
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): September 19, 2005

Reading International, Inc.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction
of Incorporation)

1-8625
(Commission
File Number)

95-3885184
(IRS Employer
Identification No.)

500 Citadel Drive, Suite 300, Commerce, California
(Address of Principal Executive Offices)

90040
(Zip Code)

Registrant's telephone number, including area code **(213) 235-2240**

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into Material Definitive Agreement.

On September 19, 2005, we completed the last element of a tax deferred exchange under Section 1031 of the Internal Revenue Code, pursuant to which we:

- Sold to an unrelated third party on May 17, 2005 our interest in our Brand Blvd office building located in Glendale, California for \$21.0 million (providing net cash of \$10.3 million),
- Acquired from an unrelated third party on June 1, 2005 the fee interest in the land and the landlord's interest in the ground lease underlying the Cinemas 1, 2 & 3 located in Manhattan for \$12.3 million, and
- Acquired from Sutton Hill Capital LLC ("SHC") on September 19, 2005, its tenant's interest in the ground lease underlying the Cinemas 1, 2 & 3 for \$9.0 million.

SHC also owns the building and improvements in which the Cinemas 1, 2 & 3 are located. We currently occupy that building and those improvements through a previously disclosed operating lease with option to purchase. We did not acquire the building and improvements as a part of our exchange transaction. Rather, in connection with the SHC element of the transaction, we granted to SHC a license to maintain its building and improvements on the property for a period of time, while taking back an option to acquire that building and those improvements for \$100,000. The operating lease has been amended to reflect our acquisition of SHC's interest as tenant under the ground lease, by reducing the rent provided for under that operating lease by the sum of (i) \$61,875 per month (representing 8.25% of \$9.0 million) and (ii) all pass-through obligations under the ground lease and by reducing the exercise price under the option to purchase included in that operating lease by \$9.0 million.

The \$9.0 million purchase price paid to SHC was paid in the form of an installment sale note, bearing interest at 8.25%, payable interest only quarterly in arrears, all principal and accrued but unpaid interest due and payable on December 31, 2010. The installment sale note is unsecured, but has been guaranteed by our parent company, Reading International, Inc.

As a result of the exchange transaction and subject to our exercise for \$100,000 of our right to acquire the building and improvements, we have in effect exchanged our interest in the Brand office building for the land and improvements constituting the Cinemas 1, 2 & 3. Our basis in those assets, for book purposes, is currently \$21.3 million. Based on a recent third party appraisal, we believe this property to be worth not less than \$27.5 million.

Our decision to sell the Brand Blvd was influenced by the fact that the lease to the Walt Disney Company covering approximately 87% of that building is due to expire in

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January 2007 and by the fact that the transaction enabled us to acquire control of all of the various estates comprising the Cinemas 1, 2 & 3 property.

SHC is beneficially owned, on a 50/50 basis, by James J. Cotter (our Chairman, Chief Executive Officer and controlling shareholder) and Michael Forman (who owns approximately 8% of our outstanding Class A Nonvoting Common Stock). As previously disclosed in our report on Form 10-K for the year ended December 31, 2004, we have 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 Messrs. Cotter and Forman to acquire, at cost, up to a 25% non-managing membership interest in the limited liability company that we formed to acquire these interests. That option has not yet been documented, as the final terms of that option have not yet been agreed.

Item 9.01 Financial Statements and Exhibits

- 10.53 Contract of Sale between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC dated as of September 19, 2005
 - 10.54 Installment Sale Note dated as of September 19, 2005
 - 10.55 Guaranty by Reading International, Inc. dated as of September 1, 2005
 - 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
 - 10.57 License and Option Agreement between Sutton Hill Properties, LLC and Sutton Hill Capital L.L.C. dated as of September 19, 2005
 - 10.58 Second Amendment to Amended and Restated Master Operating Lease dated as of September 1, 2005
 - 10.59 Letter from James J. Cotter dated August 11, 2005 regarding liens
 - 10.60 Letter amending effective date of transaction to September 19, 2005
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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 hereunto duly authorized.

READING INTERNATIONAL, INC.

Date: September 20, 2005

By: /s/ Andrzej Matyczynski

Name: Andrzej Matyczynski
Title: Chief Financial Officer

CONTRACT OF SALE

SUTTON HILL CAPITAL L.L.C.

SELLER

SUTTON HILL PROPERTIES, LLC

PURCHASER

Premises: 1001-1007 Third Avenue
New York, NY

Date: September 19, 2005

CONTRACT OF SALE

CONTRACT OF SALE dated as of the 19th day of September, 2005 between SUTTON HILL CAPITAL L.L.C., a New York limited liability company, having an office at 120 North Robertson Blvd., 3rd Floor, Los Angeles, CA 90048 ("Seller") and SUTTON HILL PROPERTIES, LLC, a Nevada limited liability company, having an office at c/o Reading International Inc. 500 Citadel Drive, Suite 300, Commerce, CA 90040 ("Purchaser").

WITNESSETH:

WHEREAS, Seller is the tenant under a certain ground lease dated February 9, 1961 between Andrew C. Mayer, Berna L. Osnos, Francis M. Perlman and Richard Heller, Frances H. Cahen and Phillis H. Rosenthal, as Trustees under the Last Will and Testament of Isaac S. Heller, deceased, as landlord (the "Landlord"), and Turtle Bay Theatre Corporation, as tenant, as assigned from Cinema 5 Ltd. to Sutcin Holding Corp. by assignment dated as of December 31, 1984, and further assigned from Sutcin Holding Corp. to Sutton Hill Associates by assignment dated as of July 3, 1986 and from Sutton Hill Associates to Sutton Hill Capital, L.L.C. by assignment dated as of July 28, 2000, and as amended by Agreement dated June 1, 2005 (collectively, the "Lease"), covering certain premises located at 1001-1007 Third Avenue, New York, New York, as more particularly set forth in the Lease (the "Premises"). The landlord's interest under the Lease is now owned by Purchaser; and

WHEREAS, Seller desires to sell and assign to Purchaser and Purchaser desires to acquire from Seller all of Seller's right, title and interest as Tenant under the Lease (the "Leasehold Interest"), pursuant to the terms and conditions hereinafter set forth,

NOW, THEREFORE, in consideration of the mutual promises herein contained it is agreed:

1. Purchase and Sale; No Merger of Estates.

Subject to the terms and conditions of this Contract, Seller hereby agrees to sell, transfer, assign and convey the Leasehold Interest to Purchaser and Purchaser agrees to acquire

the Leasehold Interest from Seller. In no event shall Purchaser's acquisition of the Leasehold Interest result in a merger of the fee and leasehold estates in and to the Premises, it being the express intention of Purchaser that each of such estates shall remain separate and distinct. Neither the preceding sentence nor the inclusion of non-merger language in the Assignment/Assumption (as hereinafter defined) shall be deemed to impose any obligation or liability upon Seller, except that Seller will not take a position that is inconsistent with Purchaser's intention not to effectuate a merger of such estates in any dispute or other matter that may arise. Purchaser acknowledges that it is not acquiring any of Seller's fee interest in and to the building situated on the premises (the "Building").

2. Purchase Price.

The purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Leasehold Interest is NINE MILLION DOLLARS (\$9,000,000.00) payable by Purchaser's execution and delivery to Seller of a Purchase Money Installment Sale Note in the form annexed hereto as **Exhibit A** (the "Note"). Purchaser's obligations under the Note shall be guaranteed by Reading International, Inc. ("RDI") pursuant to a guaranty in the form annexed hereto as **Exhibit B** (the "Guaranty"). RDI has joined in the execution of this Contract solely to confirm that it shall, at Closing (as hereinafter defined) execute and deliver the Guaranty to Seller at Closing.

3. Closing.

Closing shall be held at the offices of Marcus Rosenberg & Diamond LLP, 488 Madison Avenue, New York, New York concurrently with the execution hereof (the "Closing" or "Closing Date").

4. Seller's Deliveries at Closing.

Purchaser's obligations under this Contract are subject to Seller's delivery to Purchaser, at the Closing, of the following, all of which Seller hereby agrees to deliver at Closing:

- (i) An Assignment of the Lease, duly executed and acknowledged by Seller, in the form annexed hereto as **Exhibit C** (the "Lease Assignment/Assumption");

- (ii) The original counterparts of all of the documents comprising the Lease, together with all tax bills and other documents required under or in connection with the Lease;
- (iii) The License and Option Agreement in the form annexed hereto as **Exhibit D**, duly executed by Seller (the "License/Option Agreement");
- (iv) An affidavit under Section 1445 of the Internal Revenue Code, confirming that Seller is not a non-resident alien and providing the other information required therein to permit Purchaser not to withhold any portion of the Purchase Price;
- (v) Transfer and other tax returns and other filings required with respect to this transaction under any law, duly executed and acknowledged by Seller, as may be required by law;
- (vi) A resolution signed by Seller's managers, authorizing the execution and delivery of all of the documents and the payment of all sums required in order to effectuate the Closing;
- (vii) Any and all documents and instruments, duly executed and, if required, acknowledged by Seller, necessary in order to record the Lease Assignment/Assumption;
- (viii) Such truthful affidavits, certifications or other documents as Purchaser's title insurance company may reasonably require in order to issue a policy of title insurance to Purchaser; and
- (ix) Such other and further documents or instruments, reasonably necessary or appropriate with respect to the transaction embodied in this Contract.

If Seller fails to deliver any or all of the foregoing documents or instruments to Purchaser at Closing, Purchaser shall have the right to terminate this Contract on notice to Seller, whereupon Purchaser shall have no further obligation or liability under this Contract, but Seller shall remain liable to Purchaser and Purchaser shall have the right to exercise all of its remedies

available at law or in equity arising from Seller's default.

5. Purchaser's Closing Obligations; No Assumption of Liabilities (Except Lease).

At the Closing, Purchaser shall:

- (i) Execute and deliver the Note to Seller;
- (ii) Cause RDI to execute and deliver the Guaranty to Seller;
- (iii) Duly execute and acknowledge the Lease Assignment/Assumption. Seller acknowledges that, other than the assumption of all of Seller's obligations as tenant under the Lease, Purchaser shall not, directly or indirectly, assume any of Seller's obligations. Purchaser agrees that the Lien Law covenant contained in the Lease Agreement/Assignment shall only apply to the cost of improvements performed by Seller or by any contractor, agent, employee or other party retained or engaged by Seller to perform any improvement;
- (iv) Duly execute and deliver the License/Option Agreement to Seller;
- (v) Duly execute and acknowledge any and all transfer tax returns and other returns and filings required to be executed by Purchaser with respect to this transaction, and deliver certified or bank cashier's checks payable to the appropriate taxing or other governmental authorities in full payment of any and all transfer taxes payable with respect to this transaction;
- (vi) Deliver to Seller a resolution signed by Purchaser's managing members, authorizing the execution and delivery of all of the documents and the payment of all sums required in order to effectuate the Closing;
- (vii) Pay to Seller's attorneys their reasonable attorneys' fees incurred in connection with this Contract and a prior transaction involving the Premises, in the aggregate amount of \$77,019.25, as reflected in its attorneys' invoices, a copy of which shall be delivered to Purchaser at Closing; and
- (viii) Deliver such other and further documents or instruments, reasonably

necessary or appropriate with respect to the transaction embodied in this Contract.

