

READING INTERNATIONAL INC

Form DEF 14A

October 22, 2004

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(AMENDMENT NO. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
 Definitive
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240.14a-11(c) or
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Reading International, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form,
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Registration
Statement No.:

(3) Filing Party:

(4) Date Filed:

READING INTERNATIONAL, INC.

**550 South Hope Street, Suite 1825
Los Angeles, CA 90071**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON FRIDAY, NOVEMBER 12, 2004

To the Stockholders:

The Annual Meeting of Stockholders of Reading International, Inc., a Nevada corporation ("RII" or the "Company" and, collectively with its consolidated subsidiaries and corporate predecessors, "Reading"), will be held at the Four Seasons Hotel Los Angeles at Beverly Hills, 300 South Doheny Drive, Los Angeles, California, 90048, on Friday, November 12, 2004, at 11:00 a.m., Pacific time, subject to adjournment or postponement, for the following purposes:

To elect eight directors to the Board of Directors to serve until the 2005 Annual Meeting of Stockholders; and

To transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

A copy of the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2003 is enclosed. Only stockholders of record of the Company's Class B Voting common stock, \$0.01 par value, at the close of business on October 8, 2004 (the "Record Date") will be entitled to notice of and to vote at the meeting and any adjournment or postponement thereof. Prior to the voting thereof, a proxy may be revoked by the person executing such proxy by:

filing with the Corporate Secretary of the Company, prior to the commencement of the Annual Meeting, either a written notice of revocation or a duly executed proxy bearing a later date; or

attending and voting in person at the Annual Meeting.

Holders of record of the Company's Class A Nonvoting common stock are being sent notices of the meeting and copies of the Company's Annual Report but will have no voting rights.

The Company will make available a list of the stockholders entitled to vote at the Annual Meeting for examination at its principal executive offices located at 550 S. Hope Street, Suite 1825, Los Angeles, California 90071, at least ten days prior to the date of the Annual Meeting.

If you are a holder of the Company's Class B Voting common stock, and therefore entitled to vote at the Annual Meeting, you will have received a proxy card enclosed with this notice. Whether or not you expect to attend the Annual Meeting in person, please fill in, sign, date and complete the enclosed proxy card and return it promptly in the accompanying postage prepaid, pre-addressed envelope, to assure that your shares will be represented.

By Order of the Board of Directors

James J. Cotter
Chairman

This proxy statement is first being mailed to stockholders on or about October 27, 2004.

PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE TO ENSURE THAT YOUR VOTES ARE COUNTED.

READING INTERNATIONAL, INC.

**550 South Hope Street, Suite 1825
Los Angeles, CA 90071
(213) 235-2240**

PROXY STATEMENT

Annual Meeting of Stockholders

Friday, November 12, 2004

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Reading International, Inc. ("RII" or the Company) and, collectively with its consolidated subsidiaries and corporate predecessors, Reading), of proxies for use at our upcoming Annual Meeting of Stockholders (the Annual Meeting) to be held on Friday, November 12, 2004, at 11:00 a.m., at the Four Seasons Hotel Los Angeles at Beverly Hills, 300 South Doheny Drive, Los Angeles, California, 90048, and at any adjournment or postponement thereof. Please sign, date and return the enclosed proxy card in order to ensure that your shares are represented at our meeting.

At our Annual Meeting, you will be asked to elect eight directors to the Board of Directors to serve until the 2005 Annual Meeting of Stockholders.

As of the Record Date, Mr. James J. Cotter, our Chairman and Chief Executive Officer, owns directly or indirectly, 1,023,888 shares of our Class B Voting common stock. Mr. Cotter's holdings represent more than 50% of the outstanding voting power of our Company. Accordingly, Mr. Cotter has the power, acting alone and without the support or approval of any of our other stockholders, to elect the individuals currently nominated for election to our Board of Directors at our upcoming Annual Meeting and to defeat the election of any other individuals who might be nominated. Mr. Cotter has advised us that he intends to vote in favor of each of our Board's nominees for election at that meeting.

Our Company is the survivor of a consolidation completed at the end of 2001, and referred to in this proxy statement as the Consolidation, of RII (then known as Citadel Holding Corporation ("CHC")), Craig Corporation ("CRG") and Reading Entertainment, Inc ("REI"). Certain of the information included in this proxy statements relates to periods prior to the Consolidation, as indicated by references to CHC, CRG and/or REI in connection with that information. In the Consolidation, our Company changed its name from Citadel Holding Corporation to Reading International, Inc. CRG and REI still exist as wholly owned subsidiaries of our Company.

VOTING AND PROXIES

Shares represented by properly executed proxies received by us will be voted at the Annual Meeting in the manner specified therein or, if no instructions are marked on the enclosed proxy card, will be voted FOR each of the nominees for director. Although we do not know of any other matter to be acted upon at the Annual Meeting, shares represented by valid proxies will be voted in accordance with the judgment of the individuals indicated on the proxy card with respect to any other matters that may properly come before the Annual Meeting.

Execution of a proxy will not in any way affect your right to attend the Annual Meeting and vote in person, and you have the right to revoke your proxy at any time before it is exercised by:

filing with our Corporate Secretary, prior to the commencement of the Annual Meeting, a duly executed instrument dated subsequent to such proxy revoking the same or a duly executed proxy bearing a later date; or

attending the Annual Meeting and voting in person.

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In addition to the solicitation by mail, our employees may solicit proxies in person or by telephone but no additional compensation will be paid to them for such services. The Company will bear all costs of soliciting proxies on behalf of our Board of Directors and will reimburse persons holding shares in their own names or in the names of their nominees, but not owning such shares beneficially, for the expenses of forwarding solicitation materials to the beneficial owners.

Only the stockholders of record of our Class B Voting common stock, \$0.01 par value (the Class B Voting Stock), at the close of business on October 8, 2004, the Record Date, are entitled to notice of and to vote at our Annual Meeting or any adjournment or postponement thereof. On that date, there were 1,982,414 shares of Class B Voting Stock outstanding. Our stockholders are entitled to one vote for each share of Class B Voting Stock held of record. Holders of record of our Class A nonvoting common stock, \$0.01 par value (the Class A Nonvoting Stock), are being sent this Proxy Statement for their information and are invited to attend our Annual Meeting, but will have no voting rights.

The presence, in person or by proxy, of the holders of shares of stock entitling them to cast a majority of the votes entitled to be cast at our Annual Meeting will constitute a quorum. Abstentions will be counted for purposes of determining the presence of a quorum, as will broker non-votes, provided authority is given to attend the meeting or to vote on any matter to come before the meeting. Directors are elected by a plurality vote, so abstentions and broker non-votes will not affect the outcome of the election of directors.

ELECTION OF DIRECTORS

Beneficial Ownership of Securities

The following table sets forth the shares of common stock beneficially owned as of the Record Date, for:

each of the directors standing for election and nominees;

each person known to the Company to be the beneficial owner of more than 5% of the Common Stock; and

all directors and executive officers as a group.

Except as noted, the indicated beneficial owner of the shares has sole voting power and sole investment power.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | | | |
|---|--|------------------------|---------------------|------------------------|
| | Class A Non-Voting | | Class B Voting | |
| | Number of Shares | Percentage of Stock | Number of Shares | Percentage of Stock |
| James J. Cotter(2)(3)(5) | 6,085,734 | 29.7% | 1,161,388 | 58.6% |
| Eric Barr(2)(4) | 20,000 | * | | |
| James J. Cotter, Jr.(2)(3)(4)(5) | 20,000 | * | | |
| Margaret Cotter(2)(3)(4)(5) | 24,638 | * | 35,100 | 1.8% |
| William D. Gould(4) | 57,340 | * | | |
| Edward L. Kane(4) | 20,100 | * | 100 | * |
| Gerard P. Laheney(2)(4) | 20,000 | * | | |
| Alfred Villaseñor, Jr.(2)(4) | 20,000 | * | | |
| Cotter Associates, LLC(5) 120 North Robertson Blvd. Los Angeles, CA 90048 | 1,000,000 | 5.0% | | |
| Hecco Ventures(6) 120 North Robertson Blvd Los Angeles, CA 90048 | 1,565,782 | 7.9% | | |
| Michael Forman(7) 120 North Robertson Blvd. Los Angeles, CA 90048 | 1,311,233 | 6.6% | 327,808 | 16.5% |

Amount and Nature of Beneficial Ownership(1)

| Name and Address of Beneficial Owner | Class A Non-Voting | | Class B Voting | |
|---|--------------------|---------------------|------------------|---------------------|
| | Number of Shares | Percentage of Stock | Number of Shares | Percentage of Stock |
| Pacific Assets Management LLC/ JMG Triton Offshore Fund Ltd(8) 1999 Avenue of the Stars, #2530 Los Angeles, CA 90067 | 3,544,794 | 17.8% | 180,143 | 9.1% |
| Passport Holdings, LLC(9) One Sansome Street, 39th Floor San Francisco, CA 92606 | | | 137,889 | 7.0% |
| Lawndale Capital Management/ Diamond A Partners LP/Andrew E. Shapiro(10) One Sansome Street, Suite 3800 San Francisco, CA 94104 | | | 107,880 | 5.4% |
| All directors and Executive Officers as a Group (14 persons) | 6,554,842 | 32.9% | 1,208,988 | 61.0% |

* Less than 1%.

