

1 **FOURTH DEFENSE – UNCLEAN HANDS**

2 127. The Complaint, and each purported cause of action therein, is barred, in whole or
3 in part, by the doctrine of unclean hands.

4 **FIFTH DEFENSE – SPOILIATION**

5 128. The Complaint, and each purported cause of action therein, is barred, in whole or
6 in part, by Plaintiffs' spoliation of evidence and obstruction of justice.

7 **SIXTH DEFENSE – ILLEGAL CONDUCT AND FRAUD**

8 129. The Complaint, and each purported cause of action therein, is barred, in whole or
9 in part, by Plaintiffs' own illegal conduct and/or fraud.

10 **SEVENTH DEFENSE – WAIVER, ESTOPPEL, AND ACQUIESCENCE**

11 130. The Complaint, and each purported cause of action therein, is barred, in whole or
12 in part, by the doctrines of waiver, estoppel, and acquiescence because Plaintiffs' acts, conduct,
13 and/or omissions are inconsistent with their requests for relief.

14 **EIGHTH DEFENSE – RATIFICATION AND CONSENT**

15 131. The Complaint, and each purported cause of action therein, is barred, in whole or
16 in part, because any purportedly improper acts by Defendants, if any, were ratified by Plaintiffs
17 and their agents, and/or because Plaintiffs consented to the same.

18 **NINTH DEFENSE – NO UNLAWFUL ACTIVITY**

19 132. The Complaint, and each purported cause of action therein, is barred, in whole or
20 in part, because, to the extent any of the activities alleged in the Complaint actually occurred, those
21 activities were not unlawful.

22 **TENTH DEFENSE – NO RELIANCE**

23 133. The Complaint, and each purported cause of action therein, is barred, in whole or
24 in part, because Plaintiffs did not justifiably rely on any alleged misrepresentation of Defendants.

25 **ELEVENTH DEFENSE – FAILURE TO PLEAD FRAUD WITH PARTICULARITY**

26 134. The Complaint, and each purported cause of action therein, is barred, in whole or
27 in part, because Plaintiffs failed to plead the alleged fraud with particularity, including but not
28 limited to identification of the alleged misrepresentations.

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TWELFTH DEFENSE – UNCERTAIN AND AMBIGUOUS

135. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because it is uncertain and ambiguous as it relates to Defendants.

THIRTEENTH DEFENSE – PRIVILEGE AND JUSTIFICATION

136. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because the actions complained of, if taken, were at all times reasonable, privileged, and justified.

FOURTEENTH DEFENSE – GOOD FAITH AND LACK OF FAULT

137. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because, at all times material to the Complaint, Defendants acted in good faith and with innocent intent.

FIFTEENTH DEFENSE – NO ENTITLEMENT TO INJUNCTIVE RELIEF

138. Plaintiffs are not entitled to injunctive relief because, among other things, Plaintiffs have not suffered irreparable harm, Plaintiffs have an adequate remedy at law, and injunctive relief is not supported by any purported cause of action alleged in the Complaint and is not warranted by the balance of the hardships and/or any other equitable factors.

SIXTEENTH DEFENSE – DAMAGES TOO SPECULATIVE

139. Plaintiffs are not entitled to damages of any kind or in any sum or amount whatsoever as a result of Defendants' acts or omissions alleged in the Complaint because any damages sought are speculative, uncertain, and not recoverable.

SEVENTEENTH DEFENSE – NO ENTITLEMENT TO PUNITIVE DAMAGES

140. The Complaint, and each purported cause of action alleged therein, fails to support the recovery of punitive, exemplary, or enhanced damages from Defendants, including because such damages are not recoverable under applicable Nevada statutory and common law requirements and are barred by the constitutional limitations, including the Due Process Clause of the Fourteenth Amendment and the Eighth Amendment to the United States Constitution.

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EIGHTEENTH DEFENSE – MITIGATION OF DAMAGES

141. Plaintiffs have failed to properly mitigate the damages, if any, they have sustained, and by virtue thereof, Plaintiffs are barred, in whole or in part, from maintaining the causes of action asserted in the Complaint against Defendants.

NINETEENTH DEFENSE – COMPARATIVE FAULT

142. Plaintiffs’ recovery against Defendants is barred, in whole or in part, based on principles of comparative fault, including Plaintiffs’ own comparative fault.

TWENTIETH DEFENSE – BUSINESS JUDGMENT RULE

143. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the business judgment rule.

TWENTY-FIRST DEFENSE – EQUITABLE ESTOPPEL

144. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the doctrine of equitable estoppel.

TWENTY-SECOND DEFENSE – ELECTION OF REMEDIES

145. Plaintiffs are barred, in whole or in part, from obtaining relief under the Complaint, or any of the causes of action or claims therein, that are based on inconsistent positions and/or remedies, including but not limited to inconsistent and duplicative claims for equitable and legal relief.

TWENTY-THIRD DEFENSE – NEVADA REVISED STATUTE 78.138

146. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by Nevada Revised Statute 78.138, which provides that a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that: (a) the director’s or officer’s act or failure to act constituted a breach of his or her fiduciary duties as a director or officer; and (b) the breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

TWENTY-FOURTH DEFENSE – LACK OF STANDING

1 147. The Complaint, and each purported cause of action alleged therein, is barred, in
2 whole or part, because Plaintiffs have failed to allege any direct ownership during relevant time
3 periods of RDI stock and therefore lack standing.

4 **TWENTY-FIFTH DEFENSE – CONFLICTS OF INTEREST AND**
5 **UNSUITABILITY TO SERVE AS DERIVATIVE REPRESENTATIVES**

6 148. The Complaint, and each purported cause of action alleged therein, is barred, in
7 whole or part, because Plaintiffs have conflicts of interest and are unsuitable to serve as derivative
8 representatives.

9 **TWENTY-SIXTH DEFENSE – FAILURE TO MAKE APPROPRIATE DEMAND**

10 149. The Complaint, and each purported cause of action alleged therein, is barred, in
11 whole or part, for failure to make a demand on RDI's Board of Directors.

12 **WHEREFORE**, Defendants request that Plaintiffs' Complaint be dismissed in its entirety
13 with prejudice, that judgment be entered in favor of Defendants, that Defendants be awarded costs
14 and, to the extent provided by law, attorney's fees, and any such other relief as the Court may
15 deem proper.

16 ///

17 ///

1 Dated this 5th day of April, 2016.

2 **COHEN|JOHNSON|PARKER|EDWARDS**

3
4 By /s/ H. Stan Johnson

5 H. STAN JOHNSON, ESQ.

6 Nevada Bar No. 00265

7 sjohnson@cohenjohnson.com

8 MICHAEL V. HUGHES, ESQ.

9 Nevada Bar No. 13154

10 mhughes@cohenjohnson.com

11 255 E. Warm Springs Road, Suite 100

12 Las Vegas, Nevada 89119

13 Telephone: (702) 823-3500

14 Facsimile: (702) 823-3400

15 **QUINN EMANUEL URQUHART &
16 SULLIVAN, LLP**

17 CHRISTOPHER TAYBACK, ESQ.

18 California Bar No. 145532, pro hac vice

19 christayback@quinnemanuel.com

20 MARSHALL M. SEARCY, ESQ.

21 California Bar No. 169269, pro hac vice

22 marshallsearcy@quinnemanuel.com

23 865 S. Figueroa St., 10th Floor

24 Los Angeles, CA 90017

25 Telephone: (213) 443-3000

26 Attorneys for Defendants Margaret Cotter, Ellen
27 Cotter, Guy Adams, Edward Kane, Douglas
28 McEachern, Judy Coddling, and Michael
Wrotniak

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that, on the 5th day of April, 2016, I served a copy of the foregoing JUDY

3 **CODDING AND MICHAEL WROTONIAK'S ANSWER TO FIRST AMENDED**

4 **COMPLAINT** to be served on all parties in this action via the Court's E-Filing and E-Service
5 System.

6 Lewis Roca Rothgerber LLP

7 Brian Blakley BBlakley@lrrlaw.com
8 Mark G. Krum mkrum@lrrlaw.com
9 Annette Jaramillo ajaramillo@lrrlaw.com

10 Quinn Emanuel Urquhart & Sullivan, LLP

11 Marshall M. Searcy III
12 marshallsearcy@quinnemanuel.com

13 Cohen-Johnson, LLC

14 H. Stan Johnson, Esq.
15 calendar@cohenjohnson.com
16 Sarah Gondek sgondek@cohenjohnson.com
17 C.J. Barnabi cj@cohenjohnson.com

18 Robertson & Associates, LLP

19 Robert Nation, Esquire
20 rnation@arobertsonlaw.com
21 Alex Robertson, IV, Esquire
22 arobertson@arobertsonlaw.com
23 Annie Russo (Legal Assistant)
24 arusso@arobertsonlaw.com
25 Elisabeth Dagorrette, Paralegal
26 edagorrette@arobertsonlaw.com

27 McDonald Carano Wilson

28 Aaron D. Shipley, Esq.
ashipley@mcwlaw.com
Leah Jennings, Esq.
ljennings@mcdonalddcarano.com

Greenberg Traurig, LLP

6085 Joyce Heilich heilichj@gtlaw.com
7132 Andrea Rosehill rosehilla@gtlaw.com
IOM Mark Ferrario lvlitdock@gtlaw.com
KBD Kara Hendricks hendricksk@gtlaw.com
LAI Leslie Godfrey godfrey1@gtlaw.com
LCU Lance Coburn coburnl@gtlaw.com
LVGTDocketing lvlitdock@gtlaw.com
MNQ Megan Sheffield
sheffieldm@gtlaw.com
ZCE Lee Hutcherson hutcherson@gtlaw.com

Maupin, Cox & LeGoy

Carolyn K. Renner crenner@mclrenolaw.com
Donald A. Lattin dlattin@mclrenolaw.com
Jennifer Salisbury
jsalisbury@mclrenolaw.com
Karen Bernhardt
kbernhardt@mclrenolaw.com

Bird, Marella, Boxer, Wolpert, Nessim,

Drooks, Lincenberg & Rhow, P.C.
Shemena Johnson
snj@birdmarella.com
Bonita D. Moore
bdm@birdmarella.com

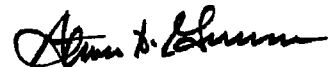
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Chubb
Allison Rose, Esq.
allisonrose@chubb.com

Solomon Dwiggin & Freer, Ltd.
Alan D. Freer, Esq.
afreer@sdfnlaw.com

Patti, Sgro, Lewis & Roger
Adam C. Anderson, Esq.
aanderson@pslrfirm.com
Karen Cormier, Esq.
Kcormier@pslrfirm.com
Stephen Lewis, Esq.
slewis@pattisgroleis.com

/s/ C.J. Barnabi
An employee of Cohen|Johnson|Parker|Edwards



CLERK OF THE COURT

1 **SACOM**
2 MARK G. KRUM (Nevada Bar No. 10913)
3 MKrum@LRRC.com
4 LEWIS ROCA ROTHGERBER CHRISTIE LLP
5 3993 Howard Hughes Parkway, Suite 600
6 Las Vegas, Nevada 89169
7 (702) 949-8200
8 (702) 949-8398 fax

9 Attorneys for Plaintiff
10 James J. Cotter, Jr.

11 DISTRICT COURT

12 CLARK COUNTY, NEVADA

13 JAMES J. COTTER, JR., individually and
14 derivatively on behalf of Reading International,
15 Inc.,

16 Plaintiff,

17 v.

18 MARGARET COTTER, ELLEN COTTER,
19 GUY ADAMS, EDWARD KANE, DOUGLAS
20 McEACHERN, WILLIAM GOULD, JUDY
21 CODDING, MICHAEL WROTONIAK, and
22 DOES 1 through 100, inclusive,

23 Defendants.

24 and

25 READING INTERNATIONAL, INC., a Nevada
26 corporation;

27 Nominal Defendant.

28 T2 PARTNERS MANAGEMENT, LP, a
Delaware limited partnership, doing business as
KASE CAPITAL MANAGEMENT, et al.,

Plaintiffs,

vs.

MARGARET COTTER, ELLEN COTTER,
GUY ADAMS, EDWARD KANE, DOUGLAS
McEACHERN, WILLIAM GOULD, JUDY
CODDING, MICHAEL WROTONIAK, CRAIG

CASE NO. A-15-719860-B
DEPT. NO. XI

Coordinated with:

CASE NO. P-14-082942-E
DEPT. NO. XI

CASE NO. A-16-735305-B
DEPT. NO. XI

Jointly administered

**[PROPOSED] SECOND AMENDED
VERIFIED COMPLAINT**

[Business Court Requested: [EDCR 1.61]

**[Exempt From Arbitration: declaratory
relief requested; action in equity]**

3993 Howard Hughes Pkwy, Suite 600
Las Vegas, NV 89169-5996

Lewis Roca
ROTHGERBER CHRISTIE

1 TOMPKINS, and DOES 1 through 100,
2 inclusive,
3 Defendants.

4 and

5 READING INTERNATIONAL, INC., a
6 Nevada corporation,

7 Nominal Defendant.

8 For his complaint herein, plaintiff James J. Cotter, Jr. hereby alleges the following:

9 **NATURE OF THE CASE**

10 1. This action arises from breaches of fiduciary duty by the individual defendants,
11 each of whom is a member of the board of directors of Reading International, Inc. ("RDI" or the
12 "Company"), a public company. In particular and without limitation, Edward Kane ("Kane"),
13 Guy Adams ("Adams") and Douglas McEachern ("McEachern"), together with Ellen Cotter
14 ("EC") and Margaret Cotter ("MC") (collectively, the "Interested Director Defendants"), acted to
15 wrongfully seize control of RDI and to perpetuate that control, to protect and further their personal
16 financial and other interests, in purposeful derogation of their fiduciary obligations as directors of
17 RDI. In doing so, they have squandered if not appropriated corporate opportunities, wasted
18 corporate assets and caused monetary and nonmonetary injury to RDI and its shareholders.

19 2. These director defendants first threatened James J. Cotter, Jr. ("JJC" or "Plaintiff")
20 with termination as President and Chief Executive Officer ("CEO") of RDI if he failed to resolve
21 trust and estate litigation with EC and MC on terms acceptable to the two of them and to cede
22 control of RDI to them. They threatened to terminate JJC on less than forty-eight (48) hours'
23 notice after EC belatedly provided a purposefully vague agenda for a supposed special meeting.
24 When they understood that Plaintiff had acquiesced to their demand and had reached an agreement
25 with EC and MC acceptable to the two of them, Kane, Adams and McEachern did not act on their
26 termination threat.

27 3. Next, when JJC failed to consummate a resolution of the disputes with EC and MC,
28 these director defendants acted on their threat and terminated JJC as President and CEO of RDI.

1 These director defendants acted without undertaking any semblance of a process to warrant
2 making any decision regarding the status of JJC (or anyone) as President and CEO, and did so in
3 the face of express admonitions by outside directors Timothy Storey ("Storey") and William
4 Gould ("Gould") that the directors had failed to undertake any process that would warrant making
5 any decision about the status of the President and CEO of RDI, much less the decision to remove
6 JJC as President and CEO of RDI. Gould warned the others that, because they had undertaken no
7 process to warrant even making such a decision, they all could be subject to liability. Storey
8 called the lack of process a "kangaroo court," and observed as to the non-Cotter directors that, "as
9 directors we can't just do what a shareholder [, meaning EC and MC,] asks." Not only did these
10 director defendants precipitously terminate JJC as President and CEO of RDI without undertaking
11 any process and on purposefully inadequate notice, they pre-empted and aborted an ongoing and
12 incomplete process that the five non-Cotter directors had put in place in March 2015.

13 4. Immediately following the termination of JJC as President and CEO of RDI, EC
14 asserted that JJC's executive employment agreement required him to resign from the RDI Board
15 of Directors upon the termination of his employment as an executive. That assertion was
16 erroneous. Gould, who drafted and negotiated that employment agreement, told the RDI Board
17 and told EC and Craig Tompkins on a separate occasion that it did not require JJC to resign as a
18 director. On or about June 15, 2016, EC on behalf of the Company sent JJC a letter reiterating the
19 assertion that he was required to resign as a director upon the termination of his executive
20 employment. On or about June 18, 2015, the Company issued a Form 8-K which, among other
21 things, reiterated that assertion. EC took and caused these actions with the approval of if not active
22 assistance of the other Interested Director Defendants.

23 5. Kane has a decade's long *quasi*-familial relationship with EC and MC, who call
24 him "Uncle Ed." Adams is financially dependent on income from companies and deals that EC
25 and MC control. What each of Kane, Adams and McEachern did was to choose sides in family
26 disputes between EC and MC, on one hand, and JJC, on the other hand, which disputes included
27 certain trust and estate litigation commenced by EC and MC against JJC following the September
28 2014 passing of their father, James J. Cotter, Sr. ("JJC, Sr."), particularly regarding voting control

1 of RDI, and included disputes about whether EC and MC would report to their “little brother,”
2 who succeeded JJC, Sr. as CEO of RDI, or to anyone, as a practical matter.

3 6. EC and MC have at all times acted purposefully to protect and further their own
4 personal financial and other interests to the detriment of RDI and all of its shareholders other than
5 them. They regularly sought, and often received, money, benefits, titles, positions and/or
6 promotions they would not have received but for their status as potential controlling shareholders,
7 including EC being appointed and compensated as CEO in January 2016 and MC being appointed
8 and compensated as Executive Vice President-Real Estate Management and Development-NYC
9 (“EVP-RED-NYC”) in March 2016.

10 7. Since wrongfully seizing control of RDI, each of the Interested Director Defendants
11 also have engaged in a systematic misuse of the corporate machinery of RDI. They have done so
12 to preserve and perpetuate their control of RDI. They also have acted to further their own
13 financial and other interests. Since joining the RDI Board of Directors, defendants Judy Coddling
14 (“Coddling”) and Michael Wrotniak (“Wrotniak”) also have acted to protect and advance the
15 personal interests of EC and MC, and their own as well. All such complained of actions were in
16 derogation of these defendants’ fiduciary duties to RDI and its shareholders.

17 8. The Interested Director Defendants effectively eliminated Plaintiff, Storey and
18 Gould as functioning members of RDI’s Board of Directors by, among other things, a purported
19 executive committee of RDI’s Board of Directors. The executive committee (“EC Committee”)
20 was populated by EC, MC, Kane and Adams. The EC Committee purportedly possesses the full
21 authority of RDI’s full Board of Directors. Gould has acquiesced to if not cooperated with the
22 ongoing self-dealing of these five defendants, who forced Storey to “retire” as a director and
23 added to the Board unqualified persons loyal to EC and MC by virtue of pre-existing personal
24 friendships, namely, Coddling and Wrotniak.

25 9. EC with the approval if not assistance of other director defendants has withheld and
26 manipulated board agendas and meetings, including by belatedly providing a vague agenda for the
27 May 21, 2015 supposed special meeting, and has withheld and manipulated minutes of Board of
28

1 Directors meetings, including the supposed meetings of May 21 and 29 and June 12, 2015. They
2 did so in an effort to conceal their fiduciary breaches and avoid liability for such breaches.

3 10. On or about September 17, 2015, EC and MC acted to exercise a supposed option
4 claimed held by the estate of JJC, Sr. (the "Estate"), of which they are executors, to acquire
5 100,000 shares of RDI Class B voting stock. On or about September 21, 2015, Kane and Adams,
6 as directors and as members of the Compensation Committee, authorized the request of EC and
7 MC that the Estate be allowed to exercise that supposed option. In doing so, Kane and Adams
8 breached their fiduciary duties, including for the reasons alleged herein.

9 11. EC on or about October 5, 2015 proposed adding Coddling, a close and long-
10 standing friend of the mother of the Cotters, Mary Cotter, with whom EC lives, to RDI's Board of
11 Directors. Without performing or causing competent, basic due diligence, Kane, Adams and
12 McEachern agreed. So did Gould, though he had learned of Coddling only days prior. Coddling
13 has no expertise in either of RDI's principal business segments, cinema operations and real estate
14 development, and has no public company corporate governance expertise. Plaintiff is informed
15 and believes that Coddling was selected because she is expected to be loyal to EC and MC.

16 12. EC and MC determined that Storey would not be nominated to stand for reelection
17 as a director at the 2015 ASM, which had been set for November 10, 2015. Plaintiff is informed
18 and believes that this decision was made in part because Storey had insisted that the RDI Board of
19 Directors act to protect and further the interests of all shareholders, not just EC and MC. Kane,
20 Adams and McEachern, purporting to act as a one time special nominating committee, agreed to
21 and implemented the decision of EC and MC to not nominate Storey to stand for reelection as a
22 director at the 2015 ASM. Adams and/or McEachern pressured Storey to "retire." The supposed
23 nominating committee, acting at the direction and request of EC and MC, then selected Wrotniak
24 to replace Storey. Wrotniak does not have expertise in either of RDI's principal business
25 segments, cinema operations and real estate development, and has no public company corporate
26 governance experience. Wrotniak's wife is a long-time, close personal friend of MC. Plaintiff is
27 informed and believes that Wrotniak was chosen because MC and EC expect him to be loyal to
28 them.

1 13. As an integral part of their scheme to seize control of RDI and to perpetuate their
2 control of RDI to further their personal financial and other interests, EC and MC systematically
3 failed to make timely and accurate disclosures and SEC filings they were required to make, and
4 systematically made materially misleading if not inaccurate disclosures, including as alleged
5 herein. EC and MC, with the active assistance or at least knowing acquiescence of Kane, Adams,
6 McEachern and Gould, as well as Coddington and Wrotniak after they became RDI directors, also
7 caused the Company to make materially misleading if not inaccurate disclosures, including in the
8 Proxy Statements issued by the Company in connection with the 2015 Annual Shareholders
9 Meeting and the 2016 Annual Shareholders Meeting, and in Form 8-Ks issued regarding the
10 matters alleged herein, including as alleged herein.

11 14. Promptly following the termination of JJC as President and CEO, EC was
12 appointed interim CEO. EC selected Korn Ferry as the outside search firm the Company would
13 use to conduct the search for a permanent CEO. A stated rationale for that selection was that Korn
14 Ferry would employ a proprietary candidate evaluation process to evaluate the finalists. The three
15 finalists each were to be interviewed by the full board of directors. EC appointed MC, McEachern
16 and Gould as members of the CEO search committee. Members of the search committee and
17 certain executives selected by EC and MC provided input to Korn Ferry, which prepared a
18 document listing specifications which were used to identify CEO candidates. Months later, just
19 prior to initial interviews of CEO candidates, EC allegedly announced that she was a candidate to
20 be President and CEO and resigned from the search committee, for which she had acted as
21 chairperson. McEachern and Gould allowed MC to remain on the committee and proceeded with
22 candidate interviews. After interviewing EC, however, they agreed with MC to abort the search
23 process and agreed to have Korn Ferry not perform the proprietary candidate evaluations of
24 finalists it had been engaged to perform and not to present the three finalist candidates to the full
25 board to be interviewed. MC, McEachern and Gould presented EC to the full Board of Directors
26 as the choice for CEO, which the individual director defendants approved with little if any
27 deliberation, after having not participated in nor been kept apprised of CEO search activities for
28 months prior.

1 15. On or about March 10, 2016, MC was appointed EVP-RED-NYC. In that position,
2 MC became the senior executive at RDI responsible for the development of its valuable New York
3 City properties often referred to as Union Square and Cinemas 1, 2 & 3 (the "NYC Properties").
4 However, MC has no real estate development experience. She is demonstrably unqualified to hold
5 that senior executive position. As EVP-RED-NYC, MC was awarded a compensation package
6 that includes a base salary of \$350,000 and a short-term incentive target bonus of \$105,000 (30%
7 of her base salary), and was granted a long-term incentive of a stock option for 19,921 shares of
8 Class A Common Stock and 4,184 restricted stock units under the Company's 2010 Stock
9 Incentive Plan. Additionally, the Compensation Committee, consisting of Adams, Kane and
10 Coddling, and the Audit and Conflicts Committee, comprised of Kane, McEachern and Wrotniak,
11 in or about March 2016 each approved so-called "additional consulting fee compensation" of
12 \$200,000 to MC. In effect, MC was given a \$200,000 gift. The Compensation Committee also
13 recommended and the RDI Board of Directors (meaning all of the individual director defendants)
14 also approved payment of \$50,000 to Adams for what subsequently was described as
15 "extraordinary services provided to the Company and devotion of time in providing such
16 services." These after-the-fact payments in effect were gifts.

17 16. On or about May 31, 2016, third parties unrelated to the Cotters made an
18 unsolicited all cash offer to purchase all of the outstanding stock of RDI at a purchase price of \$17
19 per share. That was approximately thirty-three percent (33%) in excess of the prices at which RDI
20 stock was trading at the time. None of the individual director defendants engaged independent
21 counsel or a financial advisor to advise them with respect to the offer. Nor did they undertake any
22 other independent actions to make an informed, good faith determination of how to respond to the
23 unsolicited offer. Instead, they deferred to EC, who allowed the response date in the offer to pass
24 and who subsequently reported to the full Board of Directors orally that internal management had
25 generated a supposed valuation of the Company, which valuation pegged the value of the
26 company at well in excess of both the price at which RDI stock traded and the above market price
27 the third parties offered to buy all outstanding RDI stock. The individual director defendants
28 agreed that the offer was inadequate and agreed to not pursue the offer.

PARTIES

17. Plaintiff James J. Cotter, Jr. (JJC) is and at all times relevant hereto was a shareholder of RDI. JJC also has been a director of RDI since on or about March 21, 2002. Involved in RDI management since mid-2005, JJC was appointed Vice Chairman of the RDI board of directors in 2007 and President of RDI on or about June 1, 2013. He was appointed CEO by the RDI Board on or about August 7, 2014, immediately after JJC, Sr. resigned from that position. He is the son of the late James J. Cotter, Sr. (JJC, Sr.) and the brother of defendants MC and EC. JJC presently owns 770,186 shares of RDI Class A non-voting stock and options to acquire another 50,000 shares of RDI Class A non-voting stock, and is co-trustee and beneficiary of the James J. Cotter Living Trust, dated August 1, 2000, as amended (the "Trust"), which owns 2,115,539 shares of RDI Class A (non-voting) stock and 1,123,888 shares of RDI Class B (voting) stock. The Trust became irrevocable upon the passing of JJC, Sr. on September 13, 2014.

18. Defendant Margaret Cotter (MC) is and at all times relevant hereto was a director of RDI. MC is engaged in trust and estate litigation against JJC, by which she seeks, among other things, to invalidate a trust document as part of an overall effort by MC and EC to, among other things, procure control of RDI Class B stock sufficient to elect RDI's directors. MC became a director of RDI on or about September 27, 2002. MC is the owner and President of OBI, LLC, a company that provides theater management services to live theaters indirectly owned by RDI through Liberty Theatres, of which MC is President. Commencing in or before the Fall of 2014, MC sought to become an employee of RDI. In particular, MC sought to be the senior person at RDI responsible for development of highly valuable real estate in New York City owned directly or indirectly by RDI, i.e., the NYC Properties. MC opposed the hiring of a senior executive experienced in real estate development. EC with the approval and active assistance of the other individual defendants on or about March 10, 2016, made MC EVP-RE-NYC. As such MC is the senior person at RDI directly responsible for development of the NYC Properties. MC had and has no real estate development experience.

19. Defendant Ellen Cotter (EC) is and at all times relevant hereto was a director of RDI. EC is engaged in trust and estate litigation against JJC, by which she seeks, among other

1 things, to invalidate a trust document as part of an overall effort by MC and EC to, among other
2 things, procure control of RDI Class B voting stock sufficient to elect RDI's directors. She
3 became a director of RDI on or about March 13, 2013. EC was a senior executive at RDI
4 responsible for the day-to-day operations of its domestic cinema operations. EC was appointed
5 interim CEO on or about June 12, 2015 and was appointed CEO in January 2016.

6 20. Defendant Edward Kane (Kane) is and at all times relevant hereto was an outside
7 director of RDI. Kane has been a director of RDI since approximately October 15, 2009. By
8 Kane's own admission, he was made a director of RDI because he was a friend of JJC, Sr., the
9 now deceased father of JJC, EC and MC. By Kane's own admission, he neither had nor has skills
10 or expertise to add value as a director of RDI, except possibly with respect to certain tax matters.
11 Kane has sided with EC and MC in their family disputes with Plaintiff, launching vicious *ad*
12 *hominem* attacks against those such as Gould who have expressed unfavorable opinions relating to
13 either or both MC and EC, and lecturing JJC about how he (Kane) is implementing Corleone
14 ("Godfather") style family justice in dealing with JJC. Nevertheless, Kane has acknowledged that
15 JJC is the person most qualified to be CEO of RDI. Kane sold all of the RDI options he then
16 owned on or about May 27, 2014.

17 21. Defendant Guy Adams (Adams) is and at all times relevant hereto was an outside
18 director of RDI. Adams became a director of RDI on or about January 14, 2014. Almost all of
19 Adams' recurring income is paid to him by Cotter family businesses over which EC and MC
20 exercise control. For that reason, among others, Adams is financially dependent on EC and MC.
21 For those reasons and others, including that Adams has a financial interest in assets controlled
22 directly or indirectly by EC and/or MC, Adams was and is not a disinterested director for the
23 purposes of any decision to terminate JJC as President and CEO of RDI or any other decision of
24 interest to EC and/or MC, including matters relating to their compensation. Adams sold all of the
25 RDI options he then owned on or about March 26, 2015. He was paid \$50,000 for reported
26 "extraordinary services provided to the Company and devotion in time in providing such services"
27 in or about March 2016, and had been granted options only a few months earlier. Until he
28 resigned in or about May 2016, Adams was at all relevant times a member of the RDI Board of

1 Directors Compensation Committee.

2 22. Defendant Douglas McEachern (McEachern) is and at all times relevant hereto was
3 an outside director of RDI. McEachern became a director of RDI on or about May 17, 2012.
4 McEachern acted to protect and preserve his personal interests, and chose the side of EC and MC
5 in their family disputes with JJC, including by agreeing as an RDI director to threaten and to
6 terminate JJC as President and CEO of RDI, and thereafter by misusing his position as a director
7 to protect and further the personal interests of EC and MC, as well as his own, purposefully acting
8 in ways he knew were detrimental to RDI and its public shareholders, including by pressuring
9 Storey to resign from RDI's Board of Directors.

10 23. Defendant William Gould (Gould) is and at all times relevant hereto was an outside
11 director of RDI. Gould was appointed a director on or about October 15, 2004. Gould approved
12 minutes for the board meetings at which the subject was the termination of JJC as President and
13 CEO, which minutes Gould knew to contain inaccuracies. Gould failed to cause the Company to
14 correct the materially misleading if not inaccurate Form 8-K filed on or about June 18, 2015.
15 Gould effectively abdicated his responsibilities as a director, including by acceding to the EC
16 Committee, agreeing to the appointment of unqualified persons to the RDI board following
17 effectively no deliberation by him and by participating in the CEO search, which was aborted if
18 not manipulated.

19 24. Defendant Judy Coddington (Coddington) at all times relevant hereto was and is an
20 outside director of RDI. Coddington became a director of RDI on or about October 5, 2015.
21 Coddington supposedly was elected to fill a board seat that had been vacant since August 2014.
22 Coddington has never served as the director of a public company and possesses no personal
23 experience in either of RDI's principal businesses, real estate development and cinemas. Plaintiff
24 is informed and believes that Coddington was selected by EC and added to the RDI Board of
25 Directors because of Coddington's long-standing personal relationship with Mary Cotter, with whom
26 EC now lives. Coddington as a director of RDI has acted to advance and protect the personal interests
27 of EC and MC, to the detriment of other RDI shareholders, including by voting to make EC CEO
28 after the CEO search process was aborted, by voting to make MC EVP-RED-NYC, by voting to

1 provide MC with what amounted to a \$200,000 gift, and by her acts and omissions in response to
2 an offer by a third-party to purchase all of the stock of RDI at a cash price above which it trades in
3 the open market.

4 25. Defendant Michael Wrotniak (Wrotniak) at all times relevant hereto was and is an
5 outside director of RDI. Wrotniak became a director of RDI on or about October 12, 2015.
6 Wrotniak was elected to fill a board seat that had been vacated by the supposed retirement of
7 former RDI director Tim Storey on October 11, 2015, which so-called retirement in fact was
8 precipitated by EC and MC, with the supposed special nominating committee giving Storey the
9 choice of resigning and receiving a severance package or simply not being nominated to stand for
10 reelection. Wrotniak has never served as a director of a public company and possesses no
11 expertise in either of RDI's principal businesses, real estate development and cinemas. Plaintiff is
12 informed and believes that Wrotniak was added to the RDI Board of Directors because of
13 Wrotniak's wife's long-standing close personal relationship with MC. Wrotniak as a director of
14 RDI has acted to advance and protect the personal interests of EC and MC, to the detriment of
15 other RDI shareholders, including by voting to make MC EVP-RED-NYC, by voting to provide
16 MC with what amounted to a \$200,000 gift, by voting to make EC CEO after the CEO search
17 process was aborted, and by his acts and omissions in response to an offer by a third-party to
18 purchase all of the stock of RDI at a price above which it trades in the open market.

19 26. Nominal defendant Reading International, Inc. (RDI) is a Nevada corporation and
20 is, according to its public filings with the United States Securities and Exchange Commission (the
21 "SEC"), an internationally diversified company principally focused on the development,
22 ownership and operation of entertainment and real estate assets in the United States, Australia and
23 New Zealand. The Company operates in two business segments, namely, cinema exhibition,
24 through approximately 58 multiplex cinemas, and real estate, including real estate development
25 and the rental of retail, commercial and live theater assets. The Company manages world-wide
26 cinemas in the United States, Australia and New Zealand. RDI has two classes of stock, Class A
27 stock held by the investing public, which stock exercises no voting rights, and Class B stock,
28 which is the sole voting stock with respect to the election of directors. An overwhelming majority

1 (approximately eighty percent (80%)) of the Class A stock is legally and/or beneficially owned by
2 shareholders unrelated to JJC, EC and MC. Approximately seventy percent (70%) of the Class B
3 stock is subject to disputes and pending trust and estate litigation in California between EC and
4 MC, on the one hand, and JJC, on the other hand, and a probate action in Nevada. Of the Class B
5 stock, approximately forty-four percent (44%) is held in the name of the Trust. RDI is named only
6 as a nominal defendant in this derivative action.

7 27. The true names and capacities, whether individual, corporate, associate or
8 otherwise, of Defendants named and identified herein as Does 1 through 100, inclusive, are
9 currently unknown to Plaintiff. Plaintiff, therefore, sues said Defendants by such fictitious names
10 and will amend his Complaint to show their true names and capacities upon ascertaining the same.
11 Upon information and belief, each of the Defendants sued herein as Doe has some responsibility
12 for the damages arising as a result of the matters herein alleged.

13 **ALLEGATIONS COMMON TO ALL CLAIMS**

14 **General Background**

15 28. Since approximately 2000, and until he resigned as Chairman and CEO of RDI on
16 or about August 7, 2014, James J. Cotter, Sr. (JJC, Sr.) was the CEO and Chairman of the Board
17 of Directors of RDI. Additionally, JJC, Sr. (according to RDI filings with the SEC, among other
18 things) through the Trust controlled approximately seventy percent (70%) of the Class B voting
19 stock of RDI. As such, JJC, Sr. unilaterally selected and elected the board of directors.

20 29. For all intents and purposes, JJC, Sr. ran the Company as he saw fit, without
21 meaningful oversight or input from the board of directors. According to Kane, JJC, Sr. "did not
22 seek directors that could add significant value but sought out friends to fill out the 'independent'
23 member requirements." Kane himself acted as if his job as a director was to protect and further
24 the interests of his life-long friend and benefactor, JJC, Sr., not to protect and further the interests
25 of RDI and its shareholders. With the passing of JJC, Sr., Kane also acknowledged that it was
26 "time to change this approach and appoint individuals that could offer solid advice and counsel,
27 such as some NYC real estate people and/or NYC people with political know-how that we might
28 need if we are to develop our valuable assets there."

1 30. Recognizing JJC, Sr.'s control of the Company, the board asked that he provide
2 them with a succession plan. He did so in or about December 2006, and the RDI board
3 implemented it. The succession plan was to have JJC assume JJC, Sr.'s position when JJC, Sr.
4 retired or passed, as the case may be.

5 31. Since 2005, JJC was involved in most RDI executive management meetings and
6 privy to most significant internal senior management memos. JJC was appointed Vice Chairman
7 of the RDI board in 2007. The RDI board appointed JJC President of RDI on or about June 1,
8 2013, which responsibilities he filled without objection by the RDI board of directors.

9 32. On or about September 13, 2014, JJC, Sr. passed. Soon thereafter, trust and estate
10 litigation was commenced by his daughters, MC and EC, against JJC, which litigation involved
11 the issue of whether MC or JJC, or both, would serve as trustees of the voting trust that controlled
12 or would control the RDI voting stock previously controlled by JJC, Sr., among other things.

13 33. As President and CEO of RDI, JJC alienated his sisters because he acted to protect
14 and further the interests of RDI and all of its shareholders, repeatedly rebuffing the efforts of MC
15 and EC to advance their own interests, as well as efforts by Kane and others to protect and further
16 the interests of MC and EC, as well as their own interests, all to the detriment of the Company and
17 its other shareholders. For example, JJC questioned and/or rejected purported expenses EC and
18 MC sought to have RDI pay. In one instance, EC attempted to charge RDI for an expensive
19 Thanksgiving dinner with her mother, sister and sister's children, which effort Plaintiff rejected.
20 In another instance, MC sought to charge RDI for certain expenses of her father's funeral.

21 34. JJC insisted that RDI employ an executive with experience in real estate
22 development to be the senior person at RDI overseeing RDI's domestic real estate development
23 business, including the NYC Properties. MC resisted. MC wanted to be employed by RDI and to
24 secure lucrative compensation and/or benefits she otherwise would not receive. MC wanted to be
25 the senior person at RDI responsible for development of the NYC Properties. However, she is
26 unqualified to do so. MC has no real estate development experience.

27 35. Frustrated by Plaintiff's refusal as President and CEO to accede to their demands
28 for titles, positions, promotions, employment contracts and money from RDI, and with MC in

1 jeopardy of losing her lucrative consulting arrangement to manage live theater operations due to
2 the Orpheum Theatre debacle described herein, MC and EC agreed to act together and acted to
3 protect and advance their personal interests by seizing and acting to perpetuate control of RDI. To
4 that end, EC secured the agreement of defendants Kane, Adams and McEachern to choose sides in
5 their family dispute with JJC.

6 36. Kane, Adams and McEachern threatened Plaintiff with termination unless he
7 resolved his disputes with EC and MC on terms dictated by the two of them. When they
8 understood that Plaintiff had acquiesced, they relented. When they learned that he had not
9 acquiesced, they fired Plaintiff as President and CEO of RDI and thereafter acted to perpetuate
10 their control of RDI.