If Purchaser fails to deliver any or all of the foregoing documents or instruments to Seller at Closing, Seller shall have the right to terminate this Contract on notice to Purchaser, whereupon Seller shall have no further obligation or liability under this Contract, but Purchaser shall remain liable to Seller and Seller shall have the right to exercise all of its remedies available at law or in equity arising from Purchaser's default

6. Conditions to Purchaser's Obligations.

The obligations of Purchaser under this Contract shall be subject to the fulfillment of the conditions set forth below, except to the extent waived in writing by Purchaser:

(i) Seller shall have complied in all respects with all of the terms, covenants and conditions required by this Contract to be complied with by it and shall have delivered all of the instruments and documents required for Closing, as hereinabove set forth;

(ii) All of Seller's representations and warranties set forth herein shall be true in all material respects as of the date of Closing;

(iii) The Lease shall be in full force and effect pursuant to its terms and there shall have been no notice of default given or sent to Seller, as tenant thereunder, and no event shall have occurred thereunder which could give the Landlord the right to give notice of any default thereunder or to terminate the Lease. If any notice to cure or notice of default is sent to Seller, Seller shall take or shall cause to be taken such action as may be necessary to comply with such notice and cure such default prior to Closing; and

(iv) Title to the Leasehold Interest shall be free and clear of all liens and encumbrances and Purchaser's title company shall be prepared to issue to Purchaser a policy of leasehold title insurance subject only to such matters as Purchaser has agreed to accept as exceptions to title.

If any of the foregoing conditions are not satisfied as of the Closing in any material respect, Purchaser shall have the right to terminate this Contract on notice to Seller,

whereupon Purchaser shall have no further obligation or liability under this Contract but Seller shall remain liable provided to Purchaser and Purchaser shall have the right to exercise all of its remedies available at law or in equity arising from Seller's default; provided, however, that Seller's liability with respect to matters of title shall be as stated in Section 9 of this Contract.

7. Conditions to Seller's Obligations.

The obligations of Seller under this Contract shall be subject to the fulfillment of the conditions set forth below, except to the extent waived in writing by Seller:

(i) Purchaser shall have complied in all material respects with all of the terms, covenants and conditions required by this Contract to be complied with by it and shall have delivered all of the instruments and documents required for Closing, as hereinabove set forth; and

(ii) All of Purchaser's representations and warranties set forth herein shall be true in all material respects as of the date of Closing;

If any of the foregoing conditions are not satisfied as of the Closing in any material respect, Seller shall have the right to terminate this Contract on notice to Purchaser, whereupon Seller shall have no further obligation or liability under this Contract but Purchaser shall remain liable to Seller and Seller shall have the right to exercise all of its remedies available at law or in equity arising from Purchaser's default.

8. Closing Adjustments.

At Closing, rent under the Lease shall be prorated between the parties on a per diem basis (based upon a 365 day year and the actual number of days in any month, quarter or half year) as of 11:59 p.m. of the day immediately preceding the date of Closing. The provisions of this Section and any errors or omissions in the making of closing adjustments shall survive the Closing.

9. Title.

If the Leasehold Interest is affected by any lien, encumbrance or other matter affecting title to the Leasehold Interest, subject to which Purchaser is unwilling to take title under this Contract (collectively, "Title Defects"), Seller shall use its commercially reasonable efforts to

remove or satisfy the same. If, despite such efforts, Seller shall be unable to convey title in accordance with the provisions of this Contract, or if the fee title to the Premises is affected by any lien, encumbrance or other matter that could (a) prevent or interfere with Purchaser's use or occupancy of the Premises, (b) diminish the value of the Leasehold Interest or any other portion of the Premises, (c) impose any obligation or liability upon Purchaser (other than those as tenant under the Lease), or (d) result in the forfeiture or termination of the Lease by foreclosure or otherwise (except for any mortgage with respect to which Purchaser shall have received a non-disturbance agreement in form satisfactory to Purchaser), Purchaser shall have the option of either (i) terminating this Contract on notice to Seller, whereupon neither party shall have any further rights or obligations hereunder, or (ii) waiving any objection and proceeding to the Closing, in which event Purchaser shall accept title in such condition as Seller may convey, or (iii) as otherwise agreed by the parties.

10. Intentionally Omitted

11. Condemnation.

(A) If, prior to Closing, the Premises or any portion thereof is taken by any public or quasi-public authority under the power of condemnation, eminent domain, expropriation or conveyance in lieu thereof (collectively, a Taking"), or if notice of any Taking shall be given by any public or quasi-public authority, Seller shall promptly notify Purchaser thereof and Purchaser shall have the option of either:

(i) terminating this Contract on notice to Seller, in which event neither party shall have any further rights or obligations hereunder; or

(ii) proceeding with the Closing, in which event Seller shall assign and pay over to Purchaser any and all condemnation awards or rights to receive any of the foregoing as a result of such Taking, as the case may be, and this Contract shall remain in full force and effect.

(B) In the event of a Taking prior to Closing, resulting in the termination of the Lease, this Contract shall automatically be deemed terminated and neither party shall have any further rights or liabilities hereunder.

12. Representations and Warranties.

(A) Seller represents and warrants:

(i) Seller is a limited liability company duly organized and in good standing under the laws of the State of New York. This Contract and all transactions required hereunder to be performed by Seller have been duly and validly authorized and approved by all necessary action on the part of Seller's members and managers. This Contract has been duly and validly executed and delivered on behalf of Seller by its duly authorized managers.

(ii) The Lease consists only of the documents annexed as **Exhibit D**; the Lease for the Premises, is in full force and effect and has not been modified, amended or extended; all rent, additional rent and other charges reserved in the Lease have been paid, to the extent payable to the date hereof, and will be paid to the extent then payable at Closing; and Seller has received no notice to cure, notice of default or any similar notice under the Lease, which has not been cured and that no condition or state of facts exists except for notices which Purchaser has received as a tenant which, but for the giving of notice or the passage of time, could constitute a default of Seller thereunder or give the lessor thereto the right to terminate the Lease. Seller is the sole owner of the Leasehold Interest, free and clear of all liens, encumbrances, restrictions and claims, except as shown on the title report issued by Chicago Title Insurance Company for this transaction, as amended (the "Title Report"), and any other matters disclosed by the title company.

(iii) There are no leases, subleases or any other agreements, oral or written, granting any rights of possession, rights of purchase or rights of first refusal with respect to the Premises except for (aa) the Lease, (bb) Seller's ownership of the building and certain improvements on the Premises and (cc) the Master Operating Lease dated July 28, 2000, as amended, between Seller, as Landlord, and Citadel Cinemas, Inc., as Tenant ("Citadel") covering the building and improvements on the Premises ("Sublease").

(iv) The consummation of the transaction contemplated hereunder by Seller will not violate or conflict with or result in the breach of any conditions or constitute any default under any contracts, liens, mortgages, agreements or instruments to which Seller is a party

or which affect, or purport to affect, the Premises or the Leasehold Interest, or result in the creation or imposition of any liens, charges or encumbrances upon the Premises or the Leasehold Interest.

(v) Seller has not received notice of any mechanic's liens, materialmen's liens or tax liens filed against the Premises or the Leasehold Interest, except for the NYC Tax Warrant disclosed in the Title Report.

(vi) Seller has not received notice and has no knowledge of any pending or threatened Taking; there are no commitments made by Seller to any governmental or quasi-governmental authority or other third party or parties to dedicate or grant any portion of the Premises for public use or to incur any other obligations or expenses in respect thereof.

(vii) Seller has not filed nor has there been filed against it a bankruptcy or insolvency proceeding, or petition for arrangement or reorganization, whether under state or federal law. No action by any governmental authority or agency is necessary to make this Contract a valid instrument binding upon Seller.

(viii) There is not at present any action, proceeding, suit or claim pending or, to Seller's knowledge, threatened against, affecting or pertaining to the Premises (collectively, the "Claims"), nor does Seller have knowledge of any basis for the assertion of same, except as set forth in the Title Report.

All of Seller's representations and warranties contained in this Section shall be deemed restated as of the Closing Date.

(B) Purchaser represents and warrants:

(i) Purchaser is a limited liability company duly organized and in good standing under the laws of the State of Nevada. This Contract and all transactions required hereunder to be performed by Purchaser have been duly and validly authorized and approved by all necessary action on the part of Purchaser's members and managers; this Contract has been duly and validly executed on behalf of Purchaser by its duly authorized managing member.

(ii) Purchaser has not filed nor, to Purchaser's knowledge, has there been filed against it a bankruptcy or insolvency proceeding, or petition for arrangement or

reorganization, whether under state or federal law. No action by any governmental authority or agency is necessary to make this Contract a valid instrument binding upon Purchaser.

(iii) The consummation of the transaction contemplated hereunder by Purchaser will not violate or conflict with or result in the breach of any conditions or constitute any default under any contracts, liens, mortgages, agreements or instruments to which Purchaser is a party.

(iv) Purchaser has no knowledge of any claim that it would presently have against Seller, as landlord under the Lease or any knowledge of the basis for the assertion of any such claim.

All of Purchaser's representations and warranties contained in this Section shall be deemed restated as of the Closing Date.

(C) RDI, by signing below, represents and warrants that RDI is a corporation duly authorized and in good standing under the laws of the State of Nevada. The execution and delivery of the Guaranty pursuant to this Contract has been duly and validly authorized and approved by all necessary action on the part of RDI's Board of Directors; the Guaranty has been duly and validly executed and delivered on behalf of RDI by its duly authorized officer.

13. Broker

Seller and Purchaser each represents that it has dealt with no broker in connection with this transaction.

14. Default; Remedies; Attorneys' Fees

(A) If either party shall default in the performance of its obligations under this Contract and if such default shall continue after fifteen (15) days notice from the other party, such other party shall be entitled to exercise such remedies as may be available at law or in equity including, without limitation (if Purchaser is such other party), specific performance.

