, 2005, we purchased, indirectly, beneficial ownership of 100% of the stock of Rialto Entertainment for \$4.8 million (NZ\$6.9 million). Rialto Entertainment is a 50% joint venture partner with Village and Sky in Rialto Cinemas, the largest art cinema circuit in New Zealand. We own an undivided 50% interest in the assets and liabilities of the joint venture and treat our interest as an equity method interest in an unconsolidated joint venture. The joint venture owns or manages five cinemas with 22 screens in the New Zealand cities of Auckland, Christchurch, Wellington, Dunedin and Hamilton.

As of December 31, 2005, we were in dispute with our joint venture partner, which precluded us from receiving timely financial reporting which required us to treat our ownership of Rialto Cinemas on a cost basis. We resolved the dispute and are receiving regular financial reporting on the results of the cinemas. Also during the third quarter of 2006, we contributed an additional \$876,000 (NZ\$1.4 million) to the partnership that was used to pay off the bank loans owed by the cinemas.

205-209 East 57th Street Associates, LLC

We own a non-managing 25% membership interest in 205-209 East 57th Street Associates, LLC a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan. During the first quarter of 2005, we increased our investment by \$719,000 in the 205-209 East 57th Street Associates, LLC to maintain our 25% equity ownership in the joint venture in light of increased budgeted construction costs.

During 2005, the project was only in its development stage which resulted in an equity loss from unconsolidated joint venture of \$125,000. In 2006, the joint venture was able to close on the sales of 59 condominiums resulting in gross sales of \$117.7 million and equity earnings from unconsolidated joint venture to us of \$8.3 million. During 2007, this joint venture sold the remaining eight condominiums resulting in gross sales of \$25.4 million and net equity earnings from this unconsolidated joint venture of \$1.3 million. Only the commercial unit is still available for sale. The condensed balance sheet and statement of operations of 205-209 East 57th Street Associates, LLC are as follows:

205-209 East 57th Street Associates, LLC Condensed Balance Sheet Information:

	December 31,	
	2007	2006
Current assets	\$ 2,306	\$ 4,456
Non current assets	3,126	18,488
Current liabilities	857	2,187
Non current liabilities	320	--
Members' equity	4,255	20,757

205-209 East 57th Street Associates, LLC Condensed Statements of Operations Information:

	December 31,		
	2007	2006	2005
Total revenue	\$ 25,673	\$ 117,708	\$ --
Net income	6,805	33,106	(500)

Mt. Gravatt

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

Mt. Gravatt Condensed Balance Sheet Information:

	December 31,	
	2007	2006
Current assets	\$ 1,458	\$ 1,195
Non current assets	3,421	3,228
Current liabilities	825	550
Noncurrent liabilities	49	40
Members' equity	4,005	3,833

Mt. Gravatt Condensed Statements of Operations Information:

	December 31,		
	2007	2006	2005
Total revenue	\$ 10,603	\$ 9,078	\$ 8,739
Net income	2,381	1,946	1,505

Berkeley Cinemas - Group and Berkeley Cinemas –Palms & Botany

We previously had investments in three joint ventures with Everard Entertainment Ltd in New Zealand (the "NZ JVs"). We entered into the first joint venture in 1998, the second in 2003, and the third in 2004. These joint ventures were unincorporated and as such, we own an undivided 50% interest in the assets and liabilities of each of the joint ventures and treat our interest as an equity method interest in an unconsolidated joint venture.

On August 28, 2006, we sold to our joint venture partner our interest in the cinemas at Whangaparaoa, Takapuna and Mission Bay, New Zealand, the Berkeley Cinema Group for \$4.6 million (NZ\$7.2 million) in cash and the assumption of \$1.6 million (NZ\$2.5 million) in debt. The sale resulted in a gain on sale of unconsolidated joint venture for the year ending December 31, 2006 of \$3.4 million (NZ\$5.4 million). The condensed statement of operations for the Berkeley Cinema Group is as follows (dollars in thousands):

Berkeley Cinemas - Group Condensed Statements of Operations Information:

	December 31,		
	2007	2006	2005
Total revenue	\$ --	\$ 3,440	\$ 5,292
Net income	--	644	765

Additionally, effective April 1, 2006, we purchased from our Joint Venture partner the 50% share that we did not already own of the Palms cinema located in Christchurch, New Zealand for cash of \$2.6 million (NZ\$4.1 million) and the proportionate share of assumed debt which amounted to \$987,000 (NZ\$1.6 million). This 8-screen, leasehold cinema had previously been included in our Berkeley Cinemas – Palms & Botany investment and was not previously consolidated for accounting purposes. Subsequent to April 1, 2006, we have consolidated this entity into our financial statements. See Note 8 – *Acquisitions and Property Development*.

As of December 31, 2007, the only remaining cinema owned by this joint venture is the Botany Downs cinema, located in suburban Auckland.

Combined Condensed Financial Information

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

Condensed Balance Sheet Information (Unaudited):

	December 31,	
	2007	2006
Current assets	\$ 11,005	\$ 10,153
Non current assets	15,034	30,573
Current liabilities	6,289	5,004
Non current liabilities	3,550	4,109
Member's equity	16,200	31,613

Condensed Statements of Operations Information (Unaudited):

	December 31,		
	2007	2006	2005
Total revenue	\$ 53,440	\$ 135,675	\$ 34,156
Net income	10,247	35,697	4,484

Note 12 - Notes Payable

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

Name of Note Payable	December 31,		Maturity Date	December 31,	
	2007	2006		2007 Balance	2006 Balance
	Interest Rate	Interest Rate			
Australian Corporate Credit Facility	7.75%	7.33%	January 1, 2009	\$ 85,772	\$ 70,516
Australian Shopping Center Loans	--	--	2007-2013	1,066	1,147
Euro-Hypo Loan	6.73%	--	July 1, 2012	15,000	--
New Zealand Corporate Credit Facility	10.10%	9.15%	November 23, 2010	2,488	35,230
Trust Preferred Securities	9.22%	--	April 30, 2027	51,547	--
US Royal George Theatre Term Loan	--	7.86%	November 29, 2007	--	1,819
US Sutton Hill Capital Note 1 – Related Party	9.91%	9.69%	July 28, 2008	5,000	5,000
US Sutton Hill Capital Note 2 – Related Party	8.25%	8.25%	December 31, 2010	9,000	9,000
US Union Square Theatre Term Loan	6.26%	6.26%	January 1, 2010	7,322	7,500
Total Notes Payable				\$ 177,195	\$ 130,212

AustraliaAustralian Corporate Credit Facility

As prescribed by the credit agreement, during 2006, our Australian Corporate Credit Facility with the Bank of Western Australia, Ltd through our Australian subsidiary, Reading Entertainment Australia Pty Ltd (the "Australia Credit Facility") was combined with our Newmarket Construction Loan upon completion of the retail portions of our Newmarket ETRC. In October 2007, we negotiated an increase of our total borrowing limit of the Australia Corporate Credit Facility from \$87.8 million (AUS\$100.0 million) to \$96.5 million (AUS\$110.0 million). At December 31, 2007, we had drawn a total of \$85.8 million (AUS\$97.7 million) against this facility and issued lease guarantees as the lessee of \$3.2 million (AUS\$4.0 million) leaving an available, undrawn balance of \$7.2 million (AUS\$8.3 million). Effective September 30, 2006, we renegotiated the payment terms of this facility such that it is unlikely that we will be required to make any further principal payments on the loan until the facility comes to term on January 1, 2009. Interest payments for this loan are required on a quarterly basis.

During 2006, we drew down \$4.8 million (AUS\$6.3 million) to purchase the Palms – Christchurch Cinema and to payoff the Palms – Christchurch Cinema bank debt (see Note 8 – *Acquisitions and Property Development*), \$2.2 million (AUS\$3.0 million) to purchase a 0.4 acre commercial site adjacent to our Moonee Ponds property in Melbourne, Australia, \$1.6 million (AUS\$2.2 million) to purchase a commercial development in Indooroopilly a suburb of Brisbane, Australia, and \$1.1 million (AUS\$1.4 million) to make capital improvements to our existing cinema sites. Additionally, we drew down \$2.3 million (AUS\$3.1 million) on our Newmarket Construction Loan used to finance the completion of the retail portions of our Newmarket Shopping Centre development in Brisbane, Australia.

This credit facility is secured by substantially all of our cinema assets in Australia, and is only guaranteed by several of our wholly owned Australian subsidiaries. The credit facility includes a number of affirmative and negative covenants designed to protect the Bank's security interests. The most restrictive covenant of the facility is a limitation on the total amount that we are able to drawdown based on the total assets that are securing the loan. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than 70% of the loan be swapped into fixed rate obligations. For further information regarding our swap agreements, see Note 13 – *Derivative Instruments*. All interest rates above include a 1.00% interest rate margin.

Fair Value of Interest Rate Swap Agreements

In accordance with SFAS No. 133, we marked our Australian interest rate swap instruments to market resulting in an \$320,000 (AUS\$338,000) decrease, an \$845,000 (AUS\$1.1 million) decrease, and a \$171,000 (AUS\$180,000) increase to interest expense during 2007, 2006 and 2005, respectively (See Note 13 – *Derivative Instruments*).

Australian Shopping Center Loans

As part of the Anderson Circuit, in July 2004, we assumed the three loans on the properties of Epping, Rhodes, and West Lakes. The total amount assumed on the transaction date was \$1.5 million (AUS\$2.1 million) and the loans carry no interest as long as we make timely principal payments of approximately \$280,000 (AUS\$320,000) per year. The balance of these loans at December 31, 2007 and 2006 was \$1.1 million (AUS\$1.2 million) and \$1.1 million (AUS\$1.4 million), respectively. Early repayment is possible without penalty. The only recourse on default of these loans is the security on the properties. During 2007, we have not paid \$88,000 (AUS\$100,000) of principal

payments on the West Lakes loan due to a dispute that we have with the landlord. We are currently in the process of resolving this dispute.

New Zealand

Corporate Credit Facility

On June 29, 2007, we finalized the renegotiation of our New Zealand Corporate Credit Facility as a \$46.4 million (NZ\$60.0 million) line of credit. This renegotiated agreement carries the same terms as the previous agreement except that it is now a line of credit instead of term debt, the maturity date has been extended by one year to November 23, 2010, the interest rate for the facility is based on the 90-day Bank Bill Bid Rate (BBBR) plus a 1.00% margin, and a 0.20% line charge will be incurred on the total line of credit of \$46.4 million (NZ\$60.0 million). The agreement calls for principal payments to be deferred until February 2009 after which we will be required to make quarterly principal payments of \$750,000 until the loan comes due in on November 23, 2010. The facility is secured by substantially all of our New Zealand assets, but has not been guaranteed by any entity other than several of our New Zealand subsidiaries. The facility includes various affirmative and negative covenants designed to protect the bank's security, limits capital expenditures and the repatriation of funds out of New Zealand without the approval of the bank. Also included in the restrictive covenants of the facility is the restriction of transferring funds from subsidiary to parent. Interest payments for this loan are required on a monthly basis.

During the February 2007, we paid off our term debt of this facility of \$34.4 million (NZ\$50.0 million) as a use of the proceeds from our new Subordinated Notes from Reading International Trust I. On June 29, 2007, we drew down on this line of credit by \$5.2 million (NZ\$6.7 million) to purchase a property in New Zealand and on July 29, 2007 we drew down an additional \$9.4 million (NZ\$12.2 million) to purchase the Manukau property in New Zealand (see Note 8 – *Acquisitions and Dispositions*). On August 2, 2007, we paid down this facility by \$12.0 million (NZ\$15.7 million) from the proceeds of the sale of certain marketable securities.

Movieland Note Payable

On February 27, 2006, we paid off the balance of our New Zealand Movieland Note Payable which we had issued in August 2004 in connection with the purchase of our Movieland Circuit. The balance of the purchase money promissory note was paid in full for \$520,000 (NZ\$784,000) plus \$14,000 (NZ\$22,000) of accrued interest.

Domestic

Subordinated Notes – Reading International Trust I

On February 5, 2007, we issued \$51.5 million in 20-year fully subordinated notes to a trust which we control, and which in turn issued \$51.5 million in securities. Of the \$51.5 million, \$50.0 million in trust preferred securities were issued to unrelated investors in a private placement and \$1.5 million of common trust securities were issued by the trust to Reading. This \$1.5 million is shown on our balance sheet as "Investment in Reading International Trust I." The interest on the notes and preferred dividends on the trust securities carry a fixed rate for five years of 9.22% after which the interest will be based on an adjustable rate of LIBOR plus 4.00% unless we exercise our right to refix the rate at the current market rate at that time. There are no principal payments due until maturity in 2027 when the notes and the trust securities are scheduled to be paid in full. We may pay off the debt after the first five years at 100.0% of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a number of affirmative and negative covenants designed to monitor our ability to service the debt. Currently, the most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. The placement generated \$49.9 million in net proceeds, which were used principally to make our investment in the common trust securities of \$1.5 million, to retire all of our bank indebtedness in New Zealand of \$34.4 million (NZ\$50.0 million) and to retire a portion of our bank indebtedness in Australia of \$5.8 million (AUS\$7.4 million). During the year ended December 31, 2007, we paid \$3.4 million in preferred dividends to the unrelated investors which is included in interest expense. At December 31, 2007, we had preferred dividends payable of \$768,000. Interest payments for this loan are required every three months.

Sutton Hill Capital Note 1 - City Cinemas Standby Credit Facility

In connection with the City Cinemas Transaction, we undertook to lend SHC up to \$28.0 million commencing in July 2007. With the release of the Murray Hill cinema from the Operating Lease in February 2002, this obligation

decreased to \$18.0 million. As more fully described in Note 26 – *Related Parties and Transactions*, the City Cinemas Standby Credit Facility, in connection with the sale of the Sutton Property, the Operating Lease was further reduced by \$5.0 million from \$18.0 million to \$13.0 million and the draw down date was changed to the earlier of October 2005 or the payment of the Sutton Purchase Money Note.

Prior to the sale of the Sutton Property in 2003, our funding obligation under the City Cinemas Standby Credit Facility was not recorded on our Consolidated Balance Sheet. Instead, it was disclosed as an off balance sheet future loan commitment. Following the October 2003 sale of the Sutton Property, this loan commitment was recorded as an "other non-current liability" on our Consolidated Balance Sheet. On September 14, 2004, the Sutton Purchase Money Note was paid, and \$13.0 million of the proceeds were called by SHC as the final drawdown of the City Cinemas Standby Credit Facility.

On September 14, 2004, we issued a \$5.0 million promissory note to SHC which carries an interest rate at December 31, 2007 of 9.91% per annum with interest only payments payable monthly and a balloon principal payment due on the loan maturity date. The loan maturity date has been extended twice and is currently July 28, 2008. We used the proceeds to in part invest in 205-209 East 57th Street Associates, LLC a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan. Interest payments for this loan are required on a monthly basis.

Royal George Theatre Term Loan

On November 29, 2002, we entered into a \$2.5 million loan agreement with a financial institution, secured by our Royal George Theatre in Chicago, Illinois. The loan was a 5-year term loan that accrues a variable interest rate payable monthly in arrears. Pursuant to the credit agreement, we paid off this loan balance as a final balloon payment of \$1.7 million in November 2007.

Sutton Hill Capital Note 2

On September 19, 2005, we issued a \$9.0 million promissory note, bearing interest at a fixed rate of 8.25% with interest only payments payable monthly and a balloon principal payment due on December 31, 2010, the loan maturity date, in exchange for the tenant's interest in the ground lease estate that is currently between (i) our fee ownership of the underlying land and (ii) our current possessory interest as the tenant in the building and improvements constituting the Cinemas 1, 2 & 3 in Manhattan. This tenant's ground lease interest was purchased from Sutton Hill Capital LLC ("SHC"). As SHC is a related party to our corporation, our Board's Audit and Conflicts Committee, comprised entirely of outside independent directors, and subsequently our entire Board of Directors unanimously approved issuance of debt in connection with the purchase of the property. The Cinemas 1, 2 & 3 is located on 3rd Avenue between 59th and 60th Streets. Interest payments for this loan are required on a monthly basis.

Union Square Theatre Term Loan

On December 4, 2006, we renegotiated our loan agreement which is secured by our Union Square Theatre in Manhattan. The new loan increased our borrowing amount from \$3.2 million to \$7.5 million and reduced our annual interest rate from 7.31% to 6.26%. This three-year term loan requires monthly scheduled principal and interest payments. We owed \$7.3 million and \$7.5 million on this term loan for the years ended December 31, 2007 and 2006, respectively. While this loan is structured as a limited recourse liability (the only collateral being our Union Square building and the tenant leases with respect to that building), this limited recourse structure is somewhat offset by our inter-company obligation under the lease of the live theater portion of the building, which provides for an annual rent of \$546,000. Interest payments for this loan are required on a monthly basis.

Euro-Hypo Loan

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

UBS Financial Services Line of Credit

In order to finance a portion of our purchases of marketable securities, we had arranged a line of credit (a broker margin account) with UBS Financial Services, Inc. which carried an interest rate of 7.25%. The line of credit was secured by the marketable securities which we purchased on the account. Under the line of credit, we were able to borrow approximately 50% of the market value of our securities in our UBS account. During the second quarter of 2007, we paid off this line of credit in conjunction with our sale of the associated marketable securities.

Summary of Notes Payable

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

Year Ending December 31,	
2008	\$ 5,395
2009	88,470
2010	16,257
2011	176
2012	15,132
Thereafter	51,765
Total future principal loan payments	\$ 177,195

Since approximately \$89.3 million of our total debt of \$177.2 million at December 31, 2007 consisted of debt denominated in Australian and New Zealand dollars, the U.S dollar amounts of these repayments will fluctuate in accordance with the relative values of these currencies.

Note 13 – Derivative Instruments

We are exposed to interest rate changes from our outstanding floating rate borrowings. We manage our fixed to floating rate debt mix to mitigate the impact of adverse changes in interest rates on earnings and cash flows and on the market value of our borrowings. From time to time, we may enter into interest rate hedging contracts which effectively convert a portion of our Australian dollar and/or New Zealand dollar denominated variable rate debt to a fixed rate over the term of the interest rate swap. In the case of our Australian borrowings, we are presently required to swap no less than 70% of our drawdowns under our Australian Corporate Credit Facility into fixed interest rate obligations.

The following table sets forth the terms of our interest rate swap derivative instruments at December 31, 2007:

Type of Instrument	Notional Amount	Pay Fixed Rate	Receive Variable Rate	Maturity Date
Interest rate swap	\$ 15,138,000	6.4400%	6.9350%	January 1, 2009
Interest rate swap	\$ 23,322,000	6.6800%	6.9350%	January 1, 2009
Interest rate swap	\$ 10,685,000	5.5800%	6.9350%	January 1, 2009
Interest rate swap	\$ 3,072,000	6.3600%	6.9350%	January 1, 2009
Interest rate swap	\$ 3,072,000	6.9600%	6.9350%	January 1, 2009
Interest rate swap	\$ 2,457,000	7.0000%	6.9350%	January 1, 2009
Interest rate swap	\$ 1,220,000	7.1900%	6.9350%	January 1, 2009
Interest rate swap	\$ 2,466,000	7.5900%	n/a	January 1, 2009

In accordance with SFAS No. 133 - *Accounting for Derivative Instruments and Hedging Activities*, we marked our Australian interest swap instruments to market on the consolidated balance sheet resulting in a \$320,000 (AUS\$338,000) decrease to interest expense during 2007, an \$845,000 (AUS\$1.1 million) decrease to interest expense during 2006, and a \$171,000 (AUS\$180,000) increase to interest expense during 2005. At December 31, 2007 and 2006, we recorded the fair market value of our interest rate swaps at \$526,000 (AUS\$600,000) and \$206,000 (AUS\$261,000) as an other long-term asset. The swap with a notional amount of \$2,466,000 does not have a Receive Variable Rate because we had not drawn on the facility as of December 31, 2007. In accordance with SFAS No. 133, we have not designated any of our current interest rate swap positions as financial reporting hedges.

Note 14 - Income Taxes

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

	Year Ended December 31,		
	2007	2006	2005
United States	\$ 737	\$ (4,460)	\$ (1,863)
Foreign	(3,347)	(2,403)	2,689
Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities	\$ (2,610)	\$ (6,863)	\$ 826
<i>Equity earnings and gain on sale of unconsolidated subsidiary:</i>			
United States	1,328	8,277	(56)
Foreign	1,217	4,712	1,428
Income (loss) before income tax expense	\$ (65)	\$ 6,126	\$ 2,198

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

	Year Ended December 31,		
	2007	2006	2005
Current income tax expense			
Federal	\$ 510	\$ 688	\$ 444
State	511	409	186
Foreign	1,017	1,173	579
Total	2,038	2,270	1,209
Deferred income tax expense			
Federal	--	--	--
State	--	--	--
Foreign	--	--	--
Total	--	--	--
Total income tax expense	\$ 2,038	\$ 2,270	\$ 1,209

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

Components of Deferred Tax Assets and Liabilities	December 31,	
	2007	2006
Deferred Tax Assets:		
Net operating loss carry forwards	\$ 43,215	\$ 46,573
Impairment reserves	1,142	1,060
Alternative minimum tax carry forwards	3,714	3,624
Installment sale of cinema property	5,070	5,070
Other	10,477	6,781
Total Deferred Tax Assets	63,618	63,108
Deferred Tax Liabilities:		
Acquired and option properties	6,408	6,890
Net deferred tax assets before valuation allowance	57,210	56,218
Valuation allowance	(57,210)	(56,218)
Net deferred tax asset	\$ --	\$ --

In accordance with SFAS 109, we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and

recent financial performance. SFAS 109 presumes that a valuation allowance is required when there is substantial negative evidence about realization of deferred tax assets, such as a pattern of losses in recent years, coupled with facts that suggest such losses may continue. Because of such negative evidence available for the U.S. and other countries, as of December 31, 2007 we recorded a full valuation allowance of \$57.2 million.

As of December 31, 2007, we had the following U.S. net operating loss carry forwards (dollars in thousands):

Expiration Date	Amount
2018	\$ 4
2019	1,320
2021	2,718
2022	1,636
2025	28,345
Total net operating loss carryforwards	\$ 34,023

In addition to the above net operating loss carryforwards having expiration dates, we have the following carryforwards that have no expiration date at December 31, 2007:

- approximately \$3.7 million in alternative minimum tax credit carryforwards;
- approximately \$54.6 million in Australian loss carry forwards; and
- approximately \$1.2 million in New Zealand loss carryforwards.

We disposed of our Puerto Rico operations during 2005 and plan no further investment in Puerto Rico for the foreseeable future. We have approximately \$31.3 million in Puerto Rico loss carry forwards expiring no later than 2014. No material future tax benefits from Puerto Rico loss carry forwards can be recognized by the Company unless it re-enters the Puerto Rico market.

We expect no other substantial limitations on the future use of U.S. or foreign loss carry forwards except for reductions in unused U.S. loss carry forwards that may occur in connection with the 1996 Tax Audit described in Note 18 - *Commitments and Contingencies*.

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

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

	Year Ended December 31,		
	2007	2006	2005
Expected tax provision (benefit)	\$ (23)	\$ 2,149	\$ 769
Reduction (increase) in taxes resulting from:			
Change in valuation allowance	992	(2,366)	(596)
Foreign tax provision	1,017	1,173	579
Tax effect of foreign tax rates on current income	(60)	425	740
State and local tax provision	511	409	186
Other items	(399)	480	(469)
Actual tax provision	\$ 2,038	\$ 2,270	\$ 1,209

Pursuant to APB No.23, *Accounting for Income Taxes - Special Areas*, a provision should be made for the tax effect of earnings of foreign subsidiaries which are not permanently invested outside the United States. Our intent is that earnings of our foreign subsidiaries are not permanently invested outside the United States. No current or cumulative earnings were available for distribution in the Reading Australia consolidated group of subsidiaries or in the Puerto Rico subsidiary as of December 31, 2007. The Reading New Zealand consolidated group of subsidiaries did not generate earnings in 2007, but has cumulative earnings available for distribution. We have provided \$280,000 in foreign withholding taxes connected with these retained earnings.

We have accrued \$15.5 million in income tax liabilities as of December 31, 2007, of which \$10.0 million have been classified as income taxes payable and \$5.5 million have been classified as other non-current liabilities. As part of income taxes payable, we have accrued \$4.5 million as a probable loss in connection with the "Appeal of IRS Deficiency Notices" and we believe that the possible total settlement amount will be between \$4.5 million and \$52.8 million (see Note 19 – *Commitments and Contingencies*). We believe these amounts represent an adequate provision for our income tax exposures, including income tax contingencies related to foreign withholding taxes described in Note 15 – *Other Liabilities*.

The following table is a summary of the activity related to unrecognized tax benefits for the year ending December 31, 2007 (dollars in thousands):

	Year Ended December 31, 2007
Unrecognized tax benefits – beginning balance	\$ 10,857
Gross increases – prior period tax provisions	47
Gross decreases – prior period tax positions	--
Gross increases – current period tax positions	513
Settlements	--
Statute of limitations lapse	--
Unrecognized tax benefits – ending balance	\$ 11,417

We adopted FASB Interpretation (FIN) 48 on January 1, 2007. As a result, we recognized a \$509,000 cumulative increase to reserves for uncertain tax positions, which was accounted for as an adjustment to the beginning balance of accumulated deficit in 2007. As of that date, we also reclassified approximately \$4.0 million in reserves from current taxes liabilities to noncurrent tax liabilities. Interest and/or penalties related to income tax matters are recorded as part of income tax expense. We had approximately \$10.8 million of gross tax benefits and \$1.7 million of tax interest unrecognized on the financial statements as of the date of adoption, mostly reflecting operating loss carry forwards and the IRS litigation matter described below. Of the \$12.5 million total gross unrecognized tax benefits at January 1, 2007, \$4.5 million would impact the effective tax rate if recognized. The remaining balance consists of items that would not impact the effective tax rate due to the existence of the valuation allowance. We recorded an increase to our gross unrecognized tax benefits of approximately \$0.6 million and an increase to tax interest of approximately \$0.6 million during the period January 1, 2007 to December 31, 2007, and the total balance at December 31, 2007 was approximately \$13.7 million.

The incremental effects of applying FIN 48 on line items in the accompanying consolidated balance sheet at January 1, 2007 were as follows (dollars in thousands):

	Before Application of FIN 48 on January 1, 2007	FIN 48 Adjustments as of January 1, 2007	After Application of FIN 48 on January 1, 2007
Current tax liabilities	\$ 9,128	\$ (4,000)	\$ 5,128
Noncurrent tax liabilities	\$ --	\$ 4,509	\$ 4,509
Accumulated deficit	\$ (50,058)	\$ (509)	\$ (50,567)

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

Generally, changes to our federal and most state income tax returns for the calendar year 2003 and earlier are barred by statutes of limitations. Certain domestic subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. We are contesting these deficiencies in Tax Court. Our income tax returns of Australia filed since inception in 1995 are open for examination. The income tax returns filed in

New Zealand and Puerto Rico for calendar year 2002 and afterward generally remain open for examination as of December 31, 2007. The income tax returns of certain New Zealand subsidiaries are under examination for years 2002 through 2004. We anticipate the results of this examination will have no material effect on our financial reporting.

We do not anticipate that within 12 months following December 31, 2007 our total unrecognized tax benefits will change significantly because of settlement of audits and expiration of statutes of limitations.

Note 15 – Other Liabilities

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

	December 31,	
	2007	2006
Current liabilities		
Security deposit payable	\$ 168	\$ 177
Other	1	--
Other current liabilities	\$ 169	\$ 177
Other liabilities		
Foreign withholding taxes	\$ 5,480	\$ 5,212
Straight-line rent liability	3,783	3,693
Option liability	--	3,681
Environmental reserve	1,656	1,656
Accrued pension	2,626	--
Option deposit	--	3,000
Other	1,391	936
Other liabilities	\$ 14,936	\$ 18,178

Sutton Hill Capital – Cinemas 1, 2, & 3 Purchase Option

As part of the purchase of the real property underlying our leasehold interest in the Cinemas 1, 2, & 3 on June 1, 2005, we granted a purchase option to Sutton Hill Capital, LLC ("SHC"), a limited liability company beneficially owned in equal 50/50 shares by Messrs. James J. Cotter and Michael Forman, to acquire at the acquisition date cost basis, up to a 25% non-managing membership interest in Sutton Hill Properties, LLC ("SHP"). SHP is the limited liability company that we formed to acquire these interests. In relation to this option, we estimated, based on a June 2007 property appraisal, the fair value of the option had increased for year ended December 31, 2007 by \$950,000 which was expensed for during the year. During 2006, the value of the option at December 31, 2006 increased to approximately \$3.7 million, resulting in an expense for the year ended December 31, 2006 of \$1.6 million.

On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of their \$3.0 million deposit plus the assumption of its proportionate share of SHP's liabilities giving it a 25% non-managing membership interest in SHP. Upon exercise, the settlement of the previously capitalized option liability of \$4.6 million resulted in an increase in additional paid-in-capital of \$2.5 million as the transfer of the 25% non-managing membership interest to SHC constituted a transfer of an equity interest between entities under common control.

Union Pension Withdrawal

During the first quarter of 2006, the Motion Picture Projectionists, Video Technicians and Allied Crafts Union ("Union") asserted that due to the Company's reduced reliance on union labor in New York City, there was a partial withdrawal from the union pension plan by the Company in 2003 resulting in a funding liability on the part of the Company of approximately \$342,000. We believe that the estimated amount of our obligation to the Union for their pension plan is in question and disputable. For this reason, we intend to discuss further the matter with the Union. However, to reflect the Union's asserted assessment at this time, we have recorded a \$264,000 liability in our other liabilities and paid to the Union \$78,000 at December 31, 2007.

Note 16 – Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, restricted cash and accounts payable approximate fair value due to their short-term maturities. Interest rate swap contracts are carried at fair value and included in other liabilities on the consolidated balance sheet. The carrying amounts of our variable-rate secured debt approximate fair value since the interest rates on these instruments are equivalent to rates currently offered us. The following table summarizes our financial instruments and their calculated fair values (dollars in thousands):

Financial Instrument	Book Value		Fair Value	
	2007	2006	2007	2006
Cash	\$ 20,782	\$ 11,008	\$ 20,782	\$ 11,008
Accounts receivable	\$ 5,671	\$ 6,612	\$ 5,671	\$ 6,612
Investment in marketable securities	\$ 4,533	\$ 8,436	\$ 4,533	\$ 8,436
Restricted cash	\$ 59	\$ 1,040	\$ 59	\$ 1,040
Accounts and film rent payable	\$ 15,606	\$ 18,181	\$ 15,606	\$ 18,181
Notes payable	\$ 111,648	\$ 116,212	\$ 112,344	\$ 116,471
Notes payable to related party	\$ 14,000	\$ 14,000	\$ 13,942	\$ 13,862
Subordinated debt	\$ 51,547	\$ --	\$ 45,356	\$ --
Interest rate swaps asset	\$ 526	\$ 206	\$ 526	\$ 206

Note 17 – Lease Agreements

Most of our cinemas conduct their operations in leased facilities. Nine of our thirteen operating multiplexes in Australia, three of our seven cinemas in New Zealand and all but one of our cinemas in the United States are in leased facilities. These cinema leases have remaining terms inclusive of options of 10 to 50 years. Certain of our cinema leases provide for contingent rentals based upon a specified percentage of theater revenues with a guaranteed minimum. Substantially all of our leases require the payment of property taxes, insurance and other costs applicable to the property. We also lease office space and equipment under non-cancelable operating leases. All of our leases are accounted for as operating leases and accordingly, we have no leases of facilities which require capitalization.

We determine the annual base rent expense of our cinemas by amortizing total minimum lease obligations on a straight-line basis over the lease terms. Base rent expense and contingent rental expense under the operating leases totaled approximately \$11.9 million and \$515,000 for 2007, respectively; \$10.8 million and \$332,000 for 2006, respectively; and \$9.8 million and \$719,000 for 2005, respectively. Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following at December 31, 2007 (dollars in thousands):

	Minimum Lease Payments
2008	\$ 11,675
2009	11,699
2010	11,495
2011	10,827
2012	8,528
Thereafter	61,613
Total minimum lease payments	\$ 115,837

Since approximately \$85.1 million of our total minimum lease payments of \$115.8 million as of December 31, 2007 consisted of lease obligations denominated in Australian and New Zealand dollars, the U.S dollar amounts of these obligations will fluctuate in accordance with the relative values of these currencies.

Note 18 – Pension Liabilities

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

The SERP initially will be unfunded, but Reading may choose to establish one or more grantor trusts from which to pay the SERP benefits. As such, the SERP benefits are unsecured, general obligations of Reading. The SERP is administered by the Compensation Committee of the Board of Directors of Reading. In accordance with SFAS 158 - *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, the initial pension benefit obligation of \$2.7 million was included in our other liabilities with a corresponding amount of unrecognized prior service cost included in accumulated other comprehensive income on March 1, 2007 (see Note 24 - *Comprehensive Income*). The initial benefit obligation was based on a discount rate of 5.75% and a compensation increase rate of 3.5%. The \$2.7 million is being amortized as a prior service cost over the estimated service period of 10 years combined with an annual interest cost. For the year ended December 31, 2007, we recognized \$129,000 of interest cost and \$253,000 of amortized prior service cost. The balance of the other liability for this pension plan was \$2.4 million at December 31, 2007 and the accumulated other comprehensive income balance was \$2.1 million at December 31, 2007. The December 31, 2007 value of the SERP is based on a discount rate of 6.25% and an annual compensation growth rate of 3.50%.

In addition to the aforementioned SERP, Mr. S. Craig Tompkins has a vested interest in the pension plan originally established by Craig Corporation prior to its merger with our company of \$181,000 and \$174,000 at December 31, 2007 and 2006, respectively. The balance accrues interest at 30 day LIBOR and is maintained as an unfunded Executive Pension Plan obligation included in other liabilities.

The change in the SERP pension benefit obligation and the funded status for the year ending December 31, 2007 is as follows (dollars in thousands):

	For the year ending December 31, 2007
Change in Benefit Obligation	
Benefit obligation at March 1, 2007	\$ 2,701
Service cost	--
Interest cost	129
Actuarial gain	(385)
Benefit obligation at December 31, 2007	2,445
Plan assets	--
Funded status at December 31, 2007	\$ (2,445)

The actuarial gain during 2007 was the result of an increase in the discount rate from 5.75% at inception to 6.25% as of the December 31, 2007 measurement date.

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

	At December 31, 2007
Noncurrent assets	\$ --
Current liabilities	5
Noncurrent liabilities	2,440

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

	At December 31, 2007
Unamortized actuarial gain	\$ (385)
Prior service costs	2,448
Accumulated other comprehensive loss	2,063

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

	From March 1, 2007 to December 31, 2007
Net periodic benefit cost	
Service cost	\$ --
Interest cost	129
Expected return on plan assets	--
Amortization of prior service costs	253
Amortization of net (gain) loss	--
Net periodic benefit cost	\$ 382
Other changes in plan assets and benefit obligations recognized in other comprehensive income	
Net gain	\$ (385)
Prior service cost	--
Amortization of prior service cost	(253)
Amortization of net gain (loss)	--
Total recognized in other comprehensive income	\$ (638)
Total recognized in net periodic benefit cost and other comprehensive income	\$ (256)

The estimated net gain and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$18,000 and \$304,000, respectively.

The following weighted average assumptions were used to determine the plan benefit obligations at December 31, 2007:

	At December 31, 2007
Discount rate	6.25%
Rate of compensation increase	3.50%

The following weighted-average assumptions were used to determine net periodic benefit cost for the year ended December 31, 2007:

	At December 31, 2007
Discount rate	6.25%
Expected long-term return on plan assets	0.00%
Rate of compensation increase	3.50%

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

	Pension Payments
2008	\$ 5
2009	10
2010	15
2011	20
2012	25
Thereafter	2,370
Total pension payments	\$ 2,445

Note 19 - Commitments and Contingencies

Acquisition of Consolidated Cinemas

On October 8, 2007, we entered into agreements to acquire leasehold interests in 15 cinemas then owned by Pacific Theatres Exhibition Corp. and its affiliates. The cinemas, which are located in the United States, contain 181 screens. The aggregate purchase price of the cinemas and related assets was \$69.3 million. The acquisition was made through a wholly owned subsidiary of RDI and was financed principally by a combination of debt financing from GE Capital Corporation and seller financing. We subsequently closed on this acquisition on February 22, 2008 (see Note 27 - *Subsequent Events*).

Taringa Properties

As of December 31, 2007, we had entered into agreements to acquire approximately 50,000 square foot of property in Taringa, Australia, comprising three contiguous properties, which we intend to develop. The aggregate purchase price of these properties is \$10.6 million (AUS\$12.1 million). We subsequently closed on the purchase of two of these properties in January 2008 (see Note 27 - *Subsequent Events*).

Unconsolidated Joint Venture Loans

The following section describes the loans associated with our investments in unconsolidated joint ventures. As they are unconsolidated, their associated bank loans are not reflected in our Consolidated Balance Sheet at December 31, 2007. Each loan is without recourse to any assets other than our interests in the individual joint venture.

Rialto Distribution

We are the 33.3% co-owners of the assets of Rialto Distribution. At December 31, 2007 and 2006, the total line of credit was \$1.5 million (NZ\$2.0 million) and \$1.4 million (NZ\$2.0 million), respectively, and had an outstanding balance of \$801,000 (NZ\$1.0 million) and \$1.1 million (NZ\$1.6 million), respectively. This loan is without recourse to any assets other than our interest in the joint venture.

Berkeley Cinemas

We are the 50% co-owners with the Everard Entertainment Ltd of the assets comprising an unincorporated joint venture in New Zealand, referred to in these financial statements as the Berkeley Cinemas Joint Venture. The balance of the bank loan at December 31, 2007 and 2006 was \$3.4 million (NZ\$4.4 million) and \$3.7 million (NZ\$5.2 million), respectively, which is secured by a first mortgage over the land and building assets of the joint venture. This loan is without recourse to any assets other than our interest in the joint venture.

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") completed its audits of the tax return of Reading Entertainment Inc. (RDGE) for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation (CRG) for its tax year ended June 30, 1997. With respect to both of these companies, the principal focus of these audits was the treatment of the contribution by RDGE to our wholly owned subsidiary, Reading Australia, and thereafter the subsequent repurchase by Stater Bros. Inc. from Reading Australia of certain preferred stock in Stater Bros. Inc. (the "Stater Stock") received by RDGE from CRG as a part of a private placement of securities by RDGE which closed in October 1996. A second issue involving equipment-leasing transactions entered into by RDGE (discussed below) is also involved.

By letters dated November 9, 2001, the IRS issued reports of examination proposing changes to the tax returns of RDGE and CRG for the years in question (the "Examination Reports"). The Examination Report for each of RDGE and CRG proposed that the gains on the disposition by RDGE of Stater Stock, reported as taxable on the RDGE return, should be allocated to CRG. As reported, the gain resulted in no additional tax to RDGE inasmuch as the gain was entirely offset by a net operating loss carry forward of RDGE. This proposed change would result in an additional tax liability for CRG of approximately \$20.9 million plus interest of approximately \$17.9 million as of December 31, 2007. In addition, this proposal would result in California tax liability of approximately \$5.4 million plus interest of approximately \$4.6 million as of December 31, 2007. Accordingly, this proposed change represented, as of December 31, 2007, an exposure of approximately \$48.8 million.

Moreover, California has "amnesty" provisions imposing additional liability on taxpayers who are determined to have materially underreported their taxable income. While these provisions have been criticized by a number of corporate taxpayers to the extent that they apply to tax liabilities that are being contested in good faith, no assurances can be given that these new provisions will be applied in a manner that would mitigate the impact on such taxpayers. Accordingly, these provisions may cause an additional \$4.0 million exposure to CRG, for a total exposure of approximately \$52.8 million. We have accrued \$4.5 million as a probable loss in relation to this exposure and believe that the possible total settlement amount will be between \$4.0 million and \$52.8 million.

In early February 2005, we had a mediation conference with the IRS concerning this proposed change. The mediation was conducted by two mediators, one of whom was selected by the taxpayer from the private sector and one of whom was an employee of the IRS. In connection with this mediation, we and the IRS each prepared written submissions to the mediators setting forth our respective cases. In its written submission, the IRS noted that it had offered to settle its claims against us at 30% of the proposed change, and reiterated this offer at the mediation. This offer constituted, in effect, an offer to settle for a payment of \$5.0 million federal tax, plus interest, for an aggregate settlement amount of approximately \$8.0 million. Based on advice of counsel given after reviewing the materials submitted by the IRS to the mediation panel, and the oral presentation made by the IRS to the mediation panel and the comments of the mediators (including the IRS mediator), we determined not to accept this offer.

Notices of deficiency ("N/D") dated June 29, 2006 were received with respect to each of RDGE and CRG determining proposed deficiencies of \$20.9 million for CRG and a total of \$349,000 for RDGE for the tax years 1997, 1998 and 1999.

We intend to litigate aggressively these matters in the U.S. Tax Court and an appeal was filed with the court on September 26, 2006. While there are always risks in litigation, we believe that a settlement at the level currently offered by the IRS would substantially understate the strength of our position and the likelihood that we would prevail in a trial of these matters. We are currently in the discovery process, and do not anticipate a trial of this issue before 2010.

Since these tax liabilities relate to time periods prior to the Consolidation of CDL, RDGE, and CRG into Reading International, Inc. and since RDGE and CRG continue to exist as wholly owned subsidiaries of RII, it is expected that any adverse determination would be limited in recourse to the assets of RDGE or CRG, as the case may be, and not to the general assets of RII. At the present time, the assets of these subsidiaries are comprised principally of RII securities. Accordingly, we do not anticipate, even if there were to be an adverse judgment in favor of the IRS that the satisfaction of that judgment would interfere with the internal operation or result in any levy upon or loss of any of our material operating assets. The satisfaction of any such adverse judgment would, however, result in a material dilution to existing stockholder interests.

The N/D issued to RDGE does not cover its tax year 1996 which will be held in abeyance pending the resolution of the CRG case. An adjustment to 1996 taxable income for RDGE would result in a refund of alternative minimum tax paid that year. The N/D issued to RDGE eliminated the gains booked by RDGE in 1996 as a consequence of its acquisition certain computer equipment and sale of the anticipated income stream from the lease of such equipment to third parties and disallowed depreciation deductions that we took with respect to that equipment in 1997, 1998 and 1999. Such disallowance has the effect of decreasing net operating losses but did not result in any additional regular federal income tax for such years. However, the depreciation disallowance would increase RDGE state tax liability for those years by approximately \$170,000 plus interest. The only tax liability reflected in the RDGE N/D is alternative minimum tax in the total amount of approximately \$349,000 plus interest. On September 26, 2006, we filed an appeal on this N/D with the U.S. Tax Court.

Environmental and Asbestos Claims

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

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

Whitehorse Center Litigation

On October 30, 2000, we commenced litigation in the Supreme Court of Victoria at Melbourne, Commercial and Equity Division, against our joint venture partner and the controlling stockholders of our joint venture partner in the Whitehorse Shopping Center. That action is entitled Reading Entertainment Australia Pty, Ltd vs. Burstone Victoria Pty, Ltd and May Way Khor and David Frederick Burr, and was brought to collect on a promissory note (the "K/B Promissory Note") evidencing a loan that we made to Ms. Khor and Mr. Burr and that was guaranteed by Burstone Victoria Pty, Ltd ("Burstone" and collectively with Ms. Khor and Mr. Burr, the "Burstone Parties"). This loan balance has been previously written off and is no longer recorded on our books. The Burstone Parties asserted in defense certain set-offs and counterclaims, alleging, in essence, that we had breached our alleged obligations to proceed with the development of the Whitehorse Shopping Center, causing the Burstone Parties damages. The matter is currently on appeal. However, if the trial court is ultimately sustained the result will be a payment from the Burstone Parties to us of \$1.1 million (AUS\$1.2 million), as of December 31, 2007. That amount continues to accrue interest at the rate of approximately 10%. The amount of these payments represent a contingent gain; therefore, no amount has been recorded in our financial statements through the year ended December 31, 2007.

Mackie Litigation

On November 7, 2005, we were sued in the Supreme Court of Victoria at Melbourne by a former construction contractor with respect to the discontinued development of an ETRC at Frankston, Victoria. The action is entitled Mackie Group Pty Ltd v. Reading Properties Pty Ltd, and in it the former contractor seeks payment of a claimed fee in the amount of \$788,000 (AUS\$1.0 million). We do not believe that any such fee is owed, and are contesting the claim. Discovery has now been completed by both parties. The next step in the litigation is likely to be mediation.

In a hearing conducted on November 22 and 29, 2006, Reading successfully defended an application for summary judgment brought by Mackie and was awarded costs for part of the preparation of its defense to the application. A bill of costs has been prepared by a cost consultant in the sum of \$20,000 (AUS\$25,000) (including disbursements). On 27 April 2007, we received payment from Khor & Burr for those costs in the sum of \$18,646.60.

A mediation was held in this matter on 12 July 2007, at which time the matter failed to settle. Reading has subsequently made an offer of compromise to Mackie Group in the sum of \$150,000 plus party/party costs, which has not been accepted. The matter has not yet been fixed for trial, however orders have now been made for the preparation of material for trial and we expect that the matter will be set down for trial before the end of the year.

Malulani Investments Litigation

In December 2006, we commenced a lawsuit against certain officers and directors of Malulani Investments Limited ("MIL") alleging various direct and derivative claims for breach of fiduciary duty and waste and seeking, among other things, access to various company books and records. As certain of these claims were brought indirectly, MIL was also named as a defendant in that litigation. That case is called *Magoon Acquisition & Development, LLC; a California limited liability company, Reading International, Inc.; a Nevada corporation, and James J. Cotter vs. Malulani Investments, Limited, a Hawaii Corporation, Easton T. Mason; John R. Dwyer, Jr.; Philip Gray; Kenwei Chong* and is currently pending before Judge Chang in the circuit Court of the First circuit State of Hawaii, in Honolulu.

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On July 26, 2007, the Court granted TMG's motion to intervene in the Hawaii action. On March 24, 2008, MIL filed a counter claim against us, alleging that we are green mailers, that our purpose in bringing the lawsuit was to harass and harm MIL, and that we should be liable to MIL for the damage resulting from our harassment, including the bringing of our lawsuit (the "MIL Counterclaim").

We do not believe that we have any meaningful exposure with respect to the MIL Counterclaim, and intend to continue to prosecute our claims against the Defendant Directors. We have filed a counterclaim against TMG, alleging various breaches of fiduciary duty on its part, as the controlling shareholder of MIL, and are currently seeking permission to amend our initial complaint to add additional allegations principally growing out of the ongoing conduct by the Defendant Directors since the filing of our initial complaint. The action is currently in its discovery phase, with trial currently set for November of this year.

Other Claims – Credit Card Claims

During 2006, the bank, which administers our credit card activities, asserted a claim of potential loss suffered in relation to the use by third parties of counterfeit credit cards and related credit card company fines. At the end of 2006, we expected the associated claims from the bank and credit card companies for these losses and fines to total approximately \$1.2 million. For this reason, we expensed \$1.2 million during the year ending December 31, 2006. During 2007, the majority of the credit card claims and penalties were assessed and paid resulting in realized losses of \$429,000 and \$160,000 for the years ending December 31, 2007 and 2006, respectively, and returned restricted cash of \$551,000 during 2007 which resulted in an expense reversal of this amount during 2007. The restricted cash balance at December 31, 2007 was \$59,000 relating to the remaining unresolved credit card claims.

Note 20 – Minority Interest

The minority interests are comprised of the following:

- 50% of membership interest in AFC by a subsidiary of National Auto Credit, Inc. ("NAC")
- 25% minority interest in Australian Country Cinemas by 21st Century Pty, Ltd
- 33% minority interest in the Elsternwick joint venture by Champion Pictures Pty Ltd
- 15% to 27.5% minority interest in the Landplan Property Partners, Ltd by Landplan Property Group, Ltd
- 25% minority interest in the Sutton Hill Properties, LLC owned by Sutton Hill Capital, LLC
- 20% minority interest in Big 4 Farming LLC by Cecelia Packing Corporation

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

	December 31,	
	2007	2006
AFC	\$ 2,256	\$ 2,264
Australian Country Cinemas	232	174
Elsternwick unincorporated joint venture	109	151
Landplan Property Partners	237	13
Other	1	1
Total minority interest	\$ 2,835	\$ 2,603

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

	December 31,		
	2007	2006	2005
AFC	\$ 742	\$ 624	\$ 730
Australian Country Cinemas	112	50	10
Elsternwick unincorporated joint venture	21	(17)	(161)
Landplan Property Partners	214	14	--
Sutton Hill Properties	(86)	--	--
Other	--	1	--
Total minority interest	\$ 1,003	\$ 672	\$ 579

Landplan Property Partners, Ltd

In 2006, we formed Landplan Property Partners, Ltd, to identify, acquire and develop or redevelop properties on an opportunistic basis. In connection with the formation of Landplan, we entered into an agreement with Mr. Doug Osborne pursuant to which (i) Mr. Osborne will serve as the chief executive officer of Landplan and (ii) Mr. Osborne's affiliate, Landplan Property Group, Ltd ("LPG"), will perform certain property management services for Landplan. The agreement provides for Mr. Osborne to hold an equity interest in the entities formed to hold these properties; such equity interest to be (i) subordinate to our right to an 11% compounded return on investment and (ii) subject to adjustment depending upon various factors including the term of the investment and the amount invested. Generally speaking, this equity interest will range from 27.5% to 15%. During 2006, Landplan acquired one property in Indooroopilly, Brisbane, Australia and, during 2007, Landplan acquired two properties in New Zealand; the first called the Lake Taupo Motel and the other is a parcel of land called the Manukau property.

Note 21 - Common Stock

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

At December 31, 2007, in recognition of the vesting of one-half of his 2006 and one-half of his 2005 stock grants, we issued to Mr. Cotter 15,133 and 16,047 shares, respectively, of Class A Non-Voting Common Stock which had a stock grant price of \$8.26 and \$7.79 per share and fair market values of \$151,000 and \$160,000, respectively. At December 31, 2006, in recognition of the vesting of one-half of the 2006 stock grant, we issued to Mr. Cotter 16,047 shares of Class A Non-Voting Common Stock which had a stock grant price of \$7.79 per share and a fair market value of \$133,000.

For the stock options exercised during the third quarter of 2007, we issued for cash to an employee of the corporation under our employee stock option plan 6,250 shares of Class A Nonvoting Common Stock at an exercise price of \$4.01 per share.

For the stock options exercised during 2006, we issued for cash to an employee of the corporation under our stock based compensation plan 12,000 shares and 15,000 shares of Class A Nonvoting Common Stock at exercise prices of \$3.80 and \$2.76 per share, respectively. Additionally, in December 2006, we issued to Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, 16,047 shares of Class A Non-Voting Common Stock at a market price of \$7.79 per share as under the normal vesting schedule of his 2005 restricted stock compensation (see Note 3 - *Stock Based Compensation and Employee Stock Option Plan*).

On February 27, 2006, we paid \$791,000 (NZ\$1.2 million) to the sellers of the Movieland Circuit in exchange for 98,949 Class A Common Nonvoting Common Stock. This transaction resulted from the exercise of their option to put back to us at an exercise price of NZ\$11.94 the shares they received as part of the purchase price of the Movieland Circuit.

Note 22 – Business Segments and Geographic Area Information

Effective the fourth quarter of 2006, we have changed the presentation of our segment reporting such that our intersegment revenues and expenses are reported separately from our segments' operating activity. The effect of this change is to include intercompany rent revenues and rent expenses into their respective cinema and real estate business segments. The revenues and expenses for 2005 have been adjusted to conform to the current year presentation. We believe that this presentation portrays how our operating decision makers' view the operations, how they assess segment performance, and how they make decisions about allocating resources to the segments.

The table below sets forth certain information concerning our cinema operations and our real estate operations (which includes information relating to both our real estate development, retail rental and live theater rental activities) for the three years ended December 31, 2007 (dollars in thousands):

Year Ended December 31, 2007	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	\$ 103,467	\$ 21,887	\$ (6,119)	\$ 119,235
Operating expense	83,875	8,324	(6,119)	86,080
Depreciation & amortization	6,942	4,418	--	11,360
General & administrative expense	3,195	831	--	4,026
Segment operating income	\$ 9,455	\$ 8,314	\$ --	\$ 17,769
Year Ended December 31, 2006	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	\$ 94,048	\$ 17,285	\$ (5,208)	\$ 106,125
Operating expense	75,350	7,365	(5,208)	77,507
Depreciation & amortization	8,648	4,080	--	12,728
General & administrative expense	3,658	782	--	4,440
Segment operating income	\$ 6,392	\$ 5,058	\$ --	\$ 11,450
Year Ended December 31, 2005	Cinema	Real Estate	Intersegment Eliminations	Total
Revenue	\$ 86,760	\$ 16,523	\$ (5,178)	\$ 98,105
Operating expense	72,665	7,359	(5,178)	74,846
Depreciation & amortization	8,323	3,674	--	11,997
General & administrative expense	6,802	328	--	7,130
Segment operating income (loss)	\$ (1,030)	\$ 5,162	\$ --	\$ 4,132

Reconciliation to net income (loss):	2007	2006	2005
Total segment operating income	\$ 17,769	\$ 11,450	\$ 4,132
Non-segment:			
Depreciation and amortization expense	561	484	387
General and administrative expense	12,059	8,551	10,117
Operating income (loss)	5,149	2,415	(6,372)
Interest expense, net	(8,163)	(6,608)	(4,473)
Other income (expense)	(505)	(1,998)	19
Minority interest	(1,003)	(672)	(579)
Gain on disposal of discontinued operations	1,912	--	13,610 ¹
Loss from discontinued operations	--	--	(1,379)
Income tax expense	(2,038)	(2,270)	(1,209)
Equity earnings of unconsolidated joint ventures and entities	2,545	9,547	1,372
Gain on sale of unconsolidated joint venture	--	3,442	--
Net income (loss)	\$ (2,103)	\$ 3,856	\$ 989
Segment assets	\$ 315,582	\$ 264,963	
Corporate assets	30,489	24,268	
Total Assets	\$ 346,071	\$ 289,231	
Segment capital expenditures	\$ 42,244	\$ 16,168	\$ 51,649
Corporate capital expenditures	170	221	2,305
Total capital expenditures	\$ 42,414	\$ 16,389	\$ 53,954

¹ Comprised of \$12.0 million from the sale of our Glendale office building and \$1.6 million from the sale of our Puerto Rico cinema operations.

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

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

	December 31,	
	2007	2006
Australia	\$ 90,956	\$ 86,317
New Zealand	44,030	38,772
United States	43,188	45,578
Total property and equipment	\$ 178,174	\$ 170,667

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

	December 31,		
	2007	2006	2005
Australia	\$ 63,657	\$ 53,434	\$ 47,181
New Zealand	24,371	21,230	20,179
United States	31,207	31,461	30,745
Total Revenues	\$ 119,235	\$ 106,125	\$ 98,105

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007				
Revenue	\$ 27,975	\$ 30,139	\$ 32,559	\$ 28,562
Net income (loss)	\$ (646)	\$ 1,634	\$ 870	\$ (3,961)
Basic earnings (loss) per share	\$ (0.03)	\$ 0.07	\$ 0.04	\$ (0.17)
Diluted earnings (loss) per share	\$ (0.03)	\$ 0.07	\$ 0.04	\$ (0.17)
2006				
Revenue	\$ 25,230	\$ 27,247	\$ 24,319	\$ 29,329
Net income (loss)	\$ (3,147)	\$ (234)	\$ 6,093	\$ 1,144
Basic earnings (loss) per share	\$ (0.14)	\$ (0.01)	\$ 0.27	\$ 0.05
Diluted earnings (loss) per share	\$ (0.14)	\$ (0.01)	\$ 0.27	\$ 0.05

In our opinion, the quarterly financial information presented above reflects all adjustments that are necessary for a fair presentation of the results of the quarterly periods presented.

Note 24 - Comprehensive Income (Loss)

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

	Years Ended December 31,		
	2007	2006	2005
Net unrealized gains/(losses) on investments			
Reclassification of realized gain on available for sale investments included in net income (loss)	\$ (773)	\$ --	\$ --
Unrealized gain/(loss) on available for sale investments	889	(110)	11
Net unrealized gains/(losses) on investments	116	(110)	11
Net income (loss)	(2,103)	3,856	989
Cumulative foreign currency adjustment	14,731	4,928	(3,822)
Accrued pension service costs	(2,063)	--	--
Comprehensive income (loss)	\$ 10,681	\$ 8,674	\$ (2,822)

Note 25 - Future Minimum Rental Income

Real estate revenue amounted to \$15.8 million \$12.1 million, and \$11.3 million for the years ended December 31, 2007, 2006 and 2005, respectively. For the year ended December 31, 2007, rental revenue includes the revenue from Courtenay Central, Invercargill, Rotorua, and Napier in New Zealand; Auburn, Belmont, Bundaberg, Maitland, Newmarket and Waurm Ponds in Australia; the Union Square Theatre, the Village East Cinema in New York; and the Royal George Theatre in Chicago.

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

Year Ending December 31,	
2008	\$ 7,354
2009	6,023
2010	5,481
2011	4,908
2012	3,961
Thereafter	30,967
Total future minimum rental income	\$ 58,694

Note 26 – Related Parties and Transactions

Sutton Hill Transaction

In 2000, we entered into a transaction with Sutton Hill Capital L.L.C. (“SHC”), a related party, designed to give us (i) operating control, through an operating lease, of the 4 cinema “City Cinemas” theater chain in Manhattan, and (ii) the right to enjoy any appreciation in the underlying real estate assets, though a fixed price option to purchase these cinemas on an all or nothing basis in 2010. Two of the cinemas included in that chain – the Murray Hill Cinema and the Sutton Cinema – have now been sold for redevelopment, under terms that we believe preserve this basic structure and which will, if we exercise our purchase option, give us the future benefit of any appreciation realized in

those assets during the time they were under our operation and control. In addition, during 2005 we acquired as a part of a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code, (i) from a third party, the fee interest underlying the third of the four cinemas (the Cinemas 1, 2 & 3) and (ii) from SHC its tenant's interest in the ground lease underlying the Cinemas 1, 2 & 3. Set out below is a more detailed discussion of the City Cinemas Transaction, and the subsequent modifications of that transaction to provide for the release of the Murray Hill Cinema, the Sutton Cinema and the Cinemas 1, 2 & 3 properties.

In July 2000, we acquired from SHC the Manhattan based City Cinemas circuit in a transaction structured as a 10 year operating lease (the "City Cinemas Operating Lease") with options either to extend the lease for an additional 10 year term or, alternatively, to purchase the improvements and certain of the real estate assets underlying that lease (the "City Cinemas Purchase Option"). We paid an option fee of \$5.0 million, which will be applied against the purchase price if we elect to exercise the City Cinemas Purchase Option. The aggregate exercise price of the City Cinemas Purchase Option was originally \$48.0 million, and rent was calculated to provide an 8.25% yield to SHC (subject to an annual modified cost of living adjustment) on the difference between the exercise price and the \$5.0 million option fee. Incident to that transaction, we agreed to lend to SHC (the "City Cinemas Standby Credit Facility") up to \$28.0 million, beginning in July 2007, all due and payable in December 2010 (the principal balance and accrued interest on any such loan was likewise to be applied against the option exercise price, in the event the option was exercised). The interest rate on the City Cinemas Standby Credit Facility was also fixed at 8.25%, subject to the same modified cost of living adjustment used to calculate rent under the City Cinemas Operating Lease.

We have no legal obligation to exercise either the option to extend the City Cinemas Operating Lease or the City Cinemas Purchase Option. However, our recourse against SHC on the City Cinemas Standby Credit Facility is limited to the assets of SHC which consist of, generally speaking, only the assets subject to the City Cinemas Purchase Option. In this annual report, we refer to the transaction memorialized by the City Cinemas Operating Lease, City Cinemas Purchase Option and City Cinemas Standby Credit Agreement as the City Cinemas Transaction. Because the City Cinemas Operating Lease is an operating lease and since the City Cinemas Standby Credit Facility was, in our view, adequately secured, no asset or liability was established on our balance sheet at the time of the City Cinemas Transaction other than the option fee, which has been deferred and is being amortized over the 10 year period of the lease.

SHC is indirectly owned by Messrs. James J. Cotter and Michael Forman. Mr. Cotter is our Chairman, Chief Executive Officer and controlling stockholder. Mr. Forman is a major holder of our Class A Stock. As the transaction was a related party transaction, it was reviewed and approved by a committee of our Board of Directors comprised entirely of independent directors.

Since we entered into the City Cinemas Transaction, two of the cinema properties involved in that transaction have been sold to third parties for redevelopment: the Murray Hill Cinema and the Sutton Cinema. These purchasers paid \$10.0 million and \$18.0 million respectively for these two properties, which included the cost of acquiring the fee interest in these properties held by Nationwide Theatres (an affiliate of SHC), the leasehold interest held by SHC, and our rights under the City Cinemas Operating Lease and the City Cinemas Purchase Option. Since we believed that a sale of these properties at these prices was more beneficial to us than continuing to operate them as cinemas, and since the original City Cinemas Transaction did not contemplate a piece-meal release of properties or give us the right to exercise our City Cinemas Purchase Option either (i) on a piece-meal basis or (ii) prior to July 2010, we worked with SHC to devise a transaction that would allow us to dispose of our collective interests in these properties while preserving the fundamental benefits of the transaction for ourselves and SHC. Included among the benefits to be preserved by SHC was the deferral of any capital gains tax with respect to the transfer of the remaining properties until 2010 and assurances that the various properties involved in the City Cinemas Transaction would only be acquired by us on an "all or nothing" basis. Included among the benefits to be preserved for us was the right to get the benefit of 100% of any appreciation in the properties underlying the City Cinemas Operating Lease between the date of that lease (July 2000) and the date any such properties were sold, provided that we ultimately exercised our purchase rights under the City Cinemas Purchase Option.

As a result of these negotiations and the sale of these two properties, our rent under the City Cinemas Operating Lease was reduced by approximately \$1.9 million per annum, the exercise price of the City Cinemas Purchase Option was reduced from \$48.0 million to \$33.0 million, and our funding obligation under the City Cinemas Standby Line of Credit was reduced from \$28.0 million to \$13.0 million. In addition, we received in consideration of the release of our interest in the Murray Hill Cinema a cash payment of \$500,000. In consideration of the transfer of our interest in the Sutton Cinema we received (i) a \$13.0 million purchase money promissory note (the Sutton Purchase Money Note) secured by a first mortgage on the Sutton Cinema property (the "Sutton Purchase Money Mortgage"), (ii) a right to acquire up to a 25% interest in the special purpose entity formed to redevelop the Sutton Cinema property for a prorated capital contribution (the "Sutton Reinvestment Option") or to receive instead an in lieu fee of \$650,000, and (iii) the right to operate the Sutton Cinema until such time as the Sutton Purchase Money Note was paid. The Sutton Purchase Money Note was due and payable on October 21, 2005, and carried interest for the first year at 3.85%, increasing in the second year to 8.25%. On September 14, 2004, the Sutton Purchase Money Note was prepaid in full and we exercised our Sutton Reinvestment Option.

In keeping with the "all or nothing" nature of our rights under the City Cinemas Purchase Option, we agreed to use the principal proceeds of the Sutton Purchase Money Promissory Note to fund our remaining \$13.0 million obligation under the City Cinemas Standby Credit Facility. We have also agreed that the principal amount of the City Cinemas Standby Credit Facility will be forgiven if we do not exercise our purchase rights under the City Cinemas Purchase Option. Accordingly, if we exercise our rights under the City Cinemas Purchase Option to purchase the remaining City Cinemas assets, we will be acquiring the remaining assets subject to the City Cinemas Operating Lease for an additional cash payment of \$15.0 million, (offsetting against the current \$33.0 million exercise price, the previously paid \$5.0 million deposit and the \$13.0 million principal amount of the City Cinemas Standby Credit Facility) and will receive, in essence, the benefit of 100% of the appreciation in all of the properties initially subject to the City Cinemas Operating Lease between July 2000, and the date such properties were either disposed of or acquired by us pursuant to the City Cinemas Purchase Option. If we do not exercise our option to purchase, then the City Cinemas Credit Facility will be forgiven, and we will not get the benefit of such appreciation. Immediately following the sale of the Sutton Cinema, the remaining properties consisted of (i) the Village East Cinema, which is located at the corner of 2nd Avenue and 11th Street in Manhattan, on a 27 year land lease, and (ii) the Cinemas 1, 2 & 3, which is located on 3rd Avenue between E. 59th and E. 60th Streets in Manhattan and which was likewise at that time on a long term ground lease.

Since the Murray Hill Cinema sale transaction was structured as a release of our leasehold interest in the Murray Hill Cinema, we did not recognize any gain or loss for either book or tax purposes, other than the \$500,000 in lieu fee, which was recognized as non-operating income. We likewise did not book any gain or loss on the disposition of the Sutton Cinema for book purposes. However, we did recognize gain in the amount of approximately \$13.0 million for state and federal tax purposes, which gain was offset against net operating losses. Notwithstanding this offset, we were still liable for alternative minimum tax on the transaction. That alternative minimum tax will, however, be offset against our future tax liabilities. In the event that we decide not to exercise our City Cinemas Purchase Option, we would at that time recognize a \$13.0 million loss for tax purposes.

Following the release of our leasehold interest in the Murray Hill Cinema and disposition of the Sutton Cinema in 2003, we decreased the value of the option fee in the City Cinemas Purchase Option agreement by \$890,000. In addition, in October 2003 we recorded our loan commitment under the City Cinemas Standby Credit Facility as a payable in our long-term debt on the Consolidated Balance Sheet.

In September 2004, simultaneous with the drawdown by SHC of the remaining \$13.0 million under the Standby Credit Facility, SHC lent us \$5.0 million. This amount was used principally to fund our purchase of the 25% membership interest in limited liability company that was developing the Sutton Cinema site, and for working capital purposes. The loan bears interest currently at 9.26%, payable monthly, with principal due and payable on July 28, 2008.

On June 1, 2005, we acquired from a third party the fee interest and the landlord's interest in the ground lease underlying our leasehold estate in the Cinemas 1, 2 & 3. In consideration of the fact that there was some uncertainty as to whether the opportunity to acquire this fee interest was an asset of SHC (as the tenant of the ground lease estate and the owner of the improvements located upon the land) or an asset of our Company, a compromise was reached whereby we agreed to grant to SHC an option to acquire – at cost – up to a 25% membership interest in the special purpose entity that we formed to acquire the fee interest – Sutton Hill Properties, LLC.

On September 19, 2005, we acquired from SHC its' "tenant's interest" in the ground lease underlying our leasehold estate in the Cinemas 1, 2 & 3. The purchase price of the "tenant's interest" was \$9.0 million, and was paid in the form of a 5-year unsecured purchase money promissory note, bearing interest at 8.25%, interest payable monthly with principal payable on December 31, 2010 (the "Purchase Money Promissory Note"). This interest is also held by Sutton Hill Properties, LLC, the same special purpose entity that acquired the fee interest in the property. Accordingly, SHC's option to buy into Sutton Hill Properties, LLC, is, in essence, a right to buy-back into both the fee interest acquired from the unrelated third party and the leasehold interest acquired from SHC. Following the purchase of the "tenant's interest," we decreased the value of the option fee in the City Cinemas Purchase Option agreement by \$1.3 million. In June 2007, we acquired the building and improvements constituting the Cinemas 1, 2 & 3 from SHC for \$100,000.

As a result of the acquisition of SHC's tenant's interest in the ground lease, the City Cinemas Operating Lease was amended to reduce the rent by an amount equal to the interest payable under the Purchase Money Promissory Note, and the exercise price on the City Cinemas Purchase Option was likewise reduced by \$9.0 million. Consequently, an exercise of our option to purchase the Village East Cinema would require a cash payment on our part of \$6.0 million.

Each of the above modification transactions involved was reviewed by a committee of the independent directors of the Board of Directors. In each case, the independent directors of the applicable committee have found the transaction to be fair and in the best interests of our Company and our public stockholders.

Reflecting the disposition of the Murray Hill Cinema and the Sutton Cinema, the acquisition of the fee, the landlord's interest in the ground lease and the tenant's interest in the ground lease underlying the Cinemas 1, 2 & 3, and the amendments to date with respect to the City Cinemas Transaction, which has reduced our rent expense for this property to zero. For the years ended December 31, 2007, 2006 and 2005, rent expense to SHC under the City Cinemas Operating Lease was \$491,000, \$495,000, and \$1.0 million, respectively. We have funded our entire \$13.0 million obligation under the City Cinemas Standby Credit Facility. We also have the option to purchase in July 2010 the remaining assets under the City Cinemas Operating Agreement (SHC's long-term leasehold interests in the Village East Cinema and the improvements comprising this cinema) for an additional payment of \$6.0 million. As separate matters, we currently owe SHC \$5.0 million (due July 28, 2008) with respect to the borrowing used principally to finance the acquisition of our interest in the limited liability company currently developing the Sutton Cinema site and \$9.0 million on the Purchase Money Promissory Note (due December 31, 2010), for an aggregate liability of \$14.0 million.

Reflecting the release of the Murray Hill Cinema and the sale of our interest in the Sutton Cinema, we expensed from the \$5.0 million option fee for book purposes \$890,000 related to such sales. In connection with the purchase of SHC's interest in the Cinemas 1, 2 & 3 property, we allocated \$1.3 million of this option amount to the purchase price of that interest. Accordingly, at the present time, we carry only \$441,000 of the original \$5.0 million option fee as a net asset on our balance sheet.

The option granted to SHC to buy up to a 25% interest in Sutton Hill Properties, LLC had been valued at \$3.7 million at December 31, 2006 and is reflected in our other liabilities on our balance sheet (see Note 15 - *Other Liabilities*). On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of their \$3.0 million deposit plus the assumption of its proportionate share of SHP's liabilities giving it a 25% non-managing membership interest in SHP.

OBI Management Agreement

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

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees which historically have equated to approximately 19% of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenues for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex in Chicago on a fee basis based on theater cash flow. In 2007, OBI Management earned \$377,000 (including \$39,000 for managing the Royal George) which was 18.8% of net live theater cash flows for the year. In 2006, OBI Management earned \$470,000 (including \$43,000 for managing the Royal George) which was 23.6% of net live theater cash flows for the year. In 2005, OBI Management earned \$533,000 (including \$74,000 for managing the Royal George) which was 20.7% of net live theater cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

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

Live Theater Play Investment

From time to time, our officers and directors may invest in plays that lease our live theaters. During 2004, an affiliate of Mr. James J. Cotter and Michael Forman have a 25% investment in the play, *I Love You, You're Perfect, Now Change*, playing in one of our auditoriums at our Royal George Theatre. We similarly had a 25% investment in the play. The play has earned for us \$27,000, \$25,000 and \$35,000 during the years ended December 31, 2007, 2006 and 2005, respectively. This investment received board approval from our Conflicts Committee on August 12, 2002.

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

Note 27 – Subsequent Events

Consolidated Cinemas. On October 8, 2007, we entered into agreements to acquire leasehold interests in 15 cinemas then owned by Pacific Theatres Exhibition Corp. and its' affiliates. The cinemas, which are located in the United States, contain 181 screens with annual revenue of approximately \$78.0 million. The aggregate purchase price of the cinemas and related assets is \$69.3 million. The acquisition was made through a wholly owned subsidiary of RDI and was financed principally by a combination of debt financing from GE Capital Corporation and seller financing. This acquisition closed on February 22, 2008.

Taringa Properties. Since the close of 2007, we have acquired or entered into agreements to acquire approximately 50,000 square foot of property in Taringa, Australia, comprising four contiguous properties, which we intend to develop. The aggregate purchase price of these properties is \$11.3 million (AUS\$12.9 million), of which \$1.7 million (AUS\$2.0 million) relates to the three properties that have been acquired and \$9.6 million (AUS\$10.9 million) relates to the one property that is still under contract which is subject to certain rezoning conditions.

Schedule II – Valuation and Qualifying Accounts

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at end of year
Allowance for doubtful accounts				
Year-ended December 31, 2007 – Allowance for doubtful accounts	\$ 473	\$ 62	\$ 153	\$ 382
Year-ended December 31, 2006 – Allowance for doubtful accounts	\$ 416	\$ 247	\$ 190	\$ 473
Year-ended December 31, 2005 – Allowance for doubtful accounts	\$ 319	\$ 183	\$ 86	\$ 416
Tax valuation allowance				
Year-ended December 31, 2007 – Tax valuation allowance	\$ 56,218	\$ 992	\$ --	\$ 57,210
Year-ended December 31, 2006 – Tax valuation allowance	\$ 58,584	\$ --	\$ 2,366	\$ 56,218
Year-ended December 31, 2005 – Tax valuation allowance	\$ 59,180	\$ --	\$ 596	\$ 58,584
Non-current tax liability for the year ended December 31, 2007	\$ 4,509	\$ 908	\$ --	\$ 5,417

Regarding the allowance for doubtful accounts, certain prior year amounts were reclassified to conform to the current year presentation.

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

None.

Item 9A — Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

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

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on our evaluation under the COSO framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2007. The effectiveness of internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Disclosure Controls and Procedures

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission's rules and forms. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A Disclosure Committee consisting of the principal accounting officer, general counsel, chief communication officer, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(c) as of the end of the period covered by this report.

Changes in Internal Controls Over Financial Reporting

No changes in internal control over financial reporting occurred during the last fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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

We have audited the internal control over financial reporting of Reading International, Inc. (the "Company") as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2007 of the Company and our report dated March 28, 2008, expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the Company's adoption of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109.

/s/ DELOITTE & TOUCHE LLP
Deloitte & Touche LLP

Los Angeles, California
March 28, 2008

PART III

Items 10, 11, 12, 13 and 14

Information required by Part II (Items 10, 11, 12, 13 and 14) of this Form 10-K is hereby incorporated by reference from the Reading International, Inc.'s definitive Proxy Statement for its 2007 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

PART IV

Item 15 – Exhibits, Financial Statement Schedules.

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

1. *Financial Statements*

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

Description	Page
Report of Independent Registered Public Accountants	67
Consolidated Balance Sheets as of December 31, 2007 and 2006	68
Consolidated Statements of Operations for the Three Years Ended December 31, 2007	69
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2007	70
Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2007	71
Notes to Consolidated Financial Statements	72
2. <i>Financial Statement Schedules for the years ended December 31, 2007, 2006 and 2005</i>	
Schedule II – Valuation and Qualifying Accounts	115
Consolidated financial statements of 205-209 EAST 57TH STREET ASSOCIATES, LLC.	121
Consolidated financial statements of Mt. Gravatt Cinemas Joint Venture	132
3. Exhibits (Listed by numbers corresponding to Item 601 of Regulation S-K)	151
(b) Exhibits Required by Item 601 of Regulation S-K	
See Item (a)3. above.	
(c) Financial Statement Schedule	
See Item (a)2. above.	

Following are consolidated financial statements and notes of 205-209 EAST 57th STREET ASSOCIATES, LLC for the periods indicated. We are required to include in our Report on Form 10-K audited financial statements for the year ended December 31, 2007 and 2006 and unaudited financial statements for the year ended December 31, 2005.

205-209 East 57th Street Associates, LLC
Balance Sheets
December 31, 2007 and 2006
(U.S. dollars in thousands)

	December 31,	
	2007	2006
ASSETS		
Real Estate:		
Land	\$ 780	\$ 5,230
Construction and development costs	1,641	12,950
Residential manager's apartment (net of depreciation)	659	--
Negotiable certificates – real estate tax abatements	46	308
Total real estate	3,126	18,488
Other Assets:		
Cash and cash equivalents	1,933	4,449
Security deposits	8	7
Prepaid income taxes	347	--
Other assets	18	--
Total other assets	2,306	4,456
Total assets	\$ 5,432	\$ 22,944
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 440	\$ 340
Due to affiliate	417	236
Deferred rent	320	--
Income taxes payable	--	860
Retainage payable	--	751
Total liabilities	1,177	2,187
Commitments and Contingencies (Note 12)		
Members' Equity	4,255	20,757
Total Liabilities And Members' Equity	\$ 5,432	\$ 22,944

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

205-209 East 57th Street Associates, LLC
Statements of Operations
For The Three Years Ended December 31, 2007, 2006 and 2005
(U.S. dollars in thousands)

	Years Ended December 31,		
	2007	2006	2005 (Unaudited)
Revenue:			
Sales – condominium units	\$ 25,401	\$ 117,329	\$ --
Contract termination income	--	239	--
Dividends and interest	168	140	--
Rental income	104	--	--
Total revenue	25,673	117,708	--
Expenses:			
Costs of sales of condominium units	16,987	75,382	--
Selling costs	1,369	6,523	--
Marketing and advertising	184	740	500
Sponsor common charges	70	421	--
Utilities	9	90	--
Contributions	-	6	--
Depreciation	21	--	--
Miscellaneous	46	5	--
New York City unincorporated business tax	182	1,435	--
Total expenses	18,868	84,602	500
Net income (loss)	\$ 6,805	\$ 33,106	\$ (500)

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

205-209 East 57th Street Associates, LLC
Statements of Changes in Members' Equity
For the Three Years Ended December 31, 2007, 2006 and 2005
(U.S. dollars in thousands)

	PGA Clarett 1, LLC	PGA Clarett 2, LLC	PGA Clarett 3, LLC	PGA Clarett 4, LP	Clarett Partners, LLC	CC Sutton Manager, LLC	Citadel Cinemas, Inc.	Total
Members equity – January 1, 2005 (Unaudited)	1,341	1,306	139	1,131	65	2,546	2,177	8,705
Member contributions	323	432	387	153	22	842	719	2,878
Assignment of interest	115	--	(325)	210	--	--	--	--
Net loss	(72)	(75)	(23)	(55)	(4)	(146)	(125)	(500)
Members equity – December 31, 2005 (Unaudited)	1,707	1,663	178	1,439	83	3,242	2,771	11,083
Member distributions	(2,813)	(2,739)	(293)	(2,372)	(2,503)	(6,854)	(5,858)	(23,432)
Net income	1,355	1,319	141	1,143	11,188	9,684	8,276	33,106
Members equity – December 31, 2006 (Audited)	\$ 249	\$ 243	\$ 26	\$ 210	\$ 8,768	\$ 6,072	\$ 5,189	\$ 20,757
Member distributions	(280)	(272)	(29)	(236)	(9,846)	(6,817)	(5,827)	(23,307)
Net income	82	79	8	69	2,875	1,990	1,702	6,805
Members equity – December 31, 2007 (Audited)	\$ 51	\$ 50	\$ 5	\$ 43	\$ 1,797	\$ 1,245	\$ 1,064	\$ 4,255

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

205-209 East 57th Street Associates, LLC
Statements of Cash Flows
For the Three Years Ended December 31, 2007, 2006 and 2005
(U.S. dollars in thousands)

	Year Ended December 31,		
	2007	2006	2005 (Unaudited)
Cash Flows from Operating Activities			
Net income (loss)	\$ 6,805	\$ 33,106	\$ (500)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Costs of sales of condominium units	16,987	75,382	--
Amortization of deferred rent	(103)	--	--
Depreciation	21	--	--
<i>Changes in assets and liabilities:</i>			
Acquisition of land	--	--	(2,160)
Additions to land, construction and development costs	(1,223)	(19,689)	(38,446)
Inclusionary air rights	--	--	(2,500)
Acquisition of negotiable certificates	--	(643)	(863)
Increase in prepaid taxes	(347)	--	--
Increase in other assets	(17)	--	--
Decrease (increase) in security deposits	--	58	(36)
Increase (decrease) in accounts payable and accrued expenses	100	(2,734)	1,932
(Decrease) increase in income taxes payable	(860)	860	--
(Decrease) increase in retainage payable	(751)	(953)	1,675
Increase in due to affiliates	179	263	--
Net cash provided by (used in) operating activities	20,791	85,650	(40,898)
Cash Flows from Financing Activities			
Proceeds from construction loan	--	19,224	38,130
Repayment of construction loan	--	(77,156)	--
Payment of mortgage loan payable	--	--	--
(Payments) proceeds from loan payable Clarett Capital	--	--	(1)
Member distributions	(23,307)	(23,432)	--
Member contributions	--	--	2,877
Net cash (used in) provided by financing activities	(23,307)	(81,364)	41,006
Net (decrease) increase in cash and cash equivalents	(2,516)	4,286	108
Cash and cash equivalents – beginning of year	4,449	163	55
Cash and cash equivalents – end of year	\$ 1,933	\$ 4,449	\$ 163
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest which was capitalized	\$ --	\$ 4,244	\$ 1,163
Income taxes	\$ 1,390	\$ 575	\$ --

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

205-209 East 57th Street Associates, LLC
Notes to Financial Statements
December 31, 2007

Note 1 - Organization and Business Purpose

205-209 East 57th Street Associates, LLC ("the Company") was formed as a limited liability company under the laws of the State of Delaware. The Company was formed to acquire, finance, develop, own, operate, lease and sell property located at 205-209 East 57th Street, New York, New York. The Company completed construction of the property, known as "Place 57", a 143,000 square foot, thirty-six story building comprised of 68 residential condominium units and one commercial condominium unit.

From September 3, 2003 (the "inception date") through September 14, 2004 the Company was a single member limited liability company with Clarett Capital, LLC ("Clarett Capital") as the sole member. Effective September 14, 2004, the operating agreement ("the Agreement") was amended and restated to provide for the admission of the following new members: Citadel Cinemas, Inc. ("Citadel") 25%, CC Sutton Manager, LLC ("CC Sutton") 29.25%, PGA Clarett 1, LLC ("PGA 1") 8.352%, PGA Clarett 2, LLC ("PGA 2") 15%, PGA Clarett 3, LLC ("PGA 3") 21.648% and Clarett Partners, LLC ("Clarett Partners") 0.75%.

Effective December 30, 2004 PGA Clarett 1, LLC assigned 28.820% of its percentage interest and PGA 3, assigned 80.791% of its percentage interest to a new member, PGA Clarett 4, LP ("PGA 4").

Net income or loss and distributions are allocated to the members in accordance with the terms of the Company's operating agreement. The members of a limited liability company are generally not individually liable for the obligations of the limited liability company.

Note 2 - Summary of Significant Accounting Policies

(a) Income Taxes

The Company was formed as a limited liability company and has elected to be taxed as a partnership. Components of the Company's net income or loss are taxable to the members. Accordingly, no provision for federal or state income taxes is provided for in the accompanying financial statements.

The construction project is located in the City of New York where an entity level income tax is imposed on unincorporated businesses, which, for the year ended December 31, 2007 and 2006 amounted to \$182,502 and \$1,435,000, respectively.

(b) Use of Estimates in Financial Statement Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allocation of costs to units sold, determination of remaining costs to complete, and estimated sales prices of unsold units.

(c) Revenue Recognition

Revenue has been recognized upon the closing of each condominium unit.

(d) Marketing and Advertising

Marketing and promotion costs are charged to operations when incurred. The Company expensed marketing and promotion costs of \$184,122, \$740,492, and \$500,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

(e) Capitalized Costs

The Company capitalizes all costs associated with the development project. Capitalized costs include, but are not limited to, construction and development costs, construction period interest, real estate taxes and architect, development and professional fees.

(f) Costs of Sales of Condominium Units

In connection with the sale of condominium units during 2007 and 2006, land, capitalized construction and development costs and negotiable certificates for real estate tax abatements have been expensed based on the total costs incurred and the estimated costs to complete, multiplied by the relative sales value of units sold in 2007 and 2006, respectively. In addition, included in costs of sales of condominium units for the year ended December 31, 2007 is the imputed fair value for the rental of the residential manager unit of \$423,506.

(g) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of an interest-bearing money fund account.

(h) Depreciation

Depreciation of the residential manager's apartment is provided using the straight-line method over the estimated useful life of forty years.

Note 3 - Land

At December 31, 2007 and 2006, land was comprised of the following (dollars in thousands):

	Year Ended December 31,	
	2007	2006
Direct purchase cost	\$ 15,339	\$ 15,339
Air rights	6,925	6,910
Mortgage recording tax	1,953	1,953
Brokerage fees	500	500
Demolition costs	600	600
Title insurance	256	256
Total land	25,573	25,558
Less: costs allocated to condominium units sold	24,611	20,328
Less: cost allocated to residential manager's apartment	182	--
Net land value	\$ 780	\$ 5,230

Note 4 - Construction and Development Costs

Construction and development costs include direct and indirect construction costs. Direct construction costs ("Hard costs") include those costs directly related to the construction of the development project. Indirect costs ("Soft costs") include costs that have been capitalized, such as construction period interest and financing costs, real estate and recording taxes, insurance, development fees and architect fees.

At December 31, 2007 and 2006, construction and development costs are comprised of the following (dollars in thousands):

	Year Ended December 31,		
	2007	2006	2005 (Unaudited)
Hard costs	\$ 49,426	\$ 48,355	\$ 34,597
Soft costs	18,588	18,451	12,570
Total construction and development costs	68,014	66,806	47,167
Less : costs allocated to condominium units sold	65,887	53,856	47,167
Less: cost allocated to residential manager's apartment	486	--	--
Net construction and development costs	\$ 1,641	\$ 12,950	\$ 47,167

Note 5 - Negotiable Certificates

In December 2003, the Company entered into an agreement to purchase 61 negotiable certificates under Section 421a of the New York State Real Property tax law in order to obtain real estate tax abatements. Section 421a provides that property constructed north of 14th Street in Manhattan, on vacant or underutilized land, is eligible for partial real estate tax abatements. Abatements are for ten years and provide for limited real estate tax reductions. The agreement contained an option to purchase an additional seven certificates, which the Company exercised in March 2004. The final purchase price was \$863,083, which is equal to the sum of \$793,083 for the original 61 certificates plus \$10,000 for each of the seven additional certificates.

In February 2006, the Company purchased an additional 17 negotiable 421a certificates for \$340,000.

In May 2006, the Company paid a Preliminary Certificate of Eligibility Fee to The City of New York for \$302,681, which is required to be paid in conjunction with these negotiable certificates.

At December 31, 2007 and 2006 negotiable certificates is comprised of the following (dollars in thousands):

	Year Ended December 31,	
	2007	2006
421a certificates	\$ 1,203	\$ 1,203
Preliminary certificate of eligibility fee	303	303
Total negotiable certificates	1,506	1,506
Less : costs allocated to condominium units sold	1,449	1,198
Less: cost allocated to residential manager's apartment	11	--
Net negotiable certificates	\$ 46	\$ 308

Note 6 - Air Rights

In 2003, the Company purchased 25,550 square feet of inclusionary air rights in order to generate an inclusionary building bonus (air rights) under The Inclusionary Housing Program, as defined in the Zoning Resolution of the City of New York. The purchase price was \$2,499,750, which has been capitalized and is included in land.

On July 21, 2004, the Company entered into an exchange agreement with Joseph E. Marx Company, Inc. ("Marx") to exchange like-kind property. The Company exchanged previously acquired land located at 957 Third Avenue, New York, New York, plus cash of \$1,300,000, for excess floor area rights ("air rights") having an agreed value of \$4,410,000. The value of the air rights has been capitalized and is included in land.

127,391 square feet out of a total of 128,560 square feet of Inclusionary air rights were utilized to build the condominium development project. The Company estimates that the remaining 1,169 square feet of development air rights will not be able to be sold separately and, accordingly, are included in costs of sales of condominium units.

Note 7 - Construction Loan Payable

On September 14, 2004, the Company obtained nonrecourse financing in the form of a \$80,602,000 construction loan facility (the "Construction Project Loan") from Corus Bank N.A. ("Construction Lender") for the development of the property located at 205-209 East 57th Street and 957 Third Avenue, New York, New York.

