Risk Factors Comparison 2024-03-29 to 2023-03-31 Form: 10-K

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BUSINESS RISK FACTORS We are in the cinema exhibition and real estate businesses. We discuss separately the risks we believe to be material to our involvement in each of these segments. We have discussed separately the risks relating to the international nature of our business activities, our use of leverage, and our status as a controlled corporation. While we report the results of our live theatre operations as real estate operations – because we are principally in the business of renting space to producers rather than in producing plays ourselves – the cinema exhibition and live theatre businesses share certain risk factors and are, accordingly, discussed together. Cinema Exhibition and Live Theatre Business Risk Factors Our cinema and live theatre businesses are dependent upon attendance, the availability of attractive entertainment product and employees willing to work in a public environment and, accordingly, are vulnerable to the adverse effects of any future pandemics which may result in government ordered closures, imposition of social distancing requirements, and changes in film release patterns. As demonstrated by the governmental and public response to the COVID- 19 pandemic, businesses that bring large numbers of unrelated people together in an enclosed environment are particularly vulnerable to business disruption in the face of contagious diseases with life threatening potential. Not only may government authorities order closures or reduce operating capacities, but the public may feel uncomfortable attending our performances in the face of such an infectious disease risk. Our cinema business has high fixed costs (rent and increasing labor) and our revenue in this segment (ticket sales, food and beverage sales, screen advertising fees) is directly tied to our success at attracting customers to our venues. We are dependent upon third parties to supply the entertainment product we need for our cinemas and live theatres to attract customers. We do not produce the films we show at our cinemas and, generally speaking, we do not produce the plays that are performed at our live theatres. Film distributors have no obligation to supply us with film and producers have no obligation to make use of our live theatres. **Any disruption in the production of these films (including by reason of a strike) could hurt our business and results of operations. The Hollywood Strikes in 2023 halted production of films for several months, and are expected to delay or otherwise affect the supply of certain films. The disruption in film production may also cause delays for currently scheduled film release dates. It is difficult to anticipate the scope and timing of such delays. It is difficult to predict the full extent of the adverse impact of the strikes on our business and results of operations in future reporting periods.** We face competition from other sources of entertainment and other entertainment delivery systems. Both our cinema and live theatre operations face competition from " in- home " and mobile device sources of entertainment. These include competition from network, cable and satellite television, and Video on Demand, internet streaming video services such as Netflix, Hulu, Disney , HBO Max, Peacock, and Amazon Prime, and social media or user generated internet programing such as, YouTube, TikTok, Reddit, Instagram, and Snapchat, video games and other sources of entertainment. The quality of " in- home " and mobile entertainment systems, as well as programming available on an in- home and mobile basis, has increased, while the cost to consumers of such systems (and such programming) has decreased in recent periods, and some consumers may prefer the security and / or convenience of an " in- home " or mobile entertainment experience to the more public and presentation- oriented experience offered by our cinemas and live theatres. Film distributors have been responding to these developments by, in some cases, decreasing or eliminating the period of time between cinema release and the date such ~~product~~ **products** is made available to " in- home " or mobile forms of distribution. During the COVID- 19 pandemic, many distributors moved product onto their proprietary streaming service platforms or onto third party platforms (like Netflix) either in lieu of or simultaneously with a cinema release. Even before the recent pandemic, some traditional in- home and mobile distributors had begun to produce full- length movies, specifically for the purpose of direct or simultaneous release to the in- home and mobile markets. Cinemas will need to meet these competitive factors to continue to attract customers. This may require substantial capital outlays and increased labor expense, which exhibitors may not be able to fully pass on to their customers. We also face competition from various other forms of " beyond- the- home " entertainment, including sporting events, concerts, restaurants, casinos, video game arcades, and nightclubs. Our cinemas also face competition from live theatres and vice versa ~~. Further, as we file this 2022 Annual Report, there are rumors that Amazon may be looking to acquire a brick- and- mortar cinema company. We cannot predict the impact of such a