(B) In the event any dispute arises between Seller and Purchaser with respect to any default under this Contract, the prevailing party in any litigation shall be entitled to reimbursement from the other party in such dispute of its reasonable attorneys' fees incurred in connection therewith.

15. Notices.

All notices, requests, consents and other communications required or permitted to be delivered hereunder (collectively, "notices") shall be in writing and shall be deemed valid only if delivered (a) by registered or certified mail, return receipt requested, postage prepaid, or (b) by next-business day delivery by FedEx, U.P.S. or U.S. priority overnight mail, to Purchaser, at its address set forth above with a copy to Purchaser's counsel at Marcus Rosenberg & Diamond LLP, 488 Madison Avenue, New York, New York 10022, Attention: Jeffrey M. Diamond, Esq. or to Seller, at its address set forth above with a copy to Seller's counsel at De Castro, West, Chodorow, Glickfeld & Nass, Inc., Fourteenth Floor East, 10960 Wilshire Boulevard, Los Angeles, California 90024-3881, Attention: Menasche Nass, Esq.. Either party hereto may, from time to time, designate any other address to which such notice, request, consent or other communication addressed to it shall be sent. All notices shall be deemed given on the date of delivery or refusal to accept delivery. Counsel for either party may give notices to the other party with the same effect as if given by the party and may extend time periods set forth in this Contract on its client's behalf.

16. 1031 Exchange.

Purchaser shall retain the option, exercisable on or at any time prior to the Closing Date, to include the Leasehold Interest in an exchange of real properties (including, without limitation, a deferred exchange in accordance with the provisions of Section 1031 of the Internal Revenue Code of 1986, as amended). Seller expressly acknowledges and agrees that Purchaser may transfer or assign this Contract and/or Purchaser's rights hereunder to a third party, including, without limitation, a Qualified Intermediary, in order to facilitate any such tax-free exchange; provided that Purchaser shall remain liable to Seller for all of Purchaser's obligations, covenants, representations and warranties pursuant to the terms hereof. Seller agrees to fully cooperate with

Purchaser in any such exchange and to execute such documents and agreements as Purchaser (or any other party to such exchange) may reasonably require, without assuming any liability thereunder or incurring any additional costs.

17. Miscellaneous.

(A) The parties hereto agree that this Contract shall be governed by and construed according to the laws of the State of New York.

(B) In the event any one or more provisions contained in the Contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, this Contract shall otherwise remain in full force and effect, shall be unaffected thereby and shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

(C) This Contract constitutes the entire agreement between the parties and supersedes any prior understandings or agreements, written or oral, between the parties concerning the Leasehold Interest.

(D) This Contract shall not be altered, changed, modified or amended except by instrument in writing, signed by the parties hereto.

(E) In the event of any ambiguity or dispute with respect to this Contract, no inference, presumption or conclusion shall be drawn against Purchaser by virtue of Purchaser having drafted this Contract.

(F) This Contract may be signed in any number of counterparts, each of which shall be an original, but all shall constitute one agreement; and it shall be sufficient if each party hereto signs any such counterpart.

(G) All of Seller's and Purchaser's obligations and liabilities under this Contract shall survive Closing. All of Seller's and Purchaser's representations and warranties under this Contract shall survive for two (2) years after the Closing.

(H) The granting of any right or remedy to any party under this Contract shall not be deemed to preclude the exercise by such of any other right or remedy available at law or in equity, unless expressly precluded by the terms of this Contract.

(I) Any provision of this Contract that refers to “attorneys’ fees” shall be deemed to include fees and disbursements.

IN WITNESS WHEREOF, this Contract has been duly executed by the parties hereto on the date first above written.

SUTTON HILL CAPITAL L.L.C.

By: /s/ James J. Cotter

James J. Cotter
Manager

By: /s/ Michael R. Forman

Michael R. Forman
Manager

SUTTON HILL PROPERTIES, LLC

By: /s/ S. Craig Tompkins

S. Craig Tompkins
Title: President

READING INTERNATIONAL, INC. has signed below to confirm its agreement to execute and deliver the Guaranty at Closing and to confirm its warranty and representation under Section 12 (C) hereof.

READING INTERNATIONAL, INC.

By: /s/ S. Craig Tompkins

S. Craig Tompkins
Title: Director — Business Affairs
Federal ID No.: 95-3885184

LIST OF EXHIBITS

- Exhibit A** - **Note**
- Exhibit B** - **Guaranty**
- Exhibit C** - **Assignment and Assumption of Lease**
- Exhibit D** - **Documents comprising Lease**

EXHIBIT A
PURCHASE MONEY
INSTALLMENT SALE NOTE

\$9,000,000.00

September 19, 2005

FOR VALUE RECEIVED, the undersigned, SUTTON HILL PROPERTIES, LLC, a Nevada limited liability company, having an office at c/o Reading International, Inc., 500 Citadel Drive, Suite 300, Commerce, CA 90040 (the "Borrower"), hereby gives this purchase money installment sale note and promises, in consideration for the purchase of the tenant's interest under a certain ground lease dated February 9, 1961 between Andrew C. Mayer, Berna L. Osnos, Francis M. Perlman and Richard Heller, Frances H. Cahen and Phillis H. Rosenthal, as Trustees under the Last Will and Testament of Isaac S. Heller, deceased, as landlord (the "Landlord"), and Turtle Bay Theatre Corporation, as tenant, as subsequently assigned, covering certain premises located at 1001-1007, New York, New York, to pay to the order of SUTTON HILL CAPITAL L.L.C., its successors or assigns (the "Lender") at Lender's office at 120 North Robertson Blvd., 3rd Floor, Los Angeles, CA 90048, or to such other address as Lender may from time-to-time designate, the sum of **Nine Million and 00/100 (\$9,000,000.00) Dollars**, on December 31, 2010 together with interest thereon, payable in arrears, at the rate of **eight and one quarter percent (8.25%)** per annum, as follows:

Except as set forth below in the event of any partial prepayment of this Note, payments of interest only in the amount of **Sixty One Thousand Eight Hundred Seventy-Five and 00/100 (\$61,875.00) Dollars**, shall be due and payable commencing on **October 1, 2005** and on the first day of each and every month thereafter, to and including **December 1, 2010**. The entire principal balance of this Note, together with all accrued and unpaid interest thereon, shall be due and payable on **December 31, 2010**.

Borrower is executing and delivering this Note to Lender in payment of the purchase price under a Contract of Sale between Lender, as Seller, and Borrower, as Purchaser, dated **September 1, 2005**, with respect to the tenant's estate under a Ground Lease for premises at 1001-1007 Third Avenue, New York, New York (the "Contract").

Lender shall have the right to surrender this Note to Borrower at any time prior to **December 31, 2010**, whereupon Borrower shall, at Lender's direction, issue two new notes, on the same terms as this Note (but only as to payments that shall not have been made under this Note prior to the date of surrender) in the aggregate principal amount of **Nine Million and 00/100 (\$9,000,000.00) Dollars**, to Lender's designated assignees.

In the event any payment due under this Note is not paid when due, and such failure continues for five (5) days after notice to Borrower (provided that no such notice shall be required more than once in any twelve-month period) then, without limiting any of Lender's other rights and remedies, Borrower shall pay to Lender (a) a late payment charge in an amount equal to one and one-half percent (1-1/2%) of any such payment not received by the due date, and (b) interest upon

any such late payment, from the date such payment was due until the date payment is made, at a rate equal to the lesser of (a) 16% per annum or (b) the highest rate of interest then allowed by the laws of the State of New York (such lesser rate is defined as the "Default Rate"). All computation of interest shall be calculated on the basis of the actual number of days elapsed over a year of 360 days.

In the event any payment due under this Note is not paid when due and such failure continues for ten (10) days after notice to Borrower, Lender may declare the principal amount of this Note and all accrued but unpaid interest thereon to be immediately payable.

If Borrower defaults under this Note after notice and expiration of applicable grace period and Lender obtains a money judgment against Borrower with respect thereto, Lender shall have the right, on notice to Borrower, to offset against any monetary obligations owed by Lender to Borrower all or any portion of the amount of said judgment. Any such offset shall reduce Borrower's liability under said judgment to the extent of said offset.

Borrower's obligations to the Lender under this Note have been guaranteed by Reading International, Inc.

Borrower agrees to pay all reasonable costs and expenses incurred by Lender in order to enforce the obligations of Borrower hereunder including, but not limited to, reasonable attorneys' fees and expenses, whether or not litigation is commenced.

This Note may not be amended, and compliance with its terms may not be waived, orally or by course of dealing, but only by a writing signed by Lender and Borrower. Any extension of time granted by Lender shall not release Borrower or constitute a waiver of any payment obligation, or otherwise diminish the rights and remedies of Lender.

No failure on the part of Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to Lender or allowed it by law or other agreement shall be cumulative and not exclusive of any other right, remedy or power and may be exercised by Lender at any time and from time to time.

Every provision of this Note is intended to be severable; if any term or provision of this Note shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

The Borrower hereby waives presentment, demand, protest and notice of protest, non-payment or dishonor of this Note and any other notices unless specifically provided for herein. Notices shall be sent in accordance with the notice provisions set forth in the Contract.

The provisions of this Note shall be construed and interpreted, and all rights and obligations

hereunder determined, in accordance with the laws of the State of New York.

Borrower waives the right to trial by jury in any action or proceeding based upon, arising out of or in any way connected to this Note or the transaction in connection with which this Note is executed.

SUTTON HILL PROPERTIES, LLC

By: _____
Name: S. Craig Tompkins
Title: President

EXHIBIT B

GUARANTY

GUARANTY by READING INTERNATIONAL, INC., a Nevada corporation, having its principal office at 500 Citadel Drive, Suite 300, Commerce, CA 90040 ("Guarantor"), which term shall be deemed to include Reading International, Inc. and its successors and assigns, dated the 1st day of September, 2005, in favor of Sutton Hill Capital L.L.C. ("Lender", which term shall be deemed to include Sutton Hill Capital L.L.C. and its successors and assigns).

