

READING INTERNATIONAL INC

Form PRE 14A

March 21, 2003

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
Proxy
Statement
Confidential, for
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240.14a-11(c) or
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READING INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

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(1) Amount
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(2) Form,
Schedule or
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, MAY 16, 2003**

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 Millennium Biltmore Hotel, 506 South Grand Avenue, Los Angeles, California on Friday, May 16, 2003, at 10:00 a.m., Los Angeles time, subject to adjournment or postponement, for the following purposes:

(1) To consider and vote upon a proposed amendment to the Company's Amended and Restated Articles of Incorporation that would require the Company to obtain stockholder approval of any sale or issuance of 5% or more of the Company's outstanding Class B Voting Common Stock;

(2) To elect seven directors to the Board of Directors to serve until the 2004 Annual Meeting of Stockholders; and

(3) 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, 2002 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 March 27, 2003 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 (i) 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 (ii) 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 April 21, 2003.

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, May 16, 2003

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 the Annual Meeting of Stockholders (the Annual Meeting) to be held on Friday, May 16, 2003, at 10:00 a.m., and at any adjournment or postponement thereof, at the Millennium Biltmore Hotel, 506 South Grand Avenue, Los Angeles, California. You are requested to sign, date and return the enclosed proxy card in order to ensure that your shares are represented at the meeting.

At the Annual Meeting, stockholders will be asked:

(i) to consider and vote upon a proposed amendment to the Company's Amended and Restated Articles of Incorporation that would require the Company to obtain stockholder approval of any sale or issuance of 5% or more of the Company's outstanding Class B Voting Common Stock; and

(ii) to elect seven directors to the Board of Directors to serve until the 2004 Annual Meeting of Stockholders.

VOTING AND PROXIES

Shares represented by properly executed proxies received by the Company 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 the proposed amendment to the Company's Amended and Restated Articles of Incorporation and FOR each of the nominees for director. Although management does not know of any other matter to be acted upon at the Annual Meeting, shares represented by valid proxies will be voted by the persons named on the accompanying proxy card in accordance with their judgment with respect to any other matters that may properly come before the Annual Meeting.

Execution of a proxy will not in any way affect a stockholder's right to attend the Annual Meeting and vote in person, and any person giving a proxy has the right to revoke it at any time before it is exercised by (i) filing with the Corporate Secretary of the Company, 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 (ii) attending the Annual Meeting and voting in person.

In addition to the solicitation by mail, regular employees of the Company may solicit proxies in person or by telephone without additional compensation. The Company also will pay 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. The Company will bear all expenses incurred in soliciting its proxies.

Only stockholders of record of Class B Voting Common Stock, \$0.01 par value (the Class B Voting Stock), of the Company at the close of business on March 27, 2003 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. On that date, there were 1,336,331 shares of Class B Voting Stock outstanding. Stockholders are entitled to one vote for each share of Class B Voting Stock held of record. Holders of record of the Company's Class A Nonvoting Common Stock, \$0.01 par value (the Class A Nonvoting Stock), are being sent this Proxy Statement for their information only, 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 the 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. Adoption of the proposed amendment to the Company's Amended and Restated Articles of Incorporation requires the affirmative vote of a majority of the outstanding shares of Class B Voting Stock. Accordingly, abstentions and non-broker votes will have the same effect as a vote against the proposed amendment.

PROPOSED AMENDMENT TO AMENDED AND RESTATED ARTICLES OF INCORPORATION

On March 13, 2003, the Company's Board of Directors unanimously approved and declared the advisability of an amendment to the Amended and Restated Articles of Incorporation of the Company, a copy of which is attached as Annex A to this Proxy Statement. The Audit and Conflicts Committee of the Board, consisting entirely of independent directors, unanimously recommended that the Board approve the amendment. The amendment was originally proposed to the Board of Directors by Mr. James J. Cotter, the Company's Chairman, Chief Executive Officer, and principal stockholder.