development unless and until such an event occurs~~ . Supply chain disruptions may negatively impact our operating results. We rely on certain suppliers for a number of our products, supplies and services. Shortages, delays, or interruptions in the availability of food and beverage items and other supplies to our theatres and restaurants may be caused by adverse weather conditions; natural disasters; governmental regulation; recalls; commodity availability; seasonality; public health crises or pandemics; labor issues or other operational disruptions; the inability of our suppliers to manage adverse business conditions, obtain credit or remain solvent; or other conditions beyond our control. Such shortages, delays or interruptions could adversely affect the availability, quality, and cost of the items we buy and the operations of our business. Supply chain risk could increase our costs and limit the availability of products that are critical to our operations. We expect these issues to **- 23-** continue for the foreseeable future and plan to minimize the impact by focusing on the supply of those items with the greatest impact on our sales and operations. ~~- 23-~~ We operate in a highly competitive environment with many competitors who are significantly larger and may have significantly better access to films and to funds than we do. We are a comparatively small cinema operator and face competition from much larger exhibitors who are able to offer distributors more screens in more markets – including markets where they may be the exclusive exhibitor – than can we. This may adversely impact our access to films, which may adversely affect our revenue and profitability. These larger competitors may also enjoy (i) greater cash flow, which can be used to develop additional cinemas, including cinemas that may be competitive with our existing cinemas, (ii) better access to equity capital and debt, (iii) better visibility to landlords and real estate developers, (iv) for the sake of building volume, to operate cinemas with margins below our threshold for cinema acquisitions and / or development, and (v) better economies of scale. Access to reasonably priced funding is increasingly important as cinema operators need to upgrade their presentation ~~,~~ **and** food and beverage in order to compete with in- home entertainment options. In the case of our live theatres, we compete for shows not only with other " for- profit " Off- Broadway theatres, but also with " not- for- profit " operators and, increasingly, with Broadway theatres. We believe our live theatres are generally competitive with other Off- Broadway venues. However, due to the increased cost of staging live theatre productions, we are seeing an increasing tendency for plays that would historically have been staged in an Off- Broadway theatre moving directly to larger Broadway venues. We are vulnerable to a variety of factors which are beyond our control. ? Our cinema and live theatre businesses may be vulnerable to fears of terrorism and random shooter incidents which could cause customers to avoid public assembly venues. Events, such as terrorist attacks and random shooter incidents may discourage patrons from attending our cinemas. We believe that recent shooting incidents have resulted in material increases in insurance premiums for cinema operators. ? Our cinema business may be vulnerable to natural disasters. Natural disasters, such as tropical storms, floods, fires, and earthquakes, have damaged and forced the temporary closure, and are likely in the future to similarly impact ~~,~~ our cinema operations. A material portion of our cinemas are located in seismically active areas, such as California, Hawaii and New Zealand. ? We may be more subject to general economic conditions than some other businesses. Going to a movie or a play is a luxury, not a necessity. Furthermore, consumer demand for better amenities and food offerings have resulted in an increase of the cost of a night at the movies. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theatre businesses. Adverse economic conditions can also affect the supply side of our business, as reduced liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off- Broadway plays, which are often times financed by high- net- worth individuals (or groups of such individuals) and that are very risky due to the absence of any ability to recoup investment in secondary markets like – cable, satellite or internet distribution. We face competition from competitors offering food and beverage and luxury seating as an integral part of their cinema offerings. The number of our competitors offering expanded food and beverage menus (including the sale of alcoholic beverages) and luxury seating, has continued to grow in recent periods. In addition, more competitors such as AMC are converting existing cinemas to provide such expanded menu offerings and in- theater dining options. The existence of such cinemas may alter traditional cinema selection practices of moviegoers, as they seek out cinemas with such expanded offerings as a preferred alternative to traditional cinemas. In order to compete with these new cinemas, the Company has been required to materially increase its capital expenditures to add such features to many of our cinemas and to take on additional and more highly trained (and, consequently, compensated) staff. Also, the conversion to luxury seating typically requires a material reduction in the number of seats that an auditorium can accommodate which may translate into fewer movie tickets being sold and the shutdown (or limitation of activities) during the time required to complete such modifications. Our failure to obtain and maintain liquor licenses at any of our cinemas could adversely affect our ability to compete. Each of our cinemas offering alcoholic beverages, is subject to licensing and regulation. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of each cinema, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages. The failure to receive or retain a liquor license, or any other required permit or license, in a particular location, or to continue to qualify for, or renew licenses, could have a material adverse effect on our profitability, our ability to attract patrons, and our ability to obtain such a liquor license in other locations. We may be subject to increased labor and benefits costs generally. We are subject to inflationary pressures which have resulted in increased costs of goods and increased cost of film. Our labor costs more as post COVID- 19 worker shortages continue, particularly in the minimum wage sector where we operate. In venues that have alcohol licenses, there are higher labor, inventory, and insurance costs. Our cinemas are a major user of electricity, and utility costs are also rising. Given competitive pressures and other forces **- 24-** adversely impacting movie attendances, it may not be possible to pass all or any material portion of these increased costs on to consumers. In addition, we are subject to a variety of changing laws governing such matters as minimum wages, access to benefits and ~~- 24-~~ paid or unpaid leave, working conditions and overtime under which minor violations can result in material liabilities. In California and New York, in particular, law firms have developed which advertise for plaintiffs and bring such cases on a class action, contingent fee basis, where typically between 25 % and 40 % of any recovery goes to the law firm. Moreover, given the statutory basis of such claims, insurance is not available to cover such exposure. In recent periods, legislatures have been actively increasing minimum wages, mandating minimum hours or imposing notice and leave provisions that make it increasingly difficult to adjust staffing levels to accommodate fluctuating cinema attendance levels, all of which have resulted in increased operating costs as we work to maintain a high level of amenity to our customers. Real Estate Development and Ownership Business Risks Specific Risks Related to Our Real Estate Business. Our real estate business suffered effects from the coronavirus outbreak from which **it** has not ~~been full~~ **fully** ~~recovery~~ **recovered** . The COVID- 19 pandemic resulted in the closure or reduced capacity of certain of our retail tenants. All of our ETCs are anchored by our cinemas, which suffered temporary closures and / or reductions in seating capacities during the COVID- 19 Pandemic, thereby reducing foot traffic to our ETCs. In some cases, we have been compelled to provide our tenants with rent abatements or deferrals and some tenants continue to be impacted. Competition from the Digital Economy may adversely impact our ability to lease and obtain reasonable rents for our properties. An increasing amount of shopping is being done online, a trend that has been given momentum by the stay- at- home admonitions and restrictions associated with our **previous** battle against the COVID virus. This has adversely impacted retail tenants (particularly those dealing in consumer goods), which may impact our ability to attract such retailers and to obtain rents at historic levels. This is a particular risk to us, given our high percentage of retail tenants. Also, initially motivated by the need to work from home during the COVID- 19 pandemic, employers are rethinking the scope and extent of the need for their office space. Some markets may have become overbuilt, which may complicate our ability to lease our properties, to obtain reasonable rents, and to finance future development. Many of our Properties are located in areas prone to natural disasters. Many of our properties are located in areas subject to a risk of fires such as California and Australia; of hurricanes, tropical storms and / or flooding, such as Australia, California, Hawaii and New York, New Jersey; or earthquakes in New Zealand, Hawaii and California. The availability of insurance for natural disasters (particularly earthquake) may be limited. Our entertainment properties may be more subject to access litigation than other properties. Substantially all our properties consist of, or include as a material component, entertainment venues. These facilities may attract more access- based litigation (for example, claims under the Americans with Disabilities Act) than other types of real estate. We operate in a highly competitive environment in which we must compete against companies with much greater financial and human resources than we have. We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with our real estate development activities. Many of our competitors have significantly greater resources and may be able to achieve greater economies of scale than we can. Given our structure as a taxable corporation, our cost of capital is typically higher than other real estate investment vehicles such as real estate investment trusts. Risks Related to the Real Estate Industry Generally Our financial performance will be affected by risks associated with the real estate industry generally. Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions, such as an oversupply of, or a reduction in demand for, commercial space and / or entertainment- oriented properties, (iii) reduced attractiveness of our properties to tenants, (iv) the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own, (v) competition from other properties, (vi) inability to collect rent from tenants, (vii) increased operating costs, including labor, materials, real estate taxes, insurance premiums, and utilities, (viii) costs of complying with changes in law and government regulations including those relating to access, energy conservation and environmental matters, (ix) the relative illiquidity of real estate investments, and (x) decreases in sources of both construction and long- term lending as traditional sources of such funding leave or reduce their commitments to real estate- based lending. In addition, periods of rising interest rates or declining demand for real estate (for example, due to competition from internet sellers the demand for brick and mortar retail spaces has declined and may continue to decline, and due to the increasing popularity of tele- commuting demand for traditional office space has likewise declined and may likewise continue to decline), or the public perception that any of these events may occur, could result in declining rents or increased lease defaults. Increasing cap rates can result in lower property values. **- 25- Risk of Reliance on Appraisals. In our business planning and forecasts we rely on independent third- party appraisals as to the value of our real estate holdings. Such appraisals are inherently subjective, and a reasonable appraiser can reach significantly different views as to fair market value of a given parcel of real property. Valuations of historic railroad properties can be impacted by uncertainties as to title and property line boundaries. Accordingly, no assurances can be given that the fair market value assigned to a parcel of real property can be achieved in the open market. Further, USPAP methodology is inherently backwards looking and, as a result, can overstate value in times of declining real estate values and understate value in raising markets.** Illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties. Real estate investments can be relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. Many of our properties are either " special purpose " properties that could not be readily ~~- 25-~~ converted to general residential, retail or office use. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment, and competitive factors may prevent the pass-through of such costs to tenants. Real estate development involves a variety of risks. Real estate development involves a variety of risks, including the following: ☐ The identification and acquisition of suitable development properties. Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be " foreign owned " for purposes of certain Australian and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries. ☐ The procurement of necessary land use entitlements for the project. This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors, including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs. ☐ The construction of the project on time and on budget. Construction risks include the availability and cost of financing; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever- present potential for labor- related disruptions. ☐ The leasing or sell- out of the project. Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built- for- sale property. For our ETCs, the extent to which our cinemas can continue to serve as ~~an~~ anchor ~~tenant~~ **tenants** will be influenced by the same factors as will influence generally the results of our cinema operations. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived. ☐ The refinancing of completed properties. Properties are often developed using relatively short- term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take- out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors. Recent increases in lending interest rates and potential tightening of lending given the recent bank crisis may make more difficult refinancing debt or obtaining new debt. The ownership of properties involves risk. The ownership of properties involves risks, such as: (i) ongoing leasing and re- leasing risks, (ii) ongoing financing and re- financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental regulation (including, without limitation, laws and regulations related to access, energy conservation and environmental matters), (v) relative illiquidity compared to some other types of assets, and (vi) susceptibility of assets to uninsurable risks, such as biological, chemical or nuclear terrorism, or risks that are subject to caps tied to the concentration of such assets in certain geographic areas, such as earthquakes. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment- type properties. We may be subject to liability under environmental laws and regulations. We own and operate cinemas and other properties within the U. S. and internationally, which may be subject to various foreign, federal, state and local laws and regulations relating to the protection of the environment or human health. Such environmental laws and regulations include those that impose liability for the investigation and remediation of spills or releases of hazardous materials. We may incur such liability, including for any currently or formerly owned, leased or operated property, or for any site, to which we may have disposed, or arranged for the disposal of, hazardous materials or wastes. Certain of these laws and regulations may impose liability, including on a joint and several liability, which can result in a liable party being obliged to pay for greater than its share, regardless of fault or the legality of the original **- 26-** disposal. Environmental conditions relating to our properties or operations could have an adverse effect on our business and results of operations and cash flows. Legislative or regulatory initiatives related to global warming / climate change concerns may negatively impact our business. Recently, there has been an increasing focus and continuous debate on global climate change including increased attention from regulatory agencies and legislative bodies. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. Legislative, regulatory or other efforts in the U. S. to combat climate change could result in future increases in the cost of raw materials, taxes, transportation and utilities for our vendors and for us which would result in higher operating costs for the Company. Also, compliance by our cinemas and accompanying real estate with new and revised environmental, zoning, land- use or building codes, laws, rules or regulations, could have a material and adverse effect on our business. ~~- 26-~~ However, we are unable to predict at this time, the potential effects, if any, that any future environmental initiatives may have on our business. Changes in interest rates may increase our interest expense. Because a portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense. While much of our debt is fixed rate, approximately $ ~~177~~ **174** . ~~7~~ **6** million of our current debt will mature over the next twenty- four months and will require refinancing. We anticipate that we will not be able to refinance such maturing debt at current interest rates. Based on our debt outstanding as of December 31, ~~2022~~ **2023** , if interest rates were to increase by 1 %, the corresponding increase in interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $ ~~2~~ **1** . ~~7~~ **6** million per year. Potential future increases in interest rates may therefore negatively affect our financial condition and results of operations and reduce our access to the debt or equity capital markets. ~~Uncertainty relating to the likely phasing out of LIBOR may result in paying increased interest under our credit facilities. Some of our variable rate indebtedness uses LIBOR as a benchmark for establishing the rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. On July 27, 2017, the United Kingdom' s Financial Conduct Authority announced that it intended to phase out LIBOR by the end of 2021. LIBOR is no longer used to price new loans, and existing finance structures which are based on LIBOR are expected to be transitioned by June 2023 when certain time- based LIBOR rates will no longer be published. On November 23, 2022, FCA announced a consultation on their proposal to require LIBOR' s administrator, IBA, to continue to publish the 1-, 3- and 6- month US dollar LIBOR settings under an unrepresentative ' synthetic' methodology until end- September 2024. After this, publication would cease permanently. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. At this time, it is not possible to predict the effect that any discontinuance, modification or other reform of LIBOR or any other reference rate, or the establishment of alternative reference rates, may have on LIBOR, other benchmarks, or LIBOR- based debt instruments. However, the use of alternative reference rates or other reforms could cause the interest rates payable under our credit facilities to be substantially higher than we would otherwise have expected. - 27-~~ International Business Risks Our Company transacts business in Australia and New Zealand and is subject to risks associated with changing foreign currency exchange rates. During year ~~2022~~ **2023** , the Australian dollar and New Zealand dollar weakened against the U. S. dollar by ~~7~~ **4** . ~~6~~ **3** % and ~~10~~ **3** . ~~2~~ **3** %, respectively, compared to **the** ~~same time~~ prior year. Our international operations are subject to a variety of risks, including the following: ? Currency Risk: while we report our earnings and net assets in U. S. dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the U. S. dollar and compared to each other. We do not hedge the currency risk, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. Set forth below is a chart of the exchange ratios between these three currencies since 1996: **- 27-** In recent periods, we have repaid intercompany debt and used the proceeds to fund capital investment in the United States. Accordingly, our