The Construction Project Loan was comprised of three separate facilities: a \$14,300,000 acquisition loan to retire the \$13,000,000 existing mortgage with Citadel and to finance the payment of \$1,300,000 made in connection with the acquisition of the air rights from Marx (Note 6), a \$44,133,805 building loan facility and a \$22,168,195 soft cost loan facility.

Each loan component was evidenced by a separate note (the "Notes") and was secured by the land, including improvements and equipment thereon, a security agreement and the assignment of leases and rents. The loan was guaranteed by Clarett Capital.

The building loan facility was required to be used to pay for certain hard construction costs incurred in connection with the construction, conversion and completion of the condominium project. The soft cost facility was required to be used for soft costs incurred in connection with the project, such as interest, real estate taxes and certain other fees.

The \$14,300,000 acquisition loan was separated into two tranches each of which accrued interest at different rates. Tranche A, in the amount of \$5,598,000, bore interest per annum at the greater of 5% or a defined three-month LIBOR rate plus 3.5%. Tranche B, in the amount of \$8,702,000, bore interest at the rate of 12% per annum and could not be repaid until the entire balance of the building loan facility, the Tranche A and Tranche 1 (see below) loans had been paid. The building loan facility bore interest per annum at the greater of 5% or a defined three-month LIBOR rate plus 3.5%.

The soft cost loan facility was comprised of two tranches, each of which accrued at different interest rates. Tranche 1, in the amount of \$20,092,195, bore interest per annum at the greater of 5% or a defined three-month LIBOR rate plus 3.5%. Tranche 2, in the amount of \$2,076,000, bore interest at the rate of 12% per annum and could not be repaid until the entire balance of the building loan facility, the Tranche A and Tranche 1 loans had been paid.

Construction loan interest incurred by the Company for the years ended December 31, 2006 and 2005 amounted to \$3,846,469 and \$2,776,884, respectively. Construction loan interest was capitalized as construction and development costs throughout the construction period.

The Construction Project Loan agreement provided for the outstanding principal balance of the loan to be paid to the Lender upon the closing of sale of each residential condominium unit in an amount equal to the greater of 100% of the Net Sales Proceeds from each unit, as defined, or 92% of the contract sales price for the unit.

In the event of the sale of any retail units, the Construction Project Loan principal to be paid was to be the greater of 100% of the Net Sales Proceeds, as defined, or \$1,083 per square foot of the ground floor of the retail unit sold.

During the year ended December 31, 2006, the Company fully repaid the entire outstanding principal balance of the Construction Loan, which amounted to \$77,156,151 using proceeds from the sale of the condominium units.

The Company was obligated to pay an exit fee to the Construction Lender in the amount of \$403,010 (the "Exit Fee"). Portions of this fee were required to be paid upon the closing of the sale of each condominium unit at a rate of \$15,000 per unit until the Exit Fee was paid in full. This obligation was paid in full during 2006.

Note 8 - Retainage Payable

The construction agreement requires retainage of not less than ten percent of the costs incurred to the contractor until fifty percent of the work is completed. Thereafter, Bovis Lend Lease ("Construction manager") has the discretion to determine the retainage percentage on a subcontractor-by-subcontractor basis. As of December 31, 2007 and 2006, the retainage payable amounted to \$0 and \$751,369, respectively.

Note 9 - Condominium Sales

In 2004, the Company initiated a condominium offering plan, which obtained the necessary approvals in 2005 and 2006. The condominium consists of 68 residential units and one commercial unit. 67 residential units were offered for sale.

One residential unit is retained by the Company and leased to the condominium association at one dollar per year for its residential manager. This unit is leased for a five year period, which commenced with the date of the first unit closing. The condominium association is responsible for real estate taxes, common charges and other operating expenses for this unit.

As of December 31, 2007, all of the residential condominium units have been sold. The commercial unit, which has an estimated sales value of approximately \$4,500,000, is still available for sale or lease.

Note 10 - Residential Manager's Apartment

At December 31, 2007, the residential manager's apartment is comprised of the following (dollars in thousands):

Land	\$	183
Hard and soft construction costs		486
Negotiable certificates		11
		680
Less: accumulated depreciation		(21)
Total cost	\$	659

Note 11 - Deferred Rent

The Company recognized deferred rent on the below market lease of the residential manager's unit discussed in Note 9. The Company estimates the fair value of the rent to be approximately \$7,000 per month, which over the life of the lease amounts to approximately \$420,000. The Company amortized approximately \$104,000 into rental income for the year ended December 31, 2007.

Note 12 - Selling Costs

At December 31, 2007, selling costs are comprised of the following (dollars in thousands):

	2007	2006
Broker fees	\$ 755	\$ 3,720
Commissions	614	2,783
Title recording	--	20
Total selling costs	\$ 1,369	\$ 6,523

Note 13 - Related Party Transactions

(a) Due to Affiliate

At December 31, 2007 and 2006, the Company owes \$416,630 and \$236,014, respectively, to The Clarett Group ("Clarett Group") for marketing commissions and other reimbursable expenses paid on behalf of the Company. Members of the Company are also members in Clarett Group.

(b) Development Fees

In accordance with a development services agreement, the Company is to pay development fees and expense reimbursements to CC Developer, LLC ("CC Developer"). The members of CC Developer are also members of CC Sutton and Clarett Partners. The development services agreement provides for a total project development fee of \$2,685,960. As of December 31, 2006, this development fee had been fully paid, and for the year ended December 31, 2006, charges from this affiliate for development fees and expense reimbursements aggregated \$381,773.

(c) Commissions

Clarett Group had been designated as the exclusive sales agent for selling residential units pursuant to a Sales Agreement. The Sales Agreement provides for a commission equal to four percent of the gross sales price of each unit sold and a sales commission of two percent when sales involve a third-party broker. For the years ended December 31, 2007 and 2006, the Company incurred \$614,080 and \$2,783,140, respectively, of commissions to Clarett Group.

Note 14 - Commitments and Contingencies

(a) Operating Lease

The Company leased a sales office in New York, New York under a two-year operating lease, which expired in July 2006. The lease provided for monthly rental payments of \$15,000 plus escalation provisions. In connection with obtaining the lease, the Company paid a \$30,000 security deposit to the landlord in 2004. \$15,000 of the security deposit was returned to the Company and the remaining \$15,000 was used to pay the final month's rent. Rent expenditures for the sales office for the years ended December 31, 2007, 2006 and 2005 amounted to \$0, \$120,000, and \$180,000, respectively.

(b) Sponsor Common Charges

The Company is the sponsor for the condominium and is obligated to pay all common charges, special assessments and real estate taxes allocated to any unsold units or commercial units in accordance with the provisions of the By-Laws. During the years ended December 31, 2007 and 2006, the Company incurred \$69,779 and \$420,949, respectively, of sponsor common charges, which is reflected in the accompanying statement of operations.

(c) Estimated Costs to Complete

At December 31, 2007, the Company estimates the cost to complete the development project to be approximately \$462,000.

Note 15 - Construction Manager Incentive

The construction management agreement provides for an incentive fee to be paid to the construction manager in the event that the total cost of construction, as defined, is less than the guaranteed maximum price of \$49,217,811. Total project costs are expected to exceed the original projected cost of construction. Accordingly, no construction manager fee will be paid.

Note 16 - Concentration of Risk

At December 31, 2007 and 2006, the Company's deposits with banks exceeded federal deposit insurance coverage of \$100,000.

The Company and the constructed property are located in New York City and are subject to local economic conditions.

The Company contracted with a single company, Bovis Lend Lease, as the construction manager for the project.

Report of Independent Auditors

To the Members of
205-209 East 57th Street Associates, LLC:

In our opinion, the accompanying balance sheets and the related statements of operations, changes in members' equity, and cash flows present fairly, in all material respects, the financial position of 205-209 East 57th Street Associates, LLC (the "Company") at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

New York, New York
February 11, 2008

Following are consolidated financial statements and notes of Mt. Gravatt Cinemas Joint Venture for the periods indicated. We are required to include in our Report on Form 10-K audited financial statements for the year ended December 31, 2007 and unaudited financial statements for the year ended December 31, 2006 and 2005.

Mt. Gravatt Cinemas Joint Venture
Income Statement
For the Year Ended December 31, 2007

<i>In AUS\$</i>	Note	2007	2006 (unaudited)	2005 (unaudited)
Revenue from rendering services	7	\$ 9,095,218	\$ 8,777,374	\$ 8,423,526
Revenue from sale of concession		3,546,654	3,269,303	3,037,909
Total Revenue		\$ 12,641,872	\$ 12,046,677	\$ 11,461,435
Cost of concession		(893,473)	(814,500)	(756,512)
Depreciation and amortization expenses	10	(653,342)	(722,828)	(774,111)
Personnel expenses	8	(1,839,730)	(1,684,754)	(1,632,351)
Film expenses		(3,549,246)	(3,390,265)	(3,322,293)
Occupancy expenses		(1,248,608)	(1,280,726)	(1,307,976)
House expenses		(973,931)	(796,373)	(856,203)
Advertising and marketing costs		(285,455)	(283,183)	(315,601)
Management fees		(223,043)	(216,396)	(214,405)
Repairs and maintenance expense		(167,877)	(246,676)	(209,708)
Results for operating activities		\$ 2,807,167	\$ 2,610,976	\$ 2,072,275
Finance income		44,340	50,874	23,390
Finance expense		--	(82,494)	(112,168)
Net finance income(expense)	9	\$ 44,340	\$ (31,620)	\$ (88,778)
Profit for the period		\$ 2,851,507	\$ 2,579,356	\$ 1,983,497

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

**Mt. Gravatt Cinemas Joint Venture
Statement of Changes in Members' Equity
For the Year Ended December 31, 2007**

<i>In AU\$</i>	Reading Exhibition Pty Ltd	Village Roadshow Exhibition Pty Ltd	Birch Carroll & Coyle Limited	Total
Members' Equity – January 1, 2005 (unaudited)	<u>\$ 629,608</u>	<u>\$ 629,608</u>	<u>\$ 629,609</u>	<u>\$ 1,888,825</u>
Member distributions	(130,000)	(130,000)	(130,000)	(390,000)
Net profit	661,166	661,166	661,165	1,983,497
Members' Equity – December 31, 2005 (Unaudited)	<u>\$ 1,160,774</u>	<u>\$ 1,160,774</u>	<u>\$ 1,160,774</u>	<u>\$ 3,482,322</u>
Member distributions	(400,000)	(400,000)	(400,000)	(1,200,000)
Net profit	859,785	859,785	859,786	2,579,356
Members' Equity – December 31, 2006 (Unaudited)	<u>\$ 1,620,559</u>	<u>\$ 1,620,559</u>	<u>\$ 1,620,560</u>	<u>\$ 4,861,678</u>
Member distributions	(1,050,000)	(1,050,000)	(1,050,000)	(3,150,000)
Net profit	950,502	950,502	950,503	2,851,507
Members' Equity – December 31, 2007	<u>\$ 1,521,061</u>	<u>\$ 1,521,061</u>	<u>\$ 1,521,063</u>	<u>\$ 4,563,185</u>

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

Mt. Gravatt Cinemas Joint Venture
Balance Sheet
As of December 31, 2007

<i>In AU\$</i>	Note	2007	2006 (unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	13	\$ 1,474,386	\$ 1,300,373
Trade receivables	12	97,597	65,918
Inventories	11	88,317	108,637
Other assets	12	534	40,727
Total current assets		\$ 1,660,834	\$ 1,515,655
Property, plant and equipment	10	3,897,870	4,094,675
Total non-current assets		\$ 3,897,870	\$ 4,094,675
Total assets		\$ 5,558,704	\$ 5,610,330
Current Liabilities			
Payables	15	794,733	531,836
Employee benefits	14	67,745	68,667
Deferred revenue	16	77,645	97,056
Total current liabilities		\$ 940,123	\$ 697,559
Employee benefits	14	55,396	51,093
Total non-current liabilities		\$ 55,396	\$ 51,093
Total liabilities		\$ 995,519	\$ 748,652
Net assets		\$ 4,563,185	\$ 4,861,678
Equity			
Contributed equity		202,593	202,593
Retained earnings		4,360,592	4,659,085
Total equity		\$ 4,563,185	\$ 4,861,678

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

Mt. Gravatt Cinemas Joint Venture
Statement of Cash Flows
For the Year Ended December 31, 2007

<i>In AU\$</i>	Note	2007	2006 (unaudited)	2005 (unaudited)
Cash flows from operating activities				
Cash receipts from customers		\$ 12,617,843	\$ 12,184,040	\$ 11,530,420
Cash paid to suppliers and employees		(8,881,633)	(9,195,814)	(9,041,416)
Cash generated from operations		\$ 3,736,210	\$ 2,988,226	\$ 2,489,004
Interest received	9	44,340	50,874	23,390
Interest paid	9	--	(82,494)	(112,168)
Net cash from operating activities	20	\$ 3,780,550	\$ 2,956,606	\$ 2,400,226
Cash flows from investing activities				
Acquisition of property, plant and equipment	10	(456,537)	(170,042)	(756,402)
Net cash from investing activities		\$ (456,537)	\$ (170,042)	\$ (756,402)
Cash flows from financing activities				
Distributions to Joint Venturers		(3,150,000)	(1,200,000)	(390,000)
Payment of finance lease liability		--	(1,416,281)	(859,384)
Net cash from financing activities		\$ (3,150,000)	\$ (2,616,281)	\$ (1,249,384)
Net increase in cash and cash equivalents		174,013	170,283	394,440
Cash and cash equivalents at 1 January		1,300,373	1,130,090	735,650
Cash and cash equivalents at December 31	13	\$ 1,474,386	\$ 1,300,373	\$ 1,130,090

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

**Mt. Gravatt Cinemas Joint Venture
Notes to Financial Statements
December 31, 2007**

1. Reporting Entity

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

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

For local reporting purposes, the Joint Venture has been deemed a non-reporting entity within the framework of Australian Accounting Standards (AASBs).

2. Basis of Presentation

(a) Statement of Compliance

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

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

The financial statements were approved by the Management Committee on March 13, 2008

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

These financial statements are presented in Australian dollars, which is also the Joint Venture's functional currency.

(d) Use of Estimates and Judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 17 financial instruments.

3. Significant Accounting Policies

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

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

(a) Financial Instruments

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

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

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

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

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

(b) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation. The cost of property, plant and equipment at 1 July 2004, the date of transition to IFRS, was determined by reference to its fair value at that date.

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

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

(ii) Subsequent Costs

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

(iii) Depreciation

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

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

Leasehold improvements	Shorter of estimated useful life and term of lease
Plant and equipment	5.0% to 33.3%
Leased plant and equipment	5.0% to 20.0%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(c) Leased Assets

Leases in which the Joint Venture assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The Joint Venture's one finance lease expired in June of 2006.

Other leases are operating leases and are not recognized on the Joint Venture's balance sheet.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

(e) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Non-financial Assets

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

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

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

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

(f) Employee Benefits

(i) Long-Term Employee Benefits

The Joint Venture's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

(ii) Termination Benefits

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

(iii) Short-Term Benefits

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

(g) Provisions

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

(h) Contributed Equity

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

(i) Revenue

(i) Rendering of Service/Sale of Concessions

Revenues are generated principally through admissions and concession sales with proceeds received in cash at the point of sale. Service revenue also includes product advertising and other ancillary revenues which are recognized as income in the period earned. The Joint Venture recognizes payments received attributable to the advertising services provided by the Joint Venture under certain vendor programs as revenue in the period in which services are delivered.

(j) Lease Payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known. The Joint Venture's one finance lease expired in June of 2006.

(k) Finance Income and Expenses

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

Finance expenses comprise interest expense on the finance lease.

(l) Taxes

(i) Goods and Service Tax

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

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

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

(ii) Income Tax

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

(m) Film Expense

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

(n) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at December 31, 2007, but have not been applied in preparing this financial report:

- Revised AASB 101 *Presentation of Financial Statements* (September 2007) introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Joint Venture's December 31, 2009 financial statements. The Joint Venture has not yet determined the potential effect of the revised standard on the Joint Venture's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Joint Venture's December 31, 2009 financial statements and will constitute a change in accounting policy for the Joint Venture. In accordance with the transitional provisions the Joint Venture will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- AI 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. AI 13, which becomes mandatory for the Joint Venture's December 31, 2009 financial statements, is not expected to have any impact on the financial report.

4. Determination of Fair Values

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

(a) Trade and Other Receivables

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

(b) Non-Derivative Financial Liabilities

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

5. Financial Risk Management

Overview

The Joint Venture has exposure to the following risks;

- credit risk
- liquidity risk
- market risk.

This note presents information about the Joint Venture's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Joint Venturers' have overall responsibility for the establishment and oversight of the risk management framework and are also responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Joint Venture to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Joint Venture's activities. The Joint Venture, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Joint Venturers' oversee how management monitors compliance with the Joint Venture's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Joint Venture.

Credit Risk

Credit risk is the risk of financial loss to the Joint Venture if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Joint Venture's receivables from customers.

The Joint Venture's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Joint Venture's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Joint Venture operates under the managing Joint Venturer's credit policy under which each new customer is analysed individually for creditworthiness before the Joint Venture's standard payment and delivery terms and conditions are offered. The Joint Venture's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. These limits are reviewed periodically. Customers that fail to meet the Joint Venture's benchmark creditworthiness may transact with the Joint Venture only on a prepayment basis.

The Joint Venture's trade receivables relate mainly to the Joint Venture's screen advertiser and credit card companies. Customers that are graded as "high risk" are placed on a restricted customer list, and monitored by the Joint Venturers.

Liquidity Risk

Liquidity risk is the risk that the Joint Venture will not be able to meet its financial obligations as they fall due. The Joint Venture's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Joint Venture's reputation.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Joint Venture's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There were no changes in the Joint Venture's approach to capital management during the year.

The Joint Venture is not subject to market risks relating to foreign exchange rates or equity prices.

6. Segment Reporting

Business Segments

The business segment of the Joint Venture is the motion picture exhibition in cinemas which includes the sale of concession goods. The Joint Venture did not operate in any other business segments during the financial years.

Geographical Segments

The Joint Venture operates one cinema location in Queensland, Australia. The Joint Venture did not operate into any other geographical locations during the financial years.

7. Revenue

<i>In AUS\$</i>	2007	2006 (unaudited)	2005 (unaudited)
Box office revenue	\$ 8,473,778	\$ 8,270,416	\$ 7,996,406
Screen advertising	223,462	163,456	201,869
Other cinema services	397,978	343,502	225,251
Revenue from rendering of services	\$ 9,095,218	\$ 8,777,374	\$ 8,423,526

8. Personnel Expenses

<i>In AUS\$</i>	2007	2006 (unaudited)	2005 (unaudited)
Wages and salaries	\$ 1,790,110	\$ 1,652,334	\$ 1,583,118
Employee annual leave	42,849	29,698	18,451
Employee long-service leave	6,771	2,722	30,782
Total personnel expenses	\$ 1,839,730	\$ 1,684,754	\$ 1,632,351

9. Finance Income and Expense

<i>In AUS\$</i>	2007	2006 (unaudited)	2005 (unaudited)
Interest income on bank balances:	\$ 44,340	\$ 50,874	\$ 23,390
Finance income	\$ 44,340	\$ 50,874	\$ 23,390
Interest expense on finance lease commitment	\$ --	\$ (82,494)	\$ (112,168)
Finance expense	\$ --	\$ (82,494)	\$ (112,168)
Net finance income and expense	\$ 44,340	\$ (31,620)	\$ (88,778)

10. Property, Plant and Equipment

<i>In AUS\$</i>	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Cost				
Balance at January 1, 2006 (unaudited)	\$ 8,187,337	\$ 1,923,649	\$ 499,713	\$ 10,610,699
Additions/(Transfers)	65,481	530,084	(425,523)	170,042
Balance at December 31, 2006 (unaudited)	\$ 8,252,818	\$ 2,453,733	\$ 74,190	\$ 10,780,741
Balance at January 1, 2007	8,252,818	2,453,733	74,190	10,780,741
Additions/(Transfers)	417,756	112,971	(74,190)	456,537
Balance at December 31, 2007	\$ 8,670,574	\$ 2,566,704	\$ --	\$ 11,237,278

<i>In AUS\$</i>	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Depreciation				
Balance at January 1, 2006 (unaudited)	\$ (5,436,684)	\$ (526,514)	\$ --	\$ (5,963,198)
Depreciation and amortization for the year	(630,523)	(92,345)	--	(722,868)
Balance at December 31, 2006 (unaudited)	\$ (6,067,207)	\$ (618,859)	\$ --	\$ (6,686,066)
Balance at January 1, 2007	(6,067,207)	(618,859)	--	(6,686,066)
Depreciation and amortization for the year	(570,525)	(82,817)	--	(653,342)
Balance at December 31, 2007	\$ (6,637,732)	\$ (701,676)	\$ --	\$ (7,339,408)

<i>In AUS\$</i>	Plant and Equipment	Leasehold Improvements	Capital WIP	Total
Carrying amounts				
At January 1, 2006 (unaudited)	\$ 2,750,653	\$ 1,397,135	\$ 499,713	\$ 4,647,501
At December 31, 2006 (unaudited)	2,185,611	1,834,874	74,190	4,094,675
At January 1, 2007	2,185,611	1,834,874	74,190	4,094,675
At December 31, 2007	2,032,842	1,865,028	--	3,897,870

Leased Plant and Machinery

The Joint Venture leased equipment under a finance lease agreement. The lease provided the Joint Venture with the option to purchase the equipment at a beneficial price. The Joint Venture exercised the purchase option at the end of the finance lease in June of 2006 (unaudited) and assigned a remaining useful life in accordance with Joint Venture policy.

11. Inventories

<i>In AUS\$</i>		2007	2006 (unaudited)
Concession stores at cost		\$ 88,317	\$ 108,637
Carrying amount of inventories		88,317	108,637

12. Trade Receivables and Other Assets

<i>In AUS\$</i>	Note	2007	2006 (unaudited)
Trade receivables	17	\$ 97,597	\$ 65,918
Prepayments		534	40,727

The Joint Venture's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 17.

13. Cash and Cash Equivalents

<i>In AUS\$</i>		2007	2006 (unaudited)
Bank balances		\$ 1,410,567	\$ 1,150,894
Cash in transit		28,119	112,379
Cash on hand		35,700	37,100
Cash and cash equivalents in the statement of cash flows		\$ 1,474,386	\$ 1,300,373

The Joint Venture's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 17.

14. Employee Benefits

<i>In AUS\$</i>		2007	2006 (unaudited)
Current			
Liability for annual leave		\$ 49,355	\$ 37,378
Liability for long-service leave		18,390	31,289
Total employee benefits - current		\$ 67,745	\$ 68,667

Non-current

<i>In AUS\$</i>		2007	2006 (unaudited)
Liability for long-service leave		\$ 55,396	\$ 51,093
Total employee benefits – non current		\$ 55,396	\$ 51,093

15. Payables

<i>In AUS\$</i>	Note	2007	2006 (unaudited)
Trade payables		\$ 346,369	\$ 212,591
Other creditors and accruals		448,364	319,245
Total payables	17	\$ 794,733	\$ 531,836

The Joint Venture's exposure to liquidity risk related to trade and other payables is disclosed in Note 17. Trade payables represent payments to trade creditors. The Joint Venture makes these payments through the managing parties shared service centre and is charged a management fee for these services. Disclosure regarding management fee is made in Note 21.

16. Deferred Revenue

<i>In AUS\$</i>		2007	2006 (unaudited)
Deferred revenue		\$ 77,645	\$ 97,056

Deferred revenue consists of advance funds received from vendors for the exclusive rights to supply certain concession items. Revenue is released over the term of the related contract on a straight-line basis and is classified as service revenue.

17. Financial Instruments

Credit Risk

Exposure to Credit Risk

The carrying amount of the Joint Venture's financial assets represents the maximum credit exposure. The Joint Venture's maximum exposure to credit risk at the reporting date was:

<i>In AUS\$</i>	Note	2007	2006 (unaudited)
Trade receivables	12	\$ 97,597	\$ 65,918
Cash and cash equivalents	13	1,474,386	1,300,373

The Joint Venture's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

<i>In AUS\$</i>	Carrying amount	
	2007	2006 (unaudited)
Screen advertisers	\$ 50,145	\$ 7,242
Credit card companies	23,204	39,492
Screen hire	12,137	--
Games, machine and merchandising companies	12,111	19,184
Total	\$ 97,597	\$ 65,918

The Joint Venture's most significant customer, a cinema screen advertising service, accounts for \$50,000 of the trade receivables carrying amount at December 31, 2007 (2006: \$7,000 unaudited).

Impairment losses

There were no trade receivables at the reporting date or comparable period which were past due. The carrying value of such receivables were \$97,597 in 2007 (2006: \$65,918 unaudited). There were no allowances for impairment during the reporting periods.

Liquidity risk

Financial liabilities are only trade payables all contractually due within 6 months. The carrying value of such liabilities were \$794,733 in 2007 (2006: \$531,836 unaudited).

Interest rate risk

Profile

At the reporting date the interest rate profile of the Joint Venture's interest-bearing financial instruments was:

Variable rate instruments

<i>In AUS\$</i>	Carrying amount	
	2007	2006 (unaudited)
Bank Balances	\$ 1,410,567	\$ 1,150,894

The Joint Venture held no fixed rate instruments during financial year 2007 or 2006 (unaudited).

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of one percentage point in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2006.

	Profit or loss		Equity	
	1 percentage point Increase	1 percentage point Decrease	1 percentage point Increase	1 percentage point Decrease
<i>Effect In AU\$</i>				
December 31, 2007				
Variable rate instruments	\$ 6,804	\$ (6,804)	\$ 6,804	\$ (6,804)
Cash flow sensitivity	6,804	(6,804)	6,804	(6,804)

	Profit or loss		Equity	
	1 percentage point Increase	1 percentage point Decrease	1 percentage point Increase	1 percentage point Decrease
<i>Effect In AU\$</i>				
December 31, 2006 (unaudited)				
Variable rate instruments	\$ 8,446	\$ (8,446)	\$ 8,446	\$ (8,446)
Cash flow sensitivity	8,446	(8,446)	8,446	(8,446)

Fair Values

Fair Values versus Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

<i>In AU\$</i>	December 31, 2007		December 31, 2006 (unaudited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	\$ 97,597	\$ 97,597	\$ 65,918	\$ 65,918
Cash and cash equivalents	1,474,386	1,474,386	1,300,373	1,300,373
Finance lease liabilities	--	--	--	--
Trade payables	794,733	794,733	531,836	531,836

The basis for determining fair values is disclosed in Note 4. The Joint Venture's one finance lease expired in June of 2006.

18. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In AU\$</i>	December 31, 2007	December 31, 2006 (unaudited)
Less than one year	\$ 993,096	\$ 993,096
Between one and five years	3,792,384	3,792,384
More than five years	5,958,576	6,951,672
Total	\$ 10,744,056	\$ 11,737,152

The Joint Venture leases the cinema property under operating leases expiring over 12 years.

19. Contingencies

The nature of the Joint Venture's operations results in claims for personal injuries (including public liability and workers compensation) being received from time to time. As at period end there were no material current or ongoing outstanding claims.

20. Reconciliation of Cash Flows from Operating Activities

<i>In AUS\$</i>	Note	2007	2006 (unaudited)	2005 (unaudited)
Cash flows from operating activities				
Profit for the period		\$ 2,851,507	\$ 2,579,356	\$ 1,983,497
Adjustments for:				
Depreciation and amortization	10	653,342	722,828	774,111
Operating profit before changes in working capital		\$ 3,504,849	\$ 3,302,184	\$ 2,757,608
Change in trade receivables	12	(31,679)	105,744	(19,793)
Change in inventories	11	20,320	(25,839)	1,776
Change in other assets	12	40,193	(40,727)	4,995
Change in trade payables	15	262,897	(372,760)	(90,186)
Change in employee benefits	14	3,381	2,547	32,861
Change in deferred revenue	16	(19,411)	(14,543)	(287,035)
Net cash from operating activities		\$ 3,780,550	\$ 2,956,606	\$ 2,400,226

21. Related Parties

Entities with joint control or significant influence over the Joint Venture

The managing Joint Venturer is paid an annual management fee, which is presented separately in the income statement. The management fee paid is as per the Joint Venture agreement and is to cover the costs of the managing Joint Venturer for managing and operating the cinema complex and providing all relevant accounting and support services. The management fee is based on a contracted base amount, increased by the Consumer Price Index for the City of Brisbane as published by the Australian Bureau of Statistics on an annual basis. Such management fee agreement is binding over the life of the agreement which shall continue in existence until the Joint Venture is terminated under agreement by the Joint Venturers.

As of December 31, 2007, there were no outstanding payable amounts [2006: nil (unaudited)].

22. Subsequent Events

Subsequent to December 31, 2007 there were no events which would have a material effect on the financial report.

Independent Auditors' Report

The Management Committee and Joint Venturers
Mt. Gravatt Cinemas Joint Venture:

We have audited the accompanying balance sheet of Mt. Gravatt Cinemas Joint Venture as of December 31, 2007, and the related income statement, statement of changes in members' equity, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Joint Venture's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Joint Venture's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Gravatt Cinemas Joint Venture as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as published by the International Accounting Standards Board.

KPMG

Sydney, Australia
March 13, 2008

Exhibits (Listed by numbers corresponding to Item 601 of Regulation S-K)

- 3.1 Certificate of Amendment of Restatement Articles of Incorporation of Citadel Holding Corporation (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference).
- 3.2 Restated By-laws of Citadel Holding Corporation, a Nevada corporation (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference).
- 3.3 Certificate of Amendment of Articles of Incorporation of Citadel Holding Corporation (filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
- 3.4 Articles of Merger of Craig Merger Sub, Inc. with and into Craig Corporation (filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
- 3.5 Articles of Merger of Reading Merger Sub, Inc. with and into Reading Entertainment, Inc. (filed as Exhibit 3.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
- 3.6 Restated By-laws of Reading International, Inc., a Nevada corporation (filed as Exhibit 3.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference).
- 4.1 1999 Stock Option Plan of Reading International, Inc. as amended on December 31, 2001 (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed on January 21, 2004, and incorporated herein by reference).
- 4.2 Form of Preferred Security Certificate evidencing the preferred securities of Reading International Trust I (filed as Exhibit 4.1 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- 4.3 Form of Common Security Certificate evidencing common securities of Reading International Trust I (filed as Exhibit 4.2 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- 4.4 Form of Reading International, Inc. Floating Rate Junior Subordinated Debt Security due 2027 (filed as Exhibit 4.3 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- 10.1 Tax Disaffiliation Agreement, dated as of August 4, 1994, by and between Citadel Holding Corporation and Fidelity Federal Bank (filed as Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, and incorporated herein by reference).
- 10.2 Standard Office lease, dated as of July 15, 1994, by and between Citadel Realty, Inc. and Fidelity Federal Bank (filed as Exhibit 10.42 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, and incorporated herein by reference).
- 10.3 First Amendment to Standard Office Lease, dated May 15, 1995, by and between Citadel Realty, Inc. and Fidelity Federal Bank (filed as Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, and incorporated herein by reference).
- 10.4 Guaranty of Payment dated May 15, 1995 by Citadel Holding Corporation in favor of Fidelity Federal Bank (filed as Exhibit 10.47 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, and incorporated herein by reference).

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- 10.5 Exchange Agreement dated September 4, 1996 among Citadel Holding Corporation, Citadel Acquisition Corp., Inc. Craig Corporation, Craig Management, Inc., Reading Entertainment, Inc., Reading Company (filed as Exhibit 10.51 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.6 Asset Put and Registration Rights Agreement dated October 15, 1996 among Citadel Holding Corporation, Citadel Acquisition Corp., Inc., Reading Entertainment, Inc., and Craig Corporation (filed as Exhibit 10.52 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.7 Articles of Incorporation of Reading Entertainment, Inc., A Nevada Corporation (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference).
- 10.7a Certificate of Designation of the Series A Voting Cumulative Convertible preferred stock of Reading Entertainment, Inc. (filed as Exhibit 10.7a to the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference).
- 10.8 Lease between Citadel Realty, Inc., Lesser and Disney Enterprises, Inc., Lessee dated October 1, 1996 (filed as Exhibit 10.54 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and incorporated herein by reference).
- 10.9 Second Amendment to Standard Office Lease between Citadel Realty, Inc. and Fidelity Federal Bank dated October 1, 1996 (filed as Exhibit 10.55 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and incorporated herein by reference).
- 10.10 Citadel 1996 Non-employee Director Stock Option Plan (filed as Exhibit 10.57 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996, and incorporated herein by reference).
- 10.11 Reading Entertainment, Inc. Annual Report on Form 10-K for the year ended December 31, 1997 (filed as Exhibit 10.58 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.12 Stock Purchase Agreement dated as of April 11, 1997 by and between Citadel Holding Corporation and Craig Corporation (filed as Exhibit 10.56 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- 10.13 Secured Promissory Note dated as of April 11, 1997 issued by Craig Corporation to Citadel Holding Corporation in the principal amount of \$1,998,000 (filed as Exhibit 10.60 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- 10.14 Agreement for Purchase and Sale of Real Property between Prudential Insurance Company of America and Big 4 Farming LLC dated August 29, 1997 (filed as Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 10.15 Second Amendment to Agreement of Purchase and Sale between Prudential Insurance Company of America and Big 4 Farming LLC dated November 5, 1997 (filed as Exhibit 10.62 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 10.16 Partnership Agreement of Citadel Agricultural Partners No. 1 dated December 19, 1997 (filed as Exhibit 10.63 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).

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- 10.17 Partnership Agreement of Citadel Agricultural Partners No. 2 dated December 19, 1997 (filed as Exhibit 10.64 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.18 Partnership Agreement of Citadel Agricultural Partners No. 3 dated December 19, 1997 (filed as Exhibit 10.65 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.19 Farm Management Agreement dated December 26, 1997 between Citadel Agricultural Partner No. 1 and Big 4 Farming LLC (filed as Exhibit 10.67 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.20 Farm Management Agreement dated December 26, 1997 between Citadel Agricultural Partner No. 2 and Big 4 Farming LLC (filed as Exhibit 10.68 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.21 Farm Management Agreement dated December 26, 1997 between Citadel Agricultural Partner No. 3 and Big 4 Farming LLC (filed as Exhibit 10.69 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.22 Line of Credit Agreement dated December 29, 1997 between Citadel Holding Corporation and Big 4 Ranch, Inc. (filed as Exhibit 10.70 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.23 Management Services Agreement dated December 26, 1997 between Big 4 Farming LLC and Cecelia Packing (filed as Exhibit 10.71 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.24 Agricultural Loan Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agriculture Partner No. 1 (filed as Exhibit 10.72 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.25 Agricultural Loan Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agriculture Partner No. 2 (filed as Exhibit 10.73 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.26 Agricultural Loan Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agriculture Partner No. 3 (filed as Exhibit 10.74 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.27 Promissory Note dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partners No. 1 (filed as Exhibit 10.75 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.28 Promissory Note dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partners No. 2 (filed as Exhibit 10.76 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.29 Promissory Note dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partners No. 3 (filed as Exhibit 10.77 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.30 Security Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partnership No. 1 (filed as Exhibit 10.78 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).

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- 10.31 Security Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partnership No. 2 (filed as Exhibit 10.79 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.32 Security Agreement dated December 29, 1997 between Citadel Holding Corporation and Citadel Agricultural Partnership No. 3 (filed as Exhibit 10.80 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.33 Administrative Services Agreement between Citadel Holding Corporation and Big 4 Ranch, Inc. dated December 29, 1997 (filed as Exhibit 10.81 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).
- 10.34 Reading Entertainment, Inc. Annual Report on Form 10-K for the year ended December 31, 1998 (filed as Exhibit as 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.35 Reading Entertainment, Inc. Annual Report on Form 10-K for the year ended December 31, 1999 (filed by Reading Entertainment Inc. as Form 10-K for the year ended December 31, 1999 on April 14, 2000 and incorporated herein by reference).
- 10.36 Promissory Note dated December 20, 1999 between Citadel Holding Corporation and Nationwide Life Insurance 3 (filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.37* Employment Agreement between Citadel Holding Corporation and Andrzej Matyczynski (filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.38 Citadel 1999 Employee Stock Option Plan (filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.39 Amendment and Plan of Merger By and Among Citadel Holding Corporation and Off-Broadway Theatres, Inc. (filed as Exhibit A to the Company's Proxy Statement and incorporated herein by reference).
- 10.40 Amended and Restated Lease Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Citadel Cinemas, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.41 Amended and Restated Citadel Standby Credit Facility dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.42 Amended and Restated Security Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.43 Amended and Restated Pledge Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).

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- 10.44 Amended and Restated Intercreditor Agreement dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Reading International, Inc. and Nationwide Theatres Corp. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.45 Guaranty dated July 28, 2000 by Michael R. Forman and James J. Cotter in favor of Citadel Cinemas, Inc. and Citadel Realty, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.46 Amended and Restated Agreement with Respect to Fee Option dated as of July 28, 2000 as amended and restated as of January 29, 2002 between Sutton Hill Capital, L.L.C. and Citadel Realty, Inc. (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.47 Theater Management Agreement between Liberty Theaters, Inc. and OBI LLC (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.48* Non-qualified Stock Option Agreement between Reading International, Inc. and James J. Cotter (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.49 Omnibus Agreement between Citadel Cinemas, Inc. and Sutton Hill Capital, LLC, dated October 22, 2003 (filed on Quarterly Report Form 10-Q for the period ended September 30, 2003 and incorporated herein by reference).
- 10.50 Pledge Agreement between Citadel Cinemas, Inc. and Sutton Hill Capital, LLC, dated October 22, 2003 (filed on Quarterly Report Form 10-Q for the period ended September 30, 2003 and incorporated herein by reference).
- 10.51 Guarantee of Lenders Obligation Under Standby Credit Agreement in favor of Sutton Hill Capital, LLC, dated October 22, 2003 (filed on Quarterly Report Form 10-Q for the period ended September 30, 2003 and incorporated herein by reference).
- 10.52* Employment agreement between Reading International, Inc. and Wayne D. Smith (filed as exhibit 10.52 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference).
- 10.53 Contract of Sale between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005 (filed as exhibit 10.53 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.54 Installment Sale Note dated as of September 19, 2005 (filed as exhibit 10.54 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.55 Guaranty by Reading International, Inc. dated as of September 1, 2005 (filed as exhibit 10.55 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.56 Assignment and Assumption of Lease between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005 (filed as exhibit 10.56 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.57 License and Option Agreement between Sutton Hill Properties, LLC and Sutton Hill Capital L.L.C. dated as of September 19, 2005 (filed as exhibit 10.57 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).

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- 10.58 Second Amendment to Amended and Restated Master Operating Lease dated as of September 1, 2005 (filed as exhibit 10.58 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.59 Letter from James J. Cotter dated August 11, 2005 regarding liens (filed as exhibit 10.59 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.60 Letter amending effective date of transaction to September 19, 2005 (filed as exhibit 10.60 to the Company's report on Form 8-K filed on September 21, 2005, and incorporated herein by reference).
- 10.61 Promissory Note by Citadel Cinemas, Inc. in favor of Sutton Hill Capital L.L.C. dated September 14, 2004 (filed as exhibit 10.61 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and incorporated herein by reference).
- 10.62 Guaranty by Reading International, Inc. in favor of Sutton Hill Capital L.L.C. dated September 14, 2004 (filed as exhibit 10.62 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and incorporated herein by reference).
- 10.63 Purchase Agreement, dated February 5, 2007, among Reading International, Inc., Reading International Trust I, and Kodiak Warehouse JPM LLC (filed as Exhibit 10.1 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- 10.64 Amended and Restated Declaration of Trust, dated February 5, 2007, among Reading International Inc., as sponsor, the Administrators named therein, and Wells Fargo Bank, N.A., as property trustee, and Wells Fargo Delaware Trust Company as Delaware trustee (filed as Exhibit 10.2 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- 10.65 Indenture among Reading International, Inc., Reading New Zealand Limited, and Wells Fargo Bank, N.A., as indenture trustee (filed as Exhibit 10.4 to the Company's report on Form 8-K dated February 5, 2007, and incorporated herein by reference).
- 10.66* Employment Agreement between Reading International, Inc. and John Hunter (filed as Exhibit 10.66 to the Company's report on Form 10-K for the year ended December 31, 2006, and incorporated herein by reference).
- 10.67 Asset Purchase and Sale Agreement dated October 8, 2007 among Pacific Theatres Exhibition Corp., Consolidated Amusement Theatres, Inc., a Hawaii corporation, Michael Forman, Christopher Forman, Consolidated Amusement Theatres, Inc., a Nevada corporation, and Reading International, Inc. (filed herewith).
- 10.68 Real Property Purchase and Sale Agreement dated October 8, 2007 between Consolidated Amusement Theatres, Inc., a Hawaii corporation, and Consolidated Amusement Theatres, Inc., a Nevada corporation (filed herewith).
- 10.69 Leasehold Purchase and Sale Agreement dated October 8, 2007 between Kenmore Rohnert, LLC and Consolidated Amusement Theatres, Inc., a Nevada corporation (filed herewith).
- 10.70 Amendment No. 1 to Asset Purchase and Sale Agreement dated February 8, 2008 among Pacific Theatres Exhibition Corp., Consolidated Amusement Theatres, Inc., a Hawaii corporation, Michael Forman, Christopher Forman, Consolidated Amusement Theatres, Inc., a Nevada corporation, and Reading International, Inc. (filed herewith).
- 10.71 Amendment No. 2 to Asset Purchase and Sale Agreement dated February 14, 2008 among Pacific Theatres Exhibition Corp., Consolidated Amusement Theatres, Inc., a Hawaii corporation, Michael Forman, Christopher Forman, Consolidated Amusement Theatres, Inc., a Nevada corporation, and Reading International, Inc. (filed herewith).
- 10.72 Credit Agreement dated February 21, 2008 among Consolidated Amusement Theatres, Inc., a Nevada corporation, General Electric Capital Corporation, and GE Capital Markets, Inc. (filed herewith).
- 10.73 Reading Guaranty Agreement dated February 21, 2008 among Consolidated Amusement Theatres, Inc., a Nevada corporation, General Electric Capital Corporation, and GE Capital Markets, Inc. (filed herewith).
- 10.74 Pledge and Security Agreement dated February 22, 2008 by Reading Consolidated Holdings, Inc. in favor of Nationwide Theatres Corp (filed herewith).
- 10.75 Promissory Note dated February 22, 2008 by Reading Consolidated Holdings, inc. in favor of Nationwide Theatres Corp. (filed herewith).
- 21 List of Subsidiaries (filed herewith).
- 23.1 Consent of Independent Auditors, Deloitte & Touche LLP (filed herewith).
- 23.2 Consent of Independent Auditors, Pricewaterhousecoopers LLP (filed herewith).
- 23.3 Consent of Independent Auditors, KPMG LLP (filed herewith).
- 31.1 Certification of Principal Executive Officer dated March 28, 2008 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of Principal Financial Officer dated March 28, 2008 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of Principal Executive Officer dated March 28, 2008 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.2 Certification of Principal Financial Officer dated March 28, 2008 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

*These exhibits constitute the executive compensation plans and arrangements of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

READING INTERNATIONAL, INC.

(Registrant)

Date: March 28, 2008

By: /s/ Andrzej Matczynski
Andrzej Matczynski
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
<u>/s/ James J. Cotter</u> James J. Cotter	Chairman of the Board and Director and Chief Executive Officer	March 28, 2008
<u>/s/ Eric Barr</u> Eric Barr	Director	March 28, 2008
<u>/s/ James J. Cotter, Jr.</u> James J. Cotter, Jr.	Director	March 28, 2008
<u>/s/ Margaret Cotter</u> Margaret Cotter	Director	March 28, 2008
<u>/s/ William D. Gould</u> William D. Gould	Director	March 28, 2008
<u>/s/ Edward L. Kane</u> Edward L Kane	Director	March 28, 2008
<u>/s/ Gerard P. Laheney</u> Gerard P. Laheney	Director	March 28, 2008
<u>/s/ Alfred Villaseñor</u> Alfred Villaseñor	Director	March 28, 2008

ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of October 8, 2007 (the "Effective Date") by and among PACIFIC THEATRES EXHIBITION CORP., a California corporation "Pacific"), CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation ("Consolidated" and, collectively with Pacific, "Seller"), and, with respect to Section 7.9 and Articles 12 through 14 below only, MICHAEL FORMAN and CHRISTOPHER FORMAN (collectively, the "Formans"), on the one hand, CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation ("Buyer"), and, with respect to Sections 1.5, 2.4, 4.2, 5.6 and 14.16 and Articles 11 through 14 below only, READING INTERNATIONAL, INC., a Nevada corporation ("RDI"), on the other hand, with reference to the following facts:

A. Pacific or Consolidated is the tenant, among other tenancies, under the leases described on Exhibit A-1 attached hereto (the "Leases"), which Leases relate to those certain premises located in the States of California and Hawaii as more particularly described in the Leases (the "Leased Premises").

B. Seller is engaged in the business of the ownership and operation of full length motion picture theaters (the "Theaters") and associated and ancillary activities at the Leased Premises (the ownership and operation of the Theaters, together with the conduct of the associated activities, is sometimes referred to herein as the "Business").

C. The Formans indirectly own a majority of the issued and outstanding shares of capital stock of Seller.

D. RDI indirectly owns all of the issued and outstanding equity interests of Buyer.

E. Subject to the terms and conditions of this Agreement, Seller desires to sell, transfer, convey and assign to Buyer, and Buyer desires to purchase, accept and assume from Seller the "Purchased Assets" (as defined in Section 1.2 below).

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants, agreements, representations and warranties herein contained, the parties hereby agree as follows:

1. Purchase and Sale of Assets: Assumption of Liabilities.

1.1 Purchase of Assets. Upon the terms and subject to the conditions hereinafter set forth, at the "Closing" (as defined in Section 9.1 hereof), Seller shall sell, transfer, convey and assign to Buyer, and Buyer shall purchase from Seller, and assume certain liabilities with respect to, the "Purchased Assets" (as defined in Section 1.2 hereof).

1.2 Definition of Purchased Assets. Subject to the provisions of Section 1.3 hereof, the " Purchased Assets" shall mean and consist of:

1.2.1 Leases and Subleases. All right, title and interest of Seller in, to and under (a) the Leases (other than the Leases for "Ward Cinemas 16" and "Mililani 14" (both as defined in Exhibit A-1 attached hereto)), and (b) the subleases described on Exhibit A-2 attached hereto (the "Subleases"), including, in the case of the Subleases, any and all claims held by Seller in its capacity as the sublandlord under such Subleases;

1.2.2 Buildings, Improvements and Fixtures. All right, title and interest of Seller in and to all "Buildings" (as defined in Section 1.2.4), improvements and fixtures and located on or comprising a part of the Leased Premises (other than the Leased Premises subject to the Leases for the Ward Cinemas 16 and the Mililani 14);

1.2.3 Included Contracts. All right, title and interest of Seller under (a) the contracts and other commitments and obligations listed or described on Exhibit B attached hereto, (b) all film rental agreements with respect to the Theaters to the extent (i) entered into by Seller in accordance with this Agreement, and (ii) in effect as of the Closing, and (c) to the extent assignable, all confidentiality and similar agreements ("CDAs") entered into by or on behalf of Seller or its Affiliates with any Person in connection with the possible sale of all or any part of the Purchased Assets (said contracts and other commitments and obligations described in this Section 1.2.3 are hereinafter referred to as the "Included Contracts"); provided, however, that, to the extent any CDAs pertain to Excluded Assets (as defined in Section 1.3), from and after the Closing Buyer shall, at Seller's request, cooperate with Seller in any reasonable arrangement to afford to Seller the full claims, rights and benefits under such CDAs as they relate to the Excluded Assets, including enforcement, at the cost and for the benefit of Seller, of any and all rights against a third party thereto arising out of the breach by such third party, or otherwise, and any amount received by Buyer or its Affiliates in respect thereof shall be held for and paid over to Seller.

1.2.4 Seller FF&E and Inventory. Subject to Section 1.3 and to the rights of the landlords under the Leases and the rights of the other parties under the Included Contracts, all right, title and interest of Seller in and to (a) all seats, cleaning equipment, concession equipment (including concession refrigerators and freezers), personal computer hardware and similar office equipment, projection and sound equipment, screens, cash registers, ticket machines, point of sale equipment, point of sale, ticketing and concession software, security systems and related software, signage (subject to the obligations of Buyer under Section 7.8 hereof), arcade and similar games, "walkie talkies," office and training room furniture and equipment (including the office furniture and equipment located at the Leased Premises covered by the Leases for the Ward Cinemas 16 and Mililani 14), the furniture and equipment located in the projection technician's office at the Leased Premises covered by the Lease for the "Grossmont Center 10" (as defined in Exhibit A-1 attached hereto), coin and bill counters, and the

projection supplies (other than projection xenon bulbs) located at the Leased Premises covered by the Lease for the "Pearlridge West 16" (as defined in Exhibit A-1 attached hereto), in each case to the extent located in or attached to the buildings (collectively, the " Buildings") which comprise part of the Leased Premises on the "Closing Date" (as defined in Section 9.1), including all of the assets listed on Schedule 1.2.4 attached hereto (other than those assets listed on Schedule 1.2.4 which are replaced between the Effective Date and the Closing Date in the ordinary course of business consistent with past practice) (collectively, the " Seller FF&E"), and (b) all "Included Inventory" (as defined in Section 2.3 below);

1.2.5 Included Warranties and Permits; Theater Plans; Books and Records. All right, title and interest of Seller in and to all (a) municipal, state and federal franchises, permits (including building and occupancy permits and operating permits and licenses), licenses, waivers and authorizations, and all guaranties and warranties, in each case (i) to the extent relating to the development, construction, operation or maintenance of the Leased Premises, the installation of tenant improvements or Seller FF&E at the Theaters, and (ii) to the extent transferable, (b) plans and specifications for the Theaters and the Leased Premises, in each case to the extent the same are in the possession of Seller or any of Seller's "Affiliates" (as defined in Article 12) as of the Effective Date or come into possession of Seller or any of Seller's Affiliates prior to or after the Closing Date, and (c) Seller's files for the Leases and the Subleases, including all correspondence with the landlords, subtenants or other counterparties thereunder and all information required to determine common area maintenance charges and percentage rent obligations for lease years occurring during any part of 2004, 2005, 2006 or 2007 (the " CAM and Percentage Rent Information"), in each case to the extent the same are in the possession of Seller or any of Seller's Affiliates as of the Effective Date or come into possession of Seller or any of Seller's Affiliates prior to or after the Closing Date, but not including any financial information or financial reports regarding the operation of the Theaters other than the CAM and Percentage Rent Information. Notwithstanding the foregoing, from and after the date which is twenty-one (21) months after the Closing Date, Seller shall incur no liability for any failure to deliver documents first obtained after the Closing Date and which Seller would otherwise be obligated to deliver to Buyer pursuant to either subclause (b) or (c) above so long as Seller delivers such documents to Buyer within thirty (30) days after Buyer's written request therefor (provided that such written request identifies the documents so requested to be delivered with reasonable specificity); and

1.2.6 Intellectual Property. All right, title and interest in and to the "Consolidated Theatres" and "Consolidated Amusements" trade names, including all related trademarks and service marks, trade dress, logos and artwork, all applications or registrations pertaining to the foregoing, and all goodwill associated therewith (the " Consolidated IP").

For purposes of this Section 1.2 only, the term "Seller" shall include all current Affiliates of Seller, with the intention that the Purchased Assets will include all right, title and interest of each Seller and all such Affiliates in the assets and properties described above in this Section 1.2.

1.3 Excluded Assets. Notwithstanding anything to the contrary contained in Section 1.2 hereof, the Purchased Assets shall not include any "Excluded Assets." For purposes of this Agreement, "Excluded Assets" mean any assets, properties or rights of Seller which are not used exclusively in connection with the Business, and shall include, without limitation, the following: (a) any cash, cash equivalents, certificates of deposit or other marketable or non-marketable securities; (b) any accounts or notes receivable; (c) any policies of insurance; (d) any vehicles; (e) any claims, settlements or awards relating to events occurring prior to the Closing Date, (i) including any claims against the landlords under (1) the "Kahala Lease" (as defined on Exhibit A-1 attached hereto), and any obligations relating to any such claims, settlements or awards, and (2) the "Ko'olau Lease" (as defined on Exhibit A-1 attached hereto) to the extent such claim relates to reimbursement of certain amounts paid by Seller to such landlord (the "Ko'olau Landlord") in connection with alterations and improvements made by the Ko'olau Landlord to the parking areas in the vicinity of such Leased Premises during and around the year 2000, and any obligations relating to any such claims, settlements or awards, (ii) but excluding any claims held by Seller in its capacity as sublandlord under the Subleases (it being the intention of the parties that claims held by Seller in its capacity as sublandlord under the Subleases be included within the Purchased Assets); (f) any books, records or files (except to the extent otherwise included within the Purchased Assets pursuant to Section 1.2.5); (g) [intentionally omitted]; (h) any computer software, as well as any magnetic tape, methodology, materials or documents relating thereto (except to the extent otherwise included within the Purchased Assets pursuant to Section 1.2.4); (i) any supplies, stock in trade, inventory, signs, or any other items bearing anywhere thereon the name "Pacific," or "Pacific Theatres," either by itself or in conjunction with any other words or letters (provided that, any of the foregoing and component parts and letters of signage shall not be deemed "Excluded Assets" to the extent (1) the name "Pacific" or "Pacific Theatres" can and is professionally and neatly removed or covered, (2) the same can and is used without infringing upon the "Pacific" or "Pacific Theatres" trade names or trademarks, and (3) the same can and is used without violating the terms of the applicable Leases); (j) any ticket stock to the extent it bears the "Pacific" or "Pacific Theatres" name; (k) any uniforms or other clothing to the extent bearing the "Pacific" or "Pacific Theatres" names; (l) any personal property of Seller's employees, including, but not limited to, apparel, photographs, works of art and memorabilia; (m) any projection xenon bulbs (other than those located in any projection equipment on the Closing Date), (n) the "Excluded Inventory" (as defined in Section 2.3 below) or (o) any other property not owned by Seller or its Affiliates. Without limiting the generality of the foregoing, all assets, properties and rights of Seller or its Affiliates located at any motion picture theater other than the Theaters shall be deemed Excluded Assets for all purposes under this Agreement.

1.4 Assumed Liabilities. Effective as of the Closing Date, Buyer shall assume any and all liabilities and obligations of Seller under the Leases (other than the Leases for Ward Cinemas 16 and Mililani 14), the Subleases and Included Contracts which accrue on or after the Closing Date (the "Assumed Liabilities"). Except for the Assumed Liabilities and except as otherwise specifically set forth in any of the other

"Transaction Documents" (as such term is defined in Article 12), Buyer is not assuming any other liabilities or obligations of Seller. Without limiting the generality of the foregoing, Buyer is specifically not assuming any liability under or with respect to (a) any pension, retirement, ERISA or other "Benefit Plan" (as such term is defined in Article 12), including, without limitation, any union pension, retirement or other Benefit Plan, or with respect to any liability that may result from the withdrawal of Seller or any of its Affiliates from any pension, retirement, ERISA or other Benefits Plan, or (b) any obligation to pay to the landlord under the Lease for the Ward Cinemas 16 amounts for Seller's proportionate share of real property taxes due for periods prior to the Closing Date. The obligations and covenants of Buyer set forth in this Section 1.4 and elsewhere in this Agreement shall survive the Closing indefinitely.

1 . 5 Assignment by Buyer. Subject to the terms of Section 7.1.1 below, Buyer shall have the right to assign its right to take title at Closing to some or all of the Purchased Assets to one or more wholly-owned direct or indirect subsidiaries of Buyer (the "Buyer Subs"); provided, however, that, except as provided below in this Section 1.5, no such assignment shall relieve Buyer of its obligations under this Agreement (including, without limitation, Section 1.4 and Article 11 hereof) or any of the other Transaction Documents. Buyer shall provide Seller with written notice of such election, the identities of the Assignee Subs, and which of the Purchased Assets are to be acquired by the Assignee Subs at least ten (10) days prior to the Closing Date. Notwithstanding the foregoing, Seller and Buyer agree that at the Closing, and provided such Leases remain included within the Purchased Assets, the Leases for the Gaslamp 15 and Carmel Mountain Plaza (as each is defined on Exhibit A-1) shall be assigned to one or more wholly-owned direct or indirect subsidiaries of RDI (other than Buyer and the Buyer Subs (the "RDI Subs") and collectively with the Buyer Subs, the "Assignee Subs"), and not to Buyer or the Buyer Subs, and Buyer shall have no responsibility or liability with respect to such Leases or any associated assets or liabilities. The parties agree that, notwithstanding any other provision of this Agreement, RDI, and not Buyer, shall be solely responsible to Seller for any and all obligations of Buyer under this Agreement (including, without limitation, Section 1.4 and Article 11 hereof) with respect to the Leases and associated assets and liabilities acquired hereunder by the RDI Subs.

1.6 Intentionally Omitted.

2. Purchase Price.

2.1 Purchase Price. The purchase price for the Purchased Assets shall be Thirty-Four Million Seven Hundred Thousand Dollars (\$34,700,000), which shall be subject to adjustment and reimbursement as hereinafter provided (the "Purchase Price"). The Purchase Price shall be payable as follows:

2.1.1 Deposit. Not later than five (5) "Business Days" (as defined in Article 12) after the Effective Date, Buyer shall deposit with Seller a cash deposit of Two Million Dollars (\$2,000,000) (the "Deposit") by wire transfer of immediately available funds to an account or accounts designated by Seller concurrently

with the Effective Date. Seller shall not be required to keep the Deposit separate from its general funds; however, Buyer shall be entitled to receive from Seller an interest factor on the Deposit at the average interest rate earned by Seller on its cash and cash equivalents during the period it holds the Deposit (the "Interest Factor"). (a) The Deposit, along with the Interest Factor, shall be either (i) credited against the Purchase Price at the Closing or (ii) returned to Buyer, within five (5) Business Days, if this Agreement is terminated prior to the Closing as provided herein and Seller is not entitled to retain the Deposit pursuant to Section 10.2 below, or (b) the Deposit shall be retained, and the Interest Factor paid to Buyer, by Seller pursuant to Section 10.2 below. If, and to the extent, the full amount of the Deposit (if Buyer is entitled to return of the Deposit) and Interest Factor is not paid and returned to Buyer within the five (5) Business Day period referred to in clause (a)(ii) above or Section 10.2 below, the unpaid and unreturned amount shall thereafter bear interest at the late interest rate provided for in Section 2.6 hereof until such amount shall have been fully paid and returned to Buyer.

2.1.2 Balance of Purchase Price. Buyer shall pay to Seller, at the Closing, the balance of the Purchase Price by wire transfer of immediately available funds to an account or accounts designated by Seller. Seller shall designate the account or accounts not less than two (2) Business Days prior to the Closing Date.

2.2 Certain Adjustments to Purchase Price. The Purchase Price shall be subject to adjustment at the Closing as follows:

2.2.1 Prepaid Expenses, Prorations and Deposits. The Purchase Price shall be increased or decreased as required to effectuate the proration of expenses and receipts (other than those adjusted pursuant to Section 2.2.2), including any prepaid expenses and receipts, if any, under the Leases (other than the Leases for Ward Cinemas 16 and Milliani 14), the Subleases, the Included Contracts or other obligations to be borne pursuant to this Agreement by Seller prior to the Closing Date and by Buyer on or after the Closing Date. Without limiting the generality of the foregoing, all expenses arising from the operation of the Theaters, including, without limitation, rent (other than "Percentage Rent" (as defined in Section 2.2.2 below)), business and license fees, film rentals, utility charges, insurance charges, common area operating expenses, real, excise and personal property Taxes and assessments levied against the applicable Leased Premises, promotional fund expenses, property and equipment rentals, concession and merchandise sales and use Taxes, sales service charges, deposits under the applicable Leases or the Subleases, and similar prepaid and deferred items, in each case to the extent relating to the operation of the Theaters, shall be prorated between Buyer and Seller in accordance with the principle that Seller shall be responsible for all expenses, costs, and liabilities, and shall be entitled to all receipts, allocable to the period ending prior to the Closing Date, and Buyer shall be responsible for all expenses, costs, liabilities and obligations, and shall be entitled to all receipts, allocable to the period on or after the Closing Date. Notwithstanding the preceding sentence, but subject to Section 7.7 of this Agreement, there shall be no adjustment for, or reimbursement with respect to, any deferred revenue arising from the sale or issuance of any "Coupons and Passes" (as defined in Section 7.7 hereof) prior to the Closing or any other liabilities or costs directly

or indirectly attributable thereto or arising therefrom. Buyer shall be entitled to a credit against the Purchase Price for any deposits or advances received by Seller from any subtenant under any of the Subleases or any counterparty under the Included Contracts to the extent such deposits or advances have not been returned to any such subtenant or counterparty or recouped by any such subtenant or counterparty prior to the Closing Date.

2.2.2 Percentage Rent

2.2.2.1 With respect to any percentage rent or any other rent based on the income (gross or otherwise) (“ Gross Income”) of the tenant (collectively, “Percentage Rent”) payable under any Lease (other than the Leases for Ward Cinemas 16 and Mililani 14) for the applicable lease years or other periods specified thereunder (each, a “Lease Year”) during which the Closing occurs, the Percentage Rent (taking into account any applicable credits or adjustments) shall be prorated between Buyer and Seller (where Seller is responsible for the period ending immediately prior to the Closing Date and Buyer is responsible for the period on and after the Closing Date) such that each party shall pay when due that percent of the total Percentage Rent payable which equals such party’s respective Gross Income with respect to the Theater subject to such Lease divided by the total Gross Income for such Theater for such Lease Year. Seller shall pay to Buyer, or Buyer shall pay to Seller, as the case may be, its pro rata share due in respect of such estimated Percentage Rent within thirty (30) days after receipt by the paying party of the appropriate statements evidencing the amount thereof.

2.2.2.2 With respect to any Percentage Rent payable by the subtenant under any Sublease for the applicable Lease Year during which the Closing occurs, the Percentage Rent (taking into account any applicable credits or adjustments) shall be prorated between Buyer and Seller (where Seller is entitled to any Percentage Rent for the period ending immediately prior to the Closing Date and Buyer is entitled to any Percentage Rent for the period on and after the Closing Date) such that (a) Seller receives the total Percentage Rent due for such Lease Year multiplied by a fraction, the numerator of which is the total number of days in such Lease Year occurring prior to the Closing Date and the denominator of which is the total number of days in such Lease Year, and (b) Buyer receive the remaining Percentage Rent due for such Lease Year. Seller shall pay to Buyer, or Buyer shall pay to Seller, as the case may be, its pro rata share due in respect of such estimated Percentage Rent within thirty (30) days after receipt by the paying party of the appropriate statements evidencing the amount thereof.

2.2.2.3 Any dispute arising under this Section 2.2.2 shall be resolved in accordance with the procedures set forth in Section 2.2.3.3 and 2.2.3.4.

2.2.3 Manner of Determining Adjustments. The Purchase Price, taking into account the adjustments and prorations pursuant to this Section, will be determined finally in accordance with the following procedures:

2.2.3.1 Seller shall prepare and deliver to Buyer not later than five (5) Business Days before the Closing Date an itemized preliminary settlement statement (the "Preliminary Settlement Statement") which shall set forth Seller's good faith estimate of the adjustments to the Purchase Price in accordance with Section 2.2.1 hereof.

2.2.3.2 If Seller and Buyer have not agreed upon a final settlement statement on or before the Closing Date, then Seller and Buyer shall cooperate in good faith to finalize such settlement statement as soon as practicable after the Closing; provided, however, the parties shall use such Seller's good faith estimated adjustments to the Purchase Price as set forth in the Preliminary Settlement Statement delivered pursuant to Section 2.2.3.1 above for purposes of determining the amount of any estimated adjustment to the Purchase Price paid by Buyer to Seller at Closing. If Seller and Buyer have not agreed upon a final settlement statement on or before the Closing Date, not later than sixty (60) days after the Closing Date, Buyer shall deliver to Seller a statement (the "Buyer Adjustment Statement") setting forth, in reasonable detail, its determination of the adjustments to the Purchase Price and the calculation thereof and reminding Seller of the thirty (30) day response period set forth in Section 2.2.3.3. If Buyer fails to deliver the Buyer Adjustment Statement to Seller within the sixty (60) day period specified in the preceding sentence, Seller's determination of the adjustments to the Purchase Price as set forth in the Preliminary Settlement Statement shall be conclusive and binding on the parties as of the last day of the sixty (60) day period.

2.2.3.3 If Seller disputes Buyer's determination of the adjustments to the Purchase Price, it shall deliver to Buyer a statement notifying Buyer of such dispute within thirty (30) days after its receipt of the Buyer Adjustment Statement. If Seller notifies Buyer of its acceptance of the Buyer Adjustment Statement, or if Seller fails to deliver its statement within the thirty (30) day period specified in the preceding sentence, Buyer's determination of the adjustments to the Purchase Price as set forth in the Buyer Adjustment Statement shall be conclusive and binding on the parties as of the earlier of the date of notification of such acceptance or the last day of the thirty (30) day period, and the appropriate party shall promptly pay to the other party in immediately available funds the amount of any such adjustment.

2.2.3.4 Seller and Buyer shall use good faith efforts to resolve any dispute involving the determination of any adjustments to the Purchase Price, and each party shall afford the other party and its representatives reasonable access to all appropriate books, records and statements relating to the subject matter of the adjustments to the Purchase Price contemplated by this Section 2.2 for such purpose. If the parties are unable to resolve the dispute within sixty (60) days after Buyer delivers the Buyer Adjustment Statement to Seller, Seller and Buyer jointly shall designate an independent accounting firm that has, or a movie theater executive who has, consistent and recent experience in the finances of movie theaters similar to the Theaters (the "Designated Arbitrator") to resolve the dispute. If, for any reason, the parties are unable to agree upon the Designated Arbitrator within seventy-five (75) days after Buyer delivers the Buyer Adjustment Statement to Seller, or the Designated Arbitrator fails or refuses to accept such engagement within fifteen (15) days after the parties' written request therefor, Seller and Buyer shall jointly designate the Los Angeles office of PriceWaterhouseCoopers (the "Replacement Arbitrator") to resolve the dispute. If the Replacement Arbitrator fails or

refuses to accept such engagement, in either case within fifteen (15) days after the parties' written request therefor, either Seller or Buyer may thereafter petition the Superior Court of Los Angeles County, California for the appointment of an independent accounting firm to act as the Replacement Arbitrator and resolve the dispute. Absent fraud or manifest error, (a) the Designated Arbitrator's or Replacement Arbitrator's, as applicable, resolution of the dispute shall be final and binding on the parties, (b) subject to Sections 2.4 and 2.5, the appropriate party shall promptly pay to the other party in immediately available funds the amount of any such adjustment, and (c) a judgment may be entered in any court of competent jurisdiction if such amount is not so paid. Any fees and costs of the Designated Arbitrator or Replacement Arbitrator shall be split equally between the parties.

2 . 3 Reimbursement. At least thirty (30) days prior to the Closing Date, Seller shall provide Buyer with a list of all concession inventory and consumables (including, without limitation, all food, beverages, candy, ticket stock, cups, bags, paper goods and related items), and janitorial supplies (collectively, "Theater Inventory"), then on hand at the Theaters. Within five (5) Business Days after its receipt of such list, Buyer shall provide written notice to Seller of those categories of Theater Inventory Buyer elects to exclude from the Purchased Assets (the "Excluded Inventory"). All Theater Inventory (other than the Excluded Inventory) on hand on the Closing Date shall be included in the Purchased Assets (the "Included Inventory"), and Buyer shall reimburse to Seller an amount equal to Seller's cost of all Included Inventory on hand at the Closing Date, as set forth in written inventories prepared by Seller's theater managers at each of the Theaters as of the close of business on the day immediately preceding the Closing Date. Any dispute regarding the reimbursement pursuant to this Section 2.3 shall be resolved by the Designated Arbitrator or the Replacement Arbitrator pursuant to the mechanism set forth in Section 2.2.3.4, and each party shall afford the other party and its representatives reasonable access to all appropriate books, records and statements relating to the subject matter of the reimbursement contemplated by this Section 2.3 for such purpose.

2 . 4 Adjustment for Exclusion of Kukui Lease. If the Closing occurs, but the Lease for Kukui Mall 4 (defined on Exhibit A-1) (the "Kukui Lease") is not assigned to Buyer solely by reason of the fact that the landlord under the Kukui Lease (the "Kukui Landlord") has failed to consent to the assignment thereof or exercises its "recapture" rights under the Kukui Lease (the "Recapture Rights"), (a) the Purchase Price shall be increased at the Closing by \$840,000, (b) the Kukui Mall 4 Lease shall be excluded from the Purchased Assets, and (c) if the Kukui Landlord neither consents to the assignment thereof nor exercises the Recapture Rights, the Kukui Lease shall be subject to Section 7.1.4 below. Any increase in the Purchase Price pursuant to this Section 2.4 shall be paid by Buyer to Seller at the Closing as provided in Section 2.1.2; provided, however, that Seller also shall increase the amount of the "Loans" (as defined in Section 5.6) made at the Closing by the amount of such increase in the Purchase Price,

and the parties agree such increase in the amount of the Loans shall be evidenced by increasing the initial principal amount of the "Two Year Note" (as defined in Section 5.6 below) at the Closing.

2.5 Payment of Adjustments to and Reimbursements of the Purchase Price. If, pursuant to Sections 2.2 or 2.3, it is determined after the Closing Date that Buyer shall be obligated to pay any amounts to Seller, then Buyer shall make such payments in full to Seller within ten (10) days after such amount is finally determined to be due. Conversely, if, pursuant to Sections 2.2 or 2.3, it is determined after the Closing Date that Seller shall be obligated to pay any amounts to Buyer, then such amounts shall be credited against RDI's obligations to Seller under the "Notes" (as defined in Section 5.6) in the following order and priority: (a) first, against the then outstanding principal balance under the "Five Year Note" (as defined in Section 5.6, below), (b) second, against the then outstanding principal balance under the Two Year Note, (c) third, against any accrued interest under the Five Year Note, and (d) last, against any accrued interest under the Two Year Note; provided, however, if after application of such amounts due against the Notes, there remains amounts due from Seller to Buyer, then Seller shall pay all such remaining amounts in full to Buyer within ten (10) days after such amounts are finally determined to be due.

2.6 Late Interest. If any amount payable pursuant to the provisions of this Article 2 is not paid within ten (10) days after such amount is finally determined to be due, such amount shall thereafter accrue interest until paid in full at an annual rate equal to the lesser of the "prime" interest rate as announced by *The Wall Street Journal* from time to time during such period plus 2%, or the maximum interest rate permitted by applicable law.

2.7 Allocation of Purchase Price. Attached hereto as Schedule 2.7 is an allocation (the "Allocation") of the Purchase Price among the Purchased Assets. Buyer and Seller shall (a) be bound by the Allocation for all Tax purposes; (b) prepare and file all Tax returns (including IRS Form 8594 and any required exhibits thereto, and any amendments thereto) in a manner consistent with the Allocation; and (c) take no position inconsistent with the Allocation in any Tax return or in any proceeding before any taxing authority. In the event that the Allocation is disputed by any taxing authority, the party receiving notice of such dispute shall promptly notify and consult with the other parties and keep the other parties apprised of material developments concerning resolution of such dispute.

2.8 Survival. The parties' respective obligations under this Article 2 shall survive the Closing.

3. Representations and Warranties of Seller.

3.1 Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer as follows:

3.1.1 Organization. Pacific is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and Consolidated is a corporation duly organized, validly existing and in good standing under the laws of the State of Hawaii. Each of Pacific and Consolidated has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

3.1.2 Authority. Subject to the terms of any consent provisions of the Leases and the Included Contracts, each of Pacific and Consolidated has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement have been duly authorized by all necessary action on the part of each of Pacific and Consolidated in accordance with its Articles of Incorporation and Bylaws and applicable law. This Agreement constitutes, and each other document, instrument and agreement to be entered into by Pacific or Consolidated pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against such entity in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

3.1.3 Consents. Except as set forth in Schedule 3.1.3 attached hereto, the execution, delivery and performance by Pacific and Consolidated of this Agreement, and all other agreements, instruments or documents referred to herein or contemplated hereby, do not require the consent, waiver, approval, license or authorization of any Person (other than the landlords under the Leases) or public authority which has not been obtained or provided for in this Agreement and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both), the Articles of Incorporation or Bylaws of such entity, any other contract or agreement to which such entity is a party or by which such entity is bound or any judgment, injunction, order, law, rule or regulation applicable to such entity. Neither Pacific nor Consolidated is a party to, or subject to or bound by, any judgment, injunction or decree of any court or governmental authority which may restrict or interfere with the performance of this Agreement, or such other agreements, instruments and documents.

3.1.4 Good Title. Except for Liens granted to Bank of America, N.A., as Administrative Agent (all of which Liens shall be released on or prior to the Closing Date), Seller has, and on the Closing Date will have, good title in and to or valid leasehold interests in, all of the Purchased Assets (other than the Leased Premises and its interests in the Leases and the Subleases) free and clear of any "Liens" (as such term is defined in Article 12), ownership interests or rights to acquire, other than the "Permitted Liens" (as such term is defined in Article 12). Notwithstanding the foregoing, but subject to Section 11.2.4 below, no representation or warranty is made with respect to the title to any point of sale, ticketing, concession or other computer software included in the Purchased Assets.

3.1.5 The Leases. Exhibit A-1 sets forth a true, complete and accurate list of all Leases (including all amendments, extensions, renewals, ground or

master lessor consents, existing non-disturbance and attornment agreements with respect thereto), and Exhibit A-2 sets forth a true, complete and accurate list of all Subleases (including all amendments, extensions, renewals, ground or master lessor consents, existing non-disturbance and attornment agreements and guaranties with respect thereto). Subject to the terms of the Leases and the Subleases, Seller has, and on the Closing Date will have, valid leasehold interests in the Leases and the Subleases free and clear of any Liens other than (a) Permitted Liens, (b) so-called "non-monetary" Liens, including, without limitation, any ground or underlying leases, easements, parking agreements, reciprocal easement agreements, conditions, covenants and restrictions, restrictive covenants, development or similar agreements, zoning limitations and other restrictions imposed by any Governmental Authority, or any other matter which a survey of the Leased Premises or a review of the public records regarding the Leased Property would show, whether created by or in the name of Seller or any other party, or (c) any other Liens, whether "monetary" or "non-monetary" Liens, created by or in the name of any Person other than Seller or any Affiliate of Seller, including, without limitation, by any fee owner or ground lessor under the Leases or any subtenant under the Subleases. True, complete and accurate copies of the Leases and the Subleases, as well as any and all existing guaranties of Seller or its Affiliates with respect thereto, have been delivered or otherwise made available to Buyer through Seller's data site operated by Merrill Corporation (the "Data Site"), and such Leases and Subleases set forth the entire agreement and understanding between the parties thereto with respect to the leasing or subleasing, as applicable, and occupancy of the Leased Premises. Each such Lease and Sublease is in full force and effect against the applicable Seller and is valid and binding against the applicable Seller and, to Seller's Knowledge, the applicable landlord or subtenant thereunder. Except as set forth on Schedule 3.1.5, neither Seller nor, to Seller's Knowledge, any landlord under the Leases or any subtenant under the Subleases is in default under the Leases or the Subleases, as applicable, nor has any event occurred or failed to occur or any action been taken or not taken which, with the giving of notice, the passage of time or both would mature into or otherwise become a default under the Subleases or the Leases by Seller or, to Seller's Knowledge, the applicable landlord or subtenant thereunder. Except as set forth on Schedule 3.1.5, no landlord under any Lease or subtenant under any Sublease is an "Affiliate" (as such term is defined in Article 12) of either Seller. Except for the Subleases and except as set forth on Schedule 3.1.5, Seller has not subleased, licensed or otherwise granted any "Person" (as such term is defined in Article 12) the right to use or occupy the Leased Premises or any portion thereof and the Seller is in exclusive possession of the Leased Premises. To Seller's Knowledge, there is no pending or threatened condemnation of any part of any Leased Premises by any "Governmental Authority" (as such term is defined in Article 12).

3 . 1 . 6 Improvements. Since January 1, 2005, with respect to the Business or the Purchased Assets or the Leased Premises, neither Seller nor its Affiliates has not received any written notice of, and otherwise has no Knowledge of, any violation of any applicable federal, state or local laws (other than any applicable "Environmental Laws" (as defined in Article 12) or the "ADA" (as defined below)), building ordinances, or health and safety ordinances, which has not been cured in all material respects. Since January 1, 2005, with respect to the Business or the Purchased Assets or the Leased

Premises, Seller has not received any written notice from any Governmental Authority, or to the actual knowledge of Ira Levin and Jay Swerdlow (who, for this purpose only, shall be deemed to actually know of all information in their respective business and personal files maintained with respect to the Purchased Assets and the Business) any other Person, of any violation of any applicable Environmental Laws or the Americans with Disabilities Act, 42 U.S.C. 12101 et seq. or similar or comparable state or local laws (collectively, the "ADA"). Except as expressly set forth in the immediately preceding sentence, no representation or warranty is made that any Leased Premises or any improvements made by or constructed for Seller or any third party is in compliance with Environmental Laws or the ADA. Except as set forth in Schedule 3.1.6 and except for the improvements covered or to be covered by the repairs described in Section 7.3.2 below, to Seller's Knowledge, since January 1, 2005, no improvements on the Leased Premises have suffered any material casualty or other material damage that has not been repaired in all material respects. Notwithstanding the foregoing, the parties acknowledge and agree that Seller shall not be deemed in breach of the representation and warranty set forth in the immediately preceding sentence by reason of any asserted casualty or damage to any such improvements that were set forth in any written inspection report provided by Buyer to Seller prior to the Effective Date.

3.1.7 Material Contracts. Schedule 3.1.7 sets forth a complete and correct list of the following Included Contracts: (a) all contracts requiring annual payments in excess of \$100,000; (b) all contracts whose term is greater than one (1) year and which may not be terminated upon thirty (30) days or less notice without penalty; (c) all contracts with Affiliates of either Seller; and (d) all non-competition and non-disclosure agreements to which either Seller is subject other than non-competition and/or non-disclosure agreements set forth in the Leases or the CDAs (collectively, the "Material Contracts"). True, complete and accurate copies of the Material Contracts have been delivered or otherwise made available to Buyer through the Data Site, and such Material Contracts set forth the entire agreement and understanding between the parties thereto with respect to the subject matter thereof. Each Material Contract is in full force and effect against the applicable Seller and is valid and binding against the applicable Seller and, to Seller's Knowledge, the other parties thereunder. Except as set forth on Schedule 3.1.7, neither Seller nor, to Seller's Knowledge, any other party to the Material Contracts is in default under any of the Material Contracts, nor has any event occurred or failed to occur or any action been taken or not taken which, with the giving of notice, the passage of time or both would mature into or otherwise become a default under any of the Material Contracts by Seller or, to Seller's Knowledge, the other parties thereunder.

3.1.8 Compliance with Law. Except as set forth in Schedule 3.1.8, since January 1, 2005, to Seller's Knowledge, the operation of the Business and the Leased Premises has been conducted in accordance with all applicable laws, rules, codes, injunctions, decrees, rulings, regulations, orders and other legal requirements of all Governmental Authorities, the failure to comply with which could have a Material Adverse Effect. Except as set forth in Schedule 3.1.8, since January 1, 2005, neither Seller nor its Affiliates have received written notice of any material violation of any such law, regulation, order or other legal requirement. Neither Seller nor its Affiliates is in

default with respect to any order, writ, judgment, award, injunction or decree of any Governmental Authority applicable to the Business or any of the Purchased Assets or the Leased Premises which has not been cured in all material respects, nor has any event occurred or failed to occur or any action been taken or not taken which, with the giving of notice, the passage of time or both would mature into or otherwise become such a default. Except as set forth in Schedule 3.1.8, to Seller's Knowledge, neither Seller nor its Affiliates is under investigation with respect to any purported violation of (a) any law, regulation, order or other legal requirement, or (b) any order, writ, judgment, award, injunction or decree of any Governmental Authority applicable to the Business or any of the Purchased Assets or the Leased Premises. No representation or warranty is hereby made by virtue of this Section 3.1.8 in respect of any matters covered by Sections 3.1.6 or 3.1.10. Additionally, and notwithstanding anything to the contrary contained in this Agreement or in any of the other Transaction Documents, (a) no representation or warranty is made with respect to the compliance of the Theaters' point of sale ticketing, concession or other computer software systems with the Fair and Accurate Credit Transaction Act of 2003, as the same is amended from time to time ("FACTA"), or any similar federal, state or local law, (b) Buyer acknowledges that Seller has advised Buyer that the Theaters and the Business will not be Payment Card Industry ("PCI") compliant from and after December 31, 2007, and (c) Seller shall be under no obligation to take any action either prior to or after the Closing to cause the Business or any of the Purchased Assets to comply with FACTA or any similar federal, state or local law, or make the Theaters or the Business PCI compliant, and shall have no liability to Buyer if no such actions are taken.

3.1.9 Litigation. Except as set forth in Schedule 3.1.9, to Seller's Knowledge, there are no actions, suits, claims, proceedings, hearings, disputes or investigations currently pending or threatened in writing at any time after January 1, 2005, before any Governmental Authority or that would come before any arbitrator, brought by or against Seller involving, affecting or relating to the Business or any of the Purchased Assets, including, without limitation, any labor, employment or Tax-related actions, suits, claims, proceedings, hearings, disputes or investigations. Seller is not subject to any order, writ, assessments, judgment, award, injunction or decree of any Governmental Authority relating to the Business or any of the Purchased Assets. Notwithstanding the foregoing, Seller makes no representation in this Section 3.1.9 regarding the subject matter of the second sentence of Section 3.1.6.

3.1.10 Labor Matters.

3.1.10.1 Employment and Collective Bargaining Agreements. Except as set forth in Schedule 3.1.10: (a) neither Seller nor its Affiliates is a party to any outstanding employment or consulting agreements or change in control contracts with any "Affected Employee" (as such term is defined in Article 8) that is not terminable at will without payment of compensation beyond what is owed for services performed through the date of termination, or that require the payment of any bonus or commission; (b) there are no collective bargaining agreements or memoranda of understanding or appendices relating to any collective bargaining agreements governing

the terms or conditions of employment of the Affected Employees (to the extent set forth on Schedule 3.1.10, the items described in this clause (b) are referred to herein as the "Collective Bargaining Agreements"); and (c) to the Seller's Knowledge, since January 1, 2005, there have not been any organizational activities with respect to the Affected Employees not covered by a Collective Bargaining Agreement, nor are there any pending or, to Seller's Knowledge, threatened activities or proceedings of any labor union to organize any such employees.

3.1.10.2 No Obligation. Neither Seller nor its Affiliates has any obligation, either pursuant to applicable law, contract or Collective Bargaining Agreement, to obligate Buyer to offer employment to or employ any of the Affected Employees, or to obligate Buyer to assume any of the Collective Bargaining Agreements listed on Schedule 3.1.10.

3.1.10.3 Compliance with Labor and Employment Laws. Except as set forth in Schedule 3.1.10: (a) [intentionally omitted]; (b) there is no unfair labor practice charge, other charge or complaint pending before any federal or state Governmental Authority or in the Collective Bargaining Agreement grievance process or, to Seller's Knowledge, threatened, brought by or on behalf of any of the Affected Employees or former employees of Seller who are or were employed in connection with the operation of the Business or any current or former collective bargaining unit representing any Affected Employees or former employees of the Seller who were employed in connection with the operation of the Business; (c) there is no labor strike or slowdown, work stoppage or lockout, pending or, to Seller's Knowledge, threatened against or affecting the Business, and since January 1, 2005, Seller has not experienced any strike, slow down or work stoppage, lockout or other collective labor action against or affecting the Business; and (d) there is no representation, claim or petition pending before the NLRB or any similar state agency against or with respect to the Business.

3.1.11. Certain Tax Matters. Neither Pacific nor Consolidated is a "foreign person" within the meaning of Code Section 1445(f) or a "foreign partner" within the meaning of Code Section 1446. None of the Purchased Assets is "tax-exempt use property" within the meaning of Code Section 168(h).

3.1.12 Theater P&Ls. Attached hereto as Schedule 3.1.12 are the Theater Level Cash Flow Reports for the Theaters for Seller's fiscal year ended June 28, 2007 and for the two (2) month period ended August 30, 2007 (collectively, the "Theater P&Ls"). Except as set forth in Schedule 3.1.12, the Theater P&Ls present fairly in all material respects the results of operations for the Theaters along with circuit revenue and expenses allocated to each region based on attendance, for the periods referred to therein. Seller maintains its books and records in accordance with GAAP applied on a consistent basis, and the Theater P&Ls were prepared from and are consistent with such books and records. However, the Theater P&Ls do not include the FASB 13 adjustment for straight-line rent required under GAAP. Additionally, the Theater P&Ls exclude certain financial statements and lack the footnote disclosures that are required for GAAP.

3.1.13 Affiliate Transactions. Except as set forth on Schedule 3.1.13 attached hereto, (a) Seller is not a party to any contract or arrangement with, or indebted, either directly or indirectly, to any of its Affiliates in connection with the Business or any of the Purchased Assets, and (b) none of Seller's Affiliates own any asset, tangible or intangible, which is used in and material to the operation of the Business or any of the Purchased Assets.

3.1.14 Brokerage. Except with respect to the engagement of Lazard Freres & Co. LLC, Seller has not employed any broker, finder or agent or has incurred or will incur any obligation or liability to any broker, finder or agent with respect to the transactions contemplated by this Agreement, and all fees and expenses payable in connection with the engagement of Lazard Freres & Co. LLC will be paid by Seller.

3.1.15 Employee Benefits. Seller acknowledges that Buyer does not intend to maintain any of Seller's Benefit Plans after the Closing and that, consequently, neither Buyer nor any ERISA Affiliate of Buyer shall ever have any obligation to make any payments, contributions or transfers in respect of, or have any liability with respect to, any such Benefit Plan. By way of example and not limitation, if and to the extent that Seller incurs, or ever has incurred, "withdrawal liability" within the meaning of ERISA Section 4201 with respect to any such Benefit Plan that is a Multiemployer Plan (as defined in Section 3(37) of ERISA), neither Buyer nor any ERISA Affiliate of Buyer shall incur any such liability, and Seller shall satisfy such withdrawal liability in full.

3.1.16 Trade Names and Trademarks. Seller has granted no right or license to any other Person to make use of the trade names or trademarks "Consolidated Theatres" or "Consolidated Amusements," and has no Knowledge that any other Person has or claims any interest in such marks; provided, however, that Seller has Knowledge that the name "Consolidated Theatres" is being used by a theater circuit currently headquartered in Charlotte, North Carolina.

3.1.17 Development Projects. None of the "Selling Parties" (as defined in Section 7.9.1), nor any Affiliate of any of the Selling Parties, is bound by any agreement or commitment regarding the development, construction or operation of any proposed development that is currently contemplated to include a commercial motion picture theater in any part of the "Territory" (as defined in Article 12 below), except that no representation or warranty is made hereby with respect to the development, construction or operation of any proposed motion picture theater development within the "Exception Area" (as defined in Section 7.10.1 below).