- (1) Beneficial ownership is based on 19,916,877 shares of Class A Nonvoting and 1,982,414 shares of Class B Voting Stock outstanding as of the Record Date.
- (2) 550 South Hope Street, Suite 1825, Los Angeles, California 90071.
- (3) Mr. Cotter directly owns directly or indirectly through wholly owned entities, 2,604,952 shares of Class A Nonvoting Stock (inclusive of 29,730 shares held in Mr. Cotter's profit sharing plan) and 1,023,888 shares of Class B Voting Stock. Mr. Cotter has currently exercisable stock options to acquire 925,000 and 137,500 shares of Class A Nonvoting and Class B Voting Stock, respectively. Mr. Cotter is also considered the beneficial owner of 1,565,782 shares of Class A Nonvoting Stock owned by Hecco Ventures, a general partnership (HV). Mr. Cotter has voting and investment power with respect to these shares and is the general partner of James J. Cotter Ltd., the general partner of HV. Mr. James J. Cotter, Jr. and Ms. Margaret Cotter are Mr. Cotter's son and daughter, and they serve on the Board of Directors. Each has options to acquire 20,000 shares of Class A Nonvoting Stock. In addition, Margaret Cotter currently holds exercisable options to acquire 35,100 shares of Class B Voting Stock. Ellen Cotter is the daughter of Mr. Cotter, the sister of Mr. Cotter, Jr., and Margaret Cotter. Ms. Ellen Cotter is the Chief Operating Officer of the Company's domestic cinemas. She holds currently holds exercisable options to acquire 75,000 shares of Class A Nonvoting Stock and 12,500 shares of Class B Voting Stock. Mr. James J. Cotter, Jr. and Ms. Margaret Cotter are, together with their sister Ellen Cotter, the sole limited partners of the James J. Cotter Ltd.
- (4) Includes 20,000 shares of Class A Nonvoting Stock for each of the directors which may be acquired through the exercise of currently exercisable stock options.
- (5) Cotter Associates, LLC owns 1,000,000 shares of Class A Nonvoting stock. James J. Cotter has a 1% voting membership interest and an irrevocable trust has a 99% nonvoting membership interest in Cotter Associates, LLC. The irrevocable trust benefits Mr. Cotter's three children; Ellen M. Cotter, James J. Cotter, Jr., and Margaret Cotter. All 1,000,000 shares are included in the beneficial ownership amount for James J. Cotter above. These same shares are also shown separately in the beneficial ownership amount for Cotter Associates, LLC.
- (6) Hecco Ventures (HV) is a California general partnership. James J. Cotter is the general partner of James J. Cotter LTD, the limited partnership which is the general partner of HV. The other general partners of HV are Michael Forman and a subsidiary of the Decurion Corporation, a company privately owned by Michael Forman and certain members of his family. HV has granted Mr. Cotter the right to vote the shares held by it. Accordingly, Mr. Cotter has sole voting power and shared investment power.
- (7) Based on Form 3 filed April 25, 2001.

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- (8) Based on Schedule 13-G filed January 17, 2002 for Class B Voting Stock. Pacific Asset Management LLC (Pacific) does not hold the securities as part of a group. However, Pacific serves as the investment manager to the direct beneficial owner, JMG Triton Offshore Fund, Ltd. and has the power to determine whether or when the securities will be sold.
- (9) Based on Schedule 13-G filed April 19, 2004 for Class B Voting Stock, Passport Management LLC has shared voting and dispositive power with Ralph K. McCluskey and John H. Burbank II and partially shared voting and dispositive power with Passport Master Fund, LP and Passport Master Fund II who each have 106,026 and 31,863 shares, respectively.
- (10) Based on Schedule 13-D filed March 26, 2002 for Class B Voting Stock, which includes shares which are owned of record by Diamond A Partners, L.P (DAP) and by Diamond A Investors L.P (DAI) over which Lawndale Capital Management, Inc. (LCM) and Andrew E. Shapiro have shared voting and dispositive power. According to filings with the SEC, Lawndale Capital Management, Inc. is the investment advisor to DAP and DAI, which are investment limited partnerships and Mr. Shapiro is the sole manager of LCM.

Nominees for Election

Eight directors are to be elected at our Annual Meeting to serve until the next annual meeting of stockholders to be held in 2005 or until their successors are elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by us for the election of the nominees below, all of whom are currently directors of the Company. The eight nominees for election to the Board of Directors who receive the greatest number of votes cast for the election of directors by the shares present and entitled to vote will be elected directors. If any nominee becomes unavailable for any reason, it is intended that the proxies will be voted for a substitute nominee designated by the Board of Directors. We have no reason to believe the nominees named will be unable to serve if elected.

The names of the nominees for director, together with certain information regarding them, are as follows:

| Name | Age | Position |
|------------------------|-----|--|
| James J. Cotter | 66 | Chairman of the Board and Chief Executive Officer(1) |
| Eric Barr | 58 | Director(2) |
| James J. Cotter, Jr. | 35 | Director |
| Margaret Cotter | 36 | Director |
| William D. Gould | 65 | Director(3) |
| Edward L. Kane | 66 | Director(2) |
| Gerard P. Laheney | 66 | Director(1)(2)(3) |
| Alfred Villaseñor, Jr. | 74 | Director(1)(3) |

- (1) Member of the Executive Committee.
- (2) Member of the Audit and Conflicts Committee.
- (3) Member of the Compensation and Stock Option Committee.

Mr. James J. Cotter is our Chairman of the Board, President and Chief Executive Officer. With the exception of a period beginning in 1988 and ending in 1991, Mr. Cotter has served as a director of the Company since 1986 and as Chairman of the Board since 1992. Mr. Cotter was named Chief Executive Officer on August 1, 1999, a position which he has held continuously, except for an approximately two month period during the last quarter of 2000, since that date. Mr. Cotter is, and has been for more than the past five years, the Chairman of the Board and Chief Executive Officer of each of CRG and REI. Mr. Cotter is, and has been for more than the past five years, a director of The Decurion Corporation (motion picture exhibition and real estate company); the Chief Executive Officer and a director of Townhouse Cinemas Corporation (motion picture exhibition company); the General Partner of James J. Cotter, Ltd., a general partner in Hecco Ventures which is involved in investment activities and is a major stockholder in the

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Company; the Chief Executive Officer and 50% owner of Sutton Hill Capital, LLC and its predecessors (cinema exhibition and the counterparty to the various agreements comprising the City Cinemas Transaction); and prior to its acquisition by our Company, the Chairman, Chief Executive Officer and 50% stockholder of Off Broadway Investments, Inc. (owner and operator of live theaters and the counterparty to the Liberty Theaters Merger). Mr. Cotter was also a director of Stater Bros., Inc. (retail grocery company) from 1987 to 1997.

Mr. Eric Barr has been a director of our Company since March 21, 2002. Mr. Barr is a resident of Brighton, Victoria in Australia, with extensive knowledge of the Australian business community. Prior to his appointment, Mr. Barr retired in June 2001 from his position as senior audit partner with PricewaterhouseCoopers LLC in Australia, after having been with that firm for 36 years. Mr. Barr serves as the Chairman of our Audit and Conflicts Committee.

Mr. James J. Cotter, Jr. has been a director of our Company since March 21, 2002. He has been Chief Executive Officer of Cecelia Packing Corporation (citrus packing and marketing) since July 2004. Mr. Cotter, Jr. served as a director to Cecelia Packing Corporation from February 1996 to September 1997 and as a director of Gish Biomedical from September 1999 to March 2002. He was an attorney in the law firm of Winston & Strawn, specializing in corporate law, from September 1997 to May 2004. Mr. Cotter, Jr. is the son of James J. Cotter and the brother of Margaret Cotter and Ellen Cotter. Mr. Cotter, Jr. is a limited partner in James J. Cotter Ltd, which is a general partner of Hecco Ventures and a beneficiary of the family trust that owns a 99% membership interest in Cotter Associates, LLC.