The amendment generally would require that the Company obtain the approval of the holders of a majority of the Company's outstanding Class B Voting Stock before selling or issuing additional Class B shares representing 5% or more of the then-outstanding Class B shares. The amendment would not apply, however, to sales and issuances of Class B shares upon the exercise of currently outstanding stock options. Adoption of the amendment would mean, among other things, that it would thereafter be highly unlikely that the Company's Board of Directors would be able to authorize a transaction involving the sale or issuance of Class B Voting Stock that would cause a change of the voting control of the Company without the approval of the holders of Class B Voting Stock.

AMEX Listing Standards

The amendment is modeled on American Stock Exchange requirements that listed companies such as the Company obtain stockholder approval as a prerequisite to the listing of additional shares to be sold or issued in transactions that would result in significant dilution to existing stockholders. Specifically, Section 712 of the *American Stock Exchange Company Guide* requires stockholder approval where shares are to be issued as sole or partial consideration for an acquisition of the stock or assets of another company if:

the present or potential issuance of common stock, or securities convertible into common stock, could result in an increase in outstanding common shares of 20% or more.

Similarly, Section 713 of the *American Stock Exchange Company Guide* requires stockholder approval of any transaction, other than a public offering, involving:

the sale, issuance, or potential issuance by the [listed] company of common stock (or securities convertible into common stock) equal to 20% or more of presently outstanding stock for less than the greater of book or market value of the stock.

The language of the amendment tracks closely the text of Section 712, but differs in two respects: First, the amendment would apply to any proposed sale or issuance of Class B Voting Stock, not just sales and issuances in consideration for the Company's acquisition of stock or assets of another person. Second, the amendment would apply if 5% or more of the Class B Voting Stock were to be sold or issued, as opposed to the 20% threshold contained in Section 712. The amendment also is similar to Section 713, but it eliminates any reference to the transaction price of the shares to be sold or issued and does not include any exception for a public offering.

Interest of Mr. Cotter

Mr. James J. Cotter, the Chairman of the Board and Chief Executive Officer of the Company, owns approximately 24.5% of the currently outstanding shares of Class B Voting Stock. By reason of his current

ownership of Class B shares, Mr. Cotter is able to significantly affect the outcome of matters submitted to a vote of the Class B holders. Mr. Cotter also holds currently exercisable stock options which, if exercised in full, would give him ownership of approximately 53.5% of the shares of Class B Voting Stock that would be outstanding immediately after such exercise. If he were to acquire more than 50% of the outstanding Class B shares through the exercise of his options, Mr. Cotter would be able to control the outcome of all matters submitted to the Class B holders.

Under the terms of Mr. Cotter's stock option agreements, he may use shares of the Company's Class A Nonvoting Stock owned by him to pay the exercise price of his options. Since he currently owns over 4,000,000 shares of Class A Nonvoting Stock, at present Mr. Cotter could exercise all of his options to acquire Class B Voting Stock using solely shares of Class A Nonvoting Stock. Mr. Cotter's currently exercisable options to acquire Class B Voting Stock have per-share exercise prices of \$5.06 (as to 696,080 shares) and \$10.24 (as to 137,500 shares), respectively.

In light of Mr. Cotter's ownership of Class B Voting Stock and currently exercisable options to purchase Class B shares, at present it is unlikely that the Board could bring about a change of control of the Company without Mr. Cotter's approval given the existing stockholder approval requirements imposed by the American Stock Exchange rules described above. The amendment will, however, virtually eliminate such a possibility. In this respect, Mr. Cotter may be deemed to have an interest in the adoption of the proposed amendment that differs from that of the Company's other stockholders.