3.2 Knowledge.

Where any representation or warranty contained in this Agreement is expressly qualified by reference "to Seller's Knowledge," "to the Knowledge of Seller," or any similar language, it refers to the actual knowledge of Neil Haltrecht (Executive Vice President of Seller), Nora Dashwood (Executive Vice President and Chief Operating Officer of Seller), Jay Swerdlow (Executive Vice

President of Seller), Ira Levin (Executive Vice President and General Counsel of Seller), Joe Miraglia (Director of Staff Operations of Seller), and Terri Shimohara (Vice President, Human Resources of Seller), in each case after due inquiry.

3.3 "As Is" Purchase. BUYER ACKNOWLEDGES THAT AS A MATERIAL CONDITION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, BUYER IS ACQUIRING THE PURCHASED ASSETS ON AN "AS IS, WHERE IS" BASIS EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THERE ARE NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, REPRESENTATIONS AS TO THE PHYSICAL OR OTHER CONDITION OF THE LEASES, THE LEASED PREMISES, OR THE OTHER PURCHASED ASSETS, OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE LEASES, THE LEASED PREMISES OR THE OTHER PURCHASED ASSETS. BUYER HAS MADE AND AGREES TO MAKE A THOROUGH AND CAREFUL EXAMINATION OF THE LEASES, THE LEASED PREMISES AND THE OTHER PURCHASED ASSETS AND WILL ASSURE ITSELF THAT THE LEASES, THE LEASED PREMISES AND THE OTHER PURCHASED ASSETS ARE SUITABLE FOR BUYER'S INTENDED PURPOSE. IF THE CLOSING OCCURS, AND SUBJECT TO THE SPECIFIC AND EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN, (A) BUYER SHALL BE DEEMED TO HAVE ACCEPTED THE APPLICABLE LEASES, THE LEASED PREMISES AND THE OTHER PURCHASED ASSETS WITH AND SUBJECT TO ALL DEFECTS AND DEFICIENCIES, AND (B) BUYER EXPRESSLY ASSUMES THE RISK THAT SUBSEQUENT EVENTS OR UNDISCOVERED OR UNKNOWN CONDITIONS COULD MAKE ALL OR PART OF THE APPLICABLE LEASES, THE LEASED PREMISES OR THE OTHER PURCHASED ASSETS UNSUITABLE FOR BUYER'S INTENDED PURPOSES.

3.4 Release. As a material inducement to Seller to enter into and perform its obligations under this Agreement, Buyer, on behalf of itself and all of its successors, assigns, Affiliates and representatives, hereby releases and discharges Seller, the Formans, their respective Affiliates, and their respective officers, directors, shareholders, partners, members, managers, employees, agents, attorneys and representatives, and successors and assigns, from any and all claims, demands, liabilities, obligations, expenses (including attorneys' fees), causes of action, suits and rights, whether now known or unknown, suspected or unsuspected, which exist, existed or may exist or have existed at any time now or in the future and arising out of or relating to the physical condition of the Purchased Assets, including, without limitation, in connection with any compliance or non-compliance by Seller or any other party with the ADA or any similar state or local law, or arising from the presence of any Hazardous Materials or the Purchased Assets' or any party's compliance with any Environmental Laws; provided, however, that the foregoing release shall not apply to any claim to the extent arising from (a) the breach of any express covenant, representation or warranty by Seller under this Agreement or (b) fraud committed by Seller or any Affiliate of Seller. The foregoing release extends to, and Buyer hereby waives and relinquishes, all of its rights

under Section 1542 of the California Civil Code and any similar law or rule of any other jurisdiction. California Civil Code Section 1542 provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

3.5 Updating of Schedules. Seller shall, from time to time, prior to the Closing, update the Schedules to this Agreement, or create any new schedules revising its representations and warranties, if after the Effective Date Seller learns of new exceptions to the representations and warranties set forth in this Agreement (together, the "Updated Schedules"), and promptly deliver such Updated Schedules to Buyer. If any Updated Schedule reflects or describes a Material Adverse Effect from the conditions previously described in the representations and warranties, then Buyer may, at its option, upon written notice thereof to Seller, within ten (10) Business Days of Buyer's receipt of an Updated Schedule, terminate this Agreement upon notice to the other parties. If Seller's representations and warranties were true and correct when made, then Buyer's sole remedy in the event of the receipt of an Updated Schedule shall be to terminate this Agreement in accordance with the foregoing sentence (or to proceed with the Closing). If the then scheduled Closing Date would occur prior to the end of the ten (10) Business Days period set forth in this Section 3.5, the delivery of any Updated Schedule shall postpone the Closing Date to the date which is ten (10) Business Days after Buyer's receipt of such Updated Schedule.

4. Representations and Warranties of Buyer and RDI.

4.1 Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller as follows:

4.1.1 Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Buyer has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

4.1.2 Authority. Buyer has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement has been duly authorized by all necessary action on the part of Buyer in accordance with its governing documents and applicable law, and this Agreement constitutes, and each other document, instrument and agreement to be entered into by Buyer pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against Buyer in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

4.1.3 Consents. The execution, delivery and performance by Buyer of this Agreement, and all other agreements, instruments and documents referred

to or contemplated herein or therein do not require the consent, waiver, approval, license or authorization of any Person (other than the landlords under the Leases and any lenders having Liens on the Leased Premises) or public authority which has not been obtained and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both) the governing documents of Buyer or any judgment, injunction, order, law, rule or regulation applicable to Buyer. Buyer is not a party to, or subject to or bound by, any judgment, injunction or decree of any court or governmental authority or any lease, agreement, instrument or document which may restrict or interfere with the performance by Buyer of this Agreement, or such other leases, agreements, instruments and documents.

4.1.4 Financial Condition. Buyer is a newly formed entity, created for the purpose of effectuating the transactions contemplated by this Agreement. On the Closing Date and after giving effect to the transactions contemplated by this Agreement, (a) Buyer will have shareholders' equity (determined in accordance with GAAP) of not less than Twenty Million Dollars (\$20,000,000), (b) the assets of Buyer shall include all right, title and interest of the tenant under the lease for RDI's movie theater in Manville, New Jersey (the "Manville Theater"), and (c) Buyer will not have indebtedness for borrowed money in excess of the aggregate amount of Fifty-Five Million Dollars (\$55,000,000). Attached hereto as Schedule 4.1.4 are (i) a true and complete summary of the material terms of the Lease for the Manville Theater, and (ii) Theater Level Cash Flow Reports for the Manville Theater for RDI's fiscal year ended December 31, 2006 and for the eight-month period ended August 31, 2007 (collectively, the "Manville P&Ls"). The Manville P&Ls present fairly in all material respects the results of operations for the Manville Theater, along with circuit revenue and expenses allocated to such theater based on attendance, for the periods referred to therein. RDI maintains its books and records in accordance with GAAP applied on a consistent basis, and the Manville P&Ls were prepared from and are consistent with such books and records, except that the Manville P&Ls exclude certain financial statements and lack the footnote disclosures that are required for GAAP.

4.1.5 Brokerage. Except in connection with the "Financing" (as defined in Section 7.4.2), Buyer has not employed any broker, finder or agent or has incurred or will incur any obligation or liability to any broker, finder or agent with respect to the transactions contemplated by this Agreement. Any such obligation or liability in connection with the Financing shall be borne solely by Buyer or RDI.

4.2 Representations and Warranties of RDI. RDI hereby represents and warrants to Seller as follows:

4.2.1 Organization. RDI is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. RDI has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

4.2.2 Authority. RDI has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement has been duly authorized by all necessary action on the part of RDI in accordance with its governing documents and applicable law, and this Agreement constitutes, and each other document, instrument and agreement to be entered into by RDI pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against RDI in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

4.2.3 Consents. The execution, delivery and performance by RDI of this Agreement, and all other agreements, instruments and documents referred to or contemplated herein or therein do not require the consent, waiver, approval, license or authorization of any Person or public authority (other than as required under the "HSR Act" (as defined in Section 5.5)) which has not been obtained and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both) the governing documents of RDI or any judgment, injunction, order, law, rule or regulation applicable to RDI. RDI is not a party to, or subject to or bound by, any judgment, injunction or decree of any court or governmental authority or any lease, agreement, instrument or document which may restrict or interfere with the performance by RDI of this Agreement, or such other leases, agreements, instruments and documents.

4.2.4 Brokerage. Except in connection with the Financing, RDI has not employed any broker, finder or agent or has incurred or will incur any obligation or liability to any broker, finder or agent with respect to the transactions contemplated by this Agreement. Any such obligation or liability in connection with the Financing shall be borne solely by Buyer or RDI.

5. Conditions Precedent to Buyer's Obligations. Buyer's obligations under this Agreement are subject to the fulfillment of each of the conditions set forth in this Article 5 at or before the Closing, subject, however, to the right of Buyer to waive any one or more of such conditions in whole or in part (provided that no such waiver shall be implied or binding upon Buyer unless given in writing).

5.1 Performance by Seller. Seller shall have timely performed and complied with in all material respects all agreements and conditions required by this Agreement to be performed and complied with by Seller on or prior to the Closing Date, including, without limitation, delivery to Buyer of the "Seller Deliveries" (as defined in Section 9.3 below) in accordance with Section 9.3 below.

5.2 Accuracy of Representation and Warranties. The representations and warranties herein of Seller shall be true and correct in all material respects as of the Closing Date (except to the extent any such representation or warranty is qualified by materiality, in which case such representation or warranty shall be true in all respects).

5.3 No Injunctions. No order shall have been entered in any action or proceeding before any governmental authority, and no preliminary or permanent

injunction by any court of competent jurisdiction shall have been issued and remain in effect, which would have the effect of making the consummation of the transactions contemplated by this Agreement illegal; provided, however, that if any such action, proceeding or injunction exists as a result of the wrongful action or omission to act of Buyer or any of Buyer's Affiliates, the same shall be an event of default by Buyer under this Agreement.

5.4 Required Consents. Buyer and Seller shall have received the following consents to the assignment by Seller to Buyer or the Assignee Subs of Seller's interest under the Leases (all such Leases being defined in Exhibit A-1): (a) from the landlords under all of the following Leases: (i) Town Square 14; (ii) Carmel Mountain Plaza; (iii) Gaslamp 15; (iv) Valley Plaza 16; (v) Pearlridge West 16; (vi) Kapolei 16; (vii) Kahala 8; and (viii) Kaahumanu 6; (b) from the master landlord under the Pearlridge West 16 Lease; and, (c) if and to the extent that the Nondisturbance and Attornment Agreement dated as of July 1, 1998 by and among Bishop & Bishop Land, LLC, Pacific and First Republic Bank ("First Republic") remains in effect, from First Republic (or First Republic's successor-in-interest). The foregoing consents are hereinafter referred to as the "Required Leasehold Assignment Consents", and the Leases affected by any such Required Leasehold Assignment Consents are hereinafter referred to as the "Required Consent Leases."

5.5 HSR Act. All required filings under Section 7A of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), shall have been completed and all applicable time limitations under the HSR Act shall have expired without a request for further information by the relevant federal authorities under such Act, or in the event of such a request for further information, the expiration of all applicable time limitations under the HSR Act shall have occurred without the objection of such federal authorities.

5.6 Loan to Reading International, Inc. Concurrently with the Closing, and subject to the satisfaction or waiver of all other conditions precedent set forth in this Article 5, Seller (or an Affiliate or Affiliates of Seller) (the "Lender") shall have made loans to RDI in the aggregate original principal amount of \$18,000,000 (the "Loans"). The original principal amount of the Loans shall be subject to increase pursuant to Section 2.5 above. The Loans shall be evidenced by Promissory Notes in substantially the forms of Exhibit C-1 (the "Five Year Note") and Exhibit C-2 (the "Two Year Note") and, collectively with the Five Year Note, the "Notes"), respectively, attached hereto. The Five Year Note shall bear interest at the annual rate of 4.0% for the first twenty-six (26) months from the Closing Date, and at the annual rate of 8.5% thereafter. Interest on the Five Year Note shall be payable on the eighteenth-month anniversary of the Closing Date and quarterly thereafter, in arrears, on the last day of each calendar quarter, with all outstanding principal and any accrued and unpaid interest due and payable in a lump sum upon the fifth anniversary of the Closing Date; provided that such obligations may be prepaid, in whole or in part, at any time without penalty or premium. The Two Year Note shall bear interest at the annual rate of 4.0%, payable quarterly, in arrears, as of the last day of each calendar quarter, with all outstanding principal and any accrued and

unpaid interest due and payable in a lump sum upon the second anniversary of the Closing Date; provided that such obligations may be prepaid, in whole or in part, at any time without penalty or premium. Notwithstanding the foregoing, to the extent any interest rate payable under either of the Notes is less than the minimum Applicable Federal Rate, the parties shall reasonably cooperate in good faith to increase such interest rate to an interest rate at least equal to the minimum Applicable Federal Rate, provided that the other terms of the Notes are similarly adjusted to eliminate any adverse economic impact on RDI from any such increase in the interest rate.

5.7 Financing. Buyer shall have received the net proceeds of the Financing described in the commitment letters referred to in Section 7.4.2 below. Notwithstanding anything to the contrary contained in this Agreement, the failure to receive any landlord's consent to Buyer's granting of any "Leasehold Mortgage" (as defined in Section 7.1.3 below) or any other documents contemplated by subclause (ii) of Section 7.1.3 below, by itself, shall not be a condition precedent to the performance of Buyer's obligations under this Agreement other than the condition precedent set forth in this Section 5.7.

6. Conditions Precedent to Seller's Obligations. Seller's obligations under this Agreement are subject to the fulfillment of each of the conditions set forth below in this Article 6 at or before the Closing, subject, however to the right of Seller to waive any one or more such conditions in whole or in part (provided that no such waiver shall be implied or binding upon Seller unless given in writing).

6.1 Performance by Buyer. Buyer shall have timely performed and complied with in all material respects all agreements and conditions required by this Agreement to be performed and complied with by Buyer on or prior to the Closing Date, including, without limitation, delivery to Seller of the "Buyer Deliveries" (as defined in Section 9.2 below) in accordance with Section 9.2 below.

6.2 Accuracy of Representations and Warranties. The representations and warranties herein of Buyer shall be true and correct in all material respects as of the Closing Date (except to the extent any such representation or warranty is qualified by materiality, in which case such representation or warranty shall be true in all respects).

6.3 No Injunctions. No order shall have been entered in any action or proceeding before any governmental authority, and no preliminary or permanent injunction by any court of competent jurisdiction shall have been issued and remain in effect, which would have the effect of making the consummation of the transactions contemplated by this Agreement illegal; provided, however, that if any such action, proceeding or injunction exists as a result of the wrongful action or omission to act of Seller or any of Seller's Affiliates, the same shall be an event of default by Seller under this Agreement.

6.4 Required Consents. Buyer and Seller shall have (a) received all of the Required Leasehold Assignment Consents, and (b) either (i) Buyer and Seller shall

have received consent from the Kukui Landlord to the assignment by Seller to Buyer, or (ii) the Kukui Landlord shall have exercised the Recapture Rights, or (iii) Buyer and Seller shall have entered into a management agreement for the Kukui Lease pursuant to Section 7.1.4.

6.5 HSR Act. All required filings under Section 7A of the HSR Act shall have been completed and all applicable time limitations under the HSR Act shall have expired without a request for further information by the relevant federal authorities under such Act, or in the event of such a request for further information, the expiration of all applicable time limitations under the HSR Act shall have occurred without the objection of such federal authorities.

6.6 Loan to Reading International, Inc. The Lender shall have received duly executed originals of the Notes from RDI.

7. Covenants.

7.1 Commercially Reasonable Efforts.

7.1.1 Upon the terms and subject to the conditions of this Agreement, the parties hereto will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated by the Transaction Documents, including, without limitation, obtaining any authorizations, consents, orders or approvals of any Person or Governmental Authority that may be or become necessary in connection with the execution, delivery or performance of a party's obligations hereunder. Notwithstanding the foregoing, neither Seller nor Buyer shall be required to pay consideration or grant any rights, guarantee or concession to any third party or to modify in any material manner the terms of any Lease or Included Contract in order to obtain any such consent or approval or any such release; provided, however, that if Buyer elects (or is required) to cause any Assignee Sub to take an assignment of any of Seller's right, title or interest under, or assume any of Seller's obligations under, any of the Leases being assigned pursuant to this Agreement, and the landlord's consent is required under any such Lease, Buyer (in the case of the Buyer Subs) or RDI (in the case of the RDI subs) shall offer to provide a guarantee to the landlord of all of such assumed obligations concurrently with Seller's initial submission to such landlord of request for such consent.

7.1.2 Buyer shall use its commercially reasonable efforts and Seller shall use its commercially reasonable efforts to cooperate fully to obtain promptly all such authorizations, consents, orders and approvals required to be obtained in connection with the transactions contemplated hereby. Without limiting the generality of the foregoing, to the extent such filing is required by the HSR Act, Seller and Buyer agree that each shall prepare and file a notification and report form pursuant to the HSR Act as soon as practicable after the Effective Date, but in no event later than ten (10) days

after the Effective Date. If a filing is made under the HSR Act, Seller and Buyer each also agree to request early termination in such filing and respond with reasonable diligence and dispatch to any request for additional information made in response to such filing. All filing fees associated with complying with the HSR Act shall be borne 50% by Seller and 50% by Buyer.

7.1.3 Notwithstanding the provisions of Section 7.1.2, with respect to the assignment of the Leases being assigned pursuant to this Agreement from Seller to Buyer and with respect to the assignment of the master lease for the "Rohnert Park 16" (as such term is defined in Exhibit A-1 attached hereto) by Kenmore Rohnert, LLC to Buyer, Seller, at Seller's cost and expense, shall use its commercially reasonable effort to cooperate fully with Buyer, and Buyer, at its cost and expense, shall use its commercially reasonable efforts to cooperate fully with Seller:

(a) to obtain promptly from the landlords and all other appropriate parties under such Leases the consents, if any, required to be obtained in connection with (i) such assignments and (ii) the grant to the lenders under the "Financing" (as defined in Section 7.4.2) of Liens on the tenant's interest in such Leases and other consents, estoppels and approvals required as conditions precedent to the closing of the Financing (collectively, the "Leasehold Mortgages"); provided, however, that Buyer shall bear any expenses attributable to obtaining the Leasehold Mortgages (as contrasted with the consents to assignment). In connection therewith, Buyer agrees promptly to provide all financial and other information and background materials regarding Buyer, its Affiliates and their respective senior management, and such lenders, which the landlord or any such other appropriate party under any such Lease may reasonably request in connection with such landlord's evaluation of Seller's request for consent to any such assignment or grant of such Leasehold Mortgage. Buyer also agrees to make its and its Affiliates' senior management reasonably available to all such landlords and other appropriate parties for this purpose. Buyer hereby acknowledges that, in those cases where the landlord's consent is not required for the assignment of the applicable Lease to Buyer or to the grant to the lenders under the Financing of a Leasehold Mortgage with respect to such Lease, Seller may elect to send notices to various landlords, rather than requests for consents, which notices describe the transaction contemplated by this Agreement, and some of which notices seek the "acknowledgment" of a particular landlord to the assignment of a particular Lease; and

(b) to obtain releases of Seller's and its Affiliates' liability under the Leases.

With respect to the matters described in this Section 7.1.3, Seller may elect at any time to shift to Buyer primary responsibility for obtaining such consents and agreements under this Section by so notifying Buyer in writing. Thereafter, Buyer shall, at Seller's expense as provided above, use its commercially reasonable efforts to accomplish the matters described in this Section, and Seller shall use its commercially reasonable efforts to cooperate fully with Buyer. The parties agree that, if a landlord or other appropriate party under a Required Consent Lease, or the Kukui Landlord, who is presented with a

combined request to consent to the assignment of a Lease hereunder and the grant of a Leasehold Mortgage with respect to such Lease refuses, without explanation, to provide the consents requested, or it is not otherwise reasonably apparent from such party's response to such combined request whether such party would have consented to the assignment of the applicable Lease if such request had not been accompanied by a request for a Leasehold Mortgage, it shall be presumed that such refusal was attributable only to the request for consent to the Leasehold Mortgage for purposes of determining whether the condition precedent set forth in Section 5.4 above has been satisfied; provided, however, that Buyer shall be entitled to rebut such presumption by requiring Seller to present to such party a separate request for consent to assignment of such Lease only, and if such party fails for any reason to provide such consent to assignment it shall be deemed to constitute a failure of the condition precedent set forth in Section 5.4 above.

7.1.4 If, despite the commercially reasonable efforts of Seller and Buyer, the parties are unable to obtain the Kukui Landlord's consent to the assignment of the Kukui Lease on or prior to the Closing Date, but the Kukui Landlord shall not have exercised the Recapture Right, Seller and Buyer shall enter into a management agreement effective as of the Closing Date with respect to the Theaters operated under the Kukui Lease if and to the extent the same shall be permitted by the terms of applicable law and the Kukui Lease, or if the Kukui Landlord gives its consent to such management agreement. Any such management agreement shall provide for a fixed annual management fee of \$50,000 and otherwise shall be in a commercially reasonable form agreed upon by Seller and Buyer prior to the Closing. To the extent that any Purchased Asset (other than any Lease being assigned pursuant to this Agreement) is not assigned or not assignable to Buyer or if any necessary consent to such assignment shall not have been obtained by Seller as of the Closing, this Agreement shall not constitute an assignment or attempted assignment of such Purchased Asset. With respect to any such Purchased Asset, from and after the Closing, Seller shall use their commercially reasonable efforts to obtain any necessary consents; provided, however, that Seller shall not be obligated to institute any suit, arbitration or other action to obtain such consent. If such consents are not obtained, Seller (a) shall cooperate in any reasonable arrangement designed to provide Buyer with the benefits of such Purchased Asset and (b) shall enforce at the request of Buyer at Buyer's sole cost any rights of Seller arising from such Purchased Asset (including a right of termination). Buyer agrees to perform at its sole cost any obligations relating to a Purchased Asset for which benefits are being provided to Buyer in accordance with the preceding sentence to the same extent required of Seller, in the same (or as near as practicable) manner and time, and with the same quality, required of Seller.

7.1.5 In no event shall Buyer or any Affiliate of Buyer be required to increase the equity capital of Buyer or to contribute any assets to Buyer, or (except as otherwise provided in Section 7.1.1 above) to provide any guarantee or other credit enhancement to or for the benefit of Buyer, in order to obtain any consent contemplated by this Section 7.1.

7.2 Access to Properties and Records. From and after the Effective Date through the Closing Date or the earlier termination of this Agreement, Seller shall afford to Buyer, and to the accountants, counsel and representatives of the Buyer, upon reasonable prior notice, reasonable access during normal business hours throughout the period prior to the Closing to the Leased Premises and, during such period, shall furnish promptly to Buyer all other information concerning the Purchased Assets and its personnel as such parties may reasonably request. Notwithstanding anything in this Section to the contrary, no access pursuant to this Section 7.2 shall unreasonably interfere with Seller's conduct of the Business. Buyer shall notify Seller in writing of any material breach of this provision known to it and shall afford Seller a reasonable opportunity to cure any such breach.

7.3 Seller's Operations Prior to the Closing: Certain Repairs.

7.3.1 Seller's Operations Prior to the Closing. From and after the Effective Date until the Closing, Seller (a) shall not sell, transfer, assign, dispose of or grant any Lien on, or permit to be sold, transferred, assigned, disposed of or encumbered, all or any material part of the Purchased Assets as the same shall be constituted on the Effective Date, except to the extent that any such Lien will be removed at or prior to the Closing, or remove or permit to be removed all or any part of the Purchased Assets from the Leased Premises; provided, however that Seller shall be permitted (i) to sell Seller Inventory in the ordinary course of its business consistent with past practice (provided that Seller replaces such sold Seller Inventory in the ordinary course of its business consistent with past practice), (ii) to acquire, maintain and replace Seller FF&E in the ordinary course of its business consistent with past practice, and (iii) to enter into and perform film rental agreements in the ordinary course of its business consistent with past practice (the parties acknowledging that some of which film rental agreements may not be fully performed prior to the Closing Date), provided that Seller will reasonably consult with Buyer in connection with Seller's proposed entry into film rental agreements relating to or reasonably anticipated to relate to periods after the Closing Date; (b) shall not enter into any lease, contract or commitment or incur any liabilities or obligations in connection with the Purchased Assets, except as permitted by subclause (iii) above with respect to film rental agreements and except for leases, contracts, commitments, liabilities or obligations that will not bind Buyer, the Purchased Assets or the Business after the Closing; (c) shall not release, waive or compromise any of its rights with respect to, the Purchased Assets without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed to the extent such proposed action occurs in the ordinary course of its business consistent with past practice and which is reasonably expected to be without Material Adverse Effect upon the value or utility of the Purchased Assets or the value of the Business; (d) shall not, directly or indirectly, destroy or otherwise dispose of any books, records or files relating to the Purchased Assets or the Business, other than in the ordinary course of business, generally consistent with past practice; and (e) shall otherwise conduct operations at the Leased Premises in the ordinary course of its business consistent with its past practice at the Leased Premises and in a manner intended to maintain the goodwill of the Business.

7 . 3 . 2 Certain Repairs. Seller shall cause to be undertaken and completed in a workmanlike manner prior to the Closing the repairs to the Milalani 14, Rohnert Park 16, Ward Cinemas 16 and Pearlridge West 16 Theaters (as each such Theater is defined in Exhibit A-1) described in the scope of work attached hereto as Schedule 7.3.2.

7.4 Cooperation.

7 . 4 . 1 Generally. Each party shall provide the other with such cooperation as may reasonably be requested, at the expense of the requesting party (unless the requesting party is to be indemnified with respect thereto, in which case such cooperation shall be given at the expense of the indemnifying party), in connection with the defense of any third party litigation relating to the subject matter of this Agreement. Additionally, until March 31, 2010, Seller shall make available to Buyer's independent accountants such information and documentation regarding the Purchased Assets and the Business to the extent such information and documentation is reasonably required in connection with an audit by such independent accountant of Buyer's financial statements or the preparation of financial disclosure required under applicable Federal securities laws, including an audit of acquired businesses as required by 17 CFR § 210.3-05, and allow Buyer's independent accountants to make and retain copies of such information and documentation, provided that (a) such information and documentation is then in the possession or control of Seller or Seller's Affiliates, and (b) so long as Buyer's independent accountant does not require that such information or documentation be obtained directly from Seller, such information and documentation is not otherwise in the possession or control of Buyer, any of Buyer's Affiliates or such independent accountant, or is not otherwise reasonably available from another source to Buyer or such independent accountant. Seller also agrees to make its and its Affiliates' senior management reasonably available to Buyer and its accountants for this purpose.

7 . 4 . 2 Cooperation with respect to Buyer's Financing. Buyer hereby represents and warrants to Seller that (a) it has obtained a written commitment letter and related term sheet from a financially responsible institution, true and correct copies of which have been furnished to Seller, for debt financing to be used by Buyer to fund a portion of the Purchase Price (the "Financing"), and (b) said commitment letter and related term sheet are in full force and effect, and Buyer has performed all of its obligations thereunder required to be performed on or prior to the Effective Date. Prior to the Closing Date, Seller agrees promptly to provide all financial and other information and materials regarding the Leases and other Purchased Assets and the Business as reasonably requested by Buyer or its accountants from time to time in connection with the preparation of audited financial statements of the Purchased Assets and the Business for the twelve (12) months ended June 30, 2005, 2006 and 2007, respectively, and unaudited financial statements for the most recent practicable interim period subsequent to June 30, 2007 and prior to the Closing Date. Seller also agrees to make its and its Affiliates' senior management reasonably available to Buyer and its accountants for this purpose. Subject to Seller's performance of its obligations under this Section 7.4.2, the completion of said financial statements shall not be a condition precedent to the

obligations of Buyer under this Agreement, and Seller shall not be in breach or default of its obligations under this Section 7.4.2 if such audited financial statements are not completed for any reason by any particular date so long as Seller has cooperated with Buyer and its accountants as required by this Section 7.4.2. Seller agrees that, effective upon the Closing, Buyer's accountants shall be released for the benefit of Buyer and RDI from any and all obligations of confidentiality that it may owe to Seller or its Affiliates only to the extent they relate to the Purchased Assets and the Business.

7.5 Delivery of Information; Delivery of Mail and Assets; Collection of Accounts Receivable. After the Closing Date, each of the parties hereto shall cause their personnel to provide the other party with financial accounting, Tax, and similar information reasonably necessary to prepare Tax returns and other filings relating to the Theaters, to compute Percentage Rent payable with respect to the Theaters, and to finalize the prorations and adjustments called for by Section 2.2 hereof. Seller agrees that it will promptly deliver to Buyer any mail or other communications received by Seller on or after the Closing Date pertaining to the Purchased Assets and any cash, checks or other instruments of payment to which Seller is not entitled. Buyer agrees that it will promptly deliver to Seller any mail or other communications received by Buyer on or after the Closing Date pertaining to Seller's operations, properties or other affairs of Seller, any cash, checks or other instruments of payment to which Buyer is not entitled, and any other Excluded Assets.

7.6 Post-Closing Covenants of Buyer.

7.6.1 Maintenance of Insurance. Buyer agrees that from and after the Closing Date, Buyer shall at all times maintain in complete force and effect, in accordance with the requirements of the Leases, all policies of insurance required by the Leases to be maintained by the tenant. Buyer shall deliver to Seller executed copies of certificates of insurance evidencing the foregoing on the Closing Date. New certificates shall be delivered promptly whenever policies are renewed or new policies are written. As often as any such policy shall expire or be terminated, a renewal or additional policy shall be procured and maintained by Buyer in like manner and to like extent, and new certificates thereof shall be delivered to Seller. All policies of insurance maintained by Buyer pursuant to the requirements of the Leases shall contain a provision that the company issuing said policy will give Seller not less than ten (10) days' notice in writing in advance of any cancellation or lapse of the effective date or any reduction in the amounts of insurance. In the event that Buyer fails to comply with any of the requirements of this Section 7.6.1, and Buyer fails to cure such non-compliance within ten (10) days of delivery of notice thereof from Seller, Seller may obtain any and all policies of insurance required to comply with tenant's obligations under the Leases, and Buyer shall immediately pay to Seller any and all costs reasonably incurred by Seller in connection with obtaining and maintaining such insurance.

7.6.2 Amendment of Real Property Leases; Exercise of Options; Waiver of Rights. Without Seller's prior written consent (which consent may not be unreasonably withheld or delayed), until the earlier of the date on which (a) Seller and all

of Seller's Affiliates are no longer liable on or are released from any further liability under the applicable Lease, or (b) Buyer delivers to Seller (i) an audited balance sheet for Buyer showing a net worth (calculated in accordance with GAAP) of at least \$50,000,000, and (ii) an audited income statement for Buyer showing a ratio of indebtedness to "Theater Level Cash Flow" (as defined in Article 12 below) for all theaters then operated by Buyer of 5.5-to-1 or less, Buyer shall not (x) exercise any option to extend or renew the term of any Lease if, as of the date on which Buyer proposes to exercise any such option, the Theater operated pursuant to such Lease has Theater Level Cash Flow in the most recently completed calendar year of less than \$200,000, or (y) amend or modify any Lease to eliminate or materially change, or otherwise waive or forfeit, any material rights or privileges of the tenant under any such Lease.

7.7 Coupons and Passes. Seller, in the ordinary course of its business, has previously issued, and may continue to issue until the Closing Date, the following coupons, passes, tickets and certificates (collectively, "Coupons and Passes"): (a) coupons redeemable in Seller's theaters for food or beverages sold in the concession stands; (b) passes redeemable for free theater admission and issued without the payment of consideration to Seller or its Affiliates ("Free Passes"); (c) passes redeemable for discounted theater admission and issued without the payment of consideration to Seller or its Affiliates ("Discounted Passes"); (d) group activity discount theater admission tickets good for theater admission; and (e) gift certificates which can be used to purchase theater admission or concession stand items. Except to the extent any such Coupons and Passes shall have expired in accordance with their terms or otherwise are not valid, Buyer shall honor and redeem all Coupons and Passes presented at the Theaters for a period of one (1) year after the Closing Date (the "Coupon and Pass Period"). Buyer shall not be entitled to any compensation or reimbursement from Seller in connection with the honoring or redemption of any Free Passes or Discounted Passes. With respect to all other Coupons and Passes ("Reimbursable Coupons and Passes"), Buyer shall deliver a written statement setting forth its calculation of the amount the Reimbursable Coupons and Passes so redeemed or honored (which calculation shall be accompanied by such supporting documentation as Seller may reasonably request) within ninety (90) days after the end of the Coupon and Pass Period, and Seller shall reimburse to Buyer the amount thereof within thirty (30) days after Seller's receipt of such statement and supporting documentation. From and after the Effective Date through the Closing Date, Seller will only issue Coupons and Passes in the markets in which the Theaters operate in the ordinary course of its business consistent with past practices; provided, however, that both before and after the Closing Date, Seller shall have the right to issue Coupons and Passes in all other markets in which it operates (including, without limitation, Los Angeles County) in Seller's sole and absolute discretion and without any obligation to notify or account therefor to Buyer.

7.8 Theater Names: Prohibition Against Use of Names "Pacific" or "Pacific Theatres" by Buyer.

7.8.1 Pacific and Pacific Theatres. Except as otherwise provided in this Section 7.8, at no time after the Closing shall Buyer be entitled to the use of the names "Pacific" or "Pacific Theatres" either by themselves or in conjunction with other words or letters, in connection with the name of the Theaters or otherwise. In no event shall Buyer, either before or after the Closing, be entitled to use the names "Pacific" or "Pacific Theatres" in any publication, advertisement, flyer, ticket, notice or sign, or in any other fashion or manner, whether in referring or relating to the Theaters or otherwise. Notwithstanding the foregoing, Buyer shall have the right to use the names "Pacific" and "Pacific Theatres" in connection with any notices or disclosure required by applicable law, and in a manner reasonably acceptable to Seller on a transitional basis to announce to the public the change of ownership of the Theaters. Except to the extent that Buyer exercises its right under Section 1.3 to continue to use such signage after the Closing, as soon as practicable after the Closing, and in any event not later than ten (10) days after the Closing Date, Buyer shall, at Buyer's expense, remove the names "Pacific" and "Pacific Theatres" from any and all advertising, fliers, tickets, notices and signs, and from any and all other manifestations thereof in, on, or in connection with the Buildings, of which Buyer has knowledge and over which Buyer has possession or control; provided, however, that if Buyer is unable, or it is commercially impracticable, to remove the names "Pacific" and "Pacific Theatres" from any signage, including marquees, within such period, Buyer shall, within such period, cover such names from public view and shall, as soon as practicable thereafter, remove such names or the signs on which they are located.

7.8.2 Signage. Subject to the terms of Sections 1.2.4, 1.3 and 7.8.1 above (including, without limitation, Buyer's obligation to remove or cover all components thereof containing the "Pacific" or "Pacific Theaters" names), all signage at the Theaters shall be included in the Purchased Assets. Notwithstanding the foregoing, if Buyer elects to remove any signage from the Theaters containing the names "Pacific" or "Pacific Theatres" and does not intend to reuse such signage, Buyer shall notify Seller of the times when it plans to remove such signage, whereupon Seller shall have the right and option to notify Buyer that Seller wishes to retain possession and ownership of one or more of the signs (or portions thereof) which Buyer plans to remove. If Seller exercises the foregoing right, Buyer shall remove the signs in question in a workmanlike manner and shall use commercially reasonable efforts not to damage the same, shall coordinate with Seller the timing of such removal and other aspects thereof, and shall tender to Seller physical possession of such signs at a mutually acceptable time and location, provided that if Seller then fails (through no fault of Buyer) to take possession of such signs within ten (10) days notice thereof from Buyer to Seller, Buyer shall have the right and option to destroy and dispose of such signs.

7.8.3 Assignment. Buyer shall not sell, assign, sublet or otherwise transfer any or all of its interest in the Leases or the Leased Premises to any Person unless Buyer obtains the written agreement of such Person to be bound by and observe the terms of this Section 7.8. If at any time after any such transfer, the Leases or the Leased Premises, or any portion thereof or interest therein, are retransferred back to Buyer, Buyer shall again be bound by and observe the terms of this Section 7.8. The

provisions of this Section 7.8.3 shall not apply in respect of any Lien granted by Buyer in connection with the contemplated by Section 7.4.2.

7.9 Non-Competition; Exceptions.

7.9.1 Non-Compete. As a material inducement to Buyer to enter into and perform its obligations under this Agreement, Seller and the Formans, for themselves and on behalf of their Affiliates (collectively, the "Selling Parties"), hereby agree that from and after the Closing Date and continuing for five (5) years from the Closing Date (the "Restricted Period"), they shall not, directly or indirectly, as an employee, agent, consultant, director, equityholder, manager, or in any other individual or representative capacity, own, operate, manage, control, engage in, invest in, be employed by or participate in any manner in, render services for, or otherwise assist any Person that engages in or owns, invests in, operates, manages or controls any venture or enterprise that directly or indirectly engages in the development, ownership or operation of movie theaters in the "Territory" (as defined in Article 12 below) (collectively, "Competitive Activities"); provided, however, that nothing contained herein shall be construed to prevent any of the Selling Parties from engaging in, directly or indirectly, any of the following activities (collectively, the "Permitted Competitive Activities"): (a) investing in the securities of any entity engaged in Competitive Activities whose equity securities are listed on a national securities exchange or traded in the over-the-counter market so long as such Selling Party does not own more than five percent (5%) of the outstanding equity of such entity; (b) investing in the securities of Buyer or any of its Affiliates; (c) engaging in Competitive Activities within the Territory as provided in Section 7.10 below; or (d) directly or indirectly engaging in the ownership, investment, operation, management, development, construction or control of any retail development or shopping center that contains a movie theater, provided that such movie theater is not owned, managed or operated by any of the Selling Parties (a "Non-Affiliated Theater Owner"), provided, further, that the obligation to pay, or the payment of, percentage rent to any of the Selling Parties by any such Non-Affiliated Theater Owner shall not be deemed the ownership or operation of such movie theater by any such Selling Parties.

7.9.2 Enforceability; Blue-Pencil. Each of the Selling Parties recognizes that the restrictive covenants contained herein are valid and enforceable pursuant to applicable law, including, without limitation, California Business and Professions Code §16601 and that the territorial, time and scope limitations set forth in this Section 7.9.1 are reasonable and are properly required for the protection of Buyer's legitimate interest in client relationships, goodwill and trade secrets of the Business. In the event that any such territorial, time or scope limitation is deemed to be unreasonable by a court of competent jurisdiction, Buyer and Selling Parties agree, and Selling Parties submit, to the reduction of any or all of said territorial, time or scope limitations to such an area, period or scope as said court shall deem reasonable under the circumstances. If such partial enforcement is not possible, the provision shall be deemed severed, and the remaining provisions of this Agreement shall remain in full force and effect.

7.9.3 Remedies. Each of Selling Parties acknowledges and agrees that the covenants set forth in this Section 7.9 are reasonable and necessary for the

protection of Buyer's business interests, that irreparable injury will result to Buyer if a Selling Party breaches any of the terms of this Section 7.9, and that in the event of a Selling Party's actual or threatened breach of any of the provisions contained in this Section 7.9, Buyer will have no adequate remedy at law. Notwithstanding anything to the contrary contained herein, each of Selling Parties accordingly agrees that in the event of any actual or threatened breach by it of any of the provisions contained in this Section 7.9, Buyer shall be entitled to seek such injunctive and other equitable relief as may be deemed necessary or appropriate by a court of competent jurisdiction. Nothing contained herein shall be construed as prohibiting Buyer from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of any damages which it is able to prove.

7.9.4 Option to Purchase. If a Selling Party engages in any Competitive Activities (other than the Permitted Competitive Activities) during the Restricted Period, then Buyer shall have the right, exercisable for a period of ninety (90) days after it is determined that such Selling Party has so engaged in Competitive Activities (other than Permitted Competitive Activities), to acquire all, but not less than all, of such Selling Party's interest in such Competitive Activity for an amount equal to the lesser of (a) such Selling Party's basis in such Competitive Activity for U.S. Federal income tax purposes, or (b) the "fair market value" of such interest.

7.9.5 Partial Reimbursement of the Purchase Price. If a Selling Party engages in any Competitive Activities (other than the Permitted Competitive Activities) during the Restricted Period, and (a) such Selling Party affirmatively challenges enforceability of the provisions of this Section 7.9 in any proceeding or action brought by Buyer to enforce the same, or (b) such Selling Party seeks declaratory or other similar relief from the enforcement of the provisions of this Section 7.9, then the Purchase Price shall be reduced by the amount of \$7,000,000, and such Selling Party shall reimburse or pay the same to Buyer within thirty (30) days thereafter. Notwithstanding the foregoing, nothing herein shall be deemed to prohibit or restrict any Selling Party from raising or asserting in any proceeding or action to enforce the provisions of this Section 7.9 a defense that it has not engaged in the purported Competitive Activity during the Restricted Period.

7.10 Exception Area. Notwithstanding anything to the contrary contained in Section 7.9 above, any Selling Party shall have the right during the Restricted Period and thereafter to engage in Competitive Activities with respect to the ownership or operation of one movie theater complex located within that part of San Diego County, California shown as the "Exception Area" on the map attached hereto as Exhibit E (the "Exception Area"). The Exception Area shall include, without limitation, the shopping center currently commonly known as Westfield UTC.

7.11 Destruction of Books, Records and Files. If, after the Closing, Seller or any of its Affiliates proposes to destroy or otherwise dispose of any books, records or files relating to the Purchased Assets (but not including any financial reports or other information regarding the Purchased Assets to the extent such financial reports or other information is integrated into financial reports or other information regarding the

operations generally of Seller or such Affiliate), Seller shall deliver prior notice thereof to Buyer and Buyer shall have a period of sixty (60) days from receipt of such notice to deliver notice to Seller of its desire to take possession of such books, records or files, in which event Seller shall deliver to Buyer possession of such books, records or files at the earliest practicable date. Seller shall not destroy or otherwise dispose of such books, records or files prior to the end of such sixty (60) day period.

7.12 Screen Advertising. Buyer hereby agrees to honor the obligations of Seller imposed under the terms of Seller's screen advertising agreement with Screenvision Exhibition, Inc. ("Screenvision") to exhibit following the Closing Date all advertising booked or committed to as of the Closing Date for periods extending beyond the Closing Date, but in no event existing beyond one (1) year after the Closing Date, provided that such advertising shall be exhibited by Buyer in accordance with the terms (including economic terms) of its agreement with Screenvision and not Seller's agreement with Screenvision.

7.13 Hawaii Developments during the Restricted Period. If, during the Restricted Period, any Selling Party proposes, directly or indirectly, to engage in (a) the development of any new retail development or shopping center in the State of Hawaii that is to contain a movie theater, or (b) the redevelopment of any existing retail development or shopping center in the State of Hawaii that does not currently contain a movie theater but is to contain a movie theater after the completion of such redevelopment, and such Selling Party has the right to select the theater operator for such newly developed or redeveloped retail development or shopping center, such Selling Party shall send written notice to Buyer of such election (the "ROFO Notice"). The ROFO Notice shall contain an offer by such Selling Party to lease such theater (the "Theater Space") to Buyer on the terms contained therein (the "Lease Terms"). The Lease Terms shall be determined by such Selling Party in its sole discretion. If Buyer does not, within thirty (30) days after receipt of the ROFO Notice, deliver written notice to Landlord of Tenant's election to lease the Theater Space on the Lease Terms, such Selling Party shall have the right to lease the Theater Space to a Non-Affiliated Theater Owner on terms which, in the aggregate (taking into account all monetary terms and concessions on a net present value basis discounted at the rate of 10% per annum), are not materially less favorable to such Selling Party than the Lease Terms. If such Selling Party proposes to lease the Theater Space to a Non-Affiliated Theater Owner on terms which are materially less favorable to such Selling Party than the Lease Terms, such Selling Party shall provide written notice to Buyer thereof (which notice shall contain an offer to Buyer to lease the Theater Space on the revised terms) (the "Revised ROFO Notice"). If Buyer does not, within fifteen (15) days after receipt of the Revised ROFO Notice, deliver written notice to such Selling Party of Buyer's election to lease the Theater Space on the terms contained in the Revised ROFO Notice, such Selling Party shall have the right to lease the Theater Space to a Non-Affiliated Theater Owner on the terms contained in the Revised ROFO Notice. If Buyer timely exercises its right of first offer contained in this Section 7.13, the parties shall, within thirty (30) days after Buyer's exercise of such right of first offer, in good faith negotiate, execute and deliver a definitive lease for the Theater Space on terms consistent with the terms agreed upon by such Selling Party and Buyer pursuant to this Section 7.13. In no event during the Restricted Period shall any Selling Party commence the

development of a movie theater at the real property located at Kalauao, District of Ewa, City and County of Honolulu, State of Hawaii and commonly known as the "KAM Drive-In" site.

7.14 Change of Name. On the Closing Date, Consolidated shall execute such documents as are necessary to change its corporate name so as to delete therefrom the word "Consolidated," and will file, as promptly as practicable after the Closing Date, such documents as are necessary to reflect such name changes in its state of organization and other jurisdictions where it is qualified to do business as a foreign Person. From and after the Closing Date, the Selling Parties agree that they will not adopt any name that is confusingly similar to the "Consolidated Amusements" or "Consolidated Theatres" names.

8 . Employees. Seller shall, effective immediately prior to the Closing, terminate the employment of all of its employees employed at or solely in connection with the Theaters (collectively, the "Affected Employees") or transfer any such employee to other theaters then operated by Seller or any Affiliate of Seller. Buyer shall not be obligated to hire or employ any of the Affected Employees. Buyer shall provide Seller with (a) written notice at least thirty (30) days prior to the Closing Date of those Affected Employees employed as a theater manager or assistant theater manager to whom Buyer intends to offer employment after the Closing, and (b) written notice at least ten (10) days prior to the Closing Date of all other Affected Employees to whom Buyer intends to offer employment after the Closing. Buyer acknowledges that it has been advised by Seller that, as part of Seller's compliance with the Worker Adjustment and Retraining Notification Act of 1988 or any similar or comparable state law (collectively, the "WARN Acts"), Seller shall send all notices required by the WARN Acts to all of the Affected Employees and be solely responsible for any and all obligations mandated by the WARN Acts arising from the transactions contemplated by this Agreement.

9. Closing.

9.1 Closing Date. Subject to the satisfaction (or waiver by Buyer or Seller as provided therein) of the conditions precedent in Articles 5 and 6 hereof, the transactions contemplated by this Agreement shall be consummated at a closing (the "Closing") at the offices of Weissmann Wolff Bergman Coleman Grodin & Evall, LLP, 9665 Wilshire Boulevard, Ninth Floor, Beverly Hills, California 90212. The Closing shall occur on the date which is the first Friday occurring after the date which is sixty-five (65) days after the Effective Date (the "Scheduled Closing Date"). If the Closing does not occur on the Scheduled Closing Date by reason of the failure of any condition precedent set forth in Article 5 or 6 hereof (a "Non-Satisfied Condition Precedent"), the party in whose favor the Non-Satisfied Condition Precedent exists shall have the right to extend the Scheduled Closing Date until the date which is the second Friday occurring after the date on which the Non-Satisfied Condition Precedent is satisfied or waived. Notwithstanding the foregoing, this Agreement shall automatically terminate if the Closing shall not have occurred on or before the date which is the first Friday which is more than ninety-five (95) days after the Effective Date (the "Outside Closing Date"); provided, however, that if on or prior to the Outside Closing Date all of the parties'

respective conditions precedent to Closing have been satisfied or waived except for the condition precedent that the parties shall have received the landlord's consent under the "Carmel Mountain Lease" (as defined in Exhibit A-1 attached hereto) to the assignment of such Lease by Seller to Buyer, then in that case only the Outside Closing Date shall be extended to the first Friday which is more than one hundred twenty-five (125) days after the Effective Date. Notwithstanding anything to the contrary contained herein, nothing herein shall be deemed to excuse or waive any breach or default by either party of its obligations under this Agreement. The date of the Closing is sometimes referred to herein as the "Closing Date." The Closing shall be effective as of 8:00 a.m. (local time) on the Closing Date.

9.2 Deliveries by Buyer. At the Closing, Buyer shall deliver, or cause to be delivered, to Seller the following (collectively, the "Buyer Deliveries"):

9.2.1 Payment of Purchase Price. Immediately available funds in an amount equal to the Purchase Price paid to and received by Seller.

9.2.2 Assignment and Assumption of Leases and Subleases. Duly executed and, where necessary, acknowledged counterparts of the Assignment and Assumption of Leases and Subleases by and between Buyer and Seller in substantially the form of Exhibit F attached hereto (the "Assignment and Assumption of Leases and Subleases").

9.2.3 Assignment and Assumption of Contracts. Duly executed counterparts of the Assignment and Assumption of Contracts by and between Buyer and Seller in substantially the form of Exhibit G attached hereto (the "Assignment and Assumption of Contracts").

9.2.4 Assignment of Consolidated IP. Duly executed counterparts of the Assignment of Rights by and between Buyer and Seller with respect to the Consolidated IP in substantially the form of Exhibit H attached hereto (the "Consolidated IP Assignment").

9.2.5 Management Agreements. Duly executed counterparts of any Management Agreements entered into pursuant to Section 7.1.4.

9.2.6 Intentionally omitted.

9.2.7 Intentionally omitted.

9.2.8 Buyer's Closing Certificate. A duly executed certificate, dated as of the Closing Date, to the effect that the conditions specified in Sections 6.1 and 6.2 have been satisfied in accordance with the terms and provisions hereof.

9.2.9 Additional Deliveries. Such additional documents, instruments and agreements, signed and properly acknowledged by Buyer, if appropriate, as may be necessary to comply with Buyer's obligations under this Agreement.

9.3 Deliveries by Seller. At the Closing, Seller shall deliver to Buyer all of the following (collectively, the "Seller Deliveries"):

9.3.1 Assignment and Assumption of Leases and Subleases. Duly executed and, where necessary, acknowledged counterparts of the Assignment and Assumption of Leases and Subleases.

9.3.2 Assignment and Assumption of Contracts. Duly executed counterparts of the Assignment and Assumption of Contracts.

9.3.3 Bill of Sale. A duly executed Bill of Sale by Seller in favor of Buyer in substantially the form of Exhibit I attached hereto.

9.3.4 Assignment of Consolidated IP. Duly executed counterparts of the Consolidated IP Assignment.

9.3.5 Management Agreements. Duly executed counterparts of any Management Agreements entered into pursuant to Section 7.1.4.

9.3.6 Intentionally omitted.

9.3.7 Intentionally omitted.

9.3.8 Seller's Closing Certificate. A duly executed certificate, dated as of the Closing Date, to the effect that the conditions specified in Sections 5.1 and 5.2 have been satisfied in accordance with the terms and provisions hereof.

9.3.9 Additional Deliveries. Such additional documents, instruments and agreements, signed and properly acknowledged by Seller, if appropriate, as may be necessary to comply with Seller's obligations under this Agreement.

9.4 Closing Costs. Buyer and Seller shall each pay 50% of all documentary transfer, excise or similar Taxes (including all State of Hawaii general excise or gross income Taxes), if any, payable in connection with the transactions contemplated by this Agreement. Buyer and Seller shall each bear their own legal and accounting costs and fees. Buyer and Seller shall each pay 50% of all sales and similar Taxes payable in connection with the transactions contemplated by this Agreement.

9.5 Possession. Possession of the Purchased Assets, including, without limitation, the Leased Premises and the Theaters shall be delivered to Buyer on the Closing Date; provided, however, that Seller shall deliver possession of all files for the Leases, Subleases and Included Contracts and all original warranties and guarantees,

in each case to the extent included in the Purchased Assets, within five (5) Business Days after the Closing Date. Additionally, at or prior to the Closing, Seller will deliver to Buyer (a) copies of all written film settlement agreements with respect to the Theaters and covering periods occurring during the two (2) year period immediately prior to the Closing Date (except that, to the extent that some or all of such settlement agreements are not available on the Closing Date, Seller shall deliver the same to Buyer promptly after Seller's receipt thereof after the Closing) organized, to the extent that Seller can accomplish the same without incurring material expenses or expending material resources, on a film-by-film, week-by-week basis for each Theater, (b) copies of all written claims for personal injury occurring at the Theaters which have been received by Seller's claim administrator since January 1, 2005, (c) copies of all insurance claims made by Seller with respect to the Theaters since January 1, 2005, and (d) copies of all maintenance claims with respect to the Theaters received by Joe Miraglia (Director of Staff Operations of Seller) from any Governmental Authority since January 1, 2005.

10. Termination; Termination Fee.

10.1 Termination Generally. Notwithstanding anything to the contrary contained herein, this Agreement may be terminated at any time before the Closing (a) by mutual consent of Seller and Buyer; (b) by Buyer, upon written notice to Seller, if Seller has breached any representation, warranty, covenant or agreement, such breach has had, either individually or in the aggregate, a Material Adverse Effect, and such breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within ten (10) days of notice by Buyer to Seller of such breach; (c) by Seller, upon written notice to Buyer, if Buyer has breached any representation, warranty, covenant or agreement, and such breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within ten (10) days of notice by Seller to Buyer of such breach; or (d) subject to the terms of Section 9.1 above, by either party hereto if the Closing shall not have occurred on or prior to the Scheduled Closing Date (as the same may be extended pursuant to this Agreement). If this Agreement is terminated, this Agreement shall become null and void and have no further force or effect, and, except as provided in Section 10.2 below, no party hereto (or any of such party's Affiliates, directors, officers, agents or representatives), shall have any liability or obligation hereunder; provided, however, that (i) the letter agreement dated as of January 15, 2007 by and among Pacific, Consolidated and RDI (the "Confidentiality Agreement") shall remain in full force and effect, (ii) each party shall bear its own fees and expenses incurred in connection with the negotiation and documentation of this Agreement and the Transaction Documents, and (iii) notwithstanding the foregoing, but subject to the terms of Article 11 below, termination of this Agreement shall not release any party from any liability for any breach by such party of any of its representations, warranties, covenants or agreements contained in this Agreement prior to such termination; and, provided further, that Buyer shall promptly change its corporate name to a name that does not include the word "Consolidated" or any derivation of such word or any other name confusingly similar to the name of Consolidated.

10.2 Termination Fee. It is acknowledged and agreed by Seller and Buyer that Seller has removed the Purchased Assets from the open market during the term of this Agreement, and thereby has exposed itself to unknown market risks. Therefore, if all of the conditions precedent set forth in Articles 5 and 6 of this Agreement, other than the condition precedent set forth in Section 5.7, shall have been satisfied or waived and this Agreement is terminated pursuant to subclause (d) of Section 10.1 by reason of the failure of the condition precedent in Section 5.7, and Seller shall be released from any obligation to sell the Purchased Assets to Buyer and Buyer and RDI shall be released from any obligation to purchase the Purchased Assets. Seller and Buyer also acknowledge and agree that (a) it would be extremely difficult or impracticable to compute Seller's actual losses as a result of such failure to consummate the transactions contemplated by this Agreement, and (b) that the amount of the Deposit is a reasonable estimate of what such losses will be. As such, as a material inducement to Seller to enter into and perform its obligations under this Agreement, the parties agree that if this Agreement is terminated prior to the Closing pursuant to subclause (d) of Section 10.1 solely by reason of the failure of the condition precedent set forth in Section 5.7 above, Seller shall be entitled to retain the Deposit (without interest thereon) as a termination fee and as Seller's sole and exclusive remedy for such termination under this Agreement, at law or in equity.

BUYER:/s/ SCT

SELLER:/s/ AJS

In the event this Agreement is terminated and Seller shall become entitled to retain the Deposit pursuant to this Section 10.2, Seller shall pay to Buyer, within five (5) Business Days of such termination, the Interest Factor on the Deposit as provided for in Section 2.1.1. Notwithstanding anything to the contrary contained in this Agreement, and for the avoidance of doubt, the parties acknowledge and agree that the condition precedent set forth in Section 5.6 may only be satisfied concurrently with the Closing and that, if the condition precedent set forth in Section 5.7 is not satisfied or waived, the condition precedent set forth in Section 5.6 shall be deemed to be waived by Buyer.

11. Indemnification.

11.1 Indemnification by Buyer and RDI.

11.1.1 Subject to the terms of this Article 11, Buyer shall indemnify and hold Seller, its Affiliates (including the other Selling Parties) and their respective employees, officers, directors, members, managers, shareholders, agents, contractors, attorneys and representatives (collectively, the "Seller Indemnified Parties") harmless from and against, and agrees to promptly defend any Seller Indemnified Party from and reimburse any Seller Indemnified Party for, any and all any and all liabilities, demands, claims, actions, causes of action, costs, damages, deficiencies, Taxes, penalties, fines and other losses and expenses, whether or not arising out of a claim made by any third party, including all interest, penalties, reasonable attorneys' fees and expenses, and all amounts paid or incurred in connection with any action, demand, proceeding, investigation or claim by any third party (including any Governmental Authority)

("Losses") which such Seller Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with any of the following:

(a) any untruth or inaccuracy in any representation or warranty of Buyer or the Buyer Subs contained in this Agreement or in any other Transaction Document; provided, however, that for purposes of determining an untruth or inaccuracy in any such representation or warranty for purposes of this Section 11.1.1(a), the representations and warranties of Buyer or the Buyer Subs that are limited or qualified by references to "material" or "materiality" or "Material Adverse Effect" or similar qualifications shall be construed as if they were not limited or qualified by such qualifications.

(b) any failure of Buyer or the Buyer Subs duly to perform or observe any term, provision, covenant, agreement or condition contained in this Agreement or the other Transaction Documents to be performed or observed by Buyer or the Buyer Subs; or

(c) any claim or cause of action by any party arising on or after the Closing Date against any Seller Indemnified Party (including, without limitation, any claim or cause of action arising from the failure to obtain any required consents or approvals, including, without limitation, consents or approvals from landlords, to the assignment of the Leases being assigned pursuant to this Agreement to Buyer or the Buyer Subs) with respect to the Purchased Assets, the obligations of Seller assumed by Buyer or the Buyer Subs under this Agreement (including the Assumed Liabilities) or any of the other Transaction Documents, or the operation of the Business or the Theaters by Buyer or any Buyer Sub on or after the Closing Date, including any default by Buyer or any Buyer Sub under any Lease included in the Purchased Assets arising on or after the Closing Date.

11.1.2 Subject to the terms of this Article 11, RDI shall indemnify and hold the Seller Indemnified Parties harmless from and against, and agrees to promptly defend any Seller Indemnified Party from and reimburse any Seller Indemnified Party for, any and all Losses which such Seller Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with any of the following:

(a) any untruth or inaccuracy in any representation or warranty of RDI or the RDI Subs contained in this Agreement or in any other Transaction Document; provided, however, that for purposes of determining an untruth or inaccuracy in any such representation or warranty for purposes of this Section 11.1.2(a), the representations and warranties of RDI or the RDI Subs that are limited or qualified by references to "material" or "materiality" or "Material Adverse Effect" or similar qualifications shall be construed as if they were not limited or qualified by such qualifications; or

(b) any failure of RDI or the RDI Subs duly to perform or observe any term, provision, covenant, agreement or condition contained in this

Agreement or the other Transaction Documents to be performed or observed by RDI or the RDI Subs; or

(c) any claim or cause of action by any party arising on or after the Closing Date against any Seller Indemnified Party (including, without limitation, any claim or cause of action arising from the failure to obtain any required consents or approvals, including, without limitation, consents or approvals from landlords to the assignment to the RDI Subs of the Leases for the Gaslamp 15 and Carmel Mountain Plaza (as each is defined on Exhibit A-1)) with respect to the Leases for the Gaslamp 15 and Carmel Mountain Plaza and any other Purchased Assets acquired hereunder by the RDI Subs, the obligations of Seller assumed by the RDI Subs under this Agreement (including the Assumed Liabilities) or any of the other Transaction Documents, or the operation of the Business or the Theaters by any RDI Sub on or after the Closing Date, including any default by any RDI Sub under the Leases for the Gaslamp 15 or Carmel Mountain Plaza arising on or after the Closing Date.

11.1.2 Indemnification by Seller. Subject to the terms of this Article 11, Seller shall indemnify and hold the Buyer, its Affiliates and their respective employees, officers, directors, members, managers, shareholders, agents, contractors, attorneys and representatives (collectively, the "Buyer Indemnified Parties") harmless from and against, and agrees to promptly defend any Buyer Indemnified Party from and reimburse any Buyer Indemnified Party for, any and all Losses which such Buyer Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with any of the following:

11.2.1 any untruth or inaccuracy in any representation or warranty of Seller or Kenmore Rohnert, LLC, a Delaware limited liability company ("Kenmore") contained in this Agreement or in any other Transaction Document; provided, however, that for purposes of determining an untruth or inaccuracy in any such representation or warranty for purposes of this Section 11.2.1, the representations and warranties of Seller or Kenmore that are limited or qualified by references to "material" or "materiality" or "Material Adverse Effect" or similar qualifications shall be construed as if they were not limited or qualified by such qualifications.

11.2.2 any failure of Selling Parties or Kenmore duly to perform or observe any term, provision, covenant, agreement or condition contained in this Agreement or the other Transaction Documents to be performed or observed by the Selling Parties or Kenmore;

11.2.3 except as otherwise provided by and subject to the terms of Sections 3.3 and 3.4 above, any claim or cause of action by any party arising on or after the Closing Date against any Buyer Indemnified Party with respect to the obligations of Seller retained by Seller or Kenmore under this Agreement or any of the other Transaction Documents, or the operation of the Business or the Theaters by Seller or Kenmore prior to the Closing Date, including any default by Seller under any Lease

included in the Purchased Assets arising prior to the Closing Date or any failure of Seller to satisfy any of its liabilities other than the Assumed Liabilities;

11.2.4 any claim or cause of action by any owner or licensor of any point of sale software included in the Purchased Assets (the “ POS Software”) to the extent such claim or cause of action arises from the assertion that Seller or its Affiliates does not have the right to assign or transfer the right to use such POS Software to Buyer;

11.2.5 any failure by Seller or its Affiliates to comply with all applicable laws relating to labor, employment, employment discrimination of all types, employment practices, pay practices, wages, hours, leave and work breaks, and terms and conditions of employment, including, without limitation, immigration and naturalization laws; or

11.2.6 any material adverse effect on Buyer’s use of or operations at the Leased Premises covered by the Lease for Pearlridge West 16, but only to the extent such material adverse effect (a) arises after the Closing, and (b) is caused solely by reason of the application of the terms of that certain Master Ground Lease Administration Agreement dated April, 2004 by and between the Trustees of the Estate of Bernice Pauahi Bishop and Watercress Associates, LP, LLLP; provided, however, that the foregoing indemnity shall not cover any Losses incurred by any Buyer Indemnified Party arising in connection with any of Buyer’s or any Buyer Indemnified Party’s financing of the transactions contemplated by this Agreement or otherwise (including, without limitation, any breach or default under the terms of any such financing caused by any such inconsistency), whether occurring before or after the Closing.

11.3 Notification and Defense of Claims.

11.3.1 A party entitled to be indemnified pursuant to Section 11.1 or 11.2 (the “ Indemnified Party”) shall promptly notify the party or parties liable for such indemnification (the “Indemnifying Party”) in writing of any claim, action, lawsuit, proceeding, investigation or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement; provided, however, that a failure to give prompt notice or to include any specified information in any notice will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party which was entitled to receive such notice was prejudiced as a result of such failure. Subject to the Indemnifying Party’s right to defend in good faith third party claims as hereinafter provided, the Indemnifying Party shall satisfy its obligations under this Section 11 within thirty (30) days after the receipt of written notice thereof from the Indemnified Party.

11.3.2 If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to Section 11.3.1, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party, the Indemnifying Party shall have the right to defend any such claim or demand asserted against the Indemnified Party. The Indemnified Party shall have the right to participate

in the defense of any such claim or demand at its own expense. Without limiting the generality of the foregoing, the Indemnified Party shall not be entitled to indemnification for any fees or costs of defending any such claim or demand unless and until the Indemnifying Party elects not to assume the defense of such claim or demand. The Indemnifying Party shall notify the Indemnified Party in writing, as promptly as possible (but in any case five (5) Business Days before the due date for the answer or response to a claim) after the date of the notice of claim given by the Indemnified Party to the Indemnifying Party under Section 11.3.1 of its election to defend any such third party claim or demand. So long as the Indemnifying Party is defending in good faith any such claim or demand asserted by a third party against the Indemnified Party, the Indemnified Party shall not settle or compromise such claim or demand without the prior written consent of the Indemnifying Party (which consent may be granted or withheld in the Indemnifying Party's sole and absolute discretion), and the Indemnified Party shall make available to the Indemnifying Party or its agents all records and other material in the Indemnified Party's possession reasonably required by it for its use in contesting any third party claim or demand. In the event the Indemnifying Party elects to defend such claim or action, the Indemnifying Party shall have the right to settle or compromise such claim or action without the consent of the Indemnified Party, provided that the terms of the settlement or compromise impose no additional obligations on the Indemnified Party with respect to the subject matter of the claim or demand for which the Indemnifying Party has not agreed to indemnify the Indemnified Party.

11.4 Survival of Representations and Warranties. The representations and warranties of the parties contained in this Agreement and the other Transaction Documents shall survive the Closing until March 31, 2009, except that the representations and warranties set forth in Sections 3.1.1, 3.1.2, 3.1.4, 3.1.5 (second, third, and penultimate sentences only), 3.1.11 and 3.1.15 shall survive until the applicable statute of limitations has run (the "Survival Period"). Notwithstanding any other provision to the contrary, no party shall be required to indemnify, defend or hold harmless any other party pursuant to Section 11.1.1(a), 11.1.2(a) or 11.2.1, unless the Indemnified Party has asserted a claim with respect to such matters within the Survival Period.

11.5 Characterization of Payments. Any payments made pursuant to this Article 11 shall be treated for all Tax purposes as adjustments to the Purchase Price and no party or any of its Affiliates shall take any position on a Tax return or in any proceeding with any taxing authority contrary to such treatment, unless otherwise required by law.

11.6 Limitations. Notwithstanding anything to the contrary contained in this Agreement or in any of the other Transaction Documents, the parties' respective indemnification obligations under this Agreement shall be subject to the limitations contained in this Section 11.6.

11.6.1 Buyer and RDI shall not be required to indemnify, defend or hold harmless any Seller Indemnified Party for any inaccuracy in or breach of a

representation or warranty pursuant to Sections 11.1.1(a) and 11.1.2(a), as applicable, and Seller shall not be required to indemnify, defend or hold harmless any Buyer Indemnified Party, for any inaccuracy in or breach of a representation or warranty pursuant to Section 11.2.1, unless the aggregate amount of all such Losses of the Seller Indemnified Parties or the Buyer Indemnified Parties, respectively, exceeds an aggregate amount equal to \$361,458 (the "Deductible"), after which event the Seller Indemnified Parties or the Buyer Indemnified Parties, as applicable, shall be entitled to recover for all Losses in excess of the Deductible, subject to the other terms of this Agreement; provided, however, that the limitations set forth in this Section 11.6.1 shall not apply to Losses resulting from or arising in connection with any breach of the representations and warranties of Seller under Sections 3.1.15 and 3.1.17 hereof.

11.6.2 Buyer and RDI shall not be required to indemnify, defend or hold harmless the Seller Indemnified Parties, and Seller shall not be required to indemnify, defend or hold harmless the Buyer Indemnified Parties, for Losses in excess of an aggregate amount equal to 100% of the Purchase Price; provided, however, that the foregoing limitation shall not apply to (a) the payment of the Purchase Price by Buyer to Seller, (b) any indemnification pursuant to any of Sections 11.1.1(c), 11.1.2(c) or 11.2.3, as applicable, or (c) any indemnification arising out of a breach by Seller of its representation and warranty in Sections 3.1.4 or 3.1.5 (second, third, and penultimate sentences only) above.

11.6.3 The parties agree, for themselves and on behalf of their respective Affiliates, successors and assigns, that with respect to each indemnification obligation under this Agreement or any of the other Transaction Documents, the amount of any Losses shall be reduced by the amount, if any, of any federal, state or local income Tax benefit realized or any insurance proceeds received.

11.6.4 The parties agree that, except as otherwise expressly provided elsewhere in this Agreement or in any other Transaction Document, the indemnification provisions of this Article 11 shall be the sole and exclusive remedy for any breach of or inaccuracy in any representation, warranty, covenant or agreement contained in this Agreement or in any of the other Transaction Documents; provided, that either party shall be entitled to seek specific performance of the other party's obligation to close the transaction contemplated by this Agreement.

11.6.5 No Indemnified Party shall seek or be entitled to, or accept payment of, any award or judgment for consequential, incidental, special, indirect or punitive damages or lost profits suffered by such Indemnified Party, whether based on statute, contract, tort or otherwise, and whether or not arising from the Indemnifying Party's sole, joint or concurrent negligence, strict liability or other fault.

11.6.6 Seller shall have no indemnification obligation hereunder to the extent any Losses arose out of or resulted from the inaccuracy of any representation or warranty of Seller, and Buyer or any Affiliate of Buyer had actual

knowledge of such inaccuracy prior to the execution and delivery of this Agreement by Buyer. For purposes of this Section, the term "actual knowledge" means the actual knowledge of any one or more of John Hunter, Andrzej Matyczynski, or S. Craig Tompkins. Additionally, Buyer shall be deemed to have "actual knowledge" of any fact which has been disclosed in writing by Seller, its Affiliates or their respective officers, employees, agents or representatives to any outside attorney or accountant of Buyer.

12. Certain Defined Terms. For purposes of this Agreement, the following terms have the meaning set forth below:

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests by contract or otherwise) of such Person; provided, however, in no event shall either of the Formans be deemed an Affiliate of Buyer.

"Benefit Plan" means (i) any "employee benefit plan," as defined in ERISA Section 3(3), (ii) any stock purchase, stock option, severance pay, employment, change-in-control, vacation pay, company awards, salary continuation, sick leave, excess benefit, bonus, incentive compensation, or life insurance plan, and (iii) any other plan, contract, program, policy, or other arrangement (written or oral), whether or not subject to ERISA, under which any present or former employee, director, or service provider of Seller and any trade of business that, together with Seller, would be regarded as a single employer under Code Section 414 (an "ERISA Affiliate") has any present or future right to benefits or to which Seller or an ERISA Affiliate of Seller has any obligation to contribute.

"Business Day" means Monday through Friday, excluding any day of the year on which banks are required or authorized to close in California.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1986.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor law.

"Environmental Laws" means all applicable laws, regulations and other requirements of any Governmental Authority relating to pollution, health or safety or to the protection of human health, safety or the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"GAAP" means United States generally accepted accounting principles, as in effect from time to time.

“Governmental Authority” means any U.S., federal, state or local government, governmental authority, regulatory or administrative agency or commission or any court, tribunal, or judicial or arbitral body (or any political subdivision thereof).

“Hazardous Materials” means any hazardous substance, hazardous waste, contaminant, pollutant or toxic substance (as such terms are defined in any applicable Environmental Law); provided that “Hazardous Materials” shall not include customary products used and/or stored by Seller in the ordinary course of the Business.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien (statutory or other) or charge of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature of a conditional sale or title retention agreement, and including any lien or charge outstanding by statute or other laws which secures the payment of a debt (including, without limitation, any Tax) or the performance of an obligation.

“Material Adverse Effect” means a material adverse effect on the value or the Purchased Assets, taken as a whole, provided, however that any such material adverse effect arising out of or resulting from an event or series of events or circumstances affecting (a) the motion picture industry generally or (b) any one or more markets in which any of the Theaters included in the Purchased Assets operate, shall not constitute a Material Adverse Effect, including, without limitation, the opening for business of any theater competitive to the Theaters.

“Permitted Liens” means the following Liens: (a) Liens for Taxes, assessments or other governmental charges or levies not yet due and payable; (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by Law and on a basis consistent with past practice for amounts not yet due; (c) Liens incurred or deposits made in the ordinary course of the Business and on a basis consistent with past practice in connection with worker’s compensation, unemployment insurance or other types of social security for amounts not yet due; and (d) Liens incurred in the ordinary course of the Business and on a basis consistent with past practice securing liabilities under the Assumed Contracts which are not individually or in the aggregate material.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, association, trust, any other unincorporated organization or Governmental Authority.

“Tax” or “Taxes” means all federal, state, local or foreign taxes, including, but not limited to, income, gross income, gross receipts, capital, production, excise, employment, sales, use, transfer, transfer gain, ad valorem, premium, profits, license, capital stock, franchise, severance, stamp, withholding, Social Security, employment, unemployment, disability, worker’s compensation, payroll, utility, windfall profits, customs duties, personal property, real property, environmental, registration, alternative or add-on minimum, estimated and other taxes, governmental fees or like charges of any

kind whatsoever, including any interest, penalties or additions thereto whether disputed or not.

“Territory” means (i) the State of Hawaii, (ii) San Diego County, California, (iii) all property which is located within a radius of ten (10) miles from 555 Rohnert Park Expressway, Rohnert Park, California, and (iv) all property which is located within a radius of ten (10) miles from 2000 Wible Road, Bakersfield, California.

“Theater Level Cash Flow” means, with respect to any movie theater (including any Theater) for any period, (i) the gross revenues from the operation of such Theater for such period, less (ii) the film costs and cost of concessions for such Theater for such period, less (iii) the operating expenses (including, without limitation, payroll, payroll benefits, repairs and maintenance, supplies, utilities, advertising, insurance, security services, taxes and licenses) of such Theater for such period, and less (iv) the occupancy expenses (including, without limitation, the base or minimum rent, percentage rent, additional rent and real estate taxes) of such Theater for such period, in each case calculated in accordance with GAAP, applied on a consistent basis (with the exception that rents will not be calculated on a straight line basis as would otherwise be required under FASB 13). For the avoidance of doubt, “operating expenses” shall exclude any general or administrative expenses not incurred at the Theater level, and any depreciation, amortization, interest or income tax costs.

“Transaction Documents” means this Agreement and all documents, agreements and instruments contemplated by and being delivered pursuant to or in connection with this Agreement.

13. Notices. In the event either party desires or is required to give notice to the other party in connection with this Agreement, the same shall be in writing and shall be delivered in person or by recognized overnight air courier service, or deposited with the United States Postal Service, postage prepaid, or certified mail, return receipt requested, addressed to Buyer or Seller at the appropriate address as set forth below:

If to either Seller: Pacific Theatres Exhibition Corp.
Consolidated Amusement Theatres, Inc.
120 N. Robertson Boulevard
Los Angeles, California 90048
Attention: Chief Operating Officer

With a copy to: Weissmann Wolff Bergman Coleman Grodin & Evall, LLP
9665 Wilshire Boulevard, Ninth Floor
Beverly Hills, California 90212
Attention: Mitchell Evall & Andrew Schmerzler

If to Buyer or RDI: Consolidated Amusement Theatres, Inc.
Reading International, Inc.

c/o Reading International, Inc.
500 Citadel Drive, Suite 300
Commerce, California 90040
Attention: Chief Operating Officer

With a copy to: Troy & Gould Professional Corporation
1801 Century Park East, Suite 1600
Los Angeles, California 90067
Attention: Dale E. Short, Esq.

Any such notice shall be deemed to have been given on the date so delivered, if delivered personally or by overnight air courier service, or, if mailed, on the date shown on the return receipt as the date of delivery or the date on which the Post Office certified that it was unable to deliver, whichever is applicable. Any party may, by written notice to the other party, specify a different address to which notices shall be given, by sending notice thereof in the manner set forth above. No copies of notices given to any party after the date which is one (1) year after the Closing Date also need be given to outside counsel for such party.

14. Miscellaneous.

14.1 Entire Agreement; Amendment. This Agreement (including all Exhibits and Schedules hereto), the other Transaction Documents, and the Confidentiality Agreement contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject hereof. No other prior or concurrent agreements not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the parties hereto. No officer or employee of any party shall have authority to make any representation or promise not contained in this Agreement and each of the parties hereto agrees that it is not executing this Agreement in reliance upon any such representation or promise. This Agreement may not be modified or changed except by written instruments signed by all of the parties hereto. Subject to the restrictions on assignment set forth herein this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

14.2 Assignment. Except as permitted by Section 1.5, Buyer may not assign or otherwise transfer all or any of its rights, obligations or interests under this Agreement without the prior written consent of Seller. Except as permitted by Section 1.6, neither Seller nor the Formans may assign or otherwise transfer all or any of their respective rights, obligations or interests under this Agreement without the prior written consent of Buyer. No assignment of this Agreement by any party shall be effective until an executed written assumption by such assignee of the assigning party's obligations under this Agreement is delivered to the other party and no such assignment shall relieve any party of its obligations under this Agreement.

14.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, regardless

of the laws that might otherwise govern under applicable principles of conflicts of law of such state; provided, however, that the provisions of Section 7.9 shall be governed by and construed and enforced as they pertain to any Theater and the Business related to such Theater in accordance with the laws of the state in which such Theater is located..

14.4 Drafting. This Agreement has been jointly negotiated and drafted, and shall be construed as a whole according to its fair meaning and not strictly for or against any party.

14.5 Further Assurances. Each of the parties hereto agrees that it will, forthwith upon any request by the other party, cooperate fully in the preparation, execution, acknowledgment, delivery and recording of any agreements, instruments, memoranda or documents reflecting or in furtherance of any of the transactions contemplated by this Agreement.

14.6 Intentionally omitted.

14.7 Confidentiality; Press Releases. Except and to the extent required by applicable law (including, without limitation, Buyer's obligation to file a report on Form 8-K with the Securities and Exchange Commission and issue a press release in connection with the execution and delivery of this Agreement) and the rules and regulations of the American Stock Exchange, and except as may be necessary to consummate the transactions contemplated hereby, until the Closing no party hereto shall disclose the existence of this Agreement, or any of the terms or provisions hereof, or make any press release or similar disclosure, without the prior written consent of the other party. To the extent reasonably feasible, the initial press release or other announcement or notice regarding the transactions contemplated by this Agreement shall be made jointly by the parties; provided, however, that nothing in this Agreement shall prohibit any party from making press release required by applicable law. Upon the Closing, the confidentiality and non-disclosure obligations of the parties hereunder and under the Confidentiality Agreement shall terminate, except to the extent that such obligations relate to documentation or information relating to any motion picture theaters other than the Theaters (including Seller's Los Angeles theaters), which obligations shall survive until the expiration of the Confidentiality Agreement in accordance with its terms. Notwithstanding the foregoing, following the Closing, without the prior written consent of Buyer, neither Seller nor any of its Affiliates shall, directly or indirectly, disclose to any Person any non-public information regarding the Purchased Assets or the Business, except that Seller and its Affiliates may disclose such information (a) in connection with matters related to the sale of the Purchased Assets or the other transactions contemplated by the Transaction Documents; (b) in connection with the preparation of reports and documents to be filed by Seller or any of its Affiliates with any Governmental Authority; (c) to Seller's officers, directors, employees, agents, representatives, attorneys and accountants provided that Seller shall be responsible for any non-permitted disclosure of such information by any such Persons; (d) if required to do so by a Governmental Authority of competent jurisdiction, and (e) if such information do so by a Governmental Authority of competent jurisdiction, and (e) if such information

is in the public domain or is previously published or disseminated by a third party other than pursuant to the provisions of a confidentiality agreement entered with Buyer.

14.8 Waiver. No action taken pursuant to this Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

14.9 Third Parties. Except as otherwise expressly provided for or contemplated by this Agreement, nothing in this Agreement, express or implied, shall or is intended to confer upon any Person other than the parties hereto, or their respective successors or assigns, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

14.10 Section Headings. Section headings are provided herein for convenience only and shall not serve as a basis for interpretation or construction of this Agreement, nor as evidence of the intention of the parties hereto.

14.11 Severability. If any provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court to be void or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstances or the validity or enforceability of this Agreement as a whole.

14.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

14.13 Reference. Except as otherwise expressly provided in this Agreement, any dispute of any nature or character whatsoever between the parties and arising under or with respect to this Agreement or any of the other Transaction Documents, or the subject matter hereof or thereof, shall be resolved by a proceeding in accordance with the provisions of California Code of Civil Procedure Section 638 et seq., for a determination to be made which shall be binding upon the parties as if tried before a court or jury. The parties agree specifically as to the following:

14.13.1 Within five (5) Business Days after service of a demand by a party hereto, the parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and then report a finding or judgment thereon. If the parties are unable to agree upon a referee either party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640, by the presiding judge of the Los Angeles County Superior Court;

14.13.2 The compensation of the referee shall be such charge as is customarily charged by the referee for like services. The cost of such proceedings shall initially be borne equally by the parties. However, the prevailing party

in such proceedings shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference as an item of damages and/or recoverable costs;

14.13.3 If a reporter is requested by either party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be borne by the party requesting such reporter. Such fees shall be an item of recoverable costs. Only a party shall be authorized to request a reporter;

14.13.4 The referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee;

14.13.5 The referee's decision under California Code of Civil Procedure Section 644, shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California; and

14.13.6 The parties agree that they shall in good faith endeavor to cause any such dispute to be decided within four (4) months. The date of hearing for any proceeding shall be determined by agreement of the parties and the referee, or if the parties cannot agree, then by the referee. The referee shall have the power to award damages and all other relief.

14.14 Interpretative Matters. Unless the context otherwise requires, (a) all references to Articles, Sections or Schedules are to Articles, Sections or Schedules in this Agreement, (b) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, (c) words in the singular or plural include the singular and plural, and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter and (d) whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

14.15 No Personal Liability. Except with respect to the covenants of the Formans under Section 7.9 above, under no circumstances shall any personal liability or obligation under this Agreement or under any of the other Transaction Documents be imposed or assessed against any shareholder, member, manager, officer, director, employee or agent of any party to this Agreement or of any of such party's Affiliates, and no party (nor any party claiming through such party) shall commence any proceedings or otherwise seek to impose any liability whatsoever against any such shareholders, member, manager, officer, director, employee or agents.

14.16 Guaranty. Concurrently herewith, RDI has executed and delivered to Seller a Guaranty in substantially the form of Exhibit J attached hereto.

[Signatures contained on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

PACIFIC THEATRES EXHIBITION CORP.,
a California corporation

By: /s/ James D. Vandever
Its: Vice President

CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation

By: /s/ James D. Vandever
Its: Vice President

THEATRES, INC., a Nevada corporation

CONSOLIDATED AMUSEMENT

By: /s/ John Hunter

Its: Vice President

AS TO SECTION 7.9 AND ARTICLES 12 THROUGH 14 ONLY:

/s/ Michael R. Forman
MICHAEL FORMAN

/s/ Christopher S. Forman
CHRISTOPHER FORMAN

AS TO SECTIONS 1.5, 2.4, 4.2, 5.6 AND 14.16 AND ARTICLES 11 THROUGH 14 ONLY:

READING INTERNATIONAL, INC.
a Nevada corporation

By: /s/ John Hunter

Its: Vice President

LIST OF EXHIBITS

Exhibit A-1	The Leases
Exhibit A-2	The Subleases
Exhibit B	Included Contracts
Exhibit C-1	Form of Five Year Note
Exhibit C-2	Form of Two Year Note
Exhibit D	Intentionally omitted
Exhibit E	Exception Area
Exhibit F	Form of Assignment and Assumption of Leases and Subleases
Exhibit G	Form of Assignment and Assumption of Contracts
Exhibit H	Form of Consolidated IP Assignment
Exhibit I	Form of Bill of Sale
Exhibit J	Guaranty of Reading International, Inc.

LIST OF SCHEDULES

Schedule 1.2.4	FF&E Inventories
Schedule 2.7	Allocation of Purchase Price
Schedule 3.1.3	Required Consents
Schedule 3.1.5	The Leases and The Subleases
Schedule 3.1.6	Improvements
Schedule 3.1.7	Material Contracts
Schedule 3.1.8	Compliance with Laws
Schedule 3.1.9	Litigation
Schedule 3.1.10	Employee Matters
Schedule 3.1.12	Theater P&Ls
Schedule 3.1.13	Affiliate Transactions
Schedule 4.1.4	Manville Lease Summary and Manville P&Ls
Schedule 7.3.2	Description and Scope of Repair Work

REAL PROPERTY PURCHASE AND SALE AGREEMENT

THIS REAL PROPERTY PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of October 8, 2007 (the "Effective Date") by and between CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation ("Seller"), and CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation ("Buyer"), with reference to the following facts:

A. Seller is the tenant, among other tenancies, under the leases described on Exhibit A attached hereto (the "Leases"), which Leases relate to those certain premises located in the State of Hawaii as more particularly described in the Leases (the "Leased Premises").

B. Subject to the terms and conditions of this Agreement, Seller desires to sell, transfer, convey and assign to Buyer, and Buyer desires to purchase, accept and assume from Seller, all of the right, title and interest of Seller in the "Property" (as defined in Section 1.1 below).

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants, agreements, representations and warranties herein contained, Seller and Buyer hereby agree as follows:

1. Purchase and Sale of Property; Assumption of Liabilities.

1.1 Purchase of Property. Upon the terms and subject to the conditions hereinafter set forth, at the "Closing" (as defined in Section 8.1 hereof), Seller shall sell, transfer, convey and assign to Buyer, and Buyer shall purchase from Seller, and assume certain liabilities with respect to, all right, title and interest of Seller in, to and under (a) the Leases and (b) all buildings, improvements and fixtures located on or comprising a part of the Leased Premises (collectively, the "Property").

1.2 Assumed Liabilities. Effective as of the Closing Date, Buyer shall assume any and all liabilities and obligations of Seller under the Leases which accrue on or after the Closing Date (the "Assumed Liabilities"). Except for the Assumed Liabilities and except as otherwise specifically set forth in any of the other "Transaction Documents" (as such term is defined in Article 11), Buyer is not assuming any other liabilities or obligations of Seller. The obligations and covenants of Buyer set forth in this Section 1.2 and elsewhere in this Agreement shall survive the Closing indefinitely.

1.3 Assignment by Buyer. Subject to the terms of Section 7.1.1 below, Buyer shall have the right to assign its right to take title at Closing to some or all of the Property to one or more wholly-owned direct or indirect subsidiaries of Buyer (the "Buyer Subs"); provided, however, that no such assignment shall relieve Buyer of its obligations under this Agreement (including, without limitation, Section 1.2 and Article 10 hereof) or any of the other Transaction Documents. Buyer shall provide Seller with

written notice of such election, the identities of the Buyer Subs, and which of the Property is to be acquired by the Buyer Subs at least ten (10) days prior to the "Closing Date" (as such term is defined in Section 8.1 below).

1 . 4 Exchange. Seller intends to transfer its obligations to sell the Property to a "qualified intermediary," as defined in Treasury Regulation Sec. 1.1031(k)-1(g)(4)(iii), for the purpose of effecting an exchange qualifying under Sec. 1031 of the Code. Buyer agrees to such assignments, if made, and further agrees that it will execute promptly acknowledgements of its receipts of notices of such assignments delivered to Buyer by Seller. Buyer and Seller agree that any such assignment shall not affect the representations, warranties and other obligations of the parties under this Agreement or Buyer's title to the Property, except that the Purchase Price, adjusted as provided herein, shall be paid to the assignee or assignees identified in such notice or notices. Buyer further agrees to cooperate with Seller and to execute such other documents reasonably requested by Seller to effect such exchanges, so long as Buyer incurs no cost, expense or liability (other than its own attorneys' fees and costs incurred in reviewing, negotiating and executing such documents) as a result of such cooperation. It is understood that, subject to the performance of Buyer's obligations under this Agreement, Buyer shall have no responsibility for the proposed exchanges, and makes no representations or warranties as to whether any transaction effectuated by Seller, in fact, will accomplish Seller's tax objectives.