11 **EC and MC Act To Further Their Own Interests; Kane Assists and Does Too**

12 37. Soon after JJC, Sr. passed, EC sought an employment agreement and a promotion.
13 Plaintiff is informed and believes that EC did so in part because she was fearful that JJC, acting to
14 protect and further the interests of the Company, would fire her, notwithstanding the fact that he
15 had never expressed any intention of doing so. Soon after JJC, Sr. passed, EC also sought a raise.
16 The claimed impetus for the requested raise was to qualify for a loan on a Laguna Beach,
17 California condominium.

18 38. Kane, who has a decade's long quasi-familial relationship with each of MC and
19 EC, who call him "Uncle Ed," acted to ensure that EC would obtain the loan she sought, described
20 above. To that end, Kane, purporting to act as chairman of the RDI Compensation Committee,
21 signed a letter on RDI letterhead to EC's lender that represented that the Committee "anticipate[d]
22 a total cash compensation increase of no less than 20%" for EC "effective no later than January 1,
23 2015." Despite JJC pointing out that sending such a letter to EC's bank was inappropriate, EC
24 executed the letter on behalf of Kane.

25 39. Also, in October 2014, Kane prompted the RDI board to provide EC a "bonus" of
26 \$50,000, on account of a supposed error by the Company in connection with the issuance of RDI
27 stock options EC had exercised in 2013. No other similarly situated RDI executive received such
28 a "bonus," which was tantamount to a gift or other unearned compensation given to EC from the

1 coffers of RDI. With EC as interim CEO and now CEO, the Company, EC and McEachern have
2 taken the opposite position with JJC.

3 40. Separately, commencing shortly after JJC, Sr.'s death on September 13, 2014,
4 Kane began pressing Plaintiff as President and CEO to recommend to the RDI board, and thereby
5 effectively approve, increases in directors' fees and consideration paid to Kane and other outside
6 board members. Kane and the other outside directors were successful in increasing their
7 compensation, including by way of supposed one-time and/or special fee awards, including as
8 alleged herein.

9 **MC And EC Bring Cotter Family Disputes To RDI**

10 41. Notwithstanding the fact that Plaintiff had been President of RDI since 2013,
11 notwithstanding the fact that JJC, Sr. and the RDI board had implemented a succession plan
12 pursuant to which Plaintiff would succeed JJC, Sr. as CEO of RDI after substantial preparation,
13 and notwithstanding that JJC, Sr.'s testamentary disposition memorialized to EC and MC his
14 intention that JJC serve as President of RDI, MC and EC resisted and sought to avoid reporting to
15 JJC. For example, EC in October 2014 sought to have EC and MC report to an executive
16 committee, not Plaintiff as CEO. Later, when Plaintiff as CEO of RDI sought to engage in
17 substantive communications with MC about the live theater business for which she was
18 responsible, MC refused to have substantive communications with Plaintiff about such matters.

19 42. The non-Cotter board members, faced with the personal disputes MC and EC had
20 with JJC, including the pending trust and estate litigation, took steps to protect and enhance their
21 personal interests. The RDI board of directors on January 15, 2015 determined to purchase a
22 directors and officers insurance policy (which it never had before) with a limit of \$10 million. At
23 the time, they also determined that stock option grants to individual directors made previously
24 would vest immediately and further determined that January 15, 2015 would be the date on which
25 to establish the stock price for option purposes.

26 43. In a private session of the non-Cotter directors on January 15, 2015, they discussed
27 and agreed upon a course of action put forth by EC and MC which initially was proposed to be the
28 first two paragraphs quoted below, but after discussion became all three. They resolved and

1 approved, with Plaintiff, EC and MC abstaining, as follows:

2 “The CEO [JJC,] cannot terminate the employment of Ellen Cotter unless
3 a majority of the independent directors concur with the CEO’s recommendation to
4 terminate Ellen Cotter;

5 The CEO [JJC,] cannot terminate the existing Theater Management
6 Agreement of Ms. Margaret Cotter unless a majority of the independent directors
7 concurs with the CEO’s recommendations to terminate such Theater Management
8 Agreement; and

9 The CEO [JJC,] cannot be terminated without the approval of the
10 majority of the independent directors.”

11 **JJC Succeeds As President And CEO; MC And EC Continue To Object**

12 44. Plaintiff’s work as CEO was recognized as successful by the stock market. RDI
13 stock was trading at \$8.17 per share when Plaintiff became CEO but, by approximately the end of
14 2014, had traded as high as \$13.26 per share and, in the Spring of 2015, traded at over \$14.45 per
15 share.

16 45. One analyst described the successes of JJC as President and CEO as follows:

17 **Management Catalysts**

18 RDI has historically suffered from a control discount. The dual class
19 structure created a situation where the Cotter family owned approx. 30%
20 of outstanding shares, but 70% of class B voting stock. James Cotter Sr.,
21 the longtime CEO, made little effort to promote the company and was
22 slow to monetize assets and unlock the value even though he did acquire
23 assets smartly and did a good job of operating the business. Over the past
24 two years, asset monetization has moved ahead and seems to be a sign of
25 things to come. In early August, James Cotter, Sr., resigned from serving
26 as the Company’s Chairman and CEO and recently passed away. Cotter’s
27 son Jim has taken over the CEO position. We think that Jim has already
28 been a positive influence in terms of value realization during the last year.
We believe that Jim was instrumental in pushing not only the sales of
important Australian assets, but also the share buyback. He is also seeking
other ways to increase value (e.g. considering ways to further monetize the
Angelika brand). We expect the stock will move much closer to fair value
once definitive announcements are made around the New York City assets
and other smaller asset monetization announcements in the next 12
months. The two New York assets discussed have appreciated
significantly in recent years and are a part of the value here. It is also
worth noting that RDI also owns other valuable, underutilized real estate
(including Minetta Lane Theater, Orpheum Theater, Royal George in
Chicago, etc.) that could ultimately be redeveloped and create incremental
value for shareholders.

46. After meeting JJC in person in October 2014, one large stockholder commented, “I

1 came away from our meeting with a firm view that you care about shareholders and that both you
2 and us will be nicely rewarded over time...I intend to remain a long-term partner. I am confident
3 that if you continue to buy back stock and the investment community begins to believe that you, as
4 a leader, will act in the best interests of shareholders, the stock price will be considerably higher.”
5 The stock price did move considerably higher.

6 47. On June 1, 2013, when JJC was appointed President of RDI, the stock price was
7 only \$6.08 per share. By May 31, 2015, The Street Ratings upgraded their recommendation of
8 RDI to a “buy” or “purchase.” On June 4, 2015, RDI Class A stock traded in the public
9 marketplace as high as \$14.45 per share.

10 48. MC and EC objected to Plaintiff’s on-going, successful efforts as President and
11 CEO of RDI which, though in the best interests of all RDI shareholders, including the public non-
12 Cotter family shareholders, were viewed by MC and EC as not in their personal interests. MC and
13 EC have preferred that the price at which RDI Class A stock traded be artificially depressed and
14 preferred that the conduct of the Board and senior management not be scrutinized.

15 49. By their actions and statements, including but not limited to their demands for
16 additional compensation and employment agreements, MC and EC made clear that their personal
17 interests were paramount, and that they would act to protect and further their personal interests, to
18 the detriment of the interests of RDI and its other shareholders.

19 **JJC Complies With Board Processes, MC And EC Prompt The Termination of Such**
20 **Processes**

21 50. In March 2015, the non-Cotter directors appointed director Storey to function as
22 their representative or ombudsman to work with JJC as CEO, including by acting as a facilitator
23 with EC and MC.

24 51. On behalf of the non-Cotter directors, one or both of Gould and Storey advised MC
25 and EC and Plaintiff that the process the non-Cotter directors had put in place, involving director
26 Storey as ombudsman, would continue through June 2015, at which time an assessment would be
27 made of the situation, including in particular the extent to which each of the three of them had
28 cooperated in the process and had undertaken to improve their working relationships and to

1 sustain improved working relationships.

2 52. From that point forward, Plaintiff worked with director Storey in the manner Storey
3 on behalf of the non-Cotter directors had requested. However, MC and EC did not, including as
4 otherwise averred herein, including by refusing to do certain things requested by Plaintiff, which
5 Storey had agreed were in the best interests of RDI. They also complained to Kane about Storey.

6 53. Although MC for months had refused to have substantive discussions with Plaintiff
7 about the live theater business operations for which she was responsible, and for months had failed
8 and refused to produce even the most rudimentary of business plans, she nevertheless pushed to be
9 provided an employment agreement with RDI. For example, on May 4, 2015, by which time the
10 Orpheum theater debacle had come to light, and by which time she had provided no business plan
11 whatsoever, she emailed Plaintiff, stating "any idea when this employment agreement of mine that
12 you have been working on for months will be presented?"

13 **The Outside Directors Demand and Receive Money and Stock Options**

14 54. In the same time frame, the non-Cotter directors were seeking additional
15 compensation. In particular, Kane pushed Plaintiff to provide all non-Cotter directors other than
16 director Storey an extra \$25,000 for the first six months of 2015, with the understanding "that at
17 year-end we will be asking for an additional payment."

18 55. With respect to director Storey, who resides in New Zealand and had taken no
19 fewer than a half dozen trips to Los Angeles in furtherance of his role as the representative or
20 ombudsman of the non-Cotter directors in interfacing with Plaintiff, on the one hand, and MC and
21 EC, respectively, on the other hand, Kane's proposal was that Storey receive an additional \$75,000
22 for the first six months of 2015, in recognition of the ongoing time and effort Storey was
23 expending as the representative or ombudsman for the non-Cotter directors.

24 56. Plaintiff advised Kane that he had some reservations about the additional
25 compensation Kane proposed providing to the non-Cotter directors.

26 **MC's Orpheum Theatre Debacle Puts Her In Jeopardy**

27 57. RDI's Proxy Statement filed with the SEC in connection with the annual meeting
28 of RDI stockholders that occurred in 2014 described MC's role in relevant part as "the President

1 of Liberty Theatres, the subsidiary through which we own our live theaters. [MC] manages the
2 real estate which houses each of four live theaters [including the one which is the principle source
3 of revenue, the Orpheum Theatre,] [and as such] secures leases, manages tenancies, oversees
4 maintenance and regulatory compliance on the properties. . . .”

5 58. MC’s diligence and candor, or lack of one or both, were called into question by her
6 handling of the relationship with the Stomp Producers. The Stomp Producers, the tenant at the
7 RDI owned Orpheum Theatre and the source of a majority of RDI’s live theater revenues, gave,
8 notice on April 23, 2015 of termination of the lease for cause.

9 59. MC had been aware of the alleged issues raised by the Stomp Producers for
10 months. In particular, by email and correspondence dated February 6, 2015, the Stomp producers
11 wrote to MC and complained “about the maintenance and upkeep of the Orpheum Theatre.” They
12 further stated in their February 6, 2015 letter to MC as follows:

13 “Nothing in this letter is new to you as we and our employees have been in almost
14 constant contact about recurring problems at the theater, but there is now an
15 urgent need to attend to this matter on an immediate and comprehensive, rather
16 than piecemeal, bases”

17 60. Prior to receipt of the April 27, 2015 notice of termination, MC failed to disclose
18 the February 6, 2015 letter or the substance of it or that the Stomp Producers told MC on April 9,
19 2015 that they were going to vacate the theater or even the situation with the Stomp Producers
20 generally to Plaintiff, to the Company’s General Counsel or to any outside member of the RDI
21 board of directors. In doing so, she breached her fiduciary obligations as a director.

22 61. Upon learning of the Stomp Producer’s notice to terminate, director Gould stated an
23 assessment to the effect that MC’s handling of the situation (independent of the merits or lack of
24 merits of the claims of the Stomp Producers), including not notifying anyone about the risk that the
25 Company could lose a material portion of its live theater business income, could be grounds for
26 termination.

26 Kane Chooses Sides in a Family Dispute

27 62. Responding to complaints by EC and MC about Storey, Kane concluded that JJC
28 had allowed Storey to come between him and his sisters. Kane chose the sisters’ side in their

1 disputes with JJC. Kane communicated privately with Adams about terminating JJC as President
2 and CEO of RDI.

3 63. Kane's quasi-familial relationship and visceral support of MC and EC has been
4 evidenced by, among other things, stunning *ad hominem* invectives directed at directors Gould and
5 Storey, as well as by rants to JJC about "The Godfather" and the Corleone family from that series
6 of movies, even including a suggestion that termination of JJC would be analogous to the murder
7 of someone disrespecting a Corleone family member.

8 **Adams Is Beholden To MC And EC**

9 64. In or about 2007 or 2008 (according to Adams' own sworn testimony in a recent
10 divorce proceeding), Adams' business of an activist investor, by which he invested monies he
11 raised privately, failed after he lost approximately seventy percent (70%) of the monies invested
12 with him. Since that time, Adams has been unsuccessful in reviving that business and, for all
13 intents and purposes, has been unemployed. He has described it as a "sabbatical."

14 65. EC secured Adams' agreement to serve as interim CEO of RDI after termination of
15 JJC. Holding that position would be of value to Adams in terms of any additional compensation
16 he would receive.

17 66. On or about July 10, 2013, Adams entered into an agreement whereby Adams was
18 to receive, among other things, cash compensation of \$1,000 per week from JC Farm Management
19 Inc. ("JC Farm"), a private company JJC, Sr. owned, as well as carried interests in certain real
20 estate projects, including one by the name of Shadow View. Adams has been paid and continues
21 to be paid the \$1,000 per week. Together with his income from RDI, those monies are the monies
22 Adams needs and uses to pay for his day-to-day expenses. Adams also received the carried
23 interests. The value of Adams' carried interests in those real estate projects including Shadow
24 View, including whether it will be monetized and the extent to which it will be monetized for the
25 benefit of Adams, like JC Farm, is contended by MC and EC to be the controlled by the estate of
26 JJC, Sr., of which MC and EC presently are the executors.

27 67. Based on information provided by Adams in sworn statements in a recent divorce
28 proceeding, the \$1000 per month together with other amounts paid to him by Cotter entities over

1 which EC and MC exercise control or claim to exercise control amounted to over half (50%) of
2 Adam's (claimed approximate \$90,000) income in 2013, at a minimum, and possibly amounted to
3 over eighty percent (80%) of that income.

4 68. Thus, Adams is financially dependent on MC and EC. Practically, Adams has little
5 choice if any but to accommodate and advance the personal interests of MC and EC, including by
6 helping them seize, consolidate and perpetuate control of RDI, including as alleged herein.

7 69. For such reasons, Adams was and is not independent generally, and was and is
8 neither independent nor disinterested with respect to matters involving the Cotters, including the
9 disputes between MC and EC, on one hand, and JJC on the other, the decision whether to fire JJC,
10 and compensation and employment decisions regarding EC and MC.

11 70. In or about March 26, 2015, Adams sold all RDI options he then had, including
12 options he had been granted only a few months earlier. He apparently failed to disclose that he
13 owned RDI options in his divorce proceedings.

14 71. After Adams' financial dependence on income from Cotter-controlled companies
15 was disclosed in this action, director defendant Gould acknowledged that Adams was not
16 independent for purposes of decisions regarding compensation of any of the Cotters, and Adams,
17 on or about May 14, 2016 resigned from the RDI Board of Directors Compensation Committee.

18 **Defendants Other Than Gould Threaten Plaintiff With Termination If He Fails to Resolve**
19 **Disputes With EC and MC on Terms Dictated By Them**

20 72. On Tuesday, May 19, 2015, EC distributed a purported agenda for an RDI board of
21 directors meeting scheduled for Thursday, May 21, 2015. The first action item on the agenda was
22 entitled "Status of President and CEO[.]" which in fact was the agenda item to raise an issue
23 previously never discussed at an RDI Board of Directors meeting, namely, termination of JJC as
24 President and CEO of RDI. EC purposefully had not previously distributed the agenda earlier. EC
25 purposefully chose the phraseology "status of President and CEO." She did both to conceal the
26 fact that the meeting was specially called to concern the termination of JJC as President and CEO.
27 The agenda was untimely and deficient.

28 73. Prior to May 19, 2015, each of Adams, Kane and McEachern communicated to EC

1 and/or between or among themselves their respective agreement to vote as RDI directors to
2 terminate JJC as President and CEO of RDI.

3 74. In the face of objections by directors Gould and/or Storey that the non-Cotter
4 directors had not undertaken an appropriate process to make any decision regarding whether or not
5 to terminate the President and CEO of RDI, and a request that the non-Cotter directors meet before
6 the scheduled May 21 meeting, Kane provided a visceral response to the effect that the outside
7 directors did not need to meet, acknowledging the agreement to vote and admitting that even the
8 pretense of process would not be undertaken because "the die is cast."

9 75. EC and Adams previously had hired counsel ostensibly representing RDI, Akin
10 Gump, and had that counsel attend the May 21 board meeting at which the first and only item
11 discussed was termination of JJC as President and CEO.

12 76. Faced with a clear record that the non-Cotter directors had failed to undertake any
13 process, much less an appropriate process, to make a decision regarding whether to terminate JJC
14 as President and CEO, Adams sought to have a discussion about a later item on the agenda that
15 arguably related to JJC's performance. Gould objected. JJC recognized that Adams, Kane and
16 McEachern appeared to have previously determined to vote to terminate him, and that the non-
17 Cotter directors previously had put in place a process (described above) that was to play out
18 through the end of June, at least. Because that process had not been completed, any vote by any of
19 the non-Cotter directors to terminate JJC as President and CEO was in derogation of, and pre-
20 empted, their own process. No substantive discussion of the later agenda items, or of JJC's
21 performance, occurred.

22 77. The supposed May 21, 2015 special meeting was concluded, with no termination
23 vote having been taken.

24 78. On Wednesday, May 27, 2015, Texas attorney Harry Susman, one of the lawyers
25 representing MC and EC in the trust and estate litigation, transmitted to Adam Streisand, an
26 attorney representing JJC in the trust and estate litigation, a document outlining terms to which JJC
27 was required to agree to avoid the threatened termination as President and CEO of RDI. The
28 proposal was communicated as effectively a "take-it or leave-it" proposal and was accompanied by

1 a deadline of 9:00 a.m. on Friday, May 29 to accept the proposal.

2 79. Also on May 27, 2015, EC emailed RDI directors claiming "that the board meeting
3 held last Thursday was adjourned, to reconvene this Friday, May 29, 2015. The board meeting
4 will begin at **11:00 a.m. at our Los Angeles office.**"

5 80. By the foregoing actions, among others, MC and EC made clear that accepting their
6 take-it or leave-it proposal, which would have resolved matters in dispute in the trust and estate
7 litigation and dispute about control of RDI, was what JJC had to do to avoid being fired as
8 President and CEO of RDI.

9 81. Also on May 28, 2015, approximately one day after EC and MC's lawyer
10 transmitted the "take-it or leave-it" proposal and one day before the RDI board was to meet, Kane
11 told JJC to accept the take-it or leave-it offer to "end all of the litigation and ill feelings." Among
12 other things, by email on May 28, 2015, Kane stated as follow to JJC:

13 "I have not seen the [take it or leave it settlement] proposal. I understand
14 that it would leave you with your title, which is very important to you and
15 which you told me was essential to any settlement . . . if it is take-it or
16 leave-it, then I STRONGLY ADVISE YOU TO TAKE IT, . . . if we can
end all of the litigation and ill feelings, -- and their offer to keep you as
CEO as a major concession -- . . ."

17 82. On Friday, May 29, before the supposed RDI special board of directors meeting
18 commenced, EC and MC met with JJC and told him that the document that had been conveyed by
19 attorney Susman on their behalf two days earlier was a take-it or leave-it offer and that, if JJC did
20 not accept it, the RDI board would terminate him as President and CEO. JJC attempted to discuss
21 proposed changes with them, to which EC and MC responded that they would accept no changes.
22 They repeated that if JJC did not accept the agreement as proposed, JJC would be terminated as
23 President and CEO of RDI.

24 83. Director Gould shortly thereafter came to JJC's office and said that the majority of
25 the non-Cotter board members (meaning Adams, Kane and McEachern) were prepared to vote to
26 terminate him and that the supposed board meeting was about to commence.

27 84. JJC entered the conference room where the supposed special meeting was to occur.
28 The supposed meeting was commenced and Adams made a motion to terminate JJC as President

1 and CEO. JJC observed that Adams was not independent or disinterested, pointing out that a
2 substantial portion of his income came from Cotter entities controlled by EC and MC, as
3 evidenced by sworn testimony Adams had given in his then-recent divorce proceeding. JJC
4 invited Adams to prove otherwise, to which Adams responded that he did not have to do so. One
5 or more of the non-Cotter directors inquired of Adams' financial relationship to Cotter entities, but
6 Adams declined to provide substantive responses.

7 85. Director Gould opined that it was not the role of the RDI board of directors to
8 intercede in the personal disputes between EC and MC, on the one hand, and JJC, on the other
9 hand, nor to tip the balance of power in those disputes. He further observed that the board should
10 not intercede in personal disputes or attempt at a minimum to maintain the status quo until the
11 courts resolved the trust and estate litigation, and added that he thought JJC had done a good job.

12 86. Kane offered more personal invective directed to JJC, including comments to the
13 effect that he thought that JJC had "****ed Margaret over with the changes . . . made to the estate"
14 and that JJC "does not have people skills especially with his two sisters . . ."

15 87. The five outside directors asked JJC to leave the conference room so that they could
16 talk with EC and MC. Next, JJC was advised that the supposed RDI board meeting would be
17 adjourned until at or about 6:00 p.m. that evening. JJC was told that he had until the supposed
18 meeting reconvened that evening to strike a deal with EC and MC, failing which he would be
19 terminated as President and CEO of RDI when the supposed meeting reconvened.

20 88. The supposed meeting reconvened at or about 6:00 p.m. on Friday, May 29, 2015,
21 at which time EC reported that she and MC had reached an agreement in principal with JJC. EC
22 read to the RDI Board of Directors portions of the document attorney Susman had transmitted to
23 attorney Streisand on May 27, 2015, including one that provided for an executive committee of the
24 Board of Directors which, she indicated, would be comprised of EC, MC, JJC and Adams, who
25 would be Chairman. EC concluded that, while no definitive agreement had been reached, EC and
26 MC would have one of their lawyers provide documentation to counsel for JJC. Ed Kane offered
27 congratulations and commented favorably about Plaintiff remaining CEO. No termination vote
28 was taken. The supposed special meeting concluded.

1 89. On Wednesday, June 3, 2015, attorney Susman on behalf of EC and MC
2 transmitted a new document to JJC's trust and estate attorney Streisand. The document contained
3 new terms previously not discussed, much less agreed, by the parties.

4 90. On Friday, June 5, 2015, attorney Susman left a message for attorney Streisand, the
5 sum and substance of which was that he (Susman) was awaiting word that JJC had agreed to all of
6 the terms in the document. By that message, attorney Susman implied that the document was a
7 "take-it or leave-it" proposal.

8 91. On June 8, 2015, JJC advised EC and MC that he could not accept their take-it or
9 leave-it document. MC responded that she would advise the RDI board of directors, referencing
10 the threat to have JJC terminated as President and CEO of RDI if he failed to reach a global
11 agreement (including of all trust and estate litigation matters) satisfactory to EC and MC.

12 92. On June 9, 2015, in furtherance of important ongoing RDI business, JJC asked for a
13 response from MC with respect to a senior executive candidate to oversee RDI's United States real
14 estate, including development of the NYC Properties, which candidate had been endorsed by
15 senior executives at RDI. MC consistently resisted employing such a person because hiring such a
16 person would preclude her from being the senior person at RDI responsible for overseeing
17 development of the NYC Properties. In response to JJC's email, she called him and said, among
18 other things, "you were supposed to be terminated but for a global settlement . . . bye . . . bye."

19 93. On Wednesday afternoon, June 10, 2015, EC transmitted an email to all RDI board
20 members (and RDI's general counsel) stating, among other things, that "we would like to
21 reconvene the Meeting that was adjourned on Friday, May 29th, at approximately 6:15 p.m. (Los
22 Angeles time.) We would like to reconvene this Meeting telephonically *Friday, June 12 at 11:00*
23 *a.m. (Los Angeles time)* . . ." The email purported to further "confirm [] our meeting of the Board
24 of Directors on Thursday, June 18th . . . We will be distributing Agenda and Board package for this
25 Meeting at the end of this week . . ."

26 94. On Friday, June 12, 2015, a supposed RDI special board of directors meeting was
27 convened. Following through on their prior threat to terminate JJC if he did not resolve all
28 disputes with EC and MC on terms satisfactory to the two of them, Adams, Kane and McEachern

1 each voted to terminate JJC, after McEachern made one last effort to pressure JJC, inviting him to
2 resign rather than be terminated. Storey and Gould voted against terminating JJC as President and
3 CEO. EC was elected interim CEO with the expressed intention of immediately initiating a search
4 for a new President and CEO.

5 95. Additionally, and notwithstanding the fact that both directors and senior executive
6 officers at RDI had agreed that the Company needed to hire an executive with actual real estate
7 development experience to advise the Company with respect to the NYC Properties, and
8 notwithstanding the fact that at least one candidate acceptable to all but MC had been identified,
9 neither that candidate nor any other person was offered the position to oversee RDI's United States
10 real estate. That is because EC, in one of her first acts as interim CEO, suspended the search for
11 such a person until a new CEO was hired, she stated. EC did so to ensure that MC could retain
12 control of activities related to the NYC Properties.

13 **EC and Others Pressure Plaintiff In An Effort to Force Him to Abandon This Action**

14 96. EC, with the active assistance or knowing acquiescence of MC, Kane, Adams,
15 McEachern and Gould, has taken actions to pressure Plaintiff to abandon this action and cede
16 control of RDI to them. The actions taken to pressure Plaintiff include immediately terminating
17 his access to his RDI email account and to RDI's offices and concocting new "policies" and/or
18 "practices" designed to bring financial pressure to bear on Plaintiff. One such activity is impairing
19 his ability to exercise RDI options and to sell RDI stock in a manner consistent with RDI's
20 historical practices.

21 97. After the purported termination of Plaintiff on or about June 12, 2015, on EC's
22 recommendation, the RDI Board had approved a new so-called insider trading policy. Plaintiff is
23 informed and believes that this supposed policy was created to impair his ability to generate
24 liquidity through the sale of RDI stock, the principal source of Plaintiff's net worth. Given the
25 extremely limited holdings in RDI stock by any director, officer or employee of RDI other than
26 Plaintiff, this supposed policy enables EC to control the disposition of such shares through the
27 imposition of supposed blackout periods, which she has effectively done, with the assistance of
28 Craig Tompkins. Kane and McEachern, who purportedly oversee compensation related and

1 related party matters, each have agreed to and cooperated in efforts to prevent Plaintiff from
2 exercising RDI options and selling RDI shares.

3 98. In an effort to pressure Plaintiff to abandon this action, and to secure his resignation
4 from the RDI Board of Directors, EC on June 15, 2015 transmitted a letter to Plaintiff in which
5 she claimed that the employment agreement entered into by him as an executive (over a decade
6 after he became a director) required him to resign as a director upon his termination as an officer.
7 That letter claimed that his failure to do so constituted a breach of the referenced employment
8 agreement and threatened to terminate payments and benefits to Plaintiff if he did not resign
9 within 30 days of his termination. Shortly thereafter, the Company terminated the health and
10 medical benefits the Company provides to him, his wife and his three children and also terminated
11 severance payments and other benefits.

12 **EC, MC, Kane and Adams Act to Entrench Themselves and Mislead RDI Shareholders**

13 99. Subsequent to terminating Plaintiff, EC, MC, Kane, Adams and McEachern acted to
14 limit if not eliminate the participation in governance of RDI of JJC and directors Storey and Gould.
15 To that end, a previously inactive executive committee of the RDI Board of Directors has been
16 activated (i.e., the "EC Committee"). It has been repopulated so that EC, MC, Kane and Adams
17 are its only members, with only McEachern able to attend any of its meetings as he wishes. The
18 full authority of the RDI Board of Directors purportedly now is held by the EC Committee. By
19 such actions, EC, MC, Kane and Adams purposely impaired if not eviscerated the functioning of
20 RDI's full Board of Directors, selectively replacing it with the EC Committee as EC saw fit.
21 Separately, McEachern as chairman of the Audit and Conflicts Committee barred directors who
22 were not committee members or at least Plaintiff, from attending committee meetings, ending a
23 longstanding practice of allowing all directors to attend.

24 100. Other fundamental corporate governance practices and protections at RDI have
25 been altered, circumscribed or eliminated. EC, with the active assistance and/or knowing
26 cooperation of MC, Kane and Adams, manipulated and reduced the flow of information to JJC,
27 Gould and Storey as RDI directors, including by failing to timely distribute drafts of prior RDI
28 board of directors meeting minutes and by failing to provide board packages sufficiently in

1 advance of board meetings such that board matters were, to the knowledge of JJC, Storey and
2 Gould, impromptu actions (which had been addressed previously by one or more of EC, MC, Kane
3 and Adams).

4 101. EC, with the active assistance and/or knowing cooperation of MC, Kane, Adams,
5 McEachern and Gould, has caused RDI to disseminate materially misleading if not inaccurate
6 information to its public shareholders. They have done so in an effort to delay if not avoid
7 discovery of the actions of EC, MC, Kane, Adams and McEachern, and to avoid being held
8 accountable for those actions, whether by way of derivative action or otherwise. Among other
9 things, these defendants caused RDI to disseminate the following press release(s) and/or SEC
10 filings, each of which was misleading if not inaccurate by omission, commission or both:

- 11 a. RDI on June 15, 2015 issued a press release stating that its board of directors
12 "has appointed [EC] as interim President and [CEO], succeeding [JJC]"
13 This press release was misleading because, among other things, it failed to
14 address the circumstances of the purported termination of JJC as President and
15 CEO, much less disclose that he purportedly had been terminated, much less
16 that the purported termination was without cause, or even that JJC had filed this
17 action;
- 18 b. On or about June 18, 2015, RDI filed with the SEC a Form 8-K which was
19 materially misleading if not inaccurate in several respects, including that it
20 stated that JJC was "required to tender his resignation as a director of [RDI]
21 immediately upon termination of his employment [, that he had not done so and
22 that RDI] considers such refusal as a material breach of [the] employment
23 agreement [] and has given [JJC] thirty (30) days in which to resign . . ." The
24 employment agreement in question, which is an exhibit to the Form 10-Q for
25 period ending June 30, 2013 filed by RDI with the SEC, on its face not only
26 does not require JJC to resign as a director in the event that he is terminated as
27 an executive officer, but on its face contemplates that he may continue to serve
28 as a director, which position he in fact held for many years prior to becoming
an officer and entering into the subject employment agreement. Separately, the
employment agreement contains a thirty (30) day cure provision with respect to
breaches of the agreement which may constitute a basis for termination of JJC
for cause, which defendants do not claim occurred here. Therefore, the
characterization in the Form 8-K of what the Company has done for thirty (30)
days is misleading both as to what the employment agreement provides and
what the Company has done, which in fact is to assert that JJC is breach of an
agreement which the Company purports to have terminated previously.
Additionally, the Form 8-K is materially misleading in describing this action;

- 1 c. RDI has failed to file a Form 8-K with respect to the EC Committee, which is a
2 development that materially deviates from the prior practices of RDI and RDI's
3 SEC disclosures with respect to those practices.
- 4 d. On or about October 13, 2015, RDI filed with the SEC a Form 8-K which was
5 materially misleading if not inaccurate. In particular, the description in that
6 Form 8-K of defendant Storey "retir[ing]" from the RDI Board of Directors is
7 misleading if not inaccurate. As alleged herein, Mr. Storey had been told that he
8 would not be nominated to stand for reelection and he effectively was forced to
9 resign as a director. The Form 8-K also is misleading if not inaccurate insofar
10 as its descriptions of new board members Judy Coddington and Michael Wrotniak
11 suggest that their respective experiences described in the Form 8-K, such as
12 Coddington having experience in the field of education and/or Wrotniak having
13 "considerable experience in international business, including foreign exchange
14 risk mitigation," were the reasons those two persons were made Directors of
15 RDI. The Form 8-K also is misleading if not inaccurate with respect to those
16 two persons being made directors of RDI because it fails to disclose their
17 respective personal relationships with Cotter family members. As alleged
18 herein, Coddington is a personal friend of Mary Cotter and Wrotniak and/or his
19 wife are personal friends of MC.
- 20 e. On or about November 13, 2015, RDI filed with the SEC a Form 8-K which
21 was materially misleading if not accurate. It purported to describe the voting
22 results of the 2015 ASM and, in doing so, reflected the (likely purposefully)
23 erroneous results the new inspector of elections, First Coast, have been engaged
24 to provide.
- 25 f. On or about January 11, 2016, the Company issued a Form 8-K attaching a
26 press release of that date. The press release included a statement by defendant
27 Gould that said: "After conducting a thorough search process, it is clear that
28 Ellen is best suited to lead Reading moving forward." That statement is
materially misleading if not inaccurate, including because it implies
erroneously that the selection of EC was the result of a (supposedly) "thorough
search process."
- g. On or about March 15, 2016, RDI filed with the SEC a Form 8-K which stated,
among other things, that the RDI Board of Directors Compensation Committee
and its Audit and Conflicts Committee each had approved payment of so-called
"additional consulting fee compensation" of \$200,000 to MC "for services
rendered by her to the Company in recent years outside the scope" of a Theater
Management Agreement dated January 1, 2002, between the Company's
subsidiary, Liberty Theaters, Inc. and OBI, LLC, an entity wholly-owned by
MC. The Form 8-K also stated that the RDI Board of Directors approved
"additional special compensation" of \$50,000 to be paid to Adams "for
extraordinary services provided the Company and devotion of time in
providing such services." The Form 8-K was materially misleading if not
inaccurate because, among other things, those payments were awarded for
reasons other and/or additional to those set in the Form 8-K.
- h. On or about July 20, 2016, RDI filed with the SEC a Form 8-K which was
materially misleading if not accurate. It purported to describe the voting results

of the 2016 ASM and, in doing so, reflected the (likely purposefully) erroneous results the inspector of elections, First Coast, have been engaged to provide.

- i. On or about July 18, 2016, after failing to file a Form 8-K regarding the offer, the Company issued a press release regarding the offer. It stated that the "Board of Directors, after receiving input from management and its outside advisors, carefully evaluated the [offer]. Following this review, the Board of Directors determined that our stockholders would be better served by pursuing our independent, stand-alone strategic business plan..." The press release was materially misleading if not false because, among other things, no "independent, standalone strategic business plan" has been delivered by management to the Individual Director Defendants, either in connection with the offer or otherwise.

EC, MC, Kane, Adams and McEachern Manipulate the Corporate Machinery of RDI in An Effort to Control the Election of Directors at the 2015 Annual Shareholders Meeting

102. At least approximately forty four percent (44%) of the Class B voting stock of RDI is held in the name of the James J. Cotter Living Trust, which became irrevocable upon JJC, Sr.'s death on September 13, 2014 (the "Trust"). Who has authority to vote the RDI Class B voting stock held in the name of the Trust is a subject of dispute in the California trust and estate litigation between EC and MC, on one hand, and JJC, on the other hand. Plaintiff is informed and believes that, unless EC, MC and JJC as co-trustees of the Trust all agree and provide a unanimous direction to the Company as required under Section 15620 of the California Probate Code, none of them can vote any of those shares in connection with an RDI Annual Shareholders Meeting ("ASM").

103. Plaintiff is informed and believes that EC and MC are aware of the foregoing regarding whether the RDI Class B voting stock held in the name of the Trust properly can be voted at or in connection with RDI's ASM.

104. Plaintiff is informed and believes that EC and MC agreed to act and took actions to increase the number of RDI Class B shares they could vote at RDI's ASM in order to attempt to control that vote without including the Class B voting stock held in the name of the Trust.

- a. On or about April 17, 2015, EC and MC exercised options to acquire 50,000 and 35,100 shares of RDI Class B shares, respectively.
- b. On or about September 17, 2015, EC and MC, acting as executors of the estate of JJC, Sr., exercised an option to acquire 100,000 shares of RDI Class B voting stock. Despite claiming a need to preserve assets of the

1 Estate, EC and MC utilized liquid RDI Class A shares to pay for the
2 exercise of the Estate's option to acquire these illiquid RDI Class B
3 shares.

4 105. In or about June 12, 2015, Plaintiff was told by RDI that the prior practice of
5 allowing the Compensation Committee of RDI's full Board of Directors to approve the exercise of
6 options had been changed to require that each member of the Board of Directors approve any
7 exercise of options by any director. When Plaintiff on or about June 5 and July 2 sought to
8 exercise two separate tranches of RDI options, processing of his requests was delayed for weeks
9 from the times he gave notice of his election to exercise such options.

10 106. However, that purported new practice later was reversed or abandoned. Plaintiff is
11 informed and believes that that was because EC and MC, purporting to act as executors of the
12 Estate of JJC, Sr., intended to seek to exercise a supposed option to have the Estate acquire
13 100,000 shares of Class B voting stock (which they did, as alleged herein). EC and MC feared
14 that JJC as an RDI director would refuse to consent to the exercise of this option controlled by EC
15 and MC as executors of the Estate of JJC, Sr.

16 107. Two of three members of the Compensation Committee are Adams and Kane. On
17 or about September 21, 2015, Kane and Adams, purporting to act as directors and as members of
18 the Compensation Committee, authorized the request of EC and MC that the Estate be allowed to
19 (use liquid Class A stock to) exercise the supposed option to acquire the 100,000 shares using
20 shares of RDI Class A stock. Kane and Adams did so in derogation of the interests of RDI, which
21 received no benefit from receiving Class A stock (rather than cash), which merely reduced the
22 float of such stock. Plaintiff is informed and believes that Kane and Adams also did so without
23 requiring EC and MC as executors of the Estate to produce documentation establishing the
24 Estate's entitlement to exercise such option, which documentation may not exist. Kane and
25 Adams claimed that they decided to allow EC and MC to exercise the supposed 100,000 share
26 option based on the advice of counsel, including Craig Tompkins. The third director who was a
27 member of the Compensation Committee, Timothy Storey, was unable to attend the supposed
28 meeting of the Compensation Committee because it was called with too little notice.

1 108. Plaintiff is informed and believes that EC and MC took such actions because of a
2 concern that, absent the exercise of the supposed option for the Estate to acquire 100,000 shares of
3 RDI Class B voting stock which EC and MC will purport to vote as executors of the Estate, EC
4 and MC might have lacked sufficient votes to control the 2015 ASM and, in effect, unilaterally
5 elect as RDI directors whomever they choose, in view of the requirement of unanimity under
6 California Probate Code Section 15620.

7
8 **EC And MC Systematically Mislead RDI Shareholders, Including By Failing To Make**
9 **Disclosures Required By The Federal Securities Laws And By Making Misleading**
10 **Disclosures.**

11 109. On or about September 24, 2014, MC and EC filed a Schedule 13D with the United
12 States Securities and Exchange Commission (the "SEC"). In that 13D, each of MC and EC
13 indicated that they were not a member of a 13D group and each excluded any and all RDI shares
14 not owned by them, including shares owned by the Trust and shares held by the Estate, from the
15 shares each reported as beneficially owned and/or shares subject to shared voting power.

16 110. On or about December 22, 2014, EC and MC were appointed in the accompanying
17 Nevada probate action to act as co-executors of the Estate. Plaintiff is informed and believes that
18 they commenced the Nevada probate action at least in part to exercise control as executors of
19 certain Company Class B voting stock.

