READING INTERNATIONAL INC
Form 10-K
March 16, 2018
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017 or

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

For the transition period from _______ to ______

Commission File No. 1-8625

READING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 12, 2018, there were 21,497,716 shares of class A non-voting common stock, par value $0.01 per share and 1,680,590 shares of class B voting common stock, par value $0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was $287,968,855 as of

December 31, 2017.

READING INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 2017

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The information in this Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Form 10-K" or "2017 Annual Report") contains certain forward-looking statements, including statements related to trends in the Company's business. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in "Item 1 – Our Business," "Item 1A – Risk Factors," and "Item 7 – Management's Discussions and Analysis of Financial Condition and Results of Operations" as well as those discussed elsewhere in this 2017 Form 10-K.

PART I

Item 1 – Our Business

GENERAL

Reading International, Inc. ("RDI" and collectively with our consolidated subsidiaries and corporate predecessors, the "Company," "Reading", "we," "us," or "our") was incorporated in 1999 incident to our reincorporation in the State of Nevada. Our class A non-voting common stock ("Class A Stock") and class B voting common stock ("Class B Stock") are listed for trading on the NASDAQ Capital Market (Nasdaq-CM) under the symbols RDI and RDIB, respectively. Our Corporate Headquarters is located at 5995 Sepulveda Blvd, Suite 300, Culver City (a Los Angeles suburb), California, United States 90230.

Our corporate website address is www.ReadingRDI.com. We provide, free of charge, on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission (www.sec.gov). The contents of our Company website are not incorporated into this report. Our corporate governance charters for our Audit and Conflicts Committee and Compensation and Stock Options Committee are available on our website.

BUSINESS DESCRIPTION

Synergistic Diversification and Branding

We are a diversified company principally focused on the development, ownership and operation of entertainment and real property assets in three jurisdictions: (i) United States ("U.S."), (ii) Australia, and (iii) New Zealand. We group our businesses in two (2) operating segments:

- Theatrical Motion Picture Exhibition ("Cinema Exhibition"), through our 59 cinemas, and,
- Real Estate, including real estate development and the rental or licensing of retail, commercial and live theater assets comprising some 21,918,000 square foot of land and approximately 842,000 square feet of net rentable area.

Our portfolio of commercial brands is described as follows:

Business Segment /	Our Commercial Brands	Country	Description	Website Link

Unit Cinema Exhibition / All Countries		United States, Australia, New Zealand	Our Reading Cinemas brand, a name we took from our corporate predecessor (refer to Item 7 – Management's Discussion & Analysis for our Company History), delivers movie entertainment across our three operating jurisdictions. All our cinemas are equipped with the latest state-of-the-art digital equipment, and some screens feature TITAN XC/LUXE or IMAX.	Reading Cinemas US Reading Cinemas AU Reading Cinemas NZ
		United States	Since its opening in 1989, the Angelika Film Center ("AFC") in New York City ("NYC") is a successful and well-recognized dedicated arthouse in the U.S., featuring independent and foreign films. Our Angelika brand now has five additional cinemas in the U.S., including the states of Virginia, Texas, California, and Washington D.C.	Angelika Film Center
	CONSOLIDATED THEATRES	United States	In 2017, our Consolidated Theatres celebrated 100 years of providing cinematic entertainment in the state of Hawaii. Currently, we have one (1) cinema on the island of Maui and eight (8) cinemas on the island of Oahu, including the newly-opened state-of-the-art 8-screen cinema, Olino by Consolidated Theatres.	Consolidated Theatres

Business Segment / Unit	Our Commercial Brands	Country	Description	Description
		United States	Our City Cinemas circuit, which consists of five cinemas in New York (including one managed cinema), features an eclectic mix of programming, from mainstream blockbusters to independent films.	City Cinemas
Real Estate / Leasing		United States	The redevelopment of 44 Union Square, a historic Union Square landmark in New York City, is under construction and we anticipate this flagship real estate property in the U.S. will be ready for tenant fit-out by 3rd quarter of 2018.	44 Union Square
		Australia	We just completed a major expansion of Newmarket Village, located in a suburb of Brisbane, that added a new 8-screen Reading Cinemas with TITAN LUXE, an additional 10,150 square feet (943m2) of restaurant tenants and 124 parking spaces.	Newmarket Village
		Australia	Anchored by a 9-screen Reading Cinemas, Auburn/Redyard is an outdoor retail center located in a suburb of Sydney that is undergoing a major facelift to enhance and improve our retail tenancy mix and added three new restaurant tenants in 2017.	Auburn/Redyard
		Australia	Anchored by our own Reading Cinemas, we acquired Cannon Park, comprised of two-adjoining retail centers in the State of Queensland. The property was purchased in December 2015, in line with our strategic business plan to organically grow our real estate business.	Cannon Park Townsville
		New Zealand	As a result of an earthquake in November 2016, we now have the opportunity to re-think our Courtenay Central expansion project, which includes plans to construct a supermarket. This property in the heart of New Zealand's capital city is anchored by our 10-screen Reading Cinemas, which re-opened in March 2017 following the earthquake. While we re-think our expansion plans, we have launched a pop up food and entertainment experience called The Courtyard.	Courtenay Central
Real Estate / Live Theatre		United States	We continue to operate three (3) off-Broadway live theatres, one (1) in Chicago and two (2) in Manhattan, New York, all branded under Liberty Theatres.	Liberty Theatres