WHEREAS, Sutton Hill Properties, LLC ("Borrower", which term shall be deemed to include Sutton Hill Properties, LLC and its successors and assigns) has this day executed and delivered a Purchase Money Installment Sale Note to Lender in the principal amount of \$9,000,000.00 ("Note") in connection with Borrower's purchase of a leasehold interest under a lease covering premises located at 1001-1007 Third Avenue, New York, New York; and

WHEREAS, in order to induce Lender to accept the Note in payment of the purchase price for such leasehold interest, Guarantor has agreed to guarantee Borrower's obligations thereunder;

NOW THEREFORE, for good and valuable consideration, Guarantor hereby agrees as follow:

1. Guarantor hereby guarantees to Lender, absolutely and unconditionally, the full and timely payment and performance of all of Borrower's obligations and liabilities under the Note.
2. This Guaranty is absolute and unconditional. This Guaranty shall be enforceable against Guarantor without the necessity of any suit or proceeding on Lender's part of any kind or nature whatsoever against Borrower and without the necessity of any notice of nonpayment, nonperformance or non-observance and any other notice unless specifically provided for herein, and without the necessity of presentment, notice, protest or demand, all of which Guarantor hereby expressly waives. Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected, diminished or impaired by reason of (a) the assertion or the failure to assert by Lender against Borrower of any of the rights or remedies reserved to Lender pursuant to the terms, covenants and conditions of the Note, or (b) any non-liability of Borrower under the Note, whether by insolvency, discharge in bankruptcy or any other defect or defense which may now or hereafter exist in favor of Borrower.
3. This Guaranty shall be a continuing Guaranty, and the liability of Guarantor hereunder shall in no way be affected, modified or diminished by reason of (a) any assignment, renewal, modification, amendment or extension of the Note, or (b) any modification or waiver of or change in any of the terms, covenants and conditions of the Note, or (c) any extension of time that may be granted by Lender to Borrower, (d) any consent, indulgence or other action, inaction or omission under or in respect of the Note, or (e) any dealings or transactions or matter or thing occurring between Lender and Borrower, or (f) any bankruptcy, insolvency, reorganization, liquidation, arrangement, assignment for the benefit of creditors, receivership, trusteeship or

similar proceeding affecting Borrower, whether or not notice thereof or of any thereof is given to Guarantor.

4. No delay on the part of Lender in exercising any right, power or privilege under this Guaranty or failure to exercise the same shall operate as a waiver of or otherwise affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

5. No waiver or modification of any provision of this Guaranty or any termination of this Guaranty shall be effective unless in writing, signed by Lender; nor shall any such waiver be applicable except in the specific instance for which given.

6. All of Lender's rights and remedies under the Note or this Guaranty are intended to be distinct, separate and cumulative. No exercise or partial exercise of any such right or remedy therein or herein mentioned or resort to any other security is intended to be in exclusion of or a waiver of any of any of Guarantor's obligations or liabilities under this Guaranty or the Note.

7. Guarantor agrees that it will, at any time and from time to time, within ten (10) business days following written request by Lender, execute, acknowledge and deliver to Lender a statement certifying that this Guaranty is unmodified and in full force and effect (or if there has been any modification, that the same is in full force and effect as modified).

8. Guarantor covenants and agrees that in any action or proceeding brought on, under or by virtue of this Guaranty, Guarantor shall and does hereby waive trial by jury. Without regard to principles of conflicts of laws, the validity, interpretation, performance and enforcement of this Guaranty shall be governed by and construed in accordance with the laws of the State of New York.

9. As used herein, the term "successors and assigns" shall be deemed to include the heirs, legal representatives, successors and assigns of Lender, Borrower and Guarantor, as the case may be. All terms and words used in this Guaranty, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. This Guaranty shall be binding upon Guarantor and its successors and assigns and shall inure to the benefit of Lender and its successors and assigns.

10. If Guarantor fails to pay any amount payable under this Guaranty when due, interest on such amount shall accrue at a rate equal to the lesser of (a) 16% per annum or (b) the highest rate of interest then allowed by the laws of the State of New York.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

11. Guarantor shall pay to Lender, upon demand, all costs and expenses incurred by Lender in order to enforce the provisions of the Note and this Guaranty including, but not limited to, reasonable attorneys' fees and expenses, whether or not litigation is commenced.

IN WITNESS WHEREOF, the undersigned has duly executed this Guaranty this 1st day of September, 2005.

READING INTERNATIONAL, INC.

By: _____
S. Craig Tompkins
Title: Director – Business Affairs

STATE OF)
) ss.:
COUNTY OF)

On _____, 2005, before me, the undersigned, personally appeared **S. Craig Tompkins**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (ies), and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

EXHIBIT C

ASSIGNMENT AND ASSUMPTION OF LEASE

AGREEMENT made as of this 1st day of September, 2005, between SUTTON HILL CAPITAL L.L.C., a New York limited liability company, having an office at 120 North Robertson Blvd., 3rd Floor, Los Angeles, CA 90048 ("Assignor") and SUTTON HILL PROPERTIES, LLC, a Nevada limited liability company, having an office at c/o Reading International Inc., 500 Citadel Drive, Suite 300, Commerce, CA 90040 ("Assignee").

WHEREAS, the Assignor is the tenant under a ground lease dated February 9, 1961 between Assignee, as successor-in-interest to Andrew C. Mayer, Berna L. Osnos, Francis M. Perlman and Richard Heller, Frances H. Cahen and Phillis H. Rosenthal, as Trustees under the Last Will and Testament of Isaac S. Heller, deceased, as landlord (the "Landlord"), and Turtle Bay Theatre Corporation, as tenant, a Memorandum of which was recorded in the Office of the City Register, New York County (the "Office") on August 14, 1961, in liber 5159, cp 151, as assigned by Cinema 5 Ltd. to Sutcin Holding Corp. by assignment dated as of December 31, 1984, recorded in the Office on February 26, 1985 in reel 880, page 1155, by Sutcin Holding Corp. to Sutton Hill Associates by unrecorded assignment dated as of July 3, 1986 and by Sutton Hill Associates to Assignor by Assignment dated July 28, 2000, and recorded on September 19, 2000 in reel 3160, page 2497, and as amended by Extension and Modification of Lease Agreement dated as of June 1, 2005 between Assignee's predecessor-in-interest and Assignor, a Memorandum of which was recorded in the Office on June 10, 2005 under CRFN 2005000338999 (collectively, the "Lease"), covering the parcel of land located at 1001-1007 Third Avenue, New York, New York, as more particularly set forth on Exhibit A annexed hereto (the "Premises").

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable considerations, receipt of which is hereby acknowledged, the Assignor hereby assigns, conveys and transfers to the Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the Lease.

TO HAVE AND TO HOLD the same unto the Assignee, its successors and assigns, from this day forward for the remainder of the term of the Lease, as same may be modified or extended.

Assignee hereby assumes the performance of all the terms, covenants and conditions of the Lease on the part of the tenant arising after the date hereof.

It is the intention of the parties hereto that, notwithstanding Assignee's ownership of the fee interest of the Premises and of the Landlord's interest under the Lease, the assignment and assumption of Assignee's interest, as tenant under the Lease, shall not result in a merger of the fee and leasehold estates in and to the Premises, and that the Lease shall remain in full force and effect.

Assignor shall indemnify, defend and hold harmless Assignee from and against any liability, claim, damage or expense (including, without limitation, reasonable attorneys' fees) arising or accruing on or prior to the date hereof under, with respect to or in connection with any obligation of Tenant under the Lease, except for any liability, claim, damage or expense resulting from the acts or omissions of Assignee or its affiliate, Citadel Cinemas, Inc. ("Citadel") or their respective contractors and any obligations assumed by Citadel under the Master Operating Lease dated July 28, 2000, as amended between Assignor as Landlord and Citadel as Tenant (the "Citadel Lease"). Notwithstanding anything to the contrary set forth herein, the Assignor's indemnity obligations are limited to those in the existing Citadel Lease and have not been expanded.

Assignee shall indemnify, defend and hold harmless Assignor from and against any liability, claim, damage or expense (including, without limitation, reasonable attorneys' fees) arising or accruing after the date hereof under, with respect to or in connection with any obligation of Tenant under the Lease, except for any such liability, claim, damage or expense (a) arising under any agreement between Assignor and Assignee with respect to the Premises or any document executed pursuant to any such agreement or (b) resulting from the acts or omissions of Assignor or its agents, employees, contractors, subtenants (other than Citadel) or licensees.

Assignor, in compliance with Section 13 of the Lien Law, covenants that it will receive the consideration for this conveyance and will hold the right to receive such consideration

as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the Assignor and the Assignee have duly executed this instrument the day and year first above written.

SUTTON HILL CAPITAL L.L.C.

By: _____
James J. Cotter
Manager

By: _____
Michael R. Forman
Manager

SUTTON HILL PROPERTIES, LLC

By: _____
S. Craig Tompkins
Title:
Federal ID No.: 20-1163759

EXHIBIT D

Provided Separately

**PURCHASE MONEY
INSTALLMENT SALE NOTE**

\$9,000,000.00

September 19, 2005

FOR VALUE RECEIVED, the undersigned, SUTTON HILL PROPERTIES, LLC, a Nevada limited liability company, having an office at c/o Reading International, Inc., 500 Citadel Drive, Suite 300, Commerce, CA 90040 (the "Borrower"), hereby gives this purchase money installment sale note and promises, in consideration for the purchase of the tenant's interest under a certain ground lease dated February 9, 1961 between Andrew C. Mayer, Berna L. Osnos, Francis M. Perlman and Richard Heller, Frances H. Cahen and Phillis H. Rosenthal, as Trustees under the Last Will and Testament of Isaac S. Heller, deceased, as landlord (the "Landlord"), and Turtle Bay Theatre Corporation, as tenant, as subsequently assigned, covering certain premises located at 1001-1007, New York, New York, to pay to the order of SUTTON HILL CAPITAL L.L.C., its successors or assigns (the "Lender") at Lender's office at 120 North Robertson Blvd., 3rd Floor, Los Angeles, CA 90048, or to such other address as Lender may from time-to-time designate, the sum of **Nine Million and 00/100 (\$9,000,000.00) Dollars**, on December 31, 2010 together with interest thereon, payable in arrears, at the rate of **eight and one quarter percent (8.25%)** per annum, as follows:

Except as set forth below in the event of any partial prepayment of this Note, payments of interest only in the amount of **Sixty One Thousand Eight Hundred Seventy-Five and 00/100 (\$61,875.00) Dollars**, shall be due and payable commencing on **October 1, 2005** and on the first day of each and every month thereafter, to and including **December 1, 2010**. The entire principal balance of this Note, together with all accrued and unpaid interest thereon, shall be due and payable on **December 31, 2010**.

Borrower is executing and delivering this Note to Lender in payment of the purchase price under a Contract of Sale between Lender, as Seller, and Borrower, as Purchaser, dated **September 1, 2005**, with respect to the tenant's estate under a Ground Lease for premises at 1001-1007 Third Avenue, New York, New York (the "Contract").