Recent Trends in Corporate Governance

In the wake of well-publicized corporate scandals involving Enron, Worldcom and other public companies, there has been a trend by the SEC, the American Stock Exchange and other stock exchanges to facilitate increased stockholder involvement in corporate governance and to require stockholder approval of corporate matters that affect them. The Board of Directors believes that the proposed amendment is consistent with this trend in stockholder democracy, since it effectively prohibits the Board from changing the voting control of the Company except with the approval of the holders of Class B Voting Stock. The Board also believes that adoption of the proposed amendment may serve to enhance the attractiveness of the Company's Class A Nonvoting Stock, since potential targets of acquisition by the Company would be encouraged to receive Class A shares in a possible transaction rather than seeking to negotiate for Class B shares.

The Board also is of the view that the market currently understands that the Company is substantially under the control of Mr. Cotter. When investors make a decision to buy or to hold the Company's securities, presumably it is based in part on an expectation that such control will continue. Accordingly, the proposed amendment is consistent with market expectations, and will provide further assurances to investors who decide to purchase or hold based upon an expectation of Mr. Cotter's continuing stewardship. The amendment may, however, have the effect of discouraging potential acquirors of the Company, because it will not be possible for a bidder to acquire the Company without the approval of the holders of the Class B Voting Stock, including Mr. Cotter. The Company knows of no current or anticipated bid for the Company by a potential acquiror.

Vote Required; Recommendation of the Board

The proposed amendment will be adopted if it is approved at the Annual Meeting by the affirmative vote of the holders of a majority of the outstanding shares of Class B Voting Stock entitled to vote at the Annual Meeting. As indicated above, Mr. Cotter owns 327,808 shares of Class B Voting Stock, representing approximately 24.5% of the shares entitled to vote at the Meeting. Mr. Cotter has stated that he intends to vote for adoption of the Amendment.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ADOPTION OF THE AMENDMENT.

If approved at the Annual Meeting, it is expected that the amendment will be implemented immediately.

ELECTION OF DIRECTORS**Beneficial Ownership of Securities**

The following table sets forth the shares of common stock, beneficially owned as of March 27, 2003 by (i) each director and nominee, (ii) each person known to the Company to be the beneficial owner of more than 5% of the Common Stock, and (iii) 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(10)			
	Class A Non-Voting		Class B Voting	
	Number of Shares	Percentage of Stock	Number of Shares	Percentage of Stock
James J. Cotter(1)(2)	6,353,660	30.2%	1,161,388	53.5%
Eric Barr(1)(3)	20,000	*		
James J. Cotter, Jr.(1)(2)(3)	20,000	*		
Margaret Cotter(1)(2)(3)	20,000	*	35,100	2.6%
Gerard P. Laheney(1)(3)	20,000	*		
William C. Soady(1)(3)	20,000	*		
Alfred Villaseñor, Jr.(1)(3)	20,000	*		
Hecco Ventures(4) 120 North Robertson Blvd Los Angeles, CA 90048	1,565,782	7.6%		
Michael Forman(5) 120 North Robertson Blvd Los Angeles, CA 90048	1,311,233	6.4%	327,808	24.5%
Pacific Assets Management LLC/JMG Triton Offshore Fund Ltd(6) 1999 Avenue of the Stars, #2530 Los Angeles, CA 90067			233,040	17.4%
Private Management Group(7) 20 Corporate Park, Suite 400 Irvine, CA 92606			98,150	7.4%
Lawndale Capital Management/Diamond A Partners LP/Andrew E. Shapiro(8) One Sansome Street, Suite 3800 San Francisco, CA 94104			99,280	7.4%
Dimensional Fund Advisors(9) 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401			73,180	5.5%
All directors and Executive(10) Officers as a Group (12 persons)	6,676,600	31.2%	1,208,988	54.4%

* Less than 1%.

(1) 550 South Hope Street, Suite 1825, Los Angeles, California 90071.