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

· Cinema Anchor Tenancy. Cinemas can be used as anchors for larger retail developments (referred to as entertainment-themed centers, or "ETCs"), and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate with third-party anchor tenants. We have used cinemas to create our own anchors in the following ETCs:

ETC	City, State or Region / Urban Area	Recent or In-development Projects
Newmarket Village	Newmarket, Queensland / Brisbane	Expansion Project which added an 8-Screen Reading Cinemas and new retail and parking spaces, completed December 2017.
Redyard	Auburn, New South Wales / Sydney	Expansion Project to add new retail, completed December 2017. Re-development of public alfresco space, target completion Q3-18.
Cannon Park	Townsville / Queensland	Concept master planning in development.
Courtenay Central	Wellington / New Zealand	Re-design of Expansion Project in progress.
Belmont	Perth / Western Australia	No current development planned.

· Reduced Pressure to Deliver Cinema Business Growth. Pure cinema operators can encounter financial difficulty as demands upon them to produce cinema-based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites or overpaying for existing cinemas. While we believe that there will continue to be attractive opportunities to acquire cinema assets and/or to develop upper-end specialty type theaters in the future, we do not feel pressure to build or acquire cinemas for the sake of adding units or building gross revenues. This strategy has, over the years, allowed us to acquire cinemas at multiples of trailing theater cash flow below those paid by third parties in recent acquisitions. We intend to focus our use of cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us or that such funds are not needed for reinvestment to maintain our cinemas in a competitive position.

· Flexibility in Property Use. We are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets, if we are presented with an attractive opportunity. Our Union Square property, where redevelopment is currently in progress, and our Cinema 1,2,3 property on Third Avenue (near 60th Street) in New York City, which is slated for redevelopment, were initially acquired as, and in the case of our Third Avenue property, continues to be used as, an entertainment property.

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

We believe that this synergistic two-pronged strategy – which focuses on the building of long term real estate assets as well as cinema operations – has gained respect in the market, as the trading price of our stock has, generally speaking, outperformed those of our pure cinema competitors in recent periods.

Business Mix and Impact of Foreign Currency Fluctuations

We have worked to maintain a balance both between our cinema and real estate assets and between our U.S. and our Australian and New Zealand assets. In 2017, we invested approximately $38.1 million in our U.S. assets, including approximately $20.1 million for the development of our real estate assets (principally construction of our Union Square property) and $18.0 million for the improvements of our cinema assets (principally upgrading our offerings at our existing cinemas). We invested approximately $35.6 million in our Australian assets, including approximately $28.2 million for the development of our real estate assets (principally at our Newmarket (Brisbane) and Auburn (Sydney) shopping centers), and $7.5 million for the development of our cinema assets (principally the fit out of our new cinema at Newmarket and the upgrade of certain other cinemas). We invested approximately $3.3 million in our New Zealand assets, including approximately $2.7 million for the development of real estate assets (principally towards the redevelopment of our Courtenay Central assets), and approximately $571,000 for the development of cinema assets (principally upgrades).

As shown in the chart within the International Business Risks section below, exchange rates for the currencies of these jurisdictions have varied, sometimes materially. These ratios naturally have an impact on our revenues and asset values, which are reported in USD. Notwithstanding these fluctuations, however, we continue to believe that, over the long term, operating in Australia and New Zealand is a prudent diversification of risk. Australia has been identified by the United Nations as one of the Top 10 highest natural resources per person in the world. In 2017, Deutsche Bank named Wellington the best place in the world to live. In 2013, the Organization for Economic Co-operation and Development rated Australia as the best place to live and work in the world. In our view, the Australian and New Zealand lifestyles support our entertainment/lifestyle focus.

At December 31, 2017, the book value of our assets was $423.0 million, and, as of that same date, we had a consolidated stockholders' book equity of $181.2 million. Calculated based on book value, $135.2 million, or 32% of our assets, relate to our cinema exhibition activities and $249.2 million, or 59%, of our assets, relate to our real estate activities.

For additional segment financial information, please see Note 1 – Description of Business and Segment Reporting to our 2017 consolidated financial statements.

We have diversified our assets among three countries: the United States, Australia, and New Zealand. Based on book value, at December 31, 2017, we had approximately 45% of our assets in the United States, 40% in Australia and 15% in New Zealand compared to 40%, 42%, and 18% respectively, at the end of 2016.

At December 31, 2017, we had cash and cash equivalents of $13.7 million, which has been treated as a corporate asset. Our cash included $9.1 million denominated in U.S. dollars, $2.9 million (AU $3.6 million) in Australian dollars, and $1.7 million (NZ$2.4 million) in New Zealand dollars. We had non-current assets of $169.3 million in the United States, $158.5 million (AU$202.8 million) in Australia and $61.7 million (NZ$86.9 million) in New Zealand. We had $75.0 million unused capacity of available and unrestricted corporate credit facilities at December 31, 2017.