Ms. Margaret Cotter has been a director of our Company since September 27, 2002, and was a director of CRG from 1998 to September 26, 2002, when she joined the Board of our Company. Ms. Cotter is also the owner and President of Off Broadway Investments, LLC, a company that provides live theatre management services to our live theaters. Pursuant to that management arrangement, Ms. Cotter also serves as the President of Liberty Theaters, the subsidiary through which we own our live theaters. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York. Ms. Cotter served as the Vice President of Union Square Management, Inc. (live theatre management) from 1998 to 2000. Ms. Cotter is an officer of the League of Off-Broadway Theaters and Producers, is a member of the New York State Bar and, since September 1997, has been Vice President of Cecelia Packing Corporation. From February 1994 until September 1997, Ms. Cotter was an Assistant District Attorney for King's County in Brooklyn, New York. Ms. Cotter graduated from Georgetown University Law Center in 1993. She is the daughter of Mr. James J. Cotter and the sister of James J. Cotter, Jr. and Ellen Cotter. Ms. Cotter is a limited partner in James J. Cotter Ltd., which is a general partner of Hecco Ventures and is a beneficiary of the family trust that owns a 99% membership interest in Cotter Associates, LLC.

Mr. William D. Gould has been a director of our Company since October 15, 2004 and has been a member of the law firm of Troy & Gould since 1986. Previously, he was a partner of the law firm of O'Melveny & Myers. Mr. Gould was a director of Craig Corporation from 1985 until its consolidation with REI and CHC on December 31, 2001. Our Company has from time to time retained Troy & Gould for legal advice.

Mr. Edward L. Kane has been a director of our Company since October 15, 2004 and is currently President of High Avenue Consulting, Inc., a healthcare consulting firm, whose major client is Sharp Community Medical Group, a group of 800 independent physicians affiliated for managed care services. Mr. Kane has been President of High Avenue Consulting since May 2000. Mr. Kane is also Chairman of Kane/Miller Book Publishers, Inc., a publisher of children's picture books, a position he has held since January 2001, and a director of BDI Investment Corporation, a registered investment company, a position he has held since 1990. Mr. Kane was President of Reading Company, the predecessor of REI, from December 1991 to January 1993, serving as a director of REI until December 1999, and President of CRG from January 1988 to January 1993, serving as a director of CRG until 1996. From 1985 to 1991, Mr. Kane served as a Director of CHC, also serving as President from 1987 to 1988.

Mr. Gerard P. Laheney has been a director of our Company since September 27, 2002, and was a director of CRG from 1990 to September 26, 2002, when he joined the Board of our Company. Mr. Laheney served as a director of Reading Company, the predecessor of REI, between November 1993 and June 1996.

Mr. Laheney has been President of Aegis Investment Management Company, an investment advisory firm specializing in global investment portfolio management, since August 1993. Mr. Laheney was a Vice President of Dean Witter Reynolds from April 1990 to December 1993. Since January 2004, Mr. Laheney also has been a director of Sunair Electronics, Inc., a company involved in the design, manufacture and sale of high-frequency single-sideband communications equipment.

Mr. Alfred Villaseñor, Jr. has been a director of our Company since 1987. He has also served as a director for Fidelity Federal Savings and Loan. Mr. Villaseñor is the President and owner of Unisure Insurance Services, Incorporated, a corporation that has specialized in life, business and group health insurance for over 35 years. He is also a general partner in Plaza de Villa, a California real estate commercial center. Mr. Villaseñor is a director of the John Gogian Family Foundation and a director of Richstone Centers, a non-profit organization.

Attendance at Board and Committee Meetings

During the year ended December 31, 2003, the Board of Directors held 5 Board meetings. Each director attended at least 75% of the meetings of the Board of Directors and all committees on which he or she served, during the period such individual was a director. The Audit and Conflicts Committee held 12 meetings in 2003. The Stock Options and Compensation Committee had 2 meetings during 2003. The Company has no standing nominating committee. Our Company's Board Committees are discussed in greater detail under the caption **Board Committees**, below.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our Company's officers, directors and persons who own more than 10% of the Company's Common Stock to file reports to ownership and changes in ownership with the SEC. The SEC rules also require such reporting persons to furnish the Company with a copy of all Section 16(a) forms they file.

Based solely on a review of the copies of the forms which the Company received and written representations from certain reporting persons, the Company believes that, during the fiscal year ended December 31, 2003, all filing requirements applicable to its reporting persons were complied with; except that the reports on Form 5 reporting option grants to three of our officers (Messrs. Tompkins and Smerling and Ms. Ellen Cotter) were filed on February 20, rather than on February 16, 2004 due to administrative oversight.

Indemnity Agreements

In 1990, our Board authorized our Company to enter into indemnity agreements with its then current directors and officers. Since that time, we have typically entered into indemnity agreements with our directors and senior officers. In 2001, our stockholders approved a new form of indemnity agreement, which has been used since that date to memorialize our Company's indemnity obligations. Under these agreements, our Company, generally speaking, has agreed to indemnify our directors and various of our senior officers against all expenses, liabilities and losses incurred in connection with any threatened, pending or contemplated action, suit or proceeding, whether civil or criminal, administrative or investigative, to which any such director or officer is a party or is threatened to be made a party, in any manner, based upon, arising from, relating to or by reason of the fact that such individual is, was, shall be or shall have been a director, officer employee, agent or fiduciary of our Company. Each of our current directors and senior officers, as well as certain of the directors and senior officers of our subsidiaries, currently has the benefit of such indemnity agreements.

Compensation of Directors

Directors who are not officers or employees of the Company received an annual retainer of \$25,000 for their services including attendance at meetings and service on Board committees. Only the Chairman of the Board and the Chairman of our Audit and Conflicts Committee receive additional compensation for their services. The Chairman of our Audit and Conflicts Committee received an annual retainer of \$27,000. The Chairman of the Board receives \$195,000 annually, which is included as part of his \$545,000 total annual

compensation. In addition, upon joining the Board, directors who are not officers or employees of the Company receive 20,000 immediately vested options to purchase shares of our Class A Nonvoting Stock at an exercise price equal to the market price of the stock at the time of grant. Margaret Cotter has agreed to serve as a director of the Company without any additional consideration other than her stock options.

Board Committees and Corporate Governance

Our Board of Directors has standing Executive, Audit and Conflicts, and Compensation and Stock Options Committees. These committees are discussed in greater detail below. Our Board of Directors does not have a nominating committee. Typically, nominations are suggested to our Board of Directors by our Chairman and controlling stockholder, Mr. James J. Cotter.

Since Mr. Cotter owns a majority of our Class B Voting Stock, our Board of Directors has determined that the Company satisfies the criteria for a Controlled Company under Section 801 of Part 8 of the American Stock Exchange Company Guide. After reviewing the benefits and detriments of taking advantage of the exceptions to the Corporate Governance Rules set forth in Part 8, the Board of Directors unanimously determined to take advantage of all of the exceptions from Part 8 afforded to our Company as a Controlled Company under Section 801. This matter was discussed at the Directors meetings of February 27, 2004 and May 14, 2004, and all of our directors participated in this discussion.

Among the exceptions afforded to Controlled Companies is an exception from the requirement that we have an independent nominating committee or independent nominating process. It was noted by our Directors that the use of an independent nominating committee or independent nominating process would be of limited utility, in light of the fact that any nominee would need to be acceptable to Mr. James J. Cotter as our controlling stockholder and in light of the fact that under our governing documents and applicable Nevada Law, Mr. Cotter, acting in his capacity as a stockholder, can unilaterally nominate and elect candidates to our Board of Directors at our annual meeting or any other meeting where our directors are to be elected. Mr. Cotter has advised our directors that he prefers to be actively involved in the identification and selection of Board nominees, and he believes that it would be in the best interests of our Company and stockholders if we continued to treat the nomination process in the same way as in prior periods.

Our Board of Directors does not have a formal written policy with respect to the consideration of director candidates recommended by our stockholders since, in the view of our Board, there has been no compelling reason to put any formal policy in place. No stockholder has, in more than the past ten years, made any proposal or recommendation to the Board as to potential nominees, nor has Mr. Cotter ever proposed, in the time he has been our principal or controlling stockholder, any nominee that our remaining directors have found to be unacceptable. Furthermore, neither our governing documents nor applicable Nevada law place any restriction on the nomination of candidates for election to our Board of Directors directly by our stockholders. Accordingly, our Directors are currently of the view that in light of (i) the fact that our Company is a Controlled Company under applicable American Stock Exchange criteria and exempted from the American Stock Exchange requirements for an independent nominating process, and (ii) the fact that neither our governing documents nor Nevada law place any limitation upon the direct nomination of director candidates by our stockholders, that the current system suitably addresses the needs of our Company and our stockholders and that little if anything would be gained by adopting a formal policy with respect to such matters at this time.