20 111. On or about January 9, 2015, MC and EC filed an amendment to the schedule 13D
21 they filed on or about September 24, 2014 (the "13D1"). The 13D1 for the first time identified the
22 two of them as a 13D group. The 13D1 also was filed for the Estate, but it expressly indicates that
23 the RDI Class B voting stock held by the Estate was not stock with respect to which either MC or
24 EC had shared voting power.

25 112. On or about April 16, 2015, EC exercised one or more options to acquire 50,000
26 shares of RDI Class B voting stock. She was allowed to do so by using RDI Class A non-voting
27 stock rather than cash. That provided no benefit to RDI. EC did not file the required Form 4
28 disclosure with the SEC regarding that acquisition of Class B voting stock until on or about
October 9, 2015, three days after the record date of October 6, 2015 set for the 2015 ASM.

1 113. On or about April 17, 2015, MC exercised options to acquire a total of 35,100
2 shares of RDI Class B voting stock. She was allowed to do so by using RDI Class A non-voting
3 stock rather than cash. That provided no benefit to RDI. MC did not file the required Form 4
4 disclosure with the SEC regarding that acquisition of Class B voting stock until on or about
5 October 9, 2015, three days after the record date of October 6, 2015.

6 114. Plaintiff is informed and believes that in or before April 2015, MC and EC agreed
7 that they would exercise shared voting power of the RDI Class B voting stock held in the name of
8 the Estate together with RDI Class B voting stock held individually by each of them, such that EC
9 and MC together with the Estate were members of a group for the purposes of Schedule 13D.

10 115. On or about October 9, 2015, EC and MC filed an amended 13D (the "13D2"). The
11 13D2 disclosed for the first time that EC and MC together with the Estate were members of a
12 group for the purposes of Schedule 13D. Plaintiff is informed and believes that EC and MC
13 purposefully failed to disclose the prior existence of this 13D group until such time as they had
14 exercised an option held by the Estate to acquire an additional 100,000 shares of RDI Class B
15 voting stock and until after the October 6 record date had passed, as part of their scheme to
16 attempt to control over fifty percent (50%) of the Class B voting stock (not including such stock
17 held in the name of the Trust) before the record date for the 2015 ASM. They acquired the
18 100,000 shares on or about September 21, 2015.

19 116. The 13D2 filed on or about October 9, 2015 also states that the Trust "is also a
20 member of the group with the Estate, Margaret Cotter and Ellen Cotter" and says that the "Trust
21 has separately filed a report on Schedule 13D on the date hereof." The 13D2 also states that MC
22 and EC have shared voting power with both the Estate and the Trust.

23 117. On or about October 9, 2015, EC and MC caused the Trust to file a Schedule 13D.
24 That Schedule 13D, like the 13D2, states that the Trust is a member of a group for the purposes of
25 Schedule 13D with the Estate, MC and EC. In response to these late filings as well as others made
26 by the Company, one RDI shareholder representative asked the Board, "Why does this board and
27 management choose to continue to be serial abusers of the securities laws?"
28

1 118. Contrary to what the Schedule 13D filed for the Trust on or about October 9 and
2 the 13D2 imply, EC and MC do not control the shares held in the name of the Trust for voting
3 purposes, shared or otherwise. Plaintiff is informed and believes that such statements made in
4 these two schedule 13Ds (and in the Company's Proxy Statement for the 2015 ASM) were
5 intended by EC and MC (and by Kane, Adams and McEachern) to mislead other holders of RDI
6 Class B voting stock in anticipation of and in connection with the 2015 ASM and the 2016 ASM.

7 119. Thus, EC and MC systematically have manipulated their disclosure of actual and
8 claimed ownership and control of RDI Class B voting stock for the purposes of misleading RDI
9 shareholders and facilitating their scheme to seize control of RDI and perpetuate their control of
10 RDI. All such actions were purposefully taken by them in derogation of their fiduciary
11 obligations, including the duty of disclosure.

12 120. Plaintiff is informed and believes that Kane was and Adams and McEachern may
13 have been party to this scheme. Kane and Adams acted to facilitate this scheme, acting as directors
14 and members of the Compensation Committee to effectuate the acquisition by the Estate of
15 100,000 shares of Class B voting stock, including as alleged herein.

16 **EC, MC, Kane, Adams and McEachern Act to Stack the Board With Others Loyal to EC**
17 **and MC**

18 121. EC, MC, Kane and Adams have added to the RDI Board of Directors individuals
19 who have had long-standing friendships with EC, MC and/or their mother.

20 122. On or about August 1, 2015, a couple days before a RDI board meeting, EC as
21 Chairman of the Board included on a Board of Directors agenda an item not previously discussed,
22 proposing to add to RDI's Board an individual purported to have needed and sought after real
23 estate development experience. EC has known this individual over twelve years and has a close,
24 personal relationship with him, his wife and child. However, that individual previously had done
25 business with RDI in a manner that caused harm to RDI. After Plaintiff objected based on these
26 factors, EC reported to the Board that her nominee had withdrawn from consideration.

27 123. On or about October 3, just days before a board meeting, EC proposed Coddling as
28 a director candidate. This prevented directors who had not been informed of this candidate,

1 including Plaintiff, Storey and Gould, from genuinely vetting and deliberating about the candidate.
2 Coddling has no expertise in either of RDI's two principal business segments, cinema operations
3 and real estate development. Coddling also has no experience as a director of a public company.

4 124. However, Coddling maintains a long standing, close personal friendship with Mary
5 Cotter, the mother of EC, MC and Plaintiff. Mary Cotter has chosen the side of EC and MC in the
6 family disputes between EC and MC, on one hand, and JJC, on the other hand. EC currently
7 resides with Mary Cotter.

8 125. EC, together with Adams, McEachern and Kane, pushed to have Coddling added to
9 RDI's Board in advance of the 2015 ASM. On October 5, Coddling was made a director on an
10 impromptu basis, after only minutes of supposed deliberation by the Board. Each of defendants
11 other than Storey (and Plaintiff) acquiesced to EC's request and voted to add her to the Board.
12 While Gould said that more time was needed to allow for vetting of Coddling, he approved the
13 appointment, effectively acknowledging that he was abdicating his fiduciary responsibilities in
14 order to accommodate EC and/or MC.

15 126. After Coddling's appointment to RDI's Board of Directors was disclosed, one of
16 RDI's shareholder representatives communicated his disbelief over the appointment of someone
17 with no relevant experience and whose activity relating to her employer's alleged violations of the
18 public bidding laws to secure a contract with L.A. Unified School District (LAUSD) to provide
19 iPads to schools allegedly was under scrutiny in a federal criminal investigation, discovered
20 through a simple Google search. None of Kane, Adams, McEachern or Gould had either
21 performed or caused a basic, competent public records search or other such diligence that would
22 have discovered this publicly available information regarding Coddling before approving Coddling
23 to be a director of RDI. None of Adams, McEachern or Kane therefore were aware of, or at least
24 disclosed to the Board any prior knowledge of, Coddling's involvement in such alleged activity
25 prior to voting to add her to the RDI Board. EC knew previously, but did not disclose what she
26 knew.

27 127. On October 5, 2015, EC announced to the full RDI Board of Directors that a so-
28 called nominating committee comprised of Kane, Adams and McEachern supposedly would

1 propose a board slate of nominees for the RDI's 2015 ASM, which has been set for November 10,
2 2015. RDI's counsel indicated that EC and MC's personal lawyer recommended that EC and MC
3 not be involved in the nominating process and that the Board form a nominating committee for
4 optical reasons, given EC and MC's role as executors of the Estate and trustees of the Trust.

5 128. EC and MC previously had determined that director Storey would not be
6 nominated to stand for reelection. Each member of the so-called nominating committee agreed to
7 execute the decision of EC and MC to not nominate director Storey to be reelected.

8 129. Plaintiff is informed and believes that the insistence of director Storey that RDI
9 directors act in the interest of all shareholders, not just EC and MC, and his efforts to do so,
10 account in part for the decision and agreement of EC, MC, Kane, Adams and McEachern to not
11 nominate director Storey to stand for reelection at the 2015 ASM.

12 130. McEachern and Adams, purporting to act as members of the so-called special
13 nominating committee, pressured Storey to "retire" as a director. Storey acquiesced.

14 131. The supposed nominating committee, acting at the direction and requests of EC and
15 MC, then selected Wrotniak, who was a candidate about whom EC provided information to the
16 full Board only a couple days before the Board meeting, to replace Storey.

17 132. Wrotniak does not have expertise in either of RDI's business segments, cinema
18 operations and real estate development. Nor does he possess experience in public company
19 corporate governance. However, Wrotniak is the husband of MC's long-standing best friend. He
20 was chosen because of that friendship. MC and EC expect loyalty from him.

21 133. The supposed nominating committee selected Wrotniak, notwithstanding the fact
22 that a senior executive with chief financial officer experience at a public, multi-billion dollar real
23 estate services and investment company, experience with Wall Street and years of experience in
24 the real estate industry, expressed a willingness to serve on RDI's Board of Directors. That
25 candidate had been suggested by Plaintiff and had no ties to any of the Cotters.

26 134. By the foregoing actions, EC, MC, Kane, Adams and McEachern each have
27 continued to misuse the corporate machinery of RDI, including in particular to attempt to rig the
28

1 vote at the 2015 and 2016 ASMs, to entrench and perpetuate themselves in exclusive control of
2 RDI. Gould has acquiesced, at a minimum.

3 135. On or about October 20, 2015, the Company issued its Proxy Statement for the
4 2015 ASM scheduled for November 10, 2015. The Proxy Statement is materially misleading if not
5 inaccurate in a number of respects, including the following:

6 a. It states (at page 10) that, under Nevada law, EC and MC, as two of three
7 trustees of the Trust, have the power to vote all of the RDI Class B voting stock
8 held in the name of the Trust on the books and records of the Company;

9 b. It states (at page 10) that EC and MC together have the power to vote
10 71.9% of a Class B voting stock entitled to vote for directors at the 2015 ASM;

11 c. It states (at pages 10 and 11) that the Company is a controlled company
12 under NASDAQ listing rules;

13 d. It states (at page 11) that EC has been appointed as interim President and
14 CEO and that the Board has established an Executive Search Committee comprised
15 of EC, MC, Adams, Gould and McEachern which, it says, "will consider both
16 internal and external candidates." Plaintiff is informed and believes that the
17 undisclosed plan is to make EC President and CEO after conducting a search the
18 purpose of which is to create the misimpression of a bona fide process;

19 e. It states (on page 12) that the "Special Nominating Committee and the
20 Board accordingly considered the views of (EC and MC) with respect to the 2015
21 Director nominees," when in fact the Special Nominating Committee and every
22 member of the Board other than Plaintiff acted as each understood EC and MC
23 desired;

24 f. It states (on page 12) that Plaintiff "vot[ed] against each of the
25 recommended nominees (including himself)," which is inaccurate;

26 g. It describes (on page 15) historical business experience of defendant
27 Adams, as if that experience is the reason he is a director and is nominated for
28 reelection, but fails to disclose his close personal ties to the late JJC, Sr. and to EC

1 and MC, fails to disclose Adams' financial dependence on companies and deals
2 controlled by EC and MC and misstates his recent professional activities;

3 h. It describes (at page 15) professional experience of Judy Coddington in the
4 field of education as if that were the reason she was made a director and is
5 nominated for reelection, but fails to disclose her personal relationship with Mary
6 Cotter, the mother of EC and MC, and misstates her recent professional activities;

7 i. It describes (at pages 15-16) the role of MC with respect to the Company's
8 live theatre operations, and says that she "heads up the re-development process
9 with respect to these properties and our Cinemas 1, 2 & 3," but fails to disclose that
10 MC successfully has ended the search by the Company for an experienced real
11 estate executive to lead its real estate development efforts, in the United States,
12 including for the NYC Properties. Among the reasons MC did so was to create a
13 purported basis for seeking and securing employment with the Company;

14 j. It describes (at page 16) certain professional experience of Kane, including
15 experience from 1987 and 1988, but fails to disclose his historical and ongoing
16 quasi-familial relationship with EC and MC;

17 k. It describes (at page 16) certain professional experience of Wrotniak, as if
18 that were the reason he was made a director and is nominated for reelection, but
19 fails to disclose the close personal relationship he and his wife have with MC.

20 136. On or about May 18, 2016, the Company issued its Proxy Statement for the 2016
21 ASM scheduled for June 2, 2016. The Proxy Statement was materially misleading if not
22 inaccurate in a number of respects, including the following:

23 a. It implies (at page 7) that the Company is entitled to determine the identity
24 of the trustees under the so-called Cotter Trust, the right of those trustees to vote
25 under California law and/or that the books and records of the Company identify
26 each of EC, MC and Plaintiff as trustees of the so-called Cotter Trust (the "Trust");

27 b. It describes (at page 8) the supposed CEO search in a manner that implies
28 that EC timely resigned from the CEO search committee, that that committee relied

1 on Korn Ferry and that Korn Ferry evaluated EC as a candidate for the CEO
2 position;

3 c. It states (at page 9 and elsewhere) that the Company is a controlled
4 company under NASDAQ listing rules;

5 d. It states (on pages 9-10) that Adams served on the compensation committee
6 through May 14, 2016, but fails to disclose how it came to pass that he resigned;

7 e. It describes (on page 15) historical business experience of defendant
8 Adams, as if that experience is the reason he is a director and is nominated for
9 reelection, but fails to disclose his close personal ties to the late JJC, Sr. and to EC
10 and MC, and fails to disclose Adams' financial dependence on companies and deals
11 controlled by EC and MC and misstates his recent professional activities;

12 f. It describes (at page 15) professional experience of Coddington in the field of
13 education as if that were the reason she was made a director and is nominated for
14 reelection, but fails to disclose her personal relationship with Mary Cotter, the
15 mother of EC, and MC and her relationship with her employer would be coming to
16 an end and the reasons for such termination;

17 g. It describes (at page 16) the role of MC with respect to the Company's live
18 theatre operations, and says that she "heads up the re-development process with
19 respect to these properties and our Cinemas 1, 2 & 3," but fails to disclose that MC
20 successfully has ended the search by the Company for an experienced real estate
21 executive to lead its real estate development efforts in the United States, including
22 for the NYC Properties. Among the reasons MC did so was to create a purported
23 basis for seeking and securing employment in such position with the Company;

24 h. It describes (at page 16) certain professional experience of Kane, including
25 experience from 1987 and 1988, but fails to disclose his historical and ongoing
26 quasi-familial relationship with EC and MC;

1 i. It describes (at page 16) certain professional experience of Wrotniak, as if
2 that were the reason he was made a director and is nominated for reelection, but
3 fails to disclose the close personal relationship he and his wife have with MC.

4 **The CEO Search is Aborted, Manipulated or Both, and EC is Selected**

5 137. At a Board meeting on or about June 30, 2015, EC was empowered to select an
6 outside search firm to search for a new, permanent President and CEO for RDI. EC selected EC,
7 MC, McEachern and Gould as members of a CEO search committee. EC functioned as the
8 chairperson of the committee until she resigned, as described below.

9 138. On or about August 4, 2015, EC reported to the Board that she had selected Korn
10 Ferry to be the outside search firm. A stated and accepted rationale for selecting Korn Ferry was
11 that Korn Ferry would perform a proprietary detailed assessment of the finalists for the position
12 of President and CEO of RDI. The full Board had been told that each of the three finalists would
13 be presented to the full Board to be interviewed.

14 139. Korn Ferry interviewed each of the four members of the CEO search committee
15 and Craig Tompkins, as well as other persons EC and/or MC had Korn Ferry interview and, based
16 on those interviews and further communications with some of those people, Korn Ferry created a
17 "position specification" document. The stated purpose of the document was to list qualifications
18 and characteristics that had been agreed to as those that would be used to select candidates and,
19 ultimately, a new President and CEO.

20 140. Finally, on or about November 13, 2015, an initial set of interviews of CEO
21 candidates was set to occur. Shortly before those interviews were to commence, EC allegedly
22 announced to the other members of the CEO search committee that she was a candidate for the
23 positions of President and CEO. At that point, she purportedly resigned from the committee.
24 Plaintiff is informed and believes that EC had considered being a candidate well before the initial
25 set of interviews, but chose to not disclose that.

26 141. At that point, McEachern, Gould and MC had no discussions about whether MC
27 should or could continue to serve on the committee, in view of the fact that her sister was a
28 candidate. Nor did the committee or any of them seek the advice of outside counsel with respect

1 to that subject or any other issue related to EC declaring her candidacy after having directed Korn
2 Ferry for months.

3 142. After on or about August 4, 2015, neither EC nor the CEO search committee
4 provided any reports regarding the (supposed) CEO search to the full Board until mid-December
5 2015. That was so in spite of requests by Storey and Plaintiff for reports or updates.

6 143. McEachren, Gould and MC in November and December interviewed several CEO
7 candidates. They identified at least one and possibly two of them as finalists. They also
8 interviewed EC. After interviewing EC, the three of them preliminarily agreed that she was their
9 choice to be CEO. They also agreed that Korn Ferry would be instructed to cease further work.

10 144. McEachern, Gould and MC then conducted a conference call during year-end
11 holidays, confirmed their choice of EC and charged Tompkins with summarizing their reasons.
12 Tompkins did so. The stated reasons for selecting EC did not match or even approximate the
13 qualifications and characteristics that were summarized in the "position specification" document
14 prepared by Korn Ferry.

15 145. Korn Ferry did not perform its proprietary special assessment of EC or of any other
16 candidate.

17 146. On or about January 8, 2016, McEachern, Gould and MC presented EC to the full
18 Board of Directors as their selection to be the President and CEO of RDI. With little if any
19 deliberation, and with little if any information regarding the search and/or other candidates other
20 than a summary provided to them just days prior to meeting, each of the director defendants
21 agreed and voted to make EC President and CEO.

22 147. On or about January 11, 2016, the Company issued a Form 8-K attaching a press
23 release of that date. The press release included a statement by defendant Gould that said: "After
24 conducting a thorough search process, it is clear that Ellen is best suited to lead Reading moving
25 forward." That statement is materially misleading if not inaccurate, including because it implies
26 erroneously that the selection of EC was the result of a (supposedly) "thorough search process."
27
28

The Director Defendants Commence Looting The Company

148. Following the 2015 ASM in November 2015, by which the individual defendants secured effectively unfettered control of the Company, and following the appointment of EC as President and CEO in January 2016, the individual defendants turned their attention to the subjects of employment, titles and compensation.

149. On or about March 10, 2016, MC was appointed EVP--RED -- NYC on EC's recommendation as President and CEO. In that position, MC became the senior executive at RDI responsible for the development of its valuable NYC Properties. However, MC has no real estate development experience. She is unqualified to hold that senior executive position.

150. As EVP--RED -- NYC, MC was awarded a compensation package that includes a base salary of \$350,000 and a short-term incentive target bonus of \$105,000 (30% of her base salary), and was granted a long-term incentive of a stock option for 19,921 shares of Class A common stock and 4,184 restricted stock units under the Company's 2010 Stock Incentive Plan.

151. Additionally, the Compensation Committee, comprised of Adams, Kane and Coddington, and the Audit and Conflicts Committee, comprised of Kane, McEachern and Wrotniak, in or about March 2016 each unanimously approved so-called "additional consulting fee compensation" of \$200,000 to MC. Each of the Individual Director Defendants (with EC and MC abstaining) approved this \$200,000 payment to MC. In effect, MC was given a \$200,000 gift.

152. At the request of EC, the EC Committee requested the Compensation Committee to review executive compensation. The result was that EC as President and CEO received a new compensation package. If all bonuses available are paid to her, she will be paid over three times what Plaintiff was paid as President and CEO.

153. The Compensation Committee also recommended and the RDI Board of Directors (meaning all of the individual director defendants) also approved so-called "additional special compensation" of \$50,000 to Adams. This after-the-fact payment in effect was a gift.

The Non-Cotter Director Defendants Effectively Ignore a Third Party Cash Offer to Buy All of the Outstanding Stock of RDI at a Price in Excess of the Market Price

154. On or about May 31, 2016, EC as Chairman, President and CEO of RDI and each director received an unsolicited offer from a third party to purchase, for all cash, all of the outstanding shares of RDI stock, meaning all Class A nonvoting shares and all Class B voting shares (the "Offer"). This Offer was sent to EC and the other board members shortly after an RDI employee reporting to EC reported to the third party that the Company was not for sale after such third party indicated an interest in buying the Company. The proposed cash purchase price was \$17 per share. That price represented an approximate thirty-three percent (33%) premium over the prices at which RDI stock was then trading in the open market.

155. The Offer to purchase all of the outstanding shares of RDI stock expressly allowed for the possibility that, following due diligence, the Offer price might be increased from \$17 per share. The Offer indicated that a response to it was needed no later than June 14, 2016. The Offer also indicated that those making it did not intend to make it public at the time.

156. EC distributed the Offer to members of the RDI Board of Directors on or about May 31, 2016. The Board of Directors met with respect to the Offer on Thursday, June 2, 2016. The Board agreed to meet the following week to determine whether and how to respond to the Offer, after management distributed to Board members a business plan and materials relating to the value of the Company.

157. The RDI Board of Directors did not reconvene with respect to the Offer until June 23, 2016. No business plan and no materials relating to the value of the Company were provided to Board members in advance of or at the June 23, 2016 meeting. Nor were any other materials relevant to assessing the Offer provided. EC made an oral presentation concluding that RDI was worth a price dramatically in excess of the Offer price and recommended that RDI pursue its (supposed) long-term business plan. All of the individual director defendants agreed that an Offer of \$17 per share was inadequate. Plaintiff abstained in view of management's failure to provide information promised to be delivered before the meeting.

1 158. Neither EC nor anyone acting at her direction or request has ever provided a
2 strategic or long-term business plan for the Company to the RDI Board of Directors.

3 159. In connection with determining whether and, if so, how to respond to the Offer,
4 none of the non-Cotter director defendants indicated that they had and, on information and belief,
5 Plaintiff alleges that they had not, consulted with outside independent counsel, outside
6 independent financial advisers such as investment bankers, or anyone else on whom directors are
7 entitled to rely in determining in good faith whether and, if so, how, to respond to such an offer.

8 160. Plaintiff is informed and believes and thereon alleges that each of the non-Cotter
9 directors, in determining whether and, if so, how to respond to the Offer, made their respective
10 decisions largely if not entirely on their understanding of what they understood EC and MC (as
11 supposedly controlling shareholders) wanted to do or not do in response to the Offer.

12 161. Plaintiff is informed and believes and thereon alleges that neither EC nor MC
13 consulted with outside independent counsel, outside independent financial advisers such as an
14 investment bank, or anyone else on whom directors are entitled to rely in determining in good
15 faith whether and, if so, how, to respond to such an Offer. Plaintiff is further informed and
16 believes and thereon alleges that neither EC nor MC in good faith even considered accepting the
17 Offer, pursuing discussions with the offerors or taking any other steps that would amount to
18 anything other than rejection of the Offer.

19 162. None of the individual director defendants made an informed, good-faith
20 determination of what was in the best interests of RDI and its stockholders in responding to the
21 Offer. None of the individual director defendants made a good faith determination of whether,
22 much less that, RDI with its present senior management, including EC as CEO and MC as EVP-
23 RED-NYC, could, much less would, deliver value or achieve results that approximated, much less
24 resulted in, RDI trading at the price or value EC told the Board of Directors on June 23, 2016 that
25 management had ascribed to the Company. Plaintiff is informed and believes and thereon alleges
26 that none of the individual director defendants took any actions to test or to verify any of the oral
27 presentation by EC regarding the supposed value of the Company.
28

RDI and RDI Shareholders are Injured

163. When the individual defendants' complained of conduct became publicly known and disseminated, the price at which RDI stock traded dropped, evidencing injury to RDI and resulting in monetary damages to RDI and to RDI stockholders. One or more directors or officers of RDI observed at or about the time that this had occurred. Those damages are estimated to be in the millions of dollars. When subsequent complained of actions of the individual defendants, including to stack the RDI Board, became publicly known, RDI stock prices dropped again. When the Offer described above was (belatedly) disclosed by the Company on or about July 18, 2016, the price at which RDI stock traded increased, evidencing injury and damages resulting from the individual director defendants' complained of conduct.

164. The individual defendants' complained of conduct has resulted in injury to and impairment of RDI's reputation and goodwill. The consequences of such damage include diminished ability to attract and retain qualified senior executives, increased costs if able to do so, an impaired ability to effectuate transactions that may involve use of Company stock as consideration, diminished willingness of institutional investors to buy and to hold RDI stock and other impairment of and increased costs to conduct RDI's business. Increased costs include payment of unnecessary and/or excessive consulting fees, payment of duplicative or redundant compensation and payment of increased professional costs, including audit and legal fees.

165. The individual defendants' complained of conduct effectively has eliminated important rights of shareholders, including the right to be timely informed of material developments, the right to not be misled, the right to rely on timely and accurate SEC filings and the right to have elections for directors that are not manipulated and not rigged.

166. The individual defendants' complained of conduct constitutes waste and has caused monetary damages to RDI, including what amounted to a gift of \$50,000 to EC, a \$200,000 gift to MC and a \$50,000 gift to Adams. Likewise, the engagement and payment of Korn Ferry, which was used to create a misimpression of a *bona fide* CEO search, but which was not used to identify or evaluate EC, who was selected by MC, McEachern and Gould without input from Korn Ferry, which they instructed to cease work, also amounts to waste of at least the monies paid to Korn

1 Ferry.

2 167. In taking the actions complained of herein, the individual defendants have wasted if
3 not appropriated corporate opportunities and wasted corporate assets. In particular and without
4 limitation, they have failed to act in good faith and on an informed basis to determine how to
5 monetize the Company's valuable real estate assets, including the NYC Properties. Instead, they
6 have chosen to not take such steps but rather to hire MC to "keep the ball in the air," so that there
7 is a pretext to employ her in the position in which is now employed, which she is wholly
8 unqualified to fulfill. In doing so, they have caused the Company to spend and continue to spend
9 substantial sums of money, believed to be at least in the millions of dollars, to pay outside
10 consultants because the Interested Director Defendants effectively acquiesced to MC's insistence
11 that RDI not hire an executive experienced in real estate development, and because all of the
12 individual defendants instead approved hiring MC as EVP-RED-NYC. The extra monies paid to
13 outside consultant is believed to be in the millions of dollars.

14 168. The failure of the individual defendants to undertake to make an informed, good
15 faith determination of what was in the best interests of RDI and its stockholders in responding to
16 the Offer described above has resulted in injury to RDI and each of the stockholders. That injury
17 includes lost opportunity of each and every RDI stockholder to decide for himself, herself or itself
18 whether to sell his, her or its RDI stock at a price in excess of the price at which it trades in the
19 open market.

20 **Demand Is Excused**

21 169. Insofar as any or all of the claims made herein are derivative in nature, demand
22 upon the RDI board is excused because, among other things, as to each matter complained of
23 herein, a majority if not all members of RDI's Board of Directors except Plaintiff (and in certain
24 instances former director Storey) took and/or approved the complained of conduct. They therefore
25 are unable to exercise independent and disinterested business judgment in responding to a demand,
26 including because the actions giving rise to this action alleged herein were not undertaken honestly
27 and in good faith in the best interests of RDI, much less the product of a valid exercise of business
28 judgment.

172. Additionally, notwithstanding the foregoing allegations, each of Adams, Kane and McEachern lack disinterestedness and independence because each has affirmatively chosen, without any obligation to do so and in derogation of their fiduciary obligations as directors of RDI, to pick sides in a family dispute involving trust and estate litigation between Plaintiff, on one hand, and EC and MC, on the other hand, and to misuse their positions as directors in doing so. Like MC and EC, in so acting, they did not act honestly and in good faith in the best interests of RDI. Additionally, in voting to give EC and MC positions for which they are unqualified, and corresponding compensation packages, and in failing to take steps to make an informed, good faith decision regarding the Offer to purchase all RDI stock at a premium, and instead effectively deferring to EC and/or MC, each of the director defendants, including Coddington and Wrotniak, acted in derogation of the fiduciary duties they owe to RDI and its other shareholders.

(For Breach of Fiduciary Duty – Against All Defendants)

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1 174. Each of the individual defendants at times relevant hereto was a director of RDI.
2 As such, each owed fiduciary duties to RDI and to Plaintiff and other RDI shareholders, including
3 fiduciary duties of care, candor, disclosure, good faith and loyalty to RDI.

4 175. The duty of care owed by each of these defendants entails, among other things, an
5 obligation to exercise the requisite degree of care in the process of decision making as a director
6 and to act on an informed basis.

7 176. The duty of care further requires, among other things, that these directors do not act
8 with undue haste, a lack of board preparation or a failure of deliberation with respect to the merits
9 of any and every supposed business decision.

10 177. By the conduct described herein, each of the individual defendants (insofar as he or
11 she was a director at the time) breached their respective duties of care and good faith. Each did so
12 as alleged herein, including by, among other things, the following:

- 13 a. They failed to engage in any process to assess the skills and performance of
14 Plaintiff as President or as CEO in connection with the decision to threaten
15 to terminate and to terminate him, and instead pre-empted an ongoing
16 process;
- 17 b. They abdicated, or caused other directors to abdicate, their fiduciary
18 responsibilities as directors by creating and acting through the EC
19 Committee;
- 20 c. They failed to take steps to cause, much less assure, that persons added to
21 the RDI Board possessed any qualifications other than personal
22 relationships with one or more members of the Cotter family;
- 23 d. They failed to take actions to cause, much less assure, a *bona fide*, fair and
24 un-manipulated search for a new President and CEO to occur;
- 25 e. They failed to take and/or delayed taking action, after having been informed
26 of the financial dependence of Adams on Cotter family businesses for
27 income, to eliminate or even circumscribe Adam's authority as a director or
28 as a member of the Compensation Committee responsible for determining
compensation to EC and MC;
- f. They failed to take actions to enable themselves to make an informed, good
faith decision regarding whether to respond to the Offer, and if so, how, and
instead did what they thought EC, MC or both wished.

178. As a direct and proximate result of the acts and omissions of said defendants as

1 described herein, Plaintiff and the Company and its other shareholders have suffered injury and
2 continue to suffer injury as alleged herein.

3 179. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,
4 which are in excess of \$50,000, suffered by virtue of the complained of conduct of said defendants.
5 Plaintiff will amend this complaint and set forth said damages when they are ascertained,
6 according to proof at trial.

7
8 **SECOND CAUSE OF ACTION**

9 **(Breach of Fiduciary Duty – Against All Defendants)**

10 180. Plaintiff repeats and realleges paragraphs 1 through 172, inclusive, of this complaint
11 and incorporates them herein by this reference as though set forth in full.

12 181. Each of the individual defendants at times relevant hereto were directors of RDI.
13 As such, each owed fiduciary duties, including fiduciary duties of care, candor, disclosure, good
14 faith and loyalty, to the Company, to Plaintiff and to other RDI shareholders.

15 182. The duty of loyalty includes the obligation to not use their positions of control of
16 the Company, including in particular as directors, to further their own personal or financial
17 interests or the personal or financial interests of another of them to the detriment of the interests of
18 the Company and its shareholders.

19 183. By the conduct described herein, each of these defendants have undertaken to
20 further their own interests or the interests of another of them, to the direct, immediate and ongoing
21 detriment of the Company, Plaintiff and each of its other shareholders. That conduct includes, but
22 is not limited to, the following:

- 23 a. Threatening to terminate Plaintiff as President and CEO if he did not strike
24 a resolution of trust and estate disputes with EC and MC on terms
satisfactory to the two of them;
- 25 b. Terminating Plaintiff as President and CEO of RDI after he did not strike a
26 resolution of trust and estate disputes with EC and MC on terms satisfactory
27 to the two of them;
- 28 c. Repopulating and activating an executive committee where none was
needed and where the effect, if not the purpose and effect, was to prevent

1 Plaintiff, Storey and Gould from fully participating as members of the RDI
2 Board of Directors;

- 3 d. Allowing EC to direct the (supposed) search for a permanent President and
4 CEO, allowing MC to participate, including in particular following the
5 disclosure by EC that she was a candidate, and by effectively firing Korn
6 Ferry in order to assure the selection of EC and selecting EC;
- 7 e. Awarding EC and MC positions they were not qualified to hold, and by
8 gifting monies to EC, MC and Adams; and
- 9 f. As to all individual defendants other than EC and MC, choosing not to take
10 any actions such as employing independent counsel or financial advisors to
11 advise them regarding whether and, if so, how to respond to the Offer, but
12 instead relying on untimely, incomplete and/or inadequate information
13 provided by a conflicted EC and by effectively deferring to EC, MC or both
14 of them;
- 15 g. As to all individual defendants other than EC and MC, abdicating their
16 fiduciary responsibilities to the Company and shareholders other than EC
17 and MC; and
- 18 h. As to EC and MC, misusing their position as purportedly controlling
19 shareholders to usurp or attempt to usurp the authority of the RDI Board of
20 Directors.

21 184. By reason of the foregoing, each of the individual defendants has breached their
22 fiduciary obligations, and in particular their fiduciary duties of good faith and loyalty, to the
23 Company and to Plaintiff and all other shareholders of the Company.

24 185. As a direct and proximate result of the acts and omissions of said defendants as
25 described herein, Plaintiff and the Company and its other shareholders have suffered injury and
26 continue to suffer injury as alleged herein.

27 186. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,
28 which are in excess of \$50,000, suffered by virtue of the complained of conduct of said defendants.
Plaintiff will amend this complaint and set forth said damages when they are ascertained,
according to proof at trial.

THIRD CAUSE OF ACTION

(Breach of Fiduciary Duty—Against All Defendants)

187. Plaintiff repeats realleges paragraph 1 through 172, inclusive, of this complaint and

1 incorporates them here in by this reference as though set forth in full.

2 188. Each of the defendants at times relevant hereto was a director of RDI. As such,
3 each owed fiduciary duties to RDI and to its shareholders, including Plaintiff, including the duties
4 of care, candor, disclosure, good faith and loyalty.

5 189. The duties of candor and disclosure require that the Individual Director Defendants
6 each cause the Company to make timely, accurate and complete disclosures of information to its
7 shareholders.

8 190. By the conduct described herein, including in particular but not limited to causing
9 or allowing RDI to disseminate untimely and materially misleading if not inaccurate information,
10 in SEC filings and/or by press releases, each of the individual defendants has breached his or her
11 duties of candor and disclosure.

12 191. As a direct and proximate result thereof, the Company and its shareholders have
13 suffered injury and continue to suffer injury is alleged herein.

14 192. Plaintiff cannot ascertain at this time the full nature, extent amount of damages
15 suffered by virtue of the complained of conduct of said defendants.

16 **FOURTH CAUSE OF ACTION**

17 **(Aiding and Abetting Breach of Fiduciary Duty – Against MC and EC)**

18 193. Plaintiff repeats and realleges paragraphs 1 through 192, inclusive, of this
19 complaint and incorporates them herein by this reference as though set forth in full.

20 194. Insofar as any or all of Defendants contend that the decision to terminate Plaintiff
21 as CEO and President was made based upon a vote of the non-Cotter directors, and independent of
22 the fact that such vote was legally ineffectual, the fiduciary breaches alleged above were solicited
23 and aided and abetted by MC and EC.

24 195. As alleged more fully herein, EC and MC had solicited and assisted the actionable
25 conduct of defendants Kane, Adams and McEachern, including in particular but not limited to the
26 threat by the three of them to terminate JJC as President and CEO of RDI if, in the few hours
27 between the adjournment of the supposed RDI board meeting on Friday, May 29, 2015 the
28 resumption of that supposed meeting at or about 6:00 p.m. that evening, JJC did not reach a global

1 settlement agreement with EC and MC, meaning agree to their take-it or leave-it agreement or any
2 other such agreement they would demand he accept.

3 196. EC and MC further solicited and aided and abetted the decisions and actions of
4 defendants Adams, Kane and McEachern to terminate JJC as President and CEO of RDI.

5 197. EC and MC further prompted and aided and abetted the fiduciary breaches of other
6 directors as alleged herein, including but not limited to matters as to which EC, MC or both
7 abstained or otherwise did not vote, including votes regarding their employment at RDI.

8 198. Each of EC and MC have acted with knowledge of the fiduciary obligations of the
9 five outside directors. Each of EC and MC have acted with knowledge of the manner in which
10 those fiduciary obligations were breached, and aided and abetted and continue to aide and abet
11 said breaches. Accordingly, each of EC and MC are liable for aiding and abetting those fiduciary
12 breaches.

13 199. As a direct and proximate result of the acts and omissions of said defendants as
14 described herein, Plaintiff and the Company and its other shareholders have suffered injury and
15 continue to suffer injury as alleged herein.

16 200. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,
17 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.
18 Plaintiff will amend this complaint and set forth said damages when they are ascertained,
19 according to proof at trial.

20 **Irreparable Harm**

21 201. As a result of the ongoing acts of Defendants, the Company, Plaintiff and other RDI
22 shareholders have suffered and will continue to suffer immediate and ongoing irreparable injury
23 for which no adequate remedy at law exists, including as alleged herein. Accordingly, Plaintiff is
24 entitled to relief restraining Defendants, and each of them, from continuing their course of conduct
25 and undertaking further actions in derogation of their fiduciary obligations, and to an order and
26 judgment finding that the actions undertaken to date, including to threaten JJC with termination
27 and thereafter terminate JJC as President and CEO of RDI, as well as their actions undertaken in
28 furtherance of the self-dealing and entrenchment scheme alleged herein, are legally ineffectual and

1 of no force and effect, will be enjoined, or both.

2 202. In particular, unless such injunctive relief is granted, Plaintiff, the Company and
3 other shareholders will suffer irreparable harm for which no adequate remedy at law exists.