For 2017, our gross revenues in these jurisdictions were $143.8 million, $106.2 million, and $29.7 million, respectively, compared to $143.1 million, $97.5 million, and $29.9 million for 2016. The United States and Australia both posted revenue increases again in 2017 primarily due to increased box office sales as a result of higher attendance in Australia and increases in our food & beverage ("F&B"). Other revenues increased in all jurisdictions including the business interruption insurance proceeds from our Courtenay Central insurance claim. New Zealand revenue decreased slightly in 2017 compared to 2016 due to the closure of our Courtenay Central ETC and the associated car parking building. The complex and Cinema re-opened for business in March 2017.

CINEMA EXHIBITION

Overall

We are dedicated to creating inspiring cinema experiences for our guests through hospitality-styled comfort and service, cinematic presentation, uniquely designed venues, curated film and event programming, and crafted food and beverage options. As discussed previously, we manage our worldwide cinema exhibition business under various brands. Historically, we have focused on the ownership and/or operation of three categories of cinemas:

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

Shown in the following table are the number of locations and theatre screens in our theatre circuit in each country, by state/territory/ region and indicating our cinema brands and our interest in the underlying asset as of December 31, 2017:

Country	State / Territory / Region	Location Count	Screen Count	Interest in Asset Underlying the Cinema Leased	Owned	Operating Brands
United States	Hawaii	9	98	9		Consolidated Theatres
	California	7	88	7		Reading Cinemas, Angelika Film Center
	New York(3)	6	23	5	1	Angelika Film Center, City Cinemas
	Texas	2	13	2		Angelika Film Center
	New Jersey	1	12	1		Reading Cinemas
	Virginia	1	8	1		Angelika Film Center
	Washington DC	1	3	1		Angelika Film Center
	U.S. Total	27	245	26	1	
Australia	New South Wales	6	43	4	2	Reading Cinemas
	Victoria	6	43	6		Reading Cinemas
	Queensland	5	48	2	3	Reading Cinemas, Event Cinemas(1)
	Western Australia	2	16	1	1	Reading Cinemas
	South Australia	2	15	2		Reading Cinemas
	Australia Total	21	165	15	6	
New Zealand	Wellington	2	15	1	1	Reading Cinemas
	Otago	3	15	2	1	Reading Cinemas, Rialto Cinemas(2)
	Auckland	2	15	2		Reading Cinemas, Rialto Cinemas(2)
	Canterbury	1	8	1		Reading Cinemas
	Southland	1	5		1	Reading Cinemas
	Bay of Plenty	1	5		1	Reading Cinemas
	Hawke's Bay	1	4		1	Reading Cinemas
	New Zealand Total	11	67	6	5	
GRAND TOTAL		59	477	47	12	

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

We continue to focus on upgrading our existing cinemas and developing new cinema opportunities to provide our customers with premium offerings, including luxury seating, state-of-the-art presentation including sound, lounges, cafés and bar service, and other amenities. In 2017, we increased the number of auditoriums featuring luxury recliner seating from 58 to 112. In addition, we added large format TITAN XC or LUXE screen offerings to 15 of our cinemas. Our circuit has been completely converted to digital projection and sound systems. In 2017, we upgraded 6 of our auditoriums to feature Dolby ATMOS sound (including our new Newmarket site), which we consider to be the best in the industry at this time.

While attendance and gross box office was somewhat down for the exhibition industry in the U.S., Australia and New Zealand for 2017, compared to 2016, we believe that the cinema exhibition business will continue to generate fairly consistent cash flows in the years ahead, even in recessionary or inflationary environments, because people will continue to spend a reasonable portion of their entertainment dollars on entertainment outside of the home. When compared to other forms of outside-the-home entertainment, movies continue to be a popular and competitively priced option.

Recognizing that the cinema exhibition business is considered a mature business, we continue to see growth opportunities in our cinema exhibition business principally from (i) the enhancement of our existing cinemas, (ii) the development in select markets of art and specialty cinemas, (iii) the development of new state-of-the-art cinemas on land that we already own or may in the future acquire, and (iv) the development of new cinemas in selected markets. While we continue to consider possible opportunities in third party developments, we prefer, where possible, to put our capital to work in properties that we own rather than take on potentially burdensome lease obligations with their built-in rent increases and pass-throughs.

We continue to expand and upgrade our circuit on an opportunistic basis. Our philosophy is not one of growth at any cost and our goal is not to have more screens than anyone else. Rather, our goal is to have high quality, consistently grossing cinemas, and to grow on a steady and sustainable basis. In 2017, we opened a new 8 screen cinema at our Newmarket Shopping Center in Brisbane, Australia, and began the process of repositioning our Cal Oaks cinema, located in Murrieta, California which will feature our new "Spotlight" level of service in 6 out of the 17 auditoriums. "Spotlight" puts focus directly on our customers by providing an in-auditorium, waitered, enhanced F&B experience for their enjoyment. We also upgraded 54 of our screens to luxury seating and extended our enhanced food offerings (featuring alcoholic beverages) to 26 of our cinemas. In 2016, we opened an eight-screen, state-of-the-art cinema, branded Olino by Consolidated Theatres, our ninth theatre and first to break ground since 2001 in the state of Hawaii. In 2015, we opened a new state-of-the-art cinema (eight screens) in Auckland, New Zealand, completed the renovation and rebranding as an "Angelika" luxury art cinema of our conventional cinema at the Carmel Mountain Plaza in San Diego, California, completely renovated our fourteen-screen Harbourtown cinema in Queensland, Australia, and added the first IMAX screen to our circuit. We currently have 3 new cinemas, representing 17 screens, in our pipeline for opening before the end of 2019, with 15 existing cinemas, representing 113 screens, scheduled for significant updating and refurbishment during that same period.