Lender shall have the right to surrender this Note to Borrower at any time prior to **December 31, 2010**, whereupon Borrower shall, at Lender's direction, issue two new notes, on the same terms as this Note (but only as to payments that shall not have been made under this Note prior to the date of surrender) in the aggregate principal amount of **Nine Million and 00/100 (\$9,000,000.00) Dollars**, to Lender's designated assignees.

In the event any payment due under this Note is not paid when due, and such failure continues for five (5) days after notice to Borrower (provided that no such notice shall be required more than once in any twelve-month period) then, without limiting any of Lender's other rights and remedies, Borrower shall pay to Lender (a) a late payment charge in an amount equal to one and one-half percent (1-1/2%) of any such payment not received by the due date, and (b) interest upon any such late payment, from the date such payment was due until the date payment is made, at a rate equal to the lesser of (a) 16% per annum or (b) the highest rate of interest then allowed by the laws of the State of New York (such lesser rate is defined as the "Default Rate"). All computation of interest shall be calculated on the basis of the actual number of days elapsed over a year of 360 days.

In the event any payment due under this Note is not paid when due and such failure continues for ten (10) days after notice to Borrower, Lender may declare the principal amount of this Note and all accrued but unpaid interest thereon to be immediately payable.

If Borrower defaults under this Note after notice and expiration of applicable grace period and Lender obtains a money judgment against Borrower with respect thereto, Lender shall have the right, on notice to Borrower, to offset against any monetary obligations owed by Lender to Borrower all or any portion of the amount of said judgment. Any such offset shall reduce Borrower's liability under said judgment to the extent of said offset.

Borrower's obligations to the Lender under this Note have been guaranteed by Reading International, Inc.

Borrower agrees to pay all reasonable costs and expenses incurred by Lender in order to enforce the obligations of Borrower hereunder including, but not limited to, reasonable attorneys' fees and expenses, whether or not litigation is commenced.

This Note may not be amended, and compliance with its terms may not be waived, orally or by course of dealing, but only by a writing signed by Lender and Borrower. Any extension of time granted by Lender shall not release Borrower or constitute a waiver of any payment obligation, or otherwise diminish the rights and remedies of Lender.

No failure on the part of Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right, remedy or power hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy or power.

Each and every right, remedy and power hereby granted to Lender or allowed it by law or other agreement shall be cumulative and not exclusive of any other right, remedy or power and may be exercised by Lender at any time and from time to time.

Every provision of this Note is intended to be severable; if any term or provision of this Note shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

The Borrower hereby waives presentment, demand, protest and notice of protest, non-payment or dishonor of this Note and any other notices unless specifically provided for herein. Notices shall be sent in accordance with the notice provisions set forth in the Contract.

The provisions of this Note shall be construed and interpreted, and all rights and obligations hereunder determined, in accordance with the laws of the State of New York.

Borrower waives the right to trial by jury in any action or proceeding based upon, arising out of or in any way connected to this Note or the transaction in connection with which this Note is executed.

SUTTON HILL PROPERTIES, LLC

By: /s/ S. Craig Tompkins

Name: S. Craig Tompkins

Title: President

GUARANTY

GUARANTY by READING INTERNATIONAL, INC., a Nevada corporation, having its principal office at 500 Citadel Drive, Suite 300, Commerce, CA 90040 ("Guarantor"), which term shall be deemed to include Reading International, Inc. and its successors and assigns, dated the 1st day of September, 2005, in favor of Sutton Hill Capital L.L.C. ("Lender", which term shall be deemed to include Sutton Hill Capital L.L.C. and its successors and assigns).

WHEREAS, Sutton Hill Properties, LLC ("Borrower", which term shall be deemed to include Sutton Hill Properties, LLC and its successors and assigns) has this day executed and delivered a Purchase Money Installment Sale Note to Lender in the principal amount of \$9,000,000.00 ("Note") in connection with Borrower's purchase of a leasehold interest under a lease covering premises located at 1001-1007 Third Avenue, New York, New York; and

WHEREAS, in order to induce Lender to accept the Note in payment of the purchase price for such leasehold interest, Guarantor has agreed to guarantee Borrower's obligations thereunder;

NOW THEREFORE, for good and valuable consideration, Guarantor hereby agrees as follow:

1. Guarantor hereby guarantees to Lender, absolutely and unconditionally, the full and timely payment and performance of all of Borrower's obligations and liabilities under the Note.
 2. This Guaranty is absolute and unconditional. This Guaranty shall be enforceable against Guarantor without the necessity of any suit or proceeding on Lender's part of any kind or nature whatsoever against Borrower and without the necessity of any notice of nonpayment, nonperformance or non-observance and any other notice unless specifically provided for herein, and without the necessity of presentment, notice, protest or demand, all of which Guarantor hereby expressly waives. Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected, diminished or impaired by reason of (a) the assertion or the failure to assert by Lender against Borrower of any of the rights or remedies reserved to Lender pursuant to the terms, covenants and conditions of the Note, or (b) any non-liability of Borrower under the Note, whether by insolvency, discharge in bankruptcy or any other defect or defense which may now or hereafter exist in favor of Borrower.
 3. This Guaranty shall be a continuing Guaranty, and the liability of Guarantor hereunder shall in no way be affected, modified or diminished by reason of (a) any assignment, renewal, modification, amendment or extension of the Note, or (b) any modification or waiver of or change in any of the terms, covenants and conditions of the Note, or (c) any extension of time that may be granted by Lender to Borrower, (d) any consent, indulgence or other action, inaction or omission under or in respect of the Note, or (e) any dealings or transactions or matter or thing occurring between Lender and Borrower, or (f) any bankruptcy, insolvency, reorganization, liquidation, arrangement, assignment for the benefit of creditors, receivership, trusteeship or similar proceeding affecting Borrower, whether or not notice thereof or of any thereof is given to Guarantor.
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4. No delay on the part of Lender in exercising any right, power or privilege under this Guaranty or failure to exercise the same shall operate as a waiver of or otherwise affect any such right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

5. No waiver or modification of any provision of this Guaranty or any termination of this Guaranty shall be effective unless in writing, signed by Lender; nor shall any such waiver be applicable except in the specific instance for which given.

6. All of Lender's rights and remedies under the Note or this Guaranty are intended to be distinct, separate and cumulative. No exercise or partial exercise of any such right or remedy therein or herein mentioned or resort to any other security is intended to be in exclusion of or a waiver of any of any of Guarantor's obligations or liabilities under this Guaranty or the Note.

7. Guarantor agrees that it will, at any time and from time to time, within ten (10) business days following written request by Lender, execute, acknowledge and deliver to Lender a statement certifying that this Guaranty is unmodified and in full force and effect (or if there has been any modification, that the same is in full force and effect as modified).

8. Guarantor covenants and agrees that in any action or proceeding brought on, under or by virtue of this Guaranty, Guarantor shall and does hereby waive trial by jury. Without regard to principles of conflicts of laws, the validity, interpretation, performance and enforcement of this Guaranty shall be governed by and construed in accordance with the laws of the State of New York.

9. As used herein, the term "successors and assigns" shall be deemed to include the heirs, legal representatives, successors and assigns of Lender, Borrower and Guarantor, as the case may be. All terms and words used in this Guaranty, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. This Guaranty shall be binding upon Guarantor and its successors and assigns and shall inure to the benefit of Lender and its successors and assigns.

10. If Guarantor fails to pay any amount payable under this Guaranty when due, interest on such amount shall accrue at a rate equal to the lesser of (a) 16% per annum or (b) the highest rate of interest then allowed by the laws of the State of New York.

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11. Guarantor shall pay to Lender, upon demand, all costs and expenses incurred by Lender in order to enforce the provisions of the Note and this Guaranty including, but not limited to, reasonable attorneys' fees and expenses, whether or not litigation is commenced.

IN WITNESS WHEREOF, the undersigned has duly executed this Guaranty this 1st day of September, 2005.

READING INTERNATIONAL, INC.

By: /s/ S. Craig Tompkins
S. Craig Tompkins
Title: Director — Business Affairs

STATE OF)
) ss.:
COUNTY OF)

On _____, 2005, before me, the undersigned, personally appeared **S. Craig Tompkins**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (ies), and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

ASSIGNMENT AND ASSUMPTION OF LEASE

AGREEMENT dated as of the 19th day of September, 2005, between SUTTON HILL CAPITAL L.L.C., a New York limited liability company, having an office at 120 North Robertson Blvd., 3rd Floor, Los Angeles, CA 90048 ("Assignor") and SUTTON HILL PROPERTIES, LLC, a Nevada limited liability company, having an office at c/o Reading International Inc., 500 Citadel Drive, Suite 300, Commerce, CA 90040 ("Assignee").

WHEREAS, the Assignor is the tenant under a ground lease dated February 9, 1961 between Assignee, as successor-in-interest to Andrew C. Mayer, Berna L. Osnos, Francis M. Perlman and Richard Heller, Frances H. Cahen and Phillis H. Rosenthal, as Trustees under the Last Will and Testament of Isaac S. Heller, deceased, as landlord (the "Landlord"), and Turtle Bay Theatre Corporation, as tenant, a Memorandum of which was recorded in the Office of the City Register, New York County (the "Office") on August 14, 1961, in liber 5159, cp 151, as assigned by Cinema 5 Ltd. to Sutcin Holding Corp. by assignment dated as of December 31, 1984, recorded in the Office on February 26, 1985 in reel 880, page 1155, by Sutcin Holding Corp. to Sutton Hill Associates by unrecorded assignment dated as of July 3, 1986 and by Sutton Hill Associates to Assignor by Assignment dated July 28, 2000, and recorded on September 19, 2000 in reel 3160, page 2497, and as amended by Extension and Modification of Lease Agreement dated as of June 1, 2005 between Assignee's predecessor-in-interest and Assignor, a Memorandum of which was recorded in the Office on June 10, 2005 under CRFN 2005000338999 (collectively, the "Lease"), covering the parcel of land located at 1001-1007 Third Avenue, New York, New York, as more particularly set forth on Exhibit A annexed hereto (the "Premises").

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable considerations, receipt of which is hereby acknowledged, the Assignor hereby assigns, conveys and transfers to the Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the Lease.

TO HAVE AND TO HOLD the same unto the Assignee, its successors and assigns, from this day forward for the remainder of the term of the Lease, as same may be modified or extended.

Assignee hereby assumes the performance of all the terms, covenants and conditions of the Lease on the part of the tenant arising after the date hereof.