2. Purchase Price.

2.1 Purchase Price. The purchase price for the Property shall be Twenty-Nine Million Five Hundred Thousand Dollars (\$29,500,000), which shall be subject to adjustment and reimbursement as hereinafter provided (the "Purchase Price"). Buyer shall pay the Purchase Price to Seller in full at the Closing by wire transfer of immediately available funds to an account or accounts designated by Seller not less than two (2) "Business Days" (as such term is defined in Article 11) prior to the Closing Date.

2.2 Adjustments to Purchase Price. The Purchase Price shall be subject to adjustment at the Closing as follows:

2.2.1 Prepaid Expenses, Prorations and Deposits. The Purchase Price shall be increased or decreased as required to effectuate the proration of expenses and receipts (other than those adjusted pursuant to Section 2.2.2), including any prepaid expenses and receipts, if any, under the Leases or other obligations to be borne pursuant to this Agreement by Seller prior to the Closing Date and by Buyer on or after the Closing Date. Without limiting the generality of the foregoing, all expenses arising under the Leases, including, without limitation, rent (other than "Percentage Rent" (as defined in Section 2.2.2 below)), utility charges, insurance charges, common area operating expenses, real, excise and personal property Taxes and assessments levied against the Leased Premises, promotional fund expenses, use Taxes, deposits under the Leases, and similar prepaid and deferred items, in each case to the extent relating to the Leases, shall be prorated between Buyer and Seller in accordance with the principle that Seller shall be

responsible for all expenses, costs, and liabilities, and shall be entitled to all receipts, allocable to the period ending prior to the Closing Date, and Buyer shall be responsible for all expenses, costs, liabilities and obligations, and shall be entitled to all receipts, allocable to the period on or after the Closing Date.

2.2.2 Percentage Rent. With respect to any percentage rent or any other rent based on the income (gross or otherwise) (“ Gross Income”) of the tenant (collectively, “Percentage Rent”) payable under any Lease for the applicable lease years or other periods specified thereunder (each, a “ Lease Year”) during which the Closing occurs, the Percentage Rent (taking into account any applicable credits or adjustments) shall be prorated between Buyer and Seller (where Seller is responsible for the period ending immediately prior to the Closing Date and Buyer is responsible for the period on and after the Closing Date) such that each party shall pay when due that percent of the total Percentage Rent payable which equals such party's respective Gross Income under such Lease divided by the total Gross Income under such Lease for such Lease Year. Seller shall pay to Buyer, or Buyer shall pay to Seller, as the case may be, its pro rata share due in respect of such estimated Percentage Rent within thirty (30) days after receipt by the paying party of the appropriate statements evidencing the amount thereof. Any dispute arising under this Section 2.2.2 shall be resolved in accordance with the procedures set forth in Section 2.2.3.3 and 2.2.3.4.

2.2.3 Manner of Determining Adjustments. The Purchase Price, taking into account the adjustments and prorations pursuant to this Section, will be determined finally in accordance with the following procedures:

2.2.3.1 Seller shall prepare and deliver to Buyer not later than five (5) Business Days before the Closing Date an itemized preliminary settlement statement (the “Preliminary Settlement Statement”) which shall set forth Seller's good faith estimate of the adjustments to the Purchase Price in accordance with Section 2.2.1 hereof.

2.2.3.2 If Seller and Buyer have not agreed upon a final settlement statement on or before the Closing Date, then Seller and Buyer shall cooperate in good faith to finalize such settlement statement as soon as practicable after the Closing; provided, however, the parties shall use such Seller's good faith estimated adjustments to the Purchase Price as set forth in the Preliminary Settlement Statement delivered pursuant to Section 2.2.3.1 above for purposes of determining the amount of any estimated adjustment to the Purchase Price paid by Buyer to Seller at Closing. If Seller and Buyer have not agreed upon a final settlement statement on or before the Closing Date, not later than sixty (60) days after the Closing Date, Buyer shall deliver to Seller a statement (the “Buyer Adjustment Statement”) setting forth, in reasonable detail, its determination of the adjustments to the Purchase Price and the calculation thereof and reminding Seller of the thirty (30) day response period set forth in Section 2.2.3.3. If Buyer fails to deliver the Buyer Adjustment Statement to Seller within the sixty (60) day period specified in the preceding sentence, Seller's determination of the adjustments to

the Purchase Price as set forth in the Preliminary Settlement Statement shall be conclusive and binding on the parties as of the last day of the sixty (60) day period.

2.2.3.3 If Seller disputes Buyer's determination of the adjustments to the Purchase Price, it shall deliver to Buyer a statement notifying Buyer of such dispute within thirty (30) days after its receipt of the Buyer Adjustment Statement. If Seller notifies Buyer of its acceptance of the Buyer Adjustment Statement, or if Seller fails to deliver its statement within the thirty (30) day period specified in the preceding sentence, Buyer's determination of the adjustments to the Purchase Price as set forth in the Buyer Adjustment Statement shall be conclusive and binding on the parties as of the date of notification of such acceptance or the last day of the thirty (30) day period, and the appropriate party shall promptly pay to the other party in immediately available funds the amount of any such adjustment.

2.2.3.4 Seller and Buyer shall use good faith efforts to resolve any dispute involving the determination of any adjustments to the Purchase Price, and each party shall afford the other party and its representatives reasonable access to all appropriate books, records and statements relating to the subject matter of the adjustments to the Purchase Price contemplated by this Section 2.2 for such purpose. If the parties are unable to resolve the dispute within sixty (60) days after Buyer delivers the Buyer Adjustment Statement to Seller, Seller and Buyer jointly shall designate an independent accounting firm that has, or a movie theater executive who has, consistent and recent experience in real property matters similar to those involving the Property (the "Designated Arbitrator") to resolve the dispute. If, for any reason, the parties are unable to agree upon the Designated Arbitrator within seventy-five (75) days after Buyer delivers the Buyer Adjustment Statement to Seller, or the Designated Arbitrator fails or refuses to accept such engagement within fifteen (15) days after the parties' written request therefor, Seller and Buyer shall jointly designate the Los Angeles office of PriceWaterhouseCoopers (the "Replacement Arbitrator") to resolve the dispute. If the Replacement Arbitrator fails or refuses to accept such engagement, in either case within fifteen (15) days after the parties' written request therefor, either Seller or Buyer may thereafter petition the Superior Court of Los Angeles County, California for the appointment of an independent accounting firm to act as the Replacement Arbitrator and resolve the dispute. Absent fraud or manifest error, (a) the Designated Arbitrator's or Replacement Arbitrator's, as applicable, resolution of the dispute shall be final and binding on the parties, (b) subject to Section 2.3, the appropriate party shall promptly pay to the other party in immediately available funds the amount of any such adjustment, and (c) a judgment may be entered in any court of competent jurisdiction if such amount is not so paid. Any fees and costs of the Designated Arbitrator or Replacement Arbitrator shall be split equally between the parties.

2.3 Payment of Adjustments to and Reimbursements of the Purchase Price. If, pursuant to Section 2.2, it is determined after the Closing Date that Buyer shall be obligated to pay any amounts to Seller, then Buyer shall make such payments in full to Seller within ten (10) days after such amount is finally determined to be due. Conversely, if, pursuant to Section 2.2, it is determined after the Closing Date that Seller

shall be obligated to pay any amounts to Buyer, then Seller shall make such payments in full to Buyer within ten (10) days after such amount is finally determined to be due.

2 . 4 Late Interest. If any amount payable pursuant to the provisions of this Article 2 is not paid within ten (10) days after such amount is finally determined to be due, such amount shall thereafter accrue interest until paid in full at an annual rate equal to the lesser of the "prime" interest rate as announced by *The Wall Street Journal* from time to time during such period plus 2%, or the maximum interest rate permitted by applicable law.

2 . 5 Allocation of Purchase Price. The Purchase Price shall be allocated among the Property as follows: (a) Eleven Million Five Hundred Thousand Dollars (\$11,500,000) of the Purchase Price shall be allocated to the Lease for "Mililani" (as such term is defined in Exhibit A-1 attached hereto), and (b) Eighteen Million Dollars (\$18,000,000) of the Purchase Price shall be allocated to the Lease for "Ward" (as such term is defined in Exhibit A-1 attached hereto). To the extent that the Purchase Price is increased or decreased pursuant to Section 2.2 above, the amounts allocated to the Leases for "Mililani" and "Ward" shall increased or decreased proportionately based on the amount of the total Purchase Price allocated to such portion of the Property. Buyer and Seller shall (a) be bound by the Allocation for all Tax purposes; (b) prepare and file all Tax returns (including IRS Form 8594 and any required exhibits thereto, and any amendments thereto) in a manner consistent with the Allocation; and (c) take no position inconsistent with the Allocation in any Tax return or in any proceeding before any taxing authority. In the event that the Allocation is disputed by any taxing authority, the party receiving notice of such dispute shall promptly notify and consult with the other parties and keep the other parties apprised of material developments concerning resolution of such dispute.

2.6 Survival. The parties' respective obligations under this Article 2 shall survive the Closing.

3. Representations and Warranties of Seller.

3.1 Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer as follows:

3.1.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Hawaii. Seller has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

3 . 1 . 2 Authority. Subject to the terms of any consent provisions of the Leases, Seller has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement have been duly authorized by all necessary action on the part of Seller in accordance with

its Articles of Incorporation and Bylaws and applicable law. This Agreement constitutes, and each other document, instrument and agreement to be entered into by Seller pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against Seller in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

3.1.3 Consents. The execution, delivery and performance by Seller of this Agreement, and all other agreements, instruments or documents referred to herein or contemplated hereby, do not require the consent, waiver, approval, license or authorization of any Person (other than the landlords under the Leases) or public authority which has not been obtained or provided for in this Agreement and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both), the Articles of Incorporation or Bylaws of Seller, any other contract or agreement to which such entity is a party or by which such entity is bound or any judgment, injunction, order, law, rule or regulation applicable to such entity. Seller is not a party to, or subject to or bound by, any judgment, injunction or decree of any court or governmental authority which may restrict or interfere with the performance of this Agreement, or such other agreements, instruments and documents.

3.1.4 The Leases. Exhibit A sets forth a true, complete and accurate list of both of the Leases (including all amendments, extensions, renewals, ground or master lessor consents, and existing non-disturbance and attornment agreements with respect thereto). Subject to the terms of the Leases, Seller has, and on the Closing Date will have, valid leasehold interests in the Leases free and clear of any "Liens" (as defined in Article 11) other than (a) "Permitted Liens" (as defined in Article 11), (b) so-called "non-monetary" Liens, including, without limitation, any ground or underlying leases, easements, parking agreements, reciprocal easement agreements, conditions, covenants and restrictions, restrictive covenants, development or similar agreements, zoning limitations and other restrictions imposed by any "Governmental Authority" (as defined in Article 11), or any other matter which a survey of the Leased Premises or a review of the public records regarding the Leased Property would show, whether created by or in the name of Seller or any other party, or (c) any other Liens, whether "monetary" or "non-monetary" Liens, created by or in the name of any Person other than Seller or any "Affiliate" (as defined in Article 11) of Seller, including, without limitation, by any fee owner or ground lessor under the Leases. True, complete and accurate copies of the Leases, as well as any and all existing guaranties of Seller or its Affiliates with respect thereto, have been delivered or otherwise made available to Buyer through Seller's data site operated by Merrill Corporation (the "Data Site"), and such Leases set forth the entire agreement and understanding between the parties thereto with respect to the leasing and occupancy of the Leased Premises. Each such Lease is in full force and effect against Seller and is valid and binding against Seller and, to Seller's Knowledge, the applicable landlord thereunder. Except as set forth on Schedule 3.1.4, neither Seller nor, to Seller's Knowledge, any landlord under the Leases is in default under the Leases, nor has any event occurred or failed to occur or any action been taken or not taken which, with the giving of notice, the passage of time or both would mature into or otherwise become a default under the Leases by Seller or, to Seller's Knowledge,

the applicable landlord thereunder. No landlord under any Lease is an "Affiliate" (as such term is defined in Article 11) of Seller. Seller has not subleased, licensed or otherwise granted any "Person" (as such term is defined in Article 11) the right to use or occupy the Leased Premises or any portion thereof and the Seller is in exclusive possession of the Leased Premises. To Seller's Knowledge, there is no pending or threatened condemnation of any part of any Leased Premises by any Governmental Authority.

3.1.5 Improvements. Since January 1, 2005, with respect to the Property, Seller has not received any written notice of, and otherwise has no Knowledge of, any violation of any applicable federal, state or local laws (other than any applicable "Environmental Laws" (as defined in Article 11) or the "ADA" (as defined below)), building ordinances, or health and safety ordinances, which has not been cured in all material respects. Since January 1, 2005, with respect to the Property, Seller has not received any written notice from any Governmental Authority, or to the actual knowledge of Ira Levin and Jay Swerdlow (who, for this purpose only, shall be deemed to actually know of all information in their respective business and personal files maintained with respect to the Property), any other Person, of any violation of any applicable Environmental Laws or the Americans with Disabilities Act, 42 U.S.C. 12101 et seq. (the "ADA"). Except as expressly set forth in the immediately preceding sentence, no representation or warranty is made that any Leased Premises or any improvements made by or constructed for Seller or any third party is in compliance with Environmental Laws or the ADA. Except as set forth in Schedule 3.1.5, to Seller's Knowledge, since January 1, 2005, no improvements on the Leased Premises have suffered any material casualty or other material damage that has not been repaired in all material respects.

3.1.6 Compliance with Law. Except as set forth in Schedule 3.1.6, since January 1, 2005, to Seller's Knowledge, the operation of the business conducted at the Leased Premises has been conducted in accordance with all applicable laws, rules, codes, injunctions, decrees, rulings, regulations, orders and other legal requirements of all Governmental Authorities, the failure to comply with which could have a Material Adverse Effect. Except as set forth in Schedule 3.1.6, since January 1, 2005, Seller has not received written notice of any material violation of any such law, regulation, order or other legal requirement. Seller is not in default with respect to any order, writ, judgment, award, injunction or decree of any Governmental Authority applicable to such business or any part of the Property which has not been cured in all material respects, nor has any event occurred or failed to occur or any action been taken or not taken which, with the giving of notice, the passage of time or both would mature into or otherwise become such a default. Except as set forth in Schedule 3.1.6, to Seller's Knowledge, Seller is not under investigation with respect to any purported violation of (a) any law, regulation, order or other legal requirement, or (b) any order, writ, judgment, award, injunction or decree of any Governmental Authority applicable to such business or any part of the Property. No representation or warranty is hereby made by virtue of this Section 3.1.6 in respect of any matters covered by Section 3.1.5.

3.1.7 Litigation. Except as set forth in Schedule 3.1.7, to Seller's Knowledge, there are no actions, suits, claims, proceedings, hearings, disputes or

investigations currently pending or threatened in writing at any time after January 1, 2005, before any Governmental Authority or that would come before any arbitrator, brought by or against Seller involving, affecting or relating to the Property, including, without limitation, any labor, employment or Tax-related actions, suits, claims, proceedings, hearings, disputes or investigations. Seller is not subject to any order, writ, assessments, judgment, award, injunction or decree of any Governmental Authority relating to the Property. No representation or warranty is hereby made by virtue of this Section 3.1.7 in respect of any matters covered by the second sentence of Section 3.1.5.

3.1.8 Certain Tax Matters. Seller is not a "foreign person" within the meaning of Code Section 1445(f) or a "foreign partner" within the meaning of Code Section 1446. No part of the Property is "tax-exempt use property" within the meaning of Code Section 168(h).

3.1.9 Affiliate Transactions. Except as set forth on Schedule 3.1.9 attached hereto, (a) Seller is not a party to any contract or arrangement with, or indebted, either directly or indirectly, to any of its Affiliates in connection with any part of the Property, and (b) none of Seller's Affiliates own any asset, tangible or intangible, which is used in and material to the operation of any part of the Property.

3.1.10 Brokerage. Except with respect to the engagement of Lazard Freres & Co. LLC, Seller has not employed any broker, finder or agent or has incurred or will incur any obligation or liability to any broker, finder or agent with respect to the transactions contemplated by this Agreement, and all fees and expenses payable in connection with the engagement of Lazard Freres & Co. LLC will be paid by Seller.

3.2 Knowledge.

Where any representation or warranty contained in this Agreement is expressly qualified by reference "to Seller's Knowledge," "to the Knowledge of Seller," or any similar language, it refers to the actual knowledge of Neil Haltrecht (Executive Vice President of Seller), Nora Dashwood (Executive Vice President and Chief Operating Officer of Seller), Jay Swerdlow (Executive Vice President of Seller), Ira Levin (Executive Vice President and General Counsel of Seller), Joe Miraglia (Director of Staff Operations of Seller), and Terri Shimohara (Vice President, Human Resources of Seller), in each case after due inquiry.

3.3 "As Is" Purchase. BUYER ACKNOWLEDGES THAT AS A MATERIAL CONDITION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, BUYER IS ACQUIRING THE PROPERTY ON AN "AS IS, WHERE IS" BASIS EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THERE ARE NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, REPRESENTATIONS AS TO THE PHYSICAL OR OTHER CONDITION OF THE LEASES, THE LEASED PREMISES, OR ANY OTHER PORTION OF THE PROPERTY, OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH

RESPECT TO THE LEASES, THE LEASED PREMISES OR ANY OTHER PORTION OF THE PROPERTY. BUYER HAS MADE AND AGREES TO MAKE A THOROUGH AND CAREFUL EXAMINATION OF THE LEASES, THE LEASED PREMISES AND ALL OTHER PORTIONS OF THE PROPERTY AND WILL ASSURE ITSELF THAT THE LEASES, THE LEASED PREMISES AND ALL OTHER PORTIONS OF THE PROPERTY ARE SUITABLE FOR BUYER'S INTENDED PURPOSE. IF THE CLOSING OCCURS, AND SUBJECT TO THE SPECIFIC AND EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN, (A) BUYER SHALL BE DEEMED TO HAVE ACCEPTED THE LEASES, THE LEASED PREMISES AND ALL OTHER PORTIONS OF THE PROPERTY WITH AND SUBJECT TO ALL DEFECTS AND DEFICIENCIES, AND (B) BUYER EXPRESSLY ASSUMES THE RISK THAT SUBSEQUENT EVENTS OR UNDISCOVERED OR UNKNOWN CONDITIONS COULD MAKE ALL OR PART OF THE LEASES, THE LEASED PREMISES OR ANY OTHER PORTION OF THE PROPERTY UNSUITABLE FOR BUYER'S INTENDED PURPOSES.

3.4 Release. As a material inducement to Seller to enter into and perform its obligations under this Agreement, Buyer, on behalf of itself and all of its successors, assigns, Affiliates and representatives, hereby releases and discharges Seller, its Affiliates, and their respective officers, directors, shareholders, partners, members, managers, employees, agents, attorneys and representatives, and successors and assigns, from any and all claims, demands, liabilities, obligations, expenses (including attorneys' fees), causes of action, suits and rights, whether now known or unknown, suspected or unsuspected, which exist, existed or may exist or have existed at any time now or in the future and arising out of or relating to the physical condition of the Property, including, without limitation, in connection with any compliance or non-compliance by Seller or any other party with the ADA or any similar state or local law, or arising from the presence of any Hazardous Materials or the Property's or any party's compliance with any Environmental Laws; provided, however, that the foregoing release shall not apply to any claim to the extent arising from (a) the breach of any express covenant, representation or warranty by Seller under this Agreement, or (b) fraud committed by Seller or any Affiliate of Seller. The foregoing release extends to, and Buyer hereby waives and relinquishes, all of its rights under Section 1542 of the California Civil Code and any similar law or rule of any other jurisdiction. California Civil Code Section 1542 provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

3.5 Updating of Schedules. Seller shall, from time to time, prior to the Closing, update the Schedules to this Agreement, or create any new schedules revising its representations and warranties, if after the Effective Date Seller learns of new exceptions to the representations and warranties set forth in this Agreement (together, the "Updated Schedules"), and promptly deliver such Updated Schedules to Buyer. If any Updated Schedule reflects or describes a Material Adverse Effect from the conditions previously

described in the representations and warranties, then Buyer may, at its option, upon written notice thereof to Seller, within ten (10) Business Days of Buyer's receipt of an Updated Schedule, terminate this Agreement upon notice to the other party. If Seller's representations and warranties were true and correct when made, then Buyer's sole remedy in the event of the receipt of an Updated Schedule shall be to terminate this Agreement in accordance with the foregoing sentence (or to proceed with the Closing). If the then scheduled Closing Date would occur prior to the end of the ten (10) Business Days period set forth in this Section 3.5, the delivery of any Updated Schedule shall postpone the Closing Date to the date which is ten (10) Business Days after Buyer's receipt of such Updated Schedule.

4. Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller as follows:

4 . 1 Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Buyer has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

4 . 2 Authority. Buyer has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement has been duly authorized by all necessary action on the part of Buyer in accordance with its governing documents and applicable law, and this Agreement constitutes, and each other document, instrument and agreement to be entered into by Buyer pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against Buyer in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

4.3 Consents. The execution, delivery and performance by Buyer of this Agreement, and all other agreements, instruments and documents referred to or contemplated herein or therein do not require the consent, waiver, approval, license or authorization of any Person (other than the landlords under the Leases and any lenders having Liens on the Leased Premises) or public authority which has not been obtained and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both) the governing documents of Buyer or any judgment, injunction, order, law, rule or regulation applicable to Buyer. Buyer is not a party to, or subject to or bound by, any judgment, injunction or decree of any court or Governmental Authority or any lease, agreement, instrument or document which may restrict or interfere with the performance by Buyer of this Agreement, or such other leases, agreements, instruments and documents.

4 . 4 Financial Condition. Buyer is a newly formed entity, created for the purpose of effectuating the transactions contemplated by this Agreement. On the Closing Date and after giving effect to the transactions contemplated by this Agreement, (a) Buyer will have shareholders' equity (determined in accordance with GAAP) of not

less than Twenty Million Dollars (\$20,000,000), (b) the assets of Buyer shall include all right, title and interest of the tenant under the lease for "RDI's" (as defined in Section 13.16 below) movie theater in Manville, New Jersey (the "Manville Theater"), and (c) Buyer will not have indebtedness for borrowed money in excess of the aggregate amount of Fifty-Five Million Dollars (\$55,000,000). Attached hereto as Schedule 4.4 are (i) a true and complete summary of the material terms of the Lease for the Manville Theater, and (ii) Theater Level Cash Flow Reports for the Manville Theater for RDI's fiscal year ended December 31, 2006 and for the eight-month period ended August 31, 2007 (collectively, the "Manville P&Ls"). The Manville P&Ls present fairly in all material respects the results of operations for the Manville Theater, along with circuit revenue and expenses allocated to such theater based on attendance, for the periods referred to therein. RDI maintains its books and records in accordance with GAAP applied on a consistent basis, and the Manville P&Ls were prepared from and are consistent with such books and records, except that the Manville P&Ls exclude certain financial statements and lack the footnote disclosures that are required for GAAP.

4 . 5 Brokerage. Except in connection with the "Financing" (as defined in Section 7.4.2), Buyer has not employed any broker, finder or agent or has incurred or will incur any obligation or liability to any broker, finder or agent with respect to the transactions contemplated by this Agreement. Any such obligation or liability in connection with the Financing shall be borne solely by Buyer or RDI.

5 . Conditions Precedent to Buyer's Obligations. Buyer's obligations under this Agreement are subject to the fulfillment of each of the conditions set forth in this Article 5 at or before the Closing, subject, however, to the right of Buyer to waive any one or more of such conditions in whole or in part (provided that no such waiver shall be implied or binding upon Buyer unless given in writing).

5.1 Performance by Seller. Seller shall have timely performed and complied with in all material respects all agreements and conditions required by this Agreement to be performed and complied with by Seller on or prior to the Closing Date, including, without limitation, delivery to Buyer of the "Seller Deliveries" (as defined in Section 8.3 below) in accordance with Section 8.3 below.

5.2 Accuracy of Representation and Warranties. The representations and warranties herein of Seller shall be true and correct in all material respects as of the Closing Date (except to the extent any such representation or warranty is qualified by materiality, in which case such representation or warranty shall be true in all respects).

5.3 No Injunctions. No order shall have been entered in any action or proceeding before any Governmental Authority, and no preliminary or permanent injunction by any court of competent jurisdiction shall have been issued and remain in effect, which would have the effect of making the consummation of the transactions contemplated by this Agreement illegal; provided, however, that if any such action, proceeding or injunction exists as a result of the wrongful action or omission to act of

Buyer or any of Buyer's Affiliates, the same shall be an event of default by Buyer under this Agreement.

5.4 HSR Act. All required filings under Section 7A of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), shall have been completed and all applicable time limitations under the HSR Act shall have expired without a request for further information by the relevant federal authorities under such Act, or in the event of such a request for further information, the expiration of all applicable time limitations under the HSR Act shall have occurred without the objection of such federal authorities.

6. Conditions Precedent to Seller's Obligations. Seller's obligations under this Agreement are subject to the fulfillment of each of the conditions set forth below in this Article 6 at or before the Closing, subject, however to the right of Seller to waive any one or more such conditions in whole or in part (provided that no such waiver shall be implied or binding upon Seller unless given in writing).

6.1 Performance by Buyer. Buyer shall have timely performed and complied with in all material respects all agreements and conditions required by this Agreement to be performed and complied with by Buyer on or prior to the Closing Date, including, without limitation, delivery to Seller of the "Buyer Deliveries" (as defined in Section 8.2 below) in accordance with Section 8.2 below.

6.2 Accuracy of Representations and Warranties. The representations and warranties herein of Buyer shall be true and correct in all material respects as of the Closing Date (except to the extent any such representation or warranty is qualified by materiality, in which case such representation or warranty shall be true in all respects).

6.3 No Injunctions. No order shall have been entered in any action or proceeding before any Governmental Authority, and no preliminary or permanent injunction by any court of competent jurisdiction shall have been issued and remain in effect, which would have the effect of making the consummation of the transactions contemplated by this Agreement illegal; provided, however, that if any such action, proceeding or injunction exists as a result of the wrongful action or omission to act of Seller or any of Seller's Affiliates, the same shall be an event of default by Seller under this Agreement.

6.4 HSR Act. All required filings under Section 7A of the HSR Act shall have been completed and all applicable time limitations under the HSR Act shall have expired without a request for further information by the relevant federal authorities under such Act, or in the event of such a request for further information, the expiration of all applicable time limitations under the HSR Act shall have occurred without the objection of such federal authorities.

7. Covenants.

7.1 Commercially Reasonable Efforts.

7.1.1 Upon the terms and subject to the conditions of this Agreement, the parties hereto will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated by the Transaction Documents, including, without limitation, obtaining any authorizations, consents, orders or approvals of any Person or Governmental Authority that may be or become necessary in connection with the execution, delivery or performance of a party's obligations hereunder. Notwithstanding the foregoing, neither Seller nor Buyer shall be required to pay consideration or grant any rights, guarantee or concession to any third party or to modify in any material manner the terms of any Lease in order to obtain any such consent or approval or any such release; provided, however, that if Buyer elects to cause any Buyer Sub to take an assignment of any of Seller's right, title or interest under, or assume any of Seller's obligations under, any of the Leases, and the landlord's consent is required under any such Lease, Buyer shall offer to provide a guarantee to the landlord of all of such assumed obligations concurrently with Seller's initial submission to such landlord of request for such consent.

7.1.2 Buyer shall use its commercially reasonable efforts and Seller shall use its commercially reasonable efforts to cooperate fully to obtain promptly all such authorizations, consents, orders and approvals required to be obtained in connection with the transactions contemplated hereby. Without limiting the generality of the foregoing, to the extent such filing is required by the HSR Act, Seller and Buyer agree that each shall prepare and file a notification and report form pursuant to the HSR Act as soon as practicable after the Effective Date, but in no event later than ten (10) days after the Effective Date. If a filing is made under the HSR Act, Seller and Buyer each also agree to request early termination in such filing and respond with reasonable diligence and dispatch to any request for additional information made in response to such filing. All filing fees associated with complying with the HSR Act shall be borne 50% by Seller and 50% by Buyer.

7.1.3 Notwithstanding the provisions of Section 7.1.2, with respect to the assignment of the Leases from Seller to Buyer, Seller, at its cost and expense, shall use its commercially reasonable efforts, and Buyer, at its cost and expense, shall use its commercially reasonable efforts to cooperate fully with Seller:

(a) to obtain promptly from the landlords under the Leases the consents, if any, required to be obtained in connection with the grant to the lenders under the "Financing" (as defined in Section 7.4.2) of Liens on the tenant's interest in such Leases and other consents, estoppels and approvals required as conditions precedent to the closing of the Financing (collectively, the "Leasehold Mortgages"); provided, however, that Buyer shall bear any expenses attributable to obtaining the Leasehold Mortgages. In connection therewith, Buyer agrees promptly to provide all financial and other information and background materials regarding Buyer, its Affiliates and their

respective senior management, and such lenders, which the landlord under any Lease may reasonably request in connection with such landlord's evaluation of Seller's request for the grant of such Leasehold Mortgages. Buyer also agrees to make its and its Affiliates' senior management reasonably available to all such landlords for this purpose. Buyer hereby acknowledges that, in those cases where the landlord's consent is not required for the grant to the lenders under the Financing of a Leasehold Mortgage with respect to such Lease, Seller may elect to send notices to various landlords, rather than requests for consents, which notices describe the transaction contemplated by this Agreement, and some of which notices seek the "acknowledgment" of a particular landlord to the grant of the particular Leasehold Mortgage; and

(b) to obtain releases of Seller's and its Affiliates' liability under the Leases.

With respect to the matters described in this Section 7.1.3, Seller may elect at any time to shift to Buyer primary responsibility for obtaining such agreements under this Section by so notifying Buyer in writing. Thereafter, Buyer shall, at Buyer's expense as provided above, use its commercially reasonable efforts to accomplish the matters described in this Section, and Seller shall use its commercially reasonable efforts to cooperate fully with Buyer.

7.1.4 In no event shall Buyer or any Affiliate of Buyer be required to increase the equity capital of Buyer or to contribute any assets to Buyer, or (except as otherwise provided in Section 7.1.1 above) to provide any guarantee or other credit enhancement to or for the benefit of Buyer, in order to obtain any consent contemplated by this Section 7.1.

7.2 Access to Properties and Records. From and after the Effective Date through the Closing Date or the earlier termination of this Agreement, Seller shall afford to Buyer, and to the accountants, counsel and representatives of the Buyer, upon reasonable prior notice, reasonable access during normal business hours throughout the period prior to the Closing to the Leased Premises and, during such period, shall furnish promptly to Buyer all other information concerning the Property and its personnel as such parties may reasonably request. Notwithstanding anything in this Section to the contrary, no access pursuant to this Section 7.2 shall unreasonably interfere with Seller's conduct of its business at the Leased Premises. Buyer shall notify Seller in writing of any material breach of this provision known to it and shall afford Seller a reasonable opportunity to cure any such breach.

7.3 Seller's Operations Prior to the Closing.

7.3.1 Seller's Operations Prior to the Closing. From and after the Effective Date until the Closing, Seller (a) shall not sell, transfer, assign, dispose of or grant any Lien on, or permit to be sold, transferred, assigned, disposed of or encumbered, all or any material part of the Property as the same shall be constituted on the Effective Date, except to the extent that any such Lien will be removed at or prior to the Closing, or

remove or permit to be removed all or any part of the Property from the Leased Premises; (b) shall not enter into any lease, contract or commitment or incur any liabilities or obligations in connection with the Property, except for leases, contracts, commitments, liabilities or obligations that will not bind Buyer or the Property after the Closing; (c) shall not release, waive or compromise any of its rights with respect to, the Property without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed to the extent such proposed action occurs in the ordinary course of its business consistent with past practice and which is reasonably expected to be without Material Adverse Effect upon the value or utility of the Property; (d) shall not, directly or indirectly, destroy or otherwise dispose of any books, records or files relating to the Property, other than in the ordinary course of business, generally consistent with past practice; and (e) shall otherwise conduct operations at the Leased Premises in the ordinary course of its business consistent with its past practice at the Leased Premises.

7.3.2 Certain Repairs. Seller shall cause to be undertaken and completed in a workmanlike manner prior to the Closing the repairs described in the scope of work attached hereto as Schedule 7.3.2.

7.4 Cooperation.

7.4.1 Generally. Each party shall provide the other with such cooperation as may reasonably be requested, at the expense of the requesting party (unless the requesting party is to be indemnified with respect thereto, in which case such cooperation shall be given at the expense of the indemnifying party), in connection with the defense of any third party litigation relating to the subject matter of this Agreement. Additionally, until March 31, 2010, Seller shall make available to Buyer's independent accountants such information and documentation regarding the Property to the extent such information and documentation is reasonably required in connection with an audit by such independent accountant of Buyer's financial statements or the preparation of financial disclosure required under applicable Federal securities laws, including an audit of acquired businesses as required by 17 CFR § 210.3-05, and allow Buyer's independent accountants to make and retain copies of such information and documentation, provided that (a) such information and documentation is then in the possession or control of Seller or Seller's Affiliates, and (b) so long as Buyer's independent accountant does not require that such information or documentation be obtained directly from Seller, such information and documentation is not otherwise in the possession or control of Buyer, any of Buyer's Affiliates or such independent accountant, or is not otherwise reasonably available from another source to Buyer or such independent accountant. Seller also agrees to make its and its Affiliates' senior management reasonably available to Buyer and its accountants for this purpose.

7.4.2 Cooperation with respect to Buyer's Financing. Buyer hereby represents and warrants to Seller that (a) it has obtained a written commitment letter and related term sheet from a financially responsible institution, true and correct copies of which have been furnished to Seller, for debt financing to be used by Buyer to

fund a portion of the Purchase Price (the "Financing"), and (b) said commitment letter and related term sheet are in full force and effect, and Buyer has performed all of its obligations thereunder required to be performed on or prior to the Effective Date. Prior to the Closing Date, Seller agrees promptly to provide all financial and other information and materials regarding the Property as reasonably requested by Buyer or its accountants from time to time in connection with the preparation of audited financial statements of the Property for the twelve (12) months ended June 30, 2005, 2006 and 2007, respectively, and unaudited financial statements for the most recent practicable interim period subsequent to June 30, 2007 and prior to the Closing Date. Seller also agrees to make its and its Affiliates' senior management reasonably available to Buyer and its accountants for this purpose. Subject to Seller's performance of its obligations under this Section 7.4.2, the completion of said financial statements shall not be a condition precedent to the obligations of Buyer under this Agreement, and Seller shall not be in breach or default of its obligations under this Section 7.4.2 if such audited financial statements are not completed for any reason by any particular date so long as Seller has cooperated with Buyer and its accountants as required by this Section 7.4.2. Seller agrees that, effective upon the Closing, Buyer's accountants shall be released for the benefit of Buyer from any and all obligations of confidentiality that it may owe to Seller or its Affiliates only to the extent they relate to the Property.

7.5 Delivery of Information; Delivery of Mail and Assets; Collection of Accounts Receivable. After the Closing Date, each of the parties hereto shall cause their personnel to provide the other party with financial accounting, Tax, and similar information reasonably necessary to prepare Tax returns and other filings relating to the Property, to compute Percentage Rent payable under the Leases, and to finalize the prorations and adjustments called for by Section 2.2 hereof. Seller agrees that it will promptly deliver to Buyer any mail or other communications received by Seller on or after the Closing Date pertaining to the Property and any cash, checks or other instruments of payment to which Seller is not entitled. Buyer agrees that it will promptly deliver to Seller any mail or other communications received by Buyer on or after the Closing Date pertaining to Seller's operations, properties or other affairs of Seller, any cash, checks or other instruments of payment to which Buyer is not entitled, and any other assets or properties of Seller.

7.6 Post-Closing Covenants of Buyer.

7.6.1 Maintenance of Insurance. Buyer agrees that from and after the Closing Date, Buyer shall at all times maintain in complete force and effect, in accordance with the requirements of the Leases, all policies of insurance required by the Leases to be maintained by the tenant. Buyer shall deliver to Seller executed copies of certificates of insurance evidencing the foregoing on the Closing Date. New certificates shall be delivered promptly whenever policies are renewed or new policies are written. As often as any such policy shall expire or be terminated, a renewal or additional policy shall be procured and maintained by Buyer in like manner and to like extent, and new certificates thereof shall be delivered to Seller. All policies of insurance maintained by Buyer pursuant to the requirements of the Leases shall contain a provision that the

company issuing said policy will give Seller not less than ten (10) days' notice in writing in advance of any cancellation or lapse of the effective date or any reduction in the amounts of insurance. In the event that Buyer fails to comply with any of the requirements of this Section 7.6.1, and Buyer fails to cure such non-compliance within ten (10) days of delivery of notice thereof from Seller, Seller may obtain any and all policies of insurance required to comply with tenant's obligations under the Leases, and Buyer shall immediately pay to Seller any and all costs reasonably incurred by Seller in connection with obtaining and maintaining such insurance.

7.6.2 Amendment of Real Property Leases; Exercise of Options; Waiver of Rights. Without Seller's prior written consent (which consent may not be unreasonably withheld or delayed), until the earlier of the date on which (a) Seller and all of Seller's Affiliates are no longer liable on or are released from any further liability under the applicable Lease, or (b) Buyer delivers to Seller (i) an audited balance sheet for Buyer showing a net worth (calculated in accordance with GAAP) of at least \$50,000,000, and (ii) an audited income statement for Buyer showing a ratio of indebtedness to "Theater Level Cash Flow" (as defined in Article 11 below) for all theaters then operated by Buyer of 5.5-to-1 or less, Buyer shall not (x) exercise any option to extend or renew the term of any Lease if, as of the date on which Buyer proposes to exercise any such option, the theater operated pursuant to such Lease has Theater Level Cash Flow in the most recently completed calendar year of less than \$200,000, or (y) amend or modify any Lease to eliminate or materially change, or otherwise waive or forfeit, any material rights or privileges of the tenant under any such Lease.

7.7 Destruction of Books, Records and Files. If, after the Closing, Seller or any of its Affiliates proposes to destroy or otherwise dispose of any books, records or files relating to the Property (but not including any financial reports or other information regarding the Property to the extent such financial reports or other information is integrated into financial reports or other information regarding the operations generally of Seller or such Affiliate), Seller shall deliver prior notice thereof to Buyer and Buyer shall have a period of sixty (60) days from receipt of such notice to deliver notice to Seller of its desire to take possession of such books, records or files, in which event Seller shall deliver to Buyer possession of such books, records or files at the earliest practicable date. Seller shall not destroy or otherwise dispose of such books, records or files prior to the end of such sixty (60) day period.

8. Closing.

8.1 Closing Date. Subject to the satisfaction (or waiver by Buyer or Seller as provided therein) of the conditions precedent in Articles 5 and 6 hereof, the transactions contemplated by this Agreement shall be consummated at a closing (the "Closing") at the offices of Weissmann Wolff Bergman Coleman Grodin & Evall, LLP, 9665 Wilshire Boulevard, Ninth Floor, Beverly Hills, California 90212. The Closing shall occur on the date which is the first Friday occurring after the date which is sixty-five (65) days after the Effective Date (the "Scheduled Closing Date"). If the Closing does not occur on the Scheduled Closing Date by reason of the failure of any condition

precedent set forth in Article 5 or 6 hereof (a " Non-Satisfied Condition Precedent"), the party in whose favor the Non-Satisfied Condition Precedent exists shall have the right to extend the Scheduled Closing Date until the date which is the second Friday occurring after the date on which the Non-Satisfied Condition Precedent is satisfied or waived. Notwithstanding the foregoing, this Agreement shall automatically terminate if the Closing shall not have occurred on or before the date which is the first Friday which is more than one hundred twenty-five (125) days after the Effective Date (the "Outside Closing Date"). Notwithstanding anything to the contrary contained herein, nothing herein shall be deemed to excuse or waive any breach or default by either party of its obligations under this Agreement. The date of the Closing is sometimes referred to herein as the "Closing Date." The Closing shall be effective as of 8:00 a.m. (local time) on the Closing Date.

8.2 Deliveries by Buyer. At the Closing, Buyer shall deliver to Seller the following (collectively, the " Buyer Deliveries"):

8.2.1 Payment of Purchase Price. Immediately available funds in an amount equal to the Purchase Price paid to and received by Seller.

8 . 2 . 2 Assignment and Assumption of Leases. Duly executed and, where necessary, acknowledged counterparts of the Assignment and Assumption of Leases by and between Buyer and Seller in substantially the form of Exhibit B attached hereto (the "Assignment and Assumption of Leases").

8.2.3 Buyer's Closing Certificate. A duly executed certificate, dated as of the Closing Date, to the effect that the conditions specified in Sections 6.1 and 6.2 have been satisfied in accordance with the terms and provisions hereof.

8 . 2 . 4 Additional Deliveries. Such additional documents, instruments and agreements, signed and properly acknowledged by Buyer, if appropriate, as may be necessary to comply with Buyer's obligations under this Agreement.

8.3 Deliveries by Seller. At the Closing, Seller shall deliver to Buyer all of the following (collectively, the " Seller Deliveries"):

8 . 3 . 1 Assignment and Assumption of Leases. Duly executed and, where necessary, acknowledged counterparts of the Assignment and Assumption of Leases.

8.3.2 Seller's Closing Certificate. A duly executed certificate, dated as of the Closing Date, to the effect that the conditions specified in Sections 5.1 and 5.2 have been satisfied in accordance with the terms and provisions hereof.

8.3.3 Additional Deliveries. Such additional documents, instruments and agreements, signed and properly acknowledged by Seller, if appropriate, as may be necessary to comply with Seller's obligations under this Agreement.

8 . 4 Closing Costs. Buyer and Seller shall each pay 50% of all documentary transfer, excise or similar Taxes (including all State of Hawaii general excise or gross income Taxes), if any, payable in connection with the transactions contemplated by this Agreement. Buyer and Seller shall each bear their own legal and accounting costs and fees. Buyer and Seller shall each pay 50% of all sales and similar Taxes payable in connection with the transactions contemplated by this Agreement.

8 . 5 Possession. Possession of the Property, including, without limitation, the Leased Premises shall be delivered to Buyer on the Closing Date; provided, however, that Seller shall deliver possession of all files for the Leases, and all original warranties and guarantees, in each case to the extent included in the Property, within five (5) Business Days after the Closing Date.

9 . Termination. Notwithstanding anything to the contrary contained herein, this Agreement may be terminated at any time before the Closing (a) by mutual consent of Seller and Buyer; (b) by Buyer, upon written notice to Seller, if Seller has breached any representation, warranty, covenant or agreement, such breach has had, either individually or in the aggregate, a Material Adverse Effect, and such breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within ten (10) days of notice by Buyer to Seller of such breach; (c) by Seller, upon written notice to Buyer, if Buyer has breached any representation, warranty, covenant or agreement, and such breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within ten (10) days of notice by Seller to Buyer of such breach; or (d) subject to the terms of Section 8.1 above, by either party hereto if the Closing shall not have occurred on or prior to the Scheduled Closing Date (as the same may be extended pursuant to this Agreement). If this Agreement is terminated, this Agreement shall become null and void and have no further force or effect, and no party hereto (or any of such party's Affiliates, directors, officers, agents or representatives), shall have any liability or obligation hereunder; provided, however, that (i) the letter agreement dated as of January 15, 2007 by and among Seller, RDI and the other party thereto (the "Confidentiality Agreement") shall remain in full force and effect, (ii) each party shall bear its own fees and expenses incurred in connection with the negotiation and documentation of this Agreement and the Transaction Documents, and (iii) notwithstanding the foregoing, but subject to the terms of Article 10 below, termination of this Agreement shall not release any party from any liability for any breach by such party of any of its representations, warranties, covenants or agreements contained in this Agreement prior to such termination; and, provided, further, that Buyer shall promptly change its corporate name to a name that does not include the word "Consolidated" or any derivation of such word or any other name confusingly similar to the name of Consolidated.

10. Indemnification.

10.1 Indemnification by Buyer. Subject to the terms of this Article 10, Buyer shall indemnify and hold Seller, its Affiliates and their respective employees,

officers, directors, members, managers, shareholders, agents, contractors, attorneys and representatives (collectively, the "Seller Indemnified Parties") harmless from and against, and agrees to promptly defend any Seller Indemnified Party from and reimburse any Seller Indemnified Party for, any and all any and all liabilities, demands, claims, actions, causes of action, costs, damages, deficiencies, Taxes, penalties, fines and other losses and expenses, whether or not arising out of a claim made by any third party, including all interest, penalties, reasonable attorneys' fees and expenses, and all amounts paid or incurred in connection with any action, demand, proceeding, investigation or claim by any third party (including any Governmental Authority) ("Losses") which such Seller Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with:

10.1.1 any untruth or inaccuracy in any representation or warranty of Buyer or the Buyer Subs contained in this Agreement or in any other Transaction Document; provided, however, that for purposes of determining an untruth or inaccuracy in any such representation or warranty for purposes of this Section 10.1.1, the representations and warranties of Buyer or the Buyer Subs that are limited or qualified by references to "material" or "materiality" or "Material Adverse Effect" or similar qualifications shall be construed as if they were not limited or qualified by such qualifications;

10.1.2 any failure of Buyer or the Buyer Subs duly to perform or observe any term, provision, covenant, agreement or condition contained in this Agreement or the other Transaction Documents to be performed or observed by Buyer or the Buyer Subs; or

10.1.3 any claim or cause of action by any party arising on or after the Closing Date against any Seller Indemnified Party (including, without limitation, any claim or cause of action arising from the failure to obtain any required consents or approvals, including, without limitation, consents or approvals from landlords, to the grant of Leasehold Mortgages) with respect to the Property, the obligations of Seller assumed by Buyer or the Buyer Subs under this Agreement (including the Assumed Liabilities) or any of the other Transaction Documents, including any default by Buyer or any of the Buyer Subs under any of the Leases arising on or after the Closing Date.

10.2 Indemnification by Seller. Subject to the terms of this Article 10, Seller shall indemnify and hold the Buyer, its Affiliates and their respective employees, officers, directors, members, managers, shareholders, agents, contractors, attorneys and representatives (collectively, the "Buyer Indemnified Parties") harmless from and against, and agrees to promptly defend any Buyer Indemnified Party from and reimburse any Buyer Indemnified Party for, any and all Losses which such Buyer Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with:

10.2.1 any untruth or inaccuracy in any representation or warranty of Seller contained in this Agreement or in any other Transaction Document; provided,

however, that for purposes of determining an untruth or inaccuracy in any such representation or warranty for purposes of this Section 10.2.1, the representations and warranties of Seller that are limited or qualified by references to "material" or "materiality" or "Material Adverse Effect" or similar qualifications shall be construed as if they were not limited or qualified by such qualifications;

10.2.2 any failure of Seller duly to perform or observe any term, provision, covenant, agreement or condition contained in this Agreement or the other Transaction Documents to be performed or observed by the Seller;

10.2.3 except as otherwise provided by and subject to the terms of Sections 3.3 and 3.4 above, any claim or cause of action by any party arising on or after the Closing Date against any Buyer Indemnified Party with respect to the obligations of Seller retained by Seller under this Agreement or any of the other Transaction Documents, including any default by Seller under any of Leases arising prior to the Closing Date or any failure of Seller to satisfy any of its liabilities other than the Assumed Liabilities.

10.3 Notification and Defense of Claims.

10.3.1 A party entitled to be indemnified pursuant to Section 10.1 or 10.2 (the "Indemnified Party") shall promptly notify the party or parties liable for such indemnification (the "Indemnifying Party") in writing of any claim, action, lawsuit, proceeding, investigation or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement; provided, however, that a failure to give prompt notice or to include any specified information in any notice will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party which was entitled to receive such notice was prejudiced as a result of such failure. Subject to the Indemnifying Party's right to defend in good faith third party claims as hereinafter provided, the Indemnifying Party shall satisfy its obligations under this Section 10 within thirty (30) days after the receipt of written notice thereof from the Indemnified Party.

10.3.2 If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to Section 10.3.1, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party, the Indemnifying Party shall have the right to defend any such claim or demand asserted against the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any such claim or demand at its own expense. Without limiting the generality of the foregoing, the Indemnified Party shall not be entitled to indemnification for any fees or costs of defending any such claim or demand unless and until the Indemnifying Party elects not to assume the defense of such claim or demand. The Indemnifying Party shall notify the Indemnified Party in writing, as promptly as possible (but in any case five (5) Business Days before the due date for the answer or response to a claim) after the date of the notice of claim given by the Indemnified Party to the Indemnifying Party under Section 10.3.1 of its election to defend any such third party

claim or demand. So long as the Indemnifying Party is defending in good faith any such claim or demand asserted by a third party against the Indemnified Party, the Indemnified Party shall not settle or compromise such claim or demand without the prior written consent of the Indemnifying Party (which consent may be granted or withheld in the Indemnifying Party's sole and absolute discretion), and the Indemnified Party shall make available to the Indemnifying Party or its agents all records and other material in the Indemnified Party's possession reasonably required by it for its use in contesting any third party claim or demand. In the event the Indemnifying Party elects to defend such claim or action, the Indemnifying Party shall have the right to settle or compromise such claim or action without the consent of the Indemnified Party, provided that the terms of the settlement or compromise impose no additional obligations on the Indemnified Party with respect to the subject matter of the claim or demand for which the Indemnifying Party has not agreed to indemnify the Indemnified Party.

10.4 Survival of Representations and Warranties. The representations and warranties of the parties contained in this Agreement and the other Transaction Documents shall survive the Closing until March 31, 2009, except that the representations and warranties set forth in Sections 3.1.1, 3.1.2, 3.1.4 (second, third and penultimate sentences only), and 3.1.8 shall survive until the applicable statute of limitations has run (the "Survival Period"). Notwithstanding any other provision to the contrary, no party shall be required to indemnify, defend or hold harmless any other party pursuant to Section 10.1.1 or 10.2.1, unless the Indemnified Party has asserted a claim with respect to such matters within the Survival Period.

10.5 Characterization of Payments. Any payments made pursuant to this Article 10 shall be treated for all Tax purposes as adjustments to the Purchase Price and no party or any of its Affiliates shall take any position on a Tax return or in any proceeding with any taxing authority contrary to such treatment, unless otherwise required by law.

10.6 Limitations. Notwithstanding anything to the contrary contained in this Agreement or in any of the other Transaction Documents, the parties' respective indemnification obligations under this Agreement shall be subject to the limitations contained in this Section 10.6.

10.6.1 Buyer shall not be required to indemnify, defend or hold harmless any Seller Indemnified Party, and Seller shall not be required to indemnify, defend or hold harmless any Buyer Indemnified Party, for any inaccuracy in or breach of a representation or warranty pursuant to Section 10.1.1 or 10.2.1, as applicable, the aggregate amount of all such Losses of the Seller Indemnified Parties or the Buyer Indemnified Parties, respectively, exceeds an aggregate amount equal to \$307,292 (the "Deductible"), after which event the Seller Indemnified Parties or the Buyer Indemnified Parties, as applicable, shall be entitled to recover for all Losses in excess of the Deductible, subject to the other terms of this Agreement.

10.6.2 Buyer shall not be required to indemnify, defend or hold harmless the Seller Indemnified Parties, and Seller shall not be required to indemnify,

defend or hold harmless the Buyer Indemnified Parties, for Losses in excess of an aggregate amount equal to 100% of the Purchase Price; provided, however, that the foregoing limitation shall not apply to (a) the payment of the Purchase Price by Buyer to Seller, (b) any indemnification pursuant to any of Sections 10.1.3 or 10.2.3, as applicable, or (c) any indemnification arising out of a breach by Seller of its representation and warranty in Sections 3.1.4 (second, third and penultimate sentences only) above.

10.6.3 The parties agree, for themselves and on behalf of their respective Affiliates, successors and assigns, that with respect to each indemnification obligation under this Agreement or any of the other Transaction Documents, the amount of any Losses shall be reduced by the amount, if any, of any federal, state or local income Tax benefit realized or any insurance proceeds received.

10.6.4 The parties agree that, except as otherwise expressly provided elsewhere in this Agreement or in any other Transaction Document, the indemnification provisions of this Article 10 shall be the sole and exclusive remedy for any breach of or inaccuracy in any representation, warranty, covenant or agreement contained in this Agreement or in any of the other Transaction Documents; provided, that either party shall be entitled to seek specific performance of the other party's obligation to close the transaction contemplated by this Agreement.

10.6.5 No Indemnified Party shall seek or be entitled to, or accept payment of, any award or judgment for consequential, incidental, special, indirect or punitive damages or lost profits suffered by such Indemnified Party, whether based on statute, contract, tort or otherwise, and whether or not arising from the Indemnifying Party's sole, joint or concurrent negligence, strict liability or other fault.

10.6.6 Seller shall have no indemnification obligation hereunder to the extent any Losses arose out of or resulted from the inaccuracy of any representation or warranty of Seller, and Buyer or any Affiliate of Buyer had actual knowledge of such inaccuracy prior to the execution and delivery of this Agreement by Buyer. For purposes of this Section, the term "actual knowledge" means the actual knowledge of any one or more of John Hunter, Andrzej Matyczynski, or S. Craig Tompkins. Additionally, Buyer shall be deemed to have "actual knowledge" of any fact which has been disclosed in writing by Seller, its Affiliates or their respective officers, employees, agents or representatives to any outside attorney or accountant of Buyer.

11. Certain Defined Terms. For purposes of this Agreement, the following terms have the meaning set forth below:

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests by contract or otherwise) of such

Person; provided, however, in no event shall either of Michael Forman or Christopher Forman be deemed an Affiliate of Buyer.

“Business Day” means Monday through Friday, excluding any day of the year on which banks are required or authorized to close in California.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor law.

“Environmental Laws” means all applicable laws, regulations and other requirements of any Governmental Authority relating to pollution, health or safety or to the protection of human health, safety or the environment.

“GAAP” means United States generally accepted accounting principles, as in effect from time to time.

“Governmental Authority” means any U.S., federal, state or local government, governmental authority, regulatory or administrative agency or commission or any court, tribunal, or judicial or arbitral body (or any political subdivision thereof).

“Hazardous Materials” means any hazardous substance, hazardous waste, contaminant, pollutant or toxic substance (as such terms are defined in any applicable Environmental Law); provided that “Hazardous Materials” shall not include customary products used and/or stored by Seller in the ordinary course of its business.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien (statutory or other) or charge of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature of a conditional sale or title retention agreement, and including any lien or charge outstanding by statute or other laws which secures the payment of a debt (including, without limitation, any Tax) or the performance of an obligation.

“Material Adverse Effect” means a material adverse effect on the value or the Property, taken as a whole, provided, however that any such material adverse effect arising out of or resulting from an event or series of events or circumstances affecting (a) the motion picture industry generally or (b) any one or more markets in which any of the theaters operated at the Property operate, shall not constitute a Material Adverse Effect, including, without limitation, the opening for business of any theater competitive to any such theater.

“Permitted Liens” means the following Liens: (a) Liens for Taxes, assessments or other governmental charges or levies not yet due and payable; and (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by Law and on a basis consistent with past practice for amounts not yet due.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, trust, any other unincorporated organization or Governmental Authority.

"Tax" or "Taxes" means all federal, state, local or foreign taxes, including, but not limited to, income, gross income, gross receipts, capital, production, excise, employment, sales, use, transfer, transfer gain, ad valorem, premium, profits, license, capital stock, franchise, severance, stamp, withholding, Social Security, employment, unemployment, disability, worker's compensation, payroll, utility, windfall profits, customs duties, personal property, real property, environmental, registration, alternative or add-on minimum, estimated and other taxes, governmental fees or like charges of any kind whatsoever, including any interest, penalties or additions thereto whether disputed or not.

"Theater Level Cash Flow" means, with respect to any movie theater for any period, (i) the gross revenues from the operation of such theater for such period, less (ii) the film costs and cost of concessions for such theater for such period, less (iii) the operating expenses (including, without limitation, payroll, payroll benefits, repairs and maintenance, supplies, utilities, advertising, insurance, security services, taxes and licenses) of such theater for such period, and less (iv) the occupancy expenses (including, without limitation, the base or minimum rent, percentage rent, additional rent and real estate taxes) of such theater for such period, in each case calculated in accordance with GAAP, applied on a consistent basis (with the exception that rents will not be calculated on a straight line basis as would otherwise be required under FASB 13). For the avoidance of doubt, "operating expenses" shall exclude any general or administrative expenses not incurred at the theater level, and any depreciation, amortization, interest or income tax costs.

"Transaction Documents" means this Agreement and all documents, agreements and instruments contemplated by and being delivered pursuant to or in connection with this Agreement.

12 . Notices. In the event either party desires or is required to give notice to the other party in connection with this Agreement, the same shall be in writing and shall be delivered in person or by recognized overnight air courier service, or deposited with the United States Postal Service, postage prepaid, or certified mail, return receipt requested, addressed to Buyer or Seller at the appropriate address as set forth below:

If to either Seller: Consolidated Amusement Theatres, Inc.
120 N. Robertson Boulevard
Los Angeles, California 90048
Attention: Chief Operating Officer

With a copy to: Weissmann Wolff Bergman Coleman
Grodin & Evall, LLP
9665 Wilshire Boulevard, Ninth Floor

Beverly Hills, California 90212
Attention: Mitchell Evall & Andrew Schmerzler

If to Buyer: Consolidated Amusement Theatres, Inc.
c/o Reading International, Inc.
500 Citadel Drive, Suite 300
Commerce, California 90040
Attention: Chief Operating Officer

With a copy to: Troy & Gould Professional Corporation
1801 Century Park East, Suite 1600
Los Angeles, California 90067
Attention: Dale E. Short, Esq.

Any such notice shall be deemed to have been given on the date so delivered, if delivered personally or by overnight air courier service, or, if mailed, on the date shown on the return receipt as the date of delivery or the date on which the Post Office certified that it was unable to deliver, whichever is applicable. Either party may, by written notice to the other party, specify a different address to which notices shall be given, by sending notice thereof in the manner set forth above. No copies of notices given to any party after the date which is one (1) year after the Closing Date also need be given to outside counsel for such party.

13. Miscellaneous.

13.1 Entire Agreement; Amendment. This Agreement (including all Exhibits and Schedules hereto), the other Transaction Documents, and the Confidentiality Agreement contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject hereof. No other prior or concurrent agreements not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the parties hereto. No officer or employee of Seller or Buyer shall have authority to make any representation or promise not contained in this Agreement and each of the parties hereto agrees that it is not executing this Agreement in reliance upon any such representation or promise. This Agreement may not be modified or changed except by written instruments signed by all of the parties hereto. Subject to the restrictions on assignment set forth herein this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

13.2 Assignment. Except as permitted by Section 1.3, Buyer may not assign or otherwise transfer all or any of its rights, obligations or interests under this Agreement without the prior written consent of Seller. Except as permitted by Section 1.4, Seller may not assign or otherwise transfer all or any of its rights, obligations or interests under this Agreement without the prior written consent of Buyer. No assignment of this Agreement by any party shall be effective until an executed written assumption by such assignee of the assigning party's obligations under this Agreement is

delivered to the other party and no such assignment shall relieve any party of its obligations under this Agreement.

13.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Hawaii, regardless of the laws that might otherwise govern under applicable principles of conflicts of law of such state.

13.4 Drafting. This Agreement has been jointly negotiated and drafted, and shall be construed as a whole according to its fair meaning and not strictly for or against any party.

13.5 Further Assurances. Each of the parties hereto agrees that it will, forthwith upon any request by the other party, cooperate fully in the preparation, execution, acknowledgment, delivery and recording of any agreements, instruments, memoranda or documents reflecting or in furtherance of any of the transactions contemplated by this Agreement.

13.6 Intentionally omitted.

13.7 Confidentiality; Press Releases. Except and to the extent required by applicable law (including, without limitation, Buyer's obligation to file a report on Form 8-K with the Securities and Exchange Commission and issue a press release in connection with the execution and delivery of this Agreement) and the rules and regulations of the American Stock Exchange, and except as may be necessary to consummate the transactions contemplated hereby, until the Closing no party hereto shall disclose the existence of this Agreement, or any of the terms or provisions hereof, or make any press release or similar disclosure, without the prior written consent of the other party. To the extent reasonably feasible, the initial press release or other announcement or notice regarding the transactions contemplated by this Agreement shall be made jointly by the parties; provided, however, that nothing in this Agreement shall prohibit any party from making press release required by applicable law. Upon the Closing, the confidentiality and non-disclosure obligations of the parties hereunder and under the Confidentiality Agreement shall terminate, except to the extent that such obligations relate to documentation or information relating to any properties of Seller other than the Property and the businesses conducted thereon, which obligations shall survive until the expiration of the Confidentiality Agreement in accordance with its terms. Notwithstanding the foregoing, following the Closing, without the prior written consent of Buyer, neither Seller nor any of its Affiliates shall, directly or indirectly, disclose to any Person any non-public information regarding the Property, except that Seller and its Affiliates may disclose such information (a) in connection with matters related to the sale of the Property or the other transactions contemplated by the Transaction Documents; (b) in connection with the preparation of reports and documents to be filed by Seller or any of its Affiliates with any Governmental Authority; (c) to Seller's officers, directors, employees, agents, representatives, attorneys and accountants provided that Seller shall be responsible for any non-permitted disclosure of such

information by any such Persons; (d) if required to do so by a Governmental Authority of competent jurisdiction, and (e) if such information is in the public domain or is previously published or disseminated by a third party other than pursuant to the provisions of a confidentiality agreement entered with Buyer.

13.8 Waiver. No action taken pursuant to this Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

13.9 Third Parties. Except as otherwise expressly provided for or contemplated by this Agreement, nothing in this Agreement, express or implied, shall or is intended to confer upon any Person other than the parties hereto, or their respective successors or assigns, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

13.10 Section Headings. Section headings are provided herein for convenience only and shall not serve as a basis for interpretation or construction of this Agreement, nor as evidence of the intention of the parties hereto.

13.11 Severability. If any provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court to be void or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstances or the validity or enforceability of the Agreement as a whole.

13.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

13.13 Reference. Except as otherwise expressly provided in this Agreement, any dispute of any nature or character whatsoever between the parties and arising under or with respect to this Agreement or any of the other Transaction Documents, or the subject matter hereof or thereof, shall be resolved by a proceeding in accordance with the provisions of California Code of Civil Procedure Section 638 et seq., for a determination to be made which shall be binding upon the parties as if tried before a court or jury. The parties agree specifically as to the following:

13.13.1 Within five (5) Business Days after service of a demand by a party hereto, the parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and then report a finding or judgment thereon. If the parties are unable to agree upon a referee either party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640, by the presiding judge of the Los Angeles County Superior Court;

13.13.2 The compensation of the referee shall be such charge as is customarily charged by the referee for like services. The cost of such proceedings shall initially be borne equally by the parties. However, the prevailing party in such proceedings shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference as an item of damages and/or recoverable costs;

13.13.3 If a reporter is requested by either party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be borne by the party requesting such reporter. Such fees shall be an item of recoverable costs. Only a party shall be authorized to request a reporter;

13.13.4 The referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee;

13.13.5 The referee's decision under California Code of Civil Procedure Section 644, shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California; and

13.13.6 The parties agree that they shall in good faith endeavor to cause any such dispute to be decided within four (4) months. The date of hearing for any proceeding shall be determined by agreement of the parties and the referee, or if the parties cannot agree, then by the referee. The referee shall have the power to award damages and all other relief.

13.14 Interpretative Matters

. Unless the context otherwise requires, (a) all references to Articles, Sections or Schedules are to Articles, Sections or Schedules in this Agreement, (b) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, (c) words in the singular or plural include the singular and plural, and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter and (d) whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

13.15 No Personal Liability. Under no circumstances shall any personal liability or obligation under this Agreement or under any of the other Transaction Documents be imposed or assessed against any shareholder, member, manager, officer, director, employee or agent of any party to this Agreement or of any of such party's Affiliates, and no party (nor any party claiming through such party) shall commence any proceedings or otherwise seek to impose any liability whatsoever against any such shareholders, member, manager, officer, director, employee or agents.

13.16 Guaranty. Concurrently herewith, Reading International, Inc., a Nevada corporation ("RDI"), has executed and delivered to Seller a Guaranty in substantially the form of Exhibit C attached hereto.

(Signatures contained on next page)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation

By: /s/ James D. Vandever
Its: Vice President

CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation

By: /s/ John Hunter
Its: Chief Operating Officer

LIST OF EXHIBITS

Exhibit A	The Leases
Exhibit B	Form of Assignment and Assumption of Leases
Exhibit C	Guaranty of Reading International, Inc.

LIST OF SCHEDULES

Schedule 3.1.4	The Leases
Schedule 3.1.5	Improvements
Schedule 3.1.6	Compliance with Laws
Schedule 3.1.7	Litigation
Schedule 3.1.9	Affiliate Transactions
Schedule 4.4	Manville Lease Summary and Manville P&Ls
Schedule 7.3.2	Description and Scope of Repair Work

LEASEHOLD PURCHASE AND SALE AGREEMENT

THIS LEASEHOLD PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of October 8, 2007 (the "Effective Date") by and between KENMORE ROHNERT, LLC, a Delaware limited liability company ("Seller"), and CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation ("Buyer"), with reference to the following facts:

A. Seller is the tenant under the lease described on Exhibit A attached hereto (the "Lease"), which Lease relates to those certain premises located in Rohnert Park, California, as more particularly described in the Lease (the "Leased Premises").

B. Seller is the sublandlord under the sublease described on Exhibit B attached hereto (the "Sublease") with Pacific Theatres Exhibition Corp., a California corporation ("Pacific"), pursuant to which Seller subleases the entire Leased Premises to Pacific.

C. Buyer is party to that certain Asset Purchase and Sale Agreement of even date (the "Asset Purchase Agreement") by and between Buyer and Reading International, Inc., a Nevada corporation ("RDI"), on the one hand, and Pacific, Consolidated Amusement Theatres, Inc., a Hawaii corporation, Michael Forman and Christopher Forman, on the other hand. Capitalized terms used but not defined herein shall have the respective meanings given them in the Asset Purchase Agreement.

C. Subject to the terms and conditions of this Agreement, Seller desires to sell, transfer, convey and assign to Buyer, and Buyer desires to purchase, accept and assume from Seller, all of the right, title and interest of Seller in, to and under the "Property" (as defined in Section 1.1 below).

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants, agreements, representations and warranties herein contained, the parties hereby agree as follows:

1. Purchase and Sale of Assets; Assumption of Liabilities.

1.1 Purchase of Assets. Upon the terms and subject to the conditions hereinafter set forth, at the "Closing" (as defined in Section 8.1 hereof), Seller shall sell, transfer, convey and assign to Buyer, and Buyer shall purchase from Seller, and assume certain liabilities with respect to, all right, title and interest of Seller (a) as tenant in, to and under the Lease (the "Leasehold Interest"), and (b) as sublandlord in, to and under the Sublease (the "Subleasehold Interest" and, with the Leasehold Interest, the "Property").

1.2 Assumed Liabilities. Effective as of the Closing Date, Buyer shall assume any and all liabilities and obligations of Seller as tenant under the Lease and as

sublandlord under the Sublease, in each case, which accrue on or after the Closing Date (the "Assumed Liabilities"). Except for the Assumed Liabilities and except as otherwise specifically set forth in any of the other "Transaction Documents" (as defined in Article 11), Buyer is not assuming any other liabilities or obligations of Seller. The obligations and covenants of Buyer set forth in this Section 1.2 and elsewhere in this Agreement shall survive the Closing indefinitely.

1 . 3 Assignment by Buyer. Subject to Section 7.1.1 below, Buyer shall have the right to assign its right to take title at Closing the Property to a wholly-owned direct or indirect subsidiary of Buyer (the "Buyer Sub"); provided, however, that no such assignment shall relieve Buyer of its obligations under this Agreement (including, without limitation, Section 1.2 and Article 10 hereof) or any of the other "Transaction Documents" (as defined in Article 11). Buyer shall provide Seller with written notice of such election and the identity of the Buyer Sub at least ten (10) days prior to the Closing Date.

1 . 4 Exchange. Seller intends to transfer its obligations to sell the Property to a "qualified intermediary," as defined in Treasury Regulation Sec. 1.1031(k)-1(g)(4)(iii), for the purpose of effecting an exchange qualifying under Sec. 1031 of the "Code" (as defined in Article 11). Buyer agrees to such assignment, if made, and further agrees that it will execute promptly acknowledgement of its receipt of notice of such assignment delivered to Buyer by Seller. Buyer and Seller agree that any such assignment shall not affect the representations, warranties and other obligations of the parties under this Agreement or Buyer's title to the Property, except that the Purchase Price, adjusted as provided herein, shall be paid to the assignee identified in such notice. Buyer further agrees to cooperate with Seller and to execute such other documents reasonably requested by Seller to effect such exchange, so long as Buyer incurs no cost, expense or liability (other than its own attorneys' fees and costs incurred in reviewing, negotiating and executing such documents) as a result of such cooperation. It is understood that, subject to the performance of Buyer's obligations under this Agreement, Buyer shall have no responsibility for the proposed exchange, and makes no representations or warranties as to whether any transaction effectuated by Seller, in fact, will accomplish Seller's tax objectives.

2. Purchase Price.

2.1 Purchase Price. The purchase price for the Leasehold Interest shall be Seven Million Eight Hundred Thousand Dollars (\$7,800,000), which shall be subject to adjustment and reimbursement as hereinafter provided (the "Purchase Price"). Buyer shall pay the Purchase Price to Seller in full concurrently with the Closing by wire transfer of immediately available funds to an account or accounts designated by Seller not less than two (2) "Business Days" (as defined in Article 11) prior to the Closing Date.

2.2 Adjustments to Purchase Price. The Purchase Price shall be subject to adjustment at the Closing as follows:

2.2.1 Prepaid Expenses, Prorations and Deposits. The Purchase Price shall be increased or decreased as required to effectuate the proration of expenses and receipts (other than those adjusted pursuant to Section 2.2.2), including any prepaid expenses and receipts, if any, under the Lease and the Sublease to be borne pursuant to this Agreement by Seller prior to the Closing Date and by Buyer on or after the Closing Date. Without limiting the generality of the foregoing, all expenses incurred by the tenant under the Lease, including, without limitation, rent (other than "Percentage Rent" (as defined in Section 2.2.2 below)), utility charges, insurance charges, common area operating expenses, real, excise and personal property "Taxes" (as defined in Article 11) and assessments levied against the Leased Premises, promotional fund expenses, use Taxes, deposits under the Lease or the Sublease, and similar prepaid and deferred items, in each case to the extent relating to the Lease or the Sublease, shall be prorated between Buyer and Seller in accordance with the principle that Seller shall be responsible for all expenses, costs, and liabilities, and shall be entitled to all receipts, allocable to the period ending prior to the Closing Date, and Buyer shall be responsible for all expenses, costs, liabilities and obligations, and shall be entitled to all receipts, allocable to the period on or after the Closing Date.

2.2.2 Manner of Determining Adjustments. The Purchase Price, taking into account the adjustments and prorations pursuant to this Section, will be determined finally in accordance with the following procedures:

2.2.2.1 Seller shall prepare and deliver to Buyer not later than five (5) Business Days before the Closing Date an itemized preliminary settlement statement (the "Preliminary Settlement Statement") which shall set forth Seller's good faith estimate of the adjustments to the Purchase Price in accordance with Section 2.2.1 hereof.

2.2.2.2 If Seller and Buyer have not agreed upon a final settlement statement on or before the Closing Date, then Seller and Buyer shall cooperate in good faith to finalize such settlement statement as soon as practicable after the Closing; provided, however, the parties shall use such Seller's good faith estimated adjustments to the Purchase Price as set forth in the Preliminary Settlement Statement delivered pursuant to Section 2.2.2.1 above for purposes of determining the amount of any estimated adjustment to the Purchase Price paid by Buyer to Seller at Closing. If Seller and Buyer have not agreed upon a final settlement statement on or before the Closing Date, not later than sixty (60) days after the Closing Date, Buyer shall deliver to Seller a statement (the "Buyer Adjustment Statement") setting forth, in reasonable detail, its determination of the adjustments to the Purchase Price and the calculation thereof and reminding Seller of the thirty (30) day response period set forth in Section 2.2.2.3. If Buyer fails to deliver the Buyer Adjustment Statement to Seller within the sixty (60) day period specified in the preceding sentence, Seller's determination of the adjustments to the Purchase Price as set forth in the Preliminary Settlement Statement shall be conclusive and binding on the parties as of the last day of the sixty (60) day period.

2.2.2.3 If Seller disputes Buyer's determination of the adjustments to the Purchase Price, it shall deliver to Buyer a statement notifying Buyer of such dispute within thirty (30) days after its receipt of the Buyer Adjustment Statement. If Seller notifies Buyer of its acceptance of the Buyer Adjustment Statement, or if Seller fails to deliver its statement within the thirty (30) day period specified in the preceding sentence, Buyer's determination of the adjustments to the Purchase Price as set forth in the Buyer Adjustment Statement shall be conclusive and binding on the parties as of the earlier of the date of notification of such acceptance or the last day of the thirty (30) day period, and the appropriate party shall promptly pay to the other party in immediately available funds the amount of any such adjustment.

2.2.2.4 Seller and Buyer shall use good faith efforts to resolve any dispute involving the determination of any adjustments to the Purchase Price, and each party shall afford the other party and its representatives reasonable access to all appropriate books, records and statements relating to the subject matter of the adjustments to the Purchase Price contemplated by this Section 2.2 for such purpose. If the parties are unable to resolve the dispute within sixty (60) days after Buyer delivers the Buyer Adjustment Statement to Seller, Seller and Buyer jointly shall designate an independent accounting firm that has, or a movie theater executive who has, consistent and recent experience in real property matters similar to those involving the Property (the "Designated Arbitrator") to resolve the dispute. If, for any reason, the parties are unable to agree upon the Designated Arbitrator within seventy-five (75) days after Buyer delivers the Buyer Adjustment Statement to Seller, or the Designated Arbitrator fails or refuses to accept such engagement within fifteen (15) days after the parties' written request therefor, Seller and Buyer shall jointly designate the Los Angeles office of PriceWaterhouseCoopers (the "Replacement Arbitrator") to resolve the dispute. If the Replacement Arbitrator fails or refuses to accept such engagement, in either case within fifteen (15) days after the parties' written request therefor, either Seller or Buyer may thereafter petition the Superior Court of Los Angeles County, California for the appointment of an independent accounting firm to act as the Replacement Arbitrator and resolve the dispute. Absent fraud or manifest error, (a) the Designated Arbitrator's or Replacement Arbitrator's, as applicable, resolution of the dispute shall be final and binding on the parties, (b) subject to Section 2.3, the appropriate party shall promptly pay to the other party in immediately available funds the amount of any such adjustment, and (c) a judgment may be entered in any court of competent jurisdiction if such amount is not so paid. Any fees and costs of the Designated Arbitrator or Replacement Arbitrator shall be split equally between the parties.

2.3 Payment of Adjustments to and Reimbursements of the Purchase Price. If, pursuant to Section 2.2, it is determined after the Closing Date that Buyer shall be obligated to pay any amounts to Seller, then Buyer shall make such payments in full to Seller within ten (10) days after such amount is finally determined to be due. Conversely, if, pursuant to Section 2.2, it is determined after the Closing Date that Seller shall be obligated to pay any amounts to Buyer, then Seller shall make such payments in full to Buyer within ten (10) days after such amount is finally determined to be due.

2 . 4 Late Interest. If any amount payable pursuant to the provisions of this Article 2 is not paid within ten (10) days after such amount is finally determined to be due, such amount shall thereafter accrue interest until paid in full at an annual rate equal to the lesser of the "prime" interest rate as announced by *The Wall Street Journal* from time to time during such period plus 2%, or the maximum interest rate permitted by applicable law.

2.5 Survival. The parties' respective obligations under this Article 2 shall survive the Closing.

3. Representations and Warranties of Seller.

3.1 Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer as follows:

3 . 1 . 1 Organization. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

3.1.2 Authority. Subject to the terms of any consent provisions of the Lease, Seller has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement have been duly authorized by all necessary action on the part of Seller in accordance with its governing documents and applicable law. This Agreement constitutes, and each other document, instrument and agreement to be entered into by Seller pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against Seller in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

3 . 1 . 3 Consents. The execution, delivery and performance by Seller of this Agreement, and all other agreements, instruments or documents referred to herein or contemplated hereby, do not require the consent, waiver, approval, license or authorization of any Person (other than the consent of First Republic Bank (or any successor-in-interest of First Republic Bank) if and to the extent that the Nondisturbance and Attornment Agreement dated as of July 1, 1998 by and among Bishop & Bishop Land, LLC, Pacific and First Republic Bank remains in effect) or public authority which has not been obtained or provided for in this Agreement and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both), the governing documents of Seller, any other contract or agreement to which Seller is a party or by which Seller is bound or any judgment, injunction, order, law, rule or regulation applicable to Seller. Seller is not a party to, or subject to or bound by, any judgment, injunction or decree of any court or governmental authority which may restrict or interfere with the performance of this Agreement, or such other agreements, instruments and documents.

3.1.4 The Lease and the Sublease. Exhibit A sets forth a true, complete and accurate description of the Lease (including all amendments, extensions, renewals, ground or master lessor consents, and existing non-disturbance and attornment agreements with respect thereto), and Exhibit B sets forth a true, complete and accurate description of the Sublease (including all amendments, extensions, renewals, ground or master lessor consents, and existing non-disturbance and attornment agreements with respect thereto). Subject to the terms of the Lease and the Sublease, Seller has, and on the Closing Date will have, a valid leasehold interest in the Lease free and clear of any "Liens" (as defined in Article 11) other than (a) "Permitted Liens" (as defined in Article 11), (b) so-called "non-monetary" Liens, including, without limitation, any ground or underlying leases, easements, parking agreements, reciprocal easement agreements, conditions, covenants and restrictions, restrictive covenants, development or similar agreements, zoning limitations and other restrictions imposed by any "Governmental Authority" (as defined in Article 11), or any other matter which a survey of the Leased Premises or a review of the public records regarding the Leased Property would show, whether created by or in the name of Seller or any other party, or (c) any other Liens, whether "monetary" or "non-monetary" Liens, created by or in the name of any Person other than Seller or any "Affiliate" (as defined in Article 11) of Seller, including, without limitation, by any fee owner or ground lessor under the Lease. True, complete and accurate copies of the Lease and the Sublease have been delivered or otherwise made available to Buyer through Seller's Affiliate's data site operated by Merrill Corporation (the "Data Site"), and such Lease and Sublease set forth the entire agreement and understanding between the parties thereto with respect to the leasing and occupancy (or, as applicable, subleasing and occupancy) of the Leased Premises. The Lease and the Sublease are each in full force and effect against Seller and are valid and binding against Seller and, to Seller's Knowledge, the applicable landlord or subtenant thereunder. Neither Seller nor, to Seller's Knowledge, the landlord under the Lease or Pacific under the Sublease is in default under the Lease or the Sublease, as applicable, nor has any event occurred or failed to occur or any action been taken or not taken which, with the giving of notice, the passage of time or both would mature into or otherwise become a default under the Sublease or the Lease by Seller or, to Seller's Knowledge, the landlord or Pacific thereunder. The landlord under the Lease is not an Affiliate of Seller, but Pacific is an Affiliate of Seller. Except for the Sublease, Seller has not subleased, licensed or otherwise granted any "Person" (as such term is defined in Article 11) the right to use or occupy the Leased Premises or any portion thereof and, except for the Sublease, Seller is in exclusive possession of the Leased Premises. To Seller's Knowledge, there is no pending or threatened condemnation of any part of any Leased Premises by any "Governmental Authority" (as such term is defined in Article 11).

3.1.5 Litigation. To Seller's Knowledge, there are no actions, suits, claims, proceedings, hearings, disputes or investigations currently pending or threatened in writing at any time after January 1, 2005, before any Governmental Authority or that would come before any arbitrator, brought by or against Seller involving, affecting or relating to the Property, including, without limitation, any labor, employment or Tax-related actions, suits, claims, proceedings, hearings, disputes or

investigations. Seller is not subject to any order, writ, assessments, judgment, award, injunction or decree of any Governmental Authority relating to the Property.

3.1.6. Certain Tax Matters. Seller is not a "foreign person" within the meaning of Code Section 1445(f) or a "foreign partner" within the meaning of Code Section 1446. No part of the Property is "tax-exempt use property" within the meaning of Code Section 168(h).

3.1.7 Affiliate Transactions. Except for the Sublease, (a) Seller is not a party to any contract or arrangement with, or indebted, either directly or indirectly, to any of its Affiliates in connection with any part of the Property, and (b) none of Seller's Affiliates own any asset, tangible or intangible, which is used in and material to the operation of any part of the Property.

3.1.8 Brokerage. Except with respect to the engagement of Lazard Freres & Co. LLC by Affiliates of Seller, Seller has not employed any broker, finder or agent or has incurred or will incur any obligation or liability to any broker, finder or agent with respect to the transactions contemplated by this Agreement, and all fees and expenses payable in connection with the engagement of Lazard Freres & Co. LLC will be paid by such Affiliates of Seller.

3.1.9 Development Projects. Neither Seller nor any Affiliate of Seller is bound by any agreement or commitment regarding the development, construction or operation of any proposed development that is currently contemplated to include a commercial motion picture theater in any part of the "Territory" (as defined in Article 12 below). For purposes of this Agreement, the "Territory" means all property which is located within a radius of ten (10) miles from 555 Rohnert Park Expressway, Rohnert Park, California.

3.2 Knowledge. Where any representation or warranty contained in this Agreement is expressly qualified by reference "to Seller's Knowledge," "to the Knowledge of Seller," or any similar language, it refers to the actual knowledge of Neil Haltrecht (Executive Vice President of Pacific), Nora Dashwood (Executive Vice President and Chief Operating Officer of Pacific), Jay Swerdlow (Executive Vice President of Pacific), Ira Levin (Executive Vice President and General Counsel of Pacific), Joe Miraglia (Director of Staff Operations of Pacific), and Terri Shimohara (Vice President, Human Resources of Pacific), in each case after due inquiry.

3.3 "As Is" Purchase. BUYER ACKNOWLEDGES THAT AS A MATERIAL CONDITION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, BUYER IS ACQUIRING THE PROPERTY ON AN "AS IS, WHERE IS" BASIS EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THERE ARE NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, REPRESENTATIONS AS TO THE PHYSICAL OR OTHER CONDITION OF THE LEASE, THE LEASED PREMISES OR ANY OTHER PORTION OF THE PROPERTY, OR IMPLIED WARRANTIES OF

MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE LEASE, THE LEASED PREMISES OR ANY OTHER PORTION OF THE PROPERTY. BUYER HAS MADE AND AGREES TO MAKE A THOROUGH AND CAREFUL EXAMINATION OF THE LEASE, THE LEASED PREMISES AND ALL OTHER PORTIONS OF THE PROPERTY AND WILL ASSURE ITSELF THAT THE LEASE, THE LEASED PREMISES AND THE ALL OTHER PORTIONS OF THE PROPERTY ARE SUITABLE FOR BUYER'S INTENDED PURPOSE. IF THE CLOSING OCCURS, AND SUBJECT TO THE SPECIFIC AND EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN, (A) BUYER SHALL BE DEEMED TO HAVE ACCEPTED THE LEASE, THE LEASED PREMISES AND ALL OTHER PORTIONS OF THE PROPERTY WITH AND SUBJECT TO ALL DEFECTS AND DEFICIENCIES, AND (B) BUYER EXPRESSLY ASSUMES THE RISK THAT SUBSEQUENT EVENTS OR UNDISCOVERED OR UNKNOWN CONDITIONS COULD MAKE ALL OR PART OF THE LEASE, THE LEASED PREMISES OR ANY OTHER PORTION OF THE PROPERTY UNSUITABLE FOR BUYER'S INTENDED PURPOSES.

3.4 Release. As a material inducement to Seller to enter into and perform its obligations under this Agreement, Buyer, on behalf of itself and all of its successors, assigns, Affiliates and representatives, hereby releases and discharges Seller and its Affiliates, and their respective officers, directors, shareholders, partners, members, managers, employees, agents, attorneys and representatives, and successors and assigns, from any and all claims, demands, liabilities, obligations, expenses (including attorneys' fees), causes of action, suits and rights, whether now known or unknown, suspected or unsuspected, which exist, existed or may exist or have existed at any time now or in the future and arising out of or relating to the physical condition of the Property, including, without limitation, in connection with any compliance or non-compliance by Seller or any other party with the ADA or any similar state or local law, or arising from the presence of any "Hazardous Materials" (as defined in Article 11) or the Property's or any party's compliance with any "Environmental Laws" (as defined in Article 11); provided, however, that the foregoing release shall not apply to any claim to the extent arising from (a) the breach of any express covenant, representation or warranty by Seller under this Agreement or (b) fraud committed by Seller or any Affiliate of Seller. The foregoing release extends to, and Buyer hereby waives and relinquishes, all of its rights under Section 1542 of the California Civil Code and any similar law or rule of any other jurisdiction. California Civil Code Section 1542 provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

3.5 Updating of Schedules. Seller shall, from time to time, prior to the Closing, update the Schedules to this Agreement, or create any new schedules revising its representations and warranties, if after the Effective Date Seller learns of new exceptions to the representations and warranties set forth in this Agreement (together, the "Updated Schedules"), and promptly deliver such Updated Schedules to Buyer. If any Updated Schedule reflects or describes a "Material Adverse Effect" (as defined in Article 11) from

the conditions previously described in the representations and warranties, then Buyer may, at its option, upon written notice thereof to Seller, within ten (10) Business Days of Buyer's receipt of an Updated Schedule, terminate this Agreement upon notice to Seller. If Seller's representations and warranties were true and correct when made, then Buyer's sole remedy in the event of the receipt of an Updated Schedule shall be to terminate this Agreement in accordance with the foregoing sentence (or to proceed with the Closing). If the then scheduled Closing Date would occur prior to the end of the ten (10) Business Days period set forth in this Section 3.5, the delivery of any Updated Schedule shall postpone the Closing Date to the date which is ten (10) Business Days after Buyer's receipt of the Updated Schedule.

4. Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller as follows:

4 . 1 Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Buyer has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

4 . 2 Authority. Buyer has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement has been duly authorized by all necessary action on the part of Buyer in accordance with its governing documents and applicable law, and this Agreement constitutes, and each other document, instrument and agreement to be entered into by Buyer pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against Buyer in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

4.3 Consents. The execution, delivery and performance by Buyer of this Agreement, and all other agreements, instruments and documents referred to or contemplated herein or therein do not require the consent, waiver, approval, license or authorization of any Person (other than the landlord under the Lease and any lenders having Liens on the Leased Premises) or public authority which has not been obtained and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both) the governing documents of Buyer or any judgment, injunction, order, law, rule or regulation applicable to Buyer. Buyer is not a party to, or subject to or bound by, any judgment, injunction or decree of any court or Governmental Authority or any lease, agreement, instrument or document which may restrict or interfere with the performance by Buyer of this Agreement, or such other leases, agreements, instruments and documents.

4 . 4 Financial Condition. Buyer is a newly formed entity, created for the purpose of effectuating the transactions contemplated by this Agreement. On the Closing Date and after giving effect to the transactions contemplated by this Agreement, (a) Buyer will have shareholders' equity (determined in accordance with "GAAP" (as

defined in Article 11)) of not less than Twenty Million Dollars (\$20,000,000), (b) the assets of Buyer shall include all right, title and interest of the tenant under the lease for "RDI's" (as defined in Section 13.16 below) movie theater in Manville, New Jersey (the "Manville Theater"), and (c) Buyer will not have indebtedness for borrowed money in excess of the aggregate amount of Fifty-Five Million Dollars (\$55,000,000). Attached hereto as Schedule 4.4 are (i) a true and complete summary of the material terms of the Lease for the Manville Theater, and (ii) Theater Level Cash Flow Reports for the Manville Theater for RDI's fiscal year ended December 31, 2006 and for the eight-month period ended August 31, 2007 (collectively, the "Manville P&Ls"). The Manville P&Ls present fairly in all material respects the results of operations for the Manville Theater, along with circuit revenue and expenses allocated to such theater based on attendance, for the periods referred to therein. RDI maintains its books and records in accordance with GAAP applied on a consistent basis, and the Manville P&Ls were prepared from and are consistent with such books and records, except that the Manville P&Ls exclude certain financial statements and lack the footnote disclosures that are required for GAAP.