Since 2015, we have consistently executed our strategic priority of upgrading the food and beverage menu at a number of our U.S. cinemas. We are focused on the renovation and upgrading of our existing U.S. cinemas, along the lines of our Carmel Mountain cinema. Working with Bruce Seidel (veteran Food Network executive) of Hot Lemon Productions and chef Santos Loo, we are upgrading our food and beverage offerings. During 2017, we created our "Spotlight" service concept, which is being implemented at our Cal Oaks cinema. We have obtained beer and wine, and in some cases liquor, licenses for 12 of our venues in the U.S. and are in the application process for an additional 4 venues. As a result we are currently offering alcoholic beverages at 12 of our U.S. cinemas. In our international cinema operations, we offer beer and wine menu options for 10 of our cinema locations in Australia and four of our cinema locations in New Zealand.

On January 31, 2016, following our run of "Star Wars: The Force Awakens", we surrendered our Gaslamp Cinema in San Diego. In 2015, we paid the landlord a $1.0 million negotiated termination fee, which was less expensive than continuing to operate an unprofitable theater at this location. This cinema was acquired in 2008 as a part of the acquisition of a package of 15 locations from Pacific Theatres. The cinema was, at that time, a substantial money-loser and the purchase price was calculated taking into account the losses generated by that cinema and the likelihood that such losses would continue into the future.

Operating Information

At December 31, 2017, our principal tangible assets included:

- interests in 58 cinemas comprising some 473 screens;
- fee interests in three live theaters (the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee interest in one cinema (the Cinemas 1,2,3), in New York City;
- fee interests in two cinemas in Australia (Bundaberg and Maitland) and four cinemas in New Zealand (Dunedin, Invercargill, Napier and Rotorua);
- fee interest in our Union Square property, previously used by us as a live theater venue and for rental to third parties and now being redeveloped for retail and office uses;
- our ETCs in Sydney (Redyard Center), Brisbane (Newmarket Center), Townsville (Cannon Park), Perth (Belmont) and Wellington (Courtenay Central);
- an interest in 70.4 acres of currently vacant land located between Auckland and the airport, zoned for light industrial and industrial purposes.
- an interest in 202 acres of currently vacant land located in Coachella, California zoned for residential and mixed use purposes.
-

fee interest in 2 office buildings, our corporate office in Culver City, Los Angeles as well as an office in Melbourne, Australia. Both buildings are mixed use assets, housing our corporate staff with any surplus space rented, or available to rent to third parties.

- In addition to the fee interests described immediately above, fee ownership of approximately 20.7 million square feet of developed and undeveloped real estate in the United States, Australia and New Zealand; and,
- cash and cash equivalents, aggregating $13.7 million.

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

Our cinemas generated approximately 63% of their 2017 revenue from box office receipts. Ticket prices vary by location, and in selected locations we offer reduced rates for senior citizens, children and, in certain markets, military and students.

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

F&B sales accounted for approximately 30% of our total 2017 cinema revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, historically F&B products have been primarily popcorn, candy, and soda. This is changing, as more of our theaters are offering expanded food and beverage offerings. One of our strategic focuses is to upgrade our existing cinemas with expanded F&B offerings.

Screen advertising and other revenue contribute approximately 7% of our total 2017 cinema revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and nationally recognized screen-advertising companies contract with us for the right to show such advertising on our screens.

Management of Cinemas

With the exception of our three unconsolidated cinemas, we manage our cinemas with executives located in Los Angeles and Manhattan in the U.S.; Melbourne, Australia; and Wellington, New Zealand. Our two New Zealand Rialto cinemas are owned by a joint venture in which Reading New Zealand is a 50% joint venture partner. While we assist in the booking of these two cinemas, our joint venture partner, Event Cinemas, manages their day-to-day operations. In addition, we have a one-third interest in a 16-screen Brisbane cinema managed by Event Cinemas.

Licensing and Pricing

Film product is available from a variety of sources, ranging from the major film distributors, such as Paramount Pictures, Twentieth Century Fox, Warner Bros, Buena Vista Pictures (Disney), Sony Pictures Releasing, Universal Pictures and Lionsgate, to a variety of smaller independent film distributors. In Australia and New Zealand, some of those major distributors distribute through local unaffiliated distributors. Worldwide, the major film distributors dominate the market for mainstream conventional films. In the U.S., art and specialty film is distributed through the art and specialty divisions of these major distributors, such as Fox Searchlight and Sony Pictures Classics, and through independent distributors such as A24 and Annapurna Pictures. Generally speaking, film payment terms are based upon an agreed-upon percentage of box office receipts that will vary from film-to-film.

Competition

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

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

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

In certain markets in the U.S., distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion, even though the number of “digital prints” is theoretically unlimited and all advertising for conventional film is paid for by the distributors. Some competitors, like AMC, have in recent periods been increasingly aggressive in their efforts to prevent competitors’ access to film product in film zones where they have cinemas. Currently we still face clearance situations in several markets.