(2) Mr. Cotter directly owns 4,212,878 shares of Class A common stock (inclusive of 7,500 shares held in Mr. Cotter's profit sharing plan) and 327,808 shares of Class B common stock. Mr. Cotter has currently exercisable stock options to acquire 575,000 and 833,580 shares of RII Class A Nonvoting and RII Class B Voting common stock, respectively. Mr. Cotter is also considered the beneficial owner of 1,565,782 shares of RII Class A Nonvoting common 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, serve on the Board of Directors and have

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options to acquire 20,000 shares of RII Class A Nonvoting common each. In addition, Margaret Cotter holds currently exercisable options to acquire 35,100 shares of the Company's Class B Voting common stock. Ellen Cotter, the Chief Operating Officer of the Company's domestic cinemas, is the daughter of Mr. Cotter, Sr., the sister of Mr. Cotter, Jr., and Margaret Cotter, and holds currently exercisable options to acquire 12,500 shares of the Company's Class B Voting common stock. Mr. James J. Cotter, Jr. and Ms. Margaret Cotter are, together with their sister Ellen Cotter, the sole limited partners of James J. Cotter Ltd.

- (3) Includes 20,000 shares of Class A Nonvoting Common Stock for each of the directors which may be acquired through the exercise of currently exercisable stock options.
- (4) Hecco Ventures (HV) is a California general partnership. James J. Cotter is the general partner of a 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.
- (5) Based on Form 3 filed April 25, 2001.
- (6) Based on Schedule 13-G filed January 17, 2002 for RII Class B Voting common stock shares. 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.
- (7) Based on Schedule 13-G filed February 11, 2003 for RII Class B Voting common stock shares.
- (8) Based on Schedule 13-G filed January 8, 2002 for Reading common stock and Craig Preferred A common 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. (LAM) 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 LAM. The Reading and Craig stock holding of DAP/ DAI/ LAM are presented here as they were converted to RII Class A Nonvoting common stock at the applicable exchange ratio of 1.25 and 1.17, respectively.
- (9) Based on Schedule 13-G filed February 7, 2003 for RII Class B Voting common stock shares.
- (10) Beneficial ownership is based on 20,484,813 shares of Class A Voting and 1,336,334 shares of Class B Voting common stock outstanding as of March 21, 2003 plus all options exercisable within 60 days of the date thereof for such persons holding such options. Shares exercisable within 60 days of March 21 2003 is deemed outstanding for the person holding such options but not deemed outstanding for any other person.

Nominees for Election

Seven directors are to be elected at the Annual Meeting to serve until the next annual meeting of stockholders to be held in 2004 or until their successors are elected and qualified. Unless otherwise instructed, proxy holders will vote the proxies received by them for the election of the nominees below, all of whom are currently directors of the Company. The seven 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. The Board of Directors has no reason to believe the nominees named will be unable to serve if elected.

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

Name	Age	Position
James J. Cotter	65	Chairman of the Board and Chief Executive Officer(1)
Eric Barr	56	Director(2)
James J. Cotter, Jr.	33	Director
Margaret Cotter	35	Director
Gerard P. Laheney	65	Director(1)(2)(3)
William C. Soady	59	Director(2)(3)
Alfred Villaseñor, Jr.	72	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.

During the year ended December 31, 2002, the Board of Directors held 6 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. Prior to November 2002, the Company had separate Audit and Conflicts Committees. The Audit Committee held 4 meetings and the Conflicts Committee held 3 meetings in 2002. Prior to September 2002, the Company had separate Compensation and Stock Option Committees. The Compensation Committee had no meetings during 2002. The Company's Stock Option Committee had 5 meetings in 2002. The Company has no standing nominating committee. The Company's Board Committees are discussed in greater detail under the caption **Board Committees**, below.