4 **PRAYER FOR RELIEF**

5 **WHEREFORE**, Plaintiff prays for judgment against Defendants and each of them, jointly
6 and severally, as follows:

7 1. For relief restraining and enjoining Defendants from taking further action to
8 effectuate or implement the (legally ineffectual) termination of Plaintiff as President and CEO of
9 RDI;

10 2. For a determination that the purported termination of Plaintiff as President and
11 CEO of RDI was legally ineffectual and is of no force and effect;

12 3. For entry of an order that:

- 13 a. Finds that that EC, MC, and one or more of Kane, Adams and/or
14 McEachern lacked the requisite disinterestedness and/or lacked independence
15 and/or failed to act with the requisite disinterestedness and/or independence in
16 voting (and purporting to act as) directors of RDI to remove Plaintiff as President
17 and CEO of RDI, finds that actions to remove Plaintiff as President and CEO were
18 void or voidable and declares such action voided and legally ineffectual, such that
19 Plaintiff is restored to and EC is removed from the positions of President and CEO
20 of RDI (unless and until such time as he resigns or is removed by way of proper
21 and legally enforceable procedure);
- 22 b. Enjoins the individual defendants and each of them, and their agents, from
23 any and all actions to circumvent, impair the function of or render ineffective RDI's
24 full Board of Directors, including in particular but not limited to any and all actions
25 to (i) delay the delivery of draft minutes of RDI Board of Directors meetings and/or
26 cause minutes to be edited or revised to suit the litigation purposes of any or all of
27 EC, MC, Kane, Adams and McEachern, (ii) cause the failure or untimely delivery
28 of agendas and materials to be used at RDI Board of Directors meetings, (iii) cause

1 minutes of RDI Board of Directors meeting to be inaccurate, misleading or
2 incomplete, (iv) cause the EC Committee or any other committee of the Board of
3 Directors (other than its audit and compensation committees in the ordinary course
4 of business) to take any actions, to make any decisions or to otherwise act or fail to
5 act in place or in lieu of the full Board of Directors with respect to any and all
6 decisions of the type or nature that can be made by RDI's Board of Directors
7 (rather than by its senior executives), and (v) put any member of RDI's Board of
8 Directors in a position of making any decision on an informed basis, in good faith
9 and with the best interests of all RDI shareholders in mind;

10 c. Directs RDI and the individual defendants to make such corrective
11 disclosures as are determined by the Court to be appropriate, with such disclosures
12 required to be made in advance of RDI's 2017 ASM or, alternatively, orders that
13 the 2017 ASM to be postponed pending such corrective disclosures;

14 d. Enjoins the individual defendants and each of them, and their agents, from
15 manipulating the 2017 ASM, including by entering an order sterilizing or voiding
16 any vote they cast at or in connection with the 2017 ASM of the 100,000 shares of
17 Class B voting stock that were the subject of an option purportedly exercised in or
18 about September 2015 and any shares of Class B voting stock held in the name of
19 the Trust on the Company's stock register; and

20 e. Requires that nominees for RDI's Board of Directors have *bona fide*
21 qualifications to serve on the board of a public company engaged in RDI's two
22 principal business segments, cinemas and real estate development.

23 4. For judgment against each of the Defendants for breach of their respective fiduciary
24 obligations;

25 5. For actual and compensatory damages incurred by RDI and/or by Plaintiff and
26 against each of Defendants in an amount according to proof at trial;

27 6. For costs of suit herein; and

28 ///

3993 Howard Hughes Pkwy, Suite 600
Las Vegas, NV 89169-5996

Lewis Roca
ROTHGERBER CHRISTIE

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7. For such other and further relief as the Court may deem just and proper.

DATED this 2nd day of September, 2016.

LEWIS ROCA ROTHGERBER CHRISTIE LLP

/s/ Mark G. Krum

Mark G. Krum (Nevada Bar No. 10913)
3993 Howard Hughes Pkwy, Suite 600
Las Vegas, NV 89169-5958

Attorneys for Plaintiff
James J. Cotter, Jr.

VERIFICATION OF JAMES J. COTTER, JR. OF
SECOND AMENDED VERIFIED COMPLAINT

I, James J. Cotter Jr., declare as follows:

1. I am over the age of eighteen (18) years and competent to testify to the matters set forth herein. Pursuant to all applicable laws, I swear as follows:

2. As a shareholder of Reading International, Inc. ("RDI"), I am plaintiff in the above-captioned action.

3. As stated in the Second Amended Verified Complaint (the "First Amended Complaint"), I am and at all times relevant to this action have been a shareholder of nominal defendant RDI.

4. I have read the Second Amended Complaint and am familiar with the contents thereof. The factual allegations therein are true based upon my personal knowledge, except for those matters set forth upon information and belief, which I believe to be true, as well.

I declare under penalty of perjury that the foregoing is true and correct.

DATED this 31 day of August, 2016



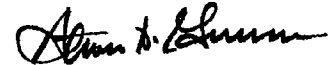
JAMES J. COTTER, JR.

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of September, 2016, I caused a true and correct copy of the foregoing **SECOND AMENDED COMPLAINT** to be electronically served to all parties of record via this Court's electronic filing system to all parties listed on the E-Service Master List.

/s/ Judy Estrada

An employee of Lewis Roca Rothgerber Christie LLP



CLERK OF THE COURT

1 Donald A. Lattin (NV SBN. 693)
dlattin@mclrenolaw.com
2 Carolyn K. Renner (NV SBN. 9164)
crenner@mclrenolaw.com
3 MAUPIN, COX & LEGOY
4785 Caughlin Parkway
4 Reno, Nevada 89519
Telephone: (775) 827-2000
5 Facsimile: (775) 827-2185

6 Ekwan E. Rhow (*admitted pro hac vice*)
eer@birdmarella.com
7 Hernán D. Vera (*admitted pro hac vice*)
hvera@birdmarella.com
8 Shoshana E. Bennett (*admitted pro hac vice*)
sbennett@birdmarella.com
9 BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
DROOKS, LINCENBERG & RHOW, P.C.
10 1875 Century Park East, 23rd Floor
Los Angeles, California 90067-2561
11 Telephone: (310) 201-2100
Facsimile: (310) 201-2110
12
13 Attorneys for Defendant William Gould

14 **EIGHTH JUDICIAL DISTRICT COURT**

15 **CLARK COUNTY, NEVADA**

17 JAMES J. COTTER, JR.,
18 Plaintiff,
19 vs.
20 MARGARET COTTER, et al.,
21 Defendant.

22 READING INTERNATIONAL, INC.,
23 Nominal Defendant.
24

CASE NO. A-15-719860-B

**DEFENDANT WILLIAM GOULD'S
MOTION FOR SUMMARY JUDGMENT**

Assigned to Hon. Elizabeth Gonzalez,
Dept. XI

Trial Date: November 14, 2016


1 **TO ALL PARTIES, COUNSEL, AND THE COURT:**

2 Pursuant to Nevada Rule of Civil Procedure 56, Defendant William Gould, by and through
3 his counsel of record, hereby submits this Motion for Summary Judgment as to the First, Second,
4 and Third Causes of Action in Plaintiff's Second Amended Complaint.

5 This Motion is based upon the following Memorandum of Points and Authorities, the
6 accompanying Declaration of Shoshana E. Barnett and exhibits thereto, the Declaration of
7 William Gould, the Individual Defendants' Motion for Partial Summary Judgment (No. 3) on
8 Plaintiff's Claims Related to the Purported Unsolicited Offer, the pleadings and papers on file, and
9 any oral argument at the time of a hearing on this motion.

10 September 23, 2016

11 BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
12 DROOKS, LINCENBERG & RHOW, P.C.

13 By 

14 Ekwan E. Rhow (*admitted pro hac vice*)
15 Hernán D. Vera (*admitted pro hac vice*)
16 Shoshana E. Barnett (*admitted pro hac vice*)
17 1875 Century Park East, 23rd Floor
18 Los Angeles, California 90067-2561

19 MAUPIN, COX & LeGOY
20 Donald A. Lattin (SBN 693)
21 Carolyn K. Renner (SBN 9164)
22 4785 Caughlin Parkway
23 Reno, NV 89519
24 Telephone: (775) 827-2000
25 Facsimile: (775) 827-2185

26 *Attorneys for Defendant William Gould*

27

28


1 **NOTICE OF MOTION**

2 TO: LEWIS ROCA ROTHGERBER CHRISTIE LLP, Attorneys for Plaintiff:

3 PLEASE TAKE NOTICE that the above Motion will be heard the 25 day of
4 OCTOBER, 2016, at 8:30A in Department XI of the above-designated Court,
5 or as soon thereafter as counsel can be heard.

6
7 September 23, 2016

8 BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
9 DROOKS, LINCENBERG & RHOW, P.C.

10 By 
11 Ekwan E. Rhow (*admitted pro hac vice*)
12 Hernán D. Vera (*admitted pro hac vice*)
13 Shoshana E. Bannett (*admitted pro hac vice*)
14 1875 Century Park East, 23rd Floor
15 Los Angeles, California 90067-2561

16 MAUPIN, COX & LeGOY
17 Donald A. Lattin (SBN 693)
18 Carolyn K. Renner (SBN 9164)
19 4785 Caughlin Parkway
20 Reno, NV 89519
21 Telephone: (775) 827-2000
22 Facsimile: (775) 827-2185

23 *Attorneys for Defendant William Gould*
24
25
26
27
28

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1 particular views or disagree with the other Defendants' positions—regardless of his independent
2 thoughts—he has breached his fiduciary duties. This theory is, on its face, nonsensical. As a legal
3 matter, Nevada law is absolutely clear that directors are protected against personal liability for
4 erroneous (or even bad) decisions *so long as they do not involve fraud, intentional misconduct,*
5 *or a knowing violation of the law.* Here, after dozens of depositions and tens of thousands of
6 pages of discovery, there is not even one *iota* of evidence that Gould acted with this culpable
7 *mens rea*. To the contrary, even the activist shareholders who intervened in this case and the Korn
8 Ferry search firm admitted in deposition that Gould took his role seriously and acted in what he
9 believed to be the best interests of the company. There is simply no evidence to create a genuine
10 material issue on this foundational requirement, and for this reason alone, the claims against
11 Gould should be summarily adjudicated.

12 On the factual merits of whether there was a breach of duty in the first instance, Plaintiff's
13 claims against Gould fare no better. With respect to each and every one of Gould's seven alleged
14 predicate violations (*see* SAC ¶ 179), there is no evidence whatsoever that Gould was unduly
15 influenced, acted pursuant to a conflict or acted in bad faith in any way. Rather, again, Plaintiff
16 simply imputes bad faith based solely on the ultimate position that Gould took on the issues that
17 were before the Board. This manner of proof is insufficient to prove Plaintiffs' claim under
18 Nevada law—and common sense. As a result, Gould should be released from this case and
19 summary judgment should be entered.

20 **II. STATEMENT OF UNDISPUTED FACTS**

21 **A. The Cotter Siblings Become Embroiled in Conflict Following the Death of** 22 **Their Father, Reading CEO and Chairman, James Cotter, Sr.**

23 Cotter, Sr. was the dominant figure at Reading up until his death. As the controlling
24 shareholder of Reading, he served as its CEO for nearly 15 years and as Chairman of the Board for
25 more than 20 years. Exh. 27 at 285.¹ Given his ownership, Cotter, Sr. hand-selected all board
26

27 ¹ All references to "Exh." are to the exhibits attached to the Declaration of Shoshana E. Barnett
28 in Support of Defendant William Gould's Motion for Summary Judgment, filed concurrently
herewith in the Appendix of Exhibits, Exhibit B.

1 members. *Id.* at 290-291. He operated Reading in a "wheel and spoke" style, in which all
2 Reading employees reported to him, and it "was his show." Exh. 36 at 166:13-18; 169:17-19.²

3 After presiding over Reading for well over a decade, Cotter, Sr. resigned from all of his
4 positions at Reading on August 7, 2014, and passed away on September 13, 2014, throwing
5 Reading into a time of transition and uncertainty. Exh. 28 at 325. Cotter, Sr.'s son, Cotter, Jr.,
6 was appointed CEO following his father's resignation. *Id.* In deciding to appoint Cotter, Jr.,
7 Reading's Board of Directors did not conduct any search or consider any other candidates.
8 Exh. 36 at 191:22-192:14. Nor did they consider or review any materials regarding selecting
9 a CEO. *Id.* at 177:1-4. The Board never debated his qualifications or whether he was the best
10 person for the job.³ Instead, the Board appointed Cotter, Jr. CEO based on the Board's
11 understanding that Cotter, Sr., the controlling shareholder, wanted his son to succeed him as CEO.
12 *Id.* at 162:3-7.

13 The Board members who appointed Cotter, Jr. were the same Board members who later
14 voted to terminate him—with the exception of Gould. *Id.* at 177:5-8. Although Cotter, Jr. claims
15 to have had concerns about the independence of certain directors at the time of his appointment, he
16 never voiced any such concerns. *Id.* at 177:9-16. Despite this lack of process and purported lack
17 of independence, Cotter, Jr. admits that his appointment as CEO was consistent with the fiduciary
18 duty that the directors owed to the Reading shareholders. *Id.* at 191:8-13.

19 Following the death of Cotter, Sr., the Cotter siblings—Cotter, Jr., Chairman of the
20 Reading Board Ellen Cotter, and Board Member and Reading Consultant Margaret Cotter—
21 became embroiled in a dispute over Cotter, Sr.'s estate, which would determine control over
22 Reading. *See* Exh. 41 at 65:8-66:6. As a result, the issues between the siblings relating to the
23 estate matters "permeated the company" and "spread to employees." Exh. 37 at 321:23-24.

24
25 ² Citations to exhibits containing excerpts of deposition transcripts refer to the original
deposition transcript page.

26 ³ Cotter, Jr.'s only relevant experience consisted of having been a director, being familiar with
27 the assets and businesses of Reading, and having done (in his opinion) a good job in his year as
28 president. Exh. 38 at 584:2-19. Cotter, Jr. believed his appointment to CEO was appropriate,
because he had been "working under the expectation" that he would be his father's successor.
Exh. 36 at 193:9-15.

1 Cotter, Jr. raised complaints against his two sisters, and his two sisters reported complaints about
2 Cotter, Jr. *Id.* at 316:22-25.

3 As a result of this dysfunction, Reading's Board stepped in to mediate.⁴ In March 2015,
4 Gould and the other non-Cotter directors appointed Director Tim Storey to serve as an
5 "ombudsman" to work with and coach Cotter, Jr. and help mediate disputes between Cotter, Jr.,
6 and Ellen and Margaret Cotter, and to report back to the Board regarding the progress. Exh. 1 at
7 3; Exh. 41 at 118:1-119:6; 119:17-120:2.

8 **B. Cotter, Jr. Is Terminated as CEO Over the Objection and No Vote of Gould.**

9 In May 2015, after several months of attempted mediation by Storey, Ellen Cotter
10 circulated an agenda for a Board meeting with the first item reading "Status of President and
11 C.E.O." Exh. 6 at 30; Exh. 35 at 171:22-172:25. The agenda was meant to serve as a predicate
12 for a motion to terminate Cotter, Jr. as the president and CEO. Exh. 41 at 136:21-137:7. At the
13 time the agenda was circulated, Ellen Cotter had discussed terminating Cotter, Jr. with Guy
14 Adams, Ed Kane, Douglas McEachern and Margaret Cotter—but not with Gould. Exh. 35 at
15 176:1-8. In fact, this agenda item was the first time that Gould was informed that any of the Board
16 was considering terminating Cotter, Jr. as CEO. Exh. 41 at 109:22-110:8.

17 Upon further discussion at the Board Meeting that took place on May 21, 2015, Ellen and
18 Margaret Cotter, Adams, Kane, and McEachern made clear that they believed they had given
19 Cotter, Jr. enough time to improve his management and that they intended to terminate him. *Id.* at
20 123:6-21. Despite the strongly expressed feelings of the majority of the Board, Gould spoke out
21 against terminating Cotter, Jr. Gould told the Board that he believed that they should give Cotter,
22 Jr. more time and that the ombudsman process and Storey's final report should be completed
23 before any vote. *Id.* at 123:6-21; Exh. 2 at 7. Ultimately, Cotter, Jr. was not terminated at that
24 Board meeting.

25 The Board then reconvened on two subsequent occasions to further discuss his
26

27 ⁴ At that time, in addition to the Cotter siblings, the Board consisted of Ed Kane, Douglas
28 McEachern, Guy Adams, Tim Storey, and William Gould. Gould was the lead independent
director. Exh. 28 at 328-31; Exh. 41 at 12:11-15.

1 termination: first on May 29, 2015, and then on June 12, 2015. Exhs. 3; 7 at 31-33. After
2 extensive discussions at the June 12 meeting, the issue was finally put to a vote and Cotter, Jr. was
3 terminated as CEO and president by a vote of five to three. ***Gould voted against terminating***
4 ***Cotter, Jr.*** Exh. 7 at 33; Exh. 32 at 510:19-23. Immediately thereafter, the Board considered and
5 voted to appoint Ellen Cotter, Jr. to the position of interim CEO. ***Gould voted in favor of Ellen***
6 ***Cotter's appointment.*** Ex. 7 at 33-34.

7 **C. After Gould Declines an Offer to Serve on Reading's Executive Committee,**
8 **the Board Approves a Reconstituted Committee.**

9 After voting to terminate Cotter, Jr., the Reading Board also voted to reconstitute the
10 existing Executive Committee and issue a new charter. Exh. 7 at 34. Ellen Cotter asked Gould to
11 be on the Executive Committee, but Gould declined. Exh. 41 at 25:15-20. The Board then
12 approved a new Executive Committee, consisting of Margaret Cotter, Ellen Cotter, Ed Kane and
13 Guy Adams, and delegated to the Executive Committee "the authority to take any and all actions
14 that the Board may take (other than as restricted by Nevada law and the Bylaws of the Company)
15 between the regular and special meetings of the Board of Directors." Exh. 7 at 34. The Board
16 voted 7-1 in favor of the new Executive Committee, with Ellen and Margaret Cotter, Adams,
17 Kane, McEachern, Storey, and Gould all supporting the measure. *Id.* Only Cotter, Jr. voted
18 against. *Id.*

19 Gould had no concerns that reconstituting the Executive Committee would shuttle board
20 decisions over to a smaller group. Exh. 41 at 28:3-12. Gould knew that many corporations have
21 executive committees, and he recognized that any major decisions of the Executive Committee
22 would still have to be reported to the full Board. *Id.* Gould believed that, just as a CEO cannot
23 make major decisions without approval from the Board, the Executive Committee would not be
24 able to make major decisions without having them vetted by the Board. Exh. 41 at 28:22-29:7.

25 **D. After Gould Disagrees with Decision to Force Out Storey, the Board**
26 **Nominates Coddington and Wrotniak for Open Board Seats.**

27 Several months after Ellen Cotter was appointed Interim CEO, Director Storey resigned
28 from the Reading Board after being informed that he would not be re-nominated. The other

1 directors on the Board, with the exception of Gould, had lost confidence in Storey. Exh. 41 at
2 175:14-24. For example, Adams and Kane felt that Storey, while well-intentioned, increased
3 divisiveness among the Cotters through his role as ombudsman. Exh. 33 at 274:17-277:20.
4 Gould, however, still had confidence in Storey. Exh. 41 at 175:14-24. Gould did not play any
5 role in Storey's departure; he was informed after-the-fact. Exh. 42 at 442:15-443:3.

6 Because the Board had not yet nominated anyone to fill the gap left by a former director,
7 Storey's resignation meant that there were two open slots on the Board. Exh. 15 at 144. As
8 a "Controlled Company" under SEC rules, Reading was not required to have a nominating
9 committee, given that the controlling shareholder could determine the Board composition
10 unilaterally. *Id.* at 324. Historically, Reading had not maintained a nominating committee and the
11 directors were identified and recommended by Cotter, Sr., then approved by the Board. Exh. 27 at
12 290-291.

13 Despite the fact that a nominating committee was not required, in October 2015, Reading
14 established a Special Nominating Committee and delegated to it the authority to interview, review
15 the backgrounds of potential candidates, and make recommendations regarding nominees.
16 Exh. 15 at 145. Directors Adams, Kane, and McEachern served as the members of the Special
17 Nominating Committee. *Id.*

18 Ellen Cotter initially recommended Judy Coddington to serve as a director. Adams, Kane and
19 McEachern all met with Coddington, believed she would be a good addition to the Board based on
20 her business background and general demeanor, and recommended her appointment. *Id.* at 144;
21 Exh. 46 at 349:18-24, 350:16-25; Exh. 34 at 311:15-312:24. Coddington, who has a doctorate in
22 education, was an entrepreneur who helmed a successful education company. Exh. 28 at 329. She
23 also had experience serving on boards.⁵ *Id.* Although Coddington did not have experience in real
24 estate or cinema, Reading had never had any formal criteria requiring particular qualifications or

25 ⁵ Coddington came to Ellen Cotter's attention because Coddington was friends with Mary Cotter, the
26 Cotter siblings' mother. Ellen Cotter herself was not close to Coddington and had met Coddington
27 between 5 and 10 times over 15 years. Exh. 34 at 307:19-308:7. The friendship between Coddington
28 and Mary Cotter was disclosed to the other Board members. Exh. 42, at 454:24-455:5. Coddington
also had a pre-existing relationship with Cotter, Jr. Cotter, Jr. had asked Coddington for her help
getting his child admitted to a private school. Exh. 46 at 353:3-10.

1 skills that needed to be represented on the Board.⁶ Exh. 27 at 291; Exh. 38 at 808:7-15. The
2 Board approved the recommendation and elected Coddington to the Board with a vote of 6-1 with
3 Ellen and Margaret Cotter, Adams, Kane, McEachern, and Gould voting in favor, Storey
4 abstaining, and Cotter, Jr. voting against.

5 After Coddington was elected, a shareholder emailed the Board and indicated that Coddington
6 had been involved in a scandal involving iPads at the LAUSD. Exh. 46 at 354:11-355:11.
7 Although the Special Nominating Committee had conducted a background check on Coddington, this
8 information was not known to the Directors at the time Coddington was elected. *Id.* at 354:11-55:11;
9 357:18-58:13; Exh. 41 at 177:13-78:12. The Special Nominating Committee followed up by
10 instructing in-house counsel Craig Tompkins to investigate the allegations, and he found
11 additional information that had not been communicated by the shareholder. Exh. 46 at 365:5-14.

12 After reviewing this new information, the Special Nominating Committee then had
13 a lengthy interview with Judy Coddington. In his role as lead director, Gould participated in the
14 interview. *Id.* at 364:15-21; 365; Ex. 41 at 178:15-179:1. During the interview, Coddington
15 explained the iPad situation to the satisfaction of the Board. *Id.* at 374:5-11; Exh. 41 at
16 178:15-179:23 (testifying that he concluded that it was a “political thing” with no substance to the
17 allegations). After further discussion and consideration, the Board then supported her nomination
18 for re-election to the Board. *Id.*

19 The Special Nominating Committee then considered Michael Wrotniak who had been
20 proposed by Margaret Cotter. The Special Nominating Committee had been considering and
21 interviewed a candidate recommended by Cotter, Jr., but that candidate withdrew himself from
22 consideration. Exh. 33 at 296:23-301:6. Margaret Cotter knew Wrotniak through a mutual friend.
23 Exh. 39 at 320:16-321:9. This relationship was disclosed to the Board and Wrotniak informed

24 ⁶ This has always been the case. For example, at the time that Cotter, Jr. was appointed to the
25 Board in 2002, Reading’s principal business was real estate. Exh. 36 at 137:20-25. Cotter, Jr. did
26 not have any business experience with real estate when he was appointed to the Board. *Id.* at
27 138:3-16. Even though he did not have any experience with Reading’s business, Cotter, Jr.
28 believes that his appointment to the Reading Board was appropriate. *Id.* at 138:20-139:4. Cotter,
Jr. agrees that in some circumstances it is appropriate for the Board to conclude that someone is
suitable for a board position even though they do not have all of the preferred characteristics of
a board member. *Id.* at 139:5-16.

1 Adams that he was independent and would always vote his mind. Exh. 33 at 268:19-23; Exh. 42
2 at 454:18-455:5.

3 The Special Nominating Committee interviewed Wrotniak before recommending him.
4 Exh. 43 at 64:8-20; Exh. 46 at 382:1-10; Exh. 33 at 267:7-24. Although Wrotniak did not have
5 a background in real estate or cinema, he had experience in finance and was CEO of a privately
6 held commodities trading company. Exh. 33 at 265:8-266:14; Exh. 28 at 330. His finance
7 background was important to the directors and he was later put on the Audit Committee. Exh. 35
8 at 69:6-10. The Special Nominating Committee also conducted a background check on Wrotniak.
9 Exh. 46 at 384:4-385:1. After the Special Nominating Committee recommended Wrotniak, the
10 Board voted to elect him to the Board by a vote of 7-1, with Cotter, Jr. voting against. Exh. 16 at
11 148.

12 Gould's involvement was not remarkable, except that he did express a concern that the
13 Board was given a limited amount of time to consider their nominations. In response, Ellen Cotter
14 explained to him that the compressed time period was necessary because of the impending Proxy
15 Statement deadline and because the Special Nominating Committee had waited to involve the full
16 Board until it was clear they would be going forward with a candidate. Exh. 41 at 171:16-22;
17 174:16-23. Gould was satisfied by that response. *See id.* Gould thereafter supported both
18 Coddington and Wrotniak for a variety of reasons but, in part, because there had been a conflict
19 among the directors and he wanted to prevent the conflict from further festering. Exh. 42 at
20 488:18-489:23. He also supported Coddington and Wrotniak because it was important that the Board
21 be constituted in a way that would enhance cooperation and have the confidence of the CEO going
22 forward. *Id.* As Gould explained, "at this point, the Company had been involved in dispute after
23 dispute after dispute ... and there was also the factor of trying to get this company back on track.
24 And I think that's what I was concerned with in approving the two new directors." *Id.*

25 **E. After a Thorough Search, Ellen Cotter Is Appointed Permanent CEO.**

26 After Cotter, Jr.'s termination in June 2015, Reading also immediately began the process of
27 looking for a permanent CEO. The Board authorized Ellen Cotter to select an external search
28 firm, and Korn Ferry was engaged. Exhs. 5 at 25; 12 at 132; 35 at 74:6-19. The CEO Search

1 Committee was then constituted, consisting of Ellen Cotter, Margaret Cotter, McEachern, and
2 Gould. Exh. 12 at 132. At the time, Ellen Cotter had not indicated that she was seeking to be
3 appointed permanent CEO. See Exh. 35 at 84:3-85:4.

4 The search process began in earnest with Korn Ferry interviewing each of the committee
5 members in order to draft a position specification based on the characteristics the committee
6 members were seeking in a CEO. Exh. 44 at 36:20-37:13; Exh. 35 at 78:5-10. Gould took this
7 process seriously: before the call he reviewed an interview preparation questionnaire, considered
8 the questions and prepared notes. Exh. 42 at 317:14-23; Exh. 8 at 37. Gould's interview with
9 Korn Ferry lasted over an hour. Exh. 42 at 318:10-21. Korn Ferry's Robert Mayes testified that
10 he had "sophisticated" conversations with Gould, in which Gould expressed the desire to secure
11 a patient leader, who could deal well with activist investors. Exh. 44 at 72:21-73:14.

12 The position specification Korn Ferry subsequently drafted heavily emphasized real estate
13 development experience. Exh. 9 at 53-56. However, during the selection process, Gould and the
14 other committee members became convinced that the position specification overemphasized real
15 estate experience. Exh. 42 at 321:7-15. Cotter, Jr. agreed that the position specification focused
16 too much on real estate experience, stating that "[t]his is not a CEO specification. That is a CEO
17 specification for a glorified director of real estate position." Exh. 17 at 150.

18 Based on the original position specification, Korn Ferry selected five candidates for the
19 Committee to interview and circulated candidate profiles. Exh. 10 at 58-59. The interviews were
20 scheduled to commence in November 2015. Exh. 4 at 15; Exh. 10 at 58-59. Before the first
21 interview took place, Ellen Cotter realized that she wanted to be considered for the position.
22 Exh. 35 at 84:3-85:4. As she reviewed the candidate profiles circulated by Korn Ferry, she
23 thought that she compared favorably to the people Korn Ferry had found. *Id.* As soon as realized
24 that she wanted to be considered, she called Korn Ferry and told them of her intention and also
25 that she would be withdrawing from the CEO Search Committee. *Id.* at 91:18-92:12; see Exh. 42
26 at 357:18-24. Ellen Cotter then withdrew from the Committee before any interviews took place,
27 Exh. 35 at 113:11-18; Exh. 42 at 356:1-12. Gould was subsequently appointed chair of the search
28 committee. Exh. 42 at 431:4-14; Exh. 4 at 16; Exh. 11 at 123.

1 In November 2015, the search committee interviewed four candidates. Exh. 42 at
2 360:8-22. Gould was impressed with the candidates. *Id.* at 348:23-355:25. The search committee
3 subsequently interviewed three additional candidates, including Ellen Cotter and a new candidate
4 identified by Korn Ferry. *Id.* at 360:8-22. Ellen Cotter was the last candidate interviewed. *Id.* at
5 361:23-24. Gould and McEachern led the interview of Ellen Cotter, which lasted about
6 45 minutes and focused on her thoughts about the future of Reading. *Id.* at 363:3-23. Following
7 Ellen Cotter's interview, Gould told the Committee that in his view, even though all the candidates
8 had been good, he thought that Ellen Cotter made the most sense for the company. As Gould
9 explained,

10 [S]he had a great reputation, the people liked her at the company. We all enjoyed
11 our own -- we all thought highly of her, every one of us. She is intelligent. She had
12 the kind of a personality that could help get through some of these difficulties
13 dealing with other people. And she had theatrical experience. She was willing to
14 bring in real estate help. And that this was a very tough time to bring in somebody
15 from the outside given the fact that no one knew who would actually control this
16 company a year down the line. And for all those reasons, you know, it became
17 apparent to me, my -- I just said, 'This makes the most sense for the company.'

18 *Id.* at 368:8-24; *see also* Exh. 41 at 55:14-21 ("Ellen was the type of person who would continue
19 the continuity."). McEachern agreed. Exh. 42 at 368:25-369:1.

20 Given these conclusions, the CEO Search Committee told Korn Ferry not to perform the
21 proprietary assessment. *Id.* at 306:9-17; Exh. 46 at 471:13-20. The Committee members did not
22 believe they needed Korn Ferry's assessment of Ellen Cotter, since they knew her so well.
23 Exh. 42 at 406:10-21. Indeed, Korn Ferry admitted that their assessment would not be useful as
24 an evaluation tool for Ellen Cotter, but only as an onboarding tool. Exh. 44 at 67:3-9, The
25 Committee subsequently instructed Korn Ferry to stop work until the Board discussed the
26 recommendation of Ellen Cotter, in order to avoid further costs. Exh. 42 at 405:2-14; Exh. 44 at
27 67:10-18. . Ultimately, Reading saved \$35,000 by avoiding the assessment process. Exh. 19.

28 On December 29, 2015, the Committee members met again to discuss recommending
Ellen Cotter for permanent CEO. Exh. 11; Exh. 4 at 17-20. Among the reasons they discussed for
recommending her was the scope and extent of her knowledge of Reading and her performance to
date as interim CEO. *Id.* Exh. 42 at 432:7-24 (summary of discussion in Exh. 4 is accurate).

1 Following the discussion, the Committee held a formal vote. Exh. 11; Exh. 4 at 18. Margaret
2 Cotter abstained, and Gould and McEachern voted in favor of recommending Ellen Cotter.
3 Exhs. 4 at 20; 11 at 125.

4 The full Board subsequently met, and after a discussion about the CEO search process,
5 Ellen Cotter, and the other candidates, the Board voted to approve Ellen Cotter as permanent CEO.
6 Exh. 14 at 141; Exh. 42 at 423:24-424:19. The vote was 7-1, with Ellen Cotter not participating
7 and Cotter, Jr. voting no. *Id.*

8 **F. In Consultation with an Expert Firm and the Compensation Committee, the**
9 **Board Approves Executive Compensation and Other Payments.**

10 In March 2016, the Board approved a new schedule for executive compensation, which
11 was recommended by the Compensation Committee. Exh. 18 at 161-162. The Compensation
12 Committee, which at that time consisted of Kane, Coddington, and Adams, evaluated compensation
13 considerations with the assistance of an expert firm in the field of executive compensation, Willis
14 Tower Watson, and Reading's outside lawyers at Greenberg Traurig. Exh. 25 at 209. The
15 Compensation Committee engaged in extensive discussions with Willis Tower Watson regarding
16 executive pay arrangements. *Id.* The Willis Tower Watson analysis indicated that the total
17 compensation that had been paid to Ellen Cotter was below the 25th percentile in comparison to
18 similar companies. *Id.* at 211. As a result, the Compensation Committee recommended certain
19 increases in the pay of Ellen Cotter and other executives. *Id.* at 214. Gould relied on the work of
20 the Compensation Committee and experts Willis Tower Watson in approving Ellen and Margaret
21 Cotter's pay. Gould Decl. ¶ 2.⁷ Notably, no one voted against Ellen and Margaret Cotter's
22 compensation, including Cotter, Jr. Exh. 18 at 162.

23 In addition, both the Audit Committee (Kane, Wrotniak, and McEachern) and the
24 Compensation Committee reviewed, considered, and recommended a one-time payment of
25 \$200,000 to Margaret Cotter to compensate her for work undertaken beyond her consulting
26 agreement and in consideration for certain releases and waivers granted by her company as part of

27 ⁷ "Gould Decl." refers to the Declaration of William Gould in Support of Gould's Motion for
28 Summary Judgment, filed concurrently herewith in the Appendix of Exhibits, Exhibit A.

1 the termination agreement between Reading and her company. Exh. 25 at 208. Gould relied on
2 the assessment of both the Audit Committee and the Compensation Committee in approving this
3 one-time payment. Gould Decl. ¶ 3.

4 Finally, in March 2016, Ellen Cotter recommended a one-time \$50,000 bonus to Guy
5 Adams because Adams had rendered extraordinary services and devoted significant amounts of
6 time beyond what was typical for a board member. Exh. 18 at 163. His services included
7 assisting Ellen Cotter during her transition to interim and then permanent CEO, advising on
8 investor relations, traveling to New York to assist in the evaluation of the Union Square Project,
9 assisting with other potential transactions, and significant time spent on the Compensation
10 Committee and the Executive Committee. *Id.* Reading had previously issued one-time payments
11 when a Board member spent an unusually large amount of time on Reading business. Exh. 28 at
12 331. The \$50,000 bonus to Adams was in the range of such prior payments. *Id.* The Board
13 approved the payment by a vote of 7-1 with Adams not participating and Cotter, Jr. voting against.
14 Exh. 18 at 163.

15 **G. Gould Opines that Adams Should Not Serve on the Compensation Committee,**
16 **and Reading Follows His Opinion.**

17 Before Cotter, Jr. was appointed CEO of Reading, he admits that he was concerned that
18 Adams' finances meant that he was not independent. Exh. 36 at 177:9-12; 177: 21-23;
19 178:20-180:4. However, he did not express his concerns to anyone when the Board met to appoint
20 him as CEO. Exh. 36 at 181:2-8. And despite these purported concerns, Cotter, Jr. did nothing to
21 investigate Adams' independence for the next *eight months*. Exh. 38 at 643:15-644:2; 647-648.
22 Only when Cotter, Jr. realized that Adams intended to vote to terminate him as CEO did he begin
23 investigating Adams' finances. At that time, Cotter, Jr. purportedly learned that the money Adams
24 was receiving from Cotter-controlled entities represented a significant portion of his overall
25 income. Exh. 36 at 182:6-18; Exh. 38 at 644:3-645:25.

26 At the May 21, 2015 Board meeting (the first meeting where the directors discussed
27 terminating Cotter, Jr.), Cotter, Jr. first raised the issue of Adams' independence. Exh. 2. He also
28 asserted that Kane was not independent. *Id.* Cotter, Jr. did not provide details regarding Adams'

1 purported lack of independence, other than to summarily assert that a large portion of Adams'
2 income derived from Cotter-controlled entities. *Id.*; Exh. 41 at 30:24-31:7. Gould had no direct
3 knowledge regarding Adams' income or net worth. Exh. 41 at 31:10-17. All of the Board
4 members filled out D&O questionnaires, which contained their financial disclosures, and turned
5 them in to Reading counsel. Exh. 42 at 449:16-450:9. Gould believed that Reading counsel was
6 vetting these questionnaires for issues such as financial dependence. *Id.* And so at that time he
7 did not inquire into Adams further, given that the Board members had a practice of not inquiring
8 into each other's finances and of allowing conflict issues to be resolved by counsel. *Id.*

9 Following Adams' deposition in this case, Gould directly learned that a great percentage of
10 Adams' income came from Reading and the Cotter family. Exh. 41 at 31:18-32:8. Gould was
11 then asked by Reading counsel Tompkins and Ellen Cotter whether, with this information, Gould
12 considered Adams independent for the purpose of serving on the Compensation Committee.
13 Exh. 41 at 32:9-15. Gould informed Tompkins and Ellen Cotter that he did not believe so because
14 if Adams' livelihood depended on Reading and the Cotter family, he could not be independent in
15 voting on the compensation of Cotter family members. Exh. 41 at 32:11-15; 33:14-34:7. Shortly
16 thereafter, Adams resigned from the Compensation Committee. Exh. 41 at 36:8-10.

17 **H. Reading's Management Is Responsible for Issuing SEC Filings.**

18 In the approximately 15 months since Cotter, Jr. was terminated, Reading filed numerous
19 filings with the SEC, including Form 8-K filings and Proxy Statements. *See, e.g.*, Exhs. 21-25;
20 28-29. Gould did not sign any of the challenged Form 8-K filings or Proxy Statements. *Id.*
21 Reading's counsel submitted drafts of the Form 8-K filings and Proxy Statements to the Board
22 before filing them. Exh. 42 at 269:24-271:11. Gould's practice was to review the drafts if there
23 was sufficient time before the filing deadline and provide counsel with comments or corrections, if
24 he had any. *Id.* Gould relied on Reading's lawyers to decide if and when a disclosure in an SEC
25 filing was required. *Id.* at 402:12-403:18. When Gould reviewed proxy statements, he looked at
26 and verified facts related to him and then the only the most important parts to the extent he had
27 personal knowledge. Exh. 41 at 179:17-180:9; Exh. 42 at 460:11-461:2. Gould relied on
28 Reading's lawyers and the directors and executives most directly involved to vet the information

1 in the SEC filings as to those matters that he did not have direct involvement or knowledge.
2 Exh. 41 at 181:10-182:7; Exh. 42 at 449:16-450:9; 460:1-462:18; 467:2-13.

3 **III. ARGUMENT**

4 **A. Standard Of Review**

5 Rule 56(c) of the Nevada Rules of Civil Procedure specifically authorizes the granting of
6 summary judgment when “there is no genuine issue as to any material fact and ... the moving party
7 is entitled to a judgment as a matter of law.” NRCP 56 (c); *Sustainable Growth Initiative*
8 *Committee v. Jumpers, LLC*, 122 Nev. 53, 128 P.3d 452, 458 (2006). “[I]n order to defeat
9 summary judgment, the nonmoving party must transcend the pleadings and, by affidavit or other
10 admissible evidence, introduce specific facts that show a genuine issue of material fact.” *Cuzze*
11 *v. Univ. & Cmty. Coll. Sys. of Nevada*, 123 Nev. 598, 603, 172 P.3d 131, 134 (2007). “A factual
12 dispute is genuine when the evidence is such that a rational trier of fact could return a verdict for
13 the nonmoving Party.” *Wood v. Safeway, Inc.*, 121 Nev. 724, 731, 121 P.3d 1026, 1031 (2005).

14 **B. Plaintiff Must Meet an Extremely High Burden to Hold Gould Liable for** 15 **Breach of Fiduciary Duty in Nevada.**

16 A claim for breach of fiduciary duty has three elements: (1) the existence of a fiduciary
17 duty; (2) the breach of the duty; and (3) damages proximately caused by the breach. *Klein v.*
18 *Freedom Strategic Partners, LLC*, 595 F. Supp. 2d 1152, 1162 (D. Nev. 2009). Nevada
19 recognizes two distinct types of fiduciary duties in the corporate context: (1) the duty of care; and
20 (2) the duty of loyalty. *Shoen v. SAC Holding Corp.*, 122 Nev. 621, 632 (2006).