However the use of clearances is currently being challenged. We believe that, as the two principal justifications for clearances (the cost of producing an additional print and the shared advertising cost) no longer exist, that ultimately clearances should (except in exceptional cases – for example where a distributor's strategy is for a limited or staged release) go away. If this occurs, on balance, we believe that this will be a positive development for us, as it will generally increase our access to film in competitive markets. Pressure on the major chains to stop using "clearances" is increasing. An investigation by the United States Department of Justice, Antitrust Division, into the possible anticompetitive activities of major chains has been initiated. Also, there have been private lawsuits by small chains to stop the practice. For example, iPic Theaters has obtained a temporary injunction against clearance practices by one major chain in Harris County, Texas, and is seeking further injunctions against other major chains in Texas as well as in other jurisdictions, such as the District of Columbia. In 2016, several major distributors (including 20th Century Fox and Universal Studios) announced that they would no longer grant clearances. We believe that this will increase our access to top film product.

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

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

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibitors in the United States are AMC (with 11,247 screens in 1,027 cinemas, which includes the information of newly acquired Carmike), Regal (with 7,315 screens in 561 cinemas), recently acquired by Cineworld Group, the U.K.'s largest cinema operator, and Cinemark (with 4,561 screens in 339 cinemas). As of December 31, 2017, we were the 9th largest exhibitor with 1% of the box office in the United States with 245 screens in 27 cinemas under management.

The principal exhibitors in Australia are Greater Union, which does business under the Event Cinemas name (a subsidiary of Amalgamated Holdings Limited) ("Event"), Hoyts Cinemas ("Hoyts"), and Village Cinemas ("Village"). The major exhibitors control approximately 76% of the total cinema box office: Event 41%, Hoyts 22%, and Village 13%. Event has 566 screens nationally, Hoyts 354 screens, and Village 210 screens. By comparison, our 149 screens (excluding any partnership theaters) represent approximately 7% of the total box office. In June 2015, Hoyts was acquired by Wanda, which also holds a controlling interest in AMC.

The principal exhibitors in New Zealand are Event Cinemas with 116 screens nationally and Hoyts with 63 screens. Reading has 54 screens (excluding its interest in unconsolidated joint ventures). The major exhibitors in New Zealand control approximately 53% of the total box office: Event 33% and Hoyts 20%. Reading has 15% of the market (Event and Reading market share figures exclude any partnership theaters).

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

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

In-Home and Mobile Device Competition

The "in-home" and mobile device entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home and mobile device entertainment systems and in the accessibility to, and quality of, entertainment programming through cable, satellite, internet distribution channels, and Blu-ray/DVD. The success of these alternative distribution channels and the entrance of new sources of product (like NetFlix and Amazon) who are producing product competitive with films produced for theatrical release puts additional pressure on film distributors to reduce and/or eliminate the time period between theatrical and secondary release dates and the willingness of consumers to take the time and pay the admission price to go to the movie theater. To a certain extent, it appears that consumers are willing to choose convenience over presentation quality. We are responding to this challenge generally by increasing the comfort and service levels available at our cinemas and by, in our case, bringing in more specialized and alternative product to our audiences. We are focusing on the fact that going to the movies is a social experience, and we are working to make that experience the best that it can be. These are issues common to both our U.S. and international cinema operations.

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

Seasonality

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

REAL ESTATE

Overall

We engage in real estate development and the ownership and rental or licensing to third parties of retail, commercial and live theater assets. We own the fee interests in all of our live theaters, and in 12 of our cinemas (as presented in the preceding table within the "Cinema Exhibition" section). Our real estate business creates long-term value for our stockholders through the continuous improvement and development of our investment and operating properties, including our ETCs.

Our real estate activities have historically consisted principally of:

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

Over 2016 and 2017, we added 25,635 square foot of newly constructed net rentable space to our existing ETCs (calculated exclusive of cinema space), of which 24,924 square foot has been rented.

In light of the geographic reach of our business, and the highly localized nature of the real estate business, we have historically made use of third party contractors to provide on-site management of our real estate development and management activities. We have begun, however, in recent periods to selectively build our internal resources in this regard, concentrating on Australia and New Zealand where we have increased our overall real estate team from 3 to 9 full time employees over the last 2 years.

Given the substantial increase in Manhattan rents and commercial real estate values in recent periods, we closed our live theater at our Union Square property and commenced construction of a revitalized retail and office offering, known as 44 Union Square, at that location. Also, we continue to pursue the redevelopment of our Cinemas 1,2,3 property.

In 2016, we began the construction phase of the redevelopment of our Union Square property into approximately 73,322 square feet of net leasable area (inclusive of anticipated BOMA adjustments), comprised of retail and office space. A short video on this project can be seen at www.44unionsquare.com. The redeveloped building, designed by BKSK Architects, features an iconic glass dome, reviewed and approved by the City of New York Landmarks Preservation Commission. Edifice Real Estate Partners, LLC is our development manager; Newmark Grubb Knight Frank is our leasing agent; and, an affiliate of CNY Construction LLC is our construction manager. BKSK and Gensler have assisted with the internal layout and interior design of the building. Construction financing is being provided by the Bank of the Ozarks and an affiliate of Fisher Brothers, who will together provide approximately $57.5 million in financing. The total cost of the redevelopment is currently estimated at $74.5 million. Newmark advises us that retail tenant demand in our property continues to be strong. Construction of our redeveloped building is currently more than 50% complete, and we currently anticipate that, subject to the signing of acceptable leases, the building will be ready for the commencement of the construction of tenant improvements in the third quarter of 2018.