Mr. James J. Cotter is the Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Cotter was first elected to the Board in 1986, resigned in 1988, and was re-elected to the Board in 1991. He was elected Chairman of the Board in 1992, and named Chief Executive Officer on August 1, 1999. On October 16, 2000, Mr. Cotter resigned as the Chief Executive Officer of the Company in favor of a newly hired Chief Executive Officer, but resumed the positions following the resignation of that individual on December 27, 2000. 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 Craig Corporation (*CRG*) and collectively with its corporate predecessors and wholly owned subsidiaries (*Craig*) and Reading Holdings, Inc. (previously known as Reading Entertainment, Inc., and referred to herein as *REI*). Effective December 31, 2001, Craig and REI were consolidated with the Company, and are now wholly owned subsidiaries of the Company. 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 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 the 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 the 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 the Company's Audit Committee.

James J. Cotter, Jr. has been a director of the Company since March 21, 2002. Mr. Cotter, Jr. is an attorney in the law firm of Winston & Strawn specializing in corporate law. He has 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. 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. Mr. Cotter, Jr. is a member of Visalia LLC.

Ms. Margaret Cotter has been a director of the Company since September 27, 2002, and was a director of Craig from 1998 to September 26, 2002, when she joined the Board of the Company. Ms. Cotter is also the owner and President of Off Broadway Investments, LLC, a company that provides live theatre management services to Reading. Pursuant to that management arrangement, Ms. Cotter also serves as the President of Liberty Theatres. Ms. Cotter is also a theater 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 and as a director of Big 4 Ranch, Inc. (BRI) from 1997 to September 26, 2002. Ms. Cotter 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. Ms. Cotter is also a member of Visalia LLC.

Mr. Gerard P. Laheney has been a director of the Company since September 27, 2002, and has been a director of Craig since 1990. Mr. Laheney served as a director of Reading Company, the predecessor of REI, between November 1993 and June 1996. From November 1998 to February 2000, Mr. Laheney served as chairman and president of BRI and a member of the management committee of each of the Agricultural Partnerships discussed below under the caption Certain Agricultural Transactions below. Between July 1995 and July 1996, Mr. Laheney was a consultant for Portfolio Resources Group advising on global equities, fixed income and foreign exchange investments. 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 Vice President of the Partners Financial Group, Inc., between December 1993 and June 1995 and a Vice President of Dean Witter Reynolds from April 1990 to December 1993.

Mr. William C. Soady has been a director of the Company since August 24, 1999. Mr. Soady has been the Chief Executive Officer of ReelMall.com, an on-line movie memorabilia company since January 1, 2000. Prior to that, Mr. Soady served as the President of Distribution, PolyGram Films since 1997. Mr. Soady has also served as Director the Foundation of Motion Picture Pioneers, Inc. from 1981 to present, the Will Rogers Memorial Fund from 1981 to present and has been a member of the Motion Picture Academy of Arts & Sciences since 1982.

Mr. Alfred Villaseñor, Jr. has been a director of the 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.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the 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, 2002, all filing requirements applicable to its reporting persons were complied with.

Indemnity Agreements

On June 27, 1990, the Board authorized RII to enter into indemnity agreements with its then current directors and officers. Since that time, RII's new officers and directors have also entered into such agreements. In connection with the Consolidation of the Company with Craig and REI at the end of 2001, the stockholders of RII approved a new form of indemnity agreement. Under such agreements, RII, generally speaking, agrees to indemnify its officers and directors 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 officer or director 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 he is, was, shall be or shall have been an officer or director, employee, agent or fiduciary of RII. Each of the current directors and executive officers of RII is a party to an indemnity agreement with RII. Similar agreements also exist between RII and certain officers and directors of its subsidiaries.