4.5 Brokerage. Except in connection with the "Financing" (as defined in Section 7.4.2 below), Buyer has not employed any broker, finder or agent or has incurred or will incur any obligation or liability to any broker, finder or agent with respect to the transactions contemplated by this Agreement. Any such obligation or liability in connection with the Financing shall be borne solely by Buyer or RDI.

5. Conditions Precedent to Buyer's Obligations. Buyer's obligations under this Agreement are subject to the fulfillment of each of the conditions set forth in this Article 5 at or before the Closing, subject, however, to the right of Buyer to waive any one or more of such conditions in whole or in part (provided that no such waiver shall be implied or binding upon Buyer unless given in writing).

5.1 Performance by Seller. Seller shall have timely performed and complied with in all material respects all agreements and conditions required by this Agreement to be performed and complied with by Seller on or prior to the Closing Date, including, without limitation, delivery to Buyer of the "Seller Deliveries" (as defined in Section 9.3 below) in accordance with Section 8.3 below.

5.2 Accuracy of Representation and Warranties. The representations and warranties herein of Seller shall be true and correct in all material respects as of the Closing Date (except to the extent any such representation or warranty is qualified by materiality, in which case such representation or warranty shall be true in all respects).

5.3 No Injunctions. No order shall have been entered in any action or proceeding before any Governmental Authority, and no preliminary or permanent injunction by any court of competent jurisdiction shall have been issued and remain in effect, which would have the effect of making the consummation of the transactions contemplated by this Agreement illegal; provided, however, that if any such action, proceeding or injunction exists as a result of the wrongful action or omission to act of

Buyer or any of Buyer's Affiliates, the same shall be an event of default by Buyer under this Agreement.

5.4 HSR Act. All required filings under Section 7A of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the " HSR Act"), shall have been completed and all applicable time limitations under the HSR Act shall have expired without a request for further information by the relevant federal authorities under such Act, or in the event of such a request for further information, the expiration of all applicable time limitations under the HSR Act shall have occurred without the objection of such federal authorities.

6. Conditions Precedent to Seller's Obligations. Seller's obligations under this Agreement are subject to the fulfillment of each of the conditions set forth below in this Article 6 at or before the Closing, subject, however to the right of Seller to waive any one or more such conditions in whole or in part (provided that no such waiver shall be implied or binding upon Seller unless given in writing).

6.1 Performance by Buyer. Buyer shall have timely performed and complied with in all material respects all agreements and conditions required by this Agreement to be performed and complied with by Buyer on or prior to the Closing Date, including, without limitation, delivery to Seller of the "Buyer Deliveries" (as defined in Section 9.2 below) in accordance with Section 8.2 below.

6.2 Accuracy of Representations and Warranties. The representations and warranties herein of Buyer shall be true and correct in all material respects as of the Closing Date (except to the extent any such representation or warranty is qualified by materiality, in which case such representation or warranty shall be true in all respects).

6.3 No Injunctions. No order shall have been entered in any action or proceeding before any Governmental Authority, and no preliminary or permanent injunction by any court of competent jurisdiction shall have been issued and remain in effect, which would have the effect of making the consummation of the transactions contemplated by this Agreement illegal; provided, however, that if any such action, proceeding or injunction exists as a result of the wrongful action or omission to act of Seller or any of Seller's Affiliates, the same shall be an event of default by Seller under this Agreement.

6.4 HSR Act. All required filings under Section 7A of the HSR Act shall have been completed and all applicable time limitations under the HSR Act shall have expired without a request for further information by the relevant federal authorities under such Act, or in the event of such a request for further information, the expiration of all applicable time limitations under the HSR Act shall have occurred without the objection of such federal authorities.

7. Covenants.

7.1 Commercially Reasonable Efforts.

7.1.1 Upon the terms and subject to the conditions of this Agreement, the parties hereto will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated by the Transaction Documents, including, without limitation, obtaining any authorizations, consents, orders or approvals of any Person or Governmental Authority that may be or become necessary in connection with the execution, delivery or performance of a party's obligations hereunder. Notwithstanding the foregoing, neither Seller nor Buyer shall be required to pay consideration or grant any rights, guarantee or concession to any third party or to modify in any material manner the terms of the Lease in order to obtain any such consent or approval or any such release; provided, however, that if Buyer elects to cause a Buyer Sub to take an assignment of any of Seller's right, title or interest under, or assume any of Seller's obligations under, the Lease, and the landlord's consent is required under any such Lease, Buyer shall offer to provide a guarantee to the landlord of all of such assumed obligations concurrently with Seller's initial submission to such landlord of request for such consent.

7.1.2 Buyer shall use its commercially reasonable efforts and Seller shall use its commercially reasonable efforts to cooperate fully to obtain promptly all such authorizations, consents, orders and approvals required to be obtained in connection with the transactions contemplated hereby. Without limiting the generality of the foregoing, to the extent such filing is required by the HSR Act, Seller and Buyer agree that each shall prepare and file a notification and report form pursuant to the HSR Act as soon as practicable after the Effective Date, but in no event later than ten (10) days after the Effective Date. If a filing is made under the HSR Act, Seller and Buyer each also agree to request early termination in such filing and respond with reasonable diligence and dispatch to any request for additional information made in response to such filing. All filing fees associated with complying with the HSR Act shall be borne 50% by Seller and 50% by Buyer.

7.1.3 Notwithstanding the provisions of Section 7.1.2, with respect to the assignment of the Lease from Seller to Buyer, Seller, at its cost and expense, shall use its commercially reasonable efforts, and Buyer, at its cost and expense, shall use its commercially reasonable efforts to cooperate fully with Seller:

(a) to obtain promptly from the landlord under the Lease and all other appropriate parties any consent required to be obtained in connection with (i) such assignment and (ii) the grant to the lenders under the Financing of Liens on the tenant's interest in the Lease and other consents, estoppels and approvals required as conditions precedent to the closing of the Financing (collectively, the "Leasehold Mortgages"); provided, however, that Buyer shall bear any expenses attributable to obtaining the Leasehold Mortgages. In connection therewith, Buyer agrees promptly to provide all financial and other information and background materials regarding Buyer, its

Affiliates and their respective senior management, and such lenders, which the landlord or any other appropriate party under the Lease may reasonably request in connection with such party's evaluation of Seller's request for consent to any such assignment or grant of any such Leasehold Mortgage. Buyer also agrees to make its and its Affiliates' senior management reasonably available to such parties for this purpose. Buyer hereby acknowledges that, in those cases where no party's consent is required for the assignment of the Lease to Buyer or to the grant to the lenders under the Financing of a Leasehold Mortgage with respect to such Lease, Seller may elect to send notices to the landlord and/or all other appropriate parties, rather than requests for consents, which notices describe the transaction contemplated by this Agreement, and some of which notices seek the "acknowledgment" of such landlord and such other parties to the assignment of the Lease; and

(b) to obtain releases of Seller's and its Affiliates' liability under the Lease.

With respect to the matters described in this Section 7.1.3, Seller may elect at any time to shift to Buyer primary responsibility for obtaining the consents and agreements under this Section by so notifying Buyer in writing. Thereafter, Buyer shall, at Seller's expense as provided above, use its commercially reasonable efforts to accomplish the matters described in this Section, and Seller shall use its commercially reasonable efforts to cooperate fully with Buyer. The parties agree that, if the landlord or any other party is presented with a combined request to consent to the assignment of the Leasehold Interest hereunder and the grant of a Leasehold Mortgage with respect to such Leasehold Interest refuses, without explanation, to provide the consents requested, or it is not otherwise reasonably apparent from such party's response to such combined request whether such landlord would have consented to the assignment of the Leasehold Interest if such request had not been accompanied by a request for a Leasehold Mortgage, it shall be presumed that such refusal was attributable only to the request for consent to the Leasehold Mortgage for purposes of determining whether the condition precedent set forth in Section 5.4 of the Asset Purchase Agreement has been satisfied; provided, however, that Buyer shall be entitled to rebut such presumption by requiring Seller to present to such party a separate request for consent to assignment of the Leasehold Interest only, and if such party fails for any reason to provide such consent to assignment it shall be deemed a failure of the condition precedent set forth in Section 5.4 of the Asset Purchase Agreement.

7.1.4 In no event shall Buyer or any Affiliate of Buyer be required to increase the equity capital of Buyer or to contribute any assets to Buyer, or (except as otherwise provided in Section 7.1.1 above) to provide any guarantee or other credit enhancement to or for the benefit of Buyer, in order to obtain any consent contemplated by this Section 7.1.1.

7.2 Access to Properties and Records. From and after the Effective Date through the Closing Date or the earlier termination of this Agreement, Seller shall afford to Buyer, and to the accountants, counsel and representatives of the Buyer, upon

reasonable prior notice, reasonable access during normal business hours throughout the period prior to the Closing to the Leased Premises and, during such period, shall furnish promptly to Buyer all other information concerning the Property and its personnel as such parties may reasonably request. Notwithstanding anything in this Section to the contrary, no access pursuant to this Section 7.2 shall unreasonably interfere with Seller's or Pacific's conduct of its business at the Leased Premises. Buyer shall notify Seller in writing of any material breach of this provision known to it and shall afford Seller a reasonable opportunity to cure any such breach.

7.3 Seller's Operations Prior to the Closing. From and after the Effective Date until the Closing, Seller (a) shall not sell, transfer, assign, dispose of or grant any Lien on, or permit to be sold, transferred, assigned, disposed of or encumbered, all or any material part of the Property as the same shall be constituted on the Effective Date, except to the extent that any such Lien will be removed at or prior to the Closing; (b) shall not enter into any lease, contract or commitment or incur any liabilities or obligations in connection with the Property, except for leases, contracts, commitments, liabilities or obligations that will not bind Buyer or the Property after the Closing; (c) shall not release, waive or compromise any of its rights with respect to, the Lease without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed to the extent such proposed action occurs in the ordinary course of its business consistent with past practice and which is reasonably expected to be without Material Adverse Effect upon the value or utility of the Property; and (d) shall not, directly or indirectly, destroy or otherwise dispose of any books, records or files relating to the Lease or the Property, other than in the ordinary course of business, generally consistent with past practice.

7.4 Cooperation.

7.4.1 Generally. Each party shall provide the other with such cooperation as may reasonably be requested, at the expense of the requesting party (unless the requesting party is to be indemnified with respect thereto, in which case such cooperation shall be given at the expense of the indemnifying party), in connection with the defense of any third party litigation relating to the subject matter of this Agreement. Additionally, until March 31, 2010, Seller shall make available to Buyer's independent accountants such information and documentation regarding the Property to the extent such information and documentation is reasonably required in connection with an audit by such independent accountant of Buyer's financial statements or the preparation of financial disclosure required under applicable Federal securities laws, including an audit of acquired businesses as required by 17 CFR § 210.3-05, and allow Buyer's independent accountants to make and retain copies of such information and documentation, provided that (a) such information and documentation is then in the possession or control of Seller or Seller's Affiliates, and (b) so long as Buyer's independent accountant does not require that such information or documentation be obtained directly from Seller, such information and documentation is not otherwise in the possession or control of Buyer, any of Buyer's Affiliates or such independent accountant, or is not otherwise reasonably available from another source to Buyer or such independent accountant. Seller also

agrees to make its and its Affiliates' senior management reasonably available to Buyer and its accountants for this purpose.

7.4.2 Cooperation with respect to Buyer's Financing. Buyer hereby represents and warrants to Seller that (a) it has obtained a written commitment letter and related term sheet from a financially responsible institution, true and correct copies of which have been furnished to Seller, for debt financing to be used by Buyer to fund a portion of the Purchase Price (the "Financing"), and (b) said commitment letter and related term sheet are in full force and effect, and Buyer has performed all of its obligations thereunder required to be performed on or prior to the Effective Date. Prior to the Closing Date, Seller agrees promptly to provide all financial and other information and materials regarding the Property as reasonably requested by Buyer or its accountants from time to time in connection with the preparation of audited financial statements of the "Purchased Assets" and the "Business" (each as defined in the Asset Purchase Agreement) for the twelve (12) months ended June 30, 2005, 2006 and 2007, respectively, and unaudited financial statements for the most recent practicable interim period subsequent to June 30, 2007 and prior to the Closing Date. Seller also agrees to make its and its Affiliates' senior management reasonably available to Buyer and its accountants for this purpose. Subject to Seller's performance of its obligations under this Section 7.4.2, the completion of said financial statements shall not be a condition precedent to the obligations of Buyer under this Agreement, and Seller shall not be in breach or default of its obligations under this Section 7.4.2 if such audited financial statements are not completed for any reason by any particular date so long as Seller has cooperated with Buyer and its accountants as required by this Section 7.4.2. Seller agrees that, effective upon the Closing, Buyer's accountants shall be released for the benefit of Buyer and RDI from any and all obligations of confidentiality that it may owe to Seller or its Affiliates only to the extent they relate to the Property.

7.5 Delivery of Information; Delivery of Mail and Assets; Collection of Accounts Receivable. After the Closing Date, each of the parties hereto shall cause their personnel to provide the other party with financial accounting, Tax, and similar information reasonably necessary to prepare Tax returns and other filings relating to the Lease and to finalize the prorations and adjustments called for by Section 2.2 hereof. Seller agrees that it will promptly deliver to Buyer any mail or other communications received by Seller on or after the Closing Date pertaining to the Property and any cash, checks or other instruments of payment to which Seller is not entitled. Buyer agrees that it will promptly deliver to Seller any mail or other communications received by Buyer on or after the Closing Date pertaining to Seller's operations, properties or other affairs of Seller, any cash, checks or other instruments of payment to which Buyer is not entitled, and any other assets or properties of Seller.

7.6 Post-Closing Covenants of Buyer.

7.6.1 Maintenance of Insurance. Buyer agrees that from and after the Closing Date, Buyer shall at all times maintain in complete force and effect, in accordance with the requirements of the Lease, all policies of insurance required by the

Lease to be maintained by the tenant. Buyer shall deliver to Seller executed copies of certificates of insurance evidencing the foregoing on the Closing Date. New certificates shall be delivered promptly whenever policies are renewed or new policies are written. As often as any such policy shall expire or be terminated, a renewal or additional policy shall be procured and maintained by Buyer in like manner and to like extent, and new certificates thereof shall be delivered to Seller. All policies of insurance maintained by Buyer pursuant to the requirements of the Lease shall contain a provision that the company issuing said policy will give Seller not less than ten (10) days' notice in writing in advance of any cancellation or lapse of the effective date or any reduction in the amounts of insurance. In the event that Buyer fails to comply with any of the requirements of this Section 7.6.1, and Buyer fails to cure such non-compliance within ten (10) days of delivery of notice thereof from Seller, Seller may obtain any and all policies of insurance required to comply with tenant's obligations under the Lease, and Buyer shall immediately pay to Seller any and all costs reasonably incurred by Seller in connection with obtaining and maintaining such insurance.

7.6.2 Amendment of Lease; Exercise of Options; Waiver of Rights. Without Seller's prior written consent (which consent may not be unreasonably withheld or delayed), until the earlier of the date on which (a) Seller and all of Seller's Affiliates are no longer liable on or are released from any further liability under the Lease, or (b) Buyer delivers to Seller (i) an audited balance sheet for Buyer showing a net worth (calculated in accordance with GAAP) of at least \$50,000,000, and (ii) an audited income statement for Buyer showing a ratio of indebtedness to "Theater Level Cash Flow" (as defined in Article 11) for all theaters then operated by Buyer of 5.5-to-1 or less, Buyer shall not (x) exercise any option to extend or renew the term of the Lease if, as of the date on which Buyer proposes to exercise any such option, the theater operated pursuant to the Lease has Theater Level Cash Flow in the most recently completed calendar year of less than \$200,000, or (y) amend or modify the Lease to eliminate or materially change, or otherwise waive or forfeit, any material rights or privileges of the tenant under the Lease.

7.7 Destruction of Books, Records and Files. If, after the Closing, Seller or any of its Affiliates proposes to destroy or otherwise dispose of any books, records or files relating to the Property (but not including any financial reports or other information regarding the Property to the extent such financial reports or other information is integrated into financial reports or other information regarding the operations generally of Seller or such Affiliate), Seller shall deliver prior notice thereof to Buyer and Buyer shall have a period of sixty (60) days from receipt of such notice to deliver notice to Seller of its desire to take possession of such books, records or files, in which event Seller shall deliver to Buyer possession of such books, records or files at the earliest practicable date. Seller shall not destroy or otherwise dispose of such books, records or files prior to the end of such sixty (60) day period.

8. Closing.

8.1 Closing Date. Subject to the satisfaction (or waiver by Buyer or Seller as provided therein) of the conditions precedent in Articles 5 and 6 hereof, the

transactions contemplated by this Agreement shall be consummated at a closing (the "Closing") at the offices of Weissmann Wolff Bergman Coleman Grodin & Evall, LLP, 9665 Wilshire Boulevard, Ninth Floor, Beverly Hills, California 90212. The Closing shall occur on the date which is the first Friday occurring after the date which is sixty-five (65) days after the Effective Date (the "Scheduled Closing Date"). If the Closing does not occur on the Scheduled Closing Date by reason of the failure of any condition precedent set forth in Article 5 or 6 hereof (a "Non-Satisfied Condition Precedent"), the party in whose favor the Non-Satisfied Condition Precedent exists shall have the right to extend the Scheduled Closing Date until the date which is the second Friday occurring after the date on which the Non-Satisfied Condition Precedent is satisfied or waived. Notwithstanding the foregoing, this Agreement shall automatically terminate if the Closing shall not have occurred on or before the date which is the first Friday which is more than one hundred twenty-five (125) days after the Effective Date (the "Outside Closing Date"). Notwithstanding anything to the contrary contained herein, nothing herein shall be deemed to excuse or waive any breach or default by either party of its obligations under this Agreement. The date of the Closing is sometimes referred to herein as the "Closing Date." The Closing shall be effective as of 8:00 a.m. (local time) on the Closing Date.

8.2 Deliveries by Buyer. At the Closing, Buyer shall deliver to Seller the following (collectively, the "Buyer Deliveries"):

8.2.1 Payment of Purchase Price. Immediately available funds in an amount equal to the Purchase Price paid to and received by Seller.

8.2.2 Assignment and Assumption of Lease and Sublease. Duly executed and, where necessary, acknowledged counterparts of the Assignment and Assumption of Lease and Sublease by and between Buyer and Seller in substantially the form of Exhibit C attached hereto (the "Assignment and Assumption of Sublease").

8.2.3 Buyer's Closing Certificate. A duly executed certificate, dated as of the Closing Date, to the effect that the conditions specified in Sections 6.1 and 6.2 have been satisfied in accordance with the terms and provisions hereof.

8.2.4 Additional Deliveries. Such additional documents, instruments and agreements, signed and properly acknowledged by Buyer, if appropriate, as may be necessary to comply with Buyer's obligations under this Agreement.

8.3 Deliveries by Seller. At the Closing, Seller shall deliver to Buyer all of the following (collectively, the "Seller Deliveries"):

8.3.1 Assignment and Assumption of Lease and Sublease. Duly executed and, where necessary, acknowledged counterparts of the Assignment and Assumption of Lease and Sublease.

8.3.2 Seller's Closing Certificate. A duly executed certificate, dated as of the Closing Date, to the effect that the conditions specified in Sections 5.1 and 5.2 have been satisfied in accordance with the terms and provisions hereof.

8 . 3 . 3 Additional Deliveries. Such additional documents, instruments and agreements, signed and properly acknowledged by Seller, if appropriate, as may be necessary to comply with Seller's obligations under this Agreement.

8 . 4 Closing Costs. Buyer and Seller shall each pay 50% of all documentary transfer, excise or similar Taxes, if any, payable in connection with the transactions contemplated by this Agreement. Buyer and Seller shall each bear their own legal and accounting costs and fees. Buyer and Seller shall each pay 50% of all sales and similar Taxes payable in connection with the transactions contemplated by this Agreement.

8 . 5 Possession. Subject to the terms of the Sublease, possession of the Leased Premises shall be delivered to Buyer on the Closing Date; provided, however, that Seller shall deliver possession of all files for the Lease within five (5) Business Days after the Closing Date.

9 . Termination. Notwithstanding anything to the contrary contained herein, this Agreement may be terminated at any time before the Closing (a) by mutual consent of Seller and Buyer; (b) by Buyer, upon written notice to Seller, if Seller has breached any representation, warranty, covenant or agreement, such breach has had, either individually or in the aggregate, a Material Adverse Effect, and such breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within ten (10) days of notice by Buyer to Seller of such breach; or (c) by Seller, upon written notice to Buyer, if Buyer has breached any representation, warranty, covenant or agreement, and such breach is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within ten (10) days of notice by Seller to Buyer of such breach. If this Agreement is terminated, this Agreement shall become null and void and have no further force or effect, and no party hereto (or any of such party's Affiliates, directors, officers, agents or representatives), shall have any liability or obligation hereunder; provided, however, that (i) the letter agreement dated as of January 15, 2007 by and among Pacific, Consolidated and RDI (the "Confidentiality Agreement") shall remain in full force and effect, (ii) each party shall bear its own fees and expenses incurred in connection with the negotiation and documentation of this Agreement and the Transaction Documents, and (iii) notwithstanding the foregoing, but subject to the terms of Article 10 below, termination of this Agreement shall not release any party from any liability for any breach by such party of any of its representations, warranties, covenants or agreements contained in this Agreement prior to such termination.

10. Indemnification.

10.1 Indemnification by Buyer. Subject to the terms of this Article 10, Buyer shall indemnify and hold Seller, its Affiliates and their respective employees, officers, directors, members, managers, shareholders, agents, contractors, attorneys and representatives (collectively, the "Seller Indemnified Parties") harmless from and against, and agrees to promptly defend any Seller Indemnified Party from and reimburse any Seller Indemnified Party for, any and all any and all liabilities, demands, claims, actions, causes of action, costs, damages, deficiencies, Taxes, penalties, fines and other losses and expenses, whether or not arising out of a claim made by any third party, including all interest, penalties, reasonable attorneys' fees and expenses, and all amounts paid or incurred in connection with any action, demand, proceeding, investigation or claim by any third party (including any Governmental Authority) ("Losses") which such Seller Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with:

10.1.1 any untruth or inaccuracy in any representation or warranty of Buyer or any Buyer Sub contained in this Agreement or in any other Transaction Document; provided, however, that for purposes of determining an untruth or inaccuracy in any such representation or warranty for purposes of this Section 10.1.1, the representations and warranties of Buyer that are limited or qualified by references to "material" or "materiality" or "Material Adverse Effect" or similar qualifications shall be construed as if they were not limited or qualified by such qualifications.

10.1.2 any failure of Buyer or any Buyer Sub duly to perform or observe any term, provision, covenant, agreement or condition contained in this Agreement or the other Transaction Documents to be performed or observed by Buyer or such Buyer Sub; or

10.1.3 any claim or cause of action by any party arising on or after the Closing Date against any Seller Indemnified Party (including, without limitation, any claim or cause of action arising from the failure to obtain any required consents or approvals, including, without limitation, consents or approvals from any party, to the assignment of the Lease to Buyer) with respect to the Property, the obligations of Seller assumed by Buyer or an Buyer Sub under this Agreement (including the Assumed Liabilities) or any of the other Transaction Documents, including any default by Buyer or any Buyer Sub under the Lease arising on or after the Closing Date.

10.2 Indemnification by Seller. Subject to the terms of this Article 10, Seller shall indemnify and hold the Buyer, its Affiliates and their respective employees, officers, directors, members, managers, shareholders, agents, contractors, attorneys and representatives (collectively, the "Buyer Indemnified Parties") harmless from and against, and agrees to promptly defend any Buyer Indemnified Party from and reimburse any Buyer Indemnified Party for, any and all Losses which such Buyer Indemnified Party may at any time suffer or incur, or become subject to, as a result of or in connection with:

10.2.1 any untruth or inaccuracy in any representation or warranty of Seller contained in this Agreement or in any other Transaction Document; provided, however, that for purposes of determining an untruth or inaccuracy in any such representation or warranty for purposes of this Section 10.2.1, the representations and warranties of Seller that are limited or qualified by references to "material" or "materiality" or "Material Adverse Effect" or similar qualifications shall be construed as if they were not limited or qualified by such qualifications.

10.2.2 any failure of Seller duly to perform or observe any term, provision, covenant, agreement or condition contained in this Agreement or the other Transaction Documents to be performed or observed by the Seller; or

10.2.3 except as otherwise provided by and subject to the terms of Sections 3.3 and 3.4 above, any claim or cause of action by any party arising on or after the Closing Date against any Buyer Indemnified Party with respect to the obligations of Seller retained by Seller under this Agreement or any of the other Transaction Documents, including any default by Seller under the Lease arising prior to the Closing Date or any failure of Seller to satisfy any of its liabilities other than the Assumed Liabilities.

10.3 Notification and Defense of Claims.

10.3.1 A party entitled to be indemnified pursuant to Section 10.1 or 10.2 (the "Indemnified Party") shall promptly notify the party or parties liable for such indemnification (the "Indemnifying Party") in writing of any claim, action, lawsuit, proceeding, investigation or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement; provided, however, that a failure to give prompt notice or to include any specified information in any notice will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party which was entitled to receive such notice was prejudiced as a result of such failure. Subject to the Indemnifying Party's right to defend in good faith third party claims as hereinafter provided, the Indemnifying Party shall satisfy its obligations under this Section 10 within thirty (30) days after the receipt of written notice thereof from the Indemnified Party.

10.3.2 If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to Section 10.3.1, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party, the Indemnifying Party shall have the right to defend any such claim or demand asserted against the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any such claim or demand at its own expense. Without limiting the generality of the foregoing, the Indemnified Party shall not be entitled to indemnification for any fees or costs of defending any such claim or demand unless and until the Indemnifying Party elects not to assume the defense of such claim or demand. The Indemnifying Party shall notify the Indemnified Party in writing, as promptly as possible (but in any case five (5) Business Days before the due date for the answer or response to

a claim) after the date of the notice of claim given by the Indemnified Party to the Indemnifying Party under Section 10.3.1 of its election to defend any such third party claim or demand. So long as the Indemnifying Party is defending in good faith any such claim or demand asserted by a third party against the Indemnified Party, the Indemnified Party shall not settle or compromise such claim or demand without the prior written consent of the Indemnifying Party (which consent may be granted or withheld in the Indemnifying Party's sole and absolute discretion), and the Indemnified Party shall make available to the Indemnifying Party or its agents all records and other material in the Indemnified Party's possession reasonably required by it for its use in contesting any third party claim or demand. In the event the Indemnifying Party elects to defend such claim or action, the Indemnifying Party shall have the right to settle or compromise such claim or action without the consent of the Indemnified Party, provided that the terms of the settlement or compromise impose no additional obligations on the Indemnified Party with respect to the subject matter of the claim or demand for which the Indemnifying Party has not agreed to indemnify the Indemnified Party.

10.4 Survival of Representations and Warranties. The representations and warranties of the parties contained in this Agreement and the other Transaction Documents, shall survive the Closing until March 31, 2009, except that the representations and warranties set forth in Sections 3.1.1, 3.1.2, 3.1.4 (second, third, and penultimate sentences only), and 3.1.6 shall survive until the applicable statute of limitations has run (the "Survival Period"). Notwithstanding any other provision to the contrary, no party shall be required to indemnify, defend or hold harmless any other party pursuant to Section 10.1.1 or 10.2.1, unless the Indemnified Party has asserted a claim with respect to such matters within the Survival Period.

10.5 Characterization of Payments. Any payments made pursuant to this Article 10 shall be treated for all Tax purposes as adjustments to the Purchase Price and no party or any of its Affiliates shall take any position on a Tax return or in any proceeding with any taxing authority contrary to such treatment, unless otherwise required by law.

10.6 Limitations. Notwithstanding anything to the contrary contained in this Agreement or in any of the other Transaction Documents, the parties' respective indemnification obligations under this Agreement shall be subject to the limitations contained in this Section 10.6.

10.6.1 Buyer shall not be required to indemnify, defend or hold harmless any Seller Indemnified Party, and Seller shall not be required to indemnify, defend or hold harmless any Buyer Indemnified Party, for any inaccuracy in or breach of a representation or warranty pursuant to Section 10.1.1 or 10.2.1, as applicable, the aggregate amount of all such Losses of the Seller Indemnified Parties or the Buyer Indemnified Parties, respectively, exceeds an aggregate amount equal to \$81,250 (the "Deductible"), after which event the Seller Indemnified Parties or the Buyer Indemnified Parties, as applicable, shall be entitled to recover for all Losses in excess of the Deductible, subject to the other terms of this Agreement; provided, however, that the

limitations set forth in this Section 10.6.1 shall not apply to Losses resulting from or arising in connection with any breach of the representations and warranties of Seller under Sections 3.1.9 hereof.

10.6.2 Buyer shall not be required to indemnify, defend or hold harmless the Seller Indemnified Parties, and Seller shall not be required to indemnify, defend or hold harmless the Buyer Indemnified Parties, for Losses in excess of an aggregate amount equal to 100% of the Purchase Price; provided, however, that the foregoing limitation shall not apply to (a) the payment of the Purchase Price by Buyer to Seller, (b) any indemnification pursuant to any of Sections 10.1.3 or 10.2.3, as applicable, or (c) any indemnification arising out of a breach by Seller of its representation and warranty in Sections 3.1.4 (second, third, and penultimate sentences only) above.

10.6.3 The parties agree, for themselves and on behalf of their respective Affiliates, successors and assigns, that with respect to each indemnification obligation under this Agreement or any of the other Transaction Documents, the amount of any Losses shall be reduced by the amount, if any, of any federal, state or local income Tax benefit realized or any insurance proceeds received.

10.6.4 The parties agree that, except as otherwise expressly provided elsewhere in this Agreement or in any other Transaction Document, the indemnification provisions of this Article 10 shall be the sole and exclusive remedy for any breach of or inaccuracy in any representation, warranty, covenant or agreement contained in this Agreement or in any of the other Transaction Documents; provided, that either party shall be entitled to seek specific performance of the other party's obligation to close the transaction contemplated by this Agreement.

10.6.5 No Indemnified Party shall seek or be entitled to, or accept payment of, any award or judgment for consequential, incidental, special, indirect or punitive damages or lost profits suffered by such Indemnified Party, whether based on statute, contract, tort or otherwise, and whether or not arising from the Indemnifying Party's sole, joint or concurrent negligence, strict liability or other fault.

10.6.6 Seller shall have no indemnification obligation hereunder to the extent any Losses arose out of or resulted from the inaccuracy of any representation or warranty of Seller, and Buyer or any Affiliate of Buyer had actual knowledge of such inaccuracy prior to the execution and delivery of this Agreement by Buyer. For purposes of this Section, the term "actual knowledge" means the actual knowledge of any one or more of John Hunter, Andrzej Matyczynski, or S. Craig Tompkins. Additionally, Buyer shall be deemed to have "actual knowledge" of any fact which has been disclosed in writing by Seller, its Affiliates or their respective officers, employees, agents or representatives to any outside attorney or accountant of Buyer.

11. Certain Defined Terms. For purposes of this Agreement, the following terms have the meaning set forth below:

“Affiliate” means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, “control” (including, with its correlative meanings, “controlled by” and “under common control with”) shall mean possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests by contract or otherwise) of such Person; provided, however, in no event shall either of Michael Forman or Christopher Forman be deemed an Affiliate of Buyer.

“Business Day” means Monday through Friday, excluding any day of the year on which banks are required or authorized to close in California.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor law.

“Environmental Laws” means all applicable laws, regulations and other requirements of any Governmental Authority relating to pollution, health or safety or to the protection of human health, safety or the environment.

“GAAP” means United States generally accepted accounting principles, as in effect from time to time.

“Governmental Authority” means any U.S., federal, state or local government, governmental authority, regulatory or administrative agency or commission or any court, tribunal, or judicial or arbitral body (or any political subdivision thereof).

“Hazardous Materials” means any hazardous substance, hazardous waste, contaminant, pollutant or toxic substance (as such terms are defined in any applicable Environmental Law); provided that “Hazardous Materials” shall not include customary products used and/or stored by Seller in the ordinary course of its business.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien (statutory or other) or charge of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature of a conditional sale or title retention agreement, and including any lien or charge outstanding by statute or other laws which secures the payment of a debt (including, without limitation, any Tax) or the performance of an obligation.

“Material Adverse Effect” means a material adverse effect on the value of the Property, taken as a whole, provided, however that any such material adverse effect arising out of or resulting from an event or series of events or circumstances affecting (a) the motion picture industry generally or (b) any one or more markets in which any of the theaters operated at the Property are located, shall not constitute a Material Adverse Effect, including, without limitation, the opening for business of any theater competitive to any such theater.

"Permitted Liens" means the following Liens: (a) Liens for Taxes, assessments or other governmental charges or levies not yet due and payable; and (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by Law and on a basis consistent with past practice for amounts not yet due.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, trust, any other unincorporated organization or Governmental Authority.

"Tax" or "Taxes" means all federal, state, local or foreign taxes, including, but not limited to, income, gross income, gross receipts, capital, production, excise, employment, sales, use, transfer, transfer gain, ad valorem, premium, profits, license, capital stock, franchise, severance, stamp, withholding, Social Security, employment, unemployment, disability, worker's compensation, payroll, utility, windfall profits, customs duties, personal property, real property, environmental, registration, alternative or add-on minimum, estimated and other taxes, governmental fees or like charges of any kind whatsoever, including any interest, penalties or additions thereto whether disputed or not.

"Theater Level Cash Flow" means, with respect to any movie theater for any period, (i) the gross revenues from the operation of such theater for such period, less (ii) the film costs and cost of concessions for such theater for such period, less (iii) the operating expenses (including, without limitation, payroll, payroll benefits, repairs and maintenance, supplies, utilities, advertising, insurance, security services, taxes and licenses) of such theater for such period, and less (iv) the occupancy expenses (including, without limitation, the base or minimum rent, percentage rent, additional rent and real estate taxes) of such theater for such period, in each case calculated in accordance with GAAP, applied on a consistent basis (with the exception that rents will not be calculated on a straight line basis as would otherwise be required under FASB 13). For the avoidance of doubt, "operating expenses" shall exclude any general or administrative expenses not incurred at the theater level, and any depreciation, amortization, interest or income tax costs.

"Transaction Documents" means this Agreement and all documents, agreements and instruments contemplated by and being delivered pursuant to or in connection with this Agreement.

12 . Notices. In the event either party desires or is required to give notice to the other party in connection with this Agreement, the same shall be in writing and shall be delivered in person or by recognized overnight air courier service, or deposited with the United States Postal Service, postage prepaid, or certified mail, return receipt requested, addressed to Buyer or Seller at the appropriate address as set forth below:

If to Seller:
120 N. Robertson Boulevard
Los Angeles, California 90048

Kenmore Rohnert, LLC

Attention: Ira S. Levin, Esq.

With a copy to: Weissmann Wolff Bergman Coleman
Grodin & Evall, LLP
9665 Wilshire Boulevard, Ninth Floor
Beverly Hills, California 90212
Attention: Mitchell Evall & Andrew Schmerzler

If to Buyer: Consolidated Amusement Theatres, Inc.
c/o Reading International, Inc.
500 Citadel Drive, Suite 300
Commerce, California 90040
Attention: Chief Operating Officer

With a copy to: Troy & Gould Professional Corporation
1801 Century Park East, Suite 1600
Los Angeles, California 90067
Attention: Dale E. Short, Esq.

Any such notice shall be deemed to have been given on the date so delivered, if delivered personally or by overnight air courier service, or, if mailed, on the date shown on the return receipt as the date of delivery or the date on which the Post Office certified that it was unable to deliver, whichever is applicable. Any party may, by written notice to the other party, specify a different address to which notices shall be given, by sending notice thereof in the manner set forth above. No copies of notices given to any party after the date which is one (1) year after the Closing Date also need be given to outside counsel for such party.

13. Miscellaneous.

13.1 Entire Agreement: Amendment. This Agreement (including all Exhibits and Schedules hereto), the other Transaction Documents and the Confidentiality Agreement contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject hereof. No other prior or concurrent agreements not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the parties hereto. No officer or employee of any party shall have authority to make any representation or promise not contained in this Agreement and each of the parties hereto agrees that it is not executing this Agreement in reliance upon any such representation or promise. This Agreement may not be modified or changed except by written instruments signed by all of the parties hereto. Subject to the restrictions on assignment set forth herein this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

13.2 Assignment. Except as permitted by Section 1.3, Buyer may not assign or otherwise transfer all or any of its rights, obligations or interests under this Agreement without the prior written consent of Seller. Except as permitted by Section

1.4. Seller may not assign or otherwise transfer all or any of its rights, obligations or interests under this Agreement without the prior written consent of Buyer. No assignment of this Agreement by any party shall be effective until an executed written assumption by such assignee of the assigning party's obligations under this Agreement is delivered to the other party and no such assignment shall relieve any party of its obligations under this Agreement.

13.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, regardless of the laws that might otherwise govern under applicable principles of conflicts of law of such state.

13.4 Drafting. This Agreement has been jointly negotiated and drafted, and shall be construed as a whole according to its fair meaning and not strictly for or against any party.

13.5 Further Assurances. Each of the parties hereto agrees that it will, forthwith upon any request by the other party, cooperate fully in the preparation, execution, acknowledgment, delivery and recording of any agreements, instruments, memoranda or documents reflecting or in furtherance of any of the transactions contemplated by this Agreement.

13.6 Intentionally omitted.

13.7 Confidentiality; Press Releases. Except and to the extent required by applicable law (including, without limitation, Buyer's obligation to file a report on Form 8-K with the Securities and Exchange Commission and issue a press release in connection with the execution and delivery of this Agreement) and the rules and regulations of the American Stock Exchange, and except as may be necessary to consummate the transactions contemplated hereby, until the Closing no party hereto shall disclose the existence of this Agreement, or any of the terms or provisions hereof, or make any press release or similar disclosure, without the prior written consent of the other party. To the extent reasonably feasible, the initial press release or other announcement or notice regarding the transactions contemplated by this Agreement shall be made jointly by the parties; provided, however, that nothing in this Agreement shall prohibit any party from making press release required by applicable law. Upon the Closing, the confidentiality and non-disclosure obligations of the parties hereunder and under the Confidentiality Agreement shall terminate, except to the extent that such obligations relate to documentation or information relating to any properties of Seller other than the Property and the businesses conducted thereon, which obligations shall survive until the expiration of the Confidentiality Agreement in accordance with its terms. Notwithstanding the foregoing, following the Closing, without the prior written consent of Buyer, neither Seller nor any of its Affiliates shall, directly or indirectly, disclose to any Person any non-public information regarding the Property, except that Seller and its Affiliates may disclose such information (a) in connection with matters related to the sale of the Property or the other transactions contemplated by the

Transaction Documents; (b) in connection with the preparation of reports and documents to be filed by Seller or any of its Affiliates with any Governmental Authority; (c) to Seller's officers, directors, members, managers, employees, agents, representatives, attorneys and accountants provided that Seller shall be responsible for any non-permitted disclosure of such information by any such Persons; (d) if required to do so by a Governmental Authority of competent jurisdiction, and (e) if such information is in the public domain or is previously published or disseminated by a third party other than pursuant to the provisions of a confidentiality agreement entered with Buyer.

13.8 Waiver. No action taken pursuant to this Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

13.9 Third Parties. Except as otherwise expressly provided for or contemplated by this Agreement, nothing in this Agreement, express or implied, shall or is intended to confer upon any Person other than the parties hereto, or their respective successors or assigns, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

13.10 Section Headings. Section headings are provided herein for convenience only and shall not serve as a basis for interpretation or construction of this Agreement, nor as evidence of the intention of the parties hereto.

13.11 Severability. If any provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court to be void or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstances or the validity or enforceability of this Agreement as a whole.

13.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

13.13 Reference. Except as otherwise expressly provided in this Agreement, any dispute of any nature or character whatsoever between the parties and arising under or with respect to this Agreement or any of the other Transaction Documents, or the subject matter hereof or thereof, shall be resolved by a proceeding in accordance with the provisions of California Code of Civil Procedure Section 638 et seq., for a determination to be made which shall be binding upon the parties as if tried before a court or jury. The parties agree specifically as to the following:

13.13.1 Within five (5) Business Days after service of a demand by a party hereto, the parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and then report a finding or judgment thereon. If the parties are unable to agree upon a referee either party may seek to have one appointed,

pursuant to California Code of Civil Procedure Section 640, by the presiding judge of the Los Angeles County Superior Court;

13.13.2 The compensation of the referee shall be such charge as is customarily charged by the referee for like services. The cost of such proceedings shall initially be borne equally by the parties. However, the prevailing party in such proceedings shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference as an item of damages and/or recoverable costs;

13.13.3 If a reporter is requested by either party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be borne by the party requesting such reporter. Such fees shall be an item of recoverable costs. Only a party shall be authorized to request a reporter;

13.13.4 The referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee;

13.13.5 The referee's decision under California Code of Civil Procedure Section 644, shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California; and

13.13.6 The parties agree that they shall in good faith endeavor to cause any such dispute to be decided within four (4) months. The date of hearing for any proceeding shall be determined by agreement of the parties and the referee, or if the parties cannot agree, then by the referee. The referee shall have the power to award damages and all other relief.

13.14 Interpretative Matters

. Unless the context otherwise requires, (a) all references to Articles, Sections or Schedules are to Articles, Sections or Schedules in this Agreement, (b) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, (c) words in the singular or plural include the singular and plural, and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter and (d) whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

13.15 No Personal Liability. Under no circumstances shall any personal liability or obligation under this Agreement or under any of the other Transaction Documents be imposed or assessed against any shareholder, member, manager, officer, director, employee or agent of any party to this Agreement or of any of such party's Affiliates, and no party (nor any party claiming through such party) shall commence any proceedings or otherwise seek to impose any liability whatsoever against any such shareholders, member, manager, officer, director, employee or agents.

13.16
hereto.

Guaranty. Concurrently herewith, RDI has executed and delivered to Seller a Guaranty in substantially the form of Exhibit D attached

[Signatures contained on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

KENMORE ROHNERT, LLC,
a Delaware limited liability company

By: Kenmore Properties, Inc.,

a Washington corporation,
as its sole member

By: /s/ James D. Vandever

Its: Vice President

CONSOLIDATED AMUSEMENT THEATRES, INC.,
a Nevada corporation

By: /s/ John Hunter

Its: Chief Operating Officer

LIST OF EXHIBITS

Exhibit A	The Lease
Exhibit B	The Sublease
Exhibit C	Assignment and Assumption of Lease and Sublease
Exhibit D	RDI Guaranty

LIST OF SCHEDULES

Schedule 3.1.3	Required Consents
Schedule 4.1.4	Manville Lease Summary and Manville P&Ls

Amendment No. 1

To

Asset Purchase and Sale Agreement

This AMENDMENT NO. 1 TO ASSET PURCHASE AND SALE AGREEMENT (this "Amendment") is entered to as of this 8th day of February, 2008 and reinstates and amends in certain respects that certain ASSET PURCHASE AND SALE AGREEMENT (the "Original Agreement") and as amended by this AMENDMENT, the "Agreement") made and entered into as of October 8, 2007 (the "Effective Date") by and among PACIFIC THEATRES EXHIBITION CORP., a California corporation ("Pacific"), CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation ("Consolidated") and, collectively with Pacific, "Seller"), MICHAEL FORMAN and CHRISTOPHER FORMAN (collectively, the "Formans"), on the one hand, and CONSOLIDATED AMUSEMENT THEATRES, INC, a Nevada corporation ("Buyer"), and READING INTERNATIONAL, INC., a Nevada corporation ("RDI"), on the other hand, with reference to the following facts:

- A. WHEREAS, certain matters have arisen since the Effective Date which the parties wish to address, and
- B. WHEREAS, the parties desire, notwithstanding these developments, to proceed with the transaction as set forth in the Original Agreement as modified by this Amendment,

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants, agreements, representations and warranties herein contained, the parties hereby agree as follows:

1. The parties hereby reinstate and adopt the Original Agreement and agree that except as amended by this Amendment, the terms of the Original Agreement will continue in full force and effect without modification. Unless otherwise specifically defined in this Amendment, all terms used herein will have the same meaning as set forth in the Original Agreement. However, the term "Notes" as used in the Original Agreement is amended at each place where such term is used and replaced with the term "Note", and all other grammatical changes required to reflect the fact that the term has been changed from the plural "Notes" to the singular "Note" will be deemed made as appropriate.

2. The first paragraph of Section 2.1 of the Original Agreement is deleted and replaced with the following:

"2.1 Purchase Price. The purchase price for the Purchased Assets shall be Thirty-Two Million Dollars (\$32,000,000), which shall be subject to adjustment and

reimbursement as hereinafter provided (the "Purchase Price"). The Purchase Price shall be payable as follows:"

3. The third sentence of Section 2.1.1 of the Original Agreement is hereby amended to read in its entirety as follows:

"(a) The Deposit, along with the Interest Factor, shall be either (i) returned to RDI at the Closing or (ii) returned to RDI, within five (5) Business Days after termination of this Agreement, if this Agreement is terminated prior to the Closing as provided herein."

4. Section 2.1.2 of the Original Agreement is deleted and replaced with the following:

"2.1.2 Purchase Price. Buyer shall pay to Seller, at the Closing, the entire Purchase Price by wire transfer of immediately available funds to an account or accounts designated by Seller. Seller shall designate the account or accounts not less than two (2) Business Days prior to the Closing Date."

5. Section 2.5 of the Original Agreement is deleted and replaced with the following:

"2.5 Payment of Adjustments to and Reimbursements of the Purchase Price. If, pursuant to Sections 2.2 or 2.3, it is determined after the Closing Date that Buyer shall be obligated to pay any amounts to Seller, then Buyer shall make such payments in full to Seller within ten (10) days after such amount is finally determined to be due. Conversely, if, pursuant to Sections 2.2 or 2.3, it is determined after the Closing Date that Seller shall be obligated to pay any amounts to Buyer, then such amounts shall be credited against the obligations of "RCH, Inc." (as defined in Section 5.6.1) to Seller under the "Note" (as defined in Section 5.6.1), such credit to be applied, effective as though applied from the Closing Date, first against principal and then against accrued interest.

6. Schedule 2.7 to the Original Agreement is deleted and replaced with the Schedule 2.7 attached to this Amendment.

7. Each party hereby irrevocably waives the condition precedent to such party's obligation to close the transactions contemplated by the Agreement that the parties receive the consent to the assignment by Seller to Buyer of Seller's interest under the Pearlridge West 16 Lease from the master landlord under such Lease (the "Pearlridge Master Landlord"). Buyer's waiver of the foregoing is based upon Seller's representation to Buyer that Pearlridge Master Landlord has orally stated to Seller that

the consent of the Peartridge Master Landlord is not required in connection with such assignment.

8. Section 5.6 of the Original Agreement is deleted and replaced with the following:

"5.6 Loan to Reading Consolidated Holdings, Inc.

"5.6.1 Concurrently with the Closing, and subject to the satisfaction or waiver of all other conditions precedent set forth in this Article 5, Seller (or an Affiliate or Affiliates of Seller) (the "Lender") shall have made a loan to Reading Consolidated Holdings, Inc., a Nevada corporation ("RCH, Inc."), the parent company of Consolidated Amusement Holdings, Inc., a Nevada corporation ("CAH, Inc."), which is the parent company of Buyer, in the principal amount of Twenty-One Million Dollars (\$21,000,000) (the "RCH Loan"). The original principal amount of the Loan shall be subject to reduction pursuant to Section 2.5, above. The RCH Loan shall be evidenced by a Promissory Note in substantially the form of Exhibit C-1 (the "RCH Note"), attached hereto.

"5.6.2 The RCH Note will be secured by a pledge of the stock of all of the issued and outstanding shares of capital stock of CAH, Inc. (determined on a fully diluted and converted basis) pursuant to a Stock Pledge Agreement in the form of Exhibit K attached hereto (the "Pledge and Security Agreement"). RCH, Inc. will own all of the issued and outstanding shares of capital stock of CAH, Inc. (determined on a fully diluted and converted basis) and CAH, Inc. will own all of the issued and outstanding shares of capital stock of Buyer (determined on a fully diluted and converted basis). RCH, Inc. will agree in the Pledge Agreement (i) not to permit CAH, Inc. to incur any material indebtedness (other guarantees of the obligations of Buyer) or material liabilities (including liabilities for general and administrative obligations), and to cause CAH, Inc. to do no business other than the holding of the securities of Buyer and the guarantee of the obligations of Buyer, and (ii) not to permit Buyer to make any payments or reimbursements to RDI or any of its affiliates other than as provided in the Management Agreement attached as Exhibit 5.6.2 hereto (provided that it is understood that the obligation of the Manager under the Management Agreement may be assigned to any affiliate of RDI)."

9. Section 10.2 of the Original Agreement is hereby deleted and shall of no further force or effect. For purposes of clarity, the condition precedent set

forth in Section 5.7 of the Original Agreement shall remain in full force and effect without modification; provided, however that the parties acknowledge and agree that the terms of General Electric Capital Corporation's original lending commitment are currently being renegotiated, that the financing condition set forth in Section 5.7 of the Original Agreement is to apply to the funding of such financing on such terms, if any, as may ultimately renegotiated between Buyer and its lender. As a point of clarification, if Buyer and its lender should ultimately fail to reach agreement as to the revised terms or if Buyer's lender should for any other reason fail to fund, then the financing condition set forth in Section 5.7 of the Original Agreement shall be deemed not to have been satisfied.

10. A new Section 7.15 is hereby added to the Original Agreement as follows:

"7.15 Sublease of Retail Portions of the Kapolei Property. At and simultaneously with the Closing, Buyer (as sublandlord) and Seller (as subtenant) will enter into a sublease in substantially the form of Exhibit L attached hereto (the "Kapolei Retail Area Sublease") of those portions of the Kapolei 16 Property occupied by the retail leases set forth on Exhibit A-2 of the Original Agreement (the "Kapolei Retail Leases"), and Buyer will assign to Seller the Kapolei Retail Leases. The parties acknowledge and agree that, for purpose of the Kapolei Retail Area Sublease, the net cash flow for the Kapolei Retail Leases for the 12 months ended June 30, 2007 was \$228,732."

11. Section 9.1 of the Original Agreement is hereby deleted and replaced with the following:

"9.1 Closing Date. Subject to the satisfaction (or waiver by Buyer or Seller as provided therein) of the conditions precedent in Articles 5 and 6 hereof, the transactions contemplated by this Agreement shall be consummated at a closing (the "Closing") at the offices of Weissmann Wolff Bergman Coleman Grodin & Evall, LLP, 9665 Wilshire Boulevard, Ninth Floor, Beverly Hills, California 90212. The Closing shall occur on Friday, February 15, 2008 (the "Scheduled Closing Date"). The date of the Closing is sometimes referred to herein as the "Closing Date." The Closing shall be effective as of 8:00 a.m. (local time) on the Closing Date."

12. New Sections 9.2.10, 9.2.11 and 9.2.12 are hereby added to the Original Agreement as follows:

"9.2.10 RCH Note and Pledge Agreement. The RCH Note and the Pledge Agreement, each duly executed by RCH, Inc.

"9.2.11 Kahala Management Agreement. Duly executed counterparts of the Kahala Management Agreement by and between

Buyer and Seller with respect to the Theater operated at the premises covered by the "Kahala 8 Lease" (as defined in Exhibit A-1) in substantially the form of Exhibit M attached hereto.

"9.2.12 Kapolei Retail Area Sublease. Duly executed counterparts of the Kapolei Retail Area Sublease."

13. The Original Agreement is hereby amended to provide that although the Theater operated pursuant to the Kahala 8 Lease shall remain a "Theater" for all purposes under the Agreement, Seller shall not assign its rights as tenant under the Kahala 8 Lease to Buyer and, in lieu thereof, the parties shall enter into the Kahala Management Agreement at the Closing. Accordingly, obtaining the consent of the landlord under the Kahala 8 Lease to the assignment of the Kahala 8 Lease from Seller to Buyer shall not be a condition precedent to any party's obligation to consummate the transactions contemplated by the Agreement. However, Seller acknowledges and agrees that Buyer is making no representation or warranty as to the effectiveness of that management agreement under the Kahala 8 Lease or that the management agreement is permitted under the Kahala 8 Lease. Seller shall indemnify, hold harmless and defend Buyer against any and all claims, loss or liability resulting from any assertion by the landlord under the Kahala 8 Lease that the management agreement is not effective and/or that it is not permitted under the Kahala 8 Lease to the extent provided in the Kahala Management Agreement. Without limiting the generality of the foregoing, and notwithstanding that the Kahala 8 Lease shall not be assigned by Seller to Buyer at Closing, the Purchased Assets shall continue to include all furniture, fixtures, equipment and inventory located at the Theater operated under the Kahala 8 Lease.

14. Buyer agrees to change its name to Consolidated Entertainment, Inc. within ten (10) days following the Closing Date.

15. Exhibit B to the Original Agreement is hereby replaced in its entirety by Exhibit B to this Amendment. Schedule 3.1.3 to the Original Agreement is hereby replaced in its entirety by Schedule 3.1.3 to this Amendment. Exhibits C-1 and C-2 to the Original Agreement are hereby deleted and replaced by Exhibit C-1 to this Amendment.

16. Section 7.7 of the Original Agreement is hereby amended to provide that Buyer shall honor and redeem all Coupons and Passes presented at the Theaters for a period of two (2) years after the Closing Date, in lieu of the one (1) year period set forth in the Purchase Agreement.

17. Seller agrees to leave for Buyer the following amount of cash at each Theater on the Closing Date: (i) Seller shall leave for Buyer the sum of \$2,000 at each of the following Theaters: Kaahumanu and Kukui; (ii) Seller shall leave for Buyer the sum of \$4,000 at each of the following Theaters: Town Square, Grossmont, Carmel

Mountain, Gaslamp, Pearlridge, Kahala, Kapolei, Koko Marina, and Koolau; and (ii) Seller shall leave for Buyer the sum of \$10,000 at each of the following Theaters: Valley Plaza, Mililani, Ward, and Rohnert Park. Seller shall be entitled to an increase in the Purchase Price payable at the Closing equal to the amount of such cash.

18. Buyer has agreed to assume the union contracts set forth as Exhibit 18 to this Amendment. Notwithstanding such assumption, it is acknowledged and agreed that Buyer is not assuming any responsibility for any liabilities or obligations that may have accrued under either such contract or any predecessor contract or agreement with such unions prior to the Closing. For example, in the event of any present or future underfunding of any benefit or retirement plan, program or fund, Buyer's obligation shall be calculated only by reference to the hours worked by employees subsequent to the Closing Date, and Seller shall be responsible for any balance of any liability, if applicable, with respect to any such underfunding. The parties agree that the union contracts listed set forth on Exhibit 18 shall be deemed Material Contracts for purposes of Section 3.7.

19. Concurrently with the Closing, Seller shall sell, transfer and assign to Buyer, and Buyer shall purchase and acquire from Seller, the 2004 Ford E350 (Econoline 350) Van (VIN # 1FTNE24L13HC03895) (the "Van") for a purchase price of \$8,000.00. The purchase price for the Van shall be paid by Buyer to Seller by wire transfer of immediately available funds at Closing. The Van is sold on an "as is" basis, without any representations or warranties of any kind. Buyer shall be solely responsible for any taxes or assessments which may arise from the transfer of the Van, including from submission to the Hawaii Department of Motor Vehicles of an application for change of title to the Van.

20. Buyer hereby agrees that, if the landlord under the Gaslamp 15 Lease (as defined in Exhibit A-1) conditions its consent to the assignment of such lease to Buyer's Affiliate (the "Gaslamp Assignee") on the Gaslamp Assignee's agreement to make monthly or quarterly impound payments of the Gaslamp Assignee's share of real property taxes and/or insurance costs, Buyer and the Gaslamp Assignee shall consent to make such payments as so requested by such landlord. The parties agree that notwithstanding the provisions of the agreement to which the Gaslamp Assignee and Seller are parties evidencing the assignment and assumption of the Gaslamp 15 Lease, that the Gaslamp Assignee shall have no responsibility for any obligation of the tenant under the Gaslamp 15 Lease to the extent arising prior to the Closing Date, that Seller shall continue to have responsibility for all tenant obligations under the Gaslamp 15 Lease to the extent arising prior to the Closing Date, and that Seller will indemnify Buyer against any liability for any such obligation, such indemnity to be without setoff, deductible or any time limitation other than the applicable statute of limitations.

21. Intentionally omitted.

22. Buyer hereby represents and warrants that its credit agreement with its lender includes the following provision:

"Assignment of Representations, Warranties, Covenants, Indemnities and Rights. Agent shall have received a duly executed copy of an Assignment of Representations, Warranties, Covenants, Indemnities and Rights in respect of Borrower's and Reading's rights under the Acquisition Agreement, which assignment shall be expressly permitted under the Acquisition Agreement or shall have been consented to by the Sellers and other parties to the Acquisition Agreement in writing."

The Selling Parties agree to execute and deliver to Buyer at Closing duly executed counterparts of such consent in substantially the form of Exhibit 22 to this Amendment.

23. At Buyer's request, after the Closing Seller shall deliver to Buyer, with respect to each employee of Seller at the Theaters to whom Buyer has offered employment, (i) the following information: such employee's name, address, social security number, job location, pay rate, and whether they have been classified by Seller as an exempt or non-exempt employee for the purpose of determining whether such employee is entitled to overtime pay, and (ii) a copy of such employee's most recent performance assessment. As a material inducement to Seller to make such disclosures to Buyer, Buyer hereby (a) all such disclosures are made for informational purposes only and without any representation, warranty or opinion as to any matter (including as to the classification of any employee as an exempt or non-exempt employee or as to any information contained in any such performance assessment), and (b) Buyer agrees to indemnify, hold harmless and defend Seller (its successors and assigns) from and against any matter arising from or in connection with the provision of such information to Buyer. Buyer's indemnification obligations under this Section 23 shall not be subject to any minimum threshold, offset or deductible or to any time limitation other than the applicable statute of limitations.

24. Seller commits to make, or agrees to cause one or more of its Affiliates to make, an additional loan to RDI of up to One Million Five Hundred Thousand Dollars (\$1,500,000), or such lesser amount as may be requested by RDI, on or before July 31, 2008, provided that RDI delivers written notice of the amount of such loan to Seller not later than June 30, 2008, and Seller commits to make, or agrees to cause one or more of its Affiliates to make, an additional loan to RDI of up to One Million Five Hundred Thousand Dollars (\$1,500,000), or such lesser amount as may be requested by RDI, on or before July 31, 2009, provided that RDI delivers written notice of the amount of such loan to Seller not later than June 30, 2009. The parties also agree as follows with respect to any loans made to RDI pursuant to this Section 24: (a) such loans shall accrue interest at the rate of 8.50% per annum, compounded annually; (b) all accrued interest and the entire principal balance of such loans shall be all due and payable on the date which is three (3) years after the Closing Date; and (c) such loans shall be evidenced by one or more promissory notes otherwise substantially in the form of Promissory Note attached

as Exhibit C-1 to the Original Agreement (and not in the form attached as Exhibit C-1 to this Agreement).

25. Seller agrees, following the closing, to maintain the current utilities serving the Theatres until February 29, 2008 in the name of Seller. Buyer agrees promptly to reimburse to Seller the cost of such utilities against receipt of appropriate documentation.

This Amendment may be executed in two or more counterparts (including facsimile counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first set forth above.

PACIFIC THEATRES EXHIBITION CORP.,
a California corporation

By: /s/ James D. Vandever
Name: James Vandever
Its: V.P.

CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation

By: /s/ James D. Vandever
Name: James Vandever
Its: V.P.

CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation

By: /s/ Andrzej Matyczynski
Name: Andrzej Matyczynski
Its: CFO

/s/ Michael R. Forman
MICHAEL FORMAN

/s/ Christopher S. Forman
CHRISTOPHER FORMAN

READING INTERNATIONAL, INC.,
a Nevada corporation

By: /s/ Andrzej Matyczynski
Name: Andrzej Matyczynski
Title: CFO

Amendment No. 2

To

Asset Purchase and Sale Agreement

This AMENDMENT NO. 2 TO ASSET PURCHASE AND SALE AGREEMENT (this "Amendment") is entered to as of this 14th day of February, 2008 and amends in certain respects that certain ASSET PURCHASE AND SALE AGREEMENT made and entered into as of October 8, 2007 (the "Effective Date"), as amended by that certain Amendment No. 1 to Asset Purchase and Sale Agreement, dated as of February 8, 2008 (collectively, the "Original Agreement" and as amended by this AMENDMENT No. 2, the "Agreement"), by and among PACIFIC THEATRES EXHIBITION CORP., a California corporation ("Pacific"), CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation ("Consolidated" and, collectively with Pacific, "Seller"), MICHAEL FORMAN and CHRISTOPHER FORMAN (collectively, the "Formans"), on the one hand, and CONSOLIDATED AMUSEMENT THEATRES, INC, a Nevada corporation ("Buyer"), and READING INTERNATIONAL, INC., a Nevada corporation ("RDI"), on the other hand, with reference to the following facts:

WHEREAS, the parties desire to amend certain terms of the Original Agreement by entering into this Amendment;

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants, agreements, representations and warranties herein contained, the parties hereby agree as follows:

1. Section 9.1 of the Original Agreement is hereby deleted and replaced with the following:

"9.1 Closing Date. Subject to the satisfaction (or waiver by Buyer or Seller as provided therein) of the conditions precedent in Articles 5 and 6 hereof, the transactions contemplated by this Agreement shall be consummated at a closing (the "Closing") at the offices of Weissmann Wolff Bergman Coleman Grodin & Evall, LLP, 9665 Wilshire Boulevard, Ninth Floor, Beverly Hills, California 90212. The Closing shall occur on Friday, February 22, 2008 (the "Scheduled Closing Date"). The date of the Closing is sometimes referred to herein as the "Closing Date." The Closing shall be effective as of 8:00 a.m. (local time) on the Closing Date."

2. This Amendment may be executed in two or more counterparts (including facsimile counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first set forth above.

PACIFIC THEATRES EXHIBITION CORP.,
a California corporation

By: /s/ Ira S. Levin, VP
Name: Ira S. Levin
Its: Vice President

CONSOLIDATED AMUSEMENT THEATRES, INC., a Hawaii corporation

By: /s/ Ira S. Levin, VP
Name: Ira S. Levin
Its: Vice President

CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation

By: /s/ Andrzej Matyczynski
Name: Andrzej Matyczynski
Its: CFO

/s/ Michael R. Forman
MICHAEL FORMAN

/s/ Christopher S. Forman
CHRISTOPHER FORMAN

READING INTERNATIONAL, INC.,
a Nevada corporation

By: /s/ Andrzej Matyczynski
Name: Andrzej Matyczynski
Title: CFO

CREDIT AGREEMENT
Dated as of February 21, 2008
among
CONSOLIDATED AMUSEMENT THEATRES, INC.,
as Borrower,
THE OTHER CREDIT PARTIES SIGNATORY HERETO,
as Credit Parties,
THE LENDERS SIGNATORY HERETO
FROM TIME TO TIME,
as Lenders,
and
GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent, Agent and Lender
GE CAPITAL MARKETS, INC.
as Lead Arranger

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This CREDIT AGREEMENT (this "Agreement"), dated as of February 21, 2008 among CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation ("Borrower"); the other Credit Parties signatory hereto; GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, "GE Capital"), for itself, as Lender, and as Agent for Lenders, and the other Lenders signatory hereto from time to time.

RECITALS

WHEREAS, Borrower has requested that Lenders extend revolving and term credit facilities to Borrower of up to Fifty Five Million Dollars (\$55,000,000) in the aggregate for the purpose of funding a portion of the Acquisition (as defined herein) and to provide (a) working capital financing for Borrower and its Subsidiaries and (b) funds for other general corporate purposes of Borrower and its Subsidiaries; and for these purposes, Lenders are willing to make certain loans and other extensions of credit to Borrower of up to such amount upon the terms and conditions set forth herein; and

WHEREAS, Borrower has agreed to secure all of its obligations under the Loan Documents (as defined herein) by granting to Agent (as defined herein), for the benefit of Agent and Lenders, a security interest in and lien upon all of its existing and after-acquired personal and real property; and

WHEREAS, Reading International, Inc., a Nevada corporation ("Reading") is willing to guarantee all of the obligations of Borrower to Agent and Lenders under the Loan Documents, subject to certain release provisions more particularly set forth in the Reading Guaranty (as defined herein); and

WHEREAS, Consolidated Amusement Holdings, Inc., a Nevada corporation ("Holdings") is willing to guarantee all of the obligations of Borrower to Agent and Lenders under the Loan Documents and to pledge to Agent, for the benefit of Agent and Lenders, all of the Stock of Borrower to secure such guaranty; and

WHEREAS, all Domestic Subsidiaries of Borrower are willing to guarantee all of the obligations of Borrower to Agent and Lenders under the Loan Documents and to grant to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon all of such existing and after-acquired personal and real property to secure such guaranty; and

WHEREAS, capitalized terms used in this Agreement shall have the meanings ascribed to them in Annex A and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Annex A shall govern. All Annexes, Disclosure Schedules, Exhibits and other attachments (collectively, "Appendices") hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 Credit Facilities.

(a) Revolving Credit Facility.

(i) Subject to the terms and conditions hereof, each Revolving Lender agrees to make available to Borrower from time to time until the Commitment Termination Date its Pro Rata Share of advances (each, a "Revolving Credit Advance"). The Pro Rata Share of the Revolving Loan of any Revolving Lender shall not at any time exceed its separate Revolving Loan Commitment. The obligations of each Revolving Lender hereunder shall be several and not joint. Until the Commitment Termination Date and subject to the terms and conditions hereof, Borrower may from time to time borrow, repay and reborrow under this Section 1.1(a); provided, that the amount of any Revolving Credit Advance to be made at any time shall not exceed Borrowing Availability at such time. Each Revolving Credit Advance shall be made on notice by Borrower to one of the representatives of Agent identified in Schedule 1.1 at the address specified therein. Any such notice must be given no later than (1) 1:00p.m. (New York time) on the Business Day of the proposed Revolving Credit Advance, in the case of an Index Rate Loan, or (2) 1:00 p.m. (New York time) on the date which is three (3) Business Days prior to the proposed Revolving Credit Advance, in the case of a LIBOR Loan. Each such notice (a "Notice of Revolving Credit Advance") must be given in writing (by telecopy, overnight courier, or Electronic Transmission) substantially in the form of Exhibit 1.1(a)(i), and shall include the information required in such Exhibit and such other information as may be reasonably required by Agent with respect to the use of proceeds. If Borrower desires to have the Revolving Credit Advances bear interest by reference to a LIBOR Rate, it must comply with Section 1.5(e).

(ii) Except as provided in Section 1.12, Borrower shall execute and deliver to each Revolving Lender a note to evidence the Revolving Loan Commitment of that Revolving Lender. Each note shall be in the principal amount of the Revolving Loan Commitment of the applicable Revolving Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(a)(ii) (each a "Revolving Note" and, collectively, the "Revolving Notes"). Each Revolving Note shall represent the obligation of Borrower to pay the amount of the applicable Revolving Lender's Revolving Loan Commitment or, if less, such Revolving Lender's Pro Rata Share of the aggregate unpaid principal amount of all Revolving Credit Advances to Borrower together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the Revolving Loan and all other non-contingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date.

(iii) Each payment of principal with respect to the Revolving Loan shall be paid to Agent for the ratable benefit of each Revolving Loan Lender making a Revolving Loan, ratably in proportion to each such Revolving Loan Lender's respective Revolving Loan Commitment.

(b) Term Loan B.

(i) Subject to the terms and conditions hereof, each Term Lender agrees to make a term loan (collectively, the "Term Loan B") on the Closing Date to Borrower in the original principal amount of its Term Loan B Commitment. The obligations of each Term

Lender hereunder shall be several and not joint. The Term Loan B shall be evidenced by promissory notes substantially in the form of Exhibit 1.1(b) (each a "Term B Note" and collectively the "Term B Notes"), and, except as provided in Section 1.12, Borrower shall execute and deliver each Term B Note to the applicable Term Lender. Each Term B Note shall represent the obligation of Borrower to pay the amount of the applicable Term Lender's Term Loan B Commitment, together with interest thereon as prescribed in Section 1.5.

(ii) Borrower shall repay the principal amount of the Term Loan B in twenty (20) consecutive quarterly installments on the last day of March, June, September and December of each year, commencing March 31, 2008, as follows:

<u>Payment Dates</u>	<u>Installment Amounts</u>
March 31, 2008	\$125,000.00
June 30, 2008	\$125,000.00
September 30, 2008	\$125,000.00
December 31, 2008	\$125,000.00
March 31, 2009	\$125,000.00
June 30, 2009	\$125,000.00
September 30, 2009	\$125,000.00
December 31, 2009	\$125,000.00
March 31, 2010	\$125,000.00
June 30, 2010	\$125,000.00
September 30, 2010	\$125,000.00
December 31, 2010	\$125,000.00
March 31, 2011	\$125,000.00
June 30, 2011	\$125,000.00
September 30, 2011	\$125,000.00
December 31, 2011	\$125,000.00
March 31, 2012	\$125,000.00
June 30, 2012	\$125,000.00
September 30, 2012	\$125,000.00
December 31, 2012	\$125,000.00

The final installment due on February 21, 2013 shall be in the amount equal to \$47,500,000 or, if different the remaining principal balance of the Term Loan B.

(iii) Notwithstanding Section 1.1(b)(ii), the aggregate outstanding principal balance of the Term Loan B shall be due and payable in full in immediately available funds on the Commitment Termination Date, if not sooner paid in full. No payment with respect to the Term Loan B may be reborrowed.

(iv) Each payment of principal with respect to the Term Loan B shall be paid to Agent for the ratable benefit of each Term Lender, ratably in proportion to each such Term Lender's respective Term Loan B Commitment.

(c) Incremental Term Loan B Facility.

(i) The Borrower may, from time to time until the Commitment Termination Date, request the Lenders or, subject to Agent and Requisite Lenders' prior approval and the other provisions of this clause (c), other financial institutions as set forth below, to provide additional Commitments with respect to the Term Loan B, at the Borrower's option up to an aggregate amount not in excess of Fifteen Million Dollars (\$15,000,000) (the "Incremental Term Loan B Facility"); provided, however, that (i) the Borrower shall have given Agent at least twenty (20) days advance written notice of its intention to obtain the Incremental Term Loan B Facility, the desired amount of the Incremental Term Loan B Facility and the intended Incremental Facility Effective Date (as hereinafter defined), (ii) all conditions precedent set forth in Section 2.1 and Section 2.2, as the case may be, applied as if the Incremental Term Loan B Facility became effective on the Closing Date, shall have been satisfied as of the Incremental Facility Effective Date; (iii) Agent shall have received on or prior to the Incremental Facility Effective Date a certificate of the Secretary or an Assistant Secretary of each Credit Party, in form and substance satisfactory to Agent, certifying the resolutions of such Person's board of directors (or equivalent governing body) approving and authorizing the Incremental Term Loan B Facility to the extent of the stated desired amount of such Incremental Term Loan B Facility, and certifying that none of the organizational documents of such Credit Party delivered to the Agent prior thereto have been modified or altered in any way (or if modifications have occurred, certifying new copies of such organizational documents), (iv) Agent shall have received an opinion of counsel to the Credit Parties in form and substance and from counsel reasonably satisfactory to the Agent and addressed to Agent dated the Incremental Facility Effective Date and addressing such matters as the Agent may reasonably request, (v) no Default or Event of Default exists or results therefrom and after giving pro forma effect thereto, Borrower is in compliance with the Financial Covenants set forth on Annex G and (vi) Agent shall have received such new Notes, reaffirmations of guaranties, security agreements, pledge agreements and subordination agreements as it shall request, together with amendments to all Mortgages reflecting that the Incremental Term Loan B Facility is secured pari passu with the Loans outstanding immediately prior to giving effect to the Incremental Term Loan B Facility, together with such endorsements to title policies as the Agent shall request.

(ii) The Borrower shall offer the Incremental Term Loan B Facility to (x) first, the Lenders, and each Lender will have the right, but not any obligation, to commit their Pro Rata Share of the proposed Incremental Term Loan B Facility; provided that, if any Lender or Lenders shall decline to commit to such proposed Incremental Term Loan B Facility, then each other Lender which shall have committed to provide its Pro Rata Share of such proposed Incremental Facility shall have the right, but not any obligation to increase its commitment to such Incremental Term Loan B Facility, or (y) if all existing Lenders fail to provide the entire requested amount of such Incremental Term Loan B Facility as set forth above, then with the prior approval of Agent, Borrower may designate any other bank or other financial institution provided, however, that any new bank or financial institution must be acceptable to the Agent (an "Additional Lender"); and such Lender or Additional Lender shall have executed an

assumption agreement in form and substance satisfactory to Agent (an “ Assumption Agreement”) pursuant to which such Lender or Additional Lender shall agree to commit to all or a portion of such Incremental Term Loan B Facility and, in the case of an Additional Lender, to be bound by the terms of this Agreement as a Lender. On the effective date provided for in the Assumption Agreements providing for an Incremental Term Loan B Facility (each a “Incremental Facility Effective Date”), the Commitments in question will be increased, as appropriate, by the additional amount(s) committed to by each Lender or Additional Lender on the Incremental Facility Effective Date in regard thereto. In the event there are Lenders and Additional Lenders that have committed to the Incremental Term Loan B Facility in excess of the maximum amount requested (or permitted), then the Agent shall have the right to allocate such commitments, first, to Lenders and then to Additional Lenders.

(iii) The Incremental Term Loan B Facility (i) shall rank *pari passu* in right of payment with the Term Loan B, (ii) shall not have a final maturity earlier than the then existing maturity date for the existing Term Loan B, (iii) shall amortize at 1% per year (with the remainder payable at maturity), (iv) shall have an Applicable Margin equal to or greater than the Applicable Margin then in effect for the existing Term Loan B; provided if such Applicable Margin is greater than the Applicable Margin then in effect for the existing Term Loan B, the Applicable Margin for such Term Loan B shall automatically be increased such that the Applicable Margins for the Term Loan B and the Incremental Term Loan B Facility shall be equal and (v) except for any differences permitted hereby, shall have the same terms and conditions as the Term Loan B (it being understood that Incremental Term Loan B Facility may be made as part of the existing tranche of Term Loan B). Any amendments necessary to effectuate this clause (c) may be made with the Agent's and Borrower's consent only.

(d) Reliance on Notices. Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Notice of Revolving Credit Advance, Notice of Conversion/Continuation or similar notice believed by Agent to be genuine. Agent may assume that each Person executing and delivering any notice in accordance herewith was duly authorized, unless the responsible individual acting thereon for Agent has actual knowledge to the contrary.

1 . 2 Letters of Credit. Subject to and in accordance with the terms and conditions contained herein and in Annex B, Borrower shall have the right to request, and Revolving Lenders agree to incur, or purchase participations in, Letter of Credit Obligations in respect of Borrower.

1.3 Prepayments.

(a) Voluntary Prepayments. Borrower may at any time on at least five (5) days' prior written notice to Agent voluntarily prepay all or part of the Term Loan B; provided that any such prepayments shall be in a minimum amount of \$500,000 and integral multiples of \$100,000 in excess of such amount. In addition, Borrower may at any time on at least ten (10) days' prior written notice to Agent terminate the Revolving Loan Commitment; provided that upon such termination, all Loans and other Obligations shall be immediately due and payable in full and all Letter of Credit Obligations shall be cash collateralized or otherwise satisfied in accordance with Annex B; provided, however, that any such notice may state that it is

conditioned upon the effectiveness of a refinancing and/or payment in full of the Obligations from the proceeds of other credit facilities, the consummation of a particular disposition or the occurrence of a change of control, in which case such notice may be revoked by Borrower (by notice to Agent on or prior to the specified prepayment date) if such condition is not satisfied, in which case no payment obligation shall arise. Any such voluntary prepayment and any such termination of the Revolving Loan Commitment must be accompanied by the payment any LIBOR funding breakage costs in accordance with Section 1.13(b). Upon any such prepayment and termination of the Revolving Loan Commitment, Borrower's right to request Revolving Credit Advances, or request that Letter of Credit Obligations be incurred on its behalf, shall simultaneously be terminated. Any partial prepayments of the Term Loan B made by Borrower shall be applied to prepay the scheduled installments of the Term Loan B in inverse order of maturity.

(b) Mandatory Prepayments.

(i) If at any time the outstanding balance of the Revolving Loan exceeds the Maximum Amount, Borrower shall immediately repay the aggregate outstanding Revolving Credit Advances to the extent required to eliminate such excess. If any such excess remains after repayment in full of the aggregate outstanding Revolving Credit Advances, Borrower shall provide cash collateral for the Letter of Credit Obligations in the manner set forth in Annex B to the extent required to eliminate such excess.

(ii) Immediately upon receipt by any Credit Party of any cash proceeds of any asset disposition, Borrower shall prepay the Loans in an amount equal to all such proceeds, net of (A) commissions and other reasonable transaction costs, fees and expenses properly attributable to such transaction and payable by such Credit Party in connection therewith (in each case, paid to non-Affiliates), (B) transfer taxes, (C) amounts payable to holders of Liens on such asset (to the extent such Liens constitute Liens permitted hereunder), if any, and (D) an appropriate reserve for income taxes paid or payable in accordance with GAAP in connection therewith, including any reserves required to be established in accordance with GAAP against liabilities reasonably anticipated and attributable to the subject asset disposition, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under indemnification obligations associated with such asset disposition; provided that upon the reversal of any such reserve, such amounts so reversed shall be immediately used to repay the Loans in accordance herewith. Any such prepayment shall be applied in accordance with Section 1.3(c). The following shall not be subject to mandatory prepayment under this clause (ii): (1) proceeds of sales and dispositions permitted under Section 6.8 (a), (b), (c) or (d), and (2) asset disposition proceeds that are reinvested in the Business within two hundred seventy (270) days following receipt thereof and until reinvested are used to repay outstanding Revolving Loans or if no Revolving Loans are then outstanding are deposited in a Blocked Account in which Agent has a first priority perfected Lien; provided that Borrower notifies Agent of its intent to reinvest at the time such proceeds are received and when such reinvestment occurs. Thereafter, such funds shall be made available to such Credit Party for reinvestment as follows: (i) Borrower shall request a Revolving Credit Advance or release from the Blocked Account be made to such Credit Party in the amount requested to be released; and (ii) so long as the conditions set forth in Section 2.2 have been met, Revolving Lenders shall make such Revolving Credit Advance or Agent shall release funds from

such Blocked Account. To the extent not reinvested, such proceeds shall be applied in accordance with Section 1.3(c); provided that in the case of proceeds pertaining to any Credit Party other than Borrower, such proceeds shall be applied to the Loans owing by Borrower.

(iii) If any Credit Party issues Stock (other than Stock issuances to Reading or its Affiliates the proceeds of which are contributed to the Borrower and used for the improvement or expansion of the Business, Permitted Acquisitions, Capital Expenditures or Investments permitted hereunder) or any Credit Party incurs Indebtedness (other than Indebtedness incurred pursuant to Section 6.3), no later than the Business Day following the date of receipt of the proceeds thereof, Borrower shall prepay the Loans (and cash collateralize Letter of Credit Obligations) in an amount equal to all such proceeds from the issuance of such Stock or incurrence of Indebtedness, net of underwriting discounts and commissions and other reasonable costs paid to non-Affiliates in connection therewith. Any such prepayment shall be applied in accordance with Section 1.3(c). The following shall not be subject to prepayment under this clause (iii): proceeds of Stock issuances to employees of Holdings and its Subsidiaries.

(iv) Until the Termination Date, Borrower shall prepay the Obligations on March 31 of each Fiscal Year in an amount equal to seventy five percent (75%) of Excess Cash Flow for the immediately preceding Fiscal Year, commencing with the Fiscal Year ending December 31, 2008 which shall be payable on March 31, 2009. Any prepayments from Excess Cash Flow paid pursuant to this clause (iv) shall be applied in accordance with Section 1.3(c). Each such prepayment shall be accompanied by a certificate signed by a Responsible Financial Officer of the Borrower certifying the manner in which Excess Cash Flow and the resulting prepayment were calculated, which certificate shall be in form and substance reasonably satisfactory to Agent.

(v) If as of the last day of any Fiscal Quarter, the Loan to Contributed Capital Ratio is more than 82.5%, no later than 5 Business Days after the end of such Fiscal Quarter Borrower shall prepay the Loans (and cash collateralize Letter of Credit Obligations) in an amount equal to the amount that would result in such Loan to Contributed Capital Ratio equaling no more than 82.5%. Any such prepayment shall be applied in accordance with Section 1.3(c).

(c) Application of Certain Mandatory Prepayments. Any prepayments made by Borrower pursuant to Sections 1.3(b)(ii), (b)(iii), (b)(iv) or (v) above and any prepayments from insurance or condemnation proceeds in accordance with Section 5.4(b) or (c) and the Mortgage(s), respectively, shall be applied as follows: first, to Fees and reimbursable expenses of Agent then due and payable pursuant to any of the Loan Documents; second, to interest then due and payable on the Term Loan B; third, to prepay the scheduled principal installments of the Term Loan B in inverse order of maturity, until such Term Loan B shall have been prepaid in full; fourth, to interest then due and payable on the Revolving Credit Advances; fifth, to the outstanding principal balance of Revolving Credit Advances until the same has been paid in full; and sixth, to any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in Annex B, until all such Letter of Credit Obligations have been fully cash collateralized in the manner set forth in Annex B; provided, however, that if an Event of Default has occurred and is continuing, such prepayment occurs other than through the exercise of remedies pursuant to the terms of the Loan Documents and the Requisite Revolving Lenders so

elect, any such prepayments shall be applied as follows: first, to Fees and reimbursable expenses of Agent then due and payable pursuant to any of the Loan Documents; second, to interest then due and payable on the Term Loan B and Revolving Loan; third, to prepay the Term Loan B and the Revolving Loan, applied pro rata to scheduled principal installments of the Term Loan B, and applied to Revolving Credit Advances before application to provide cash collateral for any Letter of Credit Obligations in the manner set forth in Annex B. The Revolving Loan Commitment shall not be permanently reduced by the amount of any such prepayments.

(d) No Implied Consent. Nothing in this Section 1.3 shall be construed to constitute Agent's or any Lender's consent to any transaction that is not permitted by other provisions of this Agreement or the other Loan Documents.

1.4 Use of Proceeds. Borrower shall utilize the proceeds of the Loans solely for the Acquisition and Permitted Acquisitions (and to pay any related transaction expenses), and for the financing of the ordinary working capital and general corporate needs of Borrower and its Subsidiaries. Disclosure Schedule (1.4) contains a description of Borrower's sources and uses of funds as of the Closing Date, including Loans and Letter of Credit Obligations to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred to particular uses.

1.5 Interest and Applicable Margins.

(a) Borrower shall pay interest to Agent, for the ratable benefit of Lenders in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates with respect to the Revolving Credit Advances and the Term Loan B, the Index Rate plus the Applicable Index Margin per annum or, at the election of Borrower, the applicable LIBOR Rate plus the Applicable LIBOR Margin per annum.

As of the Closing Date the Applicable Margins are as follows:

Applicable Index Margin	2.75%
Applicable LIBOR Margin	4.00%

The Applicable Margins may be adjusted by reference to the following grids:

If Leverage Ratio is:	Level of Applicable Margins:
> 3.25	Level I
> 2.75, but < 3.25	Level II
> 2.25, but < 2.75	Level III
< 2.25	Level IV

	Applicable Margins			
	Level I	Level II	Level III	Level IV
Applicable Index Margin	2.75%	2.50%	2.25%	2.00%
Applicable LIBOR Margin	4.00%	3.75%	3.50%	3.25%

Adjustments in the Applicable Margins commencing with the Fiscal Quarter ending March 31, 2008 shall be implemented quarterly on a prospective basis, for each calendar month commencing at least five (5) days after the date of delivery to Lenders of the quarterly unaudited or annual audited (as applicable) Financial Statements evidencing the need for an adjustment. Concurrently with the delivery of those Financial Statements, Borrower shall deliver to Agent and Lenders a certificate, signed by a Responsible Financial Officer of the Borrower, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins. Failure to timely deliver such Financial Statements shall, in addition to any other remedy provided for in this Agreement, result in an increase in the Applicable Margins to the highest level set forth in the foregoing grid, until the date that is five (5) days following the delivery of those Financial Statements demonstrating that such an increase is not required. If an Event of Default has occurred and is continuing at the time any reduction in the Applicable Margins is to be implemented, that reduction shall be deferred until the first day of the first calendar month following the date on which such Event of Default is waived or cured. In the event that any Financial Statement or Compliance Certificate delivered hereunder is shown to be inaccurate (regardless of whether this Agreement or the Commitments are in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin based upon the foregoing pricing grid (the "Accurate Applicable Margin") for any period that such Financial statement or Compliance Certificate covered, then (i) Borrower shall immediately, following actual knowledge of the Borrower of the occurrence thereof, deliver to the Agent a correct Financial Statement or Compliance Certificate, as the case may be, for such period, (ii) the Applicable Margin shall be adjusted such that after giving effect to the corrected Financial Statements or Compliance Certificate, as the case may be, the Applicable Margin shall be reset to the Accurate Applicable Margin based upon the foregoing pricing grid for such period as set forth in the foregoing pricing grid for such period and (iii) shall concurrently with the delivery of the corrected Financial Statement or Compliance Certificate, as the case may be, pay to the Agent, for the account of the Lenders, the accrued additional interest owing as a result of such Accurate Applicable Margin for such period. The provisions of this definition shall not limit the rights of the Agent and the Lenders with respect to Section 1.5(d) or Article VIII.

(b) Solely for purposes of the payment of interest and not in connection with the calculation of Financial Covenants or otherwise, if any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by Agent on the basis of a 360-day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate is a floating rate determined for each day. Each determination by Agent of interest rates and Fees hereunder shall be presumptive evidence of the correctness of such rates and Fees.

(d) So long as an Event of Default has occurred and is continuing under Section 8.1(a), (g) or (h), or so long as any other Event of Default has occurred and is continuing and at the election of Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Agent to Borrower (a "Default Rate Notice"), the interest rates applicable to the Loans and the Letter of Credit Fees shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such Fees otherwise applicable hereunder unless Agent or Requisite Lenders elect to impose a smaller increase (the "Default Rate"), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Event of Default (if in respect of such an Event of Default under Section 8.1(a), (g) or (h)) or in the case of any other Event of Default from and after receipt by Borrower of a Default Rate Notice, in either case, until the subject Event of Default is cured or waived and shall be payable upon demand.