Our Board of Directors will, as it has traditionally advised our stockholder in our proxy materials each year, consider nominations from our stockholders, provided written notice delivered to the Secretary of our Company at our Company's principal executive offices not less than 120 days prior to the first anniversary of the immediately preceding annual meeting of our stockholders at which directors are elected, or such earlier date as may be reasonable in the event that our annual stockholders meeting is moved forward. As we currently anticipate that our 2005 Annual Meeting of Stockholders will be held not later than May 31, 2005, stockholders wishing to recommend potential nominees should plan to identify such candidates to us before the end of January 2005. Such written notice must set forth the name, age, address and principal occupation or employment of such nominee, the number of shares of our Company's common stock beneficially owned by

such nominee and such other information as is required by the proxy rules of the SEC with respect to a nominee of our Board of Directors.

Alternatively, under our governing documents and applicable Nevada Law, nominations may be made directly by stockholders from the floor of any meeting at which directors are to be elected. See also, the material set forth below under the caption **Stockholder Proposals and Director Nominations**.

Our directors have not adopted any formal criteria with respect to the qualifications required to be a director or the particular skills that should be represented on our Board of Directors, other than the need to have at least one Director and member of our Audit and Compensation Committee who qualifies as an audit committee financial expert, and has not historically retained any third party to identify or evaluate or to assist in identifying or evaluating potential nominees.

All of the current nominees were recommended to the Board by Mr. Cotter. No other recommendations were received by us with respect to possible nominees to our Board of Directors.

Executive Committee

Our Company has a standing Executive Committee comprised of Messrs. Cotter, Laheney and Villaseñor that is authorized, to the fullest extent permitted by Nevada law, to take action on matters between meetings of the full Board of Directors. In recent years, this committee has not been used, and with the exception of matters delegated to the Audit and Conflicts Committee or the Compensation and Stock Options Committee, all matters requiring Board approval have been considered by the entire Board of Directors.

Audit and Conflicts Committee; Audit Committee Report

Our Board of Directors maintains a standing Audit and Conflicts Committee, referred to herein as the Audit Committee. The Audit Committee operates under a Charter adopted by the Board of Directors, a copy of which is on file with the Securities and Exchange Commission. Our Board of Directors has determined that the Audit Committee is comprised entirely of independent directors, (as independence is defined in Sections 121(A) and 803 of the American Stock Exchange Company Guide), and that Mr. Barr, the Chairman of our Audit Committee, is qualified as an Audit Committee Financial Expert. With respect to our fiscal year ended December 31, 2003, our Audit and Conflicts Committee comprised of Directors Barr, Villaseñor, and William C. Soady.

Set forth below is the Audit Committee Report.

The Audit Committee has reported, with respect to the Company's fiscal year ended December 31, 2003 that:

The Audit Committee has reviewed and discussed the audited financial statements with management;

The Audit Committee has discussed with the independent auditors the matters require to be discussed by SAS 61 (Codification of Statements on auditing Standards, AU Section 380), as currently in effect at the date of the report; and

The Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as currently in effect at the date of the report;

Based on the review and discussions referred to in bullet points above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on form 10-K, for such fiscal year.

Eric Barr, Chairman
Gerard Laheney
William C. Soady

Compensation and Stock Options Committee; Report on Executive Compensation

Our Company has a standing Compensation and Stock Options Committee, which, with respect to our fiscal year ended December 31, 2003, was comprised of Directors Villaseñor (Chairman), Laheney and William C. Soady.

Set forth below is the Compensation Committee Report.

Our Company's executive compensation policies and programs are designed, in the view of the Compensation Committee, to attract and retain talented executives and to motivate them to achieve the Company's business objectives that the Board of Directors believes will enhance stockholder value. The principal terms of the Company's current employment arrangements with its principal executive officers, including salary and other base-level compensation, are described herein under Summary Compensation Table.

Prior to the Consolidation, our Company, CRG and REI had separate compensation committees. The compensation committee of REI's Board of Directors was responsible for compensation matters of employees of REI, and the compensation committee of CRG's Board of Directors was responsible for compensation matters of employees of CRG. Certain executives provided services to two or more of the Company, REI and CRG. Accordingly, the Compensation Committee has historically considered compensation received from REI and CRG in determining the Company's executive compensation. The Summary Compensation Table sets forth the compensation paid to the covered individuals by all three companies on a consolidated basis.

Our Company's current compensation strategy is to supplement the executive officers' base level compensation with periodic discretionary cash bonuses (predicated, among other things, on the financial condition of the Company), in recognition of individual performance, and stock option grants designed to link the executives' long-term compensation to appreciation in stockholder value over time. Compensation levels, including base salary, benefits, bonuses and stock option grants are designed to incentivize employees and to maintain executive compensation at the levels needed to attract and retain key employees. Initially, except in the case of Mr. James J. Cotter and members of his family, compensation decisions are made by Mr. Cotter, as the Chief Executive Officer of RII, CRG and REI, in consultation with the Compensation Committees of RII, CRG and REI and, in the case of compensation paid to individuals related to Mr. Cotter, with the approval of the Compensation Committee. Likewise, grants of stock options are typically recommended by Mr. James J. Cotter and reviewed by the Stock Option Committee. In the case of Mr. James J. Cotter, all decisions with respect to compensation are subject to review and approval by the Compensation Committee. In recent periods, in determining compensation to be paid to Mr. Cotter over and above his base compensation, the Company has sought the advice of an independent compensation consulting firm.

All bonus and other compensation decisions with respect to 2003 were made by Mr. Cotter. Upon the recommendation of Mr. Cotter, the following stock options were approved by the Compensation Committee and granted by the Company in 2003.

| Name | Number of Securities Underlying Options Granted (#)(4) | % of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Share) | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term | |
|----------------------|--|--|-----------------------------------|-----------------|--|-----------|
| | | | | | 5% | 10% |
| Ellen Cotter(1) | 75,000 | 53.2% | \$4.01 | 04/23/13 | \$348,156 | \$400,298 |
| Robert Smerling(2) | 25,000 | 17.7% | \$4.01 | 04/23/13 | \$163,297 | \$260,023 |
| S. Craig Tompkins(3) | 41,000 | 29.1% | \$4.01 | 04/23/13 | \$267,807 | \$426,437 |

Mr. Cotter continues to be compensated under an at will consulting agreement, pursuant to which he is paid \$350,000 per year. In addition, Mr. Cotter receives \$195,000 per year for his services as the Chairman of the Board of the Company, for an aggregate cash compensation of \$545,000. Mr. Cotter is reimbursed for certain out-of-pocket business expenses, and is permitted to make use of a condominium owned by the Company when he is in Los Angeles. Mr. Cotter does not currently participate in any of the Company's health, medical or retirement benefit programs. The cash compensation paid by the Company to Mr. Cotter (taking into account amounts previously paid to him by REI and/or CRG prior to the Consolidation), has not been increased for more than the past ten years.

On July 11, 2002, the Board of Directors granted Mr. Cotter the option to purchase up to 975,000 shares of our Class A Common Stock at the then market price for such securities of \$3.80 per share. These options have a limited three year term and must be exercised on or before July 10, 2005. In arriving at the decision to grant these options, the Board of Directors considered, among other things, the advice of Towers Perrin, a firm specializing in executive compensation matters. In 2003, Mr. Cotter surrendered options covering 50,000 shares, in order to make more shares available for stock options to other officers and employees of the Company. At the present time, Mr. Cotter holds options covering 1,062,500 shares of our common stock, representing approximately 65 percent of our Company's total outstanding stock options. The total of options outstanding is 1,633,300, representing approximately 7 percent of our Company's currently outstanding common stock.

The Compensation Committee did not conduct a review of our Chief Executive Officer's Compensation for 2003, having recently completed such a review in 2002. However, the Compensation Committee has determined that our Chief Executive Officer's base compensation for 2003 was in no way excessive, particularly given the expertise and experience that Mr. Cotter brings to our Company and the Company's results of operation for 2003. The Compensation Committee does intend to conduct a comprehensive review of our Chief Executive Officer's compensation this year, and in that regard has retained the assistance of an experienced executive compensation consultant. No decision has been made with respect to any bonus compensation for our Chief Executive Officer for 2003 or 2004, and the Compensation Committee may consider, among other things, our Company's results of operation for 2003 in connection with its more comprehensive review this year of Mr. Cotter's compensation.

Mr. Cotter has no employment agreement with the Company other than his at will consulting agreement, and has no golden parachute, retirement, severance or deferred compensation rights.

Periodic cash bonuses and stock option awards for executive officers of the Company are determined primarily on the basis of the individual job performance of the executive officers and achievement of the Company's business objectives, but no particular weighting is given by the Compensation and Stock Option Committee to individual performance versus the achievement of corporate objectives. These variable elements in the compensation of the Company's executive officers recognize individual contributions and are determined based upon the level of the executive's responsibilities, the efficiency and effectiveness with which he or she oversees the matters under his or her supervision and the degree to which the officer has contributed to the accomplishment of major tasks that advance the Company's goals. Additional compensation in excess of base salary is awarded on a complete discretionary basis when the individual is deemed to have contributed to the Company beyond the reflected in their base salary.