Compensation of Directors

For their services as a director other than the Chairman of the Board, directors who are not officers or employees of the Company received in 2002 an annual retainer of \$15,000 plus \$1,500 for each committee chairmanship, \$800 for each in-person meeting attended and \$300 for each telephonic meeting. The Chairman of the Board received \$45,000 annually, which is included as part of his \$545,000 total annual compensation. In addition, directors who are not officers or employees of the Company receive, upon joining the Board, immediately vested options to purchase 20,000 shares of Class A Nonvoting Stock at an exercise price equal to the market price of such securities at the time of grant. Messrs. Barr and James J. Cotter, Jr. were granted options to purchase 20,000 shares each of the Company's Class A Nonvoting Stock on March 27, 2002 at an exercise price of \$2.50 per share. Ms. Margaret Cotter and Mr. Laheney were granted options to purchase 20,000 shares each of the Company's Class A Nonvoting Stock on September 26, 2002 at an exercise price of \$3.75 per share.

Effective January 1, 2003, a flat retainer fee of \$25,000 per year will be paid quarterly, in arrears, to the directors other than the Chairman of the Board. The Chairman of the Audit Committee will receive an additional \$2,000 per year. The Chairman will continue to receive \$45,000 per year as part of his \$545,000 total annual compensation. Ms. Margaret Cotter has agreed to serve as a director without compensation, other than her stock options.

In March 2002, Mr. Soady was paid a directors fee of \$25,000 for his work as the Chairman of the Company's Conflicts Committees, and Mr. Villaseñor was paid \$10,000 for his work as the only other member of the Conflicts Committee with respect to the Consolidation.

Board Committees

The Board of Directors has standing Executive, Audit and Conflicts, and Compensation and Stock Option Committees. These committees are discussed in greater detail below. The Board of Directors does not have a nominating committee. Typically, nominations are suggested to the Board of Directors by the Chairman.

Executive Committee

The 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.

Audit and Conflicts Committee; Audit Committee Report

The Company's 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. Attached hereto as Annex B is a copy of the current Charter, which reflects recent changes made in

light of the Sarbanes-Oxley Act of 2002, and proposed amendments to the rules of the American Stock Exchange and the merger in 2002 of the Company's Audit Committee and Conflicts Committee into the current Audit and Conflicts Committee. The Audit Committee is comprised entirely of independent directors, (as independence is defined in Section 121(A) of the American Stock Exchange listing standards). During 2002, the Audit Committee was comprised initially of Messrs. Robert Loeffler, William Soady and Alfred Villaseñor, Jr. Following Mr. Loeffler's death in 2002, Mr. Eric Barr was appointed to the Audit Committee. Following his election to the Board on September 27, 2002, Mr. Gerard Laheney succeeded Mr. Alfred Villaseñor, Jr. on the Audit Committee.

Set forth below is the Audit Committee Report.

The Audit Committee has reported, with respect to the Company's fiscal year ended December 31, 2002 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.

James Eric Barr
Gerard Laheney
Alfred Villaseñor, Jr.

Prior to November 2002, the Company's Board of Directors maintained a separate standing Conflicts Committee to review and advise the Board of Directors with respect to transactions and other matters which, in the view of the Board of Directors, involve an actual or potential conflict of interest between Reading and any one or more of its officers, directors, or controlling stockholders, or any one or more of their respective affiliates. Until September 2002, the Conflicts Committee consisted of Messrs. William Soady and Alfred Villaseñor, Jr. Upon his election to the Board of Directors, Mr. Laheney was appointed to the Conflicts Committee. The Conflicts Committee met 3 times in 2002, all of which meetings were attended by both Messrs. Soady and Villaseñor. On November 8, 2002, the functions of the Conflicts Committee were transferred to the Audit Committee and the Conflicts Committee was discontinued as a separate standing committee of the Board.

Compensation and Stock Options Committee; Report on Executive Compensation

The Company has a standing Compensation Committee comprised until March 2002 of James J. Cotter and Alfred Villaseñor, Jr. when Mr. Cotter resigned from the committee to be replaced by Mr. Soady. On September 26, 2002, the functions of the Compensation Committee and the Stock Option Committee were combined, and Mr. Laheney was appointed as the third member of the committee.

Set forth below is the Compensation Committee Report.