(e) Subject to the conditions precedent set forth in Section 2.2, Borrower shall have the option to (i) request that any Revolving Credit Advance be made as a LIBOR Loan, (ii) convert at any time all or any part of outstanding Loans from Index Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with Section 1.13(b) if such conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iv) continue all or any portion of any Loan as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the first day after the last day of the LIBOR Period of the Loan to be continued. Any Loan or group of Loans having the same proposed LIBOR Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of \$250,000 and integral multiples of \$100,000 in excess of such amount. Any such election must be made by 1:00 p.m. (New York time) on the third Business Day prior to (1) the date of any proposed Advance which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrower wishes to convert any Index Rate Loan to a LIBOR Loan for a LIBOR Period designated by Borrower in such election. If no election is received with respect to a LIBOR Loan by 1:00 p.m. (New York time) on the third Business Day prior to the end of the LIBOR Period with respect thereto (or if a Default or an Event of Default has occurred and is continuing), that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower must make such election by notice to Agent in writing, by telecopy, overnight courier or Electronic Transmission. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "Notice of Conversion/Continuation") in the form of Exhibit 1.5(e).

(f) Notwithstanding anything to the contrary set forth in this Section 1.5, if a court of competent jurisdiction determines in a final non-appealable order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "Maximum"),

Lawful Rate”), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; provided, however, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Agent, on behalf of Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount that such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate.

1.6 Reserved

1.7 Reserved.

1.8 Cash Management Systems. On or prior to the Closing Date, Borrower will establish and will maintain until the Termination Date, the cash management systems described in Annex C (the “Cash Management Systems”).

1.9 Fees.

(a) Borrower shall pay to GE Capital, individually, the Fees specified in the GE Capital Fee Letter.

(b) As additional compensation for the Revolving Lenders, Borrower shall pay to Agent, for the ratable benefit of such Lenders, in arrears, on the last day of each calendar quarter prior to the Commitment Termination Date and on the Commitment Termination Date, a Fee for Borrower's non-use of available funds in an amount equal to one-half of one percent (0.50%) per annum (calculated on the basis of a 360 day year for actual days elapsed) multiplied by the difference between (x) the Maximum Amount (as it may be reduced from time to time) and (y) the average for the period of the daily closing balance of the Revolving Loan outstanding during the period for which the such Fee is due.

(c) Borrower shall pay to Agent, for the ratable benefit of Revolving Lenders, the Letter of Credit Fee as provided in Annex B.

1.10 Receipt of Payments. Borrower shall make each payment under this Agreement not later than 2:00 p.m. (New York time) on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest and Fees and Borrowing Availability of any date, all payments shall be deemed received on the Business Day on which immediately available funds therefor are received in the Collection Account prior to 2:00 p.m. New York time. Payments received after 2:00 p.m. New York time on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

1.11 Application and Allocation of Payments.

(a) So long as no Event of Default has occurred and is continuing, (i) payments matching specific scheduled payments then due shall be applied to those scheduled payments; (ii) voluntary prepayments shall be applied in accordance with the provisions of Section 1.3(a); and (iii) mandatory prepayments shall be applied as set forth in Section 1.3(c). All payments and prepayments applied to a particular Loan shall be applied ratably to the portion thereof held by each Lender as determined by its Pro Rata Share; provided that any such payments received shall be applied first to repay Loans outstanding as Index Rate Loans and then to Loans outstanding as LIBOR Rate Loans, with those LIBOR Rate Loans having earlier expiring LIBOR Periods being repaid prior to those with later expiring LIBOR Periods. As to any other payment, and as to all payments made when an Event of Default has occurred and is continuing or following the Commitment Termination Date, Borrower hereby irrevocably waives the right to direct the application of any and all payments received from or on behalf of Borrower, and Borrower hereby irrevocably agrees that Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations as Agent may deem advisable notwithstanding any previous entry by Agent in the Loan Account or any other books and records. In the absence of a specific determination by Agent with respect thereto, payments from proceeds of Collateral following the exercise of remedies shall be applied to amounts then due and payable in the following order: (1) to Fees and Agent's expenses reimbursable hereunder; (2) to interest on the Loans, ratably in proportion to the interest accrued as to each Loan; (3) to principal payments on the other Loans and any Obligations under any Secured Rate Contract and to provide cash collateral for Letter of Credit Obligations in the manner described in Annex B, ratably to the aggregate, combined principal balance of the other Loans, Obligations under any Secured Rate Contracts and outstanding Letter of Credit Obligations; and (4) to all other Obligations including expenses of Lenders to the extent reimbursable under Section 11.3.

(b) Agent is authorized to, and at its sole election may, charge to the Revolving Loan balance on behalf of Borrower and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with Section 5.4(a)) and interest and principal, other than principal of the Revolving Loan, owing by Borrower under this Agreement or any of the other Loan Documents if and to the extent Borrower fails to pay promptly any such amounts as and when due (and, in the case of any expenses, Charges, and costs, following the presentment of an invoice therefor), even if the amount of such charges would exceed Borrowing Availability at such time. At Agent's option and to the extent permitted by law, any charges so made shall constitute part of the Revolving Loan hereunder.

1.12 Loan Account and Accounting. Agent shall maintain a loan account (the "Loan Account") on its books to record: all Advances and the Term Loan B, all payments made by Borrower, and all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Account shall be made in accordance with Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Agent's most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrower; provided that any failure to so record or any error in so recording shall not limit or otherwise affect Borrower's duty to pay the Obligations. Agent shall render to Borrower a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account for the immediately preceding month. Unless Borrower notifies Agent in writing of any objection to any such accounting (specifically describing the basis for such objection),

within thirty (30) days after the date thereof, each and every such accounting shall be presumptive evidence of all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrower. Notwithstanding any provision herein contained to the contrary, any Lender may elect (which election may be revoked) to dispense with the issuance of Notes to that Lender and may rely on the Loan Account as evidence of the amount of Obligations from time to time owing to it.

1.13 Indemnity.

(a) Each Credit Party that is a signatory hereto shall jointly and severally indemnify and hold harmless each of Agent, Lenders and their respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "Indemnified Person"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted by any Credit Party, any affiliate thereof or any third party against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the Loan Documents, the commitment and proposal letters related thereto, the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all losses associated with Electronic Transmissions or E-Systems as well as for failures caused by a Credit Party's equipment, software, services or otherwise used in connection therewith, and any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Loan Documents with respect to, or relating to the transactions under, the Loan Documents and any investigation, litigation, or proceeding related to any such matters (collectively, "Indemnified Liabilities"); provided, that no such Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

(b) To induce Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or occurs as a result of acceleration, by operation of law or otherwise); (ii) Borrower shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) Borrower shall refuse to accept any borrowing of, or shall request a termination of any borrowing, conversion into or continuation of LIBOR Loans after Borrower has given notice requesting the same in accordance herewith; or (iv) Borrower shall

fail to make any prepayment of a LIBOR Loan after Borrower has given a notice thereof in accordance herewith, then Borrower shall indemnify and hold harmless each Lender from and against all losses, costs and expenses resulting from or arising from any of the foregoing. Such indemnification shall include any loss (excluding loss of margin) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such funds were obtained. For the purpose of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant LIBOR Period; provided, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each Lender shall provide Borrower with its written, reasonably detailed, calculation of all amounts payable pursuant to this Section 1.13(b), and such calculation shall be binding on the parties hereto unless Borrower shall object in writing within ten (10) Business Days of receipt thereof, specifying the basis for such objection in detail.

1.14 Access. Each Credit Party that is a party hereto shall, during normal business hours, from time to time upon five (5) Business Days' prior written notice as frequently as Agent reasonably determines to be appropriate: (a) provide Agent and any of its officers, employees and agents access to its properties, facilities, advisors, officers and employees of each Credit Party and to the Collateral, (b) permit Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's books and records, and (c) permit Agent, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of any Credit Party. If an Event of Default has occurred and is continuing, each such Credit Party shall provide such access to Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Event of Default under Section 8.1(a), (g) or (h) has occurred and is continuing, Borrower shall provide Agent and each Lender with access to its material suppliers. Each Credit Party shall make available to Agent and its counsel reasonably promptly originals or copies of all books and records that Agent may reasonably request. Each Credit Party shall deliver any document or instrument necessary for Agent, as it may from time to time reasonably request, to obtain records from any service bureau or other Person that maintains records for such Credit Party, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by such Credit Party. Agent will give Lenders at least five (5) Business Days' prior written notice of regularly scheduled audits, which audits, in the absence of the existence of an Event of Default, shall occur no more frequently than annually. Representatives of other Lenders may accompany Agent's representatives on regularly scheduled audits at no charge to Borrower.

1.15 Taxes.

(a) Any and all payments by Borrower hereunder or under the Notes shall be made, in accordance with this Section 1.15, free and clear of and without deduction for any and all present or future Taxes. If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) the sum payable shall be increased

as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 1.15) Agent or Lenders, as applicable, receive an amount equal to the sum they would have received had no such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, Borrower shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof.

(b) Each Credit Party that is a signatory hereto shall indemnify and, within ten (10) days of demand therefor, pay Agent and each Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 1.15) paid by Agent or such Lender, as appropriate, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) Each Lender organized under the laws of a state of the United States shall provide to Borrower and Agent a properly completed and executed IRS Form W-9. Each Lender organized under the laws of a jurisdiction outside the United States (a "Foreign Lender") as to which payments to be made under this Agreement or under the Notes are exempt from United States withholding tax under an applicable statute or tax treaty shall provide to Borrower and Agent a properly completed and executed IRS Form W-8ECI or Form W-8BEN -or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Lender's entitlement to such exemption (a "Certificate of Exemption"). The Agent shall have the right to refuse to allow a Person to be a Lender under this Agreement if such Person has not provided to the Agent a Form W-9 or a Certificate of Exemption prior to becoming a Lender hereunder.

1.16 Capital Adequacy; Increased Costs; Illegality.

(a) If any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case, adopted after the Closing Date, from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender and thereby reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder, then Borrower shall from time to time upon demand by such Lender (with a copy of such demand to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such Lender to Borrower and to Agent shall be presumptive evidence of the matters set forth therein.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), in each case adopted after the Closing Date, there shall be any increase in the cost

to any Lender of agreeing to make or making, funding or maintaining any Loan, then Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to Agent), pay to Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower and to Agent by such Lender, shall be presumptive evidence of the matters set forth therein. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrower pursuant to this [Section 1.16\(b\)](#).

(c) Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's reasonable opinion, materially adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Borrower through Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrower shall forthwith prepay in full all outstanding LIBOR Loans owing to such Lender, together with interest accrued thereon, unless Borrower, within five (5) Business Days after the delivery of such notice and demand, converts all LIBOR Loans into Index Rate Loans.

(d) Within forty five (45) days after receipt by Borrower of written notice and demand from any Lender (an " [Affected Lender](#)") for payment of additional amounts or increased costs as provided in [Sections 1.15\(a\), 1.16\(a\) or 1.16\(b\)](#), Borrower may, at its option, notify Agent and such Affected Lender of its intention to replace the Affected Lender. So long as no Default or Event of Default has occurred and is continuing, Borrower, with the consent of Agent, may obtain, at Borrower's expense, a replacement Lender ("[Replacement Lender](#)") for the Affected Lender, which Replacement Lender must be reasonably satisfactory to Agent. If Borrower obtains a Replacement Lender within ninety (90) days following notice of its intention to do so, the Affected Lender must sell and assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and Fees with respect thereto through the date of such sale and such assignment shall not require the payment of an assignment fee to Agent; provided, that Borrower shall have reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under this Agreement through the date of such sale and assignment. Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within 15 days following its receipt of Borrower's notice of intention to replace such Affected Lender. Furthermore, if Borrower gives a notice of intention to replace and does not so replace such Affected Lender within ninety (90) days thereafter, Borrower's rights under this [Section 1.16\(d\)](#) shall terminate with respect to such Affected Lender and Borrower shall promptly pay all increased costs or additional amounts demanded by such Affected Lender pursuant to [Sections 1.15\(a\), 1.16\(a\) and 1.16\(b\)](#).

1.17 Single Loan. All Loans to Borrower and all of the other Obligations of Borrower arising under this Agreement and the other Loan Documents shall constitute one general obligation of Borrower secured, until the Termination Date, by all of the Collateral.

2. CONDITIONS PRECEDENT

2.1 Conditions to the Initial Loans. No Lender shall be obligated to make any Loan or incur any Letter of Credit Obligations on the Closing Date, or to take, fulfill, or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner reasonably satisfactory to Agent, or waived in writing by Agent and Requisite Lenders:

(a) Credit Agreement: Loan Documents. This Agreement or counterparts hereof shall have been duly executed by, and delivered to, Borrower, each other Credit Party, Agent and Lenders; and Agent shall have received such documents, instruments, agreements and legal opinions as Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed in the Closing Checklist attached hereto as Annex D, each in form and substance reasonably satisfactory to Agent.

(b) Acquisition of Assets Free and Clear. Agent shall have received evidence that the assets acquired in the Acquisition are being acquired free and clear of any Liens (other than Liens permitted hereunder), such evidence to be reflected in documentation reasonably acceptable to Agent.

(c) Approvals. Agent shall have received (i) satisfactory evidence that the Credit Parties have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Loan Documents and the consummation of the Related Transactions or (ii) an officer's certificate in form and substance reasonably satisfactory to Agent affirming that no such consents or approvals are required.

(d) Payment of Fees. Borrower shall have paid the Fees required to be paid on the Closing Date in the respective amounts specified in Section 1.9 (including the Fees specified in the GE Capital Fee Letter), and shall have reimbursed Agent for all reasonable, documented and out-of-pocket fees, costs and expenses of closing presented as of the Closing Date.

(e) Capital Structure: Other Indebtedness. The capital structure of each Credit Party, the corporate structure of the Credit Parties, the terms and conditions of all Indebtedness of each Credit Party, and all governing organizational documents of the Credit Parties, as well as the tax effects resulting from the Acquisition, shall be reasonably acceptable to Agent in its sole discretion.

(f) Due Diligence. Agent shall have completed its business, environmental, and legal due diligence, including without limitation as to Material Contracts, other debt instruments, equity and member agreements, management agreements, incentive and employment agreements, acquisition agreement, tax agreements and other material agreements and governing documents of the Credit Parties, with results reasonably satisfactory to Agent.

(g) Evidence of Competitive Free Film Zone. Agent shall be satisfied that all Acquired Theatres (other than Kaahumanu) shall operate in a "competitive free film zone".

(h) Maximum Leverage Ratio/Loan to Contributed Capital Ratio. After giving pro forma effect to the Related Transactions, Borrower and its Subsidiaries shall have, on a consolidated basis, for the twelve months ending on December 31, 2007, a Leverage Ratio of not more than 3.6:1.0. After giving pro forma effect to the Related Transactions, the Loan to Contributed Capital Ratio as of the Closing Date shall not exceed 69%.

(i) Minimum EBITDA. After giving pro forma effect to the Related Transactions, Borrower and its Subsidiaries shall have, on a consolidated basis, EBITDA for the twelve month period ending on December 31, 2007 of not less than \$13,789,000.

(j) Consummation of Related Transactions. Agent shall have received fully executed copies of the Acquisition Agreement and final and complete copies of each of the other Related Transactions Documents, each of which shall be in full force and effect in form and substance reasonably satisfactory to Agent. The Acquisition and the other Related Transactions shall have been consummated in accordance with the terms of the Acquisition Agreement and the other Related Transactions Documents. The Acquisition shall include solely the Acquired Theatres and the purchase price shall not exceed \$69,300,000. Additionally, Agent shall have received evidence that (i) the Closing Date Equity Contribution shall have been made on terms and conditions reasonably satisfactory to the Agent and (ii) the Manville Theatre Contribution and the Dallas Theatre Contribution shall have been consummated, in form and substance reasonably satisfactory to Agent.

(k) No Material Changes. As of the Closing Date, (i) since the Sellers' audited financial statements dated June 30, 2007, there not occurring or becoming known to the Agent any event, development or circumstance that has caused or could reasonably be expected to cause any material adverse condition or material adverse change in or affecting the industry in which the Borrower operates, the business, operations, property (including but not limited to the Collateral), condition (financial or otherwise) or prospects or projections of the Borrower and its affiliates, or of any other Credit Party, (ii) there not occurring or becoming known to the Agent any information or other matter affecting the Acquired Theatres, or Borrower, any of its affiliates, Guarantors or the Related Transactions that in the Agent's judgment is inconsistent in a material and adverse manner with any such information or other matter disclosed to the Lenders prior to the date hereof, (iii) no litigation commenced which would challenge the Related Transactions or which, if successful, would have a material adverse impact on the Borrower, its business, or its ability to repay the Obligations, (iv) since the Sellers' most recent audited financial statements, no material increase in the liabilities, liquidated or contingent, or a material decrease in the assets.

(l) Minimum Cash on Hand. After giving pro forma effect to the Related Transactions, Borrower and its Subsidiaries shall have, on a consolidated basis, cash on hand of not less than \$700,000.

2 . 2 Further Conditions to Each Loan. Except as otherwise expressly provided herein, no Lender shall be obligated to fund any Advance or incur any Letter of Credit Obligation, if, as of the date thereof:

(a) any representation or warranty by any Credit Party contained herein or in any other Loan Document is untrue or incorrect as of such date (A) as stated if such representation or warranty contains an express materiality qualification or (B) in any material respect if such representation or warranty does not contain such a qualification, except to the extent that such representation or warranty expressly relates to an earlier date (in which case such representation or warranty shall not have been untrue or incorrect as of such earlier date (A) as stated if such representation or warranty contains an express materiality qualification or (B) in any material respect if such representation or warranty does not contain such a qualification) and except for changes therein expressly permitted or expressly contemplated by this Agreement, and Agent or Requisite Revolving Lenders have determined not to make such Revolving Credit Advance or incur any Letter of Credit Obligation as a result of the fact that such representation or warranty is untrue or incorrect as aforesaid;

(b) any Default or Event of Default has occurred and is continuing or would result after giving effect to any Advance (or the incurrence of any Letter of Credit Obligation), and Agent or Requisite Revolving Lenders shall have determined not to make any Advance or incur any Letter of Credit Obligation as a result of that Default or Event of Default; or

(c) after giving effect to any Advance (or the incurrence of any Letter of Credit Obligations), the outstanding principal amount of the Revolving Loan would exceed the Maximum Amount.

The request and acceptance by Borrower of the proceeds of any Advance, or the incurrence of any Letter of Credit Obligations shall be deemed to constitute, as of the date thereof, (i) a representation and warranty by Borrower that the conditions in this Section 2.2 have been satisfied and (ii) a reaffirmation by Borrower of the granting and continuance of Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

3. REPRESENTATIONS AND WARRANTIES

To induce Lenders to make the Loans and to incur Letter of Credit Obligations, the Credit Parties executing this Agreement, jointly and severally, make the following representations and warranties to Agent and each Lender with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement. The representations shall be deemed to apply to the Acquired Theatres, the Dallas Theatre and the Marville Theatre after giving pro forma effect to the consummation of the Acquisition, the Dallas Theatre Contribution and the Marville Contribution as if the Borrower owned such theaters at all times on and prior to the Closing Date.

3.1 Corporate Existence; Compliance with Law. Each Credit Party (a) is a corporation, limited liability company, general partnership or limited partnership duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation or organization, which as of the date hereof is set forth in Disclosure Schedule (3.1); (b) is duly

qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in exposure to losses or liabilities which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect; (c) has the requisite power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now conducted or proposed to be conducted; (d) subject to specific representations regarding Environmental Laws, has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (e) is in compliance with its charter and bylaws or partnership or operating agreement, as applicable; and (f) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax and other laws, is in compliance with all applicable provisions of law and regulation, except where the failure to comply, alone or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3 . 2 Executive Offices, Collateral Locations, FEIN, Organizational Number. As of the Closing Date, each Credit Party's name as it appears in official filings in its state of incorporation or organization, the state of incorporation or organization, organization type, organization number, if any, issued by its state incorporation or organization, and the current location of each Credit Party's chief executive office and the warehouses and premises at which any Collateral are located are set forth in Disclosure Schedule (3.2). In addition, Disclosure Schedule (3.2) lists the federal employer identification number of each Credit Party.

3 . 3 Corporate Power, Authorization, Enforceable Obligations. The execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's power; (b) have been duly authorized by all necessary corporate, limited liability company or limited partnership action; (c) do not contravene any provision of such Person's charter, bylaws or partnership or operating agreement as applicable; (d) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, Theatre Lease or other material lease, material agreement or other material instrument to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Agent, on behalf of itself and Lenders, pursuant to the Loan Documents; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 2.1(c), all of which will have been duly obtained, made or complied with prior to the Closing Date. Each of the Loan Documents shall be duly executed and delivered by each Credit Party that is a party thereto and each such Loan Document shall constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms.

3 . 4 Financial Statements and Projections. Except for the Projections and the Pro Forma, all Financial Statements concerning Borrower and its Subsidiaries that are referred to below have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements,

for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

(a) Financial Statements. The following Financial Statements attached hereto as Disclosure Schedule (3.4(a)) have been delivered on the date hereof:

(i) The audited consolidated balance sheets at June 28, 2007 and the related statements of income and cash flows of Sellers with respect to the Acquired Theatres for the Fiscal Year then ended, certified by KPMG, LLP.

(ii) The unaudited balance sheet(s) at December 31, 2007 and the related statement(s) of income and cash flows of Reading with respect to the Manville Theatre and the Dallas Theatre.

(b) Pro Forma. The Pro Forma delivered on the date hereof and attached hereto as Disclosure Schedule (3.4(b)) was prepared by Borrower giving pro forma effect to the Related Transactions, was based on the unaudited consolidated balance sheets of Borrower and its Subsidiaries dated January 1, 2008.

(c) Projections. The Projections delivered on the date hereof and attached hereto as Disclosure Schedule (3.4(c)) have been prepared by Borrower in light of the past operations of the Acquired Theatres, the Dallas Theatre and the Manville Theatre, but including future payments of known contingent liabilities, and reflect projections for the five year period beginning on January 1, 2008 on a month-by-month basis. The Projections are based upon the same accounting principles as those used in the preparation of the financial statements described above and the estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Closing Date, reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower for the period set forth therein. The Projections are not a guaranty of future performance, and actual results may differ from the Projections.

3.5 Material Adverse Effect. Between June 30, 2007 and the Closing Date, (a) no Credit Party has incurred any obligations, contingent or noncontingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that are not reflected in the Pro Forma and that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no law or regulation applicable to any Credit Party has been adopted that has had or could reasonably be expected to have a Material Adverse Effect. As of the Closing Date, no Credit Party is in default and to the best of Borrower's knowledge no third party is in default under any Material Contract, lease or other material agreement or instrument, that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Since June 30, 2007 no event has occurred, that alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.6 Ownership of Property; Liens. As of the Closing Date, the real estate ("Real Estate") listed in Disclosure Schedule (3.6) constitutes all of the real property owned, leased, subleased, or used by any Credit Party. Each Credit Party owns good and marketable fee simple title to all of its owned Real Estate, and valid and marketable leasehold interests in all of its leased Real Estate, (as of the Closing Date, all as described on Disclosure Schedule (3.6)), and copies of all such leases or a summary of terms thereof reasonably satisfactory to Agent have been delivered to Agent. Disclosure Schedule (3.6) further describes any Real Estate with respect to which any Credit Party is a lessor, sublessor or assignor as of the Closing Date. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its personal property and assets. As of the Closing Date, none of the properties and assets of any Credit Party are subject to any Liens other than Liens permitted hereunder, and there are no facts, circumstances or conditions known to any Credit Party that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances. Each Credit Party has received all deeds, assignments, waivers, consents, nondisturbance and attornment or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Credit Party's right, title and interest in and to all such Real Estate and other properties and assets. Disclosure Schedule (3.6) also describes any purchase options, rights of first refusal or other similar contractual rights existing as of the Closing Date and pertaining to any Real Estate. As of the Closing Date, no portion of any Credit Party's Real Estate has suffered any material damage by fire or other casualty loss that has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. As of the Closing Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect.

3 . 7 Labor Matters. Except as set forth on Disclosure Schedule (3.7), as of the Closing Date: (a) no strikes or other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened; (b) hours worked by and payment made to employees of each Credit Party comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matters; (c) all payments due from any Credit Party for employee health and welfare insurance have been paid or accrued as a liability on the books of such Credit Party; (d) no Credit Party is a party to or bound by any collective bargaining agreement, management agreement, consulting agreement, employment agreement, bonus, restricted stock, stock option, or stock appreciation plan or agreement or any similar plan, agreement or arrangement (and true and complete copies of any agreements described on Disclosure Schedule (3.7) have been delivered to Agent); (e) there is no organizing activity involving any Credit Party pending or, to any Credit Party's knowledge, threatened by any labor union or group of employees; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition; and (g) there are no material complaints or charges against any Credit Party pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual.

3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness. Except as set forth in Disclosure Schedule (3.8), as of the Closing Date, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each Credit Party is owned, as of the Closing Date, by each of the Stockholders and in the amounts set forth in Disclosure Schedule (3.8). Except as set forth in Disclosure Schedule (3.8), as of the Closing Date, there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness and Guaranteed Indebtedness of each Credit Party as of the Closing Date (except for the Obligations) is described in Section 6.3 (including Disclosure Schedule (6.3)).

3 . 9 Government Regulation. No Credit Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940. No Credit Party is subject to regulation under any federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loans by Lenders to Borrower, the incurrence of the Letter of Credit Obligations on behalf of Borrower, the application of the proceeds thereof and repayment thereof and the consummation of the Related Transactions will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

3.10 Margin Regulations. No Credit Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). No Credit Party owns any Margin Stock, and none of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any of the Loans or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. No Credit Party will take or permit to be taken any action that might cause any Loan Document to violate any regulation of the Federal Reserve Board.

3 . 1 1 Taxes. All Federal and other material tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority, and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof, excluding Charges or other amounts being contested in accordance with Section 5.2(b) and unless the failure to so file or pay would not reasonably be expected to result in fines, penalties or interest in excess of \$50,000 in the aggregate. Proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. Disclosure

Schedule (3.11) sets forth as of the Closing Date those taxable years for which any Credit Party's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described in Disclosure Schedule (3.11), as of the Closing Date, no Credit Party has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. Except as set forth on Disclosure Schedule (3.11), none of the Credit Parties and their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements) or (b) to each Credit Party's knowledge, as a transferee. As of the Closing Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would reasonably be expected to have a Material Adverse Effect.

3.12 ERISA.

(a) Disclosure Schedule (3.12) lists as of the Closing Date, (i) all ERISA Affiliates and (ii) all Plans and separately identifies all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and Welfare Plans, including all Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest form IRS/DOL 5500-series form for each such Plan have been delivered to Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and, nothing has occurred that would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance in all material respects with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA, including the statement required by 29 CFR Section 2520.104-23. Neither any Credit Party nor ERISA Affiliate has failed to make any material contribution or pay any material amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Neither any Credit Party nor ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan, that would subject any Credit Party to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC.

(b) Except as set forth in Disclosure Schedule (3.12): (i) no Title IV Plan has any material Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened material claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any material liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan of any Credit Party or ERISA Affiliate has been terminated, whether or not in a "standard termination" as that term is used in Section 4041 of ERISA, nor has any Title IV Plan of any Credit Party or ERISA Affiliate (determined at any time within the past five years) with material Unfunded Pension Liabilities been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate; (vi) except in the case of any ESOP, Stock of all Credit Parties and their ERISA

Affiliates makes up, in the aggregate, no more than 10% of fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan; and (vii) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or an equivalent rating by another nationally recognized rating agency.

3.13 No Litigation. No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened against any Credit Party, before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, "Litigation"), (a) that challenges any Credit Party's right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder, or (b) that has a reasonable risk of being determined adversely to any Credit Party and that, if so determined, could reasonably be expected to have a Material Adverse Effect. Except as set forth on Disclosure Schedule (3.13), as of the Closing Date there is no Litigation pending or threatened that seeks damages in excess of \$250,000 or injunctive relief against, or alleges criminal misconduct of, any Credit Party.

3.14 Brokers. Except as set forth on Disclosure Schedule (3.14), no broker or finder acting on behalf of any Credit Party or Affiliate thereof brought about the obtaining, making or closing of the Loans or the Related Transactions, and no Credit Party or Affiliate thereof has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

3.15 Intellectual Property. As of the Closing Date, each Credit Party owns or has rights to use all material Intellectual Property necessary to continue to conduct its business as now conducted by it or presently proposed to be conducted by it, and each registered Patent, registered Trademark, registered Copyright and License (other than any License in respect of commercially available software or any License in respect of the presentation of any motion picture or other License necessary to conduct the Business in the normal course) is listed, together with application or registration numbers, as applicable, in Disclosure Schedule (3.15). Each Credit Party conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect. Except as set forth in Disclosure Schedule (3.15), as of the Closing Date, no Credit Party is aware of any material infringement claim by any other Person with respect to any Intellectual Property.

3.16 Full Disclosure. No information contained in this Agreement, any of the other Loan Documents, Financial Statements or Collateral Reports or other written reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to Agent or any Lender pursuant to the terms of this Agreement (other than any Projections, pro forma statements or other forward looking disclosures) contains or will contain, when delivered, any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; provided that (a) with respect to information relating to Borrower's industry generally and trade data which relates to a Person that is not a Credit Party, Borrower represents and warrants only that such information is believed by it in good faith to be accurate in all material respects, and (b) with respect to Financial Statements,

other than projected financial information, Borrower only represents that such Financial Statements present fairly in all material respects the consolidated financial condition of the applicable Person as of the dates indicated. Projections from time to time delivered hereunder are or will be based upon the estimates and assumptions stated therein, all of which Borrower believed at the time of delivery to be reasonable and fair in light of current conditions and current facts known to Borrower as of such delivery date, and reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower and of the other information projected therein for the period set forth therein. Such Projections are not a guaranty of future performance and actual results may differ from those set forth in such Projections. The Liens granted to Agent, on behalf of itself and Lenders, pursuant to the Collateral Documents will at all times, subject to compliance with, and the exclusions from, the provisions hereof and the Collateral Documents, be fully perfected first priority Liens in and to the Collateral described therein, subject, as to priority, only to Liens permitted hereunder.

3.17 Environmental Matters.

(a) Except as set forth in Disclosure Schedule (3.17), as of the Closing Date: (i) the Real Estate is free of contamination from any Hazardous Material except for such contamination that would not materially adversely impact the value or marketability of such Real Estate and that would not result in Environmental Liabilities that could reasonably be expected to exceed \$500,000; (ii) no Credit Party has caused or suffered to occur any material Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate; (iii) the Credit Parties are and have been in compliance with all Environmental Laws, except for such noncompliance that would not result in Environmental Liabilities which could reasonably be expected to exceed \$500,000; (iv) the Credit Parties have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits would not result in Environmental Liabilities that could reasonably be expected to exceed \$500,000, and all such Environmental Permits are valid, uncontested and in good standing; (v) no Credit Party is involved in operations or knows of any facts, circumstances or conditions, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of such Credit Party which could reasonably be expected to exceed \$500,000; (vi) there is no Litigation arising under or related to any Environmental Laws, Environmental Permits or Hazardous Material that seeks damages, penalties, fines, costs or expenses in excess of \$500,000 or injunctive relief against any Credit Party; (vii) no notice has been received by any Credit Party identifying it as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the knowledge of the Credit Parties, there are no facts, circumstances or conditions that may result in any Credit Party being identified as a "potentially responsible party" under CERCLA or analogous state statutes; and (viii) the Credit Parties have provided to Agent copies of all existing environmental reports, reviews and audits and all written information pertaining to actual or potential Environmental Liabilities, in each case relating to any Credit Party.

(b) Each Credit Party hereby acknowledges and agrees that Agent (i) is not now, and has not ever been, in control of any of the Real Estate or any Credit Party's affairs, and (ii) does not have the capacity through the provisions of the Loan Documents or otherwise to

influence any Credit Party's conduct with respect to the ownership, operation or management of any of its Real Estate or compliance with Environmental Laws or Environmental Permits.

3.18 Insurance. Disclosure Schedule (3.18) lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

3.19 Deposit and Disbursement Accounts. Disclosure Schedule (3.19) lists all banks and other financial institutions at which any Credit Party maintains deposit or other accounts as of the Closing Date, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

3.20 [Reserved]

3.21 Trade Relations. As of the Closing Date, there exists no actual or, to the knowledge of any Credit Party, threatened termination or cancellation of, or any material adverse modification or change in the business relationship of any Credit Party with any supplier essential to its operations.

3.22 Bonding; Licenses. Except as set forth on Disclosure Schedule (3.22), as of the Closing Date, no Credit Party is a party to or bound by any surety bond agreement or bonding requirement with respect to products or services sold by it.

3.23 Solvency. Both before and after giving effect to (a) the Loans and Letter of Credit Obligations to be made or incurred on the Closing Date or such other date as Loans and Letter of Credit Obligations requested hereunder are made or incurred, (b) the disbursement of the proceeds of such Loans pursuant to the instructions of Borrower, (c) the Acquisition and the consummation of the other Related Transactions and (d) the payment and accrual of all transaction costs in connection with the foregoing, each of the Borrower, individually, and the Credit Parties, taken as a whole, is and will be Solvent.

3.24 Acquisition Agreement. As of the Closing Date, Borrower has delivered to Agent a complete and correct copy of the Acquisition Agreement (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith) and the Reading Note. No Credit Party and to the knowledge of any Credit Party no other Person party thereto is in default in the performance or compliance with any provisions thereof. The Acquisition Agreement complies with, and the Acquisition has been consummated in accordance with, all applicable laws. The Acquisition Agreement is in full force and effect as of the Closing Date and has not been terminated, rescinded or withdrawn. All requisite approvals by Governmental Authorities having jurisdiction over Seller, any Credit Party and other Persons referenced therein, with respect to the transactions contemplated by the Acquisition Agreement, have been obtained, and no such approvals impose any conditions to the consummation of the transactions contemplated by the Acquisition Agreement or to the conduct by any Credit Party of its business thereafter. To each Credit Party's knowledge, none of the Sellers' representations or warranties in the Acquisition Agreement contain any untrue statement of a material fact or omit any fact necessary to make the

statements therein not misleading. Each of the representations and warranties given by each applicable Credit Party in the Acquisition Agreement is true and correct in all material respects.

3.25 Status of Holdings. Prior to the Closing Date, Holdings will not have engaged in any business or incurred any Indebtedness or any other liabilities (except in connection with its corporate formation, the Related Transactions Documents and this Agreement).

3.26 OFAC. No Credit Party (i) is a person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) engages in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such person in any manner violative of Section 2, or (iii) is a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

3.27 Patriot Act. Each Credit Party is in compliance, in all material respects, with the (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports and Notices.

(a) Each Credit Party executing this Agreement hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Agent or to Agent and Lenders, as required, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in Annex E.

(b) Each Credit Party executing this Agreement hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Agent or to Agent and Lenders, as required, the various Collateral Reports at the times, to the Persons and in the manner set forth in Annex E.

4.2 Communication with Accountants. Each Credit Party executing this Agreement authorizes (a) Agent and (b) so long as an Event of Default has occurred and is continuing, each Lender, to communicate directly with its independent certified public accountants, including Deloitte & Touche LLP, and authorizes and shall instruct those accountants and advisors to communicate to Agent and each Lender information relating to any

Credit Party with respect to the business, results of operations and financial condition of any Credit Party. In connection with the exercise of any such rights, Agent or such Lender shall provide Borrower with a copy of all transmittals and requests made to Borrower's accountants concurrently with the transmittal thereof to such accountants, and shall give Borrower reasonably prior opportunity to participate in any conversations or meetings with such accountants.

5. AFFIRMATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

5.1 Maintenance of Existence and Conduct of Business. Each Credit Party shall: do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its material rights and franchises, except as permitted by Section 6.1; continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; and at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices. Except as otherwise permitted hereunder, each Credit Party shall maintain good and marketable fee simple title to all of its owned Real Estate and a valid leasehold interest in all of its leased Real Estate.

5.2 Payment of Charges.

(a) Subject to Section 5.2(b), each Credit Party shall pay and discharge or cause to be paid and discharged promptly all (i) material Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed), all Charges with respect to tax, social security and unemployment withholding with respect to its employees and all other material Charges, (ii) lawful claims for labor, materials, supplies and services or otherwise, and (iii) all storage or rental charges payable to warehousemen and bailees, in each case, before any thereof shall become past due, except in the case of clauses (ii) and (iii) where the failure to pay or discharge such Charges would not result in aggregate liabilities in excess of \$500,000.

(b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges, Taxes or claims described in Section 5.2(a); provided, that (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP; (ii) no Lien other than a Permitted Encumbrance shall be imposed to secure payment of such Charges (other than payments to warehousemen and/or bailees) that is superior to any of the Liens securing payment of the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges, (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest, and (iv) such Credit Party shall promptly pay or discharge such contested Charges, Taxes or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to Agent evidence reasonably acceptable to Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions set forth in this Section 5.2(b) are no longer met.

5 . 3 Books and Records. Each Credit Party shall keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as Disclosure Schedule (3.4(a)).

5.4 Insurance: Damage to or Destruction of Collateral.

(a) The Credit Parties shall, at their sole cost and expense, maintain the policies of insurance described on Disclosure Schedule (3.18) as in effect on the date hereof or other replacement policies of insurance covering similar risks and in such amounts as are maintained by other Persons engaged in a similar Business and issued by insurers reasonably acceptable to Agent. Such policies of insurance (or the loss payable and additional insured endorsements delivered to Agent) shall contain provisions pursuant to which the insurer agrees to provide thirty (30) days prior written notice to Agent in the event of any non-renewal, cancellation or amendment of any such insurance policy. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto that Agent deems advisable. Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including reasonable attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrower to Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) If reasonably requested by Agent, each Credit Party shall deliver to Agent from time to time a report of a reputable insurance broker reasonably satisfactory to Agent, with respect to its insurance policies.

(c) Borrower and each Credit Party shall deliver to Agent, in form and substance reasonably satisfactory to Agent, endorsements to (i) all "All Risk" and business interruption insurance of Borrower and the other Credit Parties naming Agent, on behalf of itself and Lenders, as loss payee, and (ii) all general liability and other liability policies of the Credit Parties naming Agent, on behalf of itself and Lenders, as additional insured. Each Credit Party irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent), so long as any Default or Event of Default has occurred and is continuing, as Borrower's and each other Credit Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such "All Risk" policies of insurance, endorsing the name of each Credit Party on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. Agent shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Borrower shall promptly notify Agent of any loss, damage, or destruction to the Collateral in the amount of \$250,000 or more, whether or not covered by insurance. After deducting from such proceeds (i) the expenses incurred by Agent in the collection or handling thereof, and (ii) amounts required to be paid to creditors (other than Lenders) having Permitted Encumbrances and amounts required to be paid to landlord under any leases, Agent may, at its option, apply such proceeds to the reduction of

the Obligations in accordance with Section 1.3(d), provided that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower, or permit or require each Credit Party to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, if the casualty giving rise to such insurance proceeds could not reasonably be expected to have a Material Adverse Effect, no Default has occurred and is continuing, and such loss or casualty does not occur at, or relate to, a theatre which generates more than 5% of Borrower's revenues, Agent shall, to the extent Agent is in possession thereof, deliver to the applicable Credit Party all casualty insurance proceeds so that the applicable Credit Party can replace, restore, repair or rebuild the property; provided that if such Credit Party has not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within 270 days of such casualty, Agent may apply such insurance proceeds to the Obligations in accordance with Section 1.3(c); provided further that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower. All insurance proceeds that are to be made available to Borrower to replace, repair, restore or rebuild the Collateral shall be applied by Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a permanent reduction of the Revolving Loan Commitment). All insurance proceeds made available to any Credit Party that is not a Borrower to replace, repair, restore or rebuild Collateral shall be deposited in a Blocked Account. Thereafter, such funds shall be made available to such Credit Party to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) Borrower shall request a Revolving Credit Advance or release from the cash collateral account be made to such Credit Party in the amount requested to be released; and (ii) so long as the conditions set forth in Section 2.2 have been met, Revolving Lenders shall make such Revolving Credit Advance or Agent shall release funds from such Blocked Account. To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance with Section 1.3(c); provided that in the case of insurance proceeds pertaining to any Credit Party other than Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower.

5.5 Compliance with Laws. Each Credit Party shall comply with all federal, state, local and foreign laws and regulations applicable to it, including ERISA, labor laws, and Environmental Laws and Environmental Permits, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.6 Supplemental Disclosure. From time to time as may be reasonably requested by Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of an Event of Default) or at Credit Parties' election, the Credit Parties shall supplement each Disclosure Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising that, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or that is necessary to correct any information in such Disclosure Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); provided that (a) no

such supplement to any such Disclosure Schedule or representation shall amend, supplement or otherwise modify any Disclosure Schedule or representation, or be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by Agent and Requisite Lenders in writing, and (b) no supplement shall be required or permitted as to representations and warranties that relate solely to the Closing Date.

5 . 7 Intellectual Property. Each Credit Party will conduct its business and affairs without material infringement of or material interference with any Intellectual Property of any other Person in any material respect and shall comply in all material respects with the terms of its Licenses.

5.8 Environmental Matters. Each Credit Party shall and shall reasonably attempt to cause each Person within its control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance that could not reasonably be expected to have a Material Adverse Effect; (b) implement any and all investigation, remediation, removal and response actions that are appropriate or necessary to maintain the value and marketability of the Real Estate or to otherwise comply with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, in, under, above, to, from or about any of its Real Estate in all material respects; (c) notify Agent promptly after such Credit Party becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate that is reasonably likely to result in Environmental Liabilities in excess of \$250,000; and (d) promptly forward to Agent a copy of any material order, notice, request for information or any communication or report received by such Credit Party in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in Environmental Liabilities in excess of \$250,000 in each case whether or not the Environmental Protection Agency or any Governmental Authority has taken or threatened any action in connection with any such violation, Release or other matter. If Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or Environmental Permits by any Credit Party or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate, that, in each case, could reasonably be expected to have a Material Adverse Effect, then each Credit Party shall, upon Agent's written request (i) cause the performance of such environmental audits including subsurface sampling of soil and groundwater, and preparation of such environmental reports, at Borrower's expense, as Agent may from time to time reasonably request, which shall be conducted by reputable environmental consulting firms reasonably acceptable to Agent and shall be in form and substance reasonably acceptable to Agent, and (ii) permit Agent or its representatives to have access to all Real Estate for the purpose of conducting such environmental audits and testing as Agent deems appropriate, including subsurface sampling of soil and groundwater. Borrower shall reimburse Agent for the reasonable and documented costs of such audits and tests and the same will constitute a part of the Obligations secured hereunder.

5.9 Access Agreements; Liens on Real Estate Interests .

(a) Fee Owned Real Estate and Leasehold Interest with respect to Movie Theatres. On or prior to the Closing Date, Agent shall have received Mortgages covering all Mortgaged Properties together with all requirements set forth in Annex D with respect thereto. To the extent permitted hereunder, if any Credit Party proposes to acquire a fee ownership interest in Real Estate or a leasehold interest with respect to any movie theatre after the Closing Date, it shall within 10 Business Days of the consummation of such acquisition provide to Agent a mortgage or deed of trust granting Agent a first priority Lien on such Real Estate, together with, if requested by Agent and within such reasonable time frames as may be requested by Agent, environmental audits, mortgage title insurance policy, real property survey, local counsel opinion(s), and, if required by Agent, supplemental casualty insurance and flood insurance, landlord estoppel agreements, mortgagee waivers, if applicable and such other documents, instruments or agreements reasonably requested by Agent, in each case, in form and substance reasonably satisfactory to Agent. If any lease which is subject to a Mortgage in favor of Agent expires or terminates and is subsequently renewed, Borrower shall with reasonable promptness provide to Agent a mortgage or deed of trust granting Agent a first priority Lien on such Real Estate, together with, if requested by Agent and within such reasonable time frames as may be requested by Agent, mortgage title insurance policy, local counsel opinion(s), and, if required by Agent, supplemental casualty insurance and flood insurance, landlord estoppel agreements, mortgagee waivers, if applicable and such other documents, instruments or agreements reasonably requested by Agent, in each case, in form and substance reasonably satisfactory to Agent.

(b) Other Leased Property. On or prior to the Closing Date, Agent shall have received, with respect to all leased property where (1) a Credit Party is the lessee, (2) the leased property does not contain a movie theatre, (3) all of such leased property has not been sublet to a third party and (4) the Credit Parties maintain Collateral in excess of \$250,000, a landlord waiver or bailee agreement with respect to such location, which agreement shall contain a waiver or subordination of all Liens or claims that such lessor, mortgagee or bailee may assert against the Collateral at that location, shall grant Agent access to the Collateral at that location, with respect to all leased property shall contain the consent of the lessor to a Mortgage on such location in favor of Agent, and shall otherwise be reasonably satisfactory in form and substance to Agent. After the Closing Date, no real property or warehouse space which does not contain a movie theatre and where Collateral with a value in excess of \$250,000 is maintained shall be leased by any Credit Party without the prior written consent of Agent unless and until a satisfactory agreement with the applicable lessor or bailee letter, as appropriate, shall first have been obtained with respect to such location. Each Credit Party shall timely and fully pay and perform its obligations under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located.

5.10 Interest Rate/Currency Fluctuations Protection. Within ninety (90) days after the Closing Date, Borrower shall enter into and maintain interest rate cap, swap or collar agreements, or other agreements or arrangements designed to provide protection against fluctuations in interest rates, which shall be on terms, for a period of at least 2 years following the Closing Date and with counter parties reasonably acceptable to Agent, and pursuant to which Borrower is protected against increases in interest rates from and after the date of such contracts as to a notional amount of not less than 50% of the Loans outstanding on the Closing Date.

5.11 Further Assurances. Each Credit Party executing this Agreement agrees that it shall and shall cause each other Credit Party to, at such Credit Party's expense and upon the reasonable request of Agent, duly execute and deliver, or cause to be duly executed and delivered, to Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of Agent to carry out more effectively the provisions and purposes of this Agreement and each Loan Document. Each Credit Party (other than Holdings) executing this Agreement acknowledges and agrees that it will not issue any Stock to any other Person after the Closing Date unless (i) no Change of Control would result therefrom and (ii) such Stock is pledged to Agent, pursuant to documentation and with such diligence as Agent shall request.

5.12 Future Credit Parties. In the event that, subsequent to the Closing Date, any Person becomes a Domestic Subsidiary, such Person shall within 10 Business Days of becoming a Domestic Subsidiary become a Credit Party, and concurrently with such Person's becoming a Credit Party, the Credit Party that owns the Stock of such Person shall (i) pledge 100% such Stock and all Intercompany Notes issued by such Person to Agent pursuant to the Borrower Pledge Agreement or such other pledge agreement in form and substance reasonably satisfactory to Agent, (ii) shall cause such Person (A) to become a party to this Agreement, and (B) to provide all relevant documentation with respect thereto and to take such other actions as such Person would have been required to provide and take pursuant to Annex D if such Person had been a Credit Party on the Closing Date; (iii) shall cause such Person (A) to become a party to the Subsidiary Guaranty, the Security Agreement and, if such Credit Party owns any Stock, cause such Credit Party to become a party to a stock pledge agreement in form and substance reasonably satisfactory to Agent, pursuant to which such Credit Party shall pledge 100% of the Stock of any of its Domestic Subsidiaries and 66% of the voting Stock and 100% of the non-voting Stock of its first tier Foreign Subsidiaries and (B) to provide all relevant documentation with respect thereto and to take such other actions as such Person would have been required to provide and take pursuant to Annex D if such Person had been a Credit Party on the Closing Date and (iv) if such Person owns or leases any Real Estate, to comply with Sections 5.9 with respect to such Real Estate. Borrower agrees that, following the delivery of any Collateral Documents required to be executed and delivered by this Section 5.11 the recordation thereof, if applicable, and the completion of such other conditions as may be necessary to perfect a security interest in or a lien upon the assets purportedly the subject of such Collateral Document, Agent shall have a valid and enforceable, perfected, first priority Lien on the respective Collateral covered thereby, free and clear of all Liens, other than (i) Permitted Encumbrances and (ii) perfection of Liens in other assets of the Credit Parties in an aggregate amount not to exceed \$100,000 at any one time. All actions to be taken pursuant to this Section 5.11 shall be at the expense of Borrower or the applicable Credit Party, and shall be taken to the reasonable satisfaction of Agent.

5.13 Post Closing. Each Credit Party executing this Agreement agrees that it shall and shall cause each other Credit Party to:

(i) deliver to the Agent no later than 60 days after the Closing Date, the audited consolidated balance sheets at June 30, 2005 and 2006 and the related statements of income and cash flows of Sellers with respect to the Acquired Theatres for the Fiscal Years then ended, certified by KPMG LLP;

(ii) deliver to the Agent no later than 60 days after the Closing Date (which time period may be extended in the Agent's discretion), (1) a landlord estoppel agreement, in form and substance satisfactory to the Agent, with respect to the leased location at the Mockingbird Station Shopping Center, Dallas County, Texas and (2) a leasehold mortgage, in form and substance satisfactory to the Agent, with respect to the leased location at the Mockingbird Station Shopping Center, Dallas County, Texas;

(iii) use commercially reasonable efforts to deliver to the Agent no later than 90 days after the Closing Date, landlord estoppel agreements, in form and substance reasonably satisfactory to the Agent, with respect to the following Acquired Theatres: Koko Marina; Ko'olau; Kaahumanu; and Kukui Mall;

(iv) deliver to the Agent no later than 180 days after the Closing Date (which time period may be extended in the Agent's discretion), either (1) (x) a landlord estoppel agreement, in form and substance satisfactory to the Agent, with respect to the leased location at 4211 Waialae Avenue, Honolulu, Hawaii and (y) a leasehold mortgage, in form and substance satisfactory to the Agent, with respect to the leased location at 4211 Waialae Avenue, Honolulu, Hawaii or (2) a collateral assignment duly executed by Borrower and Kahala Center Company, in form and substance satisfactory to the Agent, with respect to the Kahala Management Agreement.

(v) deliver to the Agent not later than 120 days after the Closing Date, with respect to the Koko Marina 8 leased location, evidence satisfactory to Agent of (1) recordation of a certified copy of (x) Stipulation for Dismissal With Prejudice of All Claims in the Complaint and First Amended Counterclaim Except for Claims Brought by Counterclaimants Against Counterclaim Defendant Funds 4 US, LLC, filed November 20, 2006, and (y) Release and Discharge of Notice of Pendency of Action filed on September 27, 2004, filed December 29, 2005, and (2) recordation of a Release and Discharge of Notice of Pendency of Action that was recorded November 20, 2003 as Document No. 2003-254884.

6. NEGATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof until the Termination Date:

6.1 Mergers, Subsidiaries, Etc.

No Credit Party shall directly or indirectly, by operation of law or otherwise without the prior written consent of the Requisite Lenders (other than the Related Transactions), (a) form or acquire any Foreign Subsidiary or (b) merge with, consolidate with, acquire all or substantially all of the assets or Stock of, or otherwise combine with or acquire, any Person; provided that: any Credit Party may merge, consolidate or liquidate with another Credit Party; provided that if Borrower is a party to such merger or consolidation, Borrower shall be the surviving entity. Notwithstanding the foregoing, Borrower (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to Borrower), may acquire all or substantially all of the assets or Stock of, any Person (the "Target") or consummate any Theater Acquisition (in each case, a "Permitted Acquisition") subject to the satisfaction of each of the following conditions:

- (i) Agent shall receive at least thirty (30) Business Days' prior

written notice of such proposed Permitted Acquisition, which notice shall include a reasonably detailed description of such proposed Permitted Acquisition;

(ii) such Permitted Acquisition shall only involve assets located in the United States or Canada, shall be in a competitive free film zone and comprising a business, or those assets of a business, of the type engaged in by Borrower as of the Closing Date, and which business would not subject Agent or any Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrower prior to such Permitted Acquisition;

(iii) such Permitted Acquisition shall be consensual and shall have been approved by the Target's board of directors;

(iv) no additional Indebtedness, Guaranteed Indebtedness, contingent obligations or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of Borrower and Target after giving effect to such Permitted Acquisition, except (A) Loans made hereunder, (B) Indebtedness permitted pursuant to Section 6.7(c) and (C) ordinary course trade payables, accrued expenses and unsecured Indebtedness of the Target to the extent no Default or Event of Default has occurred and is continuing or would result after giving effect to such Permitted Acquisition;

(v) the sum of all amounts payable in connection with all Permitted Acquisitions (including all transaction costs and all Indebtedness, liabilities and contingent obligations incurred or assumed in connection therewith or otherwise reflected on a consolidated balance sheet of Borrower and Target) shall not exceed in the aggregate \$15,000,000 in the case of all or any portion of such Permitted Acquisitions funded with the proceeds of the Loans and \$25,000,000 for all such Permitted Acquisitions;

(vi) the Target shall not have incurred an operating loss for the trailing twelve-month period preceding the date of the Permitted Acquisition, as determined based upon the Target's financial statements for its most recently completed fiscal year and its most recent interim financial period completed within sixty (60) days prior to the date of consummation of such Permitted Acquisition and after giving effect to cost savings, synergies and other savings approved by Agent;

(vii) the business and assets acquired in such Permitted Acquisition shall be free and clear of all Liens (other than Permitted Encumbrances);

(viii) at or prior to the closing of any Permitted Acquisition, Agent will be granted a first priority perfected Lien (subject to Permitted Encumbrances) in all assets acquired pursuant thereto or in the assets and Stock of the Target, and Holdings and Borrower and the Target shall have executed such documents and taken such actions as may be required by Agent in connection therewith;

(ix) Concurrently with delivery of the notice referred to in clause (i) above, Borrower shall have delivered to Agent, in form and substance reasonably satisfactory to Agent:

(A) a pro forma consolidated balance sheet, income statement and cash flow statement of Holdings and its Subsidiaries (the "Acquisition Pro Forma"), based on recent financial statements, which shall be complete and shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Acquisition and the funding of all Loans in connection therewith, and such Acquisition Pro Forma shall reflect that (x) on a pro forma basis, Holdings and its Subsidiaries would have had a ratio of Funded Debt to EBITDA not in excess of 2.75 to 1.0 for the four quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E prior to the consummation of such Permitted Acquisition (after giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period), (y) average daily Borrowing Availability for the 90-day period preceding the consummation of such Permitted Acquisition would have exceeded \$1,000,000 on a pro forma basis (after giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period) and the Acquisition Projections (as hereinafter defined) shall reflect that such Borrowing Availability of \$1,000,000 shall continue for at least ninety (90) days after the consummation of such Permitted Acquisition, and (z) on a pro forma basis, no Event of Default has occurred and is continuing or would result after giving effect to such Permitted Acquisition and Borrower would have been in compliance with the financial covenants set forth in Annex G for the four quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E prior to the consummation of such Permitted Acquisition (after giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period);

(B) updated versions of the most recently delivered Projections covering the one (1) year period commencing on the date of such Permitted Acquisition and otherwise prepared in accordance with the Projections (the "Acquisition Projections") and based upon historical financial data of a recent date reasonably satisfactory to Agent, taking into account such Permitted Acquisition; and

(C) a certificate of the chief financial officer of Holdings and Borrower to the effect that: (w) Borrower (after taking into consideration all rights of contribution and indemnity Borrower has against Holdings and each other Subsidiary of Holdings) will be Solvent upon the consummation of the Permitted Acquisition; (x) the Acquisition Pro Forma fairly presents the financial condition of Holdings and Borrower (on a consolidated basis) as of the date thereof after giving effect to the Permitted Acquisition; (y) the Acquisition Projections are reasonable estimates of the future financial performance of Holdings and Borrower subsequent to the date thereof based upon the historical performance of Holdings, Borrower and the Target and show that Holdings and Borrower shall continue to be in compliance with the financial covenants set forth in Annex G for the 1-year period thereafter; and (z) Holdings and Borrower has completed their due diligence investigation with respect to the Target and such Permitted Acquisition, which investigation was conducted in a manner similar to that which would have been conducted by a prudent purchaser of a comparable business and the results of which investigation were delivered to Agent and Lenders;

(x) on or prior to the date of such Permitted Acquisition, Agent shall have received, in form and substance reasonably satisfactory to Agent, copies of the acquisition agreement and related agreements and instruments, and all opinions, certificates, lien search results and other documents reasonably requested by Agent, including those specified in the last sentence of Section 5.9; and

(xi) at the time of such Permitted Acquisition and after giving effect thereto, no Default or Event of Default has occurred and is continuing.

6.2 Investments: Loans and Advances. Except as otherwise expressly permitted by this Section 6, no Credit Party shall make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that: (a) each Credit Party may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors to such Credit Party pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts in the ordinary course of business; (b) each Credit Party may make and hold investments in respect of prepaid expenses, negotiable instruments held for collection or lease, workers' compensation, performance and other similar deposits provided to third parties in the ordinary course of business; (c) each Credit Party may hold investments constituting non-cash consideration received by such Credit Party in connection with asset dispositions permitted hereby; (d) each Credit Party may make Investments in connection with Permitted Acquisitions; (e) each Credit Party may make investments in any Guarantor (other than Reading or Holdings) and any Guarantor may make investments in Borrower or in any other Guarantor (other than Reading or Holdings), (f) each Credit Party may, with the prior written consent of the Agent (which consent shall not be unreasonably withheld), make other investments funded with proceeds of equity issuances or capital contributions not required to be used repay the Loans; (g) maintain its existing investments in its Subsidiaries as of the Closing Date; (h) each Credit Party may hold investments resulting from hedging obligations under swaps, caps and collar arrangements arranged by GE Capital or any Lender entered into pursuant to Section 5.10 or any other hedging obligation entered into for non-speculative purposes and (i) so long as no Default or Event of Default has occurred and is continuing, Borrower may make investments, subject to Control Letters in favor of Agent for the benefit of Lenders or otherwise subject to a perfected security interest in favor of Agent for the benefit of Lenders, in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one year from the date of creation thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than \$300,000,000 and having a senior unsecured rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (iv) demand and time deposits maturing no more than thirty (30) days from the date of creation thereof with A Rated Banks and (v) mutual funds that invest solely in one or more of the investments described in clauses (i) through (iv) above, and (j) other investments not exceeding \$100,000 in the aggregate at any time outstanding.

6.3 Indebtedness.

(a) No Credit Party shall create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capital Leases permitted in Section 6.7(c), (ii) the Loans and the other Obligations, (iii) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, (iv) existing Indebtedness described in Disclosure Schedule (6.3) and refinancings thereof or amendments or modifications thereof that do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that are otherwise on terms and conditions no less favorable taken as a whole to any Credit Party, Agent or any Lender, than the terms of the Indebtedness being refinanced, amended or modified, (v) hedging obligations under swaps, caps and collar arrangements arranged by GE Capital or any Lender entered into pursuant to Section 5.10 or any other hedging obligation entered into for non-speculative purposes, (vi) Indebtedness specifically permitted under Section 6.1, (vii) obligations under surety bonds, appeal or similar obligations entered into in the ordinary course of business, and (viii) Indebtedness consisting of intercompany loans and advances made by Borrower to any other Credit Party that is a Guarantor or by any such Guarantor to Borrower; provided, that: (A) Borrower shall have executed and delivered to each such Guarantor, and each such Guarantor shall have executed and delivered to Borrower, if so requested by Agent, a demand note (collectively, the "Intercompany Notes") to evidence any such intercompany Indebtedness owing at any time by Borrower to such Guarantor or by such Guarantor to Borrower, which Intercompany Notes shall be in form and substance reasonably satisfactory to Agent and shall be pledged and delivered to Agent pursuant to the applicable Pledge Agreement or Security Agreement as additional collateral security for the Obligations; (B) Borrower shall record all intercompany transactions on its books and records in a manner reasonably satisfactory to Agent; (C) the obligations of Borrower under any such Intercompany Notes shall be subordinated to the Obligations of Borrower hereunder in a manner reasonably satisfactory to Agent; (D) at the time any such intercompany loan or advance is made by Borrower and after giving effect thereto, Borrower shall be Solvent; and (E) no Default or Event of Default pursuant to Section 8.1(a), (g) or (h) would occur and be continuing after giving effect to any such proposed intercompany loan.

(b) No Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness prior to its scheduled maturity, other than (i) the Obligations; (ii) Indebtedness secured by a Permitted Encumbrance and Liens permitted under Section 6.7(c) if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with Sections 6.8(b) or (c); (iii) Indebtedness permitted by Section 6.3(a)(iv) upon any refinancing thereof in accordance with Section 6.3(a)(iv); (iv) as otherwise permitted in Section 6.14 and (v) Indebtedness owing to a Credit Party (other than Holdings) permitted hereunder.

6.4 Employee Loans and Affiliate Transactions.

(a) Except (i) as otherwise expressly permitted in this Section 6 with respect to Affiliates, (ii) as set forth in the Reading Management Agreement, (iii) reasonable and customary fees paid to, and indemnities issued for the benefit of, members of the board of directors (or similar governing body) of Holdings and its Subsidiaries in the ordinary course of

business and so long as no Event of Default has occurred and is continuing and (iv) compensation arrangements for, and indemnities issued for the benefit of, officers and other employees of Holdings and its Subsidiaries entered into in the ordinary course of business and so long as no Event of Default has occurred, no Credit Party shall enter into or be a party to any transaction with any other Credit Party or any Affiliate thereof except in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's business and upon fair and reasonable terms that are no less favorable to such Credit Party than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party. In addition, if any such transaction or series of related transactions involves payments in excess of \$500,000 in the aggregate, the terms of these transactions must be disclosed in advance to Agent and Lenders. All such transactions existing as of the date hereof are described in Disclosure Schedule (6.4(a)).

(b) No Credit Party shall enter into any lending or borrowing transaction with any employees of any Credit Party, except loans to its respective employees on an arm's-length basis in the ordinary course of business for travel and entertainment expenses, relocation costs and similar purposes and stock option financing up to a maximum of \$100,000 to any employee and up to a maximum of \$250,000 in the aggregate at any one time outstanding.

6 . 5 Capital Structure and Business. If all or part of a Credit Party's Stock is pledged to Agent, that Credit Party shall not issue additional Stock. No Credit Party shall amend its charter or bylaws in a manner that would adversely affect Agent or Lenders or such Credit Party's duty or ability to repay the Obligations. No Credit Party shall engage in any business other than the businesses currently engaged in by it or businesses reasonably related thereto.

6.6 Guaranteed Indebtedness. No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party, (b) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement, (c) for Guaranteed Indebtedness arising in connection with operating leases entered into by a Credit Party from time to time and (d) for customary Guaranteed Indebtedness incurred by such Credit Party in favor of title insurers.

6.7 Liens. No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to the Collateral or any of its other properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances; (b) Liens in existence on the date hereof and summarized on Disclosure Schedule (6.7) securing Indebtedness described on Disclosure Schedule (6.3) and permitted refinancings, extensions and renewals thereof, including extensions or renewals of any such Liens; provided that the principal amount of the Indebtedness so secured is not increased and the Lien does not attach to any other property; (c) Liens created after the date hereof by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to Equipment and Fixtures acquired by any Credit Party in the ordinary course of business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations of not more than \$1,000,000 outstanding at any one time for all such Liens (provided that such Liens attach only to the assets subject to such purchase money Indebtedness and such Indebtedness is incurred within ninety (90) days following such purchase and does not

exceed 100% of the purchase price of the subject assets); and (d) Liens in the nature of deposits received by a Credit Party from a sublessor or other account debtor in the ordinary course of business. In addition, no Credit Party shall become a party to any agreement, note, indenture or instrument, or take any other action, that would prohibit the creation of a Lien on any of its properties or other assets in favor of Agent, on behalf of itself and Lenders, as additional collateral for the Obligations, except (1) operating leases, Capital Leases, Equipment and Fixtures that are subject to purchase money obligations permitted hereby or Licenses which prohibit Liens upon the assets that are subject thereto, (2) leasehold interests in Real Property (other than in respect of leaseholds in respect of a movie theater) and (3) customary provisions restricting assignments, subletting or other transfers contained in leases, licenses and other agreements entered into in the ordinary course of business.

6.8 Sale of Stock and Assets. No Credit Party shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including the Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of its Accounts, other than (a) the sale of Inventory in the ordinary course of business, (b) the non-exclusive licensing of intellectual property rights in the ordinary course of business; (c) dispositions of property (including Stock) by any Subsidiary to Borrower or to another Subsidiary; provided that if the transferor of such property is a Guarantor, the transferee thereof must either be Borrower or a Subsidiary that is a Guarantor, (d) dispositions of property by Borrower to any Subsidiary that is a Guarantor, (e) leases or subleases of interests in real property entered into in the ordinary course of business (other than leases or subleases of any material portion of a Theatre Lease which lease or sublease could reasonably be expected to (i) have a Material Adverse Effect, (ii) impair such Credit Party's ability to operate its movie theatre operations conducted therein or (iii) materially impair the Collateral), (f) the surrender or waiver of contractual rights or the settlement, release or surrender of contract or tort claims in the ordinary course of business, (g) dispositions of cash and cash equivalents in the ordinary course of business except to the extent otherwise prohibited hereby, (h) the sale or other disposition by a Credit Party of Equipment and Fixtures that are obsolete or no longer used or useful in such Credit Party's business and (i) other dispositions of assets having a book value, not exceeding \$250,000 in the aggregate in any Fiscal Year.

6.9 ERISA. No Credit Party shall, or shall cause or permit any ERISA Affiliate to, cause or permit to occur (i) an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA or (ii) an ERISA Event to the extent such ERISA Event would reasonably be expected to result in taxes, penalties and other liability in excess of \$250,000 in the aggregate.

6.10 Financial Covenants. Borrower shall not breach or fail to comply with any of the Financial Covenants.

6.11 Hazardous Materials. No Credit Party shall cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such

violations or Environmental Liabilities or impacts on the value or marketability of any such Real Estate or Collateral that could not reasonably be expected to have a Material Adverse Effect.

6.12 Sale-Leasebacks. No Credit Party shall engage in any sale-leaseback, synthetic lease or similar transaction involving any of its assets.

6.13 Restricted Payments. No Credit Party shall make any Restricted Payment, except (a) intercompany loans and advances between Borrower and Guarantors to the extent permitted by Section 6.3, (b) dividends and distributions by Subsidiaries of Borrower paid to Borrower, (c) employee loans permitted under Section 6.4(b), (d) payments of principal and interest of Intercompany Notes issued in accordance with Section 6.3, (e) Permitted Tax Distributions, (f) dividends and distributions by the Credit Parties to the parent company of Holdings in any Fiscal Year in an aggregate amount not to exceed 25% of Excess Cash Flow from the immediately preceding Fiscal Year so long as (i) Borrower has made the required prepayment of the Obligations for such preceding Fiscal Year in accordance with Section 1.3(b)(iv) (ii) no Default or Event of Default has occurred and is continuing or would result therefrom and (iii) as of the date of such payment, Borrower's Leverage Ratio is less than 2.75:1.0 and (g) payments made pursuant to the Reading Management Agreement as in effect on the date hereof and pro-rata payments made with respect to Reading company-wide contracts.

6.14 Change of Corporate Name or Location; Change of Fiscal Year. No Credit Party shall (a) change its name as it appears in official filings in the state of its incorporation or other organization; provided that Borrower may change its name to Consolidated Entertainment, Inc., so long as Borrower delivers evidence of such name change to Agent within 15 days after the giving effect thereto, (b) change its chief executive office, principal place of business, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, (c) change the type of entity that it is, (d) change its organization identification number, if any, issued by its state of incorporation or other organization, or (e) change its state of incorporation or organization, in each case without at least thirty (30) days prior written notice to Agent and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken, and provided that any such new location shall be in the continental United States or Canada. No Credit Party shall change its Fiscal Year.

6.15 No Impairment of Intercompany Transfers. No Credit Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of Borrower to Borrower.

6.16 Real Estate Purchases. No Credit Party shall acquire any fee simple ownership interests or leasehold interests in Real Estate unless such Credit Party has complied with the requirements of Section 5.9.

6.17 Changes Relating to Material Contracts .

(a) No Credit Party shall change or amend the terms of the Reading Management Agreement or the Kahala Management Agreement if the effect of such amendment would have a material adverse effect on any Credit Party, the Agent or Lenders

(b) No Credit Party shall change or amend the terms of the Reading Note if such amendment or change would make (i) the Reading Note a recourse obligation of the Borrower and (ii) amend or modify the provisions of Section 3 thereof or otherwise add other similar adjustment provisions to the terms thereof.

(c) No Credit Party shall change or amend the terms of any Material Contract if the effect of such amendment would have a material adverse effect on any Credit Party, the Agent or Lenders.

(d) No Credit Party shall agree to modify, terminate, amend, alter or cancel any Theatre Lease without the prior written consent of the Agent (not to be unreasonably withheld, delayed or conditioned by Agent) if such modification, termination, amendment, alteration or cancellation would have a material adverse effect on any Credit Party, Agent or the Lenders.

6.18 Holdings. Holdings shall not engage in any trade or business, or own any assets (other than Stock of its Subsidiaries and cash and cash equivalents) or incur any Indebtedness or Guaranteed Indebtedness (other than the Obligations and Indebtedness owing to any Credit Party).

7. TERM

7.1 Termination. The financing arrangements contemplated hereby shall be in effect until the Commitment Termination Date, and the Loans and all other Obligations shall be automatically due and payable in full on such date.

7.2 Survival of Obligations Upon Termination of Financing Arrangements. Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Credit Parties or the rights of Agent and Lenders relating to any unpaid portion of the Loans or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Commitment Termination Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Credit Parties, and all rights of Agent and each Lender, all as contained in the Loan Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, that the provisions of Section 11, the payment obligations under Sections 1.15 and 1.16, and the indemnities contained in the Loan Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) Borrower (i) fails to make any payment of principal of the Loans when due and payable, (ii) fails to make any payment in respect of interest on, or Fees owing in respect of, the Loans or any of the other Obligations when due and payable within three (3) days of the due date thereof, or (iii) fails to pay or reimburse Agent or Lenders for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following Agent's demand for such reimbursement or payment of expenses.

(b) Any Credit Party fails or neglects to perform, keep or observe any of the provisions of Sections 1.4, 1.8, 5.4(a), 5.13 or 6, or any of the provisions set forth in Annexes C or G, respectively.

(c) Borrower fails or neglects to perform, keep or observe any of the provisions of Section 4.1 or any provisions set forth in Annexes E or F, respectively, and the same shall remain unremedied for three (3) Business Days or more.

(d) Any Credit Party fails or neglects to perform, keep or observe any other provision of this Agreement or of any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for thirty (30) days or more following the earlier to occur of (i) knowledge by Borrower of such failure or neglect and (ii) the receipt of written notice from Agent of such failure or neglect.

(e) A default or breach occurs under any other agreement, document or instrument to which any Credit Party is a party that is not cured within any applicable grace period therefor, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness or Guaranteed Indebtedness (other than the Obligations) of any Credit Party in excess of \$500,000 in the aggregate (including (x) undrawn committed or available amounts and (y) amounts owing to all creditors under any combined or syndicated credit arrangements), or (ii) causes, or permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, Indebtedness or Guaranteed Indebtedness or a portion thereof in excess of \$500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral to be demanded in respect thereof, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(f) Assets of any Credit Party with a fair market value of \$500,000 or more are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party and such condition continues for thirty (30) days or more.

(g) A case or proceeding is commenced against any Credit Party seeking a decree or order in respect of such Credit Party (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian,

receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or for any substantial part of any such Credit Party's assets, or (iii) ordering the winding-up or liquidation of the affairs of such Credit Party, and such case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or a decree or order granting the relief sought in such case or proceeding is granted by a court of competent jurisdiction.

(h) Any Credit Party (i) files a petition seeking relief under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consents to or fails to contest in a timely and appropriate manner to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Credit Party or for any substantial part of any such Credit Party's assets, (iii) makes an assignment for the benefit of creditors, or (iv) takes any action in furtherance of any of the foregoing, or (v) admits in writing its inability to, or is generally unable to, pay its debts as such debts become due.

(i) A final judgment or judgments for the payment of money in excess of \$500,000 in the aggregate at any time are outstanding against one or more of the Credit Parties (which judgments are not covered by insurance policies as to which liability has been accepted by the insurance carrier), and the same are not, within thirty (30) days after the entry thereof, discharged or execution thereof stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay.

(j) except pursuant to a release or termination expressly permitted under any Loan Document, any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Credit Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any Lien created under any Loan Document ceases to be a valid and perfected first priority Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.

(k) Any Change of Control occurs.

(l) Any event occurs, whether or not insured or insurable, as a result of which revenue-producing activities cease or are substantially curtailed at facilities of Borrower generating more than 25% of Borrower's revenues for the Fiscal Year preceding such event and such cessation or curtailment continues for more than sixty (60) days.

(m) Any Theatre Lease with respect to any movie theater or theaters generating more than 25% of Borrower's revenues for the Fiscal Year preceding is terminated or otherwise is failed to be renewed.

(n) Any material default or breach by Borrower occurs and is continuing under any Material Contract or any Material Contract shall be terminated for any reason and such Material Contract is not replaced within 90 days of such termination.

(o) Reading shall fail to pay Borrower's corporate overhead expenses pursuant to the terms of the Reading Management Agreement.

(p) Any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate (made or delivered to Agent or any Lender by any Credit Party is untrue or incorrect in any material respect as of the date when made or deemed made.

8.2 Remedies.

(a) If any Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Revolving Lenders shall), without notice, suspend the Revolving Loan facility with respect to additional Advances and/or the incurrence of additional Letter of Credit Obligations, whereupon any additional Advances and additional Letter of Credit Obligations shall be made or incurred in Agent's sole discretion (or in the sole discretion of the Requisite Revolving Lenders, if such suspension occurred at their direction) so long as such Event of Default is continuing. If any Event of Default has occurred and is continuing, Agent may (and at the written request of Requisite Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Loans and the Letter of Credit Fees to the Default Rate.

(b) If any Event of Default has occurred and is continuing, Agent may (and at the written request of the Requisite Lenders shall), without notice: (i) terminate the Revolving Loan facility with respect to further Advances or the incurrence of further Letter of Credit Obligations; (ii) reduce the Revolving Loan Commitment from time to time; (iii) declare all or any portion of the Obligations, including all or any portion of any Loan to be forthwith due and payable, and require that the Letter of Credit Obligations be cash collateralized in the manner set forth in Annex B, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower and each other Credit Party; or (iv) exercise any rights and remedies provided to Agent under the Loan Documents or at law or equity, including all remedies provided under the Code; provided, that upon the occurrence of an Event of Default specified in Sections 8.1(g) or (h), the Commitments shall be immediately terminated and all of the Obligations, including the Revolving Loan, shall become immediately due and payable without declaration, notice or demand by any Person.

8.3 Waivers by Credit Parties. Except as otherwise provided for in this Agreement or by applicable law, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever Agent may do in this regard, (b) all rights to notice and a hearing prior to Agent's taking possession or control of, or to Agent's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshaling and exemption laws.

9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF AGENT

9.1 Assignment and Participations.

(a) Binding Effect. This Agreement shall become effective when it shall have been executed by Holdings, the Borrowers, the other Credit Parties and Agent and when Agent shall have been notified by each Lender and L/C Issuer that such Lender or L/C Issuer has executed it. Thereafter, it shall be binding upon and inure to the benefit of, but only to the benefit of, Holdings, the Borrower, the Credit Parties (in each case, except for those provisions of this Article 9 relating solely to Agent), Agent, each Lender and L/C Issuer and, in each case, their respective successors and permitted assigns. Except as expressly provided in any Loan Document (including in Section 9.7), none of Holdings, the Borrower, the other Credit Parties, any L/C Issuer or Agent shall have the right to assign any rights or obligations hereunder or any interest herein.

(b) Right to Assign. Subject to compliance with clause (c) below, each Lender may sell, transfer, negotiate or assign all or a portion of its rights and obligations hereunder (including all or a portion of its Commitments and its rights and obligations with respect to Loans and Letters of Credit) (each, a "Sale") to any of the following Persons (each an "Eligible Assignee") (i) any existing Lender, (ii) any Affiliate or Approved Fund of any existing Lender or (iii) any other Person acceptable (which acceptance shall not be unreasonably withheld or delayed) to Agent and, as long as no Event of Default is continuing, the Borrower; provided, however, that (x) such Sales do not have to be ratable between the facilities but must be ratable among the obligations owing to and owed by such Lender with respect to a facility, and (y) for each facility, the aggregate outstanding principal amount (determined as of the effective date of the applicable Assignment Agreement) of the Loans, Commitments and Letter of Credit Obligations subject to any such Sale shall be in a minimum amount of \$1,000,000, unless such Sale is made to an existing Lender or an Affiliate or Approved Fund of any existing Lender, is of the assignor's (together with its Affiliates and Approved Funds) entire interest in such facility or is made with the prior consent of the Borrower and Agent.

(c) Procedure. The parties to each Sale made in reliance on clause (b) above (other than those described in clause (e) or (f) below) shall execute and deliver to Agent an Assignment Agreement via an electronic settlement system designated by Agent (or, if previously agreed with Agent, via a manual execution and delivery of the Assignment Agreement) evidencing such Sale, together with any existing Note subject to such Sale (or any affidavit of loss therefor acceptable to Agent), the applicable tax forms required to be delivered pursuant to Section 1.15(c) and payment of an assignment fee in the amount of \$3,500; provided, that (1) if a Sale by a Lender is made to an Affiliate or an Approved Fund of such assigning Lender, then no assignment fee shall be due in connection with such Sale, and (2) if a Sale by a Lender is made to an assignee that is not an Affiliate or Approved Fund of such assignor Lender, and concurrently to one or more Affiliates or Approved Funds of such assignee, then only one assignment fee of \$3,500 shall be due in connection with such Sale. Upon receipt of all the foregoing, and conditioned upon such receipt and, if such assignment is made in accordance with Section 9.1(b)(iii), upon Agent (and the Borrower, if applicable) consenting to such Assignment Agreement, from and after the effective date specified in such Assignment Agreement, Agent

shall record or cause to be recorded in the Register the information contained in such Assignment Agreement.

(d) Effectiveness. Subject to the recording of an Assignment Agreement by Agent in the Register pursuant to Section 9.1(h) (i) the assignee thereunder shall become a party hereto and, to the extent that rights and obligations under the Loan Documents have been assigned to such assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender, (ii) any applicable Note shall be transferred to such assignee through such entry and (iii) the assignor thereunder shall, to the extent that rights and obligations under this Agreement have been assigned by it pursuant to such Assignment Agreement, relinquish its rights (except for those surviving the termination of the Commitments and the payment in full of the Obligations) and be released from its obligations under the Loan Documents, other than those relating to events or circumstances occurring prior to such assignment (and, in the case of an Assignment Agreement covering all or the remaining portion of an assigning Lender's rights and obligations under the Loan Documents.

(e) Grant of Security Interests. In addition to the other rights provided in this Section 9.1, each Lender may grant a security interest in, or otherwise assign as collateral, any of its rights under this Agreement, whether now owned or hereafter acquired (including rights to payments of principal or interest on the Loans), to (A) any federal reserve bank (pursuant to Regulation A of the Federal Reserve Board), without notice to Agent or (B) any holder of, or trustee for the benefit of the holders of, such Lender's securities or Indebtedness by notice to Agent; provided, however, that no such holder or trustee, whether because of such grant or assignment or any foreclosure thereon (unless such foreclosure is made through an assignment in accordance with clause (b) above), shall be entitled to any rights of such Lender hereunder and no such Lender shall be relieved of any of its obligations hereunder.

(f) Participants and SPVs. In addition to the other rights provided in this Section 9.1, each Lender may, (x) with notice to Agent, grant to an SPV the option to make all or any part of any Loan that such Lender would otherwise be required to make hereunder (and the exercise of such option by such SPV and the making of Loans pursuant thereto shall satisfy the obligation of such Lender to make such Loans hereunder) and such SPV may assign to such Lender the right to receive payment with respect to any Obligation and (y) without notice to or consent from Agent or the Borrower, sell participations to one or more Persons in or to all or a portion of its rights and obligations under the Loan Documents (including all its rights and obligations with respect to the Term Loan B, Revolving Loans and Letters of Credit); provided, however, that, whether as a result of any term of any Loan Document or of such grant or participation, (i) no such SPV or participant shall have a commitment, or be deemed to have made an offer to commit, to make Loans hereunder, and, except as provided in the applicable option agreement, none shall be liable for any obligation of such Lender hereunder, (ii) such Lender's rights and obligations, and the rights and obligations of the Credit Parties and Agent, the other Lenders and the L/C Issuer towards such Lender, under any Loan Document shall remain unchanged and each other party hereto shall continue to deal solely with such Lender, which shall remain the holder of the Obligations in the Register, except that (A) each such participant and SPV shall be entitled to the benefit of Sections 1.13(b), 1.15 and 1.16, but only to the extent such participant or SPV delivers the tax forms such Lender is required to deliver pursuant to Section 1.15(c) and then only to the extent of any amount to which such Lender

would be entitled in the absence of any such grant or participation and (B) each such SPV may receive other payments that would otherwise be made to such Lender with respect to Loans funded by such SPV to the extent provided in the applicable option agreement and set forth in a notice provided to Agent by such SPV and such Lender, provided, however, that in no case (including pursuant to clause (A) or (B) above) shall an SPV or participant have the right to enforce any of the terms of any Loan Document, and (iii) the consent of such SPV or participant shall not be required (either directly, as a restraint on such Lender's ability to consent hereunder or otherwise) for any amendments, waivers or consents with respect to any Loan Document or to exercise or refrain from exercising any powers or rights such Lender may have under or in respect of the Loan Documents (including the right to enforce or direct enforcement of the Obligations), except for those described in clauses (ii), (iii) and (iv) of Section 11.2(c) with respect to amounts, or dates fixed for payment of amounts, to which such participant or SPV would otherwise be entitled and, in the case of participants, except for those described in Section 11.1(c)(v). No party hereto shall institute (and each Credit Party shall cause each other Credit Party not to institute) against any SPV grantee of an option pursuant to this clause (f) any bankruptcy, reorganization, insolvency, liquidation or similar proceeding, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper of such SPV; provided, however, that each Lender having designated an SPV as such agrees to indemnify each Indemnified Person against any Indemnified Liability that may be incurred by, or asserted against, such Indemnified Person as a result of failing to institute such proceeding (including a failure to get reimbursed by such SPV for any such Indemnified Liability). The agreement in the preceding sentence shall survive the termination of the Commitments and the payment in full of the Obligations.

(h) Agent, acting solely for this purpose as a nonfiduciary agent of the Credit Parties, shall maintain at one of its offices in Alpharetta, Georgia, or such other location as Agent shall notify Lenders in writing, a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and Borrower, the Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice; provided, however, each Lender shall only be entitled to inspect an excerpt of the Register containing information relating to such Lender and such Lender's Loans and Commitments. In the case of any assignment not reflected in the Register, the assigning Lender agrees that it shall maintain a comparable register as a non-fiduciary agent of the Credit Parties.

(i) Each Credit Party executing this Agreement shall assist any Lender permitted to sell assignments or participations under this Section 9.1 as reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested. Each Credit Party executing this Agreement shall certify the correctness, completeness and accuracy of all descriptions of the Credit Parties and their respective affairs contained in any selling materials provided by them

and all other information provided by them and included in such materials, except that any Projections delivered by Borrower shall only be certified by Borrower as having been prepared by Borrower in compliance with the representations contained in Section 3.4(c).

(j) Any Lender may furnish any information concerning Credit Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); provided, that such Lender shall obtain from assignees or participants confidentiality covenants substantially equivalent to those contained in Section 11.8.

9.2 Appointment of Agent. GE Capital is hereby appointed to act on behalf of all Lenders as Agent under this Agreement and the other Loan Documents. The provisions of this Section 9.2 are solely for the benefit of Agent and Lenders and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Except as expressly set forth in this Agreement and the other Loan Documents or required by applicable law, Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries or any Account Debtor that is communicated to or obtained by GE Capital or any of its Affiliates in any capacity. Neither Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it in accordance with this Agreement or in accordance with any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

If Agent shall request instructions from Requisite Lenders, Requisite Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of Agent, expose Agent to Environmental Liabilities or (c) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable.

9.3 Agent's Reliance, Etc. Neither Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the generality of the foregoing, Agent: (a) may treat the payee of any Note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form reasonably satisfactory to Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Credit Party or to inspect the Collateral (including the books and records) of any Credit Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

9.4 GE Capital and Affiliates. With respect to its Commitments hereunder, GE Capital shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Credit Party, any of their Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not Agent and without any duty to account therefor to Lenders. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

9.5 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the Financial Statements referred to in Section 3.4(a) and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

9 . 6 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Credit Parties and without limiting the obligations of Credit Parties hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted by any third party or any Credit Party against Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by Agent in connection therewith, including, without limitation, any and all losses arising in connection with Electronic Transmissions hereunder or any other Loan Document with respect hereto or thereto or the use of E-Systems by the parties hereto (as well as any failures of any Lender's, any Credit Party's or any other Person's Equipment, software or services in connection with such Electronic Transmissions and/or E-Systems); provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by Credit Parties.

9 . 7 Successor Agent. Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within thirty (30) days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$300,000,000. If no successor Agent has been appointed pursuant to the foregoing, within thirty (30) days after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Requisite Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be required if a Default or an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the

provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as Agent under this Agreement and the other Loan Documents.

9 . 8 Setoff and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 9.9(f), each Lender is hereby authorized at any time or from time to time, without prior notice to any Credit Party or to any Person other than Agent, any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower or any Guarantor (regardless of whether such balances are then due to Borrower or any Guarantor) and any other properties or assets at any time held or owing by that Lender or that holder to or for the credit or for the account of Borrower or any Guarantor against and on account of any of the Obligations that are not paid when due; provided that the Lender exercising such offset rights shall give notice thereof to the affected Credit Party promptly after exercising such rights. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so offset or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares, (other than offset rights exercised by any Lender with respect to Sections 1.13, 1.15 or 1.16). Borrower and each Guarantor agrees, to the fullest extent permitted by law, that (a) any Lender may exercise its right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so offset to other Lenders and holders and (b) any Lender so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of offset, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of offset, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

9.9 Advances; Payments; Non-Funding Lenders; Information; Actions in Concert.

(a) Advances; Payments.

(i) Each Revolving Lender shall make the amount of such Lender's Pro Rata Share of such Revolving Credit Advance available to Agent in same day funds by wire transfer to Agent's account as set forth in Annex H not later than 3:00 p.m. (New York time) on the requested funding date, in the case of an Index Rate Loan and not later than 11:00 a.m. (New York time) on the requested funding date in the case of a LIBOR Loan. After receipt of such wire transfers (or, in the Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Revolving Credit Advance to Borrower. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) Not less than once during each calendar week or more frequently at Agent's election (each, a " Settlement Date"), Agent shall advise each Lender by telephone, or teletype of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments and Advances required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, Agent shall pay to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid by Borrower since the previous Settlement Date for the benefit of such Lender on the Loans held by it. To the extent that any Lender (a " Non-Funding Lender") has failed to fund all such payments and Advances or failed to fund the purchase of all such participations, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in Annex H or the applicable Assignment Agreement) not later than 2:00 p.m. (New York time) on the next Business Day following each Settlement Date.

(b) Availability of Lender's Pro Rata Share. Agent may assume that each Revolving Lender will make its Pro Rata Share of each Revolving Credit Advance available to Agent on each funding date. If such Pro Rata Share is not, in fact, paid to Agent by such Revolving Lender when due, Agent will be entitled to recover such amount on demand from such Revolving Lender without setoff, counterclaim or deduction of any kind. If any Revolving Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent's demand, Agent shall promptly notify Borrower and Borrower shall immediately repay such amount to Agent. Nothing in this Section 9.9(b) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any Revolving Lender or to relieve any Revolving Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrower may have against any Revolving Lender as a result of any default by such Revolving Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Revolving Lender and is not reimbursed therefor on the same Business Day as such Advance is made, Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Revolving Lender.