21 Directors are given broad protections when facing such claims. Under the business
22 judgment rule, there is a presumption that a director is acting properly. *See id.* at 636; Nev. Rev.
23 Stat. § 78.138 (“Directors and officers, in deciding upon matters of business, are presumed to act
24 in good faith, on an informed basis and with a view to the interests of the corporation.”). The
25 business judgment rule protects the distinction between ordinary negligence—which is insulated
26 from liability—and actionable gross negligence. *See F.D.I.C. v. Jacobs*, No. 3:13-CV-00084-
27 RCJ, 2014 WL 5822873, at *4 (D. Nev. Nov. 10, 2014).

28 Accordingly, a board’s “decisions will not be disturbed if they can be attributed to any

1 rational business purpose.” *Sinclair Oil Corp. v. Levien*, 280 A.2d 717, 720 (Del. 1971). “[E]ven
2 a bad decision is generally protected by the business judgment rule’s presumption.” *Shoen*, 122
3 Nev. at 636. “[O]vercoming the business judgment rules requires the articulation of facts that
4 suggest a wide disparity between the processes the director used and that which would have been
5 rational. In other words, the complaint must allege facts establishing a decision that is so
6 unreasonable that it seems essentially inexplicable on any ground other than bad faith.” *In re*
7 *AgFeed USA, LLC*, 546 B.R. 318, 330 (Bankr. D. Del. 2016) (applying Nevada law).

8 Even if Cotter, Jr. is able to meet this high initial threshold, he must prove additional facts
9 as to Gould’s conduct as a director. This is because, under Nevada law, Gould still cannot be
10 liable, unless the breach of fiduciary duty also involved intentional misconduct, fraud, or
11 a knowing violation of the law. *Shoen*, 122 Nev. at 640; Nev. Rev. Stat. § 78.138(7).

12 Here, all the relevant evidence proves that Gould was operating safely within the business
13 judgment rule and attempting to make the best decisions for Reading under extremely difficult
14 circumstances—nothing more and nothing less. And there are no cognizable facts from which
15 a fact-finder could infer that Gould acted with negligence, much less intentional misconduct,
16 fraud, or a knowing violation of the law.

17 **C. Gould’s Conduct with Respect to Plaintiff’s Termination Was Not a Breach of**
18 **Fiduciary Duty Involving Intentional Misconduct, Fraud, or a Knowing**
Violation of the Law.

19 Cotter, Jr.’s primary claim in this case is that the Board acted improperly when they
20 terminated him. Preposterously, he is still pursuing a claim against Gould for breach of fiduciary
21 duty relating to the termination, even though there is no dispute that *Gould voted against*
22 *terminating Cotter, Jr.* Exh. 32 at 510:19-23. Given this undisputed fact, Cotter, Jr. cannot
23 establish that Gould breached any duty with respect to his termination, let alone that Gould’s
24 conduct involved intentional misconduct, fraud, or a knowing violation of law. Cotter Jr.’s claims
25 against Gould relating to his termination should be summarily adjudicated.

26 **D. Gould’s Conduct in Approving a Reconstituted Executive Committee Was Not**
27 **a Breach of Fiduciary Duty Involving Intentional Misconduct, Fraud, or**
a Knowing Violation of the Law.

28 Cotter, Jr. also alleges that Gould breached his fiduciary duty in approving the

1 reconstituted Executive Committee because the purpose in doing so was to limit the participation
2 of Gould, Storey, and Plaintiff in Reading's corporate governance. SAC ¶¶ 99, 183(c). Setting
3 aside the absurdity of assessing liability against Gould because he limited his own participation,
4 Cotter Jr.'s theory is completely belied by the undisputed fact that Gould was asked to serve on
5 the Executive Committee. Exh. 41 at 25:15-20. He chose not to serve simply because the time
6 commitment was too extensive. *Id.* Because Gould was in fact asked to serve on the Executive
7 Committee, it is clear that the purpose was not to exclude Gould, Storey, and Cotter, Jr.

8 At any rate, Cotter, Jr. cannot show that Gould's decision to approve a reconstituted
9 Executive Committee was "so unreasonable that it seems essentially inexplicable on any ground
10 other than bad faith," let alone that Gould's approval involved intentional misconduct, fraud, or
11 a knowing violation of the law. Gould testified that he approved the Executive Committee
12 because many corporations have executive committees. Exh. 41 at 28:3-12. Gould was not
13 concerned about giving authority to a smaller group because the decisions would still be reported
14 to the full Board, and he trusted the members of the committee not to make major decisions
15 without Board input. Exh. 41 at 28:22-29:7. There is nothing unreasonable about approving
16 a governance structure that is routinely used at corporations across the country. Cotter, Jr.'s
17 claims regarding the Executive Committee must also be summarily adjudicated.

18 **E. Gould's Conduct with Respect to the Appointment of Directors Coddington and**
19 **Wrotniak Was Not a Breach of Fiduciary Duty Involving Intentional**
20 **Misconduct, Fraud, or a Knowing Violation of the Law.**

21 Cotter, Jr. contends that Gould breached his fiduciary duty in appointing Coddington and
22 Wrotniak. He argues that Wrotniak did not possess any qualifications other than a personal
23 relationship with a friend of Margaret Cotter, and that Coddington did not possess any qualifications
24 other than a personal relationship with the Cotter siblings' mother. SAC ¶¶ 121-133; 177(c). He
25 also argues that Board members should be required to have real estate or cinema experience. *Id.*
26 These claims are fatally flawed.

27 When Cotter, Jr. himself was appointed to the Board, he too lacked such experience and
28 was appointed because he was the controlling shareholder's son. Exh. 36 at 137:20-139:4. Indeed,
there is no dispute that Cotter, Sr. regularly and properly selected Reading's Board members based

1 on friendships and family relationships—not on business experience in Reading’s industry.
2 Exh. 43 at 29:4-23; Exh. 36 at 137:20-138:16. In more than 10 years on the Board, Cotter, Jr.
3 never challenged any of his father’s appointments, even if they were his father’s friends and
4 lacked experience in Reading’s substantive areas of business. *See* Exh. 27 at 287-288.

5 Beyond the disingenuousness of his claims, the law does not require specific experience or
6 background to serve on the Reading Board. Under Nevada law, the only requirements to serve on
7 a board is that a director be at least 18 years of age and a natural person. Nev. Rev. Stat. § 78.115.
8 And Cotter, Jr. knew that Reading did not require that its directors have any additional
9 qualifications. Exh. 38 at 808:7-15; Exh. 27 at 291. Reading clearly disclosed the fact that it had
10 no particular requirements for directors to its shareholders.⁸ Exh. 27 at 291. Here, it is undisputed
11 that Wrotniak and Coddington are over the age of 18 and natural persons. Exh. 28 at 328. The
12 appointment of Wrotniak and Coddington therefore complied with both Nevada law and Reading’s
13 bylaws.

14 Reading’s status as a “Controlled Company” under the NASDAQ Listing Rules reinforces
15 the propriety of the Wrotniak and Coddington appointments.⁹ Exh. 28 at 326. In a “Controlled
16 Company,” *the controlling shareholder has the right to select directors* by virtue of their
17 ownership rights. NASDAQ Listing Rule IM-5615-5. As such, the fact that Wrotniak and
18 Coddington, both experienced business people, had tangential personal relationships with Margaret
19 and Ellen Cotter, or that they were recommended by Margaret and Ellen Cotter, does not
20 somehow render them unqualified to serve on the Board. This is especially true here where the
21 relationships are so limited that they do not even call into question Coddington’s and Wrotniak’s
22 independence. *Beam ex rel. Martha Stewart Living Omnimedia, Inc. v. Stewart*, 845 A.2d 1040,

23
24 ⁸ Shareholders who were unhappy that there were no particular qualifications required for
25 directors had a remedy – they could sell their stock. *Brehm v. Eisner*, 746 A.2d 244, 256 (Del.
2000) (Stockholders who disdain the composition of a board can “make[e] individual buy-sell
decisions involving [the company’s] securities”).

26 ⁹ Although Cotter, Jr. appears to allege that despite numerous SEC filings, which all state that
27 Reading is a “Controlled Company,” Reading is not actually controlled, the undisputed facts
28 establish that Reading has been and is controlled by the Cotter family. Indeed, Cotter, Jr.’s own
expert witness opined that “[a] Delaware Court would likely consider EC and MC to be
controlling stockholders.” Exh. 31 at 494.

1 1050 (Del. 2004) (affinities between Directors and Officers, whether “they arise before board
2 membership or later as a result of collegial relationships among the board of directors” do not,
3 standing alone, impede independence). And even where the relationship between the director and
4 the controlling shareholder is much more significant, “[t]here is no obligation to draw the
5 conclusion that family ties and experience at non-profits are inadequate qualifications to serve as
6 a director of a public company.” *Friedman v. Dolan*, No. CV 9425-VCN, 2015 WL 4040806, at
7 *11 & n.77 (Del. Ch. June 30, 2015) (“*Friedman*”).¹⁰ Stockholders should generally be given
8 latitude to determine whether directors are qualified to serve. *Oberly v. Kirby*, 592 A.2d 445, 469
9 (Del. 1991). And because “judges are not equipped to evaluate whether an individual is qualified
10 to serve on a given board,” courts should be “reluctant to create a standard whereby any director
11 related-to a controller must prove her worth and qualifications in court.” *Friedman*, 2015 WL
12 4040806 at *11 & n.77

13 Cotter, Jr.'s additional complaint as to these appointments is that the decision was made on
14 a short timeframe. Setting aside the fact that Gould was the one who raised this concern, Cotter,
15 Jr. further ignores the fact that there was a rational business reason to consider Coddling and
16 Wrotniak on an expedited basis. Ellen Cotter explained to Gould that the compressed time period
17 was necessary because of the impending deadline to file a proxy statement. Exh. 41 at 171:16-22;
18 174:16-23. Gould understood and accepted this urgency and made a decision in the time
19 available. *See id.* As corporate governance expert Dr. Alfred E. Osborne explained, making
20 a decision on an expedited basis under these circumstances was consistent with good corporate
21 governance because there is value to the stockholders in being able to vote on a full slate of
22 directors. Exh. 30 at 448.

23 With respect to Coddling only, Cotter, Jr. contends Gould breached his fiduciary duty
24 because Gould did not cause a basic, competent public records search or other satisfactory
25 diligence, which would have turned up the iPad scandal, before approving Coddling. SAC ¶ 126.
26 But here, Reading utilized a Special Nominating Committee to vet board candidates. Exh. 28 at

27 ¹⁰ Delaware unreported cases have precedential value and may be cited. *See Aprahamian v.*
28 *HBO & Co.*, 531 A.2d 1204, 1207 (Del. Ch. 1987)

1 326. Gould did not serve on the Special Nominating Committee. *Id.* The Special Nominating
2 Committee consisted of Adams, Kane, and McEachern.¹¹ *Id.* Under Nevada law, Gould was
3 entitled to and did rely on the recommendation of the Special Nominating Committee, who
4 interviewed the candidates and believed they would be positive additions to the Board. Nev. Rev.
5 Stat. § 78.138(2)(c) (“In performing their respective duties, directors and officers are entitled to
6 rely on information, opinions, reports ... that are prepared or presented by ... [a] committee on
7 which the director or officer relying thereon does not serve ... as to matters within the committee’s
8 designated authority and matters on which the committee is reasonably believed to merit
9 confidence.”); Exh. 46 at 349:18-24, 350:16-24, 382-83 (discussing candidates); Exh. 33 at
10 265:8-267:24 (discussing Wrotniak). Exh. 35 at 69:14-24; Exh. 34 at 311:15-312:24 (discussing
11 candidates). While Gould did not specifically discuss background checks with the Special
12 Nominating Committee, it was his understanding that the Special Nominating Committee had
13 vetted the candidates. Exh. 41 at 177:13-178:14; 203:3-11 (Gould “blindsided” and “a little bit
14 disappointed” when he learned that the Company had not done its own Google searches).¹²

15 When Gould learned that the background investigation into Coddling was incomplete,

16
17 ¹¹ Plaintiff contends that Adams and Kane are not independent. To conserve space, Gould does
18 not address the allegation as to Adams. That is because *even if* Adams was not independent, the
19 Special Nominating Committee’s recommendations were still made by an independent and
20 disinterested majority. Cotter, Jr. concedes that McEachern is independent. Exh. 36 at 85:6-86:4.
21 As for Kane, he does not receive any material income from the Company or the Cotters. *See*
22 Exh. 43 at 51:19-53:3. Kane had a longstanding friendship with Cotter, Sr. *Id.* at 29:4-23. He has
23 known all of the Cotter siblings since childhood, and his relationship was the same with all three.
24 *Id.* at 36:5-15. Absent more, Kane’s friendships with the Cotter siblings do not cast doubt on
25 Kane’s independence. *See Louisiana Mun. Police Employees Ret. Sys v. Wynn*, No. 2:12-CV-509
26 JCM GWF, 2013 WL 431339, at*8-*9 (D. Nev. Feb 1, 2013) (applying Nevada law and finding
27 that allegations of a 40-year friendship and a 30-year friendship are insufficient to rebut
28 a presumption of independence). Indeed, as the Delaware Supreme court explained, allegations of
a close “friendship must be accompanied by substantially more in the nature of serious
allegations” that would “support the inference that because of the nature of the relationship or
additional circumstances,” the “non-interested director would be more willing to risk his or her
reputation than risk the relationship with the interested director.” *Beam ex rel. Martha Stewart
Living Omnimedia, Inc. v. Stewart*, 845 A.2d 1040, 1051 (Del. 2004) (allegation that directors
“moved in the same social circles, attended the same weddings, developed business relationships
before joining the board, and described each other as ‘friends’ ... are insufficient, without more, to
rebut the presumption of independence.”). There are no other such “serious allegations” against
Kane here.

¹² The Special Nominating Committee had asked its usual firm to conduct a background check,
although they apparently did not do a competent job. Exh. 46 at 354:55; 357-58; 358:5-13.

1 terms acceptable to them.

2 106. Next, at or about 2:30 p.m., JJC was advised that the supposed RDI board meeting
3 would be adjourned until at or about 6:00 p.m. that evening. JJC also was told that he had until the
4 supposed meeting reconvened that evening to strike a deal with EC and MC, failing which he
5 would be terminated as President and CEO of RDI when the supposed meeting reconvened.

6 107. The supposed meeting reconvened at or about 6:00 p.m. on Friday, May 29, 2015,
7 at which time EC reported that she and MC had reached an agreement in principal with JJC. EC
8 read to the RDI Board of Directors portions of the document attorney Susman had transmitted to
9 attorney Streisand on May 27, 2015 that concerned RDI, including one that provided for an
10 executive committee of the Board of Directors which, she indicated, would be comprised of EC,
11 MC, JJC and Adams, who would be Chairman. EC concluded that, while no definitive agreement
12 had been reached, EC and MC would have one of their lawyers provide documentation to counsel
13 for JJC.

14 108. On Wednesday, June 3, 2015, attorney Susman on behalf of EC and MC
15 transmitted a new document to one of JJC's trust and estate attorney Streisand. The document
16 contained new terms previously not discussed, much less agreed, by the parties.

17 109. On Friday, June 5, 2015, attorney Susman left a message for attorney Streisand, the
18 sum and substance of which was that he (Susman) was awaiting word that JJC had agreed to all of
19 the terms in the document. By that message, attorney Susman implied that the document was, like
20 a prior document he had transmitted, a "take-it or leave-it" proposal.

21 110. On June 8, 2015, JJC advised EC and MC that he could not accept their take-it or
22 leave-it document. MC responded that she would advise the RDI board of directors, referencing
23 the on-going, explicit threat to have JJC terminated as President and CEO of RDI if he failed to
24 agree to a global settlement (including of all trust and estate litigation matters) satisfactory to EC
25 and MC.

26 111. On June 9, 2015, in furtherance of important ongoing RDI business, JJC asked for a
27 response from MC with respect to a senior executive candidate to oversee RDI's United States real
28 estate, which candidate had been endorsed by senior executives at RDI. MC consistently has

1 resisted employing such a person, apparently fearing that someone qualified might undermine her
2 efforts to manage RDI's valuable U.S. real estate holdings. In response to JJC's email, she called
3 him and said, among other things, "you were supposed to be terminated but for a global settlement
4 . . . bye . . . bye."

5 112. On Wednesday afternoon, June 10, 2015, EC transmitted an email to all RDI board
6 members (and RDI's general counsel) stating, among other things, that "we would like to
7 reconvene the Meeting that was adjourned on Friday, May 29th, at approximately 6:15 p.m. (Los
8 Angeles time.) We would like to reconvene this Meeting telephonically *Friday, June 12 at 11:00*
9 *a.m. (Los Angeles time)* . . ." The email purported to further "confirm [] our meeting of the Board
10 of Directors on Thursday, June 18th . . . We will be distributing Agenda and Board package for this
11 Meeting at the end of this week . . ."

12 113. On Friday, June 12, 2015, the supposed RDI board of directors meeting of May 29,
13 2015 supposedly was reconvened. The sole agenda item carried over from May 21, 2015 was the
14 termination of JJC as President and CEO of RDI. All other agenda items were deferred until the
15 next regularly scheduled board meeting six days later, on June 18, 2015. Following through on
16 their prior threat to terminate JJC if he did not resolve all disputes with EC and MC (on terms
17 satisfactory to them), EC, MC, Adams, Kane and McEachern each voted to terminate JJC.
18 McEachern made one last effort to pressure JJC, inviting him to resign rather than be terminated.
19 Storey and Gould voted against terminating JJC as President and CEO. EC was elected interim
20 CEO with the intention expressed of initiating immediately a search for a new President and CEO.

21 114. Separately, EC has been empowered to select the search firm to conduct a search
22 for a supposed new CEO. With such unfettered power, she will select a firm and direct it to
23 present candidates who she can be assured will possess unwavering fealty to EC and MC, without
24 regard to the interests of RDI and its other shareholders, if she allows it to proceed at all opting
25 instead to remain CEO.

26 115. Additionally, and notwithstanding the fact that both directors and senior executive
27 officers at RDI have agreed that the Company needs to hire an executive with the requisite real
28 estate experience to advise the Company with respect to its material real estate holdings in New

1 York, and notwithstanding the fact that at least one candidate acceptable to all but MC (and
2 thereafter EC and the directors beholden to them) had been identified, no person was offered such
3 a position and, as a practical matter, the search for such a person to fill such a position has been
4 terminated, all to ensure that MC retains control of those activities, which she is unqualified to
5 direct without the advice and assistance of an executive with the requisite real estate experience.

6 **EC and Others Pressure Plaintiff In An Effort to Force Him to Abandon This Action**

7 116. EC, with the active assistance or knowing acquiescence of MC, Kane, Adams,
8 McEachern and Gould, has taken actions to pressure Plaintiff to abandon this action and cede
9 control of RDI to them. EC did so, Plaintiff is informed and believes, without previously
10 informing, much less seeking the approval of director Storey. The actions taken to pressure
11 Plaintiff include immediately terminating his access to his RDI email account and to RDI's offices
12 and concocting new *ad hoc* "policies" and/or "practices" designed to bring financial pressure to
13 bear on Plaintiff (such as impairing his ability to exercise RDI options and to sell or borrow against
14 RDI stock in a manner consistent with RDI's historical practices).

15 117. After the purported termination of Plaintiff on or about June 12, 2015, on EC's
16 recommendation, the RDI Board had approved a new so-called insider trading policy. Plaintiff
17 was told that Akin Gump developed it. Plaintiff is informed and believes that this supposed
18 policy was created to impair his ability to generate liquidity through the sale of or borrowing
19 against RDI stock, the principal source of Plaintiff's net worth. Given the extremely limited
20 holdings in RDI stock by any director, officer or employee of RDI other than Plaintiff, this
21 supposed policy enables EC to control the disposition of such shares through the imposition of
22 supposed blackout periods, which she has effectively done, preventing JJC from selling a single
23 share since his purported termination. Kane and McEachern, who purportedly oversee
24 compensation related and related party matters, each have agreed to and cooperated in efforts to
25 prevent Plaintiff from exercising RDI options and selling RDI shares.

26 118. In an effort to pressure Plaintiff to abandon this action, and to secure his resignation
27 from the RDI Board of Directors, EC on June 15, 2015 transmitted a letter the Plaintiff in which
28 she claimed that the employment agreement entered into by him as an executive (over a decade

1 after he became a director) required him to resign as a director upon his termination as an officer.
2 That letter claimed that his failure to do so constituted a breach of the referenced employment
3 agreement and threatened to terminate payments and benefits to Plaintiff if he did not resign
4 within 30 days of his termination. Shortly thereafter, the Company terminated the health and
5 medical benefits the Company provides to him, his wife and his three children and since has
6 terminated payments.

7 **EC, MC, Kane and Adams Act to Entrench Themselves By Manipulating RDI's Corporate**
8 **Machinery**

9 119. Subsequent to terminating Plaintiff, EC, MC, Kane and Adams acted to limit if not
10 eliminate the participation in governance of RDI of JJC and directors Storey and Gould. To that
11 end, a previously inactive executive committee of the RDI Board of Directors has been activated
12 (i.e., the "EC Committee"). It has been repopulated so that EC, MC, Kane and Adams are its only
13 members. The full authority of the RDI Board of Directors purportedly now is held by the EC
14 Committee.

15 120. By such actions, EC, MC, Kane and Adams have impaired if not eviscerated the
16 functioning of RDI's Board of Directors, effectively replacing it with the EC Committee.

17 121. Other fundamental corporate governance practices and protections at RDI have
18 been altered, circumscribed or eliminated. EC, with the active assistance and/or knowing
19 cooperation of MC, Kane and Adams, manipulated and reduced the flow of information to JJC,
20 Gould and Storey as RDI directors, including by failing to timely distribute drafts of prior RDI
21 board of directors meeting minutes, by failing to provide board packages sufficiently in advance of
22 board meetings such that board matters were, to the knowledge of JJC, Storey and Gould,
23 impromptu actions (which had been addressed previously by EC, MC, Kane and Adams), and by
24 failing to timely deliver reports requested by director Storey and promised by EC.

25 122. EC, with the active assistance and/or knowing cooperation of MC, Kane, Adams,
26 McEachern and Gould, has caused RDI to disseminate materially misleading if not inaccurate
27 information to its public shareholders. They have done so in an effort to delay if not avoid
28 discovery of the actions of EC, MC, Kane, Adams and McEachern, and to avoid being held

1 accountable for those actions, whether by way of derivative action or otherwise. Among other
2 things, these defendants caused RDI to disseminate the following press release(s) and/or SEC
3 filings, each of which was misleading if not inaccurate by omission, commission or both:

- 4 a. RDI on June 15, 2015 issued a press release stating that its board of directors
5 "has appointed [EC] as interim President and [CEO], succeeding [JJC]"
6 This press release was misleading because, among other things, it failed to
7 address the circumstances of the purported termination of JJC as President and
8 CEO, much less disclose that he purportedly had been terminated, much less
9 that the purported termination was without cause, or even that JJC had filed this
10 action;
- 11 b. On or about June 18, 2015, RDI filed with the SEC a Form 8-K which was
12 materially misleading if not inaccurate in several respects, including that it
13 stated that JJC was "required to tender his resignation as a director of [RDI]
14 immediately upon termination of his employment [, that he had not done so and
15 that RDI] considers such refusal as a material breach of [the] employment
16 agreement [] and has given [JJC] thirty (30) days in which to resign" The
17 employment agreement in question, which is an exhibit to the Form 10-Q for
18 period ending June 30, 2013 filed by RDI with the SEC, on its face not only
19 does not require JJC to resign as a director in the event that he is terminated as
20 an executive officer, but on its face contemplates that he may continue to serve
21 as a director, which position he in fact held for many years prior to becoming
22 an officer and entering into the subject employment agreement. Separately, the
23 employment agreement contains a thirty (30) day cure provision with respect to
24 breaches of the agreement which may constitute a basis for termination of JJC
25 for cause, which defendants do not claim occurred here. Therefore, the
26 characterization in the Form 8-K of what the Company has done for thirty (30)
27 days is misleading both as to what the employment agreement provides and
28 what the Company has done, which in fact is to assert that JJC is breach of an
agreement which the Company purports to have terminated previously.
Additionally, the Form 8-K is materially misleading in describing this action;
- c. RDI has failed to file a Form 8-K with respect to the EC Committee, which is a
development that materially deviates from the prior practices of RDI and RDI's
SEC disclosures with respect to those practices.
- d. On or about October 13, 2015, RDI filed with the SEC a Form 8-K which was
materially misleading if not inaccurate. In particular, the description in that
Form 8-K of defendant Storey "retir[ing]" from the RDI Board of Directors is
misleading if not inaccurate. As alleged herein, Plaintiff is informed and
believes that Mr. Storey had been told that he would not be nominated to stand
for reelection and that he effectively was forced to resign as a director. The
Form 8-K also is misleading if not inaccurate insofar as its descriptions of new
board members Judy Coddington and Michael Wrotniak suggest that their
respective experiences described in the Form 8-K, such as Coddington having
experience in the field of education and/or Wrotniak having "considerable

1 experience in international business, including foreign exchange risk
2 mitigation," were the reasons those two persons were made Directors of RDI.
3 The Form 8-K also is misleading if not inaccurate with respect to those two
4 persons being made directors RDI because it fails to disclose their respective
5 personal relationships with Cotter family members. As alleged herein, Coddling
6 is a personal friend of Mary Cotter and Wrotniak and/or his wife are personal
7 friends of MC.

8
9 **EC, MC, Kane, Adams and McEachern Manipulate the Corporate Machinery of RDI in An**
10 **Effort to Control the Election of Directors at the 2015 Annual Shareholders Meeting**

11 123. Approximately forty four percent (44%) of the class B voting stock of RDI is held
12 in the name of the James J. Cotter Living Trust, which became irrevocable upon JJC, Sr.'s death
13 on September 13, 2014 (the "Trust").

14 124. Who has authority to vote the RDI class B voting stock held in the name of the
15 Trust is a subject of dispute in the California trust and estate litigation between EC and MC, on
16 one hand, and JJC, on the other hand.

17 125. Plaintiff is informed and believes that, unless EC, MC and JJC as co-trustees of the
18 Trust all agree and provide a unanimous direction to the Company as required under Section
19 15620 of the California Probate Code, RDI cannot properly count any vote of those shares in
20 connection with the 2015 RDI Annual Shareholders Meeting ("ASM").

21 126. Plaintiff is informed and believes that EC and MC are aware of the foregoing
22 regarding whether the RDI class B voting stock held in the name of the Trust properly can be
23 counted at or in connection with RDI's 2015 ASM.

24 127. Plaintiff is informed and believes that EC and MC agreed to act and have taken
25 actions to increase the number of RDI class B shares they can vote at RDI's 2015 ASM in order to
26 attempt to control that vote without including the class B voting stock held in the name of the
27 Trust.

- 28
- a. On or about April 17, EC and MC exercised options to acquire 50,000 and 35,100 shares of RDI class B shares, respectively.
 - b. On or about September 17, 2015, EC and MC, acting as executors of the estate of JJC, Sr., exercised an option to acquire 100,000 shares of RDI class B voting stock. Despite claiming a need to preserve assets of the Estate, EC and MC utilized liquid RDI class A shares to pay for the exercise of the Estate's option to acquire these illiquid RDI class B shares.

1
2 128. In or about June 12, 2015, Plaintiff was told by RDI that the prior practice of
3 allowing the Compensation Committee of RDI's full Board of Directors to approve the exercise of
4 options had been changed to require that each member of the Board of Directors approve any
5 exercise of options by any director. Plaintiff is informed and believes that this was in furtherance
6 of the efforts of EC and others to bring financial pressure to bear on Plaintiff.

7 129. Thus, when Plaintiff on or about June 5 and July 2 sought to exercise two separate
8 tranches of RDI options, his request to do so was delayed for a period of four weeks in each case
9 from the time he gave notice of his election to exercise such options. This was due to the
10 supposed new practice of requiring all directors to approve a director's exercise of options and the
11 supposed delay in getting all directors to sign such consent.

12 130. However, that purported new practice later was reversed or abandoned. Plaintiff is
13 informed and believes that that was because EC and MC, purporting to act as executors of the
14 Estate of JJC, Sr., intended to seek to exercise an option to have the Estate acquire 100,000 shares
15 of class B voting stocks (which they did, as alleged herein).

16 131. EC and MC feared that JJC as an RDI director would refuse to consent to the
17 exercise of this option controlled by EC and MC as executors of the Estate of JJC, Sr.

18 132. Two of three members of the Compensation Committee are Adams and Kane.
19 Plaintiff is informed and believes that on or about September 21, 2015, Kane and Adams,
20 purporting to act as directors and as members of the Compensation Committee, authorized the
21 request of EC and MC that the Estate be allowed to use liquid class A stock to exercise the option
22 to acquire the 100,000 shares using shares of RDI class A stock. Kane and Adams did so in
23 derogation of the interests of RDI, which received no benefit from receiving class A stock (rather
24 than cash), which merely reduced the float of such stock. Plaintiff is informed and believes that
25 Kane and Adams also did so without requiring EC and MC as executors of the Estate to produce
26 documentation establishing the Estate's entitlement to exercise such option, which documentation
27 may not exist. The third director who is a member of the Compensation Committee, Timothy
28 Storey, was unable to attend the supposed meeting of the Compensation Committee because it was
called with too little notice.

1 133. Plaintiff is informed and believes that EC and MC took such actions because it is
2 their understanding that, absent the exercise of the option for the Estate to acquire 100,000 shares
3 of RDI class B voting stock which EC and MC will purport to vote as executors of the Estate, EC
4 and MC lacked sufficient votes to control the 2015 ASM and, in effect, unilaterally elect as RDI
5 directors whomever they choose.

6 **EC And MC Systematically Mislead RDI Shareholders, Including By Failing To Make**
7 **Disclosures Required By The Federal Securities Laws And By Making Misleading**
8 **Disclosures.**

9 134. On or about September 24, 2014, MC and EC filed a Schedule 13D with the United
10 States Securities and Exchange Commission (the "SEC"). In that 13D, each of MC and EC
11 indicated that they were not a member of a 13D group and each excluded any and all RDI shares
12 not owned by them, including shares owned by the Trust and shares held by the Estate, from the
13 shares each reported as beneficially owned and/or shares subject to shared voting power.

14 135. On or about December 22, 2014, EC and MC were appointed in the accompanying
15 Nevada probate action to act as co-executors of the Estate. Plaintiff is informed and believes that
16 they commenced the Nevada probate action at least in part to exercise control as executors of
17 certain Company class B voting stock. As alleged herein, EC and MC have used their positions as
18 executors of the Estate for the purpose of attempting to secure and retain control of the
19 membership or composition of the RDI Board of Directors.

20 136. On or about January 9, 2015, MC and EC filed an amendment to the schedule 13D
21 they filed on or about September 24, 2014 (the "13D1"). The 13D1 for the first time identified the
22 two of them as a 13D group. The 13D1 also was filed for the Estate, but it expressly indicates that
23 the RDI class B voting stock held by the Estate was not stock with respect to which either MC or
24 EC had shared voting power.

25 137. On or about April 16, 2015, EC exercised one or more options to acquire 50,000
26 shares of RDI class B voting stock. She was allowed to do so by using RDI class A non-voting
27 stock rather than cash. That provided no benefit to RDI. EC did not file the required Form 4
28 disclosure with the SEC regarding that acquisition of class B voting stock until on or about
October 9, 2015, three days after the record date of October 6 set for the 2015 ASM.

1 138. On or about April 17, 2015, MC exercised options to acquire a total of 35,100
2 shares of RDI class B voting stock. She was allowed to do so by using RDI class A non-voting
3 stock rather than cash. That provided no benefit to RDI. MC did not file the required Form 4
4 disclosure with the SEC regarding that acquisition of class B voting stock until on or about
5 October 9, 2015, three days after the record date of October 6.

6 139. Plaintiff is informed and believes that in or before April 2015, MC and EC agreed
7 that they would exercise shared voting power of the RDI class B voting stock held in the name of
8 the Estate together with RDI class B voting stock held individually by each of them, such that EC
9 and MC together with the Estate were members of a group for the purposes of Schedule 13D.

10 140. On or about October 9, 2015, EC and MC filed an amended 13D (the "13D2"). The
11 13D2 disclosed for the first time that EC and MC together with the Estate were members of a
12 group for the purposes of Schedule 13D. Plaintiff is informed and believes that EC and MC
13 purposefully failed to disclose the prior existence of this 13D group until such time as they had
14 exercised an option held by the Estate to acquire an additional 100,000 shares of RDI class B
15 voting stock and until after the October 6 record date had passed, as part of their scheme to
16 attempt to control over fifty percent (50%) of the class B voting stock (not including such stock
17 held in the name of the Trust) before the record date for the 2015 ASM. They acquired the
18 100,000 shares on or about September 21, 2015.

19 141. The 13D2 filed on or about October 9, 2015 also states that the Trust "is also a
20 member of the group with the Estate, Margaret Cotter and Ellen Cotter" and says that the "Trust
21 has separately filed a report on Schedule 13D on the date hereof." The 13D2 also states that MC
22 and EC have shared voting power with both the Estate and the Trust.

23 142. On or about October 9, 2015, EC and MC caused the Trust to file a Schedule 13D.
24 That Schedule 13D, like the 13D2, states that the Trust is a member of a group for the purposes of
25 Schedule 13D with the Estate, MC and EC. In response to all these late filings as well as others
26 made by the Company, one institutional holder asked the Board, "Why does this board and
27 management choose to continue to be serial abusers of the securities laws?"
28

1 143. Contrary to what the Schedule 13D filed for the Trust on or about October 9 and
2 the 13D2 imply, EC and MC do not control the shares held in the name of the Trust for voting
3 purposes, shared or otherwise. Plaintiff is informed and believes that such statements made in
4 these two schedule 13Ds (and in the Company's Proxy Statement for the 2015 ASM) are intended
5 by EC and MC (and by Kane, Adams and McEachern) to mislead other holders of RDI class B
6 voting stock in anticipation of and in connection with the 2015 ASM.

7 144. Thus, EC and MC systematically have manipulated their disclosure of actual and
8 claimed ownership and control of RDI class B voting stock for the purposes of misleading RDI
9 shareholders and facilitating their scheme to seize control of RDI and perpetuate their control of
10 RDI. All such actions were purposefully taken by them in derogation of their fiduciary
11 obligations, including the duty of disclosure.

12 145. Plaintiff is informed and believes that each of Kane, Adams and McEachern were
13 party to this scheme. Kane and Adams acted to facilitate this scheme, acting as directors and
14 members of the Compensation Committee to effectuate the acquisition by the Estate of 100,000
15 shares of class B voting stock, including as alleged herein.

16 **EC, MC, Kane, Adams and McEachern Act to Stack the Board With Others Loyal to EC**
17 **and MC**

18 146. EC, MC, Kane, Adams and McEachern have acted to add to the RDI Board of
19 Directors individuals who share a singular qualification, namely, long-standing friendships with
20 EC, MC and/or their mother.

21 147. On or about August 1, 2015, a couple days before a RDI board meeting, EC as
22 Chairman of the Board included on a Board of Directors agenda an item not previously discussed,
23 proposing to add to RDI's Board an individual purported to have needed and sought after real
24 estate development experience. The nomination was proposed to the Board with little notice to the
25 Board so that the Board would be unable to vet the qualifications and suitability of the candidate
26 to RDI's Board. EC has known this individual over twelve years and has a close, personal
27 relationship with him, his wife and child, even being referred to as the young child's aunt.
28 Additionally, that individual previously had done business with RDI in a manner that caused harm

1 to RDI. When Plaintiff objected based on these factors, EC realized that she could not add to the
2 Board someone who had done harm to RDI previously and effectively withdrew that nomination,
3 reporting that her nominee had withdrawn it.

4 148. On or about October 3, also a few days before a board meeting (similarly allowing
5 no time to vet the qualifications and suitability of the candidate to RDI's Board), EC proffered
6 another director candidate, Judy Coddington. Though apparently experienced in the field of
7 education, Ms. Coddington has no experience in either of RDI's two principal business segments,
8 cinema operations and real estate development. Ms. Coddington also has no experience as a director
9 of a public company.

10 149. However, Ms. Coddington maintains a long standing, close personal friendship with
11 Mary Cotter, the mother of EC, MC and Plaintiff. Mary Cotter has chosen the side of EC and MC
12 in the family disputes between EC and MC, on one hand, and JJC, on the other hand. EC and MC
13 both currently reside with Mary Cotter, at least when in metropolitan Los Angeles.

14 150. EC, together with Adams, McEachern and Kane, pushed to have Ms. Coddington
15 added to RDI's Board in advance of the ASM. On October 5, Ms. Coddington was made a director
16 on an impromptu basis, after only minutes of supposed deliberation by the Board. Each of
17 defendants other than Storey (and Plaintiff) acquiesced to EC's request and voted to add this
18 person to the Board. Plaintiff is informed and believes that Gould did so as part of an ongoing
19 effort to atone for not previously siding with EC and MC in their disputes with Plaintiff, in
20 furtherance of his attempt to preserve his position as a director. While Gould asked why such
21 appointment needed to be "slammed down" at that meeting and said that more time was needed to
22 allow the Nominating Committee to vet Ms. Coddington's qualifications, he approved the
23 appointment, effectively acknowledging that he was abdicating his responsibilities in order to
24 accommodate EC and MC on the critical subject of Board membership. After Ms. Coddington's
25 appointment to RDI's Board of Directors was disclosed, one of RDI's institutional shareholders
26 expressed his disbelief over the appointment of someone with no relevant experience and whose
27 activity relating to her employer's alleged violations of the public bidding laws to secure a
28 contract with L.A. Unified School District (LAUSD) to provide iPads to schools was under

1 scrutiny in a federal criminal investigation. Notwithstanding that Ms. Coddington's central role in
2 Pearson's relationship with LAUSD was publicly reported in the Los Angeles Times within the
3 last year, none of Adams, McEachern or Kane were aware of, or at least disclosed to the Board
4 their knowledge of, Ms. Coddington's involvement in such alleged criminal activity prior to
5 recommending her.

6 151. On October 5, 2015, EC and MC announced to the full RDI Board of Directors that
7 they determined to have a so-called nominating committee comprised of Kane, Adams and
8 McEachern propose a board slate of nominees for the RDI's 2015 ASM, which has been set for
9 November 10, 2015. RDI's counsel indicated that EC and MC's personal lawyer recommended
10 that EC and MC not be involved in the nominating process and that the Board form a nominating
11 committee for optical reasons, given EC and MC's role as executors of the Estate and trustees of
12 the Trust.

13 152. Plaintiff is informed and believes that EC and MC previously had determined that
14 director Storey would not be nominated to stand for reelection. Plaintiff is further informed and
15 believes that, prior to the appointment of such nominating committee, each member of the so-
16 called nominating committee had agreed to execute the decision of EC and MC to not nominate
17 director Storey to be reelected.

18 153. Plaintiff is informed and believes that the insistence of director Storey that RDI
19 directors act in the interest of all shareholders, not just EC and MC, and his efforts to do so,
20 account in part for the decision and agreement of EC, MC, Kane, Adams and McEachern to not
21 nominate director Storey to stand for reelection at the 2015 ASM.