The 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, the 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 provide services to two or more of the Company, REI and CRG. 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.

The 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 incentive 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, compensation decisions have been 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 appropriate 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 entire Board of Directors.

All bonus decisions with respect to 2002 were made by Mr. Cotter. All Stock options granted in 2002, other than those granted to Mr. Cotter or to persons becoming directors of the Company as a part of their compensation for services as directors, were granted based upon the recommendation of Mr. Cotter. In total, during 2002 options to acquire 50,000 share of the Company's Class A Nonvoting Common Stock were granted to executive officers of the Company other than Mr. Cotter, and options to acquire 80,000 shares of such stock were granted to new members of the Board of Directors. In addition, in 2002 options to acquire 975,000 shares of the Company's Class A Nonvoting Common Stock were granted to Mr. Cotter. The Options granted to Mr. Cotter were recommended by the Stock Options Committee and approved by the entire Board of Directors, with Directors James J. Cotter, James J. Cotter, Jr. and S. Craig Tompkins abstaining. In determining to recommend the grant of these stock options to Mr. Cotter, the Stock Options Committee consulted with Towers Perrin, a firm specializing in executive compensation matters, and Kummer Kaempfer Bonner & Renshaw, the Company's principal outside counsel. The Stock Options Committee and the Board of Directors considered a variety of factors during their consideration of this matter, including the following:

Mr. Cotter's ongoing services to the Company are critical, and the Company has no contract or agreement with Mr. Cotter assuring his long-term availability to the Company, other than his commitment to continue to perform services under his consulting contract with Craig Corporation through the end of 2003. Accordingly, it is important to incentivise Mr. Cotter to continue to perform services as the CEO of the Company, separate and apart from his interest as the principal stockholder of the Company.

The options previously granted to Mr. Cotter to acquire 656,540 shares of Class A Common Stock at weighted average price of \$10.72 per share had recently expired and, accordingly, had no ongoing incentive value.

The value of the options, using a Black Scholes analysis was approximately \$1,280,000.

Taking into account such value, based upon the advice of Towers Perrin, the grant of the options would put Mr. Cotter in the 82nd percentile of his peer group in terms of overall compensation.

Taking into account the granting of the new options, Mr. Cotter would hold options to purchase 975,000 shares of Class A Common Stock and 833,580 shares of Class B Common Stock, representing

approximately 8.3% of the aggregate currently outstanding Common Stock of the Company. Mr. Cotter's existing options and continuing options included fully vested options to purchase 696,080 shares of Class B Common Stock at \$5.06 per share, expiring June 11, 2005 and 137,500 shares of Class B Common Stock at \$10.24 per share, expiring April 18, 2007.

The granting of the options would not raise any variable accounting issues.

Since the options pertained only to Class A Non-Voting Common Stock, the granting of the options would not raise any change of control issues.

The trading price for Class A Common Stock in recent periods had been between \$4.20 and \$3.75 over the ten trading days, but had only been above \$3.80 for a relatively short period between June 4, 2002 and July 1, 2002.

Based on the above, the Committee and the Board of Directors each determined that the granting of options to Mr. Cotter to acquire 975,000 shares of the Company's Class A Common Stock at \$3.80 per share was in the best interests of the Company and its stockholders.

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.

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 2002. The Company does not expect to pay any executive officer cash compensation in excess of the deductibility limit 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.

Prior to September 2002, the Company's Board of Directors maintained a standing Stock Option Committee to make determinations as to the granting of stock options under and the administration of the Company's 1999 stock option plan. The Stock Option Committee met 5 times in 2002, and all members participated in that meeting. In September 2002, the Board's Compensation and Stock Option Committees were merged into a single committee, and Messrs. Laheney, Soady and Villaseñor were appointed as the members of the merged committee. Prior to the merger of these two committees, the Stock Option Committee consisted of Messrs. Soady and Villaseñor.