It is the intention of the parties hereto that, notwithstanding Assignee's ownership of the fee interest of the Premises and of the Landlord's interest under the Lease, the assignment and assumption of Assignee's interest, as tenant under the Lease, shall not result in a merger of the fee and leasehold estates in and to the Premises, and that the Lease shall remain in full force and effect.

Assignor shall indemnify, defend and hold harmless Assignee from and against any liability, claim, damage or expense (including, without limitation, reasonable attorneys' fees) arising or accruing on or prior to the date hereof under, with respect to or in connection with any obligation of Tenant under the Lease, except for any liability, claim, damage or expense resulting from the acts or omissions of Assignee or its affiliate, Citadel Cinemas, Inc. ("Citadel") or their respective contractors and any obligations assumed by Citadel under the Master Operating Lease dated July 28, 2000, as amended between Assignor as Landlord and Citadel as Tenant (the "Citadel Lease"). Notwithstanding anything to the contrary set forth herein, the Assignor's indemnity obligations are limited to those in the existing Citadel Lease and have not been expanded.

Assignee shall indemnify, defend and hold harmless Assignor from and against any liability, claim, damage or expense (including, without limitation, reasonable attorneys' fees) arising or accruing after the date hereof under, with respect to or in connection with any obligation of Tenant under the Lease, except for any such liability, claim, damage or expense (a) arising under any agreement between Assignor and Assignee with respect to the Premises or any document executed pursuant to any such agreement or (b) resulting from the acts or omissions of Assignor or its agents, employees, contractors, subtenants (other than Citadel) or licensees.

Assignor, in compliance with Section 13 of the Lien Law, covenants that it will receive the consideration for this conveyance and will hold the right to receive such consideration as

a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the Assignor and the Assignee have duly executed this instrument the day and year first above written.

SUTTON HILL CAPITAL L.L.C.

By: /s/ James J. Cotter

Name: James J. Cotter

Title: Manager

By: /s/ Michael R. Forman

Name: Michael R. Forman

Title: Manager

SUTTON HILL PROPERTIES, LLC

By: /s/ S. Craig Tompkins

Name: S. Craig Tompkins

Title: President

Federal ID No.: 20-1163759

STATE OF)
) ss.:
COUNTY OF)

On _____, 2005, before me, the undersigned, personally appeared **James J. Cotter**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (ies), and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF)
) ss.:
COUNTY OF)

On _____, 2005, before me, the undersigned, personally appeared **Michael R. Forman**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (ies), and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF)
) ss.:
COUNTY OF)

On _____, 2005, before me, the undersigned, personally appeared **S. Craig Tompkins**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (ies), and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

LICENSE AND OPTION AGREEMENT

THIS AGREEMENT, dated as of the 19th day of September, 2005 by and between SUTTON HILL PROPERTIES, LLC, a Nevada limited liability company, having an office at c/o Reading International Inc. 500 Citadel Drive, Suite 300, Commerce, CA 90040 (the "Licensor"), and SUTTON HILL CAPITAL L.L.C., a New York limited liability company, having an office at 120 North Robertson Blvd., 3rd Floor, Los Angeles, CA 90048 (the "Licensee").

RECITALS:

A. Licensor owns the fee interest in the land described on **Exhibit A** annexed hereto (the "Land") and has this day acquired the tenant's interest under a certain ground lease described on **Exhibit B** annexed hereto (the "Ground Lease") with respect to premises known as 1001-1007 Third Avenue, New York, New York.

B. Licensee is the owner of the building and of all improvements presently located on the Land other than those belonging to Licensor's affiliate, Citadel Cinemas, Inc. (such building and improvements owned by Licensee are collectively, the "Improvements").

C. Licensee has leased the Improvements to Citadel Cinemas, Inc. for a term expiring May 31, 2010, subject to extension as provided in the Master Operating Lease between Licensee and Citadel Cinemas, Inc. dated July 28, 2000, as amended (the "Citadel Lease").

D. Licensor is willing to grant Licensee a license to allow the Improvements to remain on the Land subject to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. **Grant of License.** Licensor hereby grants a license to Licensee to permit the Improvements to remain on the Land during the term of and subject to the terms of this Agreement. Licensee agrees that it is licensing the Land for such purpose "AS-IS" and without warranty or representation of any kind, including any implied warranty for habitability or fitness for any particular purpose.

2. **Term.** The term of this Agreement shall commence on the date hereof (the "Commencement Date") and end on December 31, 2010 or on such earlier date as the Term shall expire in accordance with the terms of this Agreement (such earlier date is called the "Expiration Date"). If the term of the Master Lease is extended, the Term of this Agreement shall be extended to correspond with the term of the Master Lease. Notwithstanding the above, Licensor shall have the right at any time, upon not less than six months' notice to the Licensee, to terminate this license, in which event Licensor will pay to Licensee a termination fee equal to \$100,000 in consideration of the termination of this License prior to the expiration of its term.

In the event of any such termination, Licensee will have the right, but not the obligation, to remove any and all of the Improvements and any other property of the Licensee from the Land, prior to the end of such six-month period. Any such Improvement or other property of the Licensee not removed by the end of such six-month period, will be deemed abandoned, and may be dealt with by the Licensor as it may, in its sole and absolute discretion, determine. Under such circumstances, Licensee shall have no further right, title or interest in or to the Improvements any other property or any other improvements that may have existed or thereafter may exist on the Land, without the need of executing any deed or other document.

3. **No License Fee.** The parties acknowledge and agree that there is and shall be no license fee separate and apart from the mutual promises and other good and valid consideration given pursuant to this Agreement.

4. **No Obligations.** Licensor shall have no obligations of any kind to Licensee at any time during the term of this Agreement, other than as set forth in this Agreement.

5. **Indemnity.** Licensee agrees to hold harmless and indemnify Licensor against all cost and expense resulting from its maintenance of the Improvements on the Land, other than those liabilities resulting from the acts or omissions of Licensor or its affiliates (including, without limitation to any obligations, Citadel Cinemas, Inc. has under the Citadel Lease). Notwithstanding anything to the contrary set forth herein, Licensee's indemnity obligations above are limited to those in the existing Citadel Lease and have not been expanded.

6. **End of Term.** Upon the Expiration Date, Licensee, at its option, shall either (a) have removed the Improvements prior to such Date, or (b) quit and surrender to Licensor the Improvements, in which event (i.e., if Licensee elects option (b)) Licensor shall pay to Licensee, in consideration of the surrender of the Improvements, the sum of \$100,000.00 and Licensee shall convey the Improvements to Licensor by Bargain and Sale Deed with Covenants, together with all transfer tax returns and other documents required to record such Deed. Licensor shall pay, by certified or bank cashier's checks payable as required by law, all transfer taxes due with respect to such conveyance. If, upon the Expiration Date or upon the closing after exercise of the Option (as hereinafter defined), the Citadel Lease is still in effect, Licensee's covenant against Grantor's acts set forth in the deed shall not expressly refer to the Citadel Lease but Licensor releases Licensee from any claim arising from the omission of such reference in said deed. Notwithstanding anything to the contrary set forth in this Agreement, if, on or before the Expiration Date, Licensee shall have not removed the Improvements and shall have not conveyed the Improvements to Licensor in accordance with this Agreement, such Improvements and any other property of Licensee will be deemed abandoned, and may be dealt with by the Licensor as it may, in its sole and absolute discretion. Under such circumstances, Licensee shall have no further right, title or interest in or to the Improvements any other property or any other improvements that may have existed or thereafter may exist on the Land, without the need of executing any deed or other document.

7. **Option to Purchase.** Licensee hereby grants to Licensor the option to purchase the Improvements (the "Option") for \$100,000.00 (the "Option Sum"). Licensor shall have the right to transfer, pledge or hypothecate the Option at any time or from time-to-time

without Licensee's consent. The Option may be exercised at any time on not less than three (3) months' notice to Licensee, provided that Licensor shall have decided (i) to construct new improvements on the Land or (ii) to remodel the Improvements or (iii) to sell all or any interest in the Land. Notice of exercise of the Option shall be deemed conclusive evidence of such decision. The closing of the conveyance of the Improvements to Licensor shall take place on a business day not more than 120 days after Licensor exercises the Option and at such location as, in each case, Licensor may designate in the notice exercising the Option. At closing, Licensee shall convey the Improvements to Licensor by Bargain and Sale Deed with Covenants and shall execute and deliver all transfer tax returns and other documents required to record the Deed. Licensor shall pay, by certified or bank cashier's checks, payable as required by law, all transfer taxes due with respect to such conveyance. Upon such closing, the license granted hereby shall immediately terminate.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be sent to the respective parties in the manner and at the addresses set forth in the Contract. Either party may designate a different address by the giving of notices described above.

9. **Broker.** Licensor and Licensee each represents and warrants that it knows of no person who is entitled to a real estate brokerage commission or finder's fee in connection with the execution of this License or the creation of the license created by this Agreement and Licensor and Licensee each agrees to indemnify the other against and hold it harmless from all liability arising from any claim by any party alleging that it dealt with the indemnifying party.

10. **Subordination.** This Agreement and all of Licensee's rights hereunder are subject and subordinate to the lien of any ground or superior lease now or hereafter affecting the Land or any portion thereof (collectively, "Superior Leases"), and the lien of all mortgages which may now or hereafter affect the Land or any portion thereof (collectively, "Senior Mortgage") and to all renewals, modifications, amendments, consolidations, replacements or extensions of any of the foregoing. This clause shall be self-operative and no further instrument of subordination shall be required. However, in confirmation of such subordination, Licensee, at any time and from time to time, shall execute promptly and within fifteen (15) business days of such request any certificate and document that Licensor may reasonably request which evidences such subordination, provided that in no event shall Licensee be required to assume any recourse debt. Upon Licensor's request, at any time and from time to time, Licensee shall provide Licensor or its designee with an estoppel certificate with respect to this Agreement and the subject matter hereof as Licensor may reasonably request. In the event of any termination of this License and/or loss of ownership of the Improvements due to the exercise by any landlord of its rights under any Superior Lease or by any mortgagee of its rights under any Senior Mortgage, then Licensor shall be deemed to have exercised its option to acquire the Improvements and shall immediately pay to Licensor the amount of \$100,000.00, and Licensee shall execute and deliver to such party as the holder of such Mortgage or Lease or its designee may direct a Deed without covenants against grantor's acts, and other documents referred to in Sections 6 and 7 hereof. Under such circumstances, Licensee shall not be required to pay any transfer taxes with respect to such conveyance.

11. **License Not Lease.** This Agreement shall be deemed a license and in no event shall it be deemed a lease.