22 154. Plaintiff is informed and believes that the supposed nominating committee, or at
23 least one or more of McEachern, Adams and Kane purporting to act in that capacity, pressured
24 Storey to resign as a director offering him inducements to resign that they were not authorized to
25 provide.

26 155. The supposed nominating committee, acting at the direction and requests of EC and
27 MC, then selected Michael Wrotniak, who was a candidate about whom EC provided information
28 to the full Board only a couple days before the Board meeting, to replace Storey.

1 156. Wrotniak does not have expertise in either of RDI's business segments, cinema
2 operations and real estate development. Nor does he possess expertise in corporate governance.
3 Nor does he possess expertise in any other matter that would be of value to RDI as a public
4 company.

5 157. However, Wrotniak is the husband of MC's best friend. He was chosen because
6 MC and EC expect unwavering loyalty from him.

7 158. The supposed nominating committee selected Wrotniak, notwithstanding the fact
8 that a senior executive with chief financial officer experience at a public, multi-billion dollar real
9 estate services and investment company, experience with Wall Street and years of experience in
10 the real estate industry, expressed a willingness to serve on RDI's Board of Directors. That
11 candidate had been suggested by Plaintiff and had no ties to any of the Cotters.

12 159. By the foregoing actions, EC, MC, Kane, Adams and McEachern each have
13 continued to misuse the corporate machinery of RDI to further the personal financial and other
14 interests of each and all of them, including in particular to attempt to rig the vote at the 2015
15 ASM, to entrench and perpetuate themselves in exclusive control of RDI.

16 160. Thus, at all times relevant hereto, EC and MC, together with Kane, Adams and
17 McEachern, have acted and continue to act, to protect and further their own personal and financial
18 interests, and knowingly have done so to the detriment of RDI and all of its shareholders,
19 including through their pervasive and ongoing misuse and dismantling of RDI's corporate
20 governance machinery and structures and their systematic dissemination to RDI shareholders of
21 materially misleading if not inaccurate information, by both commission and omission. For his
22 part, Gould has acceded to and approved certain such conduct, and has done so in derogation of
23 his fiduciary duties.

24 161. On or about October 20, 2015, the Company issued its Proxy Statement for the
25 2015 ASM scheduled for November 10, 2015. The Proxy Statement is materially misleading if not
26 inaccurate in a number of respects, including the following:

- a. It states (at page 10) that, under Nevada law, EC and MC, as two of three trustees of the Trust, have the power to vote all of the RDI class B voting stock held in the name of the Trust on the books and records of the Company;
- b. It states (at page 10) that EC and MC together have the power to vote 71.9% of a class B voting stock entitled to vote for directors at the 2015 ASM;
- c. It states (at pages 10 and 11) that the Company is a controlled company under NASDAQ listing rules;
- d. It states (at page 11) that EC has been appointed as interim President and CEO and that the Board has established an Executive Search Committee comprised of EC, MC, Adams, Gould and McEachern which, it says, "will consider both internal and external candidates." Plaintiff is informed and believes that the undisclosed plan is to make EC President and CEO after conducting a search the purpose of which is to create the misimpression of a bona fide process;
- e. It states (on page 12) that the "Special Nominating Committee and the Board accordingly considered the views of (EC and MC) with respect to the 2015 Director nominees," when in fact the Special Nominating Committee and every member of the Board other than Plaintiff acted as each understood EC and MC desired;
- f. It states (on page 12) that Plaintiff "vot[ed] against each of the recommended nominees (including himself)," which is inaccurate;
- g. It describes (on page 15) historical business experience of defendant Adams, as if that experience is the reason he is a director and is nominated for reelection, but fails to disclose his close personal ties to the late JJC, Sr. and to EC and MC, and fails to disclose Adams' financial dependence on companies and deals controlled by EC and MC;
- h. It describes (at page 15) professional experience of Judy Coddington in the field of education as if that were the reason she was made a director and is

1 nominated for reelection, but fails to disclose her personal relationship with Mary
2 Cotter, the mother of EC and MC;

3 i. It describes (at pages 15-16) the role of MC with respect to the Company's
4 live theatre operations, and says that she "heads up the re-development process
5 with respect to these properties and our Cinemas 1, 2 & 3," but fails to disclose that
6 MC successfully has ended the search by the Company for an experienced real
7 estate executive to lead its real estate development efforts. Among the reasons MC
8 has done so is to create a purported basis for seeking and securing and for which
9 she will receive an employment agreement with the Company;

10 j. It describes (at page 16) certain professional experience of Kane, including
11 experience from 1987 and 1988, but fails to disclose his historical and ongoing
12 quasi-familial relationship with EC and MC;

13 k. It describes (at page 16) certain professional experience of Wrotniak, as if
14 that were the reason he was made a director and is nominated for reelection, but
15 fails to disclose the close personal relationship he and his wife have with MC.

16 **RDI Is Injured**

17 162. When the individual defendants' complained of conduct became publicly known
18 and disseminated, the price at which RDI stock traded dropped, resulting in monetary damages to
19 RDI and to RDI stockholders. One or more directors or officers of RDI observed at or about the
20 time that this had occurred. Those damages are estimated to be in excess of \$40 million. When
21 the actions of the individual defendants (other than Storey) to stack the RDI Board became
22 publicly known, RDI stock prices dropped again.

23 163. The individual defendants' complained of conduct has resulted in injury to and
24 impairment of RDI's reputation and goodwill. The consequences of such damage include
25 diminished ability to attract and retain qualified senior executives, increased costs if able to do so,
26 an impaired ability to effectuate transactions that may involve use of Company stock as
27 consideration, diminished willingness of institutional investors to buy and to hold RDI stock and
28 other impairment of and increased costs to conduct fundamental aspects of RDI's business.

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33993 Howard Hughes Parkway
Suite 600
Las Vegas, NV 89169-5996

164. The individual defendants' complained of conduct effectively has eliminated important rights of shareholders, including the right to be timely informed of material developments, the right to not be misled, the right to rely on timely and accurate SEC filings and the right to have elections for directors that are not manipulated and not rigged.

165. Certain of the individual defendants' complained of conduct has literally cost RDI money, meaning has caused monetary damages to RDI, including for example what amounted to a gift of \$50,000 to EC.

Demand Is Excused

166. Insofar as any or all of the claims made herein are derivative in nature, demand upon the RDI board is excused because, among other things, each of the individuals named as defendants herein comprising seven of eight board members (and, counting Plaintiff, eight of eight) and comprising five of five outside directors, are unable to exercise independent and disinterested business judgment in responding to a demand, and because the actions giving rise to this action, namely, the threat to terminate JJC and the subsequent actions to do so when he refused to be pressured into settling trust and estate litigation with EC and MC on terms satisfactory to them, were not *bona fide* business decisions undertaken honestly and in good faith in the best interests of RDI, much less the product of a valid exercise of business judgment.

167. In that respect, all of the RDI board members named as defendants herein would be materially affected, either to their benefit or detriment, by a decision of the RDI board with respect to any demand, and would be so affected in a manner not shared by the Company or its stockholders, including for the reasons alleged herein.

168. Additionally, each of the five outside directors is and would be unable to exercise independent and disinterested business judgment responding to a demand because, among other things, doing so would entail assessing their own liability, including possibly to the Company. The same is true particularly with respect to a majority of the outside directors, meaning Adams, Kane and McEachern, each of whom lack independence generally and, more particularly with respect to the decision to pick sides in a family dispute and terminate Plaintiff as President and CEO of RDI, lack disinterestedness, including for the reasons alleged herein, including but not

1 limited to Adams' financial dependence on companies controlled or claimed to be controlled by
2 EC and MC, Kane's quasi-familial relationship with EC and MC and McEachern's decision to
3 protect and pursue his own personal and financial interest which, Plaintiff is informed and
4 believes, is based upon McEachern's erroneous expectation that EC and MC ultimately will
5 prevail and control seventy percent (70%) of the voting stock of the Company, thereby controlling
6 McEachern's fate as a director.

7 169. Additionally, notwithstanding the foregoing allegations, each of Adams, Kane and
8 McEachern lack disinterestedness and independence because each has affirmatively chosen,
9 without any obligation to do so and in derogation of their fiduciary obligations as directors of RDI,
10 to pick sides in a family dispute involving trust and estate litigation between Plaintiff, on one hand,
11 and EC and MC, on the other hand, and to misuse their positions as directors in doing so. Like
12 MC and EC, in so acting, they did not act honestly and in good faith in the best interests of RDI.

13 FIRST CAUSE OF ACTION

14 (For Breach of Fiduciary Duty – Against All Defendants)

15 170. Plaintiff repeats and realleges paragraphs 1 through 169, inclusive, of this complaint
16 and incorporates them herein by this reference as though set forth in full.

17 171. Each of defendants Kane, Adams, McEachern, Storey and Gould at all times
18 relevant hereto were directors of RDI. As such, each owed fiduciary duties, including fiduciary
19 duties of care, candor, good faith and loyalty, to the Company, to Plaintiff and to other RDI
20 shareholders.

21 172. The duty of care owed by each of these defendants entails, among other things, an
22 obligation to exercise the requisite degree of care in the process of decision making as a director
23 and to act on an informed basis.

24 173. The duty of care further requires, among other things, that these directors do not act
25 with undue haste, a lack of board preparation or a failure of deliberation with respect to the merits
26 of any and every supposed business decision.

27 174. By the conduct described herein, including in particular but not limited to the
28 failure to engage in any process to assess the skills and performance of Plaintiff as President or as

1 CEO in connection with the decision to threaten to terminate and to terminate him, and including
2 but not limited to the conduct herein that amounted to pre-empting any process of doing so and
3 preventing any *bona fide* deliberations with respect to such decision, each of defendants Kane,
4 Adams, McEachern, Storey and Gould have breach their fiduciary obligations, including in
5 particular their fiduciary duty of care.

6 175. As a direct and proximate result of the acts and omissions of said defendants as
7 described herein, Plaintiff and the Company and its other shareholders have suffered injury and
8 continue to suffer injury as alleged herein.

9 176. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,
10 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.
11 Plaintiff will amend this complaint and set forth said damages when they are ascertained,
12 according to proof at trial.

13 SECOND CAUSE OF ACTION

14 (Breach of Fiduciary Duty – Against MC, EC, Adams, Kane, McEachern and Gould)

15 177. Plaintiff repeats and realleges paragraphs 1 through 169, inclusive, of this complaint
16 and incorporates them herein by this reference as though set forth in full.

17 178. Each of defendants Kane, Adams, McEachern, Storey and Gould at all times
18 relevant hereto were directors of RDI. As such, each owed fiduciary duties, including fiduciary
19 duties of care, candor and loyalty, to the Company, to Plaintiff and to other RDI shareholders.

20 179. The duty of loyalty includes the obligation to not use their positions of control of
21 the Company, including in particular as directors, to further their own personal or financial
22 interests or the personal or financial interests of another of them to the detriment of the interests of
23 the Company and its shareholders.

24 180. By the conduct described herein, each of these defendants have undertaken to
25 further their own interests or the interests of another of them, to the direct, immediate and ongoing
26 detriment of the Company, Plaintiff and each of its other shareholders.

27 181. By reason of the foregoing, each of MC, EC, Adams, Kane, McEachern and Gould
28 have breached their fiduciary obligations, and in particular their fiduciary duties of good faith,

1 loyalty and candor, to the Company and to Plaintiff and all other shareholders of the Company.

2 182. As a direct and proximate result of the acts and omissions of said defendants as
3 described herein, Plaintiff and the Company and its other shareholders have suffered injury and
4 continue to suffer injury as alleged herein.

5 183. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,
6 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.
7 Plaintiff will amend this complaint and set forth said damages when they are ascertained,
8 according to proof at trial.

9 **THIRD CAUSE OF ACTION**

10 **(Aiding and Abetting Breach of Fiduciary Duty – Against MC and EC)**

11 184. Plaintiff repeats and realleges paragraphs 1 through 169, inclusive, of this
12 complaint and incorporates them herein by this reference as though set forth in full.

13 185. Insofar as any or all of Defendants contend that the decision to terminate Plaintiff
14 as CEO and President was made based upon a vote of the non-Cotter directors, and independent of
15 the fact that such vote was legally ineffectual, the fiduciary breaches alleged above were solicited
16 and aided and abetted by MC and EC.

17 186. As alleged more fully herein, EC and MC had solicited and assisted the actionable
18 conduct of defendants Kane, Adams and McEachern, including in particular but not limited to the
19 threat by the three of them to terminate JJC as President and CEO of RDI if, in the few hours
20 between the adjournment of the supposed RDI board meeting on Friday, May 29, 2015 the
21 presumption of that supposed meeting at or about 6:00 p.m. that evening, JJC did not reach a
22 global settlement agreement with EC and MC, meaning agree to their take-it or leave-it agreement
23 or any other such agreement they would demand he accept.

24 187. EC and MC further solicited and aided and abetted the decisions and actions of
25 defendants Adams, Kane and McEachern to terminate JJC as President and CEO of RDI.

26 188. EC and MC further prompted and aided and abetted the fiduciary breaches of
27 Storey and Gould.

28 189. Each of EC and MC have acted with knowledge of the fiduciary obligations of the

1 five outside directors. Each of EC and MC have acted with knowledge of the manner in which
2 those fiduciary obligations were breached, and aided and abetted and continue to aide and abed
3 said breaches. Accordingly, each of EC and MC are liable for aiding and abetting those fiduciary
4 breaches.

5 190. As a direct and proximate result of the acts and omissions of said defendants as
6 described herein, Plaintiff and the Company and its other shareholders have suffered injury and
7 continue to suffer injury as alleged herein.

8 191. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,
9 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.
10 Plaintiff will amend this complaint and set forth said damages when they are ascertained,
11 according to proof at trial.

12 **Irreparable Harm**

13 192. As a result of the ongoing acts of Defendants, the Company, Plaintiff and other RDI
14 shareholders have suffered and will continue to suffer immediate and ongoing irreparable injury
15 for which no adequate remedy at law exists, including as alleged herein. Accordingly, Plaintiff is
16 entitled to temporary, preliminary and permanent injunctive relief restraining Defendants, and each
17 of them, from continuing their course of conduct and undertaking further actions in derogation of
18 their fiduciary obligations, and to an order and judgment finding that the actions undertaken to date
19 to threaten JJC with termination and thereafter terminate JJC as President and CEO of RDI, as well
20 as their actions undertaken in furtherance of the self-dealing and entrenchment scheme alleged
21 herein, are legally ineffectual and of no force and effect, will be enjoined, or both.

22 193. In particular, unless such injunctive relief is granted, Plaintiff, the Company and
23 other shareholders will suffer irreparable harm for which no adequate remedy at law exists.

24 **PRAYER FOR RELIEF**

25 **WHEREFORE**, Plaintiff prays for judgment against Defendants and each of them, jointly
26 and severally, as follows:

27 1. For relief restraining and enjoining Defendants from taking further action to
28 effectuate or implement the (legally ineffectual) termination of Plaintiff as President and CEO of

1 RDI;

2 2. For a determination that the purported termination of Plaintiff as President and
3 CEO of RDI was legally ineffectual and is of no force and effect;

4 3. For entry of an order that:

- 5 a. Finds that that three or more of EC, MC, Kane, Adams and/or McEachern
6 lacked the requisite disinterestedness and/or lacked independence and/or failed to
7 act with the requisite disinterestedness and/or independence in voting (and
8 purporting to act as) directors of RDI to remove Plaintiff as President and CEO of
9 RDI, finds that such action is voidable and declares such action void and legally
10 ineffectual, such that Plaintiff is restored to the positions of President and CEO of
11 RDI (unless and until such time as he resigns or is removed by way of proper and
12 legally enforceable procedure);
- 13 b. Enjoins the individual defendants and each of them, and their agents, from
14 any and all actions to circumvent, impair the function of or render ineffective RDI's
15 full Board of Directors, including in particular but not limited to any and all actions
16 to (i) delay the delivery of draft minutes of RDI Board of Directors meetings and/or
17 cause minutes to be edited or revised to suit the litigation purposes of any or all of
18 EC, MC, Kane, Adams and McEachern, (ii) cause the failure or untimely delivery
19 of agendas and materials to be used at RDI Board of Directors meetings, (iii) cause
20 minutes of RDI Board of Directors meeting to be inaccurate, misleading or
21 incomplete, and (iv) cause the EC Committee or any other committee of the Board
22 of Directors (other than its audit and compensation committees in the ordinary
23 course of business) to take any actions, to make any decisions or to otherwise act or
24 fail to act in place or in lieu of the full Board of Directors with respect to any and
25 all decisions of the type or nature that can be made by RDI's Board of Directors
26 (rather than by its senior executives);
- 27 c. Directs RDI and the individual defendants to make such corrective
28 disclosures as are determined by the Court to be appropriate, with such disclosures

1 required to be made in advance of RDI's 2015 ASM or, alternatively, orders that
2 the 2015 ASM to be postponed pending such corrective disclosures;

3 d. Enjoins the individual defendants and each of them, and their agents, from
4 manipulating the 2015 ASM, including by entering an order sterilizing or voiding
5 any vote they cast at or in connection with the 2015 ASM of the 100,000 shares of
6 class B voting stock that were the subject of an option purportedly exercised in or
7 about September 2015; and

8 e. Requires that nominees for RDI's Board of Directors have *bona fide*
9 qualifications to serve on the board of a public company engaged in RDI's two
10 principal business segments, cinemas and real estate development.

11 4. For judgment against each of the Defendants for breach of their respective fiduciary
12 obligations;

13 5. For actual and compensatory damages incurred by RDI and against each of
14 Defendants other than Storey in an amount according to proof at trial;

15 6. For costs of suit herein; and

16 7. For such other and further relief as the Court may deem just and proper.

17 DATED this 22nd day of October, 2015.

18 LEWIS ROCA ROTHGERBER LLP

19
20 /s/ Mark G. Krum

21 Mark G. Krum (Nevada Bar No. 10913)
22 3993 Howard Hughes Pkwy, Suite 600
23 Las Vegas, NV 89169-5958

24 Attorneys for Plaintiff
25 James J. Cotter, Jr.
26
27
28

CERTIFICATE OF SERVICE

I, Annette Jaramillo, declare as follows:

I am over the age of eighteen years and not a party to the within entitled action. I am a legal assistant acting at the direction of Lewis Roca Rothgerber LLP, 3993 Howard Hughes Parkway, Suite 600, Las Vegas, Nevada 89169.

On October 22, 2015, I served the attached:

• **JAMES J. COTTER, JR.'S FIRST AMENDED VERIFIED COMPLAINT**

on the interested parties in said action, as follows:

Mark E. Ferrario, Esq.
Leslie S. Godfrey, Esq.
Lance Coburn, Esq.
GREENBERG TRAUIG LLP
ferrariom@gtlaw.com
godfreyl@gtlaw.com
Attorneys for Reading International, Inc.

Christopher Tayback, Esq.
Marshall M. Searcy, Esq.
QUINN EMANUEL URQUHART &
SULLIVAN LLP
christayback@quinnemanuel.com
marshallsearcy@quinnemanuel.com
*Attorneys for Defendants Margaret Cotter,
Ellen Cotter, Douglas McEachern, Guy Adams
and Edward Kane*

Ekwan E. Rohow, Esq.
Bonita D. Moore, Esq.
BIRD, MARELLA, BOXER, WOLFPERT,
NESSIM, DROOKS, LINCENGERG &
RHOW
eer@birdmarella.com
bdm@birdmarella.com
*Attorneys for Defendants William Gould and
Timothy Storey*

Adam C. Anderson, Esq.
PATTI, SCRO, LEWIS & ROGER
aanderson@pslrfirm.com
*Derivatively on behalf of Reading
International, Inc.*

H. Stan Johnson, Esq.
COHEN-JOHNSON, LLC
sjohnson@cohenjohnson.com
*Attorneys for Defendants Margaret Cotter,
Ellen Cotter, Douglas McEachern, Guy Adams
and Edward Kane*

Donald A. Lattin, Esq.
Carolyn K. Renner, Esq.
MAUPIN, COX & LeGOY
dlattin@mclrenolaw.com
crenner@mclrenolaw.com
*Attorneys for Defendants William Gould and
Timothy Storey*

Alexander Robertson, Esq.
ROBERTSON & ASSOCIATES, LLP
arobertson@arobertsonlaw.com
*Derivatively on behalf of Reading
International, Inc.*

1 and caused to be served via the Court's E-Filing System DAP/Wiznet, on all interested parties in
2 the above-referenced matter. The date and time of the electronic service is in place of the date and
3 place of deposit in the mail.

4
5 DATED this 22nd day of October, 2015.

6 /s/ Annette Jaramillo
7 An Employee of Lewis Roca Rothgerber LLP
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LEWIS ROCA
ROTHGERBER

1 **VERIFICATION OF JAMES J. COTTER, JR. OF FIRST AMENDED VERIFIED**
2 **COMPLAINT**

3 I, James J. Cotter Jr., declare as follows:

4 1. I am over the age of eighteen (18) years and competent to testify to the matters set
5 forth herein. Pursuant to all applicable laws, I swear as follows:

6 2. As a shareholder of Reading International, Inc. ("RDI"), I am plaintiff in the above-
7 captioned action.

8 3. As stated in the First Amended Verified Complaint (the "First Amended
9 Complaint"), I am and at all times relevant to this action have been a shareholder of nominal
10 defendant RDI.

11 4. I have read the First Amended Complaint and am familiar with the contents thereof.
12 The factual allegations therein are true based upon my personal knowledge, except for those
13 matters set forth upon information and belief, which I believe to be true, as well.

14 I declare under penalty of perjury that the foregoing is true and correct.

15
16 DATED this 22nd day of October, 2015.

17 
18 _____
19 JAMES J. COTTER, JR.

Alvin L. Quinn

CLERK OF THE COURT

**DISTRICT COURT
CLARK COUNTY, NEVADA**

JAMES COTTER, JR. ET AL,

Plaintiff(s),

vs

MARGARET COTTER, ET AL,

Defendant(s),

READING INTERNATIONAL, INC,

Nominal Defendant.

Case No. 15 A 719860

Dept. No. XI

Date of Hearing: 10/29/15

Time of Hearing: 8:30a.m.

**SCHEDULING ORDER AND
ORDER SETTING CIVIL JURY TRIAL,
PRE-TRIAL CONFERENCE AND CALENDAR CALL**

MC
This SCHEDULING ORDER AND TRIAL SETTING ORDER is entered following the Mandatory Rule 16 Conference conducted on October 29, 2015. Filing of the Joint Case Conference Report has been waived. Based upon the information presented at the conference and the agreement of the parties, EDCR Rule 2.55 is superseded by this Scheduling Order. This Order may be amended or modified by the Court upon good cause shown.

IT IS HEREBY ORDERED that the parties will comply with the following deadlines:

Percipient Witness Discovery Cut Off 04/29/16

Initial Experts Disclosures 05/27/16

Rebuttal Expert Disclosures 07/15/16

Expert Discovery Cut Off 08/26/16

Dispositive Motions and Motions in Limine to be filed by 09/23/16

CLERK OF THE COURT

RECEIVED
NOV 10 2015

1 **IT IS HEREBY FURTHER ORDERED THAT:**

2 A. The above entitled case is set to be tried to a jury on a Five week stack to begin,
3 **November 14, 2016 at 1:30p.m.**

4 B. A Pre-Trial Conference with the designated attorney and/or parties in proper person
5 will be held on Friday, **October 21, 2016 at 8:30a.m.**

6 C. A calendar call will be held on Thursday, **November 10, 2016 at 8:45a.m.**
7 Parties must bring to Calendar Call the following:

- 8 (1) Typed exhibit lists;
9 (2) List of depositions;
10 (3) List of equipment needed for trial, including audiovisual equipment;¹ and
11 (4) Courtesy copies of any legal briefs on trial issues.

12 The Final Pretrial Conference will be set at the time of the Calendar Call.

13 D. Parties are to appear on **May 5, 2016 at 8:30 a.m.** and **September 1,**
14 **2016 at 8:30 a.m.** for Status Checks on the matter.

15 E. The Pre-Trial Memorandum must be filed no later than **November 9, 2016**, with
16 a courtesy copy delivered to Department XI. All parties, (Attorneys and parties in proper person)
17 **MUST** comply with ALL REQUIREMENTS of E.D.C.R. 2.67, 2.68 and 2.69. Counsel should include in the
18 Memorandum an identification of orders on all motions in limine or motions for partial summary
19 judgment previously made, a summary of any anticipated legal issues remaining, a brief summary of
20 the opinions to be offered by any witness to be called to offer opinion testimony as well as any
21 objections to the opinion testimony.

22 F. All motions in limine, must be in writing and filed no later than **September 23,**
23 **2016. Orders shortening time will not be signed except in extreme emergencies.**

24 If counsel anticipate the need for audio visual equipment during the trial, a request
25 must be submitted to the District Courts AV department following the calendar call. You can
26 reach the AV Dept at 671-3300 or via E-Mail at CourtHelpDesk@ClarkCountyCourts.us

1 G. All original depositions anticipated to be used in any manner during the trial must be
2 delivered to the clerk prior to the final Pre-Trial Conference. If deposition testimony is anticipated to
3 be used in lieu of live testimony, a designation (by page/line citation) of the portions of the testimony
4 to be offered must be filed and served by facsimile or hand, two (2) judicial days prior to the final Pre-
5 Trial Conference. Any objections or counterdesignations (by page/line citation) of testimony must be
6 filed and served by facsimile or hand, one (1) judicial day prior to the final Pre-Trial Conference
7 commencement. Counsel shall advise the clerk prior to publication.
8

9 H. In accordance with EDCR 2.67, counsel shall meet, review, and discuss exhibits. All
10 exhibits must comply with EDCR 2.27. Two (2) sets must be three hole punched placed in three ring
11 binders along with the exhibit list. The sets must be delivered to the clerk prior to the final Pre-Trial
12 Conference. Any demonstrative exhibits including exemplars anticipated to be used must be disclosed
13 prior to the calendar call. Pursuant to EDCR 2.68, at the final Pre-Trial Conference, counsel shall be
14 prepared to stipulate or make specific objections to individual proposed exhibits. Unless otherwise
15 agreed to by the parties, demonstrative exhibits are marked for identification but not admitted into
16 evidence.
17

18 I. In accordance with EDCR 2.67, counsel shall meet, review, and discuss items to be
19 included in the Jury Notebook. Pursuant to EDCR 2.68, at the final Pre-Trial Conference, counsel shall
20 be prepared to stipulate or make specific objections to items to be included in the Jury Notebook.
21

22 J. In accordance with EDCR 2.67, counsel shall meet and discuss preinstructions to the
23 jury, jury instructions, special interrogatories, if requested, and verdict forms. Each side shall provide
24 the Court, at the final Pre-Trial Conference, an agreed set of jury instructions and proposed form of
25 verdict along with any additional proposed jury instructions with an electronic copy in Word format.
26

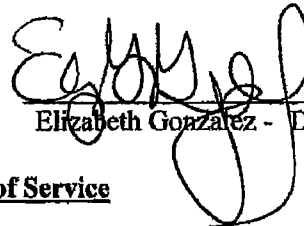
27 J. In accordance with EDCR 7.70, counsel shall file and serve by facsimile or hand, two
28 (2) judicial days prior to the final Pre-Trial Conference voir dire proposed to be conducted pursuant to
conducted pursuant to EDCR 2.68.

Failure of the designated trial attorney or any party appearing in proper person to
appear for any court appearances or to comply with this Order shall result in any of the

1 following: (1) dismissal of the action (2) default judgment; (3) monetary sanctions; (4) vacation
2 of trial date; and/or any other appropriate remedy or sanction.

3 Counsel is required to advise the Court immediately when the case settles or is otherwise
4 resolved prior to trial. A stipulation which terminates a case by dismissal shall also indicate whether a
5 Scheduling Order has been filed and, if a trial date has been set, the date of that trial. A copy should
6 be given to Chambers.
7

8 DATED this 9th day of November, 2015.

9
10
11 
12 Elizabeth Gonzalez - District Court Judge

13 **Certificate of Service**

14 I hereby certify, that on the date filed, this Order was served on the parties identified
15 on Wiznet's e-service list.

16
17 
18 Dan Kufinac
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CLERK OF THE COURT

COHEN | JOHNSON | PARKER | EDWARDS

255 E. Warm Springs Road, Suite 9
Las Vegas, Nevada 89119
(702) 823-3500 FAX: (702) 823-3400

1 **ANS**
2 **COHEN|JOHNSON|PARKER|EDWARDS**

3 H. STAN JOHNSON, ESQ.
4 Nevada Bar No. 00265
5 sjohnson@cohenjohnson.com
6 MICHAEL V. HUGHES, ESQ.
7 Nevada Bar No. 13154
8 mhughes@cohenjohnson.com
9 255 E. Warm Springs Road, Suite 100
10 Las Vegas, Nevada 89119
11 Telephone: (702) 823-3500
12 Facsimile: (702) 823-3400

13 **QUINN EMANUEL URQUHART & SULLIVAN, LLP**

14 CHRISTOPHER TAYBACK, ESQ.
15 California Bar No. 145532, *pro hac vice*
16 christayback@quinnemanuel.com
17 MARSHALL M. SEARCY, ESQ.
18 California Bar No. 169269, *pro hac vice*
19 marshallsearcy@quinnemanuel.com
20 865 S. Figueroa St., 10th Floor
21 Los Angeles, CA 90017
22 Telephone: (213) 443-3000

23 Attorneys for Defendants Margaret Cotter,
24 Ellen Cotter, Douglas McEachern, Guy Adams, and Edward Kane

25 **EIGHTH JUDICIAL DISTRICT COURT**

26 **CLARK COUNTY, NEVADA**

27 JAMES J. COTTER, JR., derivatively on behalf
28 of Reading International, Inc.;

Plaintiff,

v.

MARGARET COTTER, ELLEN COTTER,
GUY ADAMS, EDWARD KANE, DOUGLAS
McEACHERN, TIMOTHY STOREY,
WILLIAM GOULD, and DOES 1 through 100,
inclusive;

Defendants.

AND

Case No.: A-15-719860-B
Dept. No.: XI

Case No.: P-14-082942-E
Dept. No.: XI

Related and Coordinated Cases

BUSINESS COURT

**ANSWER TO FIRST AMENDED
COMPLAINT**

COHEN | JOHNSON | PARKER | EDWARDS

255 E. Warm Springs Road, Suite 9
Las Vegas, Nevada 89119
(702) 823-3500 FAX: (702) 823-3400

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READING INTERNATIONAL, INC., a Nevada
corporation,

Nominal Defendant.

DEFENDANTS' ANSWER TO PLAINTIFF'S FIRST AMENDED COMPLAINT

Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, and Douglas McEachern hereby set forth the following Answer to the First Amended Verified Complaint, filed by Plaintiff on October 22, 2015 ("Complaint"). Any allegation, averment, contention or statement in the Complaint not specifically and unequivocally admitted is denied. Defendants respond to each of the paragraphs of the Complaint as follows:

RESPONSE TO "NATURE OF THE CASE"

1. Defendants deny the allegations of paragraph 1 of the Complaint.
2. Defendants deny the allegations of paragraph 2 of the Complaint.
3. Defendants deny the allegations of paragraph 3 of the Complaint.
4. Defendants admit that "family disputes" between Ellen Cotter and Margaret Cotter, on the one hand, and James Cotter, Jr., on the other hand, included certain trust and estate litigation commenced by Ellen Cotter and Margaret Cotter against James Cotter, Jr. following the passing of their father, James J. Cotter, Sr., in September 2014. Defendants deny the allegations of paragraph 4 of the Complaint in all other respects.
5. Defendants deny the allegations of paragraph 5 of the Complaint.
6. Defendants admit that Plaintiff, Ellen Cotter, and Margaret Cotter have referred to Edward Kane as "Uncle Ed." Defendants deny the allegations of paragraph 6 of the Complaint in all other respects.
7. Defendants deny the allegations of paragraph 7 of the Complaint.
8. Defendants deny the allegations of paragraph 8 of the Complaint.
9. Defendants deny the allegations of paragraph 9 of the Complaint.
10. Defendants admit that Ellen Cotter and Margaret Cotter, acting in the capacities as the Co-Executors of the estate of James J. Cotter, Sr. (the "Cotter Estate"), exercised on behalf of the Cotter Estate an option held by the Cotter Estate to acquire 100,000 shares of RDI class B voting stock. Defendants deny the allegations of paragraph 10 of the Complaint in all other respects.

11. Defendants admit that Ellen Cotter reported that a candidate for the Board of Directors decided to withdraw from consideration because of pending derivative litigation. Defendants deny the allegations of paragraph 11 of the Complaint in all other respects.

12. Defendants admit that, on or about October 5, 2015, Ellen Cotter proposed adding Judy Coddington to RDI's Board of Directors. Defendants admit that Edward Kane, Douglas McEachern, and Guy Adams met Ms. Coddington. Defendants admit that Mary Cotter knows Ms. Coddington. Defendants deny the allegations of paragraph 12 of the Complaint in all other respects.

13. Defendants admit that Edward Kane, Guy Adams, and Douglas McEachern were members of RDI's nominating committee. Defendants admit that RDI's Annual Stockholder Meeting was scheduled for November 10, 2015. Defendants admit that Margaret Cotter knows Michael Wrotniak. Defendants deny the allegations of paragraph 13 of the Complaint in all other respects.

14. Defendants admit that RDI's Board of Directors voted to elect Michael Wrotniak to fill the vacancy on the Board of Directors. Defendants deny the allegations of paragraph 14 of the Complaint in all other respects.

15. Defendants admit that RDI's nominating committee recommended Michael Wrotniak to the Board of Directors. Defendants admit that McEachern and Adams spoke to another suggested candidate. Defendants deny the allegations of paragraph 15 of the Complaint in all other respects.

16. Defendants deny the allegations of paragraph 16 of the Complaint.

RESPONSE TO "PARTIES"

17. Defendants admit that, at all times relevant hereto, James Cotter, Jr. was a stockholder of RDI. Defendants admit that James Cotter, Jr. has been a director of RDI. Defendants admit that James Cotter, Jr. was appointed Vice Chairman of RDI's Board of Directors, then later President of RDI. Defendants admit that James Cotter, Jr. was appointed CEO by RDI's Board of Directors after James Cotter, Sr. resigned from that position. Defendants admit that James Cotter, Jr. is the son of the late James Cotter, Sr. and the brother of Ellen Cotter and Margaret Cotter. Defendants deny the allegations of paragraph 17 of the Complaint in all other respects.

18. Defendants admit that Margaret Cotter is a director of RDI. Defendants admit that Margaret Cotter is the owner and President of OBI, LLC, a company that provides theater management services to live theaters indirectly owned by RDI through Liberty Theatres, LLC, of which Margaret Cotter is President. Defendants admit that Margaret Cotter was involved in development of real estate in New York owned directly or indirectly by RDI. Defendants deny the allegations of paragraph 18 of the Complaint in all other respects.

19. Defendants admit that Ellen Cotter is and at all times relevant hereto was a director of RDI. Defendants deny the allegations of paragraph 19 of the Complaint in all other respects.

20. Defendants admit that Edward Kane is an outside director of RDI. Defendants admit that Edward Kane has been a director of RDI since approximately October 15, 2004. Defendants admit that Edward Kane was a friend of James Cotter, Sr., James Cotter, Jr., Ellen Cotter, and Margaret Cotter. Defendants deny the allegations of paragraph 20 of the Complaint in all other respects.

21. Defendants admit that Guy Adams is an outside director of RDI. Defendants deny the allegations of paragraph 21 of the Complaint in all other respects.

22. Defendants admit that Douglas McEachern is an outside director of RDI. Defendants deny the allegations of paragraph 22 of the Complaint in all other respects.

23. Defendants admit that Timothy Storey was an outside director of RDI. Defendants admit that, beginning in 2006, Timothy Storey served as a director of RDI's wholly-owned New Zealand subsidiary. Defendants deny the allegations of paragraph 23 of the Complaint in all other respects.

24. Defendants admit the allegations of paragraph 24 of the Complaint.

25. Defendants admit that RDI is a Nevada corporation. Defendants admit that RDI has two classes of stock—Class A stock and Class B stock. The other allegations of paragraph 25 of the Complaint are purportedly based on written documents, which speak for themselves. Defendants deny the remaining allegations of paragraph 25 of the Complaint.

26. Defendants deny the allegations of paragraph 26 of the Complaint.

RESPONSE TO "ALLEGATIONS COMMON TO ALL CLAIMS"

27. Defendants admit that, since approximately 2000 and until he resigned as Chairman and CEO of RDI, James J. Cotter, Sr. was the CEO and Chairman of the Board of Directors of RDI. Defendants deny the allegations of paragraph 27 of the Complaint in all other respects.

28. Defendants deny the allegations of paragraph 28 of the Complaint.

29. Defendants deny the allegations of paragraph 29 of the Complaint.

30. Defendants admit that James Cotter, Jr. was appointed Vice Chairman of the RDI board in 2007. Defendants admit that the RDI board appointed James Cotter, Jr. President of RDI on or about June 1, 2013. Defendants deny the allegations of paragraph 30 of the Complaint in all other respects.

31. Defendants admit the allegation of paragraph 31 of the Complaint.

32. Defendants admit that Ellen Cotter and Margaret Cotter are in litigation with James Cotter, Jr. Defendants deny the allegations of paragraph 32 of the Complaint in all other respects.

33. Defendants admit that, as President and CEO of RDI, James Cotter, Jr. worked to push his sisters out of RDI. Defendants deny the allegations of paragraph 33 of the Complaint in all other respects.

34. Defendants deny the allegations of paragraph 34 of the Complaint.

35. Defendants admit that Ellen Cotter sought an employment agreement. Defendants admit that Ellen Cotter believed that James Cotter, Jr. would try to fire her without cause. Defendants deny the allegations of paragraph 35 of the Complaint in all other respects.

36. Defendants deny the allegations of paragraph 36 of the Complaint.

37. Defendants admit that Edward Kane had a relationship with each of Margaret Cotter and Ellen Cotter. Defendants admit that James Cotter, Jr., Margaret Cotter, and Ellen Cotter have called Edward Kane "Uncle Ed." Defendants deny the allegations of paragraph 37 of the Complaint in all other respects.

38. To the extent that the allegations of paragraph 38 of the Complaint are purportedly based on written documents, the documents speak for themselves. Defendants deny the remaining allegations of paragraph 38 of the Complaint.

1 39. Defendants deny the allegations of paragraph 39 of the Complaint.

2 40. Defendants admit that, in October 2014, RDI's Board of Directors provided
3 \$50,000 to Ellen Cotter to compensate her for her inability to realize the intended benefits of an
4 option due to an error by the Company in connection with the issuance of that option to her, and
5 that Ellen Cotter had exercised that option in 2013. Defendants deny the allegations of paragraph
6 40 of the Complaint in all other respects.

7 41. Defendants deny the allegations of paragraph 41 of the Complaint.

8 42. Defendants admit that, on or about November 2014, RDI's Board of Directors
9 approved an increase in compensation for each nonemployee director. Defendants deny the
10 allegations of paragraph 42 of the Complaint in all other respects.