Vote Required; Recommendation of the Board

The seven nominees receiving the greatest number of votes cast at the Annual Meeting will be elected to the Board of Directors. The Company has been advised that Mr. Cotter intends to vote 327,808 shares of the Company's Class B Voting Stock, representing 24.9% of the voting power of the Company, in favor of each of the nominees listed above.

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	37	Chief Operating Officer Domestic Cinemas
Brett Marsh	55	Vice President Real Estate
Andrzej Matyczynski	50	Chief Financial Officer and Treasurer
Neil Pentecost	45	Chief Operating Officer Australia and New Zealand
Robert F. Smerling	68	President Domestic Cinemas
S. Craig Tompkins	52	Executive Vice President, Director Business Affairs, and Corporate Secretary

Ms. Ellen Cotter is the Chief Operating Officer of the Company's domestic cinema operations. Ms. Cotter is a graduate of Smith College and holds a juris doctor 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. Ms. Cotter is also a member of Visalia LLC.

Mr. Marsh has been with the 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 Craig 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 Citadel, 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. Pentecost has been the Chief Operating Officer for Australia and New Zealand since August 1999 and a director of Reading Australia since September 1999. Prior to joining Reading, Mr. Pentecost was with Hoyts, where he served in a number of positions, most recently serving as Operations and Services Manager (National). Mr. Pentecost joined Hoyts in 1995. Prior thereto, Mr. Pentecost served as the Director of Retail Services (Operations) for KFC in Australia.

Mr. Smerling was appointed President of Citadel Cinemas, Inc. effective September 1, 2000 following Citadel's acquisition of the City Cinemas. Mr. Smerling also served as the President and a director of REI. Mr. Smerling was the President of REI's various domestic and Puerto Rican exhibition subsidiaries since 1994. 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 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 was the President and a Director of CRG, the Vice Chairman of the Board of Directors of REI, and a Director and the Chairman of the Audit Committee of G&L Realty, Inc. (a New York Stock Exchange listed REIT). Prior to joining Reading, Mr. Tompkins was a partner in the law firm of Gibson Dunn & Crutcher. 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

As previously disclosed in the report on Form 10-K for the year ended December 31, 2000, Citadel, Reading and Craig had a management agreement in which Craig Corporation served as the management company for the Company and for Reading Entertainment, Inc. Pursuant to this arrangement, all executive officers and administrative employees (excluding consultants and directors) became employees of Craig Corporation and the general and administrative costs paid by Craig Corporation were allocated to each company. Accordingly, while the management agreement was in effect, Citadel did not have employees who were paid directly by the entity for which their services are rendered, except for the President of Citadel Cinemas, Inc. as disclosed below.

Effective December 31, 2001, Citadel Holding Corporation, Reading Entertainment, Inc., and Craig Corporation consolidated to form Reading International, Inc. (RII or the Company). All former employees of Citadel Holding Corporation, Reading Entertainment, Inc., and Craig Corporation have become employees of RII as the date of the consolidation and the management agreement between Citadel Holding Corporation, Craig Corporation and Reading Entertainment, Inc. that was in effect from January 1, 2000 to December 30, 2001 was terminated.

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 RII for the year ended December 31, 2002 and the compensation paid by Citadel for the years ended December 31, 2001 and 2000 for each of the most highly compensated executive officers of the company.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation	All Other Compensation(7)
		Salary	Bonus	Other Annual Compensation	Securities Underlying Stock Options Granted	
James J. Cotter(2) Chairman of the Board, President and Chief Executive Officer	2002	\$		\$ 545,000	975,000	
	2001			\$ 545,000		
	2000			\$ 545,000		
Brett Marsh(3) Vice President Real Estate	2002	\$ 180,000	\$ 50,000	(1)	15,000	\$ 4,758
	2001	\$ 180,500	\$ 25,000	(1)		\$ 4,580
	2000	\$ 170,000	\$ 28,000			