Regarding our Cinemas 1,2,3 property in Manhattan, we have received the consent of the 25% minority member of the ownership entity for the redevelopment of the property. We are evaluating the potential to redevelop the property as a mixed use retail and residential and/or hotel property. Further, we have completed a preliminary feasibility study and are currently in negotiations with the owner of the approximately 2,600 square foot corner parcel adjacent to our Cinemas 1,2,3 property on the corner of 60th Street and 3rd Avenue for the joint development of our properties. A combination of the properties would produce approximately 121,000 square foot of FAR and approximately 140,000 square feet of gross buildable area. While no assurances can be given that we will be able to come to terms with the adjacent owner, negotiations are progressing. On August 31, 2016, we secured a new three-year mortgage loan ($20.0 million) with Valley National Bank, the proceeds of which were used to repay the mortgage on the property with the Bank of Santander ($15.0 million), to repay Reading for its $2.9 million loan to Sutton Hill Properties, LLC (the owner of the property), and for working capital purposes. We own a 75% managing member interest in Sutton Hill Properties, LLC.

On April 11, 2016, we purchased for $11.2 million a 24,000 square foot office building with 72 parking spaces located at 5995 Sepulveda Boulevard in Culver City, California. We currently use approximately 50% of the leasable area for our headquarters offices and endeavor to lease the remainder to unaffiliated third parties. Culver City has in recent years developed as a center of entertainment and high-tech activity in Los Angeles County. We moved into the building in February, 2017, and have obtained $8.4 million in financing on the property pursuant to a 10-year, fixed rate mortgage loan at an interest rate of 4.64% per annum and in June 2017 we obtained an additional $1.5 million in financing due to a reappraisal of the property, at an interest rate of 4.44%. Currently, we own essentially all of the office space from which we conduct our executive and administrative operations. All of our leasehold interests are cinema operating properties.

Overseas, on December 23, 2015, we acquired two adjoining properties in Townsville, Queensland, Australia for a total of $24.1 million (AU$33.4 million) comprising approximately 5.6 acres. The total gross leasable area of the two properties, the Cannon Park City Centre and the Cannon Park Discount Centre, is 133,000 square feet. Our multiplex cinema at the Cannon Park City Centre is the anchor tenant of that center. This acquisition is consistent with our business plan to own, where practical, the land underlying our entertainment assets. We operate these two (2) properties as a single ETC. For additional information, see Note 4 – Real Estate Transactions.

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

At Auburn, since the beginning of 2016, we have entered into leases representing approximately 15,000 square feet of additional retail space, which will increase the square footage of that center from approximately 117,000 to approximately 132,000 square feet. Of this 15,500 square feet, 9,600 square feet was completed in 2016, and the remaining 5,900 square feet was completed in Q4 2017. This expansion is being funded internally.

At Newmarket, we have added a state-of-the art eight-screen cinema, 10,165 square feet of additional retail space and 124 additional parking spaces. On November 30, 2015, we acquired an approximately 23,000 square foot parcel adjacent to our tenant Coles supermarket. This property is currently improved with an office building, which is now fully leased. These leases have early development provisions allowing us to terminate these arrangements in connection with a redevelopment of the property. We intend to ultimately demolish this office building and to integrate this parcel into our Newmarket development. This will increase our Newmarket footprint from approximately 204,000 square feet to approximately 227,000 square feet. Our Newmarket project is currently being funded internally.

In May 2015 we received town planning approval for an $11.8 million (NZ$17.0 million) supermarket and retail expansion at our Courtenay Central ETC, located in Wellington, New Zealand. The expansion was anticipated to consist of an approximately 36,000 square foot “Countdown” supermarket and approximately 4,000 square feet of general retail space. In connection with the expansion, we were contemplating an approximately NZ$6.0 million upgrade and re-tenanting of the remainder of Courtenay Central. However, the earthquake in late 2016 has added complexity to our development activities at Courtenay Central, both necessitating and permitting a complete review of our plans for that location.

- First of all, our supermarket tenant advised us that it desired to upgrade the quality of the offering at our Center, which caused initial design and construction delays. This was both good news and bad news, since while we believe that our Center would benefit from an upgraded grocery offering (the tenant being responsible for the increased costs resulting from such enhanced improvements), such upgrades would have delayed the opening date of the supermarket. However, in some ways, these delay concerns may have been mooted by the earthquake.
- This earthquake severely damaged our 9 story parking garage at the Center, necessitating its demolition for health and safety reasons. We have recovered insurance proceeds of $25 million with respect to this damage. However, the location and configuration of the historic parking garage were less than ideal from the point of view of the refurbishment and expansion of Courtenay Central. Accordingly, while we still intend to construct a supermarket at the site (but now upgraded to a “premium” supermarket), and while we do not contemplate the demolition of any of the remaining elements of Courtenay Central, we are reconsidering the layout of the property and the potential to increase the leasable square footage at the site by optimizing the location and configuration of the replacement parking garage. This re-evaluation process is ongoing.