12. **Waiver of Jury Trial.** Licensee hereby waives trial by jury in any action or proceeding arising out of or in any way connected with this Agreement.

13. **Cooperation.** Licensee shall cooperate with Licensor as Licensor may reasonably require, from time-to-time, in connection with any proposed construction of new improvements on the Land including, without limitation, granting such easements and entering into such covenants and restrictions or other agreements with respect to the Land and Improvements as Licensor may reasonably request, provided that in no event shall Licensee be required to assume any recourse debt or pay any sum owed to Licensor's contractors.

14. **Miscellaneous.**

a. If any of the provisions of this Agreement shall for any reason be held to be invalid, unenforceable or illegal in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein.

b. The waiver by either party of the performance of any covenant, condition or promise shall not invalidate this Agreement nor shall it be considered a waiver of any other covenant, condition or promise contained herein. The waiver by either party of the time for performing any other act or an identical act required to be performed at a later time shall not be considered a waiver of the obligations to perform such later act on a timely basis.

c. The exercise of any remedy provided in this Agreement shall not be deemed a waiver of any remedy provided by law, and the provisions of this Agreement for any other remedy shall not exclude any other remedy unless such remedy is expressly excluded herein.

d. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Licensee may not, however, assign the Agreement without Licensor's prior written consent. A transfer of 50% or more of the ownership interests of Licensee, whether occurring in one transaction or a series of transactions, shall be deemed an assignment.

e. This Agreement may be modified only in writing, signed by the parties hereto.

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f. This Agreement contains the entire agreement between Licensee and Licensor and supersedes all prior agreements, whether oral or written with respect to its subject matter. No additions or modifications of any term or provision shall be effective unless set forth in writing, and signed by Licensor and Licensee.

IN WITNESS WHEREOF, the parties have executed and caused this Agreement to be executed as of the day and year first written above.

SUTTON HILL PROPERTIES, LLC

By: /s/ S. Craig Tompkins

S. Craig Tompkins

Title: President

SUTTON HILL CAPITAL, L.L.C.

By: /s/ James J. Cotter

James J. Cotter

Manager

By: /s/ Michael R. Forman

Michael R. Forman

Manager

Second Amendment to Amended and Restated
Master Operating Lease

This Second Amendment to Amended and Restated Master Operating Lease is entered into as of this 1st day of September, 2005, by and between Sutton Hill Capital, LLC, (as "Landlord") and Citadel Cinemas, Inc. (as "Tenant"), with reference to the following facts:

WHEREAS, Landlord and Tenant initially entered into a Master Operating Lease with respect to four properties on July 28, 2000 (the "Original Master Operating Lease");

WHEREAS, that Master Operating Lease was amended and restated on January 29, 2002, to reflect the release from the Master Operating Lease of that certain cinema property commonly known as the Murray Hill Theater (the "Amended and Restated Master Operating Lease");

WHEREAS, the Amended and Restated Master Operating Lease was amended on October 22, 2003, by an Omnibus Amendment Agreement to reflect the release from the Amended and Restated Master Operating Lease of that certain cinema property commonly known as the Sutton Cinema (the "First Amendment to the Amended and Restated Master Operating Lease," and as so amended the "MOL");

WHEREAS, the parties wish to further amend the MOL in order to reflect the release from the MOL of the ground lease estate underlying that certain cinema property commonly known as the Cinemas 1, 2 & 3 and the substitution of a license interest for Landlord's ground lease tenant interest in that ground lease estate;

The parties hereto, for good and valid consideration, the receipt and sufficiency of which is hereby acknowledged, do hereby amend the MOL as set forth below. Except as specifically so amended, the MOL shall continue in full force and effect. Terms not specifically defined herein, shall have the same meaning as in the MOL.

1. Whereas Clauses.

- a. The first Whereas Clause as set forth in the MOL is superseded in its entirety to provide as follows:

WHEREAS, the Landlord owns (i) a license to maintain certain cinema improvements commonly known as the Cinemas 1, 2 and 3 on that certain real property located at 1001 Third Avenue, New York, New York 10022, and owned by Sutton Hill Properties LLC,

and (ii) and a lease of that certain real property commonly known as the Village East Cinemas located at 181 Second Avenue, New York, New York 10003, which properties are more fully described on Exhibit A attached hereto and incorporated herein by this reference (individually, a "Leased Site" and collectively, the "Leased Sites");

- b. The third Whereas Clause as set forth in the MOL is superseded in its entirety to provide as follows:

WHEREAS, the parties wish to provide herein for the subleasing or sublicensing of the Leased Sites and the leasing or subleasing, as the case may be, of the Theatre Improvements and Equipment thereon and therein by the Landlord to the Tenant pursuant to the terms and provisions herein set forth.

2. Defined Terms. The following defined terms set forth in Section 1.1 of the MOL are amended as set forth below.

- a. The definition of "Acquisition Cost" is amended to reduce the dollar amount specified in clause (a) from \$33 million to \$24 million, and to add the following to the end of the definition, so as to provide that the "Acquisition Cost" will be reduced in the event that Sutton Hill Properties, LLC, its successors or assigns ("SHP") acquires the remaining interest of the Landlord in the building and improvements constituting the Cinemas 1, 2 & 3:

and, (iii) in the event that Sutton Hill Properties, LLC, its successors or assigns ("SHP") acquires the remaining interest of the Landlord in the building, improvements and equipment constituting the Cinemas 1, 2 & 3 (the "Landlord's Continuing Cinema Interest"), the amount paid by SHP for such remaining interest (including, without limitation, any amounts paid for the termination of the license underling Landlord's Continuing Cinema Interest) up to a maximum of \$100,000.

- b. The definition of "Applicable Rent Amount" is superseded in its entirety to read as follows:

"Applicable Rent Amount" means for any calendar month (or part thereof), the amount of \$141,566.67, multiplied, as of the end of each Lease Year by the Multiplier (as such terms are hereinafter defined). For purposes of the foregoing, (i) a "Lease Year" means each period beginning on the Effective Date or an anniversary thereof and ending on the day prior to the next anniversary thereof, and (ii) the "Multiplier" means 68.42% of a fraction, the

numerator of which is the Consumer Price Index in effect for the month of March preceding the anniversary date in question and the denominator of which is the Consumer Price Index in effect for the month of March in the prior year, provided that the multiplier for any Lease Year shall not be greater than 1.043 nor less than 1.0215. In the event SHP acquires the Landlord's Continuing Cinema Interest, the Applicable Rent Amount will be further reduced by 8.25% per year of the amount paid by SHP for such remaining interest (including any amounts paid with respect to the termination of the underlying license), up to a maximum of \$100,000.

- c. A new definition is added after the definition of "Legal Requirements" as follows:

"License and Option Agreement" means that certain license and option agreement between SHC and Landlord dated as of September 1, 2005 with respect to the Landlord's Continuing Cinema Interest.

- d. The definition of "Site Leases" is amended to replace the reference to the prior ground lease by a reference to the new License and Option Agreement by replacing clause (b) with the following:

The License and Option Agreement covering the premises at 1001, 1003, 1005 and 1007 Third Avenue, New York, New York 10022 containing Cinemas 1, 2 & 3.

3. Section 2.2(f) setting forth Tenant's obligation to pay rent on the estates underlying the Landlord's interests in the Village East Cinemas and the Cinemas 1, 2 & 3, is modified to reflect the fact that the ground lease underlying the Cinemas 1, 2 & 3 has been replaced by the License and Option Agreement, and shall hereafter provide as follows (the new language being underscored):

Site Leases. The Tenant agrees to pay or cause to be paid to each Site Landlord, on or before the first Business Day of each calendar month throughout the Lease Term, all fixed or base rent and other charges to be due under the respective Site Leases for such calendar month and to pay as and when due and payable pursuant thereto all additional rent and other charges payable pursuant to the respective Site Leases (excluding only amounts (i) payable to the extent resulting from a Landlord Act as lessee or licensee thereunder or the breach by Landlord of any obligation thereunder which was not the result of a Tenant Event, or (ii) which relates to a period prior to commencement of the Lease Term and which has not been assumed by or become the obligation of Tenant pursuant hereto). If Tenant attempts to make payment directly to a Site Landlord

and such payment is rejected because Tenant is not such Site Landlord's tenant or licensee, Tenant shall provide funds to Landlord to enable it to pay, and Landlord agrees that, upon receipt of such funds (and provided funds owing to it are also paid), it shall pay, sums due to the applicable Site Landlord.

4. Section 2.3(g) dealing with Landlord's representations and warranties as to the Site Leases is modified to reflect the fact that the ground lease underlying the Cinemas 1, 2 & 3 has been replaced by the License and Operating Agreement and the fact that, as of the date of this amendment, the Tenant is already in possession of the Premises, and shall hereafter provide as follows (the new language being underscored):

Site Leases. The Site Leases consist of the documents identified in the definition of "Site Leases." Landlord has made available to Citadel and Tenant true and complete copies of the Site Leases. The Site Leases have not been amended or modified except as set forth in the documents identified in the definition of "Site Leases." There are no options to purchase or rights of first refusal or offer or similar rights relating to any of the Theatre Properties other than the License and Option Agreement. Landlord is the holder of the tenant's, lessee's or licensee's interest under each Site Lease and is in possession of the property demised under each Site Lease (subject only to Tenant's rights under this Lease) and, to the Actual Knowledge of Landlord, no other Person has any interest as tenant or lessee or licensee in or to said Site Lease or any rights to possession or occupancy of any portion of the property demised under any Site Lease except as described on Exhibit C hereto. There are no security deposits under any of the Site Leases. Landlord's interest in each Site Lease is not subject to any Lien except as set forth in Exhibit C and the Licensee and Option Agreement. Each of the Site Leases is in full force and effect. Landlord (or a predecessor), as tenant under the Site Leases, has substantially performed all of its material covenants and material obligations thereunder. Neither Landlord nor any Affiliate has received or delivered any written notice under any of the Site Leases of any default or breach, and Landlord has no Actual Knowledge of any material breach or default of any of the Site Leases, which in either case remains uncured.

5. Section 4, which was previously reserved, is amended to provide as follows:

SECTION 4.

LICENSE AND OPTION AGREEMENT PROVISIONS

The parties acknowledge that Landlord has entered into the License and Option Agreement with SHP, an affiliate of the Tenant. Pursuant to the terms of that agreement, SHP has certain rights and obligations to purchase the entire right, title and interest of Landlord in the Theater Improvements and Equipment constituting the Cinemas 1, 2 & 3. In the event that SHP exercises that option, or otherwise acquires the interests of the Landlord in the Theater Improvements constituting the Cinemas 1, 2 & 3, then (i) the provisions of this Lease relating to such assets will cease, and be of no further force and effect. The Acquisition Cost will be reduced by the amount of \$100,000 and the Applicable Rent Amount will be reduced by \$8,250.