(c) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders. The failure of any Non-Funding Lender to make any Revolving Credit Advance or any payment required by it hereunder shall not relieve any other Lender (each such other Revolving Lender, an "Other Lender") of its obligations to make such Advance or purchase such participation on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance, purchase a participation or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be included in the calculation of "Requisite Lenders", or "Requisite Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document. At Borrower's request, Agent or a Person acceptable to Agent shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Agent's request, sell and assign to Agent or such Person, all of the Commitments of that Non-Funding Lender for an amount equal to the principal balance of all Loans held by such Non-Funding Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) Dissemination of Information. Agent shall use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by Agent from, or delivered by Agent to, any Credit Party, with notice of any Event of Default of which Agent has actually become aware and with notice of any action taken by Agent following any Event of Default; provided, that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Lenders acknowledge that Borrower is required to provide Financial Statements and Collateral Reports to Lenders in accordance with Annexes E and F hereto and agree that Agent shall have no duty to provide the same to Lenders.

(f) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of setoff) without first obtaining the prior written consent of Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Agent or Requisite Lenders.

10. SUCCESSORS AND ASSIGNS

10.1 Successors and Assigns. This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of each Credit Party, Agent, Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Agent and Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of Agent and Lenders shall be void. The terms and provisions of this Agreement are for the

purpose of defining the relative rights and obligations of each Credit Party, Agent and Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

11. MISCELLANEOUS

11.1 Complete Agreement; Modification of Agreement. The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2. Any letter of interest, commitment letter, fee letter or confidentiality agreement, if any, between any Credit Party and Agent or any Lender or any of their respective Affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement. Notwithstanding the foregoing, the GE Capital Fee Letter and any market flex provisions contained in the final commitment letter between Agent and Borrower shall survive the execution and delivery of this Agreement and shall continue to be binding obligations of the parties.

11.2 Amendments and Waivers.

(a) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Borrower (and, in the case of the Reading Guaranty, Reading), and by Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable. Except as set forth in clauses (b) and (c) below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

(b) No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement that waives compliance with the conditions precedent set forth in Section 2.2 to the making of any Loan or the incurrence of any Letter of Credit Obligations shall be effective unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower. Notwithstanding anything contained in this Agreement to the contrary, no waiver or consent with respect to any Default or any Event of Default shall be effective for purposes of the conditions precedent to the making of Loans or the incurrence of Letter of Credit Obligations set forth in Section 2.2 unless the same shall be in writing and signed by Agent, Requisite Revolving Lenders and Borrower.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by Agent and each Lender directly affected thereby: (i) increase the principal amount of any Lender's Commitment (which action shall be deemed to directly affect all Lenders); (ii) reduce the principal of, rate of interest on or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) extend any scheduled payment date (other than payment dates of mandatory prepayments under Section 1.3(b)(ii)-(v)) or final maturity date of the principal amount of any Loan of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected Lender; (v) release

any Guaranty (unless the Stock of the relevant Credit Party is sold in a transaction permitted hereby) or, except as otherwise permitted herein or in the other Loan Documents, release, or permit any Credit Party to sell or otherwise dispose of, all or substantially all of the Collateral; (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans that shall be required for Lenders or any of them to take any action hereunder; and (vii) amend or waive this Section 11.2 or the definitions of the terms "Requisite Lenders", or "Requisite Revolving Lenders" insofar as such definitions affect the substance of this Section 11.2. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification or waiver of this Agreement or any Loan Document altering the ratable treatment of Obligations arising under Secured Rate Contracts resulting in such Obligations being junior in right of payment to principal on the Loans or resulting in Obligations owing to any Secured Swap Provider becoming unsecured (other than release of Liens in accordance with the terms hereof), in each case in a manner adverse to any Secured Swap Provider, shall be effective without the written consent of such Secured Swap Provider (or in the case of a Secured Rate Contract arranged by GE Capital or an Affiliate of GE Capital, GE Capital). No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision of any Note shall be effective without the written concurrence of the holder of that Note. No notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 11.2 shall be binding upon each holder of the Notes at the time outstanding and each future holder of the Notes. Notwithstanding anything to the contrary contained herein, the Loans and Commitments may be increased and/or additional tranches of debt may be added hereunder and may be secured pari passu with the other Obligations upon the written consent of Borrower, Agent and the Requisite Lenders; provided that no Lender's Commitments or Loans may be increased hereunder without such Lender's written consent. Notwithstanding the foregoing, this Agreement and the other Loan Documents may be amended (or amended and restated) with the written consent of the Requisite Lenders, Agent and Borrower (i) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Term Loan B and Revolving Loans and the accrued interest and fees in respect thereof and (ii) to include appropriately the Lenders holding such credit facilities in any determination of the Requisite Lenders. Any amendments to effectuate the preceding sentence may be made with Agent's, Requisite Lenders' and Borrower's consent only.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a "Proposed Change"):

(i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clauses (ii) and (iii) below being referred to as "Non Consenting Lender");

(ii) requiring the consent of Requisite Revolving Lenders, the consent of Revolving Lenders holding 51% or more of the aggregate Revolving Loan Commitments is obtained, but the consent of Requisite Revolving Lenders is not obtained; or

(iii) requiring the consent of Requisite Lenders, the consent of Lenders holding 51% or more of the aggregate Commitments is obtained, but the consent of Requisite Lenders is not obtained;

then, so long as Agent is not a Non Consenting Lender, at Borrower's request Agent, or a Person reasonably acceptable to Agent, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non Consenting Lenders, and such Non Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Non Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non Consenting Lenders and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) Upon payment in full in cash and performance of all of the Obligations (other than indemnification Obligations), termination of the Commitments and a release of all claims against Agent and Lenders, and so long as no suits, actions proceedings, or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Agent shall deliver to Borrower termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 Fees and Expenses. Borrower shall reimburse (i) Agent for all fees (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors and any fees incurred for any E-Systems allocated by the Agent in its sole discretion to the Credit Agreement transactions contemplated hereby), costs and expenses (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors) and (ii) Agent (and, with respect to clauses (c) and (d) below, all Lenders) for all fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) incurred in connection with the negotiation, preparation and filing and/or recordation of the Loan Documents and incurred in connection with:

(a) any amendment, modification or waiver of, or consent with respect to, or termination of, any of the Loan Documents or Related Transactions Documents or advice in connection with the syndication and administration of the Loans made pursuant hereto or its rights hereunder or thereunder; provided that Borrower's obligations under this clause (a) shall be limited to reasonable out-of-pocket fees and expenses;

(b) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, any Credit Party or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in

connection with a case commenced by or against any or all of the Credit Parties or any other Person that may be obligated to Agent by virtue of the Loan Documents, including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders; provided, further, that no Person shall be entitled to reimbursement under this clause (b) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction;

(c) any attempt to enforce any remedies of Agent or any Lender against any or all of the Credit Parties or any other Person that may be obligated to Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided, that in the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(d) any workout or restructuring of the Loans during the pendency of one or more Events of Default;

(e) the forwarding to Borrower or any other Person on behalf of Borrower by Agent of the proceeds of any Loan (including a wire transfer fee of \$25 per wire transfer); and

(f) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral; provided that Borrower's obligations under this clause (f) shall be limited to reasonable out-of-pocket fees and expenses;

including, as to each of clauses (a) through (f) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 11.3, all of which shall be payable, on demand, by Borrower to Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

11.4 No Waiver. Agent's or any Lender's failure, at any time or times, to require strict performance by the Credit Parties of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of Agent or such Lender thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the

same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of Section 11.2, none of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by Agent or any Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Agent and the applicable required Lenders and directed to Borrower specifying such suspension or waiver.

11.5 Remedies. Agent's and Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that Agent or any Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

11.6 Severability. Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement or any other Loan Document shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or such other Loan Document.

11.7 Conflict of Terms. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement conflicts with any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

11.8 Confidentiality. Each Lender agrees to use all reasonable efforts to maintain, in accordance with its customary practices, the confidentiality of information obtained by it pursuant to any Loan Document and not designated by any Credit Party as public, except that such information may be disclosed (i) with the Borrower's consent, (ii) to Related Persons of such Lender, L/C Issuer or the Agent, as the case may be, or to any Person that any L/C Issuer causes to issue Letters of Credit hereunder, that are advised of the confidential nature of such information and are instructed to keep such information confidential, (iii) to the extent such information presently is or hereafter becomes available to such Lender, L/C Issuer or the Agent, as the case may be, on a non-confidential basis from a source other than any Credit Party, (iv) to the extent disclosure is required by applicable Requirements of Law or other legal process or requested or demanded by any Governmental Authority, (v) to the extent necessary or customary for inclusion in league table measurements or in any tombstone or other advertising materials (and the Credit Parties consent to the publication of such tombstone or other advertising materials by the Agent, any Lender, any L/C Issuer or any of their Related Persons), (vi) to the National Association of Insurance Commissioners or any similar organization, any examiner or any nationally recognized rating agency or otherwise to the extent consisting of general portfolio information that does not identify borrowers, (vii) to current or prospective assignees, SPVs grantees of any option described in Section 9.1(f) or participants, direct or contractual counterparties to any Secured Rate Contract permitted hereunder and to their respective Related Persons, in each case to the extent such assignees, participants, counterparties or Related Persons agree to be bound by provisions substantially similar to the provisions of this Section 11.8 and (viii) in connection with the exercise of any remedy under any Loan Document. In the event of

any conflict between the terms of this Section 11.8 and those of any other Contracts entered into with any Credit Party (whether or not a Loan Document), the terms of this Section 11.8 shall govern.

11.9 GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH CREDIT PARTY HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES, AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED, THAT AGENT, LENDERS AND THE CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY AND; PROVIDED, FURTHER THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF AGENT. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES ANY OBJECTION THAT SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN ANNEX I OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAILED, PROPER POSTAGE PREPAID.

11.10 Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or

delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission during normal business hours on a Business Day (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 11.10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid, (d) when delivered, if hand-delivered by messenger, or (e) upon transmission, when sent by Electronic Transmission or on the date of such posting in the case of posting to a website, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated in Annex I or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrower or Agent) designated in Annex I to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

Each party hereto hereby authorizes the Agent to transmit, post or otherwise make or communicate, in its sole discretion (and the Agent shall not be required to transmit, post or otherwise make or communicate), Electronic Transmissions in connection with this Agreement; provided, however, that notices to any Credit Party shall not be made by any posting to an Internet or extranet-based site or other equivalent service but may be made by e-mail or E-fax. Each party hereto hereby acknowledges and agrees that the use of Electronic Transmissions is not necessarily secure and that there are risks associated with such use, including, without limitation, risks of interception, disclosure and abuse and indicates it assumes and accepts such risks by hereby authorizing the Agent to transmit Electronic Transmissions.

Electronic Transmissions that are not readily capable of bearing either a signature or a reproduction of a signature may be signed, and shall be deemed signed, by attaching to or logically associating with such Electronic Transmission an E-Signature. Each party may rely upon, and assume the authenticity of, any E-Signature contained in or associated with an Electronic Transmission. No Electronic Transmission shall be denied legal effect merely because it is made electronically. Each Electronic Transmission shall be deemed sufficient to satisfy any legal requirement for a "writing" and each e-Signature shall be deemed sufficient to satisfy any legal requirement for a "signature", in each case including, without limitation, pursuant to the Uniform Commercial Code, the Federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act and any substantive or procedural law governing such subject matter. Each Electronic Transmission containing a signature, a reproduction of a signature or an E-Signature shall, for all intents and purposes, have the same effect and weight as a signed paper original. Each party hereto agrees not to contest the validity or enforceability of an Electronic Transmission or E-Signature under the provisions of any applicable law requiring certain documents to be in writing or signed; provided however, that nothing herein shall limit a party's right to contest whether an Electronic Transmission or E-Signature has been altered after transmission.

Each Lender and the Borrower acknowledges that all uses of an E-System will be governed by and subject to, in addition to this clause, separate terms and conditions posted or

referenced in such E-System or related agreements executed by such Lender or the Borrower in connection with such use.

The E-Systems and the Electronic Transmissions are provided "as is" and "as available". The Agent does not warrant the accuracy, adequacy or completeness of the E-Systems and the Electronic Transmissions and disclaims liability for errors or omissions therein. No Warranty of any kind is made by the Agent in connection with the E-Systems or the Electronic Communications, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects. Each Lender and the Borrower acknowledge that the Agent shall have no responsibility for maintaining or providing any equipment, software, services and testing required in connection with all Electronic Transmissions or otherwise required for such e-System.

11.11 Section Titles. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

11.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

11.13 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG AGENT, LENDERS AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.14 Press Releases and Related Matters. Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of GE Capital or its affiliates or referring to this Agreement, the other Loan Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to GE Capital and without the prior written consent of GE Capital unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with GE Capital before issuing such press release or other public disclosure. Each Credit Party consents to the publication by Agent or any Lender of advertising material relating to the financing transactions

contemplated by this Agreement using Borrower's name, product photographs, logo or trademark. Agent or such Lender shall provide a draft of any advertising material to each Credit Party for review and comment prior to the publication thereof. Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

11.15 Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Credit Party for liquidation or reorganization, should any Credit Party become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Credit Party's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.16 Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.13, with its counsel.

11.17 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

BORROWER

CONSOLIDATED AMUSEMENT THEATRES, INC.

By: /s/ Andrzej Matczynski
Name: Andrzej Matczynski
Title: CFO

**GENERAL ELECTRIC CAPITAL
CORPORATION**, as Agent and Lender

By: /s/ General Electric Capital Corporation
Duly Authorized Signatory

BANK OF HAWAII

By: /s/ Linda R. Ho
Name: Linda R. Ho
Title: Vice President

CENTRAL PACIFIC BANK

By: /s/ Garrett Grace
Name: Garrett Grace
Title: Vice President

AMERICAN SAVINGS BANK

By: /s/ Danford H. Oshima
Name: Danford H. Oshima
Title: Vice President

The following Persons are signatories to this Agreement in their capacity as Credit Parties and not as Borrowers.

CONSOLIDATED AMUSEMENT HOLDINGS, INC.

By: /s/ Andrzej Matczynski
Name: Andrzej Matczynski
Title: Chief Financial Officer

READING CINEMAS NJ, INC.

By: /s/ Andrzej Matczynski
Name: Andrzej Matczynski
Title: Treasurer

ANNEX A (Recitals)
to
CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings and all references to Sections, Exhibits, Schedules or Annexes in the following definitions shall refer to Sections, Exhibits, Schedules or Annexes of or to the Agreement:

"Account Debtor" means any Person who may become obligated to any Credit Party under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

"Accounting Changes" has the meaning ascribed thereto in Annex G.

"Accounts" means all "accounts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper or Instruments), (including any such obligations that may be characterized as an account or contract right under the Code), (b) all of each Credit Party's rights in, to and under all purchase orders or receipts for goods or services, (c) all of each Credit Party's rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due to any Credit Party for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered by such Credit Party or in connection with any other transaction (whether or not yet earned by performance on the part of such Credit Party), (e) all healthcare insurance receivables, and (f) all collateral security of any kind, now or hereafter in existence, given by any Account Debtor or other Person with respect to any of the foregoing.

"Acquisition" means the acquisition of the Acquired Theatres and related assets of Sellers pursuant to the Acquisition Agreement.

"Acquisition Agreement" means that certain Asset Purchase and Sale Agreement dated as of October 4, 2007, by and among Sellers, Michael Forman and Christopher Forman, Borrower and Reading.

"Acquired Theatres" means, collectively theatres in the following locations (i) Rohnert Park, (ii) Valley Plaza, (iii) Grossmont, (iv) Town Square, (v) Kaahumanu, (vi) Kukui Mall (subject to landlord consent to assignment of lease), (vii) Kapolei, (viii) Koko Marina, (ix) Ko'olau, (x) Mililani, (xi) Pearlridge, (xii) Ward and (xiii) Kahala.

"Activation Event" and "Activation Notice" have the meanings ascribed thereto in Annex C.

"Additional Lender" has the meaning ascribed to it in Section 1.1(c).

"Advance" means any Revolving Credit Advance.

"Affiliate" means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 10% or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person's officers, directors, joint venturers and partners and (d) in the case of Borrower, the immediate family members, spouses and lineal descendants of individuals who are Affiliates of Borrower. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; provided, however, that the term "Affiliate" shall specifically exclude Agent and each Lender.

"Agent" means GE Capital in its capacity as Agent for Lenders or its successor appointed pursuant to Section 9.7.

"Agreement" means the Credit Agreement by and among Borrower, the other Credit Parties party thereto, GE Capital, as Agent and Lender and the other Lenders from time to time party thereto, as the same may be amended, supplemented, restated or otherwise modified from time to time.

"Appendices" has the meaning ascribed to it in the recitals to the Agreement.

"Applicable L/C Margin" means the per annum fee, from time to time in effect, payable with respect to outstanding Letter of Credit Obligations as determined by reference to Section 1.5(a).

"Applicable Margins" means collectively the Applicable Index Margin and the Applicable LIBOR Margin.

"Applicable Index Margin" means the per annum interest rate margin from time to time in effect and payable in addition to the Index Rate applicable to the Loans, as determined by reference to Section 1.5(a).

"Applicable LIBOR Margin" means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Loans, as determined by reference to Section 1.5(a).

"Approved Fund" means, with respect to any Lender, any Person (other than a natural Person) that (a) is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (b) is advised or managed by (i) such Lender, (ii) any Affiliate of such Lender or

(iii) any Person (other than an individual) or any Affiliate of any Person (other than an individual) that administers or manages such Lender.

"Assignment Agreement" means an assignment agreement entered into by a Lender, as assignor, and any Person, as assignee, pursuant to the terms and provisions of Section 9.1 (with the consent of any party whose consent is required by Section 9.1), accepted by Agent, in substantially the form of Exhibit 9.1(a), or any other form approved by Agent.

"Assumption Agreement" has the meaning ascribed to it in Section 1.1(c).

"Bankruptcy Code" means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq.

"Blocked Accounts" has the meaning ascribed to it in Annex C.

"Borrower" has the meaning ascribed thereto in the preamble to the Agreement.

"Borrower Pledge Agreement" means the Pledge Agreement of even date herewith executed by Borrower in favor of Agent, on behalf of itself and Lenders, pledging the Stock of its Subsidiaries described therein, if any, and all Intercompany Notes owing to or held by it.

"Borrowing Availability" means as of any date of determination the Maximum Amount less the Revolving Loan then outstanding.

"Business" means the operation by the Credit Parties of full length motion picture cinemas and associated and ancillary activities in connection therewith.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the States of Georgia and/or New York and in reference to LIBOR Loans shall mean any such day that is also a LIBOR Business Day.

"Capital Expenditures" means, with respect to any Person, all expenditures (by the expenditure of cash or the inurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP but excluding expenditures (i) in respect of the consummation of the Acquisition and Permitted Acquisitions, (ii) constituting amounts constituting proceeds that are reinvested in the business of the Credit Parties in accordance with the terms hereof and (iii) any tenant improvement allowance or landlord contributions to tenancy buildouts (to the extent paid for or reimbursed by the landlord).

"Capital Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" means, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Cash Collateral Account" has the meaning ascribed to it Annex B.

"Cash Equivalents" has the meaning ascribed to it in Annex B.

"Cash Interest Expense" shall mean for any period, cash Interest Expense paid or accrued on Total Debt for such period.

"Cash Management Systems" has the meaning ascribed to it in Section 1.8.

"Change of Control" means any event, transaction or occurrence as a result of which (a) any person or group of persons (within the meaning of the Securities Exchange Act of 1934) other than the Cotter Family shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the issued and outstanding shares of capital Stock of Reading having the right to vote for the election of directors of Reading under ordinary circumstances and the Cotter Family shall cease to beneficially own and control at least 51% of the issued and outstanding shares of capital Stock of Reading having the right to vote for the election of directors of Reading under ordinary circumstances; (b) Reading ceases to own and control all of the economic and voting rights associated with ownership of at least one hundred percent (100%) of all classes of the outstanding capital Stock of Holdings on a fully diluted basis; (c) Holdings ceases to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of Borrower or (d) Borrower ceases to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of its Subsidiaries, except in connection with a transaction permitted hereby.

"Charges" means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (d) any Credit Party's ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party's business.

"Chattel Paper" means any "chattel paper," as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by any Credit Party, wherever located.

"Closing Date" means February 21, 2008.

"Closing Equity Contribution" means the direct or indirect capitalization of Borrower with at least \$22,500,000 of cash equity from Reading on or prior to the Closing Date.

"Closing Checklist" means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with

the Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex D.

"Code" means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; provided, that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent's or any Lender's Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Collateral" means the property covered by the Security Agreement, the Mortgages and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of Agent, on behalf of itself and Lenders, to secure the Obligations.

"Collateral Assignments" means each collateral assignment agreement made in favor of Agent, on behalf of itself and Lenders, by any Credit Party, in form and substance acceptable to Agent.

"Collateral Documents" means the Security Agreement, the Pledge Agreements, the Guaranties, the Mortgages, the Patent Security Agreement, the Trademark Security Agreement, the Copyright Security Agreement, the Collateral Assignments and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Collateral Reports" means the reports with respect to the Collateral referred to in Annex F.

"Collection Account" means that certain account of Agent, account number 502-328-54 in the name of Agent at DeutscheBank Trust Company Americas in New York, New York ABA No. 021 001 033, or such other account as may be specified in writing by Agent as the "Collection Account."

"Commitment Termination Date" means the earliest of (a) February 21, 2013, (b) the date of termination of Lenders' obligations to make Advances and to incur Letter of Credit Obligations or permit existing Loans to remain outstanding pursuant to Section 8.2(b), and (c) the date of prepayment in full by Borrower of the Loans and the cancellation and return (or stand-by guarantee) of all Letters of Credit or the cash collateralization of all Letter of Credit Obligations pursuant to Annex B, and the permanent reduction of the Commitments to zero dollars (\$0).

"Commitments" means (a) as to any Lender, the aggregate of such Lender's Revolving Loan Commitment and Term Loan B Commitment as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders' Revolving Loan Commitments and Term Loan B Commitments, which aggregate commitment shall be Fifty Five Million Dollars (\$55,000,000) on the Closing Date, as to each of clauses (a) and (b), as such Commitments may be reduced, amortized or adjusted from time to time in accordance with the Agreement.

"Compliance Certificate" has the meaning ascribed to it in Annex E.

"Contracts" means all "contracts," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

"Contributed Capital" means as of any date of determination, the sum of (a) the principal amount of the Loans as of the Closing Date minus principal payments paid or payable in respect of the Term Loan as of such date, minus the aggregate principal amount of all mandatory prepayments as of such date in respect of the Revolving Loans with respect to which there was a concurrent mandatory Revolving Loan Commitment reduction in the amount of such prepayment, (b) the original principal amount of the Reading Note as of the Closing Date minus the amount of all reductions in the principal amount of the Reading Note as a result of adjustments made as of such date pursuant to Section 3 of the Reading Note plus (c) \$1,500,000.

"Control Letter" means a letter agreement between Agent and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of any Credit Party, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of any Credit Party, (iii) a futures commission merchant or clearing house, as applicable, with respect to commodity accounts and commodity contracts held by any Credit Party, whereby, among other things, the issuer, securities intermediary or futures commission merchant limits any security interest in the applicable financial assets in a manner reasonably satisfactory to Agent, acknowledges the Lien of Agent, on behalf of itself and Lenders, on such financial assets, and agrees to follow the instructions or entitlement orders of Agent without further consent by the affected Credit Party.

"Copyright License" means any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

"Copyright Security Agreements" means the Copyright Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party.

"Copyrights" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all copyrights and General Intangibles of like nature (whether

registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

"Cotter Family" means Mr. James J. Cotter, Ms. Ellen M. Cotter, Mr. James J. Cotter, Jr., Ms. Margaret Cotter, their spouses or lineal descendants, the estates of any of the foregoing Persons and any trusts established for the benefit of the foregoing Persons and any corporation, limited liability company, limited partnership or similar entity of which 100% of the Stock of such Person is owned beneficially and of record by any one or more of the foregoing.

"Credit Parties" means Holdings, Borrower, and each of their respective Subsidiaries.

"Current Assets" means, with respect to any Person, all current assets of such Person as of any date of determination calculated in accordance with GAAP, but excluding cash, cash equivalents and debts due from Affiliates.

"Current Liabilities" means, with respect to any Person, all liabilities of such Person that should, in accordance with GAAP, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one year from any date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, but excluding the current portion of long-term debt required to be paid within one year and the aggregate outstanding principal balance of the Revolving Loan.

"Dallas Theatre Contribution" means the contribution of the theater located at the Mockingbird Station Shopping Center, Dallas, Texas, by Reading to Holdings and thereafter by Holdings to Borrower on the Closing Date pursuant to the Dallas Theatre Contribution Documents.

"Dallas Theatre Contribution Documents" means (i) that certain Assignment and Assumption Agreement by and between Citadel Cinemas, Inc., a Nevada corporation, and Reading International Services Company, a California corporation, dated on or about the date hereof, (ii) that certain Assignment and Assumption Agreement by and between Reading International Services Company, a California corporation, and Reading Consolidated Holdings Inc., a Nevada corporation, dated on or about the date hereof, (iii) that certain Assignment and Assumption Agreement by and between Reading Consolidated Holdings Inc., a Nevada corporation, and Consolidated Amusement Holdings, Inc., a Nevada corporation, dated on or about the date hereof, (iv) that certain Assignment and Assumption Agreement by and between Consolidated Amusement Holdings, Inc., a Nevada corporation, and Consolidated Amusement Theatres, Inc., a Nevada corporation, dated on or about the date hereof, (v) that certain Unanimous Written Consent of Directors of Reading International, Inc., dated on or about the date hereof, (vi) that certain Joint Unanimous Written Consent of Directors and Sole Shareholder of Citadel Cinemas, Inc., dated on or about the date hereof, (vii) that certain Joint Unanimous Written Consent of Directors and Shareholders of Reading International Services Company,

dated on or about the date hereof, (viii) that certain Joint Unanimous Written Consent of Directors and Sole Shareholder of Reading Consolidated Holdings, Inc., dated on or about the date hereof, and (ix) that certain Joint Unanimous Written Consent of Directors and Sole Shareholder of Consolidated Amusement Holdings, Inc., dated on or about the date hereof.

"Debt Service" means, with respect to any Person for any fiscal period, an amount equal to the sum of (a) Cash Interest Expense for such period and (b) the scheduled amortization of any outstanding Indebtedness during such period.

"Default" means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

"Default Rate" has the meaning ascribed to it in Section 1.5(d).

"Default Rate Notice" has the meaning ascribed to it in Section 1.5(d).

"Deposit Accounts" means all "deposit accounts" as such term is defined in the Code, now or hereafter held in the name of any Credit Party.

"Disclosure Schedules" means the Schedules prepared by Borrower and denominated as Disclosure Schedules (1.4) through (6.7) in the Index to the Agreement.

"Documents" means any "documents," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Dollars" or "\$" means lawful currency of the United States of America.

"Domestic Subsidiary" means any direct or indirect Subsidiary of Holdings that is not a Foreign Subsidiary.

"EBITDA" means, with respect to any Person for any fiscal period, without duplication, an amount equal to (a) consolidated net income of such Person for such period, determined in accordance with GAAP, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain or loss during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, and all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains, charges, items and other non-cash purchase accounting adjustments that have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) depreciation and amortization for such period, (v) other non-cash charges, items and any non-cash purchase accounting adjustments (excluding bad debt write-offs and reserves) for such period, (vi) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of such Person or any of its Subsidiaries of any Stock and (vii) transaction expenses associated with the consummation of the Acquisition and any Permitted Acquisition, in each case to the extent such expenses are deducted from net income in accordance with GAAP and as approved by Agent.

For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person's Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (4) [reserved]; (5) any write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person; (8) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets; and (9) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary.

"EBITDAR" means, with respect to any Person for any period, without duplication, an amount equal to (a) EBITDA for such period, plus (b) Lease Expense for such period.

"E-Fax" means any system used to receive or transmit faxes electronically.

"Electronic Transmission" means each notice, request, instruction, demand, report, authorization, agreement, document, file, information and any other communication transmitted, posted or otherwise made or communicated by e-mail, E-Fax, Internet or extranet-based site or any other equivalent electronic service, whether owned, operated or hosted by the Administrative Agent, any Affiliate of the Agent or any other Person.

"Eligible Assignee" has the meaning ascribed to it in Section 9.1(b).

"E-Signature" means the process of attaching to or logically associating with an Electronic Transmission an electronic symbol, encryption, digital signature or process (including, without limitation, the name or an abbreviation of the name of the party transmitting the Electronic Transmission) with the intent to sign, authenticate or accept the Electronic Transmission.

"E-Systems" means any electronic system such as an Internet or extranet-based site (including, without limitation, Intralinks™), whether owned, operated or hosted by the Administrative Agent, any Affiliate of the Agent or any other Person, providing for access to data protected by passcodes or other security systems.

"Environmental Laws" means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment

and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) ("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

"Environmental Liabilities" means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

"Environmental Permits" means all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

"Equipment" means all "equipment," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located and, in any event, including all such Credit Party's machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

"ERISA Affiliate" means, with respect to any Credit Party, any trade or business (whether or not incorporated) that, together with such Credit Party, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"ERISA Event" means, with respect to any Credit Party or any ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of any Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within thirty (30) days; (g) any other event or condition that would reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA; or (i) the loss of a Qualified Plan's qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

"ESOP" means a Plan that is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

"Event of Default" has the meaning ascribed to it in Section 8.1.

"Excess Cash Flow" means, without duplication, with respect to any Fiscal Year of Borrower and its Subsidiaries, consolidated EBITDA of Borrower (a) plus decreases or minus increases (as the case may be) in Working Capital, minus (b) Capital Expenditures during such Fiscal Year (excluding the financed portion thereof), minus (c) Interest Expense paid or accrued (excluding any original issue discount, interest paid in kind or amortized debt discount, to the extent included in determining Interest Expense), minus (d) scheduled principal payments paid or payable in respect of borrowed money, minus (e) the aggregate amount of all optional prepayments in respect of the Loans (provided, in the case of a prepayment of the Revolving Loans, that there is a concurrent Revolving Loan Commitment reduction in the amount of such prepayment), plus or minus (as the case may be), (f) extraordinary gains or losses which are cash items not included in the calculation of net income plus (g) taxes deducted in determining consolidated net income to the extent not paid for in cash, minus (h) Permitted Tax Distributions.

"Fair Labor Standards Act" means the Fair Labor Standards Act, 29 U.S.C. §201 et seq.

"Federal Funds Rate" means, for any day, a floating rate equal to the weighted average of the rates on overnight federal funds transactions among members of the Federal Reserve System, as determined by Agent in its sole discretion, which determination shall be final, binding and conclusive (absent manifest error).

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

"Fees" means any and all fees payable to Agent or any Lender pursuant to the Agreement or any of the other Loan Documents.

"Financial Covenants" means the financial covenants set forth in Annex G.

"Financial Statements" means the consolidated and, if applicable and if requested by Agent, consolidating income statements, statements of cash flows and balance sheets of Borrower delivered in accordance with Section 3.4 and Annex E.

"Fiscal Month" means any of the monthly accounting periods of Borrower.

"Fiscal Quarter" means any of the quarterly accounting periods of Borrower, ending on March 31, June 30, September 30 and December 31 of each year.

"Fiscal Year" means any of the annual accounting periods of Borrower ending on December 31 of each year.

"Fixed Charges" means, with respect to any Person for any fiscal period, (a) Debt Service for such period, plus (b) income taxes paid or payable in cash with respect to such fiscal period (including Permitted Tax Distributions), plus (c) Capital Expenditures during such period (excluding the financed portion thereof), plus (d) Lease Expense for such period.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any fiscal period, the ratio of EBITDAR to Fixed Charges.

"Fixtures" means all "fixtures" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party.

"Foreign Subsidiary" means any Subsidiary organized in a jurisdiction other than the United States of America or any state thereof or the District of Columbia.

"Funded Debt" means, with respect to any Person, without duplication, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness and that by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person's option under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor, and also including, in the case of Borrower, the Obligations and, without duplication, Guaranteed Indebtedness consisting of guaranties of Funded Debt of other Persons.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied, as such term is further defined in Annex G to the Agreement.

"GE Capital" means General Electric Capital Corporation, a Delaware corporation.

"GE Capital Fee Letter" means that certain letter, dated as of October 4, 2007, between GE Capital and Borrower with respect to certain Fees to be paid from time to time by Borrower to GE Capital.

"General Intangibles" means "general intangibles," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including all right, title and interest that such Credit Party may now or hereafter have in or under any Contract, all payment intangibles, customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

"Goods" means any "goods" as defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, including embedded software to the extent included in "goods" as defined in the Code, manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guaranteed Indebtedness" means, as to any Person, any obligation of such Person guaranteeing, providing comfort or otherwise supporting any Indebtedness, lease, dividend, or other obligation ("primary obligation") of any other Person (the "primary obligor") in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such

arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Guaranties" means, collectively, the Holdings Guaranty, the Reading Guaranty, each Subsidiary Guaranty and any other guaranty executed by any Guarantor in favor of Agent and Lenders in respect of the Obligations.

"Guarantors" means Holdings, Reading, each Subsidiary of Borrower, and each other Person, if any, that executes a guaranty or other similar agreement in favor of Agent, for itself and the ratable benefit of Lenders, in connection with the transactions contemplated by the Agreement and the other Loan Documents.

"Hazardous Material" means any substance, material or waste that is regulated by, or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a "solid waste," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB's), or any radioactive substance.

"Holdings" has the meaning ascribed thereto in the recitals to the Agreement.

"Holdings Guaranty" means the guaranty of even date herewith executed by Holdings in favor of Agent and Lenders.

"Holdings Pledge Agreement" means the Pledge Agreement of even date herewith executed by Holdings in favor of Agent, on behalf of itself and Lenders, pledging all Stock of Borrower and its other Subsidiaries and all Intercompany Notes owing to or held by it.

"Incremental Term Loan B Facility" has the meaning ascribed to it in Section 1.1(c).

"Incremental Facility Effective Date" has the meaning ascribed to it in Section 1.1(c).

"Indebtedness" means, with respect to any Person, without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred 6 months or more, but excluding (1) deferred compensation, (2) film rent payable and (3) obligations to trade creditors incurred in the ordinary course of business, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any

conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Closing Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations.

"Indemnified Liabilities" has the meaning ascribed to it in Section 1.13.

"Indemnified Person" has the meaning ascribed to it in Section 1.13.

"Index Rate" means, for any day, a floating rate equal to the higher of (i) the rate publicly quoted from time to time by The Wall Street Journal as the "prime rate" (or, if The Wall Street Journal ceases quoting a prime rate, the highest per annum rate of interest published by the Federal Reserve Board in Federal Reserve statistical release H.15 (519) entitled "Selected Interest Rates" as the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus 50 basis points per annum. Each change in any interest rate provided for in the Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

"Index Rate Loan" means a Loan or portion thereof bearing interest by reference to the Index Rate.

"Instruments" means all "instruments," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"Intellectual Property" means any and all Licenses, Patents, Copyrights, Trademarks, and the goodwill associated with such Trademarks.

"Intercompany Notes" has the meaning ascribed to it in Section 6.3.

"Interest Coverage Ratio" means, with respect to any Person for any period, the ratio of EBITDA to Cash Interest Expense.

"Interest Expense" means, with respect to any Person for any fiscal period, interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date, including interest expense with respect to any

Funded Debt of such Person and interest expense for the relevant period that has been capitalized on the balance sheet of such Person.

"Interest Payment Date" means (a) as to any Index Rate Loan, the last Business Day of each quarter to occur while such Loan is outstanding, and (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period; provided, that in the case of any LIBOR Period greater than three months in duration, interest shall be payable at three month intervals and on the last day of such LIBOR Period; and provided further that, in addition to the foregoing, each of (x) the date upon which all of the Commitments have been terminated and the Loans have been paid in full and (y) the Commitment Termination Date shall be deemed to be an "Interest Payment Date" with respect to any interest that has then accrued under the Agreement.

"Inventory" means any "inventory," as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property that are held by or on behalf of any Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, supplies or materials of any kind, nature or description used or consumed or to be used or consumed in such Credit Party's business or in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded software.

"Investment Property" means all "investment property" as such term is defined in the Code now owned or hereafter acquired by any Credit Party, wherever located, including (i) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (ii) all securities entitlements of any Credit Party, including the rights of such Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (iii) all securities accounts of any Credit Party; (iv) all commodity contracts of any Credit Party; and (v) all commodity accounts held by any Credit Party.

"IRC" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, and all regulations promulgated thereunder.

"IRS" means the Internal Revenue Service.

"Kahala Management Agreement" means that certain Management Agreement, dated as of February 21, 2008, by and between Borrower and Consolidated Amusement Theatres, Inc., a Hawaii corporation, in form and substance reasonably satisfactory to Agent.

"L/C Issuer" has the meaning ascribed to it in Annex B.

"L/C Sublimit" has the meaning ascribed to it in Annex B.

"Lease Expense" means, with respect to any Person for any fiscal period, the aggregate rental obligations of such Person determined in accordance with GAAP which are payable in respect of such period under leases of real or personal property (net of income from

subleases thereof, but including taxes, insurance, maintenance and similar expenses that the lessee is obligated to pay under the terms of such leases), whether or not such obligations are reflected as liabilities or commitments on a consolidated balance sheet of such Person or in the notes thereto, excluding, however, any such obligations under Capital Leases.

"Lenders" means (a) GE Capital, the other Lenders named on the signature pages of the Agreement, any Additional Lenders, and, if any such Lender shall decide to assign all or any portion of the Obligations, such term shall include any assignee of such Lender and (b) solely for the purpose of obtaining the benefit of the Liens granted to the Agent for the benefit of the Lenders under the Collateral Documents, a Person to whom any Obligations in respect of a Secured Rate Contract are owed. For the avoidance of doubt, any Person to whom any Obligations in respect of a Secured Rate Contract are owed and which does not hold any Loans or Commitments shall not be entitled to any other rights as a "Lender" under this Agreement or any other Loan Document.

"Letter of Credit Fee" has the meaning ascribed to it in Annex B.

"Letter of Credit Obligations" means all outstanding obligations incurred by Agent and Lenders at the request of Borrower, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of Letters of Credit by Agent or another L/C Issuer or the purchase of a participation as set forth in Annex B with respect to any Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount that may be payable by Agent or Lenders thereupon or pursuant thereto.

"Letters of Credit" means documentary or standby letters of credit issued for the account of Borrower by any L/C Issuer, and bankers' acceptances issued by Borrower, for which Agent and Lenders have incurred Letter of Credit Obligations.

"Letter-of-Credit Rights" means "letter-of-credit rights" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including rights to payment or performance under a letter of credit, whether or not such Credit Party, as beneficiary, has demanded or is entitled to demand payment or performance.

"Leverage Ratio" means, with respect to Borrower, on a consolidated basis, the ratio of (a) Total Debt as of any date of determination (including the average daily closing balance of the Revolving Loan for the thirty (30) days preceding and including any date of determination), to (b) EBITDA.

"LIBOR Business Day" means a Business Day on which banks in the City of London are generally open for interbank or foreign exchange transactions.

"LIBOR Loan" means a Loan or any portion thereof bearing interest by reference to the LIBOR Rate.

"LIBOR Period" means, with respect to any LIBOR Loan, each period commencing on a LIBOR Business Day selected by Borrower pursuant to the Agreement and ending one, two, three or six months thereafter, as selected by Borrower's irrevocable notice to

Agent as set forth in Section 1.5(e); provided, that the foregoing provision relating to LIBOR Periods is subject to the following:

(a) if any LIBOR Period would otherwise end on a day that is not a LIBOR Business Day, such LIBOR Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such LIBOR Period into another calendar month in which event such LIBOR Period shall end on the immediately preceding LIBOR Business Day;

(b) [reserved]

(c) any LIBOR Period that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Period) shall end on the last LIBOR Business Day of a calendar month;

(d) Borrower shall select LIBOR Periods so as not to require a payment or prepayment of any LIBOR Loan during a LIBOR Period for such Loan; and

(e) Borrower shall select LIBOR Periods so that there shall be no more than 6 separate LIBOR Loans in existence at any one time.

"LIBOR Rate" means for each LIBOR Period, a rate of interest determined by Agent equal to:

(a) the offered rate for deposits in United States Dollars for the applicable LIBOR Period that appears on Reuters Screen LIBOR01 Page as of 11:00 a.m. (London time), on the second full LIBOR Business Day next preceding the first day of such LIBOR Period (unless such date is not a LIBOR Business Day, in which event the next succeeding LIBOR Business Day will be used); divided by

(b) a number equal to 1.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day that is two (2) LIBOR Business Days prior to the beginning of such LIBOR Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Federal Reserve Board or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Federal Reserve Board that are required to be maintained by a member bank of the Federal Reserve System.

If such interest rates shall cease to be available from Reuters, the LIBOR Rate shall be determined from such financial reporting service or other information as shall be mutually acceptable to Agent and Borrower.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by any Credit Party.

"Lien" means any mortgage, deed of trust, deed to secure debt, pledge, hypothecation, collateral assignment, deposit arrangement, lien, charge, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"Litigation" has the meaning ascribed to it in Section 3.13.

"Loan Account" has the meaning ascribed to it in Section 1.12.

"Loan Documents" means the Agreement, the Notes, the Collateral Documents, the Master Standby Agreement, the GE Fee Capital Letter, and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Credit Party, or any employee of any Credit Party, and delivered to Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

"Loans" means the Revolving Loan and the Term Loan B.

"Loan to Contributed Capital Ratio" means as of any date of determination, the outstanding principal amount of Loans as of such date divided by the amount of Contributed Capital as of such date.

"Lock Boxes" has the meaning ascribed to it in Annex C.

"Manville Theatre Contribution" means the contribution of the theater located at 180 N. Main Street, Manville, New Jersey, by Reading to Holdings and thereafter by Holdings to Borrower on the Closing Date pursuant to the Manville Theatre Contribution Documents.

"Manville Theatre Contribution Documents" means (i) that certain Unanimous Written Consent of Reading International, Inc., dated on or about the date hereof, (ii) that certain Joint Unanimous Written Consent of Directors and Sole Shareholder of Citadel Cinemas, Inc., dated on or about the date hereof, (iii) that certain Joint Unanimous Written Consent of Directors and Sole Shareholder of Reading International Services Company, dated on or about the date hereof, (iv) that certain Joint Unanimous Written Consent of Directors and Sole Shareholder of Reading Consolidated Holdings, Inc., dated on or about the date hereof, and (v) that certain Joint Unanimous Written Consent of Directors and Sole Shareholder of Consolidated Amusement Holdings, Inc., dated on or about the date hereof.

"Margin Stock" has the meaning ascribed to it in Section 3.10.

"Master Standby Agreement" means the Master Agreement for Standby Letters of Credit dated as of the Closing Date between Borrower, as Applicant, and GE Capital, as Issuer.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, or financial or other condition of the Credit Parties taken as a whole, (b) Borrower's ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement or the other Loan Documents, or the ability of the Credit Parties to perform their obligations under the Loan Documents, (c) the Collateral or Agent's Liens, on behalf of itself and Lenders, on the Collateral or the priority of such Liens, or (d) Agent's or any Lender's rights and remedies under the Agreement and the other Loan Documents. Without limiting the generality of the foregoing, any event or occurrence adverse to one or more Credit Parties which results or could reasonably be expected to result in losses, costs, damages, liabilities or expenditures in excess of \$1,500,000 shall constitute a Material Adverse Effect.

"Material Contracts" means any agreement or arrangement to which any Credit Party is a party (other than the Loan Documents) (a) for which breach, termination, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect; or (b) that relates to Indebtedness in an aggregate principal amount of \$500,000 or more.

"Maximum Amount" means, as of any date of determination, an amount equal to the Revolving Loan Commitment of all Lenders as of that date.

"Mortgaged Properties" has the meaning assigned to it in Annex D.

"Mortgages" means each of the mortgages, deeds of trust, deed to secure debt, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by any Credit Party to Agent on behalf of itself and Lenders with respect to the Mortgaged Properties, all in form and substance reasonably satisfactory to Agent.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, and to which any Credit Party or ERISA Affiliate is making, is obligated to make or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"Non-Funding Lender" has the meaning ascribed to it in Section 9.9(a)(ii).

"Notes" means, collectively, the Revolving Notes and the Term B Notes.

"Notice of Conversion/Continuation" has the meaning ascribed to it in Section 1.5(e).

"Notice of Revolving Credit Advance" has the meaning ascribed to it in Section 1.1(a).

"Obligations" means all loans, advances, debts, liabilities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable)

owing by any Credit Party to Agent, any Lender or any Secured Swap Provider, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement, letter of credit agreement or other instrument, arising under the Agreement, any of the other Loan Documents or any Secured Rate Contract. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), Fees, hedging obligations under swaps, caps and collar arrangements provided by any Lender in accordance with the terms of the Agreement, expenses, attorneys' fees and any other sum chargeable to any Credit Party under the Agreement, any of the other Loan Documents or any Secured Rate Contract.

"Patent License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

"Patent Security Agreements" means the Patent Security Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party.

"Patents" means all of the following in which any Credit Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means a Plan described in Section 3(2) of ERISA.

"Permitted Encumbrances" means the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet delinquent or that remain payable without penalty or which are being contested in accordance with Section 5.2(b); (b) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Credit Party is a party as lessee made in the ordinary course of business; (d) workers', mechanics' or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e) carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business the assets in the possession of the beneficiary of such liens; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 8.1(i), so long as any such attachment or judgment lien is subordinate to the Agent's Liens; (h) zoning restrictions, easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such Real Estate; (i) presently existing or hereafter created Liens in favor of Agent, on behalf of Lenders; (j) Liens expressly permitted

under clauses (b) and (c) of Section 6.7 of the Agreement; (k) Liens arising under leases, subleases, licenses and rights to use granted to third parties and not interfering in any material respect with the ordinary conduct of the business of the Credit Parties; (l) any (1) interest or title of a lessor or sublessor under any lease not prohibited by this Agreement, (2) Lien or restriction that the interest or title of such lessor or sublessor may be subject to, or (3) subordination of the interest of the lessee or sublessee under such lease to any Lien or restriction referred to in the preceding clause (2), so long as the holder of such Lien or restriction agrees to recognize the rights of such lessee or sublessee under such lease; (m) non-material Liens described on a title report delivered in connection with a Mortgage required to be delivered hereunder, so long as such Liens do not secured Funded Debt; and (n) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution.

"Permitted Tax Distributions" shall mean, for any period in which Holdings and Borrower are part of a group filing consolidated or combined federal, state and/or local income tax returns of which a direct or indirect parent of Holdings is the common parent, payments, dividends or distributions by Borrower to Holdings and by Holdings to its parent company to permit the parent of such group to pay the share of consolidated or combined federal, state or local income taxes attributable to the income of Holdings, Borrower and/or its Subsidiaries (as the case may be); provided that such payments are not in excess of the aggregate of the maximum U.S. federal, state and local income tax liability of Holdings, Borrower and their Subsidiaries (assuming that each is taxed at the maximum permissible U.S. federal and applicable state and local rates, computed in accordance with the Code as though each of Holdings, Borrower and their Subsidiaries had filed a separate return.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Plan" means, at any time, an "employee benefit plan," as defined in Section 3(3) of ERISA, that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Credit Party or ERISA Affiliate.

"Pledge Agreements" means the Borrower Pledge Agreement, the Holdings Pledge Agreement, and any other pledge agreement entered into after the Closing Date by any Credit Party (as required by the Agreement or any other Loan Document).

"Prior Lender" means Bank of America, N.A.

"Prior Lender Obligations" means those certain obligations owing to the Prior Lender as of the date hereof.

"Proceeds" means "proceeds," as such term is defined in the Code, including (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit

Party from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning any of the Collateral including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock, and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

"Pro Forma" means the unaudited consolidated balance sheet of Borrower and its Subsidiaries as of January 1, 2008 after giving pro forma effect to the Related Transactions.

"Projections" means Borrower's forecasted consolidated: (a) profit and loss statements; (b) cash flow statements; and (c) capitalization statements, all prepared on a Subsidiary by Subsidiary or theatre by theatre basis, if applicable, and otherwise consistent with the historical Financial Statements of Sellers with respect to the Acquired Theatres and Reading with respect to the Manville Theatre and the Dallas Theatre, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" means with respect to all matters relating to any Lender (a) with respect to the Revolving Loan, the percentage obtained by dividing (i) the Revolving Loan Commitment of that Lender by (ii) the aggregate Revolving Loan Commitments of all Lenders, (b) with respect to the Term Loan B, the percentage obtained by dividing (i) the Term Loan B Commitment of that Lender by (ii) the aggregate Term Loan B Commitments of all Lenders, as any such percentages may be adjusted by assignments permitted pursuant to Section 9.1, (c) with respect to all Loans, the percentage obtained by dividing (i) the aggregate Commitments of that Lender by (ii) the aggregate Commitments of all Lenders, and (d) with respect to all Loans on and after the Commitment Termination Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of the Loans held by that Lender, by (ii) the outstanding principal balance of the Loans held by all Lenders.

"Qualified Plan" means a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

"Rate Contracts" means swap agreements (as such term is defined in Section 101 of the Bankruptcy Code) and any other agreements or arrangements designed to provide protection against fluctuations in interest or currency exchange rates.

"Reading" means Reading International, Inc., a Nevada corporation.

"Reading Guaranty" means the guaranty of even date herewith executed by Reading in favor of Agent and Lenders.

"Reading Management Agreement" means that certain Management Agreement, dated as of May 30, 2007 by and between Borrower and Reading, in form and substance reasonably satisfactory to Agent.

"Reading Note" means that certain Promissory Note, dated as of February 22, 2008, in the principal amount of \$21,000,000 made by Reading in favor of Nationwide Theatres Corp., as be amended from time to time in accordance with the terms hereof.

"Real Estate" has the meaning ascribed to it in Section 3.6.

"Register" has the meaning ascribed to it in Section 1.9(h).

"Related Transactions" means the initial borrowing under the Revolving Loan, if any, and the Term Loan B on the Closing Date, consummation of the Acquisition, the Closing Date Equity Contribution, Manville Theatre Contribution, the Dallas Theatre Contribution, the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all of the Related Transactions Documents.

"Related Transactions Documents" means the Loan Documents, the Acquisition Agreement, the Manville Theatre Contribution Documents, the Dallas Theatre Contribution Documents, the Unanimous Written Consent of the Board of Directors of Reading Consolidated Holdings, Inc., dated on or about the date hereof, and the Unanimous Written Consent of the Board of Directors of Consolidated Amusement Holdings, Inc., dated on or about the date hereof, and all other agreements or instruments executed in connection with the Related Transactions.

"Release" means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

"Requirements of Law" means, with respect to any Person, collectively, the common law and all federal, state, local, foreign, multinational or international laws, statutes, codes, treaties, standards, rules and regulations, guidelines, ordinances, orders, judgments, writs, injunctions, decrees (including administrative or judicial precedents or authorities) and the interpretation or administration thereof by, and other determinations, directives, requirements or requests of, any Governmental Authority, in each case whether or not having the force of law and that are applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Requisite Lenders" means Lenders having (a) more than 50% of the Commitments of all Lenders, or (b) if the Commitments have been terminated, more than 50% of the aggregate outstanding amount of the Loans.

"Requisite Revolving Lenders" means Lenders having (a) more than 50% of the Revolving Loan Commitments of all Lenders, or (b) if the Revolving Loan Commitments have been terminated, more than 50% of the aggregate outstanding amount of the Revolving Loan.

"Responsible Financial Officer" means the Borrower's chief financial officer.

"Responsible Officer" means the Borrower's chief executive officer, chief operating officer or chief financial officer.

"Restricted Payment" means, with respect to any Credit Party (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of Stock; (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of such Credit Party's Stock or any other payment or distribution made in respect thereof, either directly or indirectly; (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any subordinated debt; (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Credit Party now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Credit Party's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Credit Party other than payment of compensation in the ordinary course of business to Stockholders who are employees of such Credit Party; and (g) any payment of management fees (or other fees of a similar nature) by such Credit Party to any Stockholder of such Credit Party or its Affiliates.

"Retiree Welfare Plan" means, at any time, a Welfare Plan that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

"Revolving Credit Advance" has the meaning ascribed to it in Section 1.1(a)(i).

"Revolving Lenders" means, as of any date of determination, Lenders having a Revolving Loan Commitment.

"Revolving Loan" means, at any time, the sum of (i) the aggregate amount of Revolving Credit Advances outstanding to Borrower plus (ii) the aggregate Letter of Credit Obligations incurred on behalf of Borrower. Unless the context otherwise requires, references to the outstanding principal balance of the Revolving Loan shall include the outstanding balance of Letter of Credit Obligations.

"Revolving Loan Commitment" means (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make Revolving Credit Advances or incur

Letter of Credit Obligations as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make Revolving Credit Advances or incur Letter of Credit Obligations, which aggregate commitment shall be Five Million Dollars and No/100 (\$5,000,000) on the Closing Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement.

"Revolving Note" has the meaning ascribed to it in Section 1.1(a)(ii).

"Sale" has the meaning ascribed to it in Section 9.1(h).

"Security Agreement" means the Security Agreement of even date herewith entered into by and among Agent, on behalf of itself and Lenders, and each Credit Party that is a signatory thereto.

"Secured Rate Contract" means any Rate Contract between Borrower and a Secured Swap Provider.

"Secured Swap Provider" means (i) a Lender or an Affiliate of a Lender (or a Person who was a Lender or an Affiliate of a Lender at the time of execution and delivery of a Rate Contract) who has entered into a Secured Rate Contract with Borrower, or (ii) a Person with whom Borrower has entered into a Secured Rate Contract provided or arranged by GE Capital or an Affiliate of GE Capital, and any assignee thereof.

"Sellers" means collectively, Pacific Theaters Exhibition Corp., a California corporation, and Consolidated Amusement Theaters, Inc., a Hawaii corporation.

"Software" means all "software" as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, other than software embedded in any category of Goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

"Solvent" means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can reasonably be expected to become an actual or matured liability.

"SPV" means any special purpose-funding vehicle identified as such in a writing by any Lender to Agent.

"Stock" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

"Stockholder" means, with respect to any Person, each holder of Stock of such Person.

"Subsidiary" means, with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or may exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of the Borrower.

"Subsidiary Guaranty" means the Subsidiary Guaranty of even date herewith executed by each Subsidiary of Borrower in favor of Agent, on behalf of itself and Lenders.

"Supporting Obligations" means all "supporting obligations" as such term is defined in the Code, including letters of credit and guaranties issued in support of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

"Target" has the meaning ascribed to it in Section 6.1.

"Taxes" means taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of Agent or a Lender by the jurisdictions under the laws of which Agent and Lenders are organized or conduct business or any political subdivision thereof.

"Termination Date" means the date on which (a) the Loans have been repaid in full, (b) all other Obligations under the Agreement and the other Loan Documents have been completely discharged, (c) all Letter of Credit Obligations have been cash collateralized, cancelled or backed by standby letters of credit in accordance with Annex B, and (d) Borrower shall not have any further right to borrow any monies under the Agreement.

"Term Lenders" means those Lenders having Term Loan B Commitments.

"Term Loan B" has the meaning assigned to it in Section 1.1(b)(i).

"Term Loan B Commitment" means (a) as to any Lender with a Term Loan B Commitment, the commitment of such Lender to make its Pro Rata Share of the Term Loan as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender, and (b) as to all Lenders with a Term Loan B Commitment, the aggregate commitment of all Lenders to make the Term Loan, which aggregate commitment shall be Fifty Million Dollars and No/100 (\$50,000,000) on the Closing Date. After advancing the Term Loan B, each reference to a Lender's Term Loan B Commitment shall refer to that Lender's Pro Rata Share of the outstanding Term Loan B.

"Term B Note" has the meaning assigned to it in Section 1.1(b)(i).

"Theater Acquisition" means, whether in a single transaction or a series of transactions, (a) any purchase, lease, assumption of lease or other acquisition of, or any payment, cash outlay, expense, expenditure or Capital Expenditure in respect of the purchase or other acquisition of, an existing movie theater or cinema; (b) any purchase, lease, assumption of lease or other acquisition of any Real Property for the purpose of developing, building, or constructing any movie theater, complex (whether single or multiple viewing screens) or cinema or (c) the development, building or construction of any movie theater, complex (whether single or multiple viewing screens) or cinema at any location where a movie theater did not exist immediately prior to the commencement of such development, building or construction.

"Theatre Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person for the purpose of operating a movie theater.

"Title IV Plan" means a Pension Plan (other than a Multiemployer Plan), that is covered by Title IV of ERISA, and that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Total Debt" means, with respect to any Person, all Indebtedness of such Person as of the date of determination (excluding therefrom (a) Indebtedness described in clauses (f) and (g) of the definition of Indebtedness and (b) all operating leases).

"Trademark Security Agreements" means the Trademark Security Agreements made in favor of Agent, on behalf of Lenders, by each applicable Credit Party.

"Trademark License" means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

"Trademarks" means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues,

extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

"Unfunded Pension Liability" means, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five (5) years following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Credit Party or any ERISA Affiliate as a result of such transaction.

"Welfare Plan" means a Plan described in Section 3(i) of ERISA.

"Working Capital" means the average of Borrower's Current Assets less Current Liabilities for the first three months of each Fiscal Year compared to the average of Borrower's Current Assets less Current Liabilities for the last three months of such Fiscal Year.

Rules of construction with respect to accounting terms used in the Agreement or the other Loan Documents shall be as set forth in Annex G. All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Code, the definition contained in Article or Division 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or circumstance or that such Credit Party, if it had exercised reasonable diligence, would have known or been aware of such fact or circumstance.

ANNEX B (Section 1.2)
to
CREDIT AGREEMENT
LETTERS OF CREDIT

(a) Issuance. Subject to the terms and conditions of the Agreement, Agent and Revolving Lenders agree to incur, from time to time prior to the Commitment Termination Date, upon the request of Borrower and for Borrower's account, Letter of Credit Obligations by causing Letters of Credit to be issued by GE Capital or a Subsidiary thereof or a bank or other legally authorized Person selected by or acceptable to Agent in its sole discretion (each, an "L/C Issuer") for Borrower's account and guaranteed by Agent; provided, that if the L/C Issuer is a Revolving Lender, then such Letters of Credit shall not be guaranteed by Agent but rather each Revolving Lender shall, subject to the terms and conditions hereinafter set forth, purchase (or be deemed to have purchased) risk participations in all such Letters of Credit issued with the written consent of Agent, as more fully described in paragraph (b)(ii) below. The aggregate amount of all such Letter of Credit Obligations shall not at any time exceed the lesser of (i) One Million Dollars and No/100 (\$1,000,000) (the "L/C Sublimit"), and (ii) the Maximum Amount less the aggregate outstanding principal balance of the Revolving Credit Advances. No such Letter of Credit shall have an expiry date that is more than one year following the date of issuance thereof, unless otherwise determined by Agent in its sole discretion (including with respect to customary evergreen provisions), and neither Agent nor Revolving Lenders shall be under any obligation to incur Letter of Credit Obligations in respect of, or purchase risk participations in, any Letter of Credit having an expiry date that is later than the Commitment Termination Date.

(b)(i) Advances Automatic; Participations. In the event that Agent or any Revolving Lender shall make any payment on or pursuant to any Letter of Credit Obligation, such payment shall then be deemed automatically to constitute a Revolving Credit Advance under Section 1.1(a) of the Agreement regardless of whether a Default or Event of Default has occurred and is continuing and notwithstanding Borrower's failure to satisfy the conditions precedent set forth in Section 2, and each Revolving Lender shall be obligated to pay its Pro Rata Share thereof in accordance with the Agreement. The failure of any Revolving Lender to make available to Agent for Agent's own account its Pro Rata Share of any such Revolving Credit Advance or payment by Agent under or in respect of a Letter of Credit shall not relieve any other Revolving Lender of its obligation hereunder to make available to Agent its Pro Rata Share thereof, but no Revolving Lender shall be responsible for the failure of any other Revolving Lender to make available such other Revolving Lender's Pro Rata Share of any such payment.

(ii) If it shall be illegal or unlawful for Borrower to incur Revolving Credit Advances as contemplated by paragraph (b)(i) above because of an Event of Default described in Sections 8.1(g) or (h) or otherwise or if it shall be illegal or unlawful for any Revolving Lender to be deemed to have assumed a ratable share of the reimbursement obligations owed to an L/C Issuer, or if the L/C Issuer is a Revolving Lender, then (A) immediately and without further action whatsoever, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation equal to such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations in respect of all

Letters of Credit then outstanding and (B) thereafter, immediately upon issuance of any Letter of Credit, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation in such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations with respect to such Letter of Credit on the date of such issuance. Each Revolving Lender shall fund its participation in all payments or disbursements made under the Letters of Credit in the same manner as provided in the Agreement with respect to Revolving Credit Advances.

(c) Cash Collateral. (i) If Borrower is required to provide cash collateral for any Letter of Credit Obligations pursuant to the Agreement, including Section 8.2 of the Agreement, prior to the Commitment Termination Date, Borrower will pay to Agent for the ratable benefit of itself and Revolving Lenders cash or cash equivalents acceptable to Agent ("Cash Equivalents") in an amount equal to 105% of the maximum amount then available to be drawn under each applicable Letter of Credit outstanding. Such funds or Cash Equivalents shall be held by Agent in a cash collateral account (the "Cash Collateral Account") maintained at a bank or financial institution acceptable to Agent. The Cash Collateral Account shall be in the name of Borrower and shall be pledged to, and subject to the control of, Agent, for the benefit of Agent and Lenders, in a manner satisfactory to Agent. Borrower hereby pledges and grants to Agent, on behalf of itself and Lenders, a security interest in all such funds and Cash Equivalents held in the Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due in respect of the Letter of Credit Obligations and other Obligations, whether or not then due. The Agreement, including this Annex B, shall constitute a security agreement under applicable law.

(ii) If any Letter of Credit Obligations, whether or not then due and payable, shall for any reason be outstanding on the Commitment Termination Date, Borrower shall either (A) provide cash collateral therefor in the manner described above, or (B) cause all such Letters of Credit and guaranties thereof, if any, to be canceled and returned, or (C) deliver a stand-by letter (or letters) of credit in guarantee of such Letter of Credit Obligations, which stand-by letter (or letters) of credit shall be of like tenor and duration (plus thirty (30) additional days) as, and in an amount equal to 105% of the aggregate maximum amount then available to be drawn under, the Letters of Credit to which such outstanding Letter of Credit Obligations relate and shall be issued by a Person, and shall be subject to such terms and conditions, as are satisfactory to Agent in its sole discretion.

(iii) From time to time after funds are deposited in the Cash Collateral Account by Borrower, whether before or after the Commitment Termination Date, Agent may apply such funds or Cash Equivalents then held in the Cash Collateral Account to the payment of any amounts, and in such order as Agent may elect, as shall be or shall become due and payable by Borrower to Agent and Lenders with respect to such Letter of Credit Obligations of Borrower and, upon the satisfaction in full of all Letter of Credit Obligations of Borrower, to any other Obligations then due and payable.

(iv) Neither Borrower nor any Person claiming on behalf of or through Borrower shall have any right to withdraw any of the funds or Cash Equivalents held in the Cash Collateral Account, except that upon the termination of all Letter of Credit Obligations and the

payment of all amounts payable by Borrower to Agent and Lenders in respect thereof, any funds remaining in the Cash Collateral Account shall be applied to other Obligations then due and owing and upon payment in full of such Obligations any remaining amount shall be paid to Borrower or as otherwise required by law. Interest earned on deposits in the Cash Collateral Account shall be held as additional collateral.

(d) Fees and Expenses. Borrower agrees to pay to Agent for the benefit of Revolving Lenders, as compensation to such Lenders for Letter of Credit Obligations incurred hereunder, (i) all reasonable costs and expenses incurred by Agent or any Lender on account of such Letter of Credit Obligations, and (ii) for each month during which any Letter of Credit Obligation shall remain outstanding, a fee (the "Letter of Credit Fee") in an amount equal to the Applicable LIBOR Margin from time to time in effect multiplied by the maximum amount available from time to time to be drawn under the applicable Letter of Credit. Such fee shall be paid to Agent for the benefit of the Revolving Lenders in arrears, on the last day of each quarter and on the Commitment Termination Date. In addition, Borrower shall pay to any L/C Issuer, on demand, such customary fees (including all per annum fees), charges and expenses of such L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(e) Request for Incurrence of Letter of Credit Obligations. Borrower shall give Agent at least two (2) Business Days' prior written notice requesting the incurrence of any Letter of Credit Obligation. The notice shall be accompanied by the form of the Letter of Credit (which shall be acceptable to the L/C Issuer) and a completed Application for Standby Letter of Credit in the form Exhibit B-1 attached hereto. Notwithstanding anything contained herein to the contrary, Letter of Credit applications by Borrower and approvals by Agent and the L/C Issuer may be made and transmitted pursuant to electronic codes and security measures mutually agreed upon and established by and among Borrower, Agent and the L/C Issuer.

(f) Obligation Absolute. The obligation of Borrower to reimburse Agent and Revolving Lenders for payments made with respect to any Letter of Credit Obligation shall be absolute, unconditional and irrevocable, without necessity of presentment, demand, protest or other formalities, and the obligations of each Revolving Lender to make payments to Agent with respect to Letters of Credit shall be unconditional and irrevocable. Such obligations of Borrower and Revolving Lenders shall be paid strictly in accordance with the terms hereof under all circumstances including the following:

(i) any lack of validity or enforceability of any Letter of Credit or the Agreement or the other Loan Documents or any other agreement;

(ii) the existence of any claim, setoff, defense or other right that Borrower or any of its Affiliates or any Lender may at any time have against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such transferee may be acting), Agent, any Lender, or any other Person, whether in connection with the Agreement, the Letter of Credit, the transactions contemplated herein or therein or any unrelated transaction (including any underlying transaction between Borrower or any of its Affiliates and the beneficiary for which the Letter of Credit was procured);

(iii) any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by Agent (except as otherwise expressly provided in paragraph (g)(ii)(C) below) or any L/C Issuer under any Letter of Credit or guaranty thereof against presentation of a demand, draft or certificate or other document that does not comply with the terms of such Letter of Credit or such guaranty;

(v) any other circumstance or event whatsoever, that is similar to any of the foregoing; or

(vi) the fact that a Default or an Event of Default has occurred and is continuing.

(g) Indemnification: Nature of Lenders' Duties.

(i) In addition to amounts payable as elsewhere provided in the Agreement, Borrower hereby agrees to pay and to protect, indemnify, and save harmless Agent and each Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees and allocated costs of internal counsel) that Agent or any Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or guaranty thereof, or (B) the failure of Agent or any Lender seeking indemnification or of any L/C Issuer to honor a demand for payment under any Letter of Credit or guaranty thereof as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority, in each case other than to the extent as a result of the gross negligence or willful misconduct of Agent or such Lender as finally determined by a court of competent jurisdiction.

(ii) As between Agent and any Lender and Borrower, Borrower assumes all risks of the acts and omissions of, or misuse of any Letter of Credit by beneficiaries of any Letter of Credit. In furtherance and not in limitation of the foregoing, to the fullest extent permitted by law neither Agent nor any Lender shall be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document issued by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to demand payment under such Letter of Credit; provided, that in the case of any payment by Agent under any Letter of Credit or guaranty thereof, Agent shall be liable to the extent such payment was made solely as a result of its gross negligence or willful misconduct as finally determined by a court of competent jurisdiction in determining that the demand for payment under such Letter of Credit or guaranty thereof complies on its face with any applicable requirements for a demand for payment under such Letter of Credit or guaranty thereof; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they

may be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a payment under any Letter of Credit or guaranty thereof or of the proceeds thereof; (G) the credit of the proceeds of any drawing under any Letter of Credit or guaranty thereof; and (H) any consequences arising from causes beyond the control of Agent or any Lender. None of the above shall affect, impair, or prevent the vesting of any of Agent's or any Lender's rights or powers hereunder or under the Agreement.

(iii) Nothing contained herein shall be deemed to limit or to expand any waivers, covenants or indemnities made by Borrower in favor of any L/C Issuer in any letter of credit application, reimbursement agreement or similar document, instrument or agreement between Borrower and such L/C Issuer, including an Application and Agreement for Documentary Letter of Credit or a Master Documentary Agreement and a Master Standby Agreement entered into with Agent.

ANNEX C (Section 1.8)
to
CREDIT AGREEMENT

CASH MANAGEMENT SYSTEM

Each Credit Party shall, and shall cause its Subsidiaries to, establish and maintain the bank account arrangements described below:

(a) On or before the Closing Date and until the Termination Date, Borrower and each other Credit Party shall grant and maintain at all times a perfected Lien in all of its bank accounts, other than its payroll, benefits, trust, petty cash, or other local collection accounts (so long as the proceeds in such local collection accounts are wire transferred at least weekly to a Blocked Account over which Agent has a perfected Lien) or any other deposit account, when taken together with all such other deposit accounts that are not otherwise the subject of perfected Lien in favor of the Agent, where the aggregate credit balances in all such other deposit accounts does not exceed \$250,000 at any one time outstanding (all such non-excluded accounts, the "Blocked Accounts"; and, such excluded accounts, the "Excluded Accounts"), to the Agent for the benefit of the Lenders. All Blocked Accounts, and the banks at which such Blocked Accounts are maintained (each, a "Relationship Bank") as of the Closing Date are set forth on Disclosure Schedule (3.19). Borrower shall, and shall cause each other Credit Party to, deposit or cause to be deposited promptly, and in any event no later than the fifth Business Day after the date of receipt thereof, all cash, checks, drafts or other similar items of payment into one or more Blocked Accounts or Excluded Accounts.

(b) On the Closing Date (or such later date as Agent shall consent to in writing), all Relationship Banks shall have entered into tri-party blocked account agreements with Agent, for the benefit of itself and Lenders, and Borrower and the other Credit Parties, as applicable, in form and substance reasonably acceptable to Agent, which shall become operative on the Closing Date. Each such blocked account agreement shall provide, among other things, that (i) the Relationship Bank will honor the instructions of the Agent with respect to all Blocked Accounts and the funds therein, and not the instructions of the Credit Parties, except that until the Activation Notice described below is delivered, Credit Parties shall have access to the funds in the Blocked Accounts, and (ii) the Relationship Bank executing such agreement has no rights of setoff or recoupment or any other claim against such account, as the case may be, other than as expressly set forth in such agreement. If an Event of Default has occurred and is continuing (any of the foregoing being referred to herein as an "Activation Event"), the Agent shall have the right to notify one or more Relationship Banks that such Relationship Bank should no longer permit the Credit Parties to have access to the funds in the Blocked Accounts (each such notice, an "Activation Notice"), and such notice may authorize the Relationship Banks to immediately forward all amounts received in the Blocked Account to an account in the name of Agent or any Lender specified in the Activation Notice or a subsequent notice from Agent. From and after the date Agent has delivered an Activation Notice to any bank with respect to any Blocked Account(s), Borrower shall not, and shall not cause or permit any other Credit Party to,

accumulate or maintain cash in any payroll accounts or other accounts in which the Agent does not have a perfected Lien as of any date of determination, other than amounts maintained in the Excluded Accounts.

(d) So long as no Event of Default has occurred and is continuing, Borrower may amend Disclosure Schedule (3.19) to add or replace a Relationship Bank or Blocked Account; provided, that (i) Agent shall have consented in writing in advance to the opening of such account with the relevant bank and (ii) prior to the time of the opening of such account, Borrower or its Subsidiaries, as applicable, and such bank shall have executed and delivered to Agent a tri-party blocked account agreement, in form and substance reasonably satisfactory to Agent.

(e) The Blocked Accounts shall be cash collateral accounts, with all cash, checks and other similar items of payment in such accounts securing payment of the Loans and all other Obligations, and in which Borrower and each Subsidiary thereof shall have granted a Lien to Agent, on behalf of itself and Lenders, pursuant to the Security Agreement.

(f) All amounts deposited in the Collection Account shall be deemed received by Agent in accordance with Section 1.10 and shall be applied (and allocated) by Agent in accordance with Section 1.11. In no event shall any amount be so applied unless and until such amount shall have been credited in immediately available funds to the Collection Account.

(g) Borrower shall and shall cause its Subsidiaries, officers, employees, agents, directors or other Persons acting for or in concert with Borrower (each a "Related Person") to (i) hold in trust for Agent, for the benefit of itself and Lenders, all checks, cash and other items of payment received by Borrower or any such Related Person in any case that constitute Collateral, and (ii) within five (5) Business Days after receipt by Borrower or any such Related Person of any checks, cash or other items of payment, deposit the same into a Blocked Account. Borrower on behalf of itself and each Related Person acknowledges and agrees that all cash, checks or other items of payment constituting proceeds of Collateral are part of the Collateral. All proceeds of the sale or other disposition of any Collateral shall be deposited directly into Blocked Accounts.

ANNEX D (Section 2.1(a))
to
CREDIT AGREEMENT
CLOSING CHECKLIST

In addition to, and not in limitation of, the conditions described in Section 2.1 of the Agreement, pursuant to Section 2.1(a), the following items must be received by Agent in form and substance satisfactory to Agent on or prior to the Closing Date (each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in Annex A to the Agreement):

- A. Appendices. All Appendices to the Agreement, in form and substance satisfactory to Agent.
- B. Revolving Notes and Term Notes. Duly executed originals of the Revolving Notes and Term Notes for each applicable Lender, dated the Closing Date.
- C. Security Agreement. Duly executed originals of the Security Agreement, dated the Closing Date, and all instruments, documents and agreements executed pursuant thereto, including without limitation, a power of attorney executed by each Credit Party.
- D. Security Interests and Code Filings. (a) Evidence satisfactory to Agent that Agent (for the benefit of itself and Lenders) has a valid and perfected first priority security interest in the Collateral, including (i) such documents duly executed by each Credit Party (including financing statements under the Code and other applicable documents under the laws of any jurisdiction with respect to the perfection of Liens) as Agent may request in order to perfect its security interests in the Collateral, (ii) copies of Code search reports listing all effective financing statements that name any Credit Party as debtor, together with copies of such financing statements (and those relating to the Prior Lender Obligations which shall be terminated on the Closing Date) and Permitted Encumbrances and (iii) a perfection certificate, duly executed on behalf of each Person who is a Credit Party.
- (b) Evidence reasonably satisfactory to Agent, including copies, of all UCC-1 and other financing statements filed in favor of Borrower or any other Credit Party with respect to each location, if any, at which Inventory may be consigned.
- (c) Control Letters from (i) all issuers of uncertificated securities and financial assets held by Borrower, (ii) all securities intermediaries with respect to all securities accounts and securities entitlements of Borrower, and (iii) all futures commission agents and clearing houses with respect to all commodities contracts and commodities accounts held by Borrower.
- F. Intellectual Property Security Agreements. Duly executed originals of Trademark Security Agreements, Copyright Security Agreements and Patent Security

Agreements, each dated the Closing Date and signed by each Credit Party which owns Trademarks, Copyrights and/or Patents, as applicable, all in form and substance reasonably satisfactory to Agent, together with all instruments, documents and agreements executed pursuant thereto.

H. Holdings Guaranty. Duly executed originals of the Holdings Guaranty, dated as of the Closing Date, and all documents, instruments and agreements executed pursuant thereto.

I. Subsidiary Guaranties. Guaranties executed by and each direct and indirect Subsidiary of Borrower in favor of Agent, for the benefit of Lenders.

J. Initial Notice of Revolving Credit Advance. Duly executed originals of a Notice of Revolving Credit Advance, dated the Closing Date, with respect to the initial Revolving Credit Advance to be requested by Borrower on the Closing Date.

K. Letter of Direction. Duly executed originals of a letter of direction from Borrower addressed to Agent, on behalf of itself and Lenders, with respect to the disbursement on the Closing Date of the proceeds of the Term Loan B and the initial Revolving Credit Advance.

L. Cash Management System; Control Account Agreements. Evidence satisfactory to Agent that, as of the Closing Date, Cash Management Systems complying with Annex C to the Agreement have been established and are currently being maintained in the manner set forth in such Annex C, together with copies of duly executed tri-party control account agreements, reasonably satisfactory to Agent, with the banks as required by Annex C

M. Charter and Good Standing. For each Credit Party, such Person's (a) charter and all amendments thereto, (b) good standing certificates (including verification of tax status) in its state of incorporation or organization and (c) good standing certificates (including verification of tax status) and certificates of qualification to conduct business in each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, each dated a recent date prior to the Closing Date and certified by the applicable Secretary of State or other authorized Governmental Authority.

N. Bylaws and Resolutions. For each Credit Party, (a) such Person's bylaws, partnership agreement or operating agreement, as the case may be, together with all amendments thereto and (b) resolutions of such Person's Board of Directors, approving and authorizing the execution, delivery and performance of the Loan Documents to which such Person is a party and the transactions to be consummated in connection therewith, each certified as of the Closing Date by such Person's corporate secretary or an assistant secretary as being in full force and effect without any modification or amendment.

O. Incumbency Certificates. For each Credit Party, signature and incumbency certificates of the officers of each such Person executing any of the Loan Documents, certified as of the Closing Date by such Person's corporate secretary or an assistant secretary as being true, accurate, correct and complete.

P . Opinions of Counsel. Duly executed originals of opinions of (i) Gibson, Dunn & Crutcher LLP, counsel for the Credit Parties, (ii) Kummer Kaempfer Bonner Renshaw & Ferrario, special Nevada counsel for the Credit Parties, (iii) Starn, O'Toole, Marcus & Fisher, special Hawaiian counsel for the Credit Parties, and (iv) Gibson, Dunn & Crutcher LLP, special Texas counsel to the Credit Parties, each in form and substance reasonably satisfactory to Agent and its counsel, dated the Closing Date, which opinions shall include an express statement to the effect that Agent and Lenders are authorized to rely on such opinion.

Q . Payoff Letter; Termination Statements. Copies of a duly executed release documentation, in form and substance reasonably satisfactory to Agent, evidencing that the assets to be acquired upon the consummation of the Acquisition have been acquired free and clear of all Liens.

R . Insurance. Satisfactory evidence that the insurance policies required by Section 5.4 are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements, as reasonably requested by Agent, in favor of Agent, on behalf of Lenders.

S . Pledge Agreements. Duly executed originals of each of the Pledge Agreements accompanied by (as applicable) (a) share certificates representing all of the outstanding Stock being pledged pursuant to such Pledge Agreement and stock powers for such share certificates executed in blank and (b) the original Intercompany Notes and other instruments evidencing Indebtedness being pledged pursuant to such Pledge Agreement, duly endorsed in blank.

T . Accountants' Letter. A letter from the Credit Parties to their independent auditors authorizing the independent certified public accountants of the Credit Parties to communicate with Agent and Lenders in accordance with Section 4.2.

U. Appointment of Agent for Service. An appointment of CT Corporation as each Credit Party's agent for service of process.

V. Fee Letter. Duly executed originals of the GE Capital Fee Letter.

W . Officer's Certificate. Agent shall have received duly executed originals of a certificate of the Chief Executive Officer and Chief Financial Officer of Borrower, dated the Closing Date, stating that, since June 30, 2007 (a) no event or condition has occurred or is existing which could reasonably be expected to have a Material Adverse Effect; (b) there has been no material adverse change in the industry in which Borrower operates; (c) no Litigation has been commenced which, if successful, would have a Material Adverse Effect or could challenge any of the transactions contemplated by the Agreement and the other Loan Documents; (d) there have been no Restricted Payments made by any Credit Party; and (e) before and after giving effect to the transactions contemplated by the Credit Agreement, each of the Borrower individually, and the Credit Parties taken as a whole, will be Solvent, and (f) there has been no material increase in liabilities, liquidated or contingent, and no material decrease in assets of Borrower or any of its Subsidiaries.

X . Waivers. Agent, on behalf of Lenders, shall have received landlord waivers and consents (including consents to leasehold mortgages), bailee letters and mortgagee agreements in form and substance satisfactory to Agent, in each case as required pursuant to Section 5.9.

Y . Mortgages. Mortgages covering all of the Real Estate (the "Mortgaged Properties") together with: (a) title insurance policies, landlord estoppel letters, if applicable, and certificates of occupancy, in each case reasonably satisfactory in form and substance to Agent, in its sole discretion; (b) evidence that counterparts of the Mortgages have been recorded in all places to the extent necessary or desirable, in the judgment of Agent, to create a valid and enforceable first priority lien (subject to Permitted Encumbrances) on each Mortgaged Property in favor of Agent for the benefit of itself and Lenders (or in favor of such other trustee as may be required or desired under local law); and (c) an opinion of counsel in each state in which any Mortgaged Property is located in form and substance and from counsel reasonably satisfactory to Agent.

Z . Reading Management Agreement. Agent and Lenders shall have received a true and complete copy of the Reading Management Agreement.

AA. Reading Guaranty. Duly executed originals of the Reading Guaranty, dated as of the Closing Date, and all documents, instruments and agreements executed pursuant thereto.

BB. Audited Financials; Financial Condition. Agent shall have received the Financial Statements, Projections and other materials set forth in Section 3.4, certified by a Responsible Financial Officer, in each case in form and substance satisfactory to Agent, and Agent shall be satisfied, in its sole discretion, with all of the foregoing. Agent shall have further received a certificate of a Responsible Financial Officer of Borrower, based on such Pro Forma and Projections, to the effect that (a) Borrower will be Solvent upon the consummation of the transactions contemplated herein; (b) the Pro Forma fairly presents the financial condition of Borrower as of the date thereof after giving effect to the transactions contemplated by the Loan Documents; (c) the Projections are based upon estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Closing Date, reflect Borrower's good faith and reasonable estimates of its future financial performance and of the other information projected therein for the period set forth therein; and (s) containing such other statements with respect to the solvency of Borrower and matters related thereto as Agent shall request.

CC. Assignment of Representations, Warranties, Covenants, Indemnities and Rights. Agent shall have received a duly executed copy of an Assignment of Representations, Warranties, Covenants, Indemnities and Rights in respect of Borrower's and Reading's rights under the Acquisition Agreement, which assignment shall be expressly permitted under the Acquisition Agreement or shall have been consented to by the Sellers and other parties to the Acquisition Agreement in writing.

DD. Master Standby Agreement. A Master Agreement for Standby Letters of Credit between Borrower and GE Capital.

E E . Kahala Management Agreement. Agent and Lenders shall have received a true and complete copy of the Kahala Management Agreement.

FF. Material Contracts. Agent and Lenders shall have received a true and complete copy of each Material Contract.

G G . Collateral Assignments. Agent and Lenders shall have received duly executed Collateral Assignments for each of the Kahala Management Agreement and the Reading Management Agreement.

H H . Other Documents. Such other certificates, documents and agreements respecting any Credit Party as Agent may reasonably request.

ANNEX E (Section 4.1(a))
to
CREDIT AGREEMENT

FINANCIAL STATEMENTS AND PROJECTIONS -- REPORTING

Borrower shall deliver or cause to be delivered to Agent, and upon the request of Agent, to each Lender, the following:

(a) **Monthly Financials.** To Agent and each Lender, if requested by Agent, within thirty (30) days after the end of each Fiscal Month (other than a Fiscal Month that is also the end of a Fiscal Quarter), financial information regarding Borrower and its Subsidiaries, certified by a Responsible Financial Officer of Borrower, consisting of consolidated and, if applicable and if requested by Agent, consolidating (i) unaudited balance sheets as of the close of such Fiscal Month and the related statements of income and a summary of Capital Expenditures in each case for that portion of the Fiscal Year ending as of the close of such Fiscal Month; (ii) unaudited statements of income and cash flows for such Fiscal Month for each site, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the operating plan (as defined in Annex E, subsection (c)) for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments); and (iii) a summary of the outstanding balance of all Intercompany Notes as of the last day of that Fiscal Month. Such financial information shall be accompanied by the certification of a Responsible Financial Officer of Borrower that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position and results of operations of Borrower and its Subsidiaries, on a consolidated and, if applicable and if requested by Agent, consolidating basis, in each case as at the end of such Fiscal Month and for that portion of the Fiscal Year then ended and (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(b) **Quarterly Financials.** To Agent and each Lender, if requested by Agent, within forty-five (45) days after the end of each Fiscal Quarter, consolidated and, if applicable and if requested by Agent, consolidating financial information regarding Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, including (i) unaudited balance sheets as of the close of such Fiscal Quarter and the related statements of income and cash flow for that portion of the Fiscal Year ending as of the close of such Fiscal Quarter and (ii) unaudited statements of income and cash flows for such Fiscal Quarter, in each case setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the operating plan (as defined in Annex E, subsection (c)) for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by (A) a statement in reasonable detail (each, a "Compliance Certificate") showing the calculations used in determining compliance with each of the Financial Covenants that is tested on a quarterly basis and the Loan to Contributed Capital Ratio and (B) the certification of the Chief Financial Officer of Borrower that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position, results of operations and statements of cash flows of Borrower and its Subsidiaries, on a

consolidated and, if applicable and if requested by Agent, consolidating basis, as at the end of such Fiscal Quarter and for that portion of the Fiscal Year then ended, (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default. In addition, Borrower shall deliver to Agent and Lenders, within forty-five (45) days after the end of each Fiscal Quarter, a management discussion and analysis that includes a comparison to budget for that Fiscal Quarter and a comparison of performance for that Fiscal Quarter to the corresponding period in the prior year.

(c) Operating Plan. To Agent and each Lender, if requested by Agent, as soon as available, but not later than forty-five (45) days after the end of each Fiscal Year, an annual operating plan for Borrower, approved by the Board of Directors of Borrower, for the following Fiscal Year, which (i) includes a statement of all of the material assumptions on which such plan is based, (ii) includes monthly balance sheets and a monthly budget for the following year and (iii) integrates sales, gross profits, operating expenses, operating profit, cash flow projections and Borrowing Availability projections, all prepared on a theater by theater basis and on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities.

(d) Annual Audited Financials. To Agent and each Lender, if requested by Agent, within ninety (90) days after the end of each Fiscal Year, audited Financial Statements for Borrower and its Subsidiaries on a consolidated and, if applicable and if requested by Agent, (unaudited) consolidating basis, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous Fiscal Year, which Financial Statements shall be prepared in accordance with GAAP and certified without qualification, by an independent certified public accounting firm of national standing or otherwise acceptable to Agent. Such Financial Statements shall be accompanied by (i) a statement prepared in reasonable detail showing the calculations used in determining compliance with each of the Financial Covenants, (ii) a report from such accounting firm to the effect that, in connection with their audit examination, nothing has come to their attention to cause them to believe that a Default or Event of Default has occurred with respect to the Financial Covenants (or specifying those Defaults and Events of Default that they became aware of), it being understood that such audit examination extended only to accounting matters and that no special investigation was made with respect to the existence of Defaults or Events of Default, (iii) the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, and (iv) the certification of the Chief Executive Officer or Chief Financial Officer of Borrower that all such Financial Statements present fairly in accordance with GAAP the financial position, results of operations and statements of cash flows of Borrower and its Subsidiaries on a consolidated and, if applicable and if requested by Agent, consolidating basis, as at the end of such Fiscal Year and for the period then ended, and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default has occurred and is continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(e) Management Letters. To Agent and each Lender, if requested by Agent, within five (5) Business Days after receipt thereof by any Credit Party, copies of all management letters, exception reports or similar letters or reports received by such Credit Party from its independent certified public accountants.

(f) Default Notices. To Agent and each Lender, if requested by Agent, as soon as practicable, and in any event within five (5) Business Days after an executive officer of Borrower has actual knowledge of the existence of any Default, Event of Default or other event that has had a Material Adverse Effect, telephonic or telecopied notice specifying the nature of such Default or Event of Default or other event, including the anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day.