Subject to an exception for performance-based compensation, effective January 1, 1994, corporations generally will be denied a deduction for federal income tax purposes for compensation paid to senior executive officers to the extent that such compensation exceeds \$1 million. This law did not impact the Compensation Committee's deliberations with respect to 2003. The Compensation Committee and the Board of Directors, however, retain discretion to authorize the payment of compensation that does not qualify for income tax deductibility.

Gerard P. Laheney
William Soady
Alfred Villaseñor, Jr.

Vote Required; Recommendation of the Board

The eight nominees receiving the greatest number of votes cast at the Annual Meeting will be elected to the Board of Directors. Mr. Cotter has advised us that he intends to vote the 1,023,888 shares of Class B Voting Stock under his direct or indirect ownership in favor of each of our nominees. Since this represents more than 50% of the outstanding Class B Voting Stock, if Mr. Cotter votes these shares as he has advised, then the nominees will be elected whether or not they receive the votes of any other holders of our voting stock.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

EXECUTIVE OFFICERS AND EXECUTIVE COMPENSATION

Management of the Company

Executive Officers

| Name | Age | Title |
|---------------------|-----|--|
| Ellen M. Cotter | 38 | Chief Operating Officer Domestic Cinemas |
| Brett Marsh | 57 | Vice President Real Estate |
| Andrzej Matyczynski | 52 | Chief Financial Officer and Treasurer |
| Wayne Smith | 46 | Executive Director Australia and New Zealand |
| Robert F. Smerling | 69 | President Domestic Cinemas |
| S. Craig Tompkins | 53 | Executive Vice President, Director Business Affairs, Chief Legal Officer and Secretary |

Ms. Ellen Cotter joined our Company in March 1998 and is the Chief Operating Officer of our domestic cinema operations. Ms. Cotter is a graduate of Smith College and holds a Juris Doctorate from Georgetown Law School. Prior to her involvement with the Company, Ms. Cotter spent four years in private practice as a corporate attorney with the law firm of White & Case in Manhattan. Ms. Cotter is the daughter of James J. Cotter and the sister of James J. Cotter, Jr. and Margaret Cotter, each of whom are directors of the Company. Ms. Cotter is a limited partner in James J. Cotter Ltd., which is a general partner of Hecco Ventures and is a beneficiary of the family trust that owns a 99% membership interest in Cotter Associates, LLC.

Mr. Marsh has been with our Company since 1993 and is responsible for the Company's real estate activities. Prior to joining the Company, Mr. Marsh was the Senior Vice President of Burton Property Trust, Inc., the U.S. real estate subsidiary of the Burton Group PLC. In this position, Mr. Marsh was responsible for the real estate portfolio of that company.

Mr. Matyczynski was named Chief Financial Officer and Treasurer of the Company and CRG and the Chief Administrative Officer of REI on November 18, 1999. Mr. Matyczynski was named the Chief Financial Officer and Treasurer of REI effective June 2, 2000. Prior to joining the Company, Mr. Matyczynski held various positions over a twenty-year period with Beckman Coulter in the U.S. and Europe. Beckman Coulter is a leading provider of instrument systems and related products that automate laboratory processes. His last position at Beckman Coulter was that of Worldwide Director of Financial Reporting and Accounting, as well as serving as a director for certain Beckman Coulter subsidiaries.

Mr. Smith joined our Company in April 2004 as Executive Director of Australia and New Zealand. He is effectively the senior executive officer responsible for our operations in that geographic area. Mr. Smith brings to Reading 20 years of experience in cinema operations and property management gained at Hoyts Cinema Limited, his last position there being General Manager Property.

Mr. Smerling was appointed President of Citadel Cinemas, Inc. effective September 1, 2000 following the Company's acquisition of the City Cinemas. Mr. Smerling also served as the President and a director of REI. Mr. Smerling has served as the senior executive officer responsible for our various domestic and Puerto Rican exhibition subsidiaries since 1994. Prior to joining us, Mr. Smerling was the President of Loews Theater

Management Corporation from May 1990 until November 1993. Mr. Smerling also served as President and Chief Executive Officer of City Cinemas Corporation, a motion picture exhibitor located in New York City, from November 1993 to September 2000.

Mr. Tompkins is the Executive Vice President, Director Business Affairs, Chief Legal Officer and Corporate Secretary of the Company. Mr. Tompkins was a member of the Board of Directors of the Company from 1993 to September 26, 2002, resigning immediately prior to the election of Mr. Gerard P. Laheney and Ms. Margaret Cotter in order to allow for a board comprised of a majority of independent directors. Mr. Tompkins was elected Vice Chairman of the Board and Principal Accounting Officer and Treasurer in 1994. Mr. Tompkins resigned as Principal Accounting Officer and Treasurer in November 1999, upon the appointment of Andrzej Matyczynski to serve as the Company's Chief Financial Officer. For more than the past five years, Mr. Tompkins has been the President and a Director of CRG, the Vice Chairman of the Board of Directors of REI. Prior to joining Reading, Mr. Tompkins was a partner in the law firm of Gibson Dunn & Crutcher. Mr. Tompkins is also a Director and the Chairman of the Audit and Strategic Planning Committees for G&L Realty Corp (a New York Stock Exchange listed real estate investment trust, specializing in the development and ownership of health care properties), a Managing Director of G&L Senior Care Properties LLC (a private company specializing in the development, ownership and operation of skilled nursing facilities), an Advisory Director of Marshall & Stevens (an independent valuation firm), and a member of the Advisory Committee of GWA Investments, LLC (a private hedge fund specializing in activist stockholder investing). Mr. Tompkins was a director of Fidelity Federal Bank, FSB (Fidelity), where he served on the Audit and Compensation Committees, from April 2000 until the sale of that institution effective December 31, 2001.

Summary Compensation Table

Prior to the Consolidation, our Company, CRG and REI operated under a management agreement pursuant to which CRG served as the management company for the Company, CRG and REI. Pursuant to this arrangement, all executive officers and administrative employees (excluding consultants and directors) became employees of CRG and the general and administrative costs paid by CRG were allocated amongst the three companies.

Upon the Consolidation, the management agreement was terminated, and all of the various employees of CHC, CRG and REI became employees of Reading.

The names of the executive officers of the Company are as listed below in the summary compensation table that sets forth the compensation paid by Reading for the year ended December 31, 2003 and 2002 and the compensation paid by collectively by CHC, CRG and REI for the year ended December 31, 2001 for each of the most highly compensated executive officers of our Company.

| Name and Principal Position | Year | Annual Compensation | | | Long Term Compensation | All Other Compensation(7) |
|--|------|---------------------|----------|------------------------------|---|---------------------------|
| | | Salary | Bonus | Other Annual Compensation(1) | Securities Underlying Stock Options Granted | |
| James J. Cotter(2) | 2003 | \$ | | \$545,000 | | |
| Chairman of the Board, | 2002 | | | \$545,000 | 925,000 | |
| President and Chief Executive Officer | 2001 | | | \$545,000 | | |
| Brett Marsh(3) | 2003 | \$180,000 | | | | |
| Vice President Real Estate | 2002 | \$180,000 | \$50,000 | | 15,000 | \$4,758 |
| | 2001 | \$180,500 | \$25,000 | | | \$4,580 |
| Andrzej Matyczynski(4) | 2003 | \$189,000 | \$35,000 | | | |
| Chief Financial Officer and Treasurer | 2002 | \$189,000 | | | 35,000 | \$5,261 |
| | 2001 | \$185,250 | \$10,000 | | | \$5,824 |
| Robert F. Smerling(5) | 2003 | \$350,000 | | | 25,000 | |
| President Domestic Cinema Operations | 2002 | \$350,000 | | | | |
| | 2001 | \$350,000 | | | | |
| S. Craig Tompkins(6) | 2003 | \$410,500 | | | 41,000 | |
| Executive Vice President, Director Business Affairs, Chief Legal Officer and Secretary | 2002 | \$410,500 | | | | \$5,849 |
| | 2001 | \$410,500 | | | | \$5,644 |