6. Section 12. TENANT'S RIGHTS OF PURCHASE AND RENEWAL deals with Tenant's rights of purchase and renewal. It is amended as follows:

a. Section 12(g) is amended to reflect the fact that the Option Fee has already been paid, and to provide as follows:

In consideration of the Purchase Option, on or before the Effective Date, the Tenant has previously paid the Option Fee to the Landlord. If the Tenant does not exercise the Purchase Option, the Landlord shall be entitled to keep the Option Fee. If the Tenant exercises the Purchase Option, the Acquisition Cost shall be reduced by an amount equal to the Option Fee.

b. Section 12 (i) dealing with the Tenant's renewal rights, is amended to reflect the fact that the Murray Hill Cinema and Sutton Cinema have been sold, and that the ground lease underlying the Cinemas 1, 2 & 3 has been replaced by the License and Option Agreement, and to provide as follows:

The Renewal Rental Rate of the Theatre Properties for each full calendar month of the first year of the Renewal Term shall be an amount equal to the greater of (i) the Basic Rent as it would be had the Initial Term included such year and (ii) a fair market rental value of the leasehold interests in the Village East Cinemas and the remaining interest of the Landlord, if any, in the Cinemas 1, 2 & 3 based on the highest and best use of such applicable leasehold estate in the case of the Village East Cinemas and the highest and best use of the remaining interest of the Landlord, if any, in the Cinemas 1, 2 & 3 (subject to limitations as to use set forth in the applicable Site Lease with respect to the portion (if any) of the Renewal Term to which such limitations apply), as shall be agreed upon by the Landlord and the Tenant or, if they are unable to agree, pursuant to the Appraisal Procedure. Each year thereafter during the Renewal Term, the Basic Rent shall be increased as determined pursuant to the terms of paragraph (j) hereof.

7. Section 25. NOTICES AND REQUESTS is amended to strike the requirement that copies of any notices go to Duane, Morris & Heckscher and Whitman Breed Abbot & Morgan and to change the address of Citadel Cinemas, Inc to:

c/o Reading International, Inc
500 Citadel Drive, Suite 300
Commerce, California 90040
Attention: President
Telecopy: (213) 235-2229

8. Section 27. LEASEHOLD INTERESTS relates to the obligations of the Tenant with respect to the underlying leasehold estates and is amended to reflect the replacement of the ground lease underlying the Cinemas 1, 2 & 3 with the License and Option Agreement and is amended to provide as follows:

SECTION 1) LEASEHOLD INTERESTS.

i) *This Lease is subject to all of the terms, covenants, conditions and agreements contained in the Site Leases for the Lease Term. Except as otherwise expressly provided in this Lease, all of the terms, covenants, conditions and agreements contained in the Site Leases, except such as by their nature or purpose are inapplicable or inappropriate to the leasing of the Theatre Properties pursuant to this Lease, are hereby incorporated in and made a part of this Lease with the same force and effect as though set forth at length herein and except that obligations and liabilities of the tenant or lessee or licensee thereunder are deemed to refer to Tenant hereunder and all rights, benefits, indemnities and protections in favor of the lessor or landlord or licensor thereunder also inure to the benefit of the Landlord hereunder.*

ii) *For the purposes of this Lease, the provisions of the Site Leases, as incorporated herein, are subject to the following modifications or deletions: (i) in all provisions requiring the approval or consent of the Landlord, if the approval or consent of the lessor or licensor under any of the applicable Site Leases is also required, the Tenant shall be required to obtain the approval or consent of such lessor or licensor in addition to the approval or consent of the Landlord; and (ii) the time limits provided in each of the Site Leases for the giving of notice, making demands, performance of any act, condition or covenant, or the exercise of any right, remedy, or option, are amended for the purpose of this Lease by lengthening or shortening the same in each instance by five (5) days, as appropriate, so that notices may be given, demands made, or any act, condition or covenant performed, or any right, remedy or option*

hereunder exercised, by the Landlord or the Tenant, as the case may be, within the same limit relating thereto contained in the Site Leases.

iii) The Tenant hereunder covenants and agrees to perform and to observe and to cause each permitted sublessee to perform and observe all of the terms, covenants, provisions, conditions and agreements of the Site Leases on the Landlord's part as lessee or licensee thereunder to be performed and observed (including, without limitation, (x) payment of all rent, additional rent, and any other amounts payable by the Landlord as lessee or licensee under the Site Leases, (y) surrender of each Theatre Property under the Site Lease applicable thereto in the condition required at the end of the term thereof as if such term end coincided with the expiration or sooner termination of the Lease Term, and (z) reconstruction following a casualty if and to the extent required therein) to the end that all things shall be done which are necessary to keep unimpaired the rights of the Landlord as lessee or licensee under the Site Leases. The Landlord and Tenant further covenant that they shall cause to be exercised any renewal option contained in the Site Leases which relates to renewal occurring in whole or in part during the Lease Term, including under any renewal term of this Lease. The Tenant agrees to cooperate fully with the Landlord to enforce the Landlord's rights as the lessee or licensee under any of the Site Leases as against the lessor or licensor under any of the Site Leases.

iv) The Tenant covenants and agrees pursuant to Section 11 hereof to indemnify and hold harmless the Landlord and any Pledgee from and against any and all Losses arising by reason of the Tenant's or any permitted sublessee's failure to comply with the Site Leases or the provisions of this Section 27 other than to the extent arising, from (i) a Landlord Act or (ii) any breach of any covenant or agreement of Landlord or any Affiliate under this Lease or any Other Lease Document.

v) The Landlord and the Tenant agree that during the Lease Term the Landlord shall have no obligation or responsibility to provide services or equipment required to be provided or repairs or restorations required to be made in accordance with the provisions of the Site Leases by the lessor or licensor thereunder. The Landlord shall in no event be liable to the Tenant nor shall the obligations of the Tenant hereunder be impaired or the performance thereof excused because of any failure or delay on the part of the Landlord as the lessee or licensee under the Site Leases in providing such services or equipment or making such restorations or repairs and such failure or delay shall not constitute a basis for any claim against the Landlord or any offset against any amount payable to the Landlord under this Lease. So long as there is no Event of Default hereunder, the Landlord will reasonably cooperate, at the Tenant's sole cost and expense, to seek from the lessor or licensor under

any Site Lease the performance by such lessor or licensor of its obligations under the applicable Site Lease.

9. Landlord, upon Tenant's request, shall execute and deliver to Tenant, at Tenant's cost, (a) a Memorandum of this Amendment, and (b) such Memorandum or other agreement as may be required in order to cause any and all prior Amendments of this Lease to be properly recorded and indexed, together with any and all transfer tax returns and other documents required to record any such Memorandum or agreement, all in form reasonably satisfactory to Tenant (including, without limitation, any modifications of such Memorandum, returns or other documents as may be required to record any such Memorandum or other agreement). Tenant will be responsible for all fees and expenses in connection with the preparation and/or filing of any such Memorandum, returns or other documents.

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IN WITNESS WHEREOF, Landlord and Tenant hereby enter into this Second Amendment to the Amended and Restated Master Operating Lease as of the date first set forth above.

Sutton Hill Capital, LLC

By: Sutton Hill Associates
Its: Sole Member

By: /s/ James J. Cotter
Its: Manager

By: /s/ Michael R. Forman
Its: Manager

Citadel Cinemas Inc.

By: /s/ S. Craig Tompkins
Its: Vice Chairman

JAMES J. COTTER
120 N. Robertson Boulevard
Los Angeles, CA 90048
(310) 659-7224 (t)
(310) 659-7226 (f)

MEMO

To: Eric Barr
Gerard P. Laheney
Edward L. Kane
James J. Cotter, Jr.
Andrzej Matyczynski
S. Craig Tompkins

From: James J. Cotter

Date: August 11, 2005

Subject: Cinemas 1, 2, 3 Transaction

There are two very minor liens on the property, taxes and a sidewalk violation, that don't add up to more than \$30,000. They are undoubtedly the burden of SHC and not Reading but the deal can close without taking the steps as recommended to date. I have told the lawyers that I will, over the next few months, determine what the origin of the liens are and see if there are any other animals of this kind lurking in our other properties. You can't just go out and put liens on property without owners receiving prior notice (this is not Australia). We do not need expeditors for \$5,000 or \$10,000 to look into \$30,000 worth of liens. In short, the liens probably belongs to Sutton Hill Capital which needs time to determine how they came into being and are they appropriate. When the time comes for Reading to seek financing, these minor liens will be history.

SUTTON HILL PROPERTIES, LLC

SIDE LETTER REGARDING EFFECTIVE DATE OF SALE

September 19, 2005

Sutton Hill Capital L.L.C.
120 N. Robertson Boulevard
Los Angeles, California 90048

Re: 1001-1007 Third Avenue, New York, New York 10022

Dear Sirs:

Notwithstanding contrary dates appearing on the documents relating to the transfer of the leasehold estate of the above property (the "Transaction") listed on Schedule A to this letter, it is agreed that the effective date of transfer is today.

It is also understood that the Installment Sale Note in connection with the Transaction shall also be deemed executed and delivered as of today's date, and that the payment of interest detailed in the second paragraph thereof shall be amended accordingly, such that interest due on October 1, 2005 shall be decreased to \$24,750.00, and all subsequent payments of interest shall remain unchanged.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

500 CITADEL DRIVE, SUITE 300, COMMERCE, CALIFORNIA 90040

SUTTON HILL PROPERTIES, LLC

By: _____
S. Craig Tompkins
President

CITADEL CINEMAS, INC.

By: _____
S. Craig Tompkins
Vice Chairman

READING INTERNATIONAL, INC.

By: _____
S. Craig Tompkins
Director — Business Affairs

ACKNOWLEDGED AND AGREED AS OF THE DATE FIRST ABOVE WRITTEN:

SUTTON HILL CAPITAL L.L.C.

By: _____
James J. Cotter
Manager

SCHEDULE A

1. Contract of Sale between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC
2. Installment Note
3. Guaranty by Reading International, Inc.
4. Assignment and Assumption of Lease between Sutton Hill Capital L.L.C. and Sutton Hill Properties, LLC
5. License and Option Agreement between Sutton Hill Properties, LLC and Sutton Hill Capital L.L.C.
6. Second Amendment to Amended and Restated Master Operating Lease