debt levels in Australia are higher than they would have been if funds had not been returned for such purposes. On a company wide basis, this means that a reduction in the relative strength of the U. S. dollar versus the Australian Dollar and / or the New Zealand dollar would effectively raise the overall cost of our borrowing and capital and make it more expensive to return funds from the United States to Australia and New Zealand. As the impacts of COVID on our business operations in Australia and New Zealand have been less severe than on our operations in the U. S., **plus the impact of Hollywood Strikes on US operations,** we have been looking to our operations in Australia and New Zealand to fund our overall corporate general and administrative expense (most of which is resident in the U. S.). The current strength of the U. S. Dollar has diminished the value to our Company of our Australia and New Zealand cash flow. ? Risk of adverse government regulation: currently, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that these relationships will continue, and that Australia and New Zealand will not in the future seek to regulate more highly the business done by U. S. companies in their countries. ? Risk of adverse labor relations: deterioration in labor relations could lead to an increased cost of labor (including the cost of future government requirements with respect to scheduling, accommodation, pension liabilities, disability insurance and health coverage, vacations and leave).- 28- Trade disputes and geopolitical instability outside of the U. S. may adversely impact the U. S. and global economies. In ~~2022~~ **2023** , global growth weakened, trade tensions heightened, and several emerging markets experienced significant downturns as macroeconomic and geopolitical developments weighed on market sentiments. Governmental policies of developed economies, such as the U. S., have a substantial effect on emerging markets, and the consequences of a trade war between two developed countries, like that of the U. S. and China, could further contribute to the adverse economic and political conditions of emerging and other developed economies. Additionally, North Korea' s nuclear weapons capabilities, Chinese activities relative to the South China Sea, Taiwan, and Hong Kong, and the Russian invasion of Ukraine continue to be an ongoing security concern and worsening relations between the U. S. and North Korea, Russia and China continue to create a global security issue that may adversely affect international business and economic conditions. While it is difficult for us to predict the effect of such trade wars and heightened geopolitical and economic instability on our business, they could lead to currency devaluation, economic and political turmoil, market volatility, and a loss of consumer confidence in the broader U. S. economy. Risks Associated with Certain Discontinued Operations Certain of our subsidiaries were previously in industrial businesses. As a consequence, properties that are currently owned or may have in the past been owned ~~,~~ by these subsidiaries may prove to have environmental issues. Where we have knowledge of such environmental issues and are **able** ~~in a position~~ to make an assessment as to our exposure, we have established what we believe to be appropriate reserves, but we are exposed to the risk that currently unknown problems may be discovered. These subsidiaries are also exposed to potential claims related to exposure of former employees to coal dust, asbestos, and other materials now considered to be, or which in the future may be found to be, carcinogenic or otherwise injurious to health. Operating, Financial Structure and Borrowing Risk Typically, we have negative working capital. As we invest our cash in new acquisitions and the development of our existing properties, we have negative working capital. This negative working capital is typical in the cinema exhibition industry because our short- term liabilities are in part financing our long- term assets instead of long- term liabilities financing short- term assets, as is the case in other industries such as manufacturing and distribution. Our short- term liabilities also include significant obligations related to our cinema leases. See Part II, Item 8 – Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements-- Note 2- Summary of Significant Accounting Policies – Operating Leases. We are subject to complex taxation, changes in tax rates, adoption of new U. S. or international tax legislation and disagreements with tax authorities that could adversely affect our business, financial condition, or results of operations. We are subject to many different forms of taxation in both the U. S. and in foreign jurisdictions where we operate, such as the U. S. Tax Cuts and Jobs Act signed into law in December 2017. The new laws are still evolving and require that we interpret the provisions of the law as we work to comply with them. The costs of compliance with these laws and regulations are high and are likely to increase in the future. Any failure on our part to comply with these laws and regulations can result in negative publicity and diversion of management' s time and effort and may subject us to significant liabilities and other penalties. We have substantial short- to medium- term