11 43. Defendants deny the allegations of paragraph 43 of the Complaint.

12 44. Defendants deny the allegations of paragraph 44 of the Complaint.

13 45. Defendants deny the allegations of paragraph 45 of the Complaint.

14 46. Defendants deny the allegations of paragraph 46 of the Complaint.

15 47. Defendants deny the allegations of paragraph 47 of the Complaint.

16 48. The allegations of paragraph 48 of the Complaint are purportedly based on written
17 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
18 48 of the Complaint.

19 49. Defendants deny the allegations of paragraph 49 of the Complaint.

20 50. Defendants admit that, on or about January 15, 2015, RDI's Board of Directors
21 approved purchase of a directors and officers insurance policy. Defendants deny the allegations
22 of paragraph 50 of the Complaint in all other respects.

23 51. Defendants admit that the quoted resolution was approved. Defendants deny the
24 allegations of paragraph 51 of the Complaint in all other respects.

25 52. Defendants deny that Plaintiff's work as CEO was recognized as successful by the
26 stock market. Defendants are without knowledge or information sufficient to form a belief as to
27 the truth of the remaining allegations of paragraph 52 of the Complaint, and therefore deny them.
28

1 53. Defendants are without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of paragraph 53 of the Complaint, and therefore deny them.

3 54. Defendants are without knowledge or information sufficient to form a belief as to
4 the truth of the allegations of paragraph 54 of the Complaint, and therefore deny them.

5 55. Defendants deny the allegations of paragraph 55 of the Complaint.

6 56. Defendants deny that Plaintiff's work as CEO was recognized as successful by the
7 stock market. Defendants are without knowledge or information sufficient to form a belief as to
8 the truth of the remaining allegations of paragraph 56 of the Complaint, and therefore deny them.

9 57. Defendants deny the allegations of paragraph 57 of the Complaint.

10 58. Defendants deny the allegations of paragraph 58 of the Complaint.

11 59. Defendants deny the allegations of paragraph 59 of the Complaint.

12 60. Defendants admit that William Gould and Timothy Storey were assigned to try to
13 mediate the relationship between James Cotter, Jr., on the one hand, and Ellen Cotter and Margaret
14 Cotter, on the other. Defendants deny the allegations of paragraph 60 of the Complaint in all other
15 respects.

16 61. Defendants are without knowledge or information sufficient to form a belief as to
17 the truth of the allegations of paragraph 61 of the Complaint, and therefore deny them.

18 62. Defendants are without knowledge or information sufficient to form a belief as to
19 the truth of the allegations of paragraph 62 of the Complaint, and therefore deny them.

20 63. Defendants deny the allegations of paragraph 63 of the Complaint.

21 64. Defendants admit that Margaret Cotter asked for an employment agreement with
22 RDI. Defendants deny the allegations of paragraph 64 of the Complaint in all other respects.

23 65. Defendants admit that the non-Cotter directors sought additional compensation for
24 time expended on RDI matters. Defendants are without knowledge or information sufficient to
25 form a belief as to the truth of the remaining allegations of paragraph 65 of the Complaint, and
26 therefore deny them.

27 66. Defendants admit that director Storey resides in New Zealand and that Storey took
28 trips to Los Angeles on RDI business. Defendants are without knowledge or information sufficient

1 to form a belief as to the truth of the remaining allegations of paragraph 66 of the Complaint, and
2 therefore deny them.

3 67. Defendants are without knowledge or information sufficient to form a belief as to
4 the truth of the allegations of paragraph 67 of the Complaint, and therefore deny them.

5 68. Defendants deny that Margaret Cotter and Ellen Cotter pursued their own personal
6 interests, in derogation of the interests of RDI and its stockholders. Defendants are without
7 knowledge or information sufficient to form a belief as to the truth of the remaining allegations of
8 paragraph 68 of the Complaint, and therefore deny them.

9 69. Defendants deny the allegations of paragraph 69 of the Complaint.

10 70. The allegations of paragraph 70 of the Complaint are purportedly based on written
11 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
12 70 of the Complaint.

13 71. Defendants admit that the Stomp Producers gave notice of termination of Stomp's
14 lease at the Orpheum Theatre on or about April 23, 2015. Defendants deny the allegations of
15 paragraph 71 of the Complaint in all other respects.

16 72. Defendants are without knowledge or information sufficient to form a belief as to
17 the truth of the allegations of paragraph 72 of the Complaint, and therefore deny them.

18 73. Defendants deny the allegations of paragraph 73 of the Complaint.

19 74. Defendants are without knowledge or information sufficient to form a belief as to
20 the truth of the allegations of paragraph 74 of the Complaint, and therefore deny them.

21 75. Defendants deny the allegations of paragraph 75 of the Complaint.

22 76. Defendants deny the allegations of paragraph 76 of the Complaint.

23 77. Defendants deny the allegations of paragraph 77 of the Complaint.

24 78. Defendants deny the allegations of paragraph 78 of the Complaint.

25 79. Defendants admit that Ellen Cotter became interim CEO of RDI after James Cotter,
26 Jr. was terminated. Defendants deny the allegations of paragraph 79 in all other respects.

27 80. Defendants deny the allegations of paragraph 80 of the Complaint.

28 81. Defendants deny the allegations of paragraph 81 of the Complaint.

1 82. Defendants deny the allegations of paragraph 82 of the Complaint.

2 83. Defendants deny the allegations of paragraph 83 of the Complaint.

3 84. Defendants deny the allegations of paragraph 84 of the Complaint.

4 85. Defendants deny the allegations of paragraph 85 of the Complaint.

5 86. Defendants admit that Ellen Cotter distributed an agenda for the May 21, 2015 RDI
6 board meeting on or about May 19, 2015, and that the first action item on the agenda was entitled
7 "Status of President and CEO." Defendants deny the remaining allegations of paragraph 86 of the
8 Complaint.

9 87. Defendants deny the allegations of paragraph 87 of the Complaint.

10 88. Defendants deny the allegations of paragraph 88 of the Complaint.

11 89. Defendants deny the allegations of paragraph 89 of the Complaint.

12 90. Defendants admit that James Cotter, Jr.'s counsel appeared at the May 21, 2015
13 board meeting and made a statement. Defendants deny the remaining allegations of paragraph 90
14 of the Complaint.

15 91. Defendants deny the allegations of paragraph 91 of the Complaint.

16 92. Defendants deny the allegations of paragraph 92 of the Complaint.

17 93. Defendants deny the allegations of paragraph 93 of the Complaint.

18 94. Defendants admit that the May 21, 2015 board meeting was adjourned to May 29,
19 2015. Defendants deny the remaining allegations of paragraph 94 of the Complaint.

20 95. Defendants admit that Harry Susman transmitted a settlement offer to Adam
21 Streisand. Defendants deny the remaining allegations of paragraph 95 of the Complaint.

22 96. Defendants admit the allegations of paragraph 96 of the Complaint.

23 97. Defendants deny the allegations of paragraph 97 of the Complaint.

24 98. The allegations of paragraph 98 of the Complaint are purportedly based on written
25 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
26 98 of the Complaint.

27 99. Defendants deny the allegations of paragraph 99 of the Complaint.

28

100. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 100 of the Complaint, and therefore deny them.

101. Defendants deny the allegations of paragraph 101 of the Complaint.

102. Defendants deny the allegations of paragraph 102 of the Complaint.

103. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 103 of the Complaint, and therefore deny them.

104. Defendants deny the allegations of paragraph 104 of the Complaint.

105. Defendants deny the allegations of paragraph 105 of the Complaint.

106. Defendants admit that James Cotter, Jr. was advised that the RDI Board meeting would be adjourned until about 6:00 p.m. that evening. Defendants deny the allegations of paragraph 106 of the Complaint in all other respects.

107. Defendants admit that the RDI Board meeting reconvened. Defendants deny the allegations of paragraph 107 of the Complaint in all other respects.

108. Defendants admit that, on or about June 3, 2015, Harry Susman transmitted a document to counsel for James Cotter, Jr., Adam Streisand. Defendants deny the allegations of paragraph 108 of the Complaint in all other respects.

109. Defendants deny the allegations of paragraph 109 of the Complaint.

110. Defendants deny the allegations of paragraph 110 of the Complaint.

111. Defendants deny the allegations of paragraph 111 of the Complaint.

112. The allegations of paragraph 112 of the Complaint are purportedly based on written documents, which speak for themselves. Defendants deny the remaining allegations of paragraph 112 of the Complaint.

113. Defendants deny the allegations of paragraph 113 of the Complaint.

114. Defendants deny the allegations of paragraph 114 of the Complaint.

115. Defendants deny the allegations of paragraph 115 of the Complaint.

116. Defendants deny the allegations of paragraph 116 of the Complaint.

117. Defendants deny the allegations of paragraph 117 of the Complaint.

118. Defendants deny the allegations of paragraph 118 of the Complaint.

119. Defendants deny the allegations of paragraph 119 of the Complaint.
120. Defendants deny the allegations of paragraph 120 of the Complaint.
121. Defendants deny the allegations of paragraph 121 of the Complaint.
122. Defendants deny the allegations of paragraph 122 of the Complaint.
123. Defendants admit the allegations of paragraph 123 of the Complaint.
124. Defendants admit the allegations of paragraph 124 of the Complaint.
125. The allegations of paragraph 125 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 125 of the Complaint are denied.
126. Defendants deny the allegations of paragraph 126 of the Complaint.
127. Defendants deny the allegations of paragraph 127 of the Complaint.
128. Defendants deny the allegations of paragraph 128 of the Complaint.
129. Defendants deny the allegations of paragraph 129 of the Complaint.
130. Defendants deny the allegations of paragraph 130 of the Complaint.
131. Defendants deny the allegations of paragraph 131 of the Complaint.
132. Defendants deny the allegations of paragraph 132 of the Complaint.
133. Defendants deny the allegations of paragraph 133 of the Complaint.
134. Defendants deny the allegations of paragraph 134 of the Complaint.
135. Defendants deny the allegations of paragraph 135 of the Complaint.
136. Defendants deny the allegations of paragraph 136 of the Complaint.
137. Defendants deny the allegations of paragraph 137 of the Complaint.
138. Defendants deny the allegations of paragraph 138 of the Complaint.
139. Defendants deny the allegations of paragraph 139 of the Complaint.
140. Defendants deny the allegations of paragraph 140 of the Complaint.
141. The allegations of paragraph 141 of the Complaint are purportedly based on written documents, which speak for themselves. Defendants deny the remaining allegations of paragraph 141 of the Complaint.
142. Defendants deny the allegations of paragraph 142 of the Complaint.

1 143. Defendants deny the allegations of paragraph 143 of the Complaint.

2 144. Defendants deny the allegations of paragraph 144 of the Complaint.

3 145. Defendants deny the allegations of paragraph 145 of the Complaint.

4 146. Defendants deny the allegations of paragraph 146 of the Complaint.

5 147. Defendants deny the allegations of paragraph 147 of the Complaint.

6 148. Defendants admit that Ellen Cotter proposed Judy Coddington as a candidate for RDI's
7 Board of Directors. Defendants deny the allegations of paragraph 148 of the Complaint in all other
8 respects.

9 149. Defendants admit that Mary Cotter knows Judy Coddington. Defendants deny the
10 allegations of paragraph 149 of the Complaint in all other respects.

11 150. Defendants admit that, on October 5, 2015, Judy Coddington was made a director of
12 RDI. Defendants admit that, with the exception of James Cotter, Jr., RDI's directors voted to add
13 Ms. Coddington to RDI's Board of Directors. Defendants are without knowledge or information
14 sufficient to form a belief as to the truth of the allegations in paragraph 150 of the Complaint
15 related to one of RDI's institutional stockholders, and therefore deny them. Defendants deny the
16 allegations of paragraph 150 of the Complaint in all other respects.

17 151. Defendants deny the allegations of paragraph 151 of the Complaint.

18 152. Defendants deny the allegations of paragraph 152 of the Complaint.

19 153. Defendants deny the allegations of paragraph 153 of the Complaint.

20 154. Defendants deny the allegations of paragraph 154 of the Complaint.

21 155. Defendants admit that RDI's Board of Directors voted to elect Michael Wrotniak
22 to fill the vacancy on the Board of Directors. Defendants deny the allegations of paragraph 155 of
23 the Complaint in all other respects.

24 156. Defendants deny the allegations of paragraph 156 of the Complaint.

25 157. Defendants deny the allegations of paragraph 157 of the Complaint.

26 158. Defendants deny the allegations of paragraph 158 of the Complaint.

27 159. Defendants deny the allegations of paragraph 159 of the Complaint.

28 160. Defendants deny the allegations of paragraph 160 of the Complaint.

1 161. Defendants deny the allegations of paragraph 161 of the Complaint.

2 162. Defendants deny the allegations of paragraph 162 of the Complaint.

3 163. Defendants deny the allegations of paragraph 163 of the Complaint.

4 164. Defendants deny the allegations of paragraph 164 of the Complaint.

5 165. Defendants deny the allegations of paragraph 165 of the Complaint.

6 166. Defendants deny the allegations of paragraph 166 of the Complaint.

7 167. Defendants deny the allegations of paragraph 167 of the Complaint.

8 168. Defendants deny the allegations of paragraph 168 of the Complaint.

9 169. Defendants deny the allegations of paragraph 169 of the Complaint.

10 **RESPONSE TO "FIRST CAUSE OF ACTION**

11 **(For Breach of Fiduciary Duty – Against All Defendants)"**

12 170. Defendants reassert and incorporate their responses to paragraphs 1 through 169 of
13 the Complaint.

14 171. The allegations of paragraph 171 of the Complaint constitute conclusions of law to
15 which no responsive pleading is required. To the extent a response is deemed required, the
16 allegations of paragraph 171 of the Complaint are denied.

17 172. The allegations of paragraph 172 of the Complaint constitute conclusions of law to
18 which no responsive pleading is required. To the extent a response is deemed required, the
19 allegations of paragraph 172 of the Complaint are denied.

20 173. The allegations of paragraph 173 of the Complaint constitute conclusions of law to
21 which no responsive pleading is required. To the extent a response is deemed required, the
22 allegations of paragraph 173 of the Complaint are denied.

23 174. Defendants deny the allegations of paragraph 174 of the Complaint.

24 175. Defendants deny the allegations of paragraph 175 of the Complaint.

25 176. Defendants deny that Plaintiff, RDI, or its stockholders have suffered any damages
26 by virtue of Defendants' conduct.

RESPONSE TO "SECOND CAUSE OF ACTION**(Breach of Fiduciary Duty – Against MC, EC, Adams, Kane, McEachern and Gould)"**

177. Defendants reassert and incorporate their responses to paragraphs 1 through 176 of the Complaint.

178. The allegations of paragraph 178 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 178 of the Complaint are denied.

179. The allegations of paragraph 179 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 179 of the Complaint are denied.

180. The allegations of paragraph 180 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 180 of the Complaint are denied.

181. Defendants deny the allegations of paragraph 181 of the Complaint.

182. Defendants deny the allegations of paragraph 182 of the Complaint.

183. Defendants deny that Plaintiff, RDI, or its stockholders have suffered any damages by virtue of Defendants' conduct.

RESPONSE TO "THIRD CAUSE OF ACTION**(Aiding and Abetting Breach of Fiduciary Duty – Against MC and EC)"**

184. Defendants reassert and incorporate their responses to paragraphs 1 through 183 of the Complaint.

185. Defendants deny the allegations of paragraph 185 of the Complaint.

186. Defendants deny the allegations of paragraph 186 of the Complaint.

187. Defendants deny the allegations of paragraph 187 of the Complaint.

188. Defendants deny the allegations of paragraph 188 of the Complaint.

189. The allegations of paragraph 189 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 189 of the Complaint are denied.

190. Defendants deny the allegations of paragraph 190 of the Complaint.

191. Defendants deny that Plaintiff, RDI, or its stockholders have suffered any damages by virtue of Defendants' conduct.

RESPONSE TO "IRREPARABLE HARM"

192. Defendants deny the allegations of paragraph 192 of the Complaint.

193. Defendants deny the allegations of paragraph 193 of the Complaint.

RESPONSE TO "PRAYER FOR RELIEF"

194. Responding to the unnumbered WHEREFORE paragraph following paragraph 193 of the Complaint, Defendants admit that Plaintiff demands and prays for judgment as set forth therein, but deny that Defendants caused or contributed to Plaintiff's or RDI's alleged injuries and further deny that Defendants are liable for damages or any other relief sought in the Complaint.

AFFIRMATIVE DEFENSES

195. Subject to the responses above, Defendants allege and assert the following defenses in response to the allegations, undertaking the burden of proof only as to those defenses deemed affirmative defenses by law, regardless of how such defenses are denominated herein. In addition to the affirmative defenses described below, subject to their responses above, Defendants specifically reserve all rights to allege additional affirmative defenses that become known through the course of discovery.

FIRST DEFENSE – FAILURE TO STATE A CAUSE OF ACTION

196. The Complaint, and each purported cause of action therein, is barred, in whole or in part, for failure to state a cause of action against Defendants under any legal theory.

SECOND DEFENSE – STATUTES OF LIMITATIONS AND REPOSE

197. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by the applicable statutes of limitations and/or statutes of repose.

THIRD DEFENSE – LACHES

198. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by the doctrine of laches, in that Plaintiff waited an unreasonable period of time to file this action and this prejudicial delay has worked to the detriment of Defendants.

FOURTH DEFENSE – UNCLEAN HANDS

199. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by the doctrine of unclean hands.

FIFTH DEFENSE – SPOILIATION

200. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by Plaintiff's spoliation of evidence and obstruction of justice.

SIXTH DEFENSE – ILLEGAL CONDUCT AND FRAUD

201. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by Plaintiff's own illegal conduct and/or fraud.

SEVENTH DEFENSE – WAIVER, ESTOPPEL, AND ACQUIESCENCE

202. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by the doctrines of waiver, estoppel, and acquiescence because Plaintiff's acts, conduct, and/or omissions are inconsistent with his requests for relief.

EIGHTH DEFENSE – RATIFICATION AND CONSENT

203. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because any purportedly improper acts by Defendants, if any, were ratified by Plaintiff and his agents, and/or because Plaintiff consented to the same.

NINTH DEFENSE – NO UNLAWFUL ACTIVITY

204. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because, to the extent any of the activities alleged in the Complaint actually occurred, those activities were not unlawful.

TENTH DEFENSE – NO RELIANCE

205. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because Plaintiff did not justifiably rely on any alleged misrepresentation of Defendants.

ELEVENTH DEFENSE – FAILURE TO PLEAD FRAUD WITH PARTICULARITY

206. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because Plaintiff failed to plead the alleged fraud with particularity, including but not limited to identification of the alleged misrepresentations.

TWELFTH DEFENSE – UNCERTAIN AND AMBIGUOUS

207. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because it is uncertain and ambiguous as it relates to Defendants.

THIRTEENTH DEFENSE – PRIVILEGE AND JUSTIFICATION

208. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because the actions complained of, if taken, were at all times reasonable, privileged, and justified.

FOURTEENTH DEFENSE – GOOD FAITH AND LACK OF FAULT

209. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because, at all times material to the Complaint, Defendants acted in good faith and with innocent intent.

FIFTEENTH DEFENSE – NO ENTITLEMENT TO INJUNCTIVE RELIEF

210. Plaintiff is not entitled to injunctive relief because, among other things, he has not suffered irreparable harm, he has an adequate remedy at law, and injunctive relief is not supported by any purported cause of action alleged in the Complaint and is not warranted by the balance of the hardships and/or any other equitable factors.

SIXTEENTH DEFENSE – DAMAGES TOO SPECULATIVE

211. Plaintiff is not entitled to damages of any kind or in any sum or amount whatsoever as a result of Defendants' acts or omissions alleged in the Complaint because any damages sought are speculative, uncertain, and not recoverable.

SEVENTEENTH DEFENSE – NO ENTITLEMENT TO PUNITIVE DAMAGES

212. The Complaint, and each purported cause of action alleged therein, fails to support the recovery of punitive, exemplary, or enhanced damages from Defendants, including because such damages are not recoverable under applicable Nevada statutory and common law requirements and are barred by the constitutional limitations, including the Due Process Clause of the Fourteenth Amendment and the Eighth Amendment to the United States Constitution.

EIGHTEENTH DEFENSE – MITIGATION OF DAMAGES

213. Plaintiff has failed to properly mitigate the damages, if any, he has sustained, and by virtue thereof, Plaintiff is barred, in whole or in part, from maintaining the causes of action asserted in the Complaint against Defendant.

NINETEENTH DEFENSE – COMPARATIVE FAULT

214. Plaintiff's recovery against Defendants is barred, in whole or in part, based on principles of comparative fault, including Plaintiff's own comparative fault.

TWENTIETH DEFENSE – BUSINESS JUDGMENT RULE

215. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the business judgment rule.

TWENTY-FIRST DEFENSE – EQUITABLE ESTOPPEL

216. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the doctrine of equitable estoppel.

TWENTY-SECOND DEFENSE – ELECTION OF REMEDIES

217. Plaintiff is barred, in whole or in part, from obtaining relief under the Complaint, or any of the causes of action or claims therein, that are based on inconsistent positions and/or remedies, including but not limited to inconsistent and duplicative claims for equitable and legal relief.

TWENTY-THIRD DEFENSE – NEVADA REVISED STATUTE 78.138

218. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by Nevada Revised Statute 78.138, which provides that a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that: (a) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer; and (b) the breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

TWENTY-FOURTH DEFENSE – FAILURE TO MAKE APPROPRIATE DEMAND

1 219. The Complaint, and each purported cause of action alleged therein, is barred, in
2 whole or part, for failure to make a demand on RDI's Board of Directors.

3 **TWENTY-FIFTH DEFENSE – CONFLICT OF INTEREST AND**
4 **UNSUITABILITY TO SERVE AS DERIVATIVE REPRESENTATIVE**

5 220. The Complaint, and each purported cause of action alleged therein, is barred, in
6 whole or part, because Plaintiff has conflicts of interest and are unsuitable to serve as derivative
7 representatives.

8 **WHEREFORE**, Defendants request that Plaintiff's Complaint be dismissed in its entirety
9 with prejudice, that judgment be entered in favor of Defendants, that Defendants be awarded costs
10 and, to the extent provided by law, attorney's fees, and any such other relief as the Court may
11 deem proper.

12 Dated this 14th day of March, 2016.

13 COHEN|JOHNSON|PARKER|EDWARDS

14
15 By Michael Hughes, Esq.
16 H. Stan Johnson, Esq.

17 Christopher Tayback
18 Marshall M. Searcy
19 QUINN EMANUEL URQUHART &
20 SULLIVAN, LLP
21 Attorneys for Defendants
22 Margaret Cotter, Ellen Cotter,
23 Douglas McEachern, Guy Adams,
24 and Edward Kane
25
26
27
28

CERTIFICATE OF SERVICE

I hereby certify that, on the 14th day of March 2016, I caused a true and correct copy of the foregoing document entitled DEFENDANTS' ANSWER TO PLAINTIFF'S FIRST AMENDED COMPLAINT to be served on all interested parties in this action via the Court's E-Filing and E-Service System.

Lewis Roca Rothgerber LLP
Brian Blakley BBlakley@lrrlaw.com
Mark G. Krum mkrum@lrrlaw.com
Annette Jaramillo ajaramillo@lrrlaw.com

Quinn Emanuel Urquhart & Sullivan, LLP
Marshall M. Searcy III
marshallsearcy@quinnemanuel.com

Cohen-Johnson, LLC
H. Stan Johnson, Esq.
calendar@cohenjohnson.com
Sarah Gondek sgondek@cohenjohnson.com
C.J. Barnabi cj@cohenjohnson.com

Robertson & Associates, LLP
Robert Nation, Esquire
rnation@arobertsonlaw.com
Alex Robertson, IV, Esquire
arobertson@arobertsonlaw.com
Annie Russo (Legal Assistant)
arusso@arobertsonlaw.com
Elisabeth Dagorrette, Paralegal
edagorrette@arobertsonlaw.com

McDonald Carano Wilson
Aaron D. Shipley, Esq.
ashipley@mcwlaw.com
Leah Jennings, Esq.
ljennings@mcdonaldcarano.com

Chubb
Allison Rose, Esq.
allisonrose@chubb.com

Greenberg Traurig, LLP
6085 Joyce Heilich heilichj@gtlaw.com
7132 Andrea Rosehill rosehilla@gtlaw.com
IOM Mark Ferrario lylitdock@gtlaw.com
KBD Kara Hendricks hendricksk@gtlaw.com
LAI Leslie Godfrey godfreyl@gtlaw.com
LCU Lance Coburn coburnl@gtlaw.com
LVGT Docketing lylitdock@gtlaw.com
MNQ Megan Sheffield
sheffieldm@gtlaw.com
ZCE Lee Hutcherson hutcherson@gtlaw.com

Maupin, Cox & LeGoy
Carolyn K. Renner crenner@mclrenolaw.com
Donald A. Lattin dlattin@mclrenolaw.com
Jennifer Salisbury
jsalisbury@mclrenolaw.com
Karen Bernhardt
kbernhardt@mclrenolaw.com

Bird, Marella, Boxer, Wolpert, Nessim,
Drooks, Lincenberg & Rhow, P.C.
Shemena Johnson
snj@birdmarella.com
Bonita D. Moore
bdm@birdmarella.com

Patti, Sgro, Lewis & Roger
Adam C. Anderson, Esq.
aanderson@pslrfirm.com
Karen Cormier, Esq.
Kcormier@pslrfirm.com
Stephen Lewis, Esq.
slewis@pattisgroleis.com

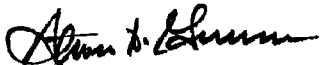
COHEN || JOHNSON | PARKER | EDWARDS

255 E. Warm Springs Road, Suite 9
Las Vegas, Nevada 89119
(702) 823-3500 FAX: (702) 823-3400

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Solomon Dwiggins & Freer, Ltd.
Alan D. Freer, Esq.
afreer@sdfnvlaw.com

Michael Hughes, Esq.
An employee of Cohen|Johnson|Parker|Edwards



CLERK OF THE COURT

1 ANAC
MARK E. FERRARIO, ESQ.
2 (NV Bar No. 1625)
KARA B. HENDRICKS, ESQ.
3 (NV Bar No. 7743)
GREENBERG TRAURIG, LLP
4 3773 Howard Hughes Parkway
Suite 400 North
5 Las Vegas, Nevada 89169
Telephone: (702) 792-3773
6 Facsimile: (702) 792-9002
ferrariom@gtlaw.com
7 hendricksk@gtlaw.com
Counsel for Reading International, Inc.

8
9 DISTRICT COURT
10 CLARK COUNTY, NEVADA

11
12 In the Matter of the Estate of
13 JAMES J. COTTER,
14 Deceased.

Case No. P 14-082942-E
Dept. XI

15 JAMES J. COTTER, JR., individually and
16 derivatively on behalf of Reading
International, Inc.

Case No. A-15-719860-B
Dept. No. XI

17 Plaintiff,

Jointly Administered

18 v.

19 MARGARET COTTER, ELLEN COTTER,
20 GUY ADAMS, EDWARD KANE,
DOUGLAS McEACHERN, TIMOTHY
21 STOREY, WILLIAM GOULD, and DOES 1
through 100, inclusive,

**READING INTERNATIONAL, INC.'S
ANSWER TO JAMES J. COTTER JR.'S
FIRST AMENDED COMPLAINT**

22 Defendants.

23 and

24 READING INTERNATIONAL, INC., a
25 Nevada corporation;

26 Nominal Defendant.
27
28

GREENBERG TRAURIG, LLP
3773 Howard Hughes Parkway, Suite 400 North
Las Vegas, Nevada 89169
Telephone: (702) 792-3773
Facsimile: (702) 792-9002

1 **READING INTERNATIONAL, INC.'S ANSWER TO JAMES J. COTTER JR.'S**
2 **FIRST AMENDED COMPLAINT**

3 Nominal Defendant Reading International, Inc. ("Nominal Defendant" or "RDI") hereby
4 sets forth the following Answer to the First Amended Verified Complaint, filed by Plaintiff on
5 October 22, 2015 ("Complaint"). Any allegation, averment, contention or statement in the
6 Complaint not specifically and unequivocally admitted is denied. Nominal Defendant responds
7 to each of the paragraphs of the Complaint as follows:

8 **RESPONSE TO "NATURE OF THE CASE"**

9 1. RDI denies the allegations of paragraph 1 of the Complaint.
10 2. RDI denies the allegations of paragraph 2 of the Complaint.
11 3. RDI denies the allegations of paragraph 3 of the Complaint.
12 4. RDI admits that "family disputes" between Ellen Cotter and Margaret Cotter, on
13 the one hand, and James Cotter, Jr., on the other hand, included certain trust and estate litigation
14 commenced by Ellen Cotter and Margaret Cotter against James Cotter, Jr. following the passing
15 of their father, James J. Cotter, Sr. in September 2014. To the extent the allegations in this
16 paragraph relate to the actions of individual defendants, RDI as a nominal defendant defers to the
17 answers filed on behalf of the individual defendants. RDI denies the allegations of paragraph 4
18 of the Complaint in all other respects.

19 5. RDI denies the allegations of paragraph 5 of the Complaint.
20 6. To the extent the allegations in this paragraph relate to the actions of individual
21 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
22 defendants. RDI denies the allegations of paragraph 6 of the Complaint in all other respects.

23 7. RDI denies the allegations of paragraph 7 of the Complaint.
24 8. RDI denies the allegations of paragraph 8 of the Complaint.
25 9. RDI denies the allegations of paragraph 9 of the Complaint.
26 10. RDI admits that Ellen Cotter and Margaret Cotter acting in their capacities as the
27 Co-Executors of the estate of James J. Cotter, Sr. (the "Cotter Estate") exercised on behalf of the
28 Cotter Estate an option held by the Cotter Estate to acquire 100,000 shares of RDI class B voting
29 stock. To the extent the allegations in this paragraph relate to the actions of individual

1 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
2 defendants. RDI denies the allegations of paragraph 10 of the Complaint in all other respects.

3 11. RDI admits that Ellen Cotter reported that a candidate for the Board of Directors
4 decided to withdraw from consideration because of pending derivative litigation. To the extent
5 the allegations in this paragraph relate to the actions of individual defendants, RDI as a nominal
6 defendant defers to the answers filed on behalf of the individual defendants. Defendants deny
7 the allegations of paragraph 11 of the Complaint in all other respects.

8 12. RDI admits that, on or about October 5, 2015, Ellen Cotter proposed adding Judy
9 Coddington to RDI's Board of Directors. RDI admits that Edward Kane, Douglas McEachern, and
10 Guy Adams met Ms. Coddington. RDI admits that Mary Cotter knows Ms. Coddington. To the extent
11 the allegations in this paragraph relate to the actions of individual defendants, RDI as a nominal
12 defendant defers to the answers filed on behalf of the individual defendants. RDI denies
13 allegations of paragraph 12 of the Complaint in all other respects.

14 13. RDI admits that Edward Kane, Guy Adams, and Douglas McEachern were
15 members of RDI's special nominating committee. RDI admits that RDI's Annual Shareholder
16 Meeting was scheduled for November 10, 2015. RDI admits that Margaret Cotter knows
17 Michael Wrotniak. To the extent the allegations in this paragraph relate to the actions of
18 individual defendants, RDI as a nominal defendant defers to the answers filed on behalf of the
19 individual defendants. RDI denies the allegations of paragraph 13 of the Complaint in all other
20 respects.

21 14. RDI admits that Michael Wrotniak was appointed to fill a vacancy on RDI's
22 Board of Directors. RDI denies the allegations of paragraph 14 of the Complaint in all other
23 respects.

24 15. RDI admits that Michael Wrotniak was nominated for membership on RDI's
25 Board of Directors. RDI admits that McEachern and Adams spoke to another suggested
26 candidate. To the extent the allegations in this paragraph relate to the actions of individual
27 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
28 defendants. RDI denies the allegations of paragraph 15 of the Complaint in all other respects.

17. RDI admits that, at all times relevant hereto, James Cotter, Jr. was a stockholder of RDI. RDI admits that James Cotter, Jr. has been a director of RDI. RDI admits that James Cotter, Jr. was appointed Vice Chairman of RDI's Board of Directors, then later President of RDI. RDI admits that James Cotter, Jr. was appointed CEO by RDI's Board of Directors after James Cotter, Sr. resigned from that position. RDI admits that James Cotter, Jr. is the son of the late James Cotter, Sr. and the brother of Ellen Cotter and Margaret Cotter. RDI admits that James Cotter Jr. had stock in RDI and that there is a dispute regarding stock held by the James J. Cotter Living Trust, dated August 1, 2006. RDI denies the allegations of paragraph 17 of the Complaint in all other respects.

12 18. RDI admits that Margaret Cotter is a director of RDI. RDI admits that Margaret
13 Cotter is the owner and President of OBI, LLC, a company that, until recently, provided theater
14 management services to live theaters indirectly owned by RDI through Liberty Theatres, LLC, of
15 which Margaret Cotter is President. RDI admits that Margaret Cotter was involved in
16 development of real estate in New York owned directly or indirectly by RDI. RDI denies the
17 allegations of paragraph 18 of the Complaint in all other respects.

18 19. RDI admits that Ellen Cotter is and at all times relevant hereto was a director of
19 RDI. RDI denies the allegations of paragraph 19 of the Complaint in all other respects.

20 20. RDI admits that Edward Kane is an outside director of RDI. RDI admits that
21 Edward Kane has been a director of RDI since approximately October 15, 2009. RDI admits that
22 Edward Kane was a friend of James Cotter, Sr., James Cotter, Jr., Ellen Cotter, and Margaret
23 Cotter. RDI denies the allegations of paragraph 20 of the Complaint in all other respects.

24 21. RDI admits that Guy Adams is an outside director of RDI. RDI denies the
25 allegations of paragraph 21 of the Complaint in all other respects.

26 22. RDI admits that Douglas McEachern is an outside director of RDI. RDI denies
27 the allegations of paragraph 22 of the Complaint in all other respects.

1 23. RDI admits that Timothy Storey was an outside director of RDI. RDI admits that,
2 Timothy Storey served as a director of RDI's wholly-owned New Zealand subsidiary. RDI
3 denies the allegations of paragraph 23 of the Complaint in all other respects.

4 24. RDI admits the allegations of paragraph 24 of the Complaint.

5 25. Defendants admit that RDI is a Nevada corporation. Defendants admit that RDI
6 has two classes of stock—Class A stock and Class B stock. The other allegations of paragraph
7 25 of the Complaint are purportedly based on written documents, which speak for themselves.
8 Defendants deny the remaining allegations of paragraph 25 of the Complaint.

9 26. Defendants deny the allegations of paragraph 26 of the Complaint.

10 **RESPONSE TO "ALLEGATIONS COMMON TO ALL CLAIMS"**

11 27. RDI admits that, since approximately 2000 and until he resigned as Chairman and
12 CEO of RDI, James J. Cotter, Sr. was the CEO and Chairman of the Board of Directors of RDI.
13 RDI denies the allegations of paragraph 27 of the Complaint in all other respects.

14 28. RDI denies the allegations of paragraph 28 of the Complaint.

15 29. RDI denies the allegations of paragraph 29 of the Complaint.

16 30. RDI admits that James Cotter, Jr. was appointed Vice Chairman of the RDI board
17 in 2007. RDI admits that the RDI board appointed James Cotter, Jr. President of RDI on or
18 about June 1, 2013. RDI denies the allegations of paragraph 30 of the Complaint in all other
19 respects.

20 31. RDI admits the allegation of paragraph 31 of the Complaint.

21 32. RDI admits that Ellen Cotter and Margaret Cotter are in litigation with James
22 Cotter, Jr. RDI denies the allegations of paragraph 32 of the Complaint in all other respects.

23 33. RDI admits that, as President and CEO of RDI, James Cotter, Jr. had
24 disagreements with his sisters regarding RDI. To the extent the allegations in this paragraph
25 relate to the actions of individual defendants, RDI as a nominal defendant defers to the answers
26 filed on behalf of the individual defendants. RDI denies the allegations of paragraph 33 of the
27 Complaint in all other respects.

1 34. To the extent the allegations in this paragraph relate to the actions of individual
2 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
3 defendants. RDI denies the allegations of paragraph 34 of the Complaint in all other respects.

4 35. RDI admits that Ellen Cotter sought an employment agreement. To the extent the
5 allegations in this paragraph relate to the actions of individual defendants, RDI as a nominal
6 defendant defers to the answers filed on behalf of the individual defendants. RDI denies the
7 allegations of paragraph 35 of the Complaint in all other respects.

8 36. To the extent the allegations in this paragraph relate to the actions of individual
9 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
10 defendants. RDI denies the allegations of paragraph 36 of the Complaint in all other respects.

11 37. To the extent the allegations in this paragraph relate to the actions of individual
12 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
13 defendants. RDI denies the allegations of paragraph 37 of the Complaint in all other respects.

14 38. To the extent the allegations in this paragraph relate to the actions of individual
15 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
16 defendants. To the extent that the allegations of paragraph 38 of the Complaint are purportedly
17 based on written documents, the documents speak for themselves. RDI denies the remaining
18 allegations of paragraph 38 of the Complaint.

19 39. To the extent the allegations in this paragraph relate to the actions of individual
20 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
21 defendants. RDI denies the allegations of paragraph 39 of the Complaint in all other respects.

22 40. RDI admits that, in October 2014, RDI's Board of Directors provided \$50,000 to
23 Ellen Cotter to compensate her for her inability to realize the intended benefits of an ISO option
24 due to an error by the Company in connection with the issuance of that option to her and that
25 Ellen Cotter had exercised that option in 2013. RDI denies the allegations of paragraph 40 of the
26 Complaint in all other respects.

27 41. RDI denies the allegations of paragraph 41 of the Complaint.
28

1 42. RDI admits that, on or about November 2014, RDI's Board of Directors approved
2 an increase in compensation for nonemployee directors. RDI denies the allegations of paragraph
3 42 of the Complaint in all other respects.

4 43. RDI denies the allegations of paragraph 43 of the Complaint.

5 44. RDI denies the allegations of paragraph 44 of the Complaint.

6 45. RDI denies the allegations of paragraph 45 of the Complaint.

7 46. RDI denies the allegations of paragraph 46 of the Complaint.

8 47. RDI denies the allegations of paragraph 47 of the Complaint.

9 48. The allegations of paragraph 48 of the Complaint are purportedly based on written
10 documents, which speak for themselves. RDI denies the remaining allegations of paragraph 48
11 of the Complaint.

12 49. RDI denies the allegations of paragraph 49 of the Complaint.

13 50. RDI admits that, on or about January 15, 2015, RDI's Board of Directors
14 approved purchase of a directors and officers insurance policy. RDI denies the allegations of
15 paragraph 50 of the Complaint in all other respects.

16 51. RDI admits that the quoted resolution was approved. RDI denies the allegations
17 of paragraph 51 of the Complaint in all other respects.

18 52. RDI admits the price of RDI stock varied over time. RDI is without knowledge or
19 information sufficient to form a belief as to the truth of the remaining allegations of paragraph 52
20 of the Complaint, and therefore denies them.