- (1) Excludes other compensation if the aggregate amount is less than \$50,000, or 10% of salary plus bonus, whichever is less.
- (2) In both fiscal 2003 and 2002, Mr. Cotter was paid director's fees of \$195,000 and an annual consulting fee of \$350,000 from the Company. In fiscal 2001, Mr. Cotter was paid director's fees of \$45,000 from the Company, \$150,000 from REI for his services as the Chairman of the Board, and an annual consulting fee of \$350,000 from CRG. The Company owns a condominium in a high-rise building located in West Hollywood, California, which is used as an executive office, and which is personally used by Mr. Cotter. The Company's incremental cost for Mr. Cotter's personal use of these facilities does not exceed \$50,000 or 10% of his annual consulting fee and as such, the cost has not been included as compensation in the table, but is included in his yearly reported compensation on IRS Form 1099. Mr. Cotter was granted options to acquire 975,000 shares of Class A Nonvoting Stock on July 11, 2002. On April 24, 2003, Mr. Cotter surrendered 50,000 of these options previously granted to him, so that they could be awarded to other officers of our Company. The remaining options vest over two years in equal amounts except for the 575,000 shares that vested immediately at the time of grant. Mr. Cotter does not receive separate compensation for serving as the President and Chief Executive Officer of our Company.
- (3) On July 2, 2002, Mr. Marsh was granted options to acquire 15,000 shares of the Class A Nonvoting Stock. These options vest in equal amounts over four years except for 3,000 shares that vested immediately at the time of grant.
- (4) Pursuant to his employment agreement, Mr. Matyczynski is entitled to a severance payment equal to six months' salary in the event his employment is involuntarily terminated. In addition, he is entitled to other annual compensation of \$12,000 and is eligible for a discretionary bonus of up to 25% of his base salary. Upon joining the Company, Mr. Matyczynski was granted a loan for \$33,000, which was forgiven ratably over three years. In 2002, Mr. Matyczynski was granted options to acquire 35,000 shares of Class A Nonvoting Stock. These options vest in equal amounts over four years except for 7,000 shares that vested immediately at the time of grant.
- (5) Under the terms of his employment, Mr. Smerling is entitled to a severance payment of \$175,000 in the event his employment is involuntarily terminated. In 2003, Mr. Smerling was granted options to acquire

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25,000 shares of Class A Nonvoting Stock. These options vest in equal amounts over four years except for 18,750 which vested immediately at the time of grant.

(6) While no formal written agreement exists as to the terms of Mr. Tompkins' employment, Mr. Tompkins is entitled to receive his annual base salary for a period of one year (less \$40,000) in the event that his employment is involuntarily terminated and no change of control has occurred. Mr. Tompkins is entitled to a severance payment equal to two years base salary (less \$80,000) in the event of a change of control. In April 2003, Mr. Tompkins was granted options to acquire 41,000 shares of Class A Nonvoting Stock. These options vest in equal amounts over four years except for the 10,250 shares that vested immediately at the time of grant. Mr. Tompkins has a vested interest in his CRG pension plan of \$157,240, which amount accrues interest at 30 day LIBOR.

(7) All other compensation is primarily comprised of the employer's match of the Company's 401(k) plan.

Option/ SAR Grants In Last Fiscal Year

During 2003, the Board of Directors of the Company granted options to the following directors and officers of the Company.

| Name | Number of Securities Underlying Options Granted (#)(4) | % of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Share) | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term | |
|----------------------|--|--|-----------------------------------|-----------------|--|-----------|
| | | | | | 5% | 10% |
| Ellen Cotter(1) | 75,000 | 53.2% | \$4.01 | 04/23/13 | \$348,156 | \$400,298 |
| Robert Smerling(2) | 25,000 | 17.7% | \$4.01 | 04/23/13 | \$163,297 | \$260,023 |
| S. Craig Tompkins(3) | 41,000 | 29.1% | \$4.01 | 04/23/13 | \$267,807 | \$426,437 |

(1) 18,750 shares vested immediately on April 23, 2003. Remaining shares vest at 18,750 shares per year.

(2) 6,250 shares vested immediately on April 23, 2003. Remaining shares vest at 6,250 shares per year.

(3) 10,250 shares vested immediately on April 23, 2003. Remaining shares vest at 10,250 shares per year.

(4) Fiscal 2003 grants were for Reading International Inc. Class A Nonvoting Stock.

Aggregated Option/ SAR Granted or Exercised In Last Fiscal Year and Fiscal Year-End Option/ SAR Values

Class A Nonvoting Common Stock

| Name | Shares Acquired on Exercise (#) | Value Realized (\$) | Number of Securities Underlying Unexercised Options at FY-End Exercisable/Unexercisable | Value of Unexercised In-the-Money Options at FY-End (\$)(1) |
|------------------------|---------------------------------|---------------------|---|---|
| | | | | |
| Eric Barr | | | 20,000/ | \$ 68,400/ \$ |
| James J. Cotter | | | 750,000/ 125,000 | \$ 1,590,000/ \$477,000 |
| James J. Cotter, Jr. | | | 20,000/ | \$ 68,400/ \$ |
| Margaret Cotter | | | 20,000/ | \$ 43,400/ \$ |
| Gerard P. Laheney | | | 20,000/ | \$ 43,400/ \$ |
| William Soady | | | 20,000/ | \$ 63,200/ \$ |
| Alfred Villaseñor, Jr. | | | 20,000/ | \$ 63,200/ \$ |
| Ellen Cotter | | | 18,750/ 56,250 | \$ 35,813/ \$107,438 |
| Brett Marsh | | | 30,500/ 12,000 | \$ 50,640/ \$28,560 |

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| | | |
|---------------------|----------------|----------------------|
| Andrzej Matyczynski | 79,100/ 21,000 | \$ 152,272/ \$44,520 |
| Robert F. Smerling | 50,000/ 18,750 | \$ 75,138/ \$35,813 |
| S. Craig Tompkins | 67,250/ 38,750 | \$ 183,898/ \$84,012 |

Class B Voting Common Stock

| Name | Shares Acquired on Exercise (#) | Value Realized (\$) | Number of Securities Underlying Unexercised Options at FY-End Exercisable/Unexercisable | Value of Unexercised In-the-Money Options at FY-End \$(3) Exercisable/Unexercisable |
|-----------------|---------------------------------|---------------------|---|---|
| James J. Cotter | 696,080 | \$ 689,119(2) | 137,500/ | \$ /\$ |
| Margaret Cotter | | | 35,100/ | \$ /\$ |
| Ellen Cotter | | | 12,500/ | \$ /\$ |

(1) Calculated based on closing price of \$5.92 as of December 31, 2003 for Class A Nonvoting Stock.

(2) Value realized determined upon closing price of \$5.60 as of August 22, 2003, the date the options were exercised.

(3) Calculated based on closing price of \$6.05 as of December 31, 2003, for Class B Voting Stock.

Securities Authorized for Issuance Under Equity Compensation Plans

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) | |
|--|---|---------|---|---------|---|------------|
| | (a) | | (b) | | (c) | |
| | Class A | Class B | Class A | Class B | Class A | Class B |
| Equity compensation plans approved by security holders | 523,200 | 185,100 | \$4.68 | \$9.90 | 541,550(1) | 541,550(1) |
| Equity compensation plans not approved by security holders | 925,000 | | \$3.80 | | | |
| Total | 1,448,200 | 185,100 | \$4.14 | \$9.90 | 412,780 | 412,780 |

(1) The aggregate total number of shares of Class A and Class B Stock authorized for issuance under the Company's 1999 Stock Option Plan is 1,350,000. The presentation above reflects the fact that the options may be issued to acquire either Class A or Class B shares, up to an aggregate of 1,350,000 of both classes of stock, and the outstanding options cover, in aggregate, 708,450.

On July 11, 2002 the Board of Directors granted Mr. James Cotter options to acquire 975,000 shares of Class A Stock. On April 23, 2003, Mr. Cotter surrendered 50,000 of these options, unexercised. These non-qualified stock options were granted outside of the Company's 1999 Stock Option Plan. As such, they have not been approved by the stockholders of the Company and are effective without any such approval from the stockholders. The principle terms of the option are as follows:

exercise price: \$3.80 per share, payable in cash or through surrender of shares of Class A or Class B Stock or the surrender of appreciated options to acquire shares of Class A or Class B Stock;

exercise period: three years, with options expiring on July 11, 2005;

vesting: 575,000 immediately, and 175,000 on July 11, 2003 and July 11, 2004;

transferability: to heirs, family owned entities, and charitable trusts.

Compensation Committee Interlocks and Insider Participation

Messrs. Gould, Laheney, Soady and Villaseñor serve on the Company's Compensation and Stock Options Committee. Mr. Cotter is our controlling stockholder, and holds the power to elect directors and to change the composition from time to time of the Board of Directors. Accordingly, all members of the Compensation and Stock Options Committee serve at the pleasure of Mr. Cotter. Also, Mr. Gould is a partner in Troy & Gould, a law firm which from time to time has provided legal services to our Company. During 2003, Troy & Gould was paid \$55,622 in fees by our Company.