debt. Generally speaking, we have historically financed our operations through relatively short- term debt. No assurances can be given that we will be able to refinance this debt, or if we can, that the terms will be reasonable. However, as a counterbalance to this debt, we have certain unencumbered real property assets, which could be sold to pay debt or encumbered to assist in the refinancing of existing debt, if necessary. We have substantial lease liabilities. Most of our cinemas operate in leased facilities. These leases typically have " cost of living " or other rent adjustment features and require that we operate the properties as cinemas. The COVID- 19 pandemic, increased competition from **the** internet, streaming and cable- based entertainment, and changes in film distribution have adversely affect the ability of our cinema operating subsidiaries to meet these rental obligations. Even if our cinema exhibition business returns to pre- Pandemic levels and thereafter remains relatively constant, cinema level cash flow will likely be adversely affected unless we can increase our revenue sufficiently to offset increases in our rental liabilities. If our company suffers cybersecurity attacks, data security challenges or privacy incidents that result in security breaches, we could suffer a loss of sales, additional liability, reputational harm or other adverse consequences. The effective operation of our international businesses depends on our network infrastructure, computer systems, physical, virtual and / or cloud based, and software. Our information technology systems collect and process information provided by customers, employees and vendors. In addition, third- party vendors' systems process ticketing for our theaters. These various information technology systems and the data stored within them are subject to penetration by cyber attackers. We utilize industry accepted security protocols to securely maintain and protect proprietary and confidential information. However, ~~in spite~~ **despite** ~~of~~ our best efforts, our information systems may fail to operate for a variety of technological or human reasons. An interruption or failure of our information technology systems and of those maintained by our third- party providers could adversely affect our business, liquidity or results of operations and result in increases in reputational risk, litigation or penalties. Furthermore, any such occurrence, if significant could require us to expend resources to remediate and- 29- upgrade information technology systems. Since 2015, we have annually procured cybersecurity insurance to protect against cybersecurity risks; however, we cannot provide any assurance regarding the adequacy of such insurance coverage. Our stock is thinly traded. Our stock is thinly traded, with an average daily volume in ~~2022~~ **2023** of only approximately 30, **231** ~~738. 5~~ shares of Class A Stock. Our Class B Stock is very thinly traded with even less volume. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance. Uninsured bank deposits may be at risk. We maintain cash in certain financial institution bank accounts in the United States, Australia, and New Zealand. In the United States, the Federal Deposit Insurance Corporation insures accounts in the amount of $ 250, 000 per depositor, per insured bank, for each account ownership category. At certain of our financial institutions, we have more than $ 250, 000 ~~on~~ **in** deposit and those amounts may not be insured in the event of a bank failure. Ownership and Management Structure, Corporate Governance, and Change of Control Risks As of December 31, ~~2022~~ **2023** , according to a Schedule 13D / A filed on ~~November 2~~ **October 27** , ~~2022~~ **2023** by Margaret Cotter (the Chair of our Board, Executive Vice President of our Company and sister of Ellen Cotter), Ellen Cotter (the Vice- Chair of our Board, President and Chief Executive Officer of our Company and sister of Margaret Cotter) and certain of their affiliates (the " Cotter Schedule 13D ~~/ A~~ " ~~), such parties stated that in order to preserve the intent of James J. Cotter, Sr. (in establishing the Voting Trust referred to in the James J. Cotter Living Trust (the " Trust ")~~), Margaret Cotter has sole voting control over ~~all~~ **1, 058, 988 shares** of ~~the~~ Class B Stock **and shared** ~~of our Company in the Voting~~ **voting power with** ~~Trust, pursuant to the terms of a Settlement Agreement and related arrangements between Margaret Cotter and~~ Ellen Cotter **over 100** , **000** ~~the beneficial ownership of~~ shares of Class B Stock ~~owned by James J. Cotter~~ , **collectively** ~~Sr. in the Trust or the Estate of James J. Cotter, Sr. (the " Estate "), the following represented the beneficial ownership of Margaret Cotter and Ellen Cotter: ? Of 614, 332. 8 shares of Class B Stock owned by the Trust transferred directly to Margaret Cotter and Ellen Cotter as individuals, (i) Margaret Cotter has sole voting power over all 614, 332. 8 shares, (ii) Margaret Cotter has sole dispositive power over 307, 166. 4 shares of Class B Stock of the Company owned by the Trust transferred to Margaret Cotter directly (50 % of the 614, 332. 8), and (iii) until they enter into a stockholders agreement, Margaret Cotter and Ellen Cotter have shared dispositive power over 307, 166. 