(g) SEC Filings and Press Releases. To Agent and each Lender, if requested by Agent, promptly upon their becoming available, copies of: (i) all Financial Statements, reports, notices and proxy statements made publicly available by any Credit Party to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by any Credit Party with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority; and (iii) all press releases and other statements made available by any Credit Party to the public concerning material changes or developments in the business of any such Person.

(h) Equity Notices. To Agent, as soon as practicable, copies of all material written notices given or received by any Credit Party with respect to any Stock of such Person.

(i) Supplemental Schedules. To Agent, supplemental disclosures, if any, required by Section 5.6.

(j) Litigation. To Agent in writing, promptly upon the Chief Financial Officer, Chief Operating Officer or General Counsel of Borrower learning thereof, notice of any Litigation commenced or threatened against any Credit Party that (i) seeks damages in excess of \$500,000 over the amount of any applicable insurance coverage, (ii) seeks injunctive relief, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Credit Party or ERISA Affiliate in connection with any Plan, (iv) alleges criminal misconduct by any Credit Party, (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Liabilities that, in any such case, would reasonably be expected to result in liability in excess of \$500,000 over any applicable insurance coverage; or (vi) involves any product recall.

(k) Insurance Notices. To Agent, disclosure of losses or casualties required by Section 5.4.

(l) Lease Default Notices. To Agent, (i) within two (2) Business Days after receipt thereof, copies of any and all default or termination notices received under or with respect to any Theatre Lease, (ii) monthly within three (3) Business Days after payment thereof, evidence of payment of lease or rental payments as to each Theatre Lease which a landlord or bailee waiver has not been obtained, (iii) notice of termination of any Theatre Lease within 30

days prior to the termination of such lease in accordance with its terms and (iv) such other notices or documents as Agent may reasonably request.

(m) Lease Amendments. To Agent, within two (2) Business Days after receipt thereof, copies of all material amendments to any Theatre Lease.

(n) Hedging Agreements. To Agent within two (2) Business Days after entering into such agreement or amendment, copies of all interest rate, commodity or currency hedging agreements or amendments thereto.

(o) Commercial Tort Claims. To Agent, promptly and in any event within two (2) Business Days after the same is acquired by it, notice of any commercial tort claim (as defined in the Code) in excess of \$100,000 acquired by it and unless otherwise consented to by Agent, a supplement to this Security Agreement, granting to Agent a Lien in such commercial tort claim.

(p) Good Standing Certificates. Upon Agent's request, after an Event of Default has occurred and is continuing, a good standing certificate from the jurisdiction of incorporation or organization of each Credit Party dated as of a recent date, certifying that such Credit Party is in good standing or in existence, as applicable.

(r) Other Documents. To Agent and Lenders, such other financial and other information respecting any Credit Party's business or financial condition as Agent or any Lender shall, from time to time, reasonably request.

ANNEX F (Section 4.1(b))
to
CREDIT AGREEMENT
COLLATERAL REPORTS

Borrower shall deliver or cause to be delivered the following:

(a) To Agent, at the time of delivery of each of the annual Financial Statements delivered pursuant to Annex E, a list of any applications for the registration of any Patent, Trademark or Copyright filed by any Credit Party with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in the prior Fiscal Quarter;

(b) [Reserved];

(c) Borrower, at its own expense, shall deliver to Agent such appraisals of its assets as Agent may request at any time after the occurrence and during the continuance of a Default or an Event of Default, such appraisals to be conducted by an appraiser, and in form and substance reasonably satisfactory to Agent; and

(d) Such other reports, statements and reconciliations with respect to the Collateral or Obligations of any or all Credit Parties as Agent shall from time to time request in its reasonable discretion.

ANNEX G (Section 6.10)
to
CREDIT AGREEMENT
FINANCIAL COVENANTS

Borrower shall not breach or fail to comply with any of the following financial covenants, each of which shall be calculated in accordance with GAAP consistently applied:

(a) **Maximum Capital Expenditures.** Borrower and its Subsidiaries on a consolidated basis shall not make Capital Expenditures during any Fiscal Year that exceed \$1,000,000 in the aggregate, provided, however, that (i) to the extent that actual Capital Expenditures for any such Fiscal Year shall be less than the maximum amount set forth above for such Fiscal Year, the unused amounts from such prior Fiscal Year shall be available for Capital Expenditures in the immediately succeeding Fiscal Year, and (ii) Borrower and its Subsidiaries on a consolidated basis may make Capital Expenditures with respect to the Kapolei facility for purposes of upgrading to stadium seating in an amount not to exceed (x) \$1,125,000 in the Fiscal Year ending December 31, 2008, (y) \$1,500,000 the Fiscal Year ending December 31, 2009 and (z) \$375,000 the Fiscal Year ending December 31, 2010.

(b) **Minimum Fixed Charge Coverage Ratio.** Borrower and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter, a Fixed Charge Coverage Ratio for the 12-month period then ended of not less than 1.2:1.0.

Notwithstanding anything contained herein to the contrary, for purposes of calculating the Fixed Charge Coverage Ratio, Fixed Charges (other than Capital Expenditures) shall equal (i) for the first full Fiscal Quarter completed after the Closing Date, that Fiscal Quarter's Fixed Charges (other than Capital Expenditures) times four (4), (ii) for the second Fiscal Quarter completed after the Closing Date, the sum of the most recent two Fiscal Quarters' Fixed Charges (other than Capital Expenditures) times two (2) and (iii) for the third Fiscal Quarter completed after the Closing Date, the sum of the most recent three Fiscal Quarters' Fixed Charges (other than Capital Expenditures) divided by three (3) and the result multiplied by four (4).

(c) **Maximum Leverage Ratio.** Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, a Leverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not more than the following

Fiscal Quarter	Leverage Ratio
March 31, 2008, June 30, 2008	4.00:1.0
September 30, 2008, December 31, 2008, March 31, 2009 and June 30, 2009	3.75:1.0
September 30, 2009, December 31, 2009, March 31, 2010 and June 30, 2010	3.50:1.0
September 30, 2010 and each Fiscal Quarter thereafter	3.25:1.0

(e) **Minimum Interest Coverage Ratio.** Borrower and its Subsidiaries on a consolidated basis shall have, at the end of each Fiscal Quarter set forth below, an Interest Coverage Ratio as of the last day of such Fiscal Quarter and for the 12-month period then ended of not less than:

Fiscal Quarter	Interest Coverage Ratio
March 31, 2008 and June 30, 2008,	2.00:1.0
September 30, 2008, December 31, 2008, March 31, 2009 and June 30, 2009	2.25:1.0
September 30, 2009, December 31, 2009, March 31, 2010 and June 30, 2010	2.50:1.0
September 30, 2010 and each Fiscal Quarter thereafter	3.0:1.0

Notwithstanding anything contained herein to the contrary, for purposes of calculating the Interest Coverage Ratio, Interest Expense shall equal (i) for the first full Fiscal Quarter completed after the Closing Date, that Fiscal Quarter's Interest Expense times four (4), (ii) for the second Fiscal Quarter completed after the Closing Date, the sum of the most recent two Fiscal Quarters' Interest Expense times two (2) and (iii) for the third Fiscal Quarter completed after the Closing Date, the sum of the most recent three Fiscal Quarters' Interest Expense divided by three (3) and the result multiplied by four (4).

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any "Accounting Changes" (as defined below) occur and such changes result in a change in the calculation of the financial

covenants, standards or terms used in the Agreement or any other Loan Document, then Borrower, Agent and Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating Borrower's and its Subsidiaries' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made; provided, however, that the agreement of Requisite Lenders to any required amendments of such provisions shall be sufficient to bind all Lenders. "Accounting Changes" means (i) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (ii) changes in accounting principles concurred in by Borrower's certified public accountants; (iii) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (iv) the reversal of any reserves established as a result of purchase accounting adjustments. If Agent, Borrower and Requisite Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. If Agent, Borrower and Requisite Lenders cannot agree upon the required amendments within thirty (30) days following the date of implementation of any Accounting Change, then all Financial Statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be prepared, delivered and made without regard to the underlying Accounting Change. For purposes of Section 8.1, a breach of a Financial Covenant contained in this Annex G shall be deemed to have occurred as of any date of determination by Agent or as of the last day of any specified measurement period, regardless of when the Financial Statements reflecting such breach are delivered to Agent.

ANNEX H (Section 1.1(d))
to
CREDIT AGREEMENT

LENDERS' WIRE TRANSFER INFORMATION

ANNEX I (Section 11.10)
to
CREDIT AGREEMENT
NOTICE ADDRESSES

ANNEX J (from Annex A - Commitments definition)
to
CREDIT AGREEMENT

<u>Lender(s)</u>	<u>Revolving Loan Commitment</u>	<u>Term Loan B Commitment</u>
General Electric Capital Corporation	<u>\$ 1,636,363.64</u>	<u>\$16,363,636.36</u>
Bank of Hawaii	<u>\$ 1,227,272.73</u>	<u>\$12,272,727.27</u>
Central Pacific Bank	<u>\$ 1,227,272.73</u>	<u>\$12,272,727.27</u>
American Savings Bank	<u>\$ 909,090.90</u>	<u>\$ 9,090,909.10</u>

READING GUARANTY AGREEMENT

This READING GUARANTY AGREEMENT (this "Guaranty"), dated as of February 21, 2008, by and between READING INTERNATIONAL, INC., a Nevada corporation ("Guarantor"), and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, individually and as agent (in such capacity, "Agent") for itself and the lenders from time to time signatory to the Credit Agreement, as hereinafter defined (" Lenders").

WITNESSETH:

WHEREAS, pursuant to that certain Credit Agreement dated as of the date hereof by and among CONSOLIDATED AMUSEMENT THEATRES, INC., a Nevada corporation ("Borrower"), the Persons named therein as Credit Parties, Agent and the Persons signatory thereto from time to time as Lenders (as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement") Lenders have agreed to make Loans to, and incur Letter of Credit Obligations for the benefit of, Borrower.

WHEREAS, Guarantor indirectly owns 100% of the outstanding Stock of Borrower and as such will derive direct and indirect economic benefits from the making of the Loans and other financial accommodations provided to Borrower pursuant to the Credit Agreement; and

WHEREAS, in order to induce Agent and Lenders to enter into the Credit Agreement and other Loan Documents and to induce Lenders to make the Loans and to incur Letter of Credit Obligations as provided for in the Credit Agreement, Guarantor has agreed to guarantee payment of the Obligations;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, and to induce Lenders to provide the Loans and other financial accommodations under the Credit Agreement, it is agreed as follows:

1. DEFINITIONS.

Capitalized terms used herein shall have the meanings assigned to them in the Credit Agreement, unless otherwise defined herein.

References to this "Guaranty" shall mean this Guaranty, including all amendments, modifications and supplements and any annexes, exhibits and schedules to any of the foregoing, and shall refer to this Guaranty as the same may be in effect at the time such reference becomes operative.

2. THE GUARANTY.

2.1 Guaranty of Guaranteed Obligations of Borrower. Guarantor hereby unconditionally guarantees to Agent and Lenders, and their respective successors, endorsees, transferees and assigns, to but not including the Release Date (as defined below), the prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of the

Obligations of Borrower (hereinafter the "Guaranteed Obligations"). Guarantor agrees that this Guaranty is a guaranty of payment and performance and not of collection, and that its obligations under this Guaranty shall be primary, absolute and unconditional, irrespective of, and unaffected by:

- (a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in this Guaranty, any other Loan Document or any other agreement, document or instrument to which any Credit Party and/or Guarantor is or may become a party;
- (b) the absence of any action to enforce this Guaranty or any other Loan Document or the waiver or consent by Agent and/or Lenders with respect to any of the provisions thereof;
- (c) the existence, value or condition of, or failure to perfect Agent's Lien against, any Collateral for the Guaranteed Obligations or any action, or the absence of any action, by Agent in respect thereof (including, without limitation, the release of any such security); or
- (d) the insolvency of any Credit Party; or
- (e) any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor,

it being agreed by Guarantor that its obligations under this Guaranty shall not be discharged until the earlier of Termination Date and the Release Date. Guarantor shall be regarded, and shall be in the same position, as principal debtor with respect to the Guaranteed Obligations. Guarantor agrees that any notice or directive given at any time to Agent which is inconsistent with the waiver in the immediately preceding sentence shall be null and void and may be ignored by Agent and Lenders, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Guaranty for the reason that such pleading or introduction would be at variance with the written terms of this Guaranty, unless Agent and Lenders have specifically agreed otherwise in writing. It is agreed among Guarantor, Agent and Lenders that the foregoing waivers are of the essence of the transaction contemplated by the Loan Documents and that, but for this Guaranty and such waivers, Agent and Lenders would decline to enter into the Credit Agreement.

2 . 2 Demand by Agent or Lenders. In addition to the terms of the Guaranty set forth in Section 2.1 hereof, and in no manner imposing any limitation on such terms, it is expressly understood and agreed that, if, at any time prior to the Release Date, the outstanding principal amount of the Guaranteed Obligations under the Credit Agreement (including all accrued interest thereon) is declared to be immediately due and payable, then Guarantor shall, without demand, pay to the holders of the Guaranteed Obligations the entire outstanding Guaranteed Obligations due and owing to such holders. Payment by Guarantor shall be made to Agent in immediately available funds to an account, designated by Agent or at the address set forth herein for the giving of notice to Agent or at any other address that may be specified in writing from time to time by Agent, and shall be credited and applied to the Guaranteed Obligations.

2.3 Enforcement of Guaranty. In no event shall Agent have any obligation (although it is entitled, at its option) to proceed against Borrower or any other Credit Party or any Collateral pledged to secure Guaranteed Obligations before seeking satisfaction from the Guarantor, and Agent may proceed, prior or subsequent to, or simultaneously with, the enforcement of Agent's rights hereunder, to exercise any right or remedy which it may have against any Collateral, as a result of any Lien it may have as security for all or any portion of the Guaranteed Obligations.

2.4 Waiver. In addition to the waivers contained in Section 2.1 hereof, Guarantor waives and agrees that it shall not at any time insist upon, plead or in any manner whatever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshaling of assets or redemption laws, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by Guarantor of its Guaranteed Obligations under, or the enforcement by Agent or Lenders of, this Guaranty. Guarantor hereby waives diligence, presentment and demand (whether for non-payment or protest or of acceptance, maturity, extension of time, change in nature or form of the Guaranteed Obligations, acceptance of further security, release of further security, composition or agreement arrived at as to the amount of, or the terms of, the Guaranteed Obligations, notice of adverse change in Borrower's financial condition or any other fact which might increase the risk to Guarantor) with respect to any of the Guaranteed Obligations or all other demands whatsoever and waives the benefit of all provisions of law which are or might be in conflict with the terms of this Guaranty. Guarantor represents, warrants and agrees that, as of the date of this Guaranty, its obligations under this Guaranty are not subject to any offsets or defenses against Agent or Lenders or any Credit Party of any kind. Guarantor further agrees that its obligations under this Guaranty shall not be subject to any counterclaims, offsets or defenses against Agent or any Lender or against any Credit Party of any kind which may arise in the future.

2.5 Benefit of Guaranty. The provisions of this Guaranty are for the benefit of Agent and Lenders and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any Credit Party and Agent or Lenders, the obligations of any Credit Party under the Loan Documents. In the event all or any part of the Guaranteed Obligations are transferred, indorsed or assigned by Agent or any Lender to any Person or Persons, any reference to "Agent" or "Lender" herein shall be deemed to refer equally to such Person or Persons.

2.6 Modification of Guaranteed Obligations, Etc. Guarantor hereby acknowledges and agrees that Agent and Lenders may at any time or from time to time, with or without the consent of, or notice to, Guarantor:

- (a) change or extend the manner, place or terms of payment of, or renew or alter all or any portion of, the Guaranteed Obligations;
- (b) take any action under or in respect of the Loan Documents in the exercise of any remedy, power or privilege contained therein or available to it at law, equity or otherwise, or waive or refrain from exercising any such remedies, powers or privileges;
- (c) amend or modify, in any manner whatsoever, the Loan Documents;

(d) extend or waive the time for any Credit Party's performance of, or compliance with, any term, covenant or agreement on its part to be performed or observed under the Loan Documents, or waive such performance or compliance or consent to a failure of, or departure from, such performance or compliance;

(e) take and hold Collateral for the payment of the Guaranteed Obligations guaranteed hereby or sell, exchange, release, dispose of, or otherwise deal with, any property pledged, mortgaged or conveyed, or in which Agent or Lenders have been granted a Lien, to secure any Obligations;

(f) release anyone who may be liable in any manner for the payment of any amounts owed by Guarantor or any Credit Party to Agent or any Lender;

(g) modify or terminate the terms of any intercreditor or subordination agreement pursuant to which claims of other creditors of Guarantor or any Credit Party are subordinated to the claims of Agent and Lenders; and/or

(h) apply any sums by whomever paid or however realized to any amounts owing by Guarantor or any Credit Party to Agent or any Lender in such manner as Agent or any Lender shall determine in its discretion;

and Agent and Lenders shall not incur any liability to Guarantor as a result thereof, and no such action shall impair or release the Guaranteed Obligations of Guarantor under this Guaranty.

2.7 Reinstatement. This Guaranty shall remain in full force and effect and continue to be effective should any petition be filed by or against any Credit Party or Guarantor for liquidation or reorganization prior to the Release Date, should any Credit Party or Guarantor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of such Credit Party's or Guarantor's assets, in each case prior to the Release Date. Notwithstanding anything contained herein to the contrary, this Guaranty shall be reinstated if at any time payment and performance of the Guaranteed Obligations, or any part thereof, in each case which payment or performance arose or occurred prior to the Release Date, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by Agent or any Lender, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Guaranteed Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

2.8 Waiver of Subrogation, Etc. Notwithstanding anything to the contrary in this Guaranty, or in any other Loan Document, Guarantor hereby:

(a) expressly and irrevocably waives (until the earlier of the Termination Date and the Release Date) the exercise of, on behalf of itself and its successors and assigns (including any surety), any and all rights at law or in equity to subrogation, to reimbursement, to exoneration, to contribution, to indemnification, to set off or to any other rights that could accrue to a surety against a principal, to a guarantor against a

principal, to a guarantor against a maker or obligor, to an accommodation party against the party accommodated, to a holder or transferee against a maker, or to the holder of any claim against any Person, and which Guarantor may have or hereafter acquire against any Credit Party in connection with or as a result of Guarantor's execution, delivery and/or performance of this Guaranty, or any other documents to which Guarantor is a party or otherwise; and

(b) acknowledges and agrees (i) that this waiver is intended to benefit Agent and Lenders and shall not limit or otherwise effect Guarantor's liability hereunder or the enforceability of this Guaranty, and (ii) that Agent, Lenders and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 2.8 and their rights under this Section 2.8 shall survive payment in full of the Guaranteed Obligations.

2.9 Election of Remedies. If Agent may, under applicable law, proceed to realize benefits under any of the Loan Documents giving Agent and Lenders a Lien upon any Collateral owned by any Credit Party, either by judicial foreclosure or by non-judicial sale or enforcement, Agent may, at its sole option, determine which of such remedies or rights it may pursue without affecting any of such rights and remedies under this Guaranty. If, in the exercise of any of its rights and remedies, Agent shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Credit Party, whether because of any applicable laws pertaining to "election of remedies" or the like, Guarantor hereby consents to such action by Agent and waives any claim based upon such action, even if such action by Agent shall result in a full or partial loss of any rights of subrogation which Guarantor might otherwise have had but for such action by Agent. Any election of remedies which results in the denial or impairment of the right of Agent to seek a deficiency judgment against any Credit Party shall not impair Guarantor's obligation to pay the full amount of the Guaranteed Obligations. In the event Agent shall bid at any foreclosure or trustee's sale or at any private sale permitted by law or the Loan Documents, Agent may bid all or less than the amount of the Guaranteed Obligations and the amount of such bid need not be paid by Agent but shall be credited against the Guaranteed Obligations. Except as prohibited by applicable law, the amount of the successful bid at any such sale shall be conclusively deemed to be the fair market value of the collateral and the difference between such bid amount and the remaining balance of the Guaranteed Obligations shall be conclusively deemed to be the amount of the Guaranteed Obligations guaranteed under this Guaranty, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to which Agent and Lenders might otherwise be entitled but for such bidding at any such sale.

2.10 Funds Transfers. If Guarantor shall engage in any transaction as a result of which Borrower is required to make a mandatory prepayment with respect to the Guaranteed Obligations under the terms of Section 1.3(b)(v) the Credit Agreement, Guarantor shall distribute to, or make a contribution to the capital of, the Borrower an amount equal to the mandatory prepayment required under the terms of the Credit Agreement.

3. DELIVERIES.

In a form satisfactory to Agent, Guarantor shall deliver to Agent, reasonably concurrently with the execution of this Guaranty, the Loan Documents and other instruments, certificates and documents as are required to be delivered by Guarantor to Agent under the Credit Agreement.

4. REPRESENTATIONS AND WARRANTIES.

To induce Lenders to make the Loans and incur Letter of Credit Obligations under the Credit Agreement, Guarantor makes the following representations and warranties to Agent and each Lender, each of which is made as of the Closing Date, and each and all of which shall survive the execution and delivery of this Guaranty:

4 . 1 Corporate Existence; Compliance with Law. Guarantor (i) is a corporation, limited liability company, general partnership or limited partnership, as the case may be, duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in exposure to losses or liabilities which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect; (iii) has the requisite power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now conducted or proposed to be conducted; (iv) has all material licenses, permits, consents or approvals from or by, and has made all material filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (v) is in compliance with its charter and bylaws or partnership or operating agreement, as applicable; and (vi) is in compliance with all applicable provisions of law and regulation, except where the failure to comply, alone or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.2 *Intentionally omitted.*

4 . 3 Corporate Power; Authorization; Enforceable Guaranteed Obligations. The execution, delivery and performance of this Guaranty and all instruments and documents to be delivered by Guarantor hereunder and under the Credit Agreement (i) are within Guarantor's power; (ii) have been duly authorized by all necessary corporate, limited liability company, general partnership or limited partnership action; (iii) do not contravene any provision of Guarantor's charter, by-laws, or partnership or operating agreement as applicable; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, Theatre Lease or other material lease, material agreement or other material instrument to which Guarantor is a party or by which Guarantor or any of its property is bound; (vi) do not result in the creation or imposition of any Lien upon any of the property of Guarantor; and (vii) do not require the consent or approval of any Governmental Authority or any other

Person, except those referred to in Section 2.1(c) of the Credit Agreement, all of which have been duly obtained, made or complied with prior to the Closing Date. On or prior to the Closing Date, this Guaranty shall have been duly executed and delivered, and each shall then constitute a legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as enforceability may be limited by (i) bankruptcy, insolvency, fraudulent conveyances, reorganization or similar laws relating to or affecting the enforcement of creditors' rights generally, and (ii) general equitable principles (whether considered in a proceeding in equity or at law).

5. FURTHER ASSURANCES.

Guarantor agrees, upon the written request of Agent, to execute and deliver to Agent or such Lender, from time to time, any additional instruments or documents reasonably considered necessary by Agent to cause this Guaranty to be, become or remain valid and effective in accordance with its terms.

6. PAYMENTS FREE AND CLEAR OF TAXES.

All payments required to be made by Guarantor hereunder shall be made to Agent and Lenders free and clear of, and without deduction for, any and all present and future Taxes. If Guarantor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder, (a) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 6) Agent or Lenders, as applicable, receive an amount equal to the sum they would have received had no such deductions been made, (b) Guarantor shall make such deductions, and (c) Guarantor shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, Guarantor shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof. Guarantor shall indemnify and, within ten (10) days of demand therefor, pay Agent and each Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 6) paid by Agent or such Lender, as appropriate, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

7. OTHER TERMS.

7 . 1 Entire Agreement. This Guaranty constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to a guaranty of the loans and advances under the Loan Documents and/or the Guaranteed Obligations.

7.2 Headings. The headings in this Guaranty are for convenience of reference only and are not part of the substance of this Guaranty.

7 . 3 Severability. Whenever possible, each provision of this Guaranty shall be interpreted in such a manner to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under applicable law, such provision shall be

ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

7.4 Notices. Whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give or serve upon another any such communication with respect to this Guaranty, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be addressed to the party to be notified as follows:

(a) If to Agent, at:

General Electric Capital Corporation
2325 Lakeview Parkway, Suite 700
Alpharetta, GA 30004
Attention: Consolidated Amusement Theatres, Inc. Account Manager
Electronic Transmission Address:
Telecopier No: 678-624-7903
Telephone No.: 678-624-7900

with copies to:

King & Spalding LLP
1185 Avenue of the Americas
New York, New York 10036
Attention: Angela L. Batterson, Esq.
Telecopier No.: 212-556-2106
Telephone No.: 212-556-2222

and

General Electric Capital Corporation
2325 Lakeview Parkway, Suite 700
Alpharetta, GA 30004
Attention: Corporate Counsel-Media, Communications and Entertainment
Telecopier No.: (678) 624-7902
Telephone No.: (678) 624-7947

(b) If to any Lender, at the address of such Lender specified in the Credit Agreement or any Assignment Agreement.

(c) If to Guarantor, at the address of such Guarantor specified on Schedule I hereto.

or at such other address as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been validly served, given or delivered (i) upon the earlier of

actual receipt and five (5) Business Days after the same shall have been deposited with the United States mail, registered or certified mail, return receipt requested, with proper postage prepaid, (ii) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 7.4), (iii) one (1) Business Day after deposit with a reputable overnight carrier with all charges prepaid, or (iv) when delivered, if hand-delivered by messenger.

7.5 Successors and Assigns. This Guaranty and all obligations of Guarantor hereunder shall be binding upon the successors and assigns of Guarantor (including a debtor-in-possession on behalf of Guarantor) and shall, together with the rights and remedies of Agent, for itself and for the benefit of Lenders, hereunder, inure to the benefit of Agent and Lenders, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect the rights of Agent and Lenders hereunder. Guarantor may not assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Guaranty.

7.6 No Waiver; Cumulative Remedies; Amendments. Neither Agent nor any Lender shall by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by Agent and then only to the extent therein set forth. A waiver by Agent, for itself and the ratable benefit of Lenders, of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Agent would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Agent or any Lender, any right, power or privilege hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the terms or provisions of this Guaranty may be waived, altered, modified, supplemented or amended except by an instrument in writing, duly executed by Agent and Guarantor.

7.7 Termination. This Guaranty is a continuing guaranty and shall remain in full force and effect until the earlier of (a) the Termination Date, or (b) the date upon which Borrower and its Subsidiaries on a consolidated basis shall have a Leverage Ratio on the last day of any Fiscal Quarter and for the 12-month period then ended of less than or equal to 2.75:1.00 (the "Release Date"). Upon payment and performance in full of the Guaranteed Obligations, or the occurrence of the Release Date or the Termination Date, Agent shall deliver to Guarantor such documents as Guarantor may reasonably request to evidence such termination.

7.8 Counterparts. This Guaranty may be executed in any number of counterparts, each of which shall collectively and separately constitute one and the same agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty as of the date first above written.

READING INTERNATIONAL, INC.

By: /s/ Andrzej Matczynski
Name: Andrzej Matczynski
Title: CFO

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent

By: /s/ General Electric Capital Corporation
Its Duly Authorized Signatory

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement") dated as of February 22, 2008, is made by READING CONSOLIDATED HOLDINGS, INC., a Nevada corporation ("Pledgor"), in favor of NATIONWIDE THEATRES CORP., a California corporation ("Pledgee").

WITNESSETH:

WHEREAS, reference is made to that certain Asset Purchase and Sale Agreement, dated as of October 8, 2007, by and among Pacific Theatres Exhibition Corp., a California corporation, Consolidated Amusement Theatres, Inc., a Hawaii corporation, Michael Forman and Christopher Forman, on the one hand, and Consolidated Amusement Theatres, Inc., a Nevada corporation ("Buyer"), and Reading International, Inc., a Nevada corporation, on the other hand, as amended by Amendment No. 1 thereto entered into as of February 8, 2008 and Amendment No. 2 thereto entered into on February 14, 2008 (as so amended, the "Purchase Agreement");

WHEREAS, concurrent with the consummation of the transactions contemplated by the Purchase Agreement and the execution of this Agreement, Pledgee is making a loan to Pledgor evidenced by a promissory note in favor of Pledgee dated the date hereof in the principal amount of \$21,000,000 (the "Note"); and

WHEREAS, Pledgee agrees to make further loans to Pledgor as provided in and to be evidenced by the Note; and

WHEREAS, in order to secure all of Pledgor's obligations to Pledgee under the Note, Pledgor has agreed to pledge to Pledgee all of the issued and outstanding capital stock (the "Pledged Shares") of Consolidated Amusement Holdings, Inc., a Nevada corporation ("CAH, Inc."), in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Definition. All terms used in this Agreement which are defined in Article 9 of the Uniform Commercial Code (the "Code") as currently in effect in the State of California and which are not otherwise defined herein shall have the same meanings herein as set forth in the Code. The term "Default" shall mean the occurrence of a "Default" under the Note or any material breach of any of Pledgor's representations, warranties or covenants in this Agreement.

2. Pledge and Grant of Security Interest and Substituting and Release of Collateral.

(a) As collateral security for all of the Obligations (as defined in Section 3 hereof), Pledgor hereby pledges and assigns to Pledgee, and grants to Pledgee a continuing security interest in, the following (collectively, the "Pledged Collateral");

(i) the Pledged Shares, the certificates now or hereafter representing or evidencing the Pledged Shares and all options and other rights, contractual or otherwise, in respect thereof; and

(ii) all proceeds of any and all of the foregoing, including all dividends, distributions, redemption payments or liquidation payments with respect to the foregoing;

in each case, as Pledgor's interest therein may arise or appear (whether by ownership, security interest, claim or otherwise).

3. Security for Obligations. The security interest created hereby in the Pledged Collateral constitutes continuing collateral security for the following (collectively, the "Obligations"):

- (a) the prompt payment and satisfaction by Pledgor of all of its liabilities and obligations under the Note; and
- (b) the performance by Pledgor of all of his obligations arising under, or contemplated by, this Agreement.

4. Delivery of the Pledged Collateral. All certificates currently representing the Pledged Shares shall be delivered to Pledgee concurrently with the execution and delivery of this Agreement, to be held by it hereunder. All other certificates and other instruments constituting Pledged Collateral from time to time shall be delivered to Pledgee promptly upon the receipt thereof by or on behalf of the Pledgor. All such certificates and instruments shall be held by Pledgee pursuant hereto and shall be delivered in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Pledgee.

5. Representations and Warranties. Pledgor represents and warrants to Pledgee as follows:

(a) Pledgor is and will be at all times the record and beneficial owner of the Pledged Collateral, free and clear of any lien, security interest, option or other charge or encumbrance, except for the security interest created by this Agreement.

(b) This Agreement creates a valid security interest in favor of Pledgee in the Pledged Collateral, as security for the Obligations. Such security interest is, or in the case of Pledged Collateral in which Pledgor obtains rights after the date hereof, will be, a perfected, first priority security interest.

(c) Pledgor is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Pledgor has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such business is conducted.

(d) Pledgor has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance of this Agreement has been duly authorized by all necessary action on the part of Pledgor in accordance with its governing documents and applicable law, and this Agreement constitutes, and each other document, instrument and agreement to be entered into by Pledgor pursuant to the terms of this Agreement will constitute, a valid agreement binding upon and enforceable against Pledgor in accordance with its terms (except as limited by bankruptcy or similar laws or the availability of equitable remedies).

(e) The execution, delivery and performance by Pledgor of this Agreement, and all other agreements, instruments and documents referred to or contemplated herein or therein do not require the consent, waiver, approval, license or authorization of any Person or public authority which has not been obtained and do not and will not contravene or violate (with or without the giving of notice or the passage of time or both) the governing documents of Pledgor or any judgment, injunction, order, law, rule or regulation applicable to Pledgor. Pledgor is not a party to, or subject to or bound by, any judgment, injunction or decree of any court or governmental authority or any lease, agreement, instrument or document which may restrict or interfere with the performance by Pledgor of this Agreement, or such other leases, agreements, instruments and documents.

(f) Each of Pledgor and CAH, Inc. is a newly-formed entity, created for the purpose of effectuating the transactions contemplated by this Agreement, the Note and the Purchase Agreement. Neither Pledgor nor CAH, Inc. has conducted any business, incurred any liabilities nor engaged in any transactions other than in connection with (i) the organization and formation of Pledgor and CAH, Inc. and (ii) the negotiation and execution of this Agreement, the Note and the Purchase Agreement, the documents and instruments contemplated by the Purchase Agreement, and the consummation of the transactions contemplated hereby and thereby.

(g) No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Pledgor, threatened by or against Pledgor or CAH, Inc. or against any of their respective properties including, without limitation, the Pledged Collateral.

(h) Reading International Services Company, a California corporation and wholly owned subsidiary of RDI (as defined in the Purchase Agreement), owns, beneficially and of record, 100% of the outstanding capital stock of Pledgor (determined on a fully-diluted and as-converted basis). Pledgor owns, beneficially and of record, 100% of the outstanding capital stock of CAH, Inc. (determined on a fully-diluted and as-converted basis). CAH, Inc. owns, beneficially and of record, 100% of the outstanding capital stock of Buyer (determined on a fully-diluted and as-converted basis). There are not outstanding any options, warrants or rights to subscribe for or to purchase the capital stock or any securities convertible into or exchangeable for the capital stock of any of Pledgor, CAH, Inc. or Buyer. All of the outstanding shares of the capital stock of each of Pledgor, CAH, Inc. and Buyer are validly issued, fully paid and nonassessable, and no such shares of capital stock are subject to, or have been issued in violation of, preemptive rights.

All warranties and representations made herein shall survive the execution and delivery of this Agreement and the enforcement of some or all of the rights granted to Pledgee hereunder or pursuant to the Note.

6. Covenants.

(a) So long as any of the Obligations shall remain outstanding, Pledgor shall, unless Pledgee shall otherwise consent in writing:

(i) keep adequate records concerning the Pledged Collateral and permit Pledgee and its attorneys and other representatives at any reasonable time and from time to time to examine and make copies of and abstracts from such records;

(ii) at its expense, promptly deliver to Pledgee a copy of each notice or other communication received by it in respect of the Pledged Collateral;

(iii) at its expense, defend the Pledgor's right, title and interest in and to the Pledged Collateral and Pledgee's security interest therein against the claims of any person;

(iv) not sell, assign (by operation of law or otherwise), exchange or otherwise dispose of, or grant any option or warrant with respect to, any Pledged Collateral or any interest therein;

(v) not create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any Pledged Collateral except for the security interest created hereby;

(vi) not make or consent to any amendment or other modification or waiver with respect to any Pledged Collateral or enter into any agreement or permit to exist any restriction with respect to any Pledged Collateral other than pursuant hereto;

(vii) not enter into any transaction which would result in a "Change of Control" of Pledgor within the meaning of the Note;

(viii) not cause or permit CAH, Inc. or Buyer to enter into any merger or consolidation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution);

(ix) not cause or permit CAH, Inc. to dispose of all or any material part of its property or business; and

(x) not cause or permit CAH, Inc. or Buyer to issue or agree to issue, or grant any option or warrant with respect to, any other shares of its capital stock, other than any such issuances or grants to Pledgor which, when made, shall be delivered to Pledgee and shall constitute Pledged Collateral hereunder

(b) In addition, Pledgor shall not do any of the following:

(i) cause or permit CAH, Inc. to engage in any business or commercial operations other than holding the capital stock and securities and guaranteeing the obligations of Buyer;

(ii) cause or permit CAH, Inc. to incur any indebtedness, except that CAH, Inc. may incur trade payables in the ordinary course of its business described in Section 6(b)(i) and indebtedness in connection with CAH, Inc.'s guarantees of obligations of Buyer; or

(iii) cause or permit Buyer to make any payments or reimbursements to RDI or any of its affiliates other than as provided in the Management Agreement attached as an Exhibit to the Note (provided that it is understood that the obligation of the Manager under the Management Agreement may be assigned to any affiliate of RDI)

7. Voting Rights, Dividends, Etc. in Respect of the Pledged Collateral.

(a) So long as no Default shall have occurred and be continuing:

(i) Pledgor may exercise any and all voting and other consensual rights pertaining to any Pledged Collateral for any purpose not inconsistent with the terms of this Agreement;

(ii) Pledgor may receive and retain any and all dividends paid in cash with respect of the Pledged Collateral; and

(iii) Pledgee will execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies and other instruments as Pledgor may reasonably request for the purpose of enabling Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to Section 7(a)(i) hereof, and to receive the dividends which it is authorized to receive and retain pursuant to Section 7(a)(ii) of this Agreement.

(b) Upon the occurrence and during the continuance of a Default;

(i) all rights of Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 7(a)(i) of this Agreement, and to receive the dividends which it would otherwise be authorized to receive and retain pursuant to Section 7(a)(i) of this Agreement, shall cease, and all such rights shall thereupon become vested in Pledgee, who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends;

(ii) without limiting the generality of the foregoing, Pledgee may, at its option, exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Collateral as if it were the absolute owner thereof, including, without limitation, the right to exchange, in its discretion, any and all of the Pledged Collateral upon the merger, consolidation, reorganization, recapitalization or other adjustment of Pledgee, or upon the exercise by Pledgee of any right, privilege or option pertaining to any Pledged Collateral, and, in connection therewith, to deposit and deliver any and

all of the Pledged Collateral with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as it may determine; and

(iii) all dividends which are received by the Pledgor contrary to the provisions of Section 7(b)(i) hereof shall be received in trust for the benefit of Pledgee, shall be segregated from other funds of Pledgor, and shall be forthwith paid over to Pledgee as Pledged Collateral in the exact form received with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by Pledgee as Pledged Collateral and as further collateral security for the Obligations.

8. Additional Provisions Concerning the Pledged Collateral.

(a) Upon the occurrence and during the continuance of a Default, Pledgor hereby irrevocably appoints Pledgee as Pledgor's attorney-in-fact and proxy, with full authority in the place and stead of the Pledgor and in name of Pledgor or otherwise, from time to time in Pledgee's discretion, to take any action and to execute any instrument which Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, indorse and collect all instruments made payable to the Pledgor representing any dividend or other distribution in respect of any Pledged Collateral and to give full discharge for the same.

(b) If Pledgor fails to perform any agreement or obligation contained herein, Pledgee itself may perform, or cause performance of, such agreement or obligation, and the expenses of Pledgee incurred in connection therewith shall be payable by Pledgor.

9. Remedies Upon Default: Application of Funds.

(a) Pledgee may exercise all rights and remedies in respect of the Pledged Collateral available to a secured party under the Code, by law or otherwise.

(b) Pledgee may exercise any and all rights and remedies of Pledgor under or in respect of the Pledged Collateral (including, but not limited to, any and all rights of Pledgor to demand or otherwise require payment of any amount under, or performance of any provision of, the Pledged Collateral).

(c) Pledgee may take possession of the Pledged Collateral.

(d) Pledgee may, without notice to Pledgor, sell all or any part of the Pledged Collateral in one or more parcels at public or private sale, at any of Pledgee's offices, or elsewhere, for cash, on credit or for future delivery, and upon such other terms as Pledgee may deem commercially reasonable.

(e) Any cash held by Pledgee as Pledged Collateral and all cash proceeds received by Pledgee in respect of any sale of, collection from, or other realization upon, all or any part of the Pledged Collateral shall be applied as follows:

(i) first, to the payment of the reasonable costs and expenses, including reasonable attorneys' fees and legal expenses, incurred by Pledgee in connection with

(A) the administration of this Agreement, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Pledged Collateral, (C) the exercise or enforcement of any of the rights of Pledgee hereunder or (D) the failure of Pledgor to perform or observe any of the provisions hereof;

Pledged Collateral;

- (ii) second, at the option of Pledgee, to the payment or other satisfaction of any liens and other encumbrances upon any of the
- (iii) third, to the payment of the Obligations;
- (iv) fourth, to the payment of any other amounts required by applicable law; and
- (v) fifth, the surplus proceeds, if any, to Pledgor or to whomsoever shall be lawfully entitled to receive the same or as a court of competent jurisdiction shall direct.

10. Expenses. Subject to Section 8(e) above, each party to this Agreement shall pay all of its own expenses incurred in connection with this Agreement.

11. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be given as provided in the Purchase Agreement.

12. Miscellaneous.

(a) No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by the parties hereto, and no waiver of any provision of this Agreement, and no consent to any departure by Pledgor therefrom, shall be effective unless it is in writing and signed by Pledgee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Pledgee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of Pledgee provided herein are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law.

(c) Any provision of this Agreement, which is prohibited or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(d) Upon the satisfaction in full of the Obligations, (i) this Agreement and the security interest created hereby shall terminate and all rights to the Pledged Collateral shall revert to Pledgor, and (ii) the Pledgee will, upon Pledgor's request, (A) return to Pledgor such of the Pledged Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and (B) execute and deliver to Pledgor such documents as Pledgor shall reasonably request to evidence such termination.

(e) This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(f) Pledgor agrees that, at any time and from time to time, at Pledgor's expense, Pledgor will promptly execute, deliver and file or record all further financing statements instruments and documents, and will take all further actions, that may be reasonably necessary or desirable, or that Pledgee may reasonably request, in order to perfect and protect any pledge or security interest granted hereby or to enable Pledgee to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral.

(g) If Pledgor shall fail to do any act or thing which Pledgor has covenanted to do hereunder or any representation or warranty of Pledgor shall be breached and not cured or remedied as provided herein, Pledgee may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach and there shall be added to the Obligations the cost or expense incurred by Pledgee in so doing, and any and all amounts expended by Pledgee in taking any such action shall be repayable to it upon its demand therefor and shall bear interest at the maximum rate permitted by applicable law from the date advanced to the date of repayment.

(h) Any dispute of any nature or character whatsoever between the parties and arising under or with respect to this Agreement, or the subject matter hereof or thereof, shall be resolved by a proceeding in accordance with the provisions of California Code of Civil Procedure Section 638 et seq., for a determination to be made which shall be binding upon the parties as if tried before a court or jury. The parties agree specifically as to the following:

(i) Within five (5) Business Days after service of a demand by a party hereto, the parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and then report a finding or judgment thereon. If the parties are unable to agree upon a referee either party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640, by the presiding judge of the Los Angeles County Superior Court;

(ii) The compensation of the referee shall be such charge as is customarily charged by the referee for like services. The cost of such proceedings shall initially be borne equally by the parties. However, the prevailing party in such proceedings shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference as an item of damages and/or recoverable costs;

(iii) If a reporter is requested by either party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be borne by the party requesting such reporter. Such fees shall be an item of recoverable costs. Only a party shall be authorized to request a reporter;

(iv) The referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee;

(v) The referee's decision under California Code of Civil Procedure Section 644, shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California; and

(vi) The parties agree that they shall in good faith endeavor to cause any such dispute to be decided within four (4) months. The date of hearing for any proceeding shall be determined by agreement of the parties and the referee, or if the parties cannot agree, then by the referee. The referee shall have the power to award damages and all other relief.

(vii) For purposes of this Agreement, the term "Business Day" means Monday through Friday, excluding any day of the year on which banks are required or authorized to close in California.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

PLEDGOR:

READING CONSOLIDATED HOLDINGS, INC.

By: /s/ Andrzej Matczynski

Name: Andrzej Matczynski

Title: Chief Financial Officer

PLEDGEE:

NATIONWIDE THEATRES CORP.

By: /s/ Ira Levin

Name: Ira Levin

Title: Vice President

PROMISSORY NOTE

\$21,000,000

Los Angeles, California

February 22, 2008

FOR VALUE RECEIVED, READING CONSOLIDATED HOLDINGS, INC., a Nevada corporation having an office at 500 Citadel Drive, Suite 300, Commerce, California 90040 ("**Maker**"), promises to pay to NATIONWIDE THEATRES CORP., a California corporation ("**Holder**"), or order, at 120 N. Robertson Boulevard, Los Angeles, California 90048, or at such other address as Holder may designate from time to time, without presentation, the principal amount of Twenty One Million Dollars (\$21,000,000). Unless payable earlier as provided below in this Promissory Note (this "**Note**"), the entire principal balance of this Note, together with interest on such principal balance as provided herein, shall be due and payable on February 21, 2013 (the "**Maturity Date**"). Interest shall accrue on the unpaid principal balance of this Note at interest rates per annum (calculated for the actual number of days elapsed on the basis of a 365-day year) as follows: (1) with respect to Eight Million Dollars (\$8,000,000) of the principal amount hereof (the "**\$8,000,000 Portion**"), at annual rates equal to (i) 7.50%, for the period from the date hereof through and including February 21, 2010, and (ii) 8.50%, for the period from February 22, 2010 through the Maturity Date, and (2) with respect to Thirteen Million Dollars (\$13,000,000) of the principal amount hereof (the "**\$13,000,000 Portion**"), at annual rates equal to (i) 6.50%, for the period from the date hereof through and including July 31, 2009, and (ii) 8.50%, for the period from August 1, 2009 through the Maturity Date. All accrued interest under this Note (including all interest accrued on the borrowings made pursuant to Section 4 below) shall be due and payable on February 21, 2011; thereafter, accrued interest under this Note (including all interest accrued on the borrowings made pursuant to Section 4 below) shall be due and payable, in arrears, on the last day of each calendar quarter, commencing on June 30, 2011. Any reduction, adjustment or prepayment of interest or principal of this Note shall be applied first against the \$8,000,000 Portion, and next against the \$13,000,000 Portion.

1. **Mandatory Prepayments.** Notwithstanding the above, Maker shall pay to Holder, as a mandatory prepayment hereunder, an amount equal to 50% of the cumulative sum of any dividends or other distributions paid to Maker prior to the Maturity Date by Consolidated Amusement Holdings, Inc., a Nevada corporation, in excess of the sum of (i) \$1,000,000 per year (the "**Excluded Dividends**"), plus (ii) any interest paid on this Note other than pursuant to this sentence. Notwithstanding the foregoing, no sale or other transfer by "Buyer" (as defined below) or any affiliate of Buyer of any interest in the Dallas Angelika theater located at Mockingbird Center in Dallas, Texas to Maker or any affiliate of Maker shall require Maker to make any mandatory prepayments pursuant to this Section 1; provided, however, that from and after the date of such transfer, the maximum annual amount of Excluded Dividends shall be reduced from \$1,000,000 to \$750,000. Maker shall afford Holder with reasonable

access to the books and records of Maker and all applicable affiliates of Maker necessary to confirm the accuracy of the payments, if any, to which Holder is entitled pursuant to the immediately preceding sentence. Any payments made under the second immediately preceding sentence shall be applied first against accrued interest and then against principal. Maker may, in the alternative, elect at any time to substitute for this mandatory pre-payment obligation the guarantee of Reading International, Inc., a Nevada corporation ("RDI"), of all of Maker's obligations under this Note in a form reasonably acceptable to Holder, in which case any obligation to make the mandatory pre-payments provided for under the terms of this paragraph shall cease upon the delivery of such guarantee.

2. Acceleration. Notwithstanding the foregoing, all accrued interest and the entire unpaid principal balance of this Note shall become immediately due and payable upon written notice from Holder to Maker in the event that either Maker, Buyer or RDI, fails to perform in any material respect their respective indemnification obligations under (i) the Asset Purchase and Sale Agreement dated as of October 8, 2007 by and among Pacific Theatres Exhibition Corp., a California corporation, Consolidated Amusement Theatres, Inc., a Hawaii corporation, Consolidated Amusement Theatres, Inc., a Nevada corporation ("Buyer"), and the other parties thereto (as amended from time to time, the "APSA") or (ii) any other document, instrument or agreement entered into among Buyer, Maker, RDI and any affiliate of Holder in connection with or with respect to the properties affected by the APSA, in each case within the time period required by the APSA or such other document, instrument or agreement (or, if any such document, instrument or agreement does not contain such a time period, within thirty (30) days after receipt by Maker, Buyer or RDI, as applicable, of notice of the claim, action, lawsuit, proceeding, investigation or demand giving rise to such indemnification obligation).

3. Reductions in Principal Amount. The principal amount of and interest on this Note are subject to reduction as provided in Section 2.5 of the APSA. In addition, the principal amount and interest on this Note are subject to reduction as follows:

(a) The Competitive Project Adjustment:

(i) In the event that a Competitive Cinema Project (as defined below) first opens for business to the public on a full-time basis on or before the fifth anniversary of the date of this Note, then the principal amount of this Note will be reduced by the difference between (a) \$14,700,000 and (b) the Bakersfield Cinema Purchase Price. The "Bakersfield Cinema Purchase Price" will be equal to the sum of (i) the Bakersfield Adjusted Cash Flow Multiple Amount and (ii) the Bakersfield Excess Cash Flow Amount. The "Bakersfield Adjusted Cash Flow Multiple Amount" means: (1) if the positive Theater Level Cash Flow (as defined in the APSA) generated by Bakersfield Cinema (as defined below) during the twelve-month period beginning as of the first day of the first calendar month after the first such Competitive Cinema Project is first fully open for business on a full-time basis (the

"Bakersfield Adjusted Cash Flow" and the "Bakersfield Measurement Period," respectively) is greater than \$1,000,000, then the Bakersfield Adjusted Cash Flow Multiple Amount shall equal the Bakersfield Adjusted Cash Flow multiplied by seven; (2) if the Bakersfield Adjusted Cash Flow is \$1,000,000 or less, but greater than \$500,000, then the Bakersfield Adjusted Cash Flow Multiple Amount shall equal the Bakersfield Adjusted Cash Flow multiplied by six; and (3) if the Bakersfield Adjusted Cash Flow is \$500,000 or less, then the Bakersfield Adjusted Cash Flow Multiple Amount shall be zero. The "Bakersfield Excess Cash Flow Amount" means the difference between (x) the aggregate positive Theater Level Cash Flow generated by the Bakersfield Cinema during the period commencing with the Closing (as defined in the APSA) and ending on the last day of the month in which the first such Competitive Cinema Project fully opens for business to the public on a full-time basis (the "Pre-Opening Period") and (y) the Bakersfield Adjusted Cash Flow multiplied by a fraction, the numerator of which is the number of days in the Pre-Opening Period and the denominator of which is 365. For purposes of this Note, the term "Bakersfield Cinema" means that certain cinema described on Exhibit A-1 of the APSA as the Valley Plaza 16; and the term "Competitive Cinema Project" means a new multiplex cinema showing predominantly first run, mainstream films, located either (i) in the area bounded by California Avenue, Chester Avenue, Truxtun Avenue and S Street in downtown Bakersfield, California or (ii) at the East Hills Mall, located at 3000 Mall View Road, Bakersfield, CA 93306 (which shall include, for this purpose, any such cinema located within the current boundaries of the East Hills Mall, any such cinema located on any property adjacent to or contiguous with the current boundaries of the East Hills Mall, or any such cinema included in any expansion of the East Hills Mall).

(ii) Maker will each year cause to be prepared and delivered to Holder stand alone operating statements for the Bakersfield Cinema in substantially the form of Exhibit A attached hereto, prepared in accordance with generally accepted accounting principles ("GAAP") (but without footnotes), and certified by RDI's Chief Financial Officer (each, a "Bakersfield Cinema Operating Statement"). The first Bakersfield Cinema Operating Statement will be for the period commencing as of the date hereof and continuing until December 31, 2008 and shall be due not later than March 31, 2009. Thereafter, Maker shall cause a Bakersfield Cinema Operating Statement for each succeeding calendar year (or, with respect to the calendar year during which the Competitive Cinema Project fully opens for business to the public on a full-time basis, the partial calendar year ending on the last day of the Pre

Opening Period) to be prepared and delivered to Holder within ninety (90) days following the end of such calendar year (or partial calendar year). Additionally, within sixty (60) days after the end of the Bakersfield Measurement Period, Maker will cause to be prepared and delivered to Holder (i) a Bakersfield Cinema Operating Statement for the Bakersfield Measurement Period, and (ii) a written statement setting forth in reasonable detail Maker's calculation of the Bakersfield Cinema Purchase Price, including Maker's calculation of the Bakersfield Adjusted Cash Flow Multiple Amount and the Bakersfield Excess Cash Flow Amount (the "Bakersfield Adjusted Cash Flow Statement").

(iii) Maker shall keep at Maker's principal executive offices located in California accurate and complete books and records that reflect the results of operations of the Bakersfield Cinema for all periods covered by the Bakersfield Cinema Operating Statements. Such books and records shall be retained by Maker for at least two (2) years after the expiration of the calendar year to which they relate. Holder shall have the right, once during each calendar year and once within ninety (90) days after receipt of the Bakersfield Adjusted Cash Flow Statement, upon not less than ten (10) days advance notice to Maker, to audit or cause to be audited such books and records at such offices. Such audit will be conducted by Deloitte & Touche, or such other firm of independent accountants as may be selected by Maker and Holder (each acting reasonably). Costs of any such audit shall be paid by Holder unless the audit shows that Maker has understated the positive Theater Level Cash Flow of the Bakersfield Cinema in any Bakersfield Cinema Operating Statement by more than three percent (3%), in which case Maker shall pay the entire reasonable cost of said audit. Holder shall keep any information gained from such audit confidential other than in litigation or arbitration between the parties.

(iv) If Holder disputes Maker's determination of the Bakersfield Cinema Purchase Price, it shall deliver to Maker a statement notifying Maker of such dispute within thirty (30) days after its receipt of the Bakersfield Adjusted Cash Flow Statement. If Holder notifies Maker of its acceptance of the Bakersfield Adjusted Cash Flow Statement, or if Holder fails to deliver its statement within the thirty (30) day period specified in the preceding sentence, Maker's determination of the Bakersfield Cinema Purchase Price as set forth in the Bakersfield Adjusted Cash Flow Statement shall be conclusive and binding on the parties as of the date of notification of such acceptance or the last day of the thirty (30) day period. Holder and Maker shall use good faith efforts to resolve any dispute involving the determination of

the Bakersfield Cinema Purchase Price. If the parties are unable to resolve the dispute within sixty (60) days after Maker delivers the Bakersfield Adjusted Cash Flow Statement to Holder, the dispute shall be resolved by the Designated Arbitrator or the Replacement Arbitrator (each as defined in the APSA) pursuant to the mechanism set forth in Section 2.2.3.4 of the APSA.

(v) If Buyer temporarily closes the Bakersfield Cinema for business at any time during the Bakersfield Measurement Period for a period of more than two days (or for a period of more than five days in any given period of thirty days), including due to the occurrence of a casualty or event of force majeure or for renovation, the actual Theater Level Cash Flow applicable to the Bakersfield Cinema for purposes of Section 3(a)(i) for the period in which the Bakersfield Cinema is closed shall be adjusted with the intentions of normalizing the Theatre Level Cash Flow for the Pre-Opening Period and the Bakersfield Measurement Period in order to fairly adjust for such closure. Any dispute in this regard shall be resolved by arbitration as provided in Section 2.2.3.4 of the APSA.

(vi) Notwithstanding the foregoing, there shall be no reduction in the principal amount of this Note pursuant to this Section 3(a) if Buyer sells the Bakersfield Cinema to a third party or permanently closes the Bakersfield Cinema for business to the public at any time during the Pre-Opening Period or the Bakersfield Measurement Period; provided, however, that if Buyer sells the Bakersfield Cinema to a third party and such third party (or its successor) (the "Bakersfield Assignee") continues to keep open for business the Bakersfield Cinema during such periods, then Maker shall be entitled to reduction in the principal amount of this Note to the extent permitted by this Section 3(a) so long as the then current Bakersfield Assignee assumes in writing for the benefit of Holder, and at all relevant times complies with, Maker's reporting obligations and obligations to allow Holder to conduct audits, each as set forth in this Section 3(a).

(vii) Set forth below are certain examples of how the adjustment described above in this Section 3(a) would operate with respect to the Bakersfield Cinema.

Example #1. If the Competitive Theater Project opens on the second anniversary of the Closing Date, the Theater Level Cash Flow for the Bakersfield Cinema remains constant at \$2,100,000 per year during the entire Pre-Opening Period, and that following the opening of the Competitive Theater Project, the Bakersfield Adjusted Cash Flow drops to \$1,100,000 for the

Bakersfield Measurement Period, the outstanding principal amount of this Note will be reduced by \$5,000,000 (i.e., \$14,700,000 less the sum of (i) seven times \$1,100,000 (or \$7,700,000) plus (ii) two years of the difference between \$2,100,000 and \$1,100,000 (or \$2,000,000)).

Example #2. Same as Example #1 but the Bakersfield Adjusted Cash Flow drops to \$100,000 during the Bakersfield Measurement Period. In this case, the outstanding principal amount of this Note will be reduced by \$10,700,000 (i.e., \$14,700,000 less the sum of (i) zero times \$100,000 (or \$0.00) plus (ii) two years of the difference between \$2,100,000 and \$100,000 (or \$4,000,000)).

Example #3: Same as Example #1 but the Bakersfield Adjusted Cash Flow drops to \$700,000 during the Bakersfield Measurement Period. In this case, the outstanding principal amount of this Note would be reduced by \$7,700,000 (i.e., \$14,700,000 less the sum of (i) six times \$700,000 (or \$4,200,000) plus (ii) two years of the difference between \$2,100,000 and \$700,000 (or \$2,800,000)).

(viii) For illustrative purposes, the parties acknowledge and agree that the Theater Level Cash Flow of the Bakersfield Cinema for the 12 month period ended June 28, 2007 was \$2,001,477.

(b) The Kapolei Adjustment:

(i) In the event that Buyer (or its successors or assigns) has within 30 months of the Closing Date either expended at least \$3,000,000, or entered into binding contracts providing for the expenditure of at least \$3,000,000 (provided that if \$3,000,000 is not expended within the first 30 months, contracts are in place providing for the expenditure of funds which, when added to the funds previously expended, aggregate to at least \$3,000,000 and an aggregate of at least \$3,000,000 is expended within 33 months of the date hereof), in the improvement or refurbishment (including without limitation demolition and waste removal costs in connection with such improvement or refurbishment) of the property subject to the Kapolei 16 Lease (as defined in Exhibit A-1 to the APSA) (the "Kapolei Property"), then the principal amount of this Note will be reduced by the amount of \$5,700,000. Maker agrees to cause Buyer to keep and maintain for at least four years following the date hereof copies of underlying invoices and records supporting such expenditures, and to allow Holder (and

Holder's representatives) reasonable access to such underlying invoices and records for audit purposes.

(ii) In the event that Buyer (or its successors or assigns) does not expend the amounts specified above within the time frames set forth above, then and in the event that a first run multiplex cinema first opens for business to the public at the "McNaughton Project" (also called the "Kapolei Commons" project) (the "Competitive Kapolei Cinema"), which project is to be located on Kalaeloa Boulevard, between the H1 Freeway and Kapolei Parkway, in Oahu, Hawaii, on or before the fifth anniversary of the date hereof, the principal amount of this Note will be reduced by the difference between (a) \$5,700,000 and (b) the Kapolei Cinema Purchase Price. The "Kapolei Cinema Purchase Price" will be equal to the positive Theater Level Cash Flow generated by Kapolei Cinema (as defined below) during the twelve-month period beginning as of the first day of the first calendar month after the Competitive Kapolei Cinema fully opens for business to the public on a full-time basis (the "Kapolei Adjusted Cash Flow" and the "Kapolei Measurement Period," respectively) multiplied by five; provided that if the Kapolei Adjusted Cash Flow is zero or less, then the reduction shall be \$5,700,000. For purposes of this Note, the term "Kapolei Cinema" means the cinema improvements comprising a portion of the improvements subject to the Kapolei 16 Lease.

(iii) If Buyer temporarily closes the Kapolei Cinema for business at any time during the Kapolei Measurement Period for a period of more than two days (or for a period of more than five days in any given period of thirty days), including due to the occurrence of a casualty or an event of force majeure, or for renovation, the actual Theater Level Cash Flow applicable to the Kapolei Cinema for purposes of clause 3(b)(ii) for the period in which the Kapolei Cinema is closed shall be adjusted with the intentions of normalizing the Theatre Level Cash Flow for the Kapolei Measurement Period in order to fairly adjust for such closure. Any dispute in this regard shall be resolved by arbitration as provided in Section 2.2.3.4 of the APSA.

(iv) If the provisions of clause 3(b)(ii) rather than the provisions of clause 3(b)(i) are then applicable (in other words, if Maker has not expended or committed to expend and then expended the \$3,000,000 amount referenced in clause 3(b)(i) as provided in clause 3(b)(i)), and if Buyer sells the Kapolei Cinema to a third party or permanently closes the Kapolei Cinema for business to the public at any time during the Kapolei Measurement Period, then the principal amount of this Note shall not be reduced

pursuant to this Section 3(b); provided, however, that if Buyer sells the Kapolei Cinema to a third party and such third party (or its successor) (the "Kapolei Assignee") continues to keep open for business the Kapolei Cinema during such periods, then Maker shall be entitled to reduction in the principal amount of this Note to the extent permitted by this Section 3(b) so long as the then current Kapolei Assignee assumes in writing for the benefit of Holder, and at all relevant times complies with, Maker's reporting obligations and obligations to allow Holder to conduct audits, each as set forth in this Section 3(b).

(v) Maker will cause to be prepared and delivered to Holder stand alone operating statements for the Kapolei Cinema in substantially the form of Exhibit A attached hereto, prepared in accordance with GAAP (but without footnotes), and certified by RDI's Chief Financial Officer for the period of the Kapolei Measurement Period, such statements to be delivered within sixty (60) days after the end of the Kapolei Measurement Period together with a written statement setting forth in reasonable detail Maker's calculation of the Kapolei Cinema Purchase Price (the "Kapolei Adjusted Cash Flow Statement").

(vi) Maker shall keep at Maker's principal executive offices located in California accurate and complete books and records that reflect the results of operations of the Kapolei Cinema for all periods covered by the Kapolei Cinema Adjusted Cash Flow Statement. Such books and records shall be retained by Maker for at least two (2) years after the expiration of the calendar year to which they relate. Holder shall have the right within ninety (90) days after receipt of the Kapolei Adjusted Cash Flow Statement, upon not less than ten (10) days advance notice to Maker, to audit or cause to be audited such books and records at such offices. Such audit will be conducted by Deloitte & Touche, or such other firm of independent accountants as may be selected by Maker and Holder (each acting reasonably). Costs of any such audit shall be paid by Holder unless the audit shows that Maker has understated the positive Theater Level Cash Flow of the Kapolei Cinema by more than three percent (3%), in which case Maker shall pay the entire reasonable cost of said audit. Holder shall keep any information gained from such audit confidential other than in litigation or arbitration between the parties.

(vii) If Holder disputes Maker's determination of the Kapolei Cinema Purchase Price, it shall deliver to Maker a statement notifying Maker of such dispute within thirty (30) days after its receipt of the Kapolei Adjusted Cash Flow Statement. If Holder notifies Maker of its acceptance of the Kapolei Adjusted

Cash Flow Statement, or if Holder fails to deliver its statement within the thirty (30) day period specified in the preceding sentence, Maker's determination of the Kapolei Cinema Purchase Price as set forth in the Kapolei Adjusted Cash Flow Statement shall be conclusive and binding on the parties as of the date of notification of such acceptance or the last day of the thirty (30) day period. Holder and Maker shall use good faith efforts to resolve any dispute involving the determination of the Kapolei Cinema Purchase Price. If the parties are unable to resolve the dispute within sixty (60) days after Maker delivers the Kapolei Adjusted Cash Flow Statement to Holder, the dispute shall be resolved by the Designated Arbitrator or the Replacement Arbitrator pursuant to the mechanism set forth in Section 2.2.3.4 of the APSA.

(viii) For illustrative purposes, the parties acknowledge and agree that the Theater Level Cash Flow of the Kapolei Cinema for the 12 month period ended June 28, 2007 was \$1,139,390.

(c) 2007 TLCF Adjustment.

(i) If the Theater Level Cash Flow (as defined in the APSA) of the Theaters (as defined in the APSA) for the 12 month period ended December 27, 2007 (the "2007 TLCF") is less than the aggregate amount of Eleven Million Two Hundred Thousand Dollars (\$11,200,000) (the "TLCF Threshold"), then the principal amount of this Note shall be reduced by (a) the amount by which the 2007 TLCF is less than the TLCF Threshold, multiplied by (b) seven; provided, however, that the amount by which the principal amount of this Note may be reduced pursuant to this Section 3(c) shall not exceed the sum of Six Million Two Hundred Fifty Thousand Dollars (\$6,250,000).

(ii) Not later than February 28, 2008, Holder shall deliver to Maker a Theater Level Cash Flow Report for the Theaters showing Holder's calculation of the 2007 TLCF (the "2007 Report"). The 2007 Report shall be prepared in accordance with GAAP (other than the exclusion of certain financial statements and the lack of footnote disclosures that are required by GAAP) and otherwise shall be in substantially in the form of the "Theater P&Ls" (as defined in the APSA).

(iii) Holder shall keep at Holder's principal executive offices located in California accurate and complete books and records that reflect the results of operations of the Theaters for the period covered by the 2007 Report. Maker shall have the right within thirty (30) days after receipt of the 2007 Report, upon not less than ten (10) days advance notice to Holder, to audit or cause

to be audited such books and records at such offices. Such audit will be conducted by Deloitte & Touche, or such other firm of independent accountants as may be selected by Maker and Holder (each acting reasonably). All of the costs of any such audit shall be paid by Maker, unless the audit shows that Holder has overstated the positive 2007 TLCF by more than three percent (3%), in which case Holder shall pay the entire reasonable cost of said audit. Maker shall keep any information gained from such audit confidential other than in litigation or arbitration between the parties.

(iv) If Maker disputes Holder's determination of the 2007 TLCF, it shall deliver to Holder a statement notifying Holder of such dispute within ninety (90) days after its receipt of the 2007 Report. If Maker notifies Holder of its acceptance of the 2007 Report, or if Maker fails to deliver its statement within the ninety (90) day period specified in the preceding sentence, Holder's determination of the 2007 TLCF as set forth in the 2007 Report shall be conclusive and binding on the parties as of the date of notification of such acceptance or the last day of the ninety (90) day period. Holder and Maker shall use good faith efforts to resolve any dispute involving the determination of the 2007 TLCF. If the parties are unable to resolve the dispute within one hundred twenty (120) days after Holder delivers the 2007 Report to Maker, the dispute shall be resolved by the Designated Arbitrator or the Replacement Arbitrator (each as defined in the APSA) pursuant to the mechanism set forth in Section 2.2.3.4 of the APSA.

(d) Outstanding Principal Balance Adjustment. On each anniversary date of the Closing Date (as defined in the APSA) occurring prior to the Maturity Date, commencing February 22, 2009, the principal amount of this Note shall be reduced by an amount equal to 0.5% of the average outstanding principal balance under Buyer's credit facilities with General Electric Capital Corporation and certain other lenders to be entered into at the Closing (as defined in the APSA) (the "GECC Facility") for the immediately preceding 12 month period; provided, however, that for purposes of this provision, the average outstanding principal balance of the GECC Facility will be calculated without taking into account (a) any principal amount outstanding on the GECC Facility in excess of \$50,000,000 or (b) any increase in the principal amount outstanding on the GECC Facility in any 12 month period from the average outstanding principal balance of the GECC Facility for the immediately preceding 12 month period. For example, if the average outstanding principal balance of the GECC Facility in any such 12 month period is \$40,000,000, the

principal balance of this Note shall be reduced by \$200,000 in respect of such 12 month period. Any reduction in the principal balance of this Note pursuant to this paragraph in respect of any such 12 month period shall be conditioned upon Maker's delivery to Holder of a certificate of RDI's Chief Financial Officer certifying as to the average outstanding principal balance of the GECC Facility for such 12 month period. Notwithstanding the foregoing, Maker shall be entitled to reductions of the principal balance of this Note only for so long as the GECC Facility is outstanding, and shall not be entitled to any further reductions in the principal balance of this Note from or after the repayment or refinancing of the GECC Facility or in respect of any other loan or credit facilities from any party. Maker represents and warrants to Holder that (i) RDI is, subject to certain limitations disclosed in writing to Holder on or prior to the date hereof, guaranteeing Buyer's obligations under the GECC Facility, and (ii) the interest rate spread payable under the GECC Facility has increased by 100 basis points from the interest rate spread initially committed, and Maker acknowledges and agrees that such representations and warranties are material inducements to Holder to agree to the provisions of this paragraph and of Section 4 of this Note.

(e) In the event of any adjustment in the principal amount of this Note as provided in Section 2.5 of the APSA or as set forth above, interest will be adjusted proportionally, as though such adjusted principal amount had been the initial principal amount of this Note. In the event that (i) a Competitive Cinema Project opens after the fourth anniversary of the date hereof or (ii) the Competitive Kapolei Cinema Project opens after the fourth anniversary of the date hereof and the Note is subject to adjustment under clause 3(b) (ii), above, then the Maturity Date will be extended for one year, in order to allow time for calculation of any adjustment to the principal amount of this Note and the accrued interest on such adjusted principal amount.

(f) In the event that payments of interest and principal on this Note shall have reduced the principal amount of, and the then accrued and unpaid interest on, this Note to an amount below the adjusted interest and principal, then Seller will repay such overpayment to Maker within 10 days after the determination thereof, together with interest thereon at the rate of 8.5% per annum, compounded quarterly in arrears. Any payments of interest made which are in excess of the amounts which should have been paid, had the principal amount of this Note been initially as so adjusted will be deemed to have been pre-payments of principal. Any repayment or payment obligation on the part of

Holder not timely made will bear interest at the Default Rate (as such term is defined below) until paid in full.

4. Covenant Support Loan. If, any time prior to the Maturity Date, Buyer is in breach or anticipates that it will likely be in breach of its financial covenants under the GECC Facility, but the additional infusion of equity capital into Buyer would cure or prevent such breach (a "Potential Covenant Breach"), Maker shall be permitted to borrow from Holder, and Holder commits to loan to Maker, the amount of Three Million Dollars (\$3,000,000) (the "Covenant Support Loan"). Holder shall not be obligated to make more than one Covenant Support Loan. The full amount of the Covenant Support Loan shall be added to the outstanding principal balance of this Note and shall be deemed part of the \$8,000,000 Portion. Holder's obligation to make the Covenant Support Loan shall be subject to the following conditions: (i) Maker shall deliver to Holder a written request for the Covenant Support Loan, which request shall be accompanied by reasonable evidence of the Potential Covenant Breach certified by RDI's Chief Financial Officer and shall be delivered to Holder not less than 45 days before the draw down date specified in such written request, and (ii) all of the proceeds of the Covenant Support Loan shall be used to pay down the GECC Facility within five business days after Maker's receipt of the Covenant Support Loan and Maker shall deliver reasonable evidence of the same to Holder within three business days after such payments are made on the GECC Facility. Notwithstanding the foregoing, Holder shall be obligated to make the Covenant Support Loan only for so long as RDI's guaranty of the GECC Facility is outstanding, and shall not be obligated to make the Covenant Support Loan from or after the earlier of the date on which such guaranty is terminated or released or the date on which the GECC Facility is repaid or refinanced.

5. Pledge Agreement. This Note is secured by a pledge and security agreement dated of even date herewith (the "Pledge Agreement").

6. Optional Prepayment. Maker may prepay this Note in full or in part, without premium or penalty, upon not less than ten (10) days' prior written notice to Holder. All payments received hereunder shall be applied first to any accrued but unpaid interest and the remainder to the unpaid principal balance. No prepayment permitted hereunder shall affect the obligation of Maker to pay as provided hereunder.

7. Reimbursement of Costs. Maker shall pay to Holder upon demand or reimburse Holder for all costs and expenses (including reasonable attorneys' fees) incurred by or on behalf of Holder following any "Defaults" (as defined below) in connection with the enforcement of the rights of Holder under this Note.

8. Default Interest. In the event of any failure to pay any installment of principal or interest under this Note when due, or after the occurrence of any other Default, and for so long as such Default continues regardless of whether or not there has been an acceleration of this Note, or if the outstanding principal balance hereof and all accrued interest are not paid in full on the Maturity Date (as the same may be accelerated pursuant to the terms of this Note), Maker shall thereafter pay interest on the principal balance of this Note from the date such installment of principal or interest was due, the

date of such Default or the Maturity Date, as the case may be, until the date on which any such installment is paid or such Default is cured, at a rate per annum (calculated for the actual number of days elapsed on the basis of a 365-day year), equal to the then current interest rate payable under this Note, plus five percent (5%) (the "Default Rate"), and all such accrued interest shall be paid in full as a condition precedent to the curing of such Default or the repayment of this Note in full; provided, however, that such interest rate shall in no event exceed the maximum interest rate which Maker may pay pursuant to applicable law.

9. Defaults Each of the following shall constitute defaults or breaches ("Defaults") under this Note by Maker:

(a) Failure to make any payment of principal or interest when due under this Note, or any breach by Maker of any other covenant contained in this Note, which failure or breach is not cured within five (5) calendar days after written notice thereof from Holder to Maker;

(b) Any breach of any representation or warranty of Maker contained in this Note, including, without limitation, any of the representations and warranties contained in Section 14 of this Note;

(c) The bankruptcy or insolvency of Maker or the making by Maker of an assignment for the benefit of creditors or the admission by Maker in writing of its inability to pay its debts generally as they become due, or the taking of action by Maker in furtherance of any such action, provided, however, that in the case of an involuntary bankruptcy petition filed against Maker, the same is not dismissed within sixty (60) calendar days; or the appointment of a receiver with respect to all or any part of Maker's property, where possession is not restored to Maker within sixty (60) calendar days;

(d) The occurrence of a "Change of Control" involving Maker. For purposes hereof, a "Change of Control" means any transaction or series of related transactions as a result of which: (i) any individual, entity or group (as the term "group" is defined in Section 13(d) of Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder) other than James J. Cotter and his heirs or any one or more of his or their respective affiliates (collectively, "Cotter") acquires direct or indirect beneficial ownership of securities of Maker representing more than fifty percent (50%) of the combined voting power of the then-outstanding securities of Maker; or (ii) Maker consummates a merger, reorganization or consolidation or sells all or substantially all of its assets (each such transaction being referred to as a "Transaction"), unless Cotter beneficially owns, directly or indirectly, immediately after the consummation of the Transaction, in the aggregate, at least fifty percent (50%) of the combined voting power of the then-outstanding securities of the entity surviving or resulting from such Transaction (such Transaction, an "Excepted Transaction"); or (iii) the dissolution or liquidation of Maker (each such occurrence being referred to as a "Dissolution Event"), unless Cotter beneficially owns, directly or indirectly, immediately after the occurrence of the Dissolution Event. In the aggregate, at least fifty percent (50%) of the combined voting power of the then-outstanding securities of the entity or entities to which the assets

and properties of Maker are distributed pursuant to such Dissolution Event. Notwithstanding the foregoing, no Transaction involving Maker and any Affiliate of Maker shall be deemed a Change of Control so long as Cotter beneficially owns, directly or indirectly, immediately after the consummation of the Transaction, in the aggregate, at least fifty percent (50%) of the combined voting power of the then-outstanding securities of the entity surviving or resulting from such Transaction; and

(e) So long as Holder is in compliance with its obligations under the Note, including its obligations under Section 4, above, the breach or default by Buyer of any of its material obligations under the GECC Facility, where such breach or default is not cured prior to the expiration of all applicable notice and cure periods;

(f) The occurrence of a "Default" (as such term is defined in the Pledge Agreement) under the Pledge Agreement;

Provided, however, that any Default under any one or more of clauses (b) through (f) above may be cured by a guarantee by RDI of Maker's obligations under this Note, in a form reasonably acceptable to Holder.

10. Remedies upon a Default. Upon the occurrence of any Default, and in addition to any other rights or remedies available to Holder under applicable law or otherwise, the entire principal balance and all accrued interest shall, at the option of Holder, become due and payable upon demand. Maker shall also pay all reasonable costs of collection in connection with the enforcement of this Note, including, without limitation, reasonable attorneys' fees incurred or paid by Holder on account of such collection, whether or not suit is filed. Failure by Holder to enforce any remedy granted to it hereunder shall not excuse any Default under this Note and no offset for claims for such noncompliance may be made against any payment due hereunder. Any pre-payment of this Note and any acceleration of this Note solely arising from a Default under Section 9(e) above shall not impact the adjustment provisions set forth in Section 3 above, which adjustment provisions shall survive any such pre-payment or acceleration.

11. Waivers. Except as otherwise provided in this Note, Maker waives all redemption rights of any nature, valuation and appraisal, presentment, protest and demand, notice of protest, demand and dishonor, and non-payment of this Note, and all other notices or demands in connection with the delivery, acceptance, performance or enforcement of this Note, in each case to the maximum extent permitted by law.

12. Non-Cumulative Remedies. The remedies of Holder under or by virtue of this Note shall be cumulative and non-exclusive, and may be exercised concurrently or consecutively at the option of Holder. No single or partial exercise of any power granted to Holder under this Note shall preclude any other or further exercise thereof or the exercise of any other power. No delay or omission on the part of Holder in exercising any right under this Note shall operate as a waiver of such right or of any other right.

13. Maximum Interest Rate. No provision of this Note shall be deemed to establish or require the payment of interest at a rate in excess of the maximum rate permitted by applicable law. In the event that the rate of interest required to be paid under this Note exceeds the maximum rate permitted by applicable law, any amounts paid in excess of such maximum shall be applied to reduce the unpaid principal balance hereunder and the rate of interest required hereunder shall be automatically reduced to the maximum rate permitted by applicable law.

14. Maker's Representations and Warranties. Maker hereby represents and warrants to Holder as follows, which representations and warranties shall survive the execution and delivery of this Note:

(a) Maker is a corporation duly formed and validly existing under the laws of the State of Nevada and qualified to do business in the State of California, and Maker has the requisite power to own its properties and assets and to enter into and perform its obligations under this Note;

(b) This Note has been duly authorized by all necessary action on the part of Maker;

(c) This Note constitutes the legally valid and binding obligation of Maker, enforceable against Maker in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, arrangement or similar laws affecting the enforcement of creditor's rights generally and general principles of equity, regardless of whether enforceability is considered in a proceeding in equity or law;

(d) The execution and delivery by Maker of this Note, the consummation of the transactions contemplated hereby, and the performance of the terms and conditions hereof by Maker, do not conflict with, result in a breach of or constitute a default under, any of the terms, conditions or provisions of (i) the organizational documents of Maker; (ii) any order, writ, judgment or decree by which Maker is bound or to which it is a party; (iii) any law, rule, regulation or restriction of any governmental authority or agency applicable to Maker; or (iv) any contract, commitment, indenture, instrument or other agreement by which Maker is bound or to which Maker is a party; and

(e) No consent or authorization of, filing with or other act by or in respect of any governmental authority, bureau or agency is required to be obtained or made by Maker in connection with the execution, delivery and performance of this Note.

15. Miscellaneous.

(a) Governing Law. This Note shall be governed by and construed and enforced in accordance with the laws of the State of California, regardless of the laws that might otherwise govern under applicable principles of conflicts of law of such state.

(b) Drafting. This Note has been jointly negotiated and drafted, and shall be construed as a whole according to its fair meaning and not strictly for or against any party.

(c) Further Assurances. Maker hereby agrees that it will, forthwith upon any reasonable request by Holder, cooperate fully in the preparation, execution, acknowledgement, delivery and recording of any agreements, instruments, memoranda or documents reflecting or in furtherance of any of the transactions contemplated by this Note.

(d) Section Headings. Section headings are provided herein for convenience only and shall not serve as a basis for interpretation or construction of this Note, nor as evidence of the intention of the parties hereto.

(e) Severability. If any provision of this Note as applied to either party or to any circumstance shall be adjudged by a court to be void or unenforceable, the same shall in no way affect any other provision of this Note, the application of any such provision in any other circumstances or the validity or enforceability of this Note as a whole.

(f) Reference. Except as otherwise expressly provided in this Note, any dispute of any nature or character whatsoever between the parties and arising under or with respect to this Note, or the subject matter hereof or thereof, shall be resolved by a proceeding in accordance with the provisions of California Code of Civil Procedure Section 638 et seq., for a determination to be made which shall be binding upon the parties as if tried before a court or jury. The parties agree specifically as to the following:

(i) Within five (5) Business Days after service of a demand by a party hereto, the parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and then report a finding or judgment thereon. If the parties are unable to agree upon a referee either party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640, by the presiding judge of the Los Angeles County Superior Court;

(ii) The compensation of the referee shall be such charge as is customarily charged by the referee for like services. The cost of such proceedings shall initially be borne equally by the parties. However, the prevailing party in such proceedings shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference as an item of damages and/or recoverable costs;

(iii) If a reporter is requested by either party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be borne by the party requesting such reporter. Such fees shall be an item of recoverable costs. Only a party shall be authorized to request a reporter;

(iv) The referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to

be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee;
(v) The referee's decision under California Code of Civil Procedure Section 644, shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California; and

(vi) The parties agree that they shall in good faith endeavor to cause any such dispute to be decided within four (4) months. The date of hearing for any proceeding shall be determined by agreement of the parties and the referee, or if the parties cannot agree, then by the referee. The referee shall have the power to award damages and all other relief.

For purposes of this Note, the term "Business Day" means Monday through Friday, excluding any day of the year on which banks are required or authorized to close in California.

(g) Time of the Essence. Time is hereby declared to be of the essence of this Note and every part hereof.

(h) Amendment. This Note may not be modified or changed except by written instruments signed by Holder and Maker.

(i) No Offset. All amounts due under this Note shall be payable to Holder, in lawful money of the United States of America, in currently available funds at the address for Holder set forth above (or to such other person or at such other place as Holder may from time to time designate in writing), without notice, demand, offset, deduction or setoff, other than with respect to any amounts which may be owed (i) by Seller to Maker under the APSA.

16. Assignment. This Note and the terms hereof shall bind Maker and its successors, but not shall not be assignable, in whole or in part, voluntarily or involuntarily, by Maker. Maker acknowledges that Holder shall have the right, in Holder's sole and absolute discretion, without or without notice, to sell and assign this Note or participation interests in this Note in such manner and on such terms and conditions as Note shall deem to be appropriate. Maker shall cooperate, and shall cause each indemnitor and other person or party associated or connected with this Note to cooperate in all respects with Holder in connection with any sale, assignment or participation, and shall, in connection therewith, execute and deliver such estoppel certificates, instruments and documents as may be reasonably requested by Holder.

(Signature contained on next page)

IN WITNESS WHEREOF, Maker has caused this Note to be executed and delivered as of the date first above written.

READING CONSOLIDATED HOLDINGS, INC,
a Nevada corporation

By: /s/ Andrzej Matczynski

Its: Chief Financial Officer

READING INTERNATIONAL, INC. – LISTING OF SUBSIDIARIES

AHGP, Inc.
AHLP, Inc.
Angelika Film Centers (Dallas), Inc.
Angelika Film Centers LLC
Angelika Film Centers (Plano), LP
Australia Country Cinemas Pty Ltd
Australian Equipment Supply Pty Ltd
Bayou Cinemas LP
Big 4 Farming LLC
Bogart Holdings Ltd
Burwood Developments Pty Ltd
Carmel Theatres, LLC
Citadel 57th Street, LLC
Citadel Agriculture, Inc.
Citadel Cinemas, Inc.
Citadel Realty, Inc.
Consolidated Amusement Holdings, Inc.
Consolidated Entertainment, Inc.
Copenhagen Courtenay Central Ltd
Courtenay Car Park Ltd
Craig Corporation
Darnelle Enterprises Ltd
Dimension Specialty, Inc.
Epping Cinemas Pty Ltd
Gaslamp Theatres, LLC
Hope Street Hospitality, LLC
Hotel Newmarket Pty Ltd
Landplan Property Partners New Zealand Ltd
Landplan Property Partners Pty Ltd
Liberty Live, LLC
Liberty Theaters, LLC
Liberty Theatricals, LLC
Minetta Live, LLC
Movieland Cinemas (NZ) Ltd
Newmarket Properties Pty Ltd
Newmarket Properties No. 2 Pty Ltd
Orpheum Live, LLC
Port Reading Railroad Company
Queenstown Land Holdings Ltd
Reading Arthouse Distribution Ltd
Reading Arthouse Ltd
Reading Auburn Pty Ltd
Reading Belmont Pty Ltd
Reading Bundaberg Pty Ltd
Reading Capital Corporation
Reading Center Development Corporation
Reading Charlestown Pty Ltd
Reading Cinemas Courtenay Central Ltd
Reading Cinemas Management Pty Ltd
Reading Cinemas NJ, Inc.
Reading Cinemas of Puerto Rico, Inc.
Reading Cinemas Pty Ltd
Reading Cinemas Puerto Rico LLC
Reading Cinemas USA LLC
Reading Colac Pty Ltd
Reading Company
Reading Consolidated Holdings, Inc.
Reading Courtenay Central Ltd
Reading Elizabeth Pty Ltd
Reading Entertainment Australia Pty Ltd
Reading Exhibition Pty Ltd
Reading Holdings, Inc.
Reading International Cinemas LLC
Reading Licenses Pty Ltd
Reading Malulani Pty Ltd
Reading Malulani, LLC
Reading Malulani Properties, LLC
Reading Melton Pty Ltd
Reading Moonee Ponds Pty Ltd
Reading New Zealand Ltd
Reading Pacific LLC
Reading Properties Pty Ltd
Reading Property Holdings Pty Ltd
Reading Queenstown Ltd
Reading Real Estate Company
Reading Rouse Hill Pty Ltd
Reading Royal George, LLC
Reading Sunbury Pty Ltd
Reading Theaters, Inc.
Reading Wellington Properties Ltd
Rhodes Peninsula Cinema Pty Ltd
Rialto Brands Ltd
Rialto Cinemas Ltd
Rialto Distribution Ltd

Rialto Entertainment Ltd
Ronwood Investments Ltd
Rydal Equipment Co.
Sutton Hill Properties, LLC
Tobrooke Holdings Ltd
Trans-Pacific Finance Fund I, LLC
Trenton-Princeton Traction Company
Twin Cities Cinemas, Inc.
US Development, LLC
US International Property Finance Pty Ltd
Washington and Franklin Railway Company
Westlakes Cinema Pty Ltd
The Wilmington and Northern Railroad Company

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-36277 on Form S-8 of our reports relating to the consolidated financial statements and financial statement schedule of Reading International, Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*) and on the effectiveness of internal control over financial reporting dated March 28, 2008, appearing in the Annual Report on Form 10-K of Reading International, Inc. for the year ended December 31, 2007.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
March 28, 2008

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-36277) of Reading International, Inc. of our report dated February 11, 2008 relating to the financial statements of 205-209 East 57th Street Associates, L.L.C., which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York
March 28, 2008

Consent of Independent Auditors

The Management Committee and Joint Venturers
Mt. Gravatt Cinemas Joint Venture:

We consent to the incorporation by reference in the registration statement No. 333-36277 on Form S-8 of Reading International, Inc., of our report dated March 13, 2008, with respect to the balance sheet of Mt. Gravatt Cinemas Joint Venture as of December 31, 2007, and the related income statement, statement of changes in members' equity, and statement of cash flows for the year ended December 31, 2007, which report appears in the December 31, 2007, annual report on Form 10-K of Reading International, Inc.

KPMG
Sydney, Australia

March 27, 2008

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Cotter, certify that:

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

/s/ James J. Cotter
James J. Cotter
Chief Executive Officer
March 28, 2008

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrzej Matyczynski, certify that:

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

/s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer
March 28, 2008

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2007 (the "Report"), I, James J. Cotter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James J. Cotter
James J. Cotter
Chief Executive Officer
March 28, 2008

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Annual Report of Reading International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2007 (the "Report"), I, Andrzej Matyczynski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrzej Matyczynski
Andrzej Matyczynski
Chief Financial Officer
March 28, 2008