Certain Transactions and Related Party Transactions

The Initial City Cinemas Transaction. In 2000, we acquired from Messrs. James J. Cotter and Michael Forman and certain of their affiliates (collectively referred to here in as Sutton Capital) a chain of Manhattan based cinemas, known as the City Cinemas chain (the City Cinemas Transaction). In the City Cinemas Transaction, we leased from Sutton Capital, under a ten-year operating lease (the Operating Lease), four cinemas, obtained certain management rights with respect to an additional six cinemas, and purchased the 16.7% minority membership interest in the Angelika Film Center that we did not already own. We also obtained certain options (referred to here collectively as the Asset Purchase Option), exercisable in 2010, to purchase the assets subject to the Operating Lease (including the fee interests underlying the Murray Hill Cinema and the Sutton Cinema) for \$48,000,000, and committed to lend Sutton up to \$28,000,000 beginning in July 2007 (the Standby Line of Credit). We paid an option fee of \$5 million for the Asset Purchase Option, which will be applied against the exercise price if the Asset Purchase Option is exercised.

Sale of the Murray Hill Cinema Property. In February 2002, we released our leasehold and option interest in the Murray Hill cinema (one of the Manhattan cinemas subject to the Operating Lease and the Asset Purchase Option) in connection with the sale of that property by Sutton Capital to a third party developer for \$10,000,000. Since the developer was only interested in acquiring all of the various interests in the property, and since neither we nor Sutton Capital had the right to unilaterally sell all of such interests, it was necessary for a transaction to be negotiated between ourselves and Sutton Capital to take advantage of this sale opportunity. Ultimately, agreement was reached, and we released our interest in the property. In order to reflect that release, the rent payable under the Operating Lease was reduced by approximately \$825,000 per year, the exercise price of the Asset Purchase Option was decreased by \$10,000,000 from \$48,000,000 to \$38,000,000, and the Standby Line of Credit was reduced by \$10,000,000 from \$28,000,000 to \$18,000,000. In addition, we received from the purchaser of the property the option to either (i) acquire a 25% equity interest in the development at the developer's cost or (ii) to receive an in lieu fee of \$500,000. Ultimately, we elected to take the in lieu fee of \$500,000.

Sale of the Sutton Cinema Property. In October 2003, we sold our leasehold and option interest in the Sutton Cinema (another one of the Manhattan cinemas subject to the Operating Lease and the Asset Purchase Option) to a third party developer for \$13,000,000 plus the option to either (i) acquire up to a 25% equity interest in the development at the developer's cost or (ii) to receive an in lieu fee of \$650,000. Sutton Capital simultaneously sold its fee interest in the property for \$5,000,000. Again, since the developer was only interested in acquiring all of the various interests in the property and since neither we nor Sutton had the legal right to unilaterally sell all of the various interests, it was again necessary for a transaction to be negotiated between ourselves and Sutton to take advantage of this sale opportunity. Ultimately agreement was reached and the \$18 million purchase price offered by the purchaser was allocated \$13,000,000 to ourselves and \$5,000,000 to Sutton Capital, the rent payable under the Operating Lease was reduced by approximately \$697,920 per year, the exercise price of the Asset Purchase Option was decreased by \$5,000,000 from \$38,000,000 to \$33,000,000, and the Standby Line of Credit was reduced by \$5,000,000 from \$18,000,000 to \$13,000,000. We also agreed to bring forward the earliest date on which loan monies could be drawn down under the Standby Line of Credit from July 2007 to September 2004. Sutton Capital has to date drawn down \$8,000,000 of the \$13,000,000 available on the Standby Line of Credit. It is currently anticipated that an additional \$2,500,000 will be drawn down before the end of the year, and that the remainder will not be drawn down until July 2007. Also, we agreed that if we do not exercise our Asset Purchase Option, all principal amounts outstanding under the Standby Line of Credit will be forgiven. On September 14, 2004, we acquired, pursuant to the exercise of our investment option, a 25% interest in the developer for a capital investment of \$2,232,500. The property is now being developed as a 35 story, approximately 105,000 square foot mixed use condominium project.

Purchase of the Cinemas 1, 2 & 3 Fee Interest. In August 2004, we entered into an agreement to purchase from a third party the fee interest in the land underlying our Cinemas 1, 2 & 3 property (another one of the Manhattan cinemas subject to the Operating Lease and the Asset Purchase Agreement, and referred to here in as the 3rd Avenue Cinema). The purchase price is \$12 million. We are currently in negotiations with Sutton Capital to try to unite the various ownership interests in the 3rd Avenue Cinema held by Sutton

Capital and ourselves in a single entity, that would be jointly owned by Sutton Capital and ourselves. Although any such transaction will be subject ultimately to the review and approval of our Audit and Conflicts Committee, we have discussed with our Board of Directors and reached an agreement in principal with Sutton Capital pursuant to which we and Sutton would contribute our respective interests in the 3rd Avenue Cinema to a new limited liability company, in which we would have a 75% managing member interest and Sutton would have a 25% non-managing member interest. The details of the transaction, for example whether some portion of the Sutton Capital interest in the 3rd Avenue Cinema would be contributed in exchange for a preferred interest in the new limited liability company or purchased for an installment sale note, have yet to be worked out, and the entire project is currently a work in progress.

OBI Management Agreement. Our live theater operations are managed by OBI Management, which is wholly owned by Margaret Cotter, the daughter of James J. Cotter and one of our directors, pursuant to a theater management agreement (the Management Agreement).

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to slightly less than 20% of the net cash flow from our live theaters in New York. Since the fixed fees with respect to our New York theatres are applicable only during such periods as they are booked, OBI Management receives no compensation with respect to our New York theaters at any time when they are not generating revenues. We believe that this arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. For its management services for the Royal George Theater Complex in Chicago, we pay OBI Management a flat \$35,000 fee, plus reimbursement of travel-related expenses for travel between New York City and Chicago. We paid OBI Management \$422,000 with respect to 2003 and \$477,000 with respect to 2002 for its management services with respect to our New York and Chicago theaters. By comparison, in the year immediately prior to our acquisition of the New York Theaters, the prior owners paid approximately \$385,000 for management services with respect to the three New York theaters.

OBI Management operates from our offices in New York City on a rent-free basis and we share the cost of one OBI Management administrative employee located at those offices. Other than these expenses and travel-related expenses for OBI Management personnel to travel to Chicago as referred to above, OBI Management is responsible for all of its costs and expenses relating to the performance of its management functions. The Management Agreement will expire on December 31, 2005, but will renew automatically for successive one-year periods unless either party gives at least six months prior notice of intention to allow the Management Agreement to expire. The Management Agreement is terminable at any time by the Company for cause.

Prior to the time we acquired our New York theatres in 2000, these theaters were managed by Union Square Management, Inc., a company in which Ms. Cotter was employed, but which was owned by parties unrelated to Mr. Cotter. OBI Management took over management of the New York theaters live theaters shortly before we acquired them, and from the time of that transaction until March 13, 2003, OBI Management provided such management services on an at will basis and on generally the same terms, including terms related to compensation, as such services had previously been provided by Union Square Management, Inc. Accordingly, our Conflicts Committee took into account the cost of this management structure at the time it approved our acquisition of these theaters.

The current Management Agreement was approved by the our Audit and Conflicts Committee on March 13, 2003, and has been applied retroactively to January 1, 2002. The Management Agreement is substantially similar to the prior owner's arrangement with Union Square Management, Inc., except that:

it has been expanded to include the management of the Royal George Theater Complex on a flat-fee basis;

the cost of any new capital improvements to the New York theaters will be amortized over the life of those improvement consistent with Generally Accepted Accounting Principles for purposes of calculating net cash flow from the theaters rather than being expensed in the year incurred; and

in those cases where we assist in the financing of plays appearing in our theaters, any profits and losses to us resulting from such financing will be factored in by calculating theater cash flow for purposes of determining OBI Management's incentive compensation.

Investment in Live Theater Production. During the second quarter of 2002, the Company invested approximately \$85,000 for a 25% interest in Liberty Theatricals LLC formerly known as the I Love You Productions Joint Venture. Sutton Hill Capital, LLC, which is owned 50% by Mr. James J. Cotter (the Chairman of the Board and Chief Executive Officer of Reading), also made a 25% investment in Liberty Theatricals LLC. Liberty Theatricals LLC hosted a production called "I Love You, You're Perfect, Now Change" and has distributed to the Company approximately \$102,000 allowing the Company to fully recoup its initial investment.

Certain Family Relationships

Mr. James J. Cotter, Sr., our controlling stockholder, has advised the Board of Directors that he considers his holdings in our Company to be long-term investments to be passed to his heirs. The Directors believe that it is in the best interests of our Company and our stockholders, for his heirs to become experienced in the operations and affairs of the Company. Accordingly, all of Mr. Cotter's children are currently involved with our Company.