4 (the remaining 50 % of 614, 332. 8) Class B shares transferred to Ellen Cotter directly. ? Margaret Cotter has sole voting and dispositive power over 327, 808 shares currently held by the Estate, to be transferred to a trust to be set up for the benefit of Margaret Cotter' s children (the " DMC Trust "), once formed, upon final administration of the Estate (at which point she will retain sole voting and dispositive power over them). ? Margaret Cotter has sole voting and dispositive power over the 81, 774, 2 shares currently held by the Trust, to be transferred to the DMC Trust once formed (at which point she will retain sole voting and dispositive power over them). ? Margaret Cotter and Ellen Cotter, as co- executors of the Estate, continue to have shared voting and dispositive power over 100, 000 shares of Class B Stock currently held by the Estate and not otherwise allocated by the Settlement Agreement. As of the date hereof, Margaret Cotter also has sole voting and dispositive power over 35, 100 shares of Class B Stock directly beneficially owned by her, and Ellen Cotter also has sole voting and dispositive over 50, 000 shares of Class B Stock directly beneficially owned by her. As a result, Margaret Cotter beneficially owns 1, 158, 988 shares of Voting Stock,~~ representing 69 % of the outstanding Class B stock of the Company. For as long as Margaret Cotter continues to ~~beneficially own 69 %~~ **have voting power over more than 2 / 3rds** of the Class B Stock, Margaret Cotter will be able to unilaterally elect or remove all of the members of our Board of Directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities, related party transactions, and the payment of dividends on common stock. Margaret Cotter will also have the unilateral power to prevent or cause a change in control and could take other actions that might be desirable to her and / or other members of her family, but not to other stockholders. For as long as Margaret Cotter continues to ~~beneficially own 69 %~~ **have voting power over more than 2 / 3rds** of the Class B Stock, Margaret will have the power to sell the control of our Company to a purchaser or purchasers of her choosing without any approval of our Company' s Board or any other stockholder. To the extent that the Margaret Cotter controls more than two- thirds of our outstanding Class B Stock, she will have the power under Nevada law at any time, with or without cause, to remove any one or more Directors (up to and including the entire Board of Directors) by written consent taken without a meeting of the stockholders. While controlling stockholders may owe certain fiduciary duties to our Company and / or minority stockholders, these duties are limited. No assurances can be given that Margaret Cotter, alone or in conjunction with Ellen Cotter, will not take action that, while beneficial to her and members of her family (including Ellen Cotter) and legally enforceable, would not necessarily be in the best interests of our Company and / or our stockholders generally. Margaret Cotter holds her beneficial ownership of 409, 552 shares of our Class B Stock ultimately as the trustee of the DMC Trust, under which she owes fiduciary duties to her children which may conflict with her obligations as a controlling stockholder of our Company. **Reference is made to the Cotter Schedule 13D for more detail information of the scope and extent of the holdings of Margaret Cotter and Ellen Cotter. Our Class A Stock is non- voting and accordingly our Class B Stock represents all of the voting power of our Company. We are a " Controlled Company " under applicable NASDAQ Regulations. As permitted by those Regulations, our Board has elected to opt- out of certain corporate governance rules applicable to non- controlled companies. Generally speaking, NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a " Controlled Company, " such as we, may elect not to be governed by certain of these provisions. Our Board of Directors has elected to exempt our Company from requirements that (i) at least a majority of our Directors be independent and (ii) nominees to our Board of Directors be nominated by a committee comprised entirely of independent Directors or by a majority of our Company' s independent Directors. Notwithstanding the determination by our Board of Directors to opt- out of these NASDAQ requirements, we believe that a majority of our Board of Directors and the entirety of our Compensation Committee are nevertheless currently comprised of independent Directors. As a practical matter, subject to her fiduciary duties as a controlling stockholder, Margaret Cotter controls the composition of our Board of Directors. We depend on key personnel for our current and future performance. Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability to us of any member of our senior management team or a key employee could significantly harm us. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms. Due to the uncertainty of our control situation, the ongoing availability of these employees and our ability to replace them is uncertain. Recent action by the Securities Exchange Commission with respect to the claw back of executive**

bonuses under certain circumstances may, in our view, put us at a competitive disadvantage compared to private companies in recruiting talented executives.