In addition to certain historic railroad properties (such as our 6.8 acre Viaduct Property in downtown Philadelphia) and certain expansion space associated with our existing ETC operations, we have two unimproved properties that we acquired for, and are currently being held for, development: (i) our 202-acre parcel in Coachella, California (near Palm Springs), currently zoned for residential and mixed-use uses, and (ii) our 70.4–acre parcel in Manukau, a suburb of Auckland, New Zealand (located adjacent to the Auckland Airport).

In the second quarter of 2016, the Auckland City Council revised the zoning of the agricultural portion of our property in Manukau (approximately 64.0 acres) to light industrial uses. The remaining 6.4 acres of our Manukau property were already zoned for heavy industrial use. Light industrial uses include certain manufacturing, production, logistic, transportation, warehouse and wholesale distribution activities and, on an ancillary basis, certain office, retail and educational uses. That decision was subject to a public announcement process, and became final in September 2016. Now that our zoning enhancement goal has been achieved, we are working with the southern gateway consortium on the development of a master plan for the construction of needed infrastructure works, while we continue to develop our long range plans for the property.

We have culled our real estate holdings to focus on those projects which we believe offer more upside potential to us. As part of this process, we sold our land holdings in Moonee Ponds, Australia for $17.5 million (AU$23.0 million) and a Los Angeles condominium for $3.0 million in 2015 and our land holdings in Burwood, Australia, for $51.6 million (AU$64.9 million) in 2014, the balance of the sale price of this property of $45.7 million (AU$58.4 million) was received in two installments, a partial payment in June 2017 and the final settlement in December 2017. These sales were made based on our belief that the assets involved had reached the highest value that we could reasonably achieve without investing substantial additional sums for land use planning, construction, and marketing.

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

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

EMPLOYEES

As of December 31, 2017, we had 84 full-time executive and administrative employees, 69 live theatre employees, 9 Real Estate employees and 2,423 cinema employees. A small number of our cinema employees in New Zealand are union members, as are our projectionists in Hawaii. None of our Australian-based employees or other employees are subject to union contracts. Overall, we are of the view that the existence of these collective-bargaining agreements does not materially increase our costs of labor or our ability to compete. We believe our relations with our employees to be generally good.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our key executive officers as of February 28, 2018:

Name	Age	Title
Ellen M. Cotter	51	Chairperson of the Board, Chief Executive Officer and President
Margaret Cotter	50	Vice Chairperson of the Board, Executive Vice President – Real Estate Management and Development-NYC
Dev Ghose	64	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
Andrzej J. Matyczynski	65	Executive Vice President – Global Operations

Robert F. Smerling	83	President – Domestic Cinemas
Wayne D. Smith	60	Managing Director – Australia and New Zealand

Ellen M. Cotter. Ellen M. Cotter has been a member of our Board of Directors since March 13, 2013, and currently serves as a member of our Executive Committee. Ms. Cotter was appointed Chairperson of our Board on August 7, 2014 and served as our interim President and Chief Executive Officer from June 12, 2015 until January 8, 2016, when she was appointed our permanent President and Chief Executive Officer. She joined the Company in March 1998. Ms. Cotter is also a director of Cecelia Packing Corporation (a Cotter family-owned citrus grower, packer and marketer). Ms. Cotter is a graduate of Smith College and holds a Juris Doctor from Georgetown University Law Center. Prior to joining the Company, Ms. Cotter spent four years in private practice as a corporate attorney with the law firm of White & Case in New York City. Ms. Cotter is the sister of Margaret Cotter and James J. Cotter, Jr. Prior to being appointed as our President and Chief Executive Officer, Ms. Cotter served for more than ten years as the Chief Operating Officer ("COO") of our domestic cinema operations, in which capacity she had, among other things, responsibility for the acquisition and development, marketing and operation of our cinemas in the United States. Prior to her appointment as COO of Domestic Cinemas, she spent a year in Australia and New Zealand, working to develop our cinema and real estate assets in those countries. Ms. Cotter is the Co-Executor of her father's estate, which is the record owner of 297,070 shares of Class A Stock and 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Cotter is a Co-Trustee of the James J. Cotter Foundation (the "Cotter Foundation"), which is the record holder of 102,751 shares of Class A Stock and Co-Trustee of the James J. Cotter, Sr. Trust (the "Cotter Trust"), which is the record owner of 1,897,649 shares of Class A Stock and 696,080 shares of Class B Stock (representing an additional 41.4% of such Class B Stock). Ms. Cotter also holds various positions in her family's agricultural enterprises.

Ms. Cotter brings to our Board her nineteen years of experience working in our Company's cinema operations, both in the United States and Australia. She has also served as the Chief Executive Officer of Reading's subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. In addition, with her direct ownership of 802,903 shares of Class A Stock and 50,000 shares of Class B Stock and her positions as Co-Executor of her father's estate and Co-Trustee of the Cotter Trust and the Cotter Foundation, Ms. Cotter is a significant stakeholder in our Company. Ms. Cotter is well recognized in and a valuable liaison to the film industry. In recognition of her contributions to the independent film industry, Ms. Cotter was awarded the first Gotham Appreciation Award at the 2015 Gotham Independent Film Awards. She was also inducted that same year into the Show East Hall of Fame.