Certain Miscellaneous Transactions

Our Company has loaned to Mr. Smerling \$70,000 pursuant to a demand loan.

Performance Graph

The information set forth below shall not be deemed incorporated by reference by any general statement incorporating by reference the Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company incorporates this information by reference, and shall not otherwise be deemed soliciting material or be deemed filed under such Acts.

The following line graph compares the cumulative total stockholder return on Reading International, Inc.'s common stock for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 against the cumulative total return as calculated by the Center for Research in Securities Prices (CRSP) of the American Stock Exchange (AMEX) and the motion picture theater operator group and the real estate operator group.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

**AMONG READING INTERNATIONAL, INC., THE AMEX MARKET VALUE (U.S. & FOREIGN) INDEX,
A REAL ESTATE OPERATORS GROUP AND A
MOTION PICTURE THEATER OPERATORS GROUP**

* \$100 invested on 12/31/98 in stock or index
including reinvestment of dividends.
Fiscal year ending December 31.

INDEPENDENT PUBLIC ACCOUNTANTS

Our independent public accountants, Deloitte & Touche LLP, have audited our Company's books for the fiscal year ended December 31, 2003, and are expected to have a representative present at the Annual Meeting who will have the opportunity to make a statement if such representative desires to do so and is expected to be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed by Deloitte & Touche for professional services rendered for the audit of our 2003 financial statements and the reviews of the financial statements included in our Company's Form 10-Q for 2003 were \$271,000, and for the audit of our 2002 financial statements and reviews of the financial statements included in our Company's Form 10-Q for 2002 were \$319,000.

Audit Related Fees

The aggregate fees billed by Deloitte & Touche in each of 2003 and 2002 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and that are not reported under the caption **Audit Fees** immediately above were \$98,265 and \$142,128, respectively.

Tax Fees

The aggregate fees billed by Deloitte & Touche in each of 2003 and 2002 for products and services for tax compliance, tax advice, and tax planning were \$23,265 and \$66,763, respectively.

Financial Information Systems Design and Implementation Fees

No fees were billed by Deloitte & Touche for 2003 or 2002 for financial information systems design and implementation fees.

All Other Fees

The aggregate fees billed by Deloitte & Touche for 2003 and 2002 for services other than as set forth above were \$6,000 and \$33,595, respectively.

Compatibility of Fees with Independent Accountant's Independence

Our Audit Committee has determined that the provision of services covered under the subheading "All Other Fees" above is compatible with maintaining Deloitte & Touche's Independence. The Company has adopted policies and procedures for the pre-approval of audit services and permitted non-audit services during fiscal 2003.

Annual Report

A copy of our Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2003 is enclosed.

Stockholder Communications with Directors

It is the policy of our Board of Directors that any communications sent to the attention of any one or more of our directors care of our executive offices, or deposited in any of the "Suggestion Boxes" maintained at our principal administrative offices in Los Angeles, Manhattan and Melbourne, Australia, will be promptly forwarded to such directors. Such communications will not be opened or reviewed by any of our officers or employees, or by any other director, unless they are requested to do so by the addressee of any such communication. Likewise, the content of any telephone messages left for any one or more of our directors (including, any call-back number, if any) will be promptly forwarded to that director.

Stockholder Proposals and Director Nominations

Any stockholder who, in accordance with and subject to the provisions of the proxy rules of the SEC, wishes to submit a proposal for inclusion in our Company's proxy statement for its 2005 Annual Meeting of Stockholders, must deliver such proposal in writing to the Secretary of the Company at our Company's principal executive offices at 550 South Hope Street, Suite 1825, Los Angeles, CA 90071. Unless we change the date of our annual meeting by more than 30 days, then such written proposal must be delivered to us no later than July 15, 2005. If we are not notified of a stockholder proposal by that date, the proxies that we hold may confer discretionary authority to vote against such stockholder proposal, even though such proposal is not discussed in our proxy statement for that meeting. Please note, however, that we currently intend to have our 2005 Annual Meeting not later than May 31, 2005. Accordingly, stockholders wishing to make stockholder proposals should anticipate providing to us notice of any such proposal before the end of January, 2005.

Our Board of Directors will consider written nominations for directors from stockholders. Nominations for the election of directors made by our stockholders must be made by written notice delivered to the Secretary of our Company at our Company's principal executive offices not less than 120 days prior to the first anniversary of the immediately preceding annual meeting of our stockholders at which directors are elected. Such written notice must set forth the name, age, address and principal occupation or employment of such nominee, the number of shares of our Company's Common Stock beneficially owned by such nominee and such other information as is required by the proxy rules of the SEC with respect to a nominee of the Board of Directors. Since we currently intend to have our 2005 Annual Meeting not later than May 31, 2005, if you want to suggest a candidate nomination to our Board, you should provide us with information on that candidate by the end of January 2005.

Under our governing documents and applicable Nevada law, our stockholders may also directly nominate candidate from the floor at any meeting of our stockholders held at which directors are to be elected.

Other Matters

We do not know of any other matters to be presented for consideration other than the matters described in the Notice of Annual Meeting, but if any matters are properly presented, it is the intention of the persons named in the accompany proxy to vote on such matters in accordance with their judgment.

DELIVERY OF PROXY MATERIALS TO HOUSEHOLDS

As permitted by the Securities Exchange Act of 1934, only one copy of the proxy materials are being delivered to our stockholders residing at the same address, unless such stockholders have notified the Company of their desire to receive multiple copies of the proxy materials.

We will promptly deliver without charge, upon oral or written request, a separate copy of the proxy materials to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies should be directed to the Secretary by phone at (213) 235-2240 or by mail to Secretary, Reading International, Inc., 550 S. Hope Street, Suite 1825, Los Angeles, California 90071. Stockholders residing at the same address and currently receiving only one copy of the proxy materials may contact the Secretary by phone at (213) 235-2240 or by mail to Secretary, Reading International, Inc., 550 S. Hope Street, Suite 1825, Los Angeles, California 90071, to request multiple copies of the proxy materials in the future.

Stockholders residing at the same address and currently receiving multiple copies of the proxy materials may contact the Secretary by phone at (213) 235-2240 or by mail to Secretary, Reading International, Inc., 550 S. Hope Street, Suite 1825, Los Angeles, California 90071, to request that only a single copy of the proxy materials be mailed in the future.

By Order of the Board of Directors,

James J. Cotter, Chairman

Dated: October 27, 2004

READING INTERNATIONAL, INC.

**PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD NOVEMBER 12, 2004
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints James J. Cotter and S. Craig Tompkins, and each of them, the attorneys, agents and proxies of the undersigned, with full powers of substitution to each, to attend and act as proxy or proxies of the undersigned at the Annual Meeting of Shareholders of Reading International, Inc. to be held at the Four Seasons Hotel Los Angeles at Beverly Hills, 300 South Doheny Drive, Los Angeles, California, on Friday, November 12, 2004 at 11:00 a.m., and at any and all adjournments or postponements thereof, and to vote as specified herein the number of shares which the undersigned, if personally present, would be entitled to vote.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS NOMINATED BY THE BOARD OF DIRECTORS. THE PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS MADE, IT WILL BE VOTED FOR THE ELECTION OF DIRECTORS NOMINATED BY THE BOARD OF DIRECTORS.

PLEASE SIGN AND DATE ON REVERSE SIDE

6DETACH PROXY CARD HERE6

1. ELECTION OF DIRECTORS **FOR** all nominees listed below (except as indicated to the contrary below). **WITHHOLD AUTHORITY** to vote for all nominees listed below **EXCEPTIONS**

Director Nominees: James J. Cotter, Eric Barr, James J. Cotter, Jr., Margaret Cotter, William D. Gould, Edward L. Kane, Gerard P. Laheney, and Alfred Villaseñor, Jr.

(INSTRUCTIONS: To withhold authority to vote for any individual nominee mark the Exceptions box and write that nominee s name on the space below.)

EXCEPTIONS _____

2. OTHER BUSINESS. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting and at any and all adjournments or postponements thereof. The Board of Directors at present knows of no other business to be presented by or on behalf of the Company or the Board of Directors at the meeting.

I (WE) WILL WILL NOT ATTEND THE MEETING IN PERSON.

The undersigned hereby ratifies and confirms all that the attorneys and proxies, or any of them, or their substitutes, shall lawfully do or cause to be done by virtue hereof, and hereby revokes any and all proxies heretofore given by the undersigned to vote at the meeting. The undersigned acknowledges receipt of the Notice of Annual Meeting and the Proxy Statement accompanying such notice.

Dated: _____, 2004

Signature

Signature

Please date this proxy card and sign above exactly as your name appears on this card. Joint owners should each sign personally. Corporate proxies should be signed by an authorized officer. Executors, administrators, trustee, etc., should give their full titles.