Margaret Cotter. Margaret Cotter has been a Director of our Company since September 27, 2002, and on August 7, 2014 was appointed Vice Chairperson of our Board and currently serves as a member of our Executive Committee. On March 10, 2016, our Board appointed Ms. Cotter as Executive Vice President-Real Estate Management and Development-NYC, and Ms. Cotter became a full time employee of our Company. In this position, Ms. Cotter is responsible for the management of our live theater properties and operations, including the oversight of the day to day development process of our Union Square and Cinemas 1, 2, 3 properties. Ms. Cotter is the owner and President of OBI, LLC ("OBI"), which, from 2002 until her appointment as Executive Vice President – Real Estate Management and Development- NYC, managed our live-theater operations under a management agreement and provided management and various services regarding the development of our New York theater and cinema properties. Pursuant to the OBI management agreement, Ms. Cotter also served as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. The OBI management agreement was terminated with Ms. Cotter's appointment as Executive Vice President-Real Estate Management and Development-NYC. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and in May 2017 due to other commitments stepped down as a long time board member of the League of Off-Broadway Theaters and Producers. She is a director of Cecelia Packing Corporation. Ms. Cotter, a former Assistant District Attorney for King's County in Brooklyn, New York, graduated from Georgetown University and Georgetown University Law Center. She is the sister of Ellen M. Cotter and James J. Cotter, Jr. Ms. Margaret Cotter is a Co-Executor of her father's estate, which is the record owner of 297,070 shares of Class A Stock and 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Cotter is also a Co-Trustee of the Cotter Trust, which is the record owner of 1,897,649 shares of Class A Stock and 696,080 shares of Class B Voting Common Stock (representing an additional 41.4% of such Class B Stock). Ms. Cotter is also a Co-Trustee of the Cotter Foundation, which is the record holder of 102,751 shares of Class A Stock and of the James. J. Cotter Grandchildren's Trust which is the record holder of 274,390 shares of Class A Stock. Ms. Cotter also holds various positions in her family's agricultural enterprises.

Ms. Cotter brings to the Board her experience as a live theater producer, theater operator and an active member of the New York theatre community, which gives her insight into live theater business trends that affect our business in this sector, and in New York and Chicago real estate matters. Operating and the daily oversight of our theater properties for over 18 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, with her direct ownership of 810,284 shares of Class A Stock and 35,100 shares of Class B Stock and her positions as Co-Executor of her father's estate and Co-Trustee of the Cotter Trust, the Cotter Foundation, and the James J. Cotter Grandchildren's Trust, Ms. Cotter is a significant stakeholder in our Company.

Devasis ("Dev") Ghose. Dev Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015, Executive Vice President on March 10, 2016 and was Corporate Secretary from April 28, 2016 until March 9, 2018. Over the past 25 years, Mr. Ghose served as Executive Vice President and Chief Financial Officer in a number of senior finance roles with three NYSE-listed companies: Skilled Healthcare Group (a health services company, now part of Genesis HealthCare) from 2008 to 2013, Shurgard Storage Centers, Inc. (an international company focused on the acquisition, development and operation of self-storage centers in the U.S. and Europe; now part of Public Storage) from 2004 to 2006, and HCP, Inc., (which invests primarily in real estate serving the healthcare industry) from 1986 to 2003, and as Managing Director-International for Green Street Advisors (an independent research and trading firm concentrating on publicly traded real estate corporate securities in the U.S. & Europe) from 2006 to 2007. Prior thereto, Mr. Ghose worked for PricewaterhouseCoopers in the U.S. and KPMG in the UK from 1975 to 1985. He qualified as a Certified Public Accountant in the U.S. and a Chartered Accountant in the U.K., and holds an Honors Degree in Physics from the University of Delhi, India and an Executive M.B.A. from the University of California, Los Angeles.

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

Robert F. Smerling. Robert F. Smerling has served as President of our domestic cinema operations since 1994. He has been involved in the acquisition and/or development of all of our existing cinemas. Prior to joining our Company, Mr. Smerling was the President of Loews Theaters, at that time a wholly owned subsidiary of Sony. While at Loews, Mr. Smerling oversaw operations at some 600 cinemas employing some 6,000 individuals and the development of more than 25 new multiplex cinemas. Among Mr. Smerling's accomplishments at Loews was the development of the Lincoln Square Cinema Complex with IMAX in New York City, which continues today to be one of the top five grossing cinemas in the United States. Prior to Mr. Smerling's employment at Loews, he was Vice Chairman of USA Cinemas in Boston, and President of Cinema National Theatres. Mr. Smerling, a recognized leader in our industry, has been a director of the National Association of Theater Owners, the principal trade group representing the cinema exhibition industry.

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

FORWARD LOOKING STATEMENTS

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

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

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

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

the extent to which our cinemas can continue to serve as an anchor tenant that will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations;

- o the ability to negotiate and execute joint venture opportunities and relationships; and
- o certain of our activities are in geologically active areas, creating a risk of damage and/or disruption of real estate and/or cinema businesses from earthquakes.

· with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate and previously engaged for many years in the railroad business in the United States:

- o our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
- o expenses, management and Board distraction and other effects of the litigation efforts mounted by James Cotter, Jr. against the Company, including his efforts to cause a sale of voting control of the Company;
- o the relative values of the currency used in the countries in which we operate;
- o changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;

- o our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
- o our exposure from time-to-time to legal claims and to uninsurable risks, such as those related to our historic railroad operations, including potential environmental claims and health-related claims relating to alleged exposure to asbestos or other substances now or in the fu