21 53. The allegations of paragraph 53 of the Complaint are purportedly based on written
22 documents which speak for themselves. RDI is without knowledge or information sufficient to
23 form a belief as to the truth of the allegations of paragraph 53 of the Complaint, and therefore
24 denies them.

25 54. RDI is without knowledge or information sufficient to form a belief as to the truth
26 of the allegations of paragraph 54 of the Complaint, and therefore denies them.

27 55. RDI denies the allegations of paragraph 55 of the Complaint.

28

1 56. RDI is without knowledge or information sufficient to form a belief as to the truth
2 of the remaining allegations of paragraph 56 of the Complaint, and therefore denies them.

3 57. RDI denies the allegations of paragraph 57 of the Complaint.

4 58. RDI denies the allegations of paragraph 58 of the Complaint.

5 59. RDI denies the allegations of paragraph 59 of the Complaint.

6 60. RDI admits that Bill Gould and Timothy Storey were assigned to try to mediate
7 the relationship between James Cotter, Jr., on the one hand, and Ellen Cotter and Margaret
8 Cotter, on the other. RDI denies the allegations of paragraph 60 of the Complaint in all other
9 respects.

10 61. To the extent the allegations in this paragraph relate to the actions of individual
11 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
12 defendants. RDI denies the allegations of paragraph 61 of the Complaint in all other respects.

13 62. To the extent the allegations in this paragraph relate to the actions of individual
14 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
15 defendants. RDI denies the allegations of paragraph 62 of the Complaint in all other respects.

16 63. RDI denies the allegations of paragraph 63 of the Complaint.

17 64. RDI admits that MC asked for an employment agreement with RDI. To the
18 extent the allegations in this paragraph relate to the actions of individual defendants, RDI as a
19 nominal defendant defers to the answers filed on behalf of the individual defendants. RDI denies
20 the allegations of paragraph 64 of the Complaint in all other respects.

21 65. RDI admits that the non-Cotter directors sought additional compensation for time
22 expended on RDI matters. To the extent the allegations in this paragraph relate to the actions of
23 individual defendants, RDI as a nominal defendant defers to the answers filed on behalf of the
24 individual defendants. RDI denies the allegations of paragraph 65 of the Complaint in all other
25 respects.

26 66. RDI admits that former director Storey resides in New Zealand and that Storey
27 traveled between New Zealand and Los Angeles on RDI business. To the extent the allegations
28 in this paragraph relate to the actions of individual defendants, RDI as a nominal defendant

1 defers to the answers filed on behalf of the individual defendants. RDI denies the allegations of
2 paragraph 66 of the Complaint in all other respects.

3 67. RDI is without knowledge or information sufficient to form a belief as to the truth
4 of the allegations of paragraph 67 of the Complaint, and therefore denies them.

5 68. To the extent the allegations in this paragraph relate to the actions of individual
6 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
7 defendants. RDI denies the allegations of paragraph 68 of the Complaint in all other respects.

8 69. To the extent the allegations in this paragraph relate to the actions of individual
9 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
10 defendants. RDI denies the allegations of paragraph 69 of the Complaint in all other respects.

11 70. The allegations of paragraph 70 of the Complaint are purportedly based on written
12 documents, which speak for themselves. RDI denies the remaining allegations of paragraph 70
13 of the Complaint.

14 71. RDI admits that the Stomp Producers gave a purported notice of termination of
15 Stomp's lease at the Orpheum Theatre on or about April 23, 2015. To the extent the allegations
16 in this paragraph relate to the actions of individual defendants, RDI as a nominal defendant
17 defers to the answers filed on behalf of the individual defendants. RDI denies the allegations of
18 paragraph 71 of the Complaint in all other respects.

19 72. To the extent the allegations in this paragraph relate to the actions of individual
20 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
21 defendants. RDI denies the allegations of paragraph 72 of the Complaint in all other respects.

22 73. RDI denies the allegations of paragraph 73 of the Complaint.

23 74. To the extent the allegations in this paragraph relate to the actions of individual
24 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
25 defendants. RDI denies the allegations of paragraph 74 of the Complaint in all other respects.

26 75. RDI denies the allegations of paragraph 75 of the Complaint.

27 76. RDI denies the allegations of paragraph 76 of the Complaint.

28 77. RDI denies the allegations of paragraph 77 of the Complaint.

1 78. RDI denies the allegations of paragraph 78 of the Complaint.

2 79. RDI admits that EC became interim CEO of RDI after JJC was terminated. RDI
3 denies the allegations of paragraph 79 in all other respects.

4 80. To the extent the allegations in this paragraph relate to the actions of individual
5 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
6 defendants. RDI denies the allegations of paragraph 80 of the Complaint in all other respects.

7 81. To the extent the allegations in this paragraph relate to the actions of individual
8 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
9 defendants. RDI is denies the allegations of paragraph 81 of the Complaint in all other respects.

10 82. To the extent the allegations in this paragraph relate to the actions of individual
11 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
12 defendants. RDI denies the allegations of paragraph 82 of the Complaint in all other respects.

13 83. To the extent the allegations in this paragraph relate to the actions of individual
14 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
15 defendants. RDI denies the allegations of paragraph 83 of the Complaint in all other respects.

16 84. To the extent the allegations in this paragraph relate to the actions of individual
17 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
18 defendants. RDI denies the allegations of paragraph 84 of the Complaint in all other respects.

19 85. To the extent the allegations in this paragraph relate to the actions of individual
20 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
21 defendants. RDI denies the allegations of paragraph 85 of the Complaint in all other respects.

22 86. RDI admits that EC distributed an agenda for the May 21, 2015 RDI board
23 meeting on or about May 19, 2015, and that the first action item on the agenda was entitled
24 "Status of President and CEO." RDI denies the remaining allegations of paragraph 86 of the
25 Complaint.

26 87. RDI denies the allegations of paragraph 87 of the Complaint.

27 88. RDI denies the allegations of paragraph 88 of the Complaint.

28 89. RDI denies the allegations of paragraph 89 of the Complaint.

1 90. RDI admits that JJC's counsel appeared at the May 21, 2015 board meeting and
2 made a statement. RDI denies the remaining allegations of paragraph 90 of the Complaint.

3 91. RDI is without knowledge or information sufficient to form a belief as to the truth
4 of the allegations of paragraph 91 of the Complaint, and therefore denies the same.

5 92. RDI is without knowledge or information sufficient to form a belief as to the truth
6 of the allegations of paragraph 92 of the Complaint, and therefore denies the same.

7 93. RDI is without knowledge or information sufficient to form a belief as to the truth
8 of the allegations of paragraph 93 of the Complaint, and therefore denies the same.

9 94. RDI admits that the May 21, 2015 board meeting was adjourned to May 29, 2015.
10 RDI denies the remaining allegations of paragraph 94 of the Complaint.

11 95. RDI is without knowledge or information sufficient to form a belief as to the truth
12 of the allegations of paragraph 95 of the Complaint, and therefore denies the same.

13 96. RDI admits the allegations of paragraph 96 of the Complaint.

14 97. RDI denies the allegations of paragraph 97 of the Complaint.

15 98. The allegations of paragraph 98 of the Complaint are purportedly based on written
16 documents, which speak for themselves. RDI denies the remaining allegations of paragraph 98
17 of the Complaint.

18 99. To the extent the allegations in this paragraph relate to the actions of individual
19 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
20 defendants. RDI denies the allegations of paragraph 99 of the Complaint in all other respects.

21 100. To the extent the allegations in this paragraph relate to the actions of individual
22 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
23 defendants. RDI denies the allegations of paragraph 100 of the Complaint in all other respects.

24 101. RDI denies the allegations of paragraph 101 of the Complaint.

25 102. RDI is without knowledge or information sufficient to form a belief as to the truth
26 of the allegations of paragraph 102 of the Complaint, and therefore denies the same.

27 103. RDI is without knowledge or information sufficient to form a belief as to the truth
28 of the allegations of paragraph 103 of the Complaint, and therefore denies the same.

1 104. RDI is without knowledge or information sufficient to form a belief as to the truth
2 of the allegations of paragraph 104 of the Complaint, and therefore denies the same.

3 105. To the extent the allegations in this paragraph relate to the actions of individual
4 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
5 defendants. RDI denies the allegations of paragraph 105 of the Complaint in all other respects.

6 106. RDI admits that James Cotter, Jr. was advised that the RDI Board meeting would
7 be adjourned until about 6:00 p.m. that evening. RDI denies the allegations of paragraph 106 of
8 the Complaint in all other respects.

9 107. RDI admits that the RDI Board meeting reconvened. RDI denies the allegations
10 of paragraph 107 of the Complaint in all other respects.

11 108. RDI is without knowledge or information sufficient to form a belief as to the truth
12 of the allegations of paragraph 108 of the Complaint, and therefore denies the same.

13 109. RDI is without knowledge or information sufficient to form a belief as to the truth
14 of the allegations of paragraph 109 of the Complaint, and therefore denies the same.

15 110. To the extent the allegations in this paragraph relate to the actions of individual
16 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
17 defendants. RDI denies the allegations of paragraph 110 of the Complaint in all other respects.

18 111. To the extent the allegations in this paragraph relate to the actions of individual
19 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
20 defendants. RDI denies the allegations of paragraph 111 of the Complaint in all other respects.

21 112. The allegations of paragraph 112 of the Complaint are purportedly based on
22 written documents, which speak for themselves. RDI denies the remaining allegations of
23 paragraph 112 of the Complaint.

24 113. RDI denies the allegations of paragraph 113 of the Complaint.

25 114. RDI denies the allegations of paragraph 114 of the Complaint.

26 115. RDI denies the allegations of paragraph 115 of the Complaint.

27 116. RDI denies the allegations of paragraph 116 of the Complaint.

28 117. RDI denies the allegations of paragraph 117 of the Complaint.

- 1 118. RDI denies the allegations of paragraph 118 of the Complaint.
- 2 119. RDI denies the allegations of paragraph 119 of the Complaint.
- 3 120. RDI denies the allegations of paragraph 120 of the Complaint.
- 4 121. RDI denies the allegations of paragraph 121 of the Complaint.
- 5 122. RDI denies the allegations of paragraph 122 of the Complaint.
- 6 123. RDI admits the allegations of paragraph 123 of the Complaint.
- 7 124. RDI admits the allegations of paragraph 124 of the Complaint.
- 8 125. RDI denies the allegations of paragraph 122 of the Complaint.
- 9 126. RDI denies the allegations of paragraph 126 of the Complaint.
- 10 127. RDI denies the allegations of paragraph 127 of the Complaint.
- 11 128. RDI denies the allegations of paragraph 128 of the Complaint.
- 12 129. RDI denies the allegations of paragraph 129 of the Complaint.
- 13 130. RDI denies the allegations of paragraph 130 of the Complaint.
- 14 131. To the extent the allegations in this paragraph relate to the actions of individual
- 15 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
- 16 defendants. RDI denies the allegations of paragraph 131 of the Complaint in all other respects.
- 17 132. RDI denies the allegations of paragraph 132 of the Complaint.
- 18 133. RDI denies the allegations of paragraph 133 of the Complaint.
- 19 134. The allegations of paragraph 134 of the Complaint are purportedly based on
- 20 written documents, which speak for themselves. RDI denies the remaining allegations of
- 21 paragraph 134 of the Complaint.
- 22 135. RDI denies the allegations of paragraph 135 of the Complaint.
- 23 136. The allegations of paragraph 136 of the Complaint are purportedly based on
- 24 written documents, which speak for themselves. RDI denies the remaining allegations of
- 25 paragraph 136 of the Complaint.
- 26 137. RDI denies the allegations of paragraph 137 of the Complaint.
- 27 138. RDI denies the allegations of paragraph 138 of the Complaint.
- 28 139. RDI denies the allegations of paragraph 139 of the Complaint.

1 140. The allegations of paragraph 140 of the Complaint are purportedly based on
2 written documents, which speak for themselves. RDI denies the remaining allegations of
3 paragraph 140 of the Complaint.

4 141. The allegations of paragraph 141 of the Complaint are purportedly based on
5 written documents, which speak for themselves. RDI denies the remaining allegations of
6 paragraph 141 of the Complaint.

7 142. The allegations of paragraph 142 of the Complaint are purportedly based on
8 written documents, which speak for themselves. RDI denies the remaining allegations of
9 paragraph 142 of the Complaint.

10 143. RDI denies the allegations of paragraph 143 of the Complaint.

11 144. RDI denies the allegations of paragraph 144 of the Complaint.

12 145. RDI denies the allegations of paragraph 145 of the Complaint.

13 146. RDI denies the allegations of paragraph 146 of the Complaint.

14 147. RDI denies the allegations of paragraph 147 of the Complaint.

15 148. RDI admits that Ellen Cotter proposed Judy Coddling as a candidate for RDI's
16 Board of Directors. RDI denies the allegations of paragraph 148 of the Complaint in all other
17 respects.

18 149. RDI admits that Mary Cotter knows Judy Coddling. RDI denies the allegations of
19 paragraph 149 of the Complaint in all other respects.

20 150. RDI admits that, on October 5, 2015, Judy Coddling was made a director of RDI.
21 To the extent the allegations in this paragraph relate to the actions of individual defendants, RDI
22 as a nominal defendant defers to the answers filed on behalf of the individual defendants. RDI
23 denies the allegations of paragraph 150 of the Complaint in all other respects.

24 151. RDI denies the allegations of paragraph 151 of the Complaint.

25 152. RDI denies the allegations of paragraph 152 of the Complaint.

26 153. RDI denies the allegations of paragraph 153 of the Complaint.

27 154. RDI denies the allegations of paragraph 154 of the Complaint.

155. RDI admits Michael Wrotniak was nominated as a director of RDI. RDI denies the allegations of paragraph 155 of the Complaint in all other respects.

156. RDI denies the allegations of paragraph 156 of the Complaint.

157. RDI denies the allegations of paragraph 157 of the Complaint.

158. RDI denies the allegations of paragraph 158 of the Complaint.

159. RDI denies the allegations of paragraph 159 of the Complaint.

160. RDI denies the allegations of paragraph 160 of the Complaint.

161. RDI admits is issued a Proxy Statement which is a written document, which speaks for itself. RDI denies the remaining allegations of paragraph 142 of the Complaint.

162. RDI denies the allegations of paragraph 162 of the Complaint.

163. RDI denies the allegations of paragraph 163 of the Complaint.

164. RDI denies the allegations of paragraph 164 of the Complaint.

165. RDI denies the allegations of paragraph 165 of the Complaint.

166. RDI denies the allegations of paragraph 166 of the Complaint.

167. RDI denies the allegations of paragraph 167 of the Complaint.

168. RDI denies the allegations of paragraph 168 of the Complaint.

169. RDI denies the allegations of paragraph 169 of the Complaint.

RESPONSE TO "FIRST CAUSE OF ACTION

(For Breach of Fiduciary Duty – Against All Defendants)"

170. RDI reasserts and incorporates its responses to paragraphs 1 through 169 of the Complaint.

171. The allegations of paragraph 171 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 171 of the Complaint are denied.

172. The allegations of paragraph 172 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 172 of the Complaint are denied.

1 173. The allegations of paragraph 173 of the Complaint constitute conclusions of law
2 to which no responsive pleading is required. To the extent a response is deemed required, the
3 allegations of paragraph 173 of the Complaint are denied.

4 174. RDI denies the allegations of paragraph 174 of the Complaint.

5 175. RDI denies the allegations of paragraph 175 of the Complaint.

6 176. RDI denies that Plaintiff, RDI, or its stockholders have suffered any damages by
7 virtue of Defendants' conduct.

8 **RESPONSE TO "SECOND CAUSE OF ACTION**

9 **(Breach of Fiduciary Duty – Against MC, EC, Adams, Kane, McEachern and**
10 **Gould)**

11 177. RDI reasserts and incorporates its responses to paragraphs 1 through 169 of the
12 Complaint.

13 178. The allegations of paragraph 178 of the Complaint constitute conclusions of law
14 to which no responsive pleading is required. To the extent a response is deemed required, the
15 allegations of paragraph 178 of the Complaint are denied.

16 179. The allegations of paragraph 179 of the Complaint constitute conclusions of law
17 to which no responsive pleading is required. To the extent a response is deemed required, the
18 allegations of paragraph 179 of the Complaint are denied.

19 180. The allegations of paragraph 180 of the Complaint constitute conclusions of law
20 to which no responsive pleading is required. To the extent a response is deemed required, the
21 allegations of paragraph 180 of the Complaint are denied.

22 181. RDI denies the allegations of paragraph 181 of the Complaint.

23 182. RDI denies the allegations of paragraph 182 of the Complaint.

24 183. RDI denies that Plaintiff, RDI, or its stockholders have suffered any damages by
25 virtue of Defendants' conduct.

RESPONSE TO "THIRD CAUSE OF ACTION

(Aiding and Abetting Breach of Fiduciary Duty – Against MC and EC)"

184. RDI reasserts and incorporates its responses to paragraphs 1 through 169 of the Complaint.

185. RDI denies the allegations of paragraph 185 of the Complaint.

186. RDI denies the allegations of paragraph 186 of the Complaint.

187. RDI denies the allegations of paragraph 187 of the Complaint.

188. RDI denies the allegations of paragraph 188 of the Complaint.

189. The allegations of paragraph 189 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 189 of the Complaint are denied.

190. RDI denies the allegations of paragraph 190 of the Complaint.

191. RDI denies that Plaintiff, RDI, or its stockholders have suffered any damages by virtue of Defendants' conduct.

RESPONSE TO "IRREPARABLE HARM"

192. RDI denies the allegations of paragraph 192 of the Complaint.

193. RDI denies the allegations of paragraph 193 of the Complaint.

RESPONSE TO "PRAYER FOR RELIEF"

194. To the extent that the allegations contained in the Prayer for Relief require a response, RDI denies the allegations therein. Further, RDI denies that Plaintiff should be reinstated as President of RDI and denies that Plaintiff is entitled to any damages or that corrective disclosures are necessary.

AFFIRMATIVE DEFENSES

Subject to the responses above, RDI alleges and asserts the following defenses in response to the allegations, undertaking the burden of proof only as to those defenses deemed affirmative defenses by law, regardless of how such defenses are denominated herein. In addition to the affirmative defenses described below, subject to their responses above, RDI

1 specifically reserves all rights to allege additional affirmative defenses that become known
2 through the course of discovery.

3 **1. FAILURE TO STATE A CLAIM**

4 The Complaint, and each purported cause of action therein, is barred, in whole or in part,
5 for failure to state a claim.

6 **2. FAILURE TO MAKE DEMAND**

7 Plaintiff has failed to make a demand prior to filing the purported derivative suit.

8 **3. CORPORATE GOVERNANCE**

9 Plaintiff's claims are barred because RDI has at all times acted, through its Board of
10 Directors, in good faith consistent with corporate governance standards.

11 **4. IRREPAIRABLE HARM TO COMPANY**

12 Plaintiff's claims are barred because RDI would be irreparably harmed by the relief
13 Plaintiff seeks.

14 **5. STATUTES OF LIMITATIONS AND REPOSE**

15 The Complaint, and each purported cause of action therein, is barred, in whole or in part,
16 by the applicable statutes of limitations and/or statutes of repose.

17 **6. UNCLEAN HANDS**

18 The Complaint, and each purported cause of action therein, is barred, in whole or in part,
19 by the doctrine of unclean hands.

20 **7. SPOILIATION**

21 The Complaint, and each purported cause of action therein, is barred, in whole or in part,
22 by Plaintiff's spoliation of evidence and obstruction of justice.

23 **8. WAIVER, ESTOPPEL, AND ACQUIESCENCE**

24 The Complaint, and each purported cause of action therein, is barred, in whole or in part,
25 by the doctrines of waiver, estoppel, and acquiescence because Plaintiff's acts, conduct, and/or
26 omissions are inconsistent with his requests for relief.

The Complaint, and each purported cause of action therein, is barred, in whole or in part, because any purportedly improper acts by RDI, if any, were ratified by Plaintiff and his agents, and/or because Plaintiff consented to the same.

The Complaint, and each purported cause of action therein, is barred, in whole or in part, because to the extent any of the activities alleged in the Complaint actually occurred, those activities were not unlawful.

The Complaint, and each purported cause of action therein, is barred, in whole or in part, because the actions complained of, if taken, were at all times reasonable, privileged, and justified.

The Complaint, and each purported cause of action therein, is barred, in whole or in part, because, at all times material to the Complaint, RDI acted in good faith and with innocent intent.

Plaintiff is not entitled to injunctive relief because, among other things, he has not suffered irreparable harm, he has an adequate remedy at law, and injunctive relief is not supported by any purported cause of action alleged in the Complaint and is not warranted by the balance of the hardships and/or any other equitable factors.

Plaintiff is not entitled to damages of any kind or in any sum or amount whatsoever as a result of RDI's acts or omissions alleged in the Complaint because any damages sought are speculative, uncertain and not recoverable.

Plaintiff has failed to properly mitigate the damages, if any, he has sustained, and by virtue thereof, Plaintiff is barred, in whole or in part, from maintaining the causes of action asserted in the Complaint against RDI.

1 **16. COMPARATIVE FAULT**

2 Plaintiff's recovery is barred, in whole or in part, based on principles of comparative
3 fault, including Plaintiff's own comparative fault.
4

5 **17. BUSINESS JUDGMENT RULE**

6 The Complaint, and each purported cause of action alleged therein, is barred, in whole or
7 part, by the business judgment rule.

8 **18. EQUITABLE ESTOPPEL**

9 The Complaint, and each purported cause of action alleged therein, is barred, in whole or
10 part, by the doctrine of equitable estoppel.

11 **19. NEVADA REVISED STATUTE 78.138**

12 The Complaint, and each purported cause of action alleged therein, is barred, in whole or
13 part, by Nevada Revised Statute 78.138, which provides that a director or officer is not
14 individually liable to the corporation or its stockholders or creditors for any damages as a result
15 of any act or failure to act in his or her capacity as a director or officer unless it is proven
16 that: (a) the director's or officer's act or failure to act constituted a breach of his or her fiduciary
17 duties as a director or officer; and (b) the breach of those duties involved intentional
18 misconduct, fraud or a knowing violation of law.

19 **20. CONFLICT OF INTEREST AND**

20 **UNSUITABILITY TO SERVE AS REPRESENTATIVE**

21 The Complaint, and each purported cause of action alleged therein is barred, in whole or
22 Part because Plaintiff has a conflict of interest and is unsuitable to serve as a derivative
23 representative.

24 What about failure to make demand and unsuitability as a derivative representative
25 (conflict of interest).
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WHEREFORE, RDI request that Plaintiff's Complaint be dismissed in its entirety with prejudice, that judgment be entered in favor of RDI, that RDI be awarded costs and, to the extent provided by law, attorney's fees, and any such other relief as the Court may deem proper.

DATED this 29th day of March, 2016.

GREENBERG TRAURIG, LLP

/s/ Kara B. Hendricks

MARK E. FERRARIO, ESQ. (NV Bar No. 1625)

KARA B. HENDRICKS, ESQ. (NV Bar No. 7743)

3773 Howard Hughes Parkway

Suite 400 North

Las Vegas, Nevada 89169

Counsel for Reading International, Inc.

GREENBERG TRAURIG, LLP
3773 Howard Hughes Parkway, Suite 400 North
Las Vegas, Nevada 89169
Telephone: (702) 792-3773
Facsimile: (702) 792-9002

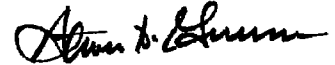
CERTIFICATE OF SERVICE

Pursuant to Nev. R. Civ. P. 5(b)(2)(D) and E.D.C.R. 8.05, I certify that on this day, I caused a true and correct copy of the forgoing *Reading International, Inc.'s Answer to James Cotter, Jr.'s First Amended Complaint* to be filed and served via the Court's Wiznet E-Filing system. The date and time of the electronic proof of service is in place of the date and place of deposit in the mail.

DATED this 29th day of March, 2016.

/s/ Andrea Lee Rosehill

AN EMPLOYEE OF GREENBERG TRAURIG, LLP



CLERK OF THE COURT

1 **ANS**
2 **COHEN|JOHNSON|PARKER|EDWARDS**

3 **H. STAN JOHNSON, ESQ.**

4 Nevada Bar No. 00265

5 sjohnson@cohenjohnson.com

6 **MICHAEL V. HUGHES, ESQ.**

7 Nevada Bar No. 13154

8 mhughes@cohenjohnson.com

9 255 E. Warm Springs Road, Suite 100

10 Las Vegas, Nevada 89119

11 Telephone: (702) 823-3500

12 Facsimile: (702) 823-3400

13 **QUINN EMANUEL URQUHART & SULLIVAN, LLP**

14 **CHRISTOPHER TAYBACK, ESQ.**

15 California Bar No. 145532, pro hac vice

16 christayback@quinnemanuel.com

17 **MARSHALL M. SEARCY, ESQ.**

18 California Bar No. 169269, pro hac vice

19 marshallsearcy@quinnemanuel.com

20 865 S. Figueroa St., 10th Floor

21 Los Angeles, CA 90017

22 Telephone: (213) 443-3000

23 Attorneys for Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas
24 McEachern, Judy Coddling, and Michael Wrotniak

25 **EIGHTH JUDICIAL DISTRICT COURT**

26 **CLARK COUNTY, NEVADA**

27 **JAMES J. COTTER, JR.,** derivatively on behalf
28 of Reading International, Inc.;

Plaintiff,

v.

MARGARET COTTER, ELLEN COTTER,
GUY ADAMS, EDWARD KANE, DOUGLAS
McEACHERN, TIMOTHY STOREY,
WILLIAM GOULD, and DOES 1 through 100,
inclusive;

Defendants,

and

Case No.: A-15-719860-B

Dept. No.: XI

Case No.: P-14-082942-E

Dept. No.: XI

Related and Coordinated Cases

BUSINESS COURT

JUDY CODDING AND MICHAEL
WROTHIAK'S ANSWER TO FIRST
AMENDED COMPLAINT

1 READING INTERNATIONAL, INC., a Nevada
2 corporation,

3 Nominal Defendant.

4 T2 PARTNERS MANAGEMENT, LP, a
5 Delaware limited partnership, doing business as
6 KASE CAPITAL MANAGEMENT; et al.;

7 Plaintiffs,

8 v.

9 MARGARET COTTER, ELLEN COTTER,
10 GUY ADAMS, EDWARD KANE, DOUGLAS
11 McEACHERN, WILLIAM GOULD, JUDY
12 CODDING, MICHAEL WROTONIAK, CRAIG
13 TOMPKINS and DOES 1 through 100, inclusive;

14 Defendants,

15 and

16 READING INTERNATIONAL, INC., a Nevada
17 corporation,

18 Nominal Defendant.

1 **DEFENDANTS' JUDY CODDING AND MICHAEL WROTNIAK'S ANSWER TO**
2 **FIRST AMENDED COMPLAINT**

3 Defendants Judy Coddington and Michael Wrotniak hereby set forth the following Answer to
4 the First Amended Verified Complaint, filed by Plaintiffs on February 12, 2016 ("Complaint").
5 Any allegation, averment, contention or statement in the Complaint not specifically and
6 unequivocally admitted is denied. Defendants respond to each of the paragraphs of the Complaint
7 as follows:

8 **RESPONSE TO "INTRODUCTION"**

9 1. Defendants admit that Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,
10 Douglas McEachern, William Gould, Judy Coddington, and Michael Wrotniak are members of the
11 Board of Directors of Reading International, Inc. ("RDI"). Defendants are without knowledge or
12 information sufficient to form a belief as to the truth of the allegation that Plaintiffs are now, and
13 at all relevant times herein have been, stockholders of RDI, and therefore deny them. Defendants
14 deny the allegations of paragraph 1 of the Complaint in all other respects.

15 2. Defendants are without knowledge or information sufficient to form a belief as to
16 the truth of the allegations of paragraph 2 of the Complaint, and therefore deny them.

17 3. Defendants are without knowledge or information sufficient to form a belief as to
18 the truth of the allegations of paragraph 3 of the Complaint, and therefore deny them.

19 4. Defendants are without knowledge or information sufficient to form a belief as to
20 the truth of the allegations of paragraph 4 of the Complaint, and therefore deny them.

21 5. Defendants are without knowledge or information sufficient to form a belief as to
22 the truth of the allegations of paragraph 5 of the Complaint, and therefore deny them.

23 6. Defendants are without knowledge or information sufficient to form a belief as to
24 the truth of the allegations of paragraph 6 of the Complaint, and therefore deny them.

25 7. Defendants are without knowledge or information sufficient to form a belief as to
26 the truth of the allegations of paragraph 7 of the Complaint, and therefore deny them.

27 8. Defendants are without knowledge or information sufficient to form a belief as to
28 the truth of the allegations of paragraph 8 of the Complaint, and therefore deny them.

1 9. Defendants are without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of paragraph 9 of the Complaint, and therefore deny them.

3 10. Defendants admit that RDI is a Nevada corporation. The other allegations of
4 paragraph 10 of the Complaint are purportedly based on written documents, which speak for
5 themselves. Defendants deny the remaining allegations of paragraph 10 of the Complaint.

6 11. Defendants admit RDI has two classes of stock—Class A stock and Class B stock.
7 Defendants admit that Class A stock holds no voting rights. Defendants admit that Class B stock
8 is the sole voting stock with respect to the election of directors. Defendants are without knowledge
9 or information sufficient to form a belief as to the truth of the remaining allegations of paragraph
10 11 of the Complaint, and therefore deny them.

11 12. To the extent that the allegations of paragraph 12 of the Complaint are purportedly
12 based on written documents, the documents speak for themselves. Defendants are without
13 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
14 12 of the Complaint, and therefore deny them.

15 13. The allegations of paragraph 13 of the Complaint are purportedly based on written
16 documents, which speak for themselves. Defendants are without knowledge or information
17 sufficient to form a belief as to the truth of the allegations of paragraph 13 of the Complaint, and
18 therefore deny them.

19 14. Defendants are without knowledge or information sufficient to form a belief as to
20 the truth of the allegations of paragraph 14 of the Complaint, and therefore deny them.

21 15. Defendants are without knowledge or information sufficient to form a belief as to
22 the truth of the allegations of paragraph 15 of the Complaint, and therefore deny them.

23 16. Defendants are without knowledge or information sufficient to form a belief as to
24 the truth of the allegations of paragraph 16 of the Complaint, and therefore deny them.

25 17. Defendants are without knowledge or information sufficient to form a belief as to
26 the truth of the allegations of paragraph 17 of the Complaint, and therefore deny them.

27 18. The allegations of paragraph 18 of the Complaint are purportedly based on written
28 documents, which speak for themselves. Defendants are without knowledge or information

1 sufficient to form a belief as to the truth of the allegations of paragraph 18 of the Complaint, and
2 therefore deny them.

3 19. Defendants admit that Margaret Cotter has children. Defendants admit that James
4 Cotter, Jr. has children. Defendants admit that Ellen Cotter does not have children. To the extent
5 that the allegations of paragraph 19 of the Complaint are purportedly based on written documents,
6 the documents speak for themselves. Defendants are without knowledge or information sufficient
7 to form a belief as to the truth of the remaining allegations in paragraph 19 of the Complaint related
8 to amendments to the James Cotter, Sr. Living Trust, and therefore deny them.

9 20. To the extent that the allegations of paragraph 20 of the Complaint are purportedly
10 based on written documents, the documents speak for themselves. Defendants are without
11 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
12 20 of the Complaint, and therefore deny them.

13 21. Defendants are without knowledge or information sufficient to form a belief as to
14 the truth of the allegations of paragraph 21 of the Complaint, and therefore deny them.

15 22. To the extent that the allegations of paragraph 22 of the Complaint are purportedly
16 based on written documents, the documents speak for themselves. Defendants are without
17 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
18 22 of the Complaint, and therefore deny them.

19 23. The allegations of paragraph 23 of the Complaint are purportedly based on written
20 documents, which speak for themselves. Defendants are without knowledge or information
21 sufficient to form a belief as to the truth of the allegations of paragraph 23 of the Complaint.

22 24. To the extent that the allegations of paragraph 24 of the Complaint are purportedly
23 based on written documents, the documents speak for themselves. Defendants are without
24 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
25 24 of the Complaint, and therefore deny them.

26 25. The allegations of paragraph 25 of the Complaint are purportedly based on written
27 documents, which speak for themselves. Defendants are without knowledge or information
28 sufficient to form a belief as to the truth of the allegations of paragraph 25 of the Complaint.

1 26. Defendants are without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of paragraph 26 of the Complaint, and therefore deny them.

3 a. To the extent that the allegations of paragraph 26(a) of the Complaint are
4 purportedly based on written documents, the documents speak for themselves. Defendants are
5 without knowledge or information sufficient to form a belief as to the truth of the allegations of
6 paragraph 26(a) of the Complaint, and therefore deny them.

7 b. Defendants are without knowledge or information sufficient to form a belief as to
8 the truth of the allegations of paragraph 26(b) of the Complaint, and therefore deny them.

9 c. Defendants are without knowledge or information sufficient to form a belief as to
10 the truth of the allegations of paragraph 26(c) of the Complaint, and therefore deny them.

11 d. Defendants are without knowledge or information sufficient to form a belief as to
12 the truth of the allegations of paragraph 26(d) of the Complaint, and therefore deny them.

13 e. Defendants are without knowledge or information sufficient to form a belief as to
14 the truth of the allegations of paragraph 26(e) of the Complaint, and therefore deny them.

15 f. To the extent that the allegations of paragraph 26(f) of the Complaint are
16 purportedly based on written documents, the documents speak for themselves. Defendants are
17 without knowledge or information sufficient to form a belief as to the truth of the allegations of
18 paragraph 26(f) of the Complaint, and therefore deny them.

19 g. Defendants are without knowledge or information sufficient to form a belief as to
20 the truth of the allegations of paragraph 26(g) of the Complaint, and therefore deny them.

21 h. Defendants are without knowledge or information sufficient to form a belief as to
22 the truth of the allegations of paragraph 26(h) of the Complaint, and therefore deny them.

23 27. The allegations of paragraph 27 of the Complaint are purportedly based on written
24 documents, which speak for themselves. Defendants are without knowledge or information
25 sufficient to form a belief as to the truth of the allegations of paragraph 27 of the Complaint, and
26 therefore deny them.

27 28. Defendants are without knowledge or information sufficient to form a belief as to
28 the truth of the allegations of paragraph 28 of the Complaint, and therefore deny them.

1 29. Defendants are without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of paragraph 29 of the Complaint, and therefore deny them.

3 30. The allegations of paragraph 30 of the Complaint are purportedly based on written
4 documents, which speak for themselves. Defendants are without knowledge or information
5 sufficient to form a belief as to the truth of the allegations of paragraph 30 of the Complaint, and
6 therefore deny them.

7 31. The allegations of paragraph 31 of the Complaint are purportedly based on written
8 documents, which speak for themselves. Defendants are without knowledge or information
9 sufficient to form a belief as to the truth of the allegations of paragraph 31 of the Complaint, and
10 therefore deny them.

11 32. Defendants are without knowledge or information sufficient to form a belief as to
12 the truth of the allegations of paragraph 32 of the Complaint, and therefore deny them.

13 33. Defendants are without knowledge or information sufficient to form a belief as to
14 the truth of the allegations of paragraph 33 of the Complaint, and therefore deny them.

15 34. Defendants are without knowledge or information sufficient to form a belief as to
16 the truth of the allegations of paragraph 34 of the Complaint, and therefore deny them.

17 35. Defendants are without knowledge or information sufficient to form a belief as to
18 the truth of the allegations of paragraph 35 of the Complaint, and therefore deny them.

19 36. Defendants are without knowledge or information sufficient to form a belief as to
20 the truth of the allegations of paragraph 36 of the Complaint, and therefore deny them.

21 37. The allegations of paragraph 37 of the Complaint are purportedly based on written
22 documents, which speak for themselves. Defendants are without knowledge or information
23 sufficient to form a belief as to the truth of the allegations of paragraph 37 of the Complaint, and
24 therefore deny them.

25 38. Defendants are without knowledge or information sufficient to form a belief as to
26 the truth of the allegations of paragraph 38 of the Complaint, and therefore deny them.

27 39. The allegations of paragraph 39 of the Complaint are purportedly based on written
28 documents, which speak for themselves. Defendants are without knowledge or information

1 sufficient to form a belief as to the truth of the allegations of paragraph 39 of the Complaint, and
2 therefore deny them.

3 40. The allegations of paragraph 40 of the Complaint are purportedly based on written
4 documents, which speak for themselves. Defendants are without knowledge or information
5 sufficient to form a belief as to the truth of the allegations of paragraph 40 of the Complaint, and
6 therefore deny them.

7 41. The allegations of paragraph 41 of the Complaint are purportedly based on written
8 documents, which speak for themselves. Defendants are without knowledge or information
9 sufficient to form a belief as to the truth of the allegations of paragraph 41 of the Complaint, and
10 therefore deny them.

11 42. The allegations of paragraph 42 of the Complaint are purportedly based on written
12 documents, which speak for themselves. Defendants are without knowledge or information
13 sufficient to form a belief as to the truth of the allegations of paragraph 42 of the Complaint, and
14 therefore deny them.

15 43. The allegations of paragraph 43 of the Complaint are purportedly based on written
16 documents, which speak for themselves. Defendants are without knowledge or information
17 sufficient to form a belief as to the truth of the allegations of paragraph 43 of the Complaint, and
18 therefore deny them.

19 44. The allegations of paragraph 44 of the Complaint are purportedly based on written
20 documents, which speak for themselves. Defendants are without knowledge or information
21 sufficient to form a belief as to the truth of the allegations of paragraph 44 of the Complaint, and
22 therefore deny them.

23 45. To the extent that the allegations of paragraph 45 of the Complaint are purportedly
24 based on written documents, the documents speak for themselves. To the extent that the
25 allegations of paragraph 45 of the Complaint constitute conclusions of law, no responsive pleading
26 is required. Defendants are without knowledge or information sufficient to form a belief as to the
27 truth of the allegations of paragraph 45 of the Complaint, and therefore deny them.
28

1 46. To the extent that the allegations of paragraph 46 of the Complaint are purportedly
2 based on written documents, the documents speak for themselves. To the extent that the
3 allegations of paragraph 46 of the Complaint constitute conclusions of law, no responsive pleading
4 is required. Defendants are without knowledge or information sufficient to form a belief as to the
5 truth of the allegations of paragraph 46 of the Complaint, and therefore deny them.

6 47. To the extent that the allegations of paragraph 47 of the Complaint constitute
7 conclusions of law, no responsive pleading is required. Defendants are without knowledge or
8 information sufficient to form a belief as to the truth of the allegations of paragraph 47 of the
9 Complaint, and therefore deny them.

10 48. To the extent that the allegations of paragraph 48 of the Complaint are purportedly
11 based on written documents, the documents speak for themselves. Defendants are without
12 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
13 48 of the Complaint, and therefore deny them.

14 49. Defendants are without knowledge or information sufficient to form a belief as to
15 the truth of the allegations of paragraph 49 of the Complaint, and therefore deny them.

16 50. Defendants are without knowledge or information sufficient to form a belief as to
17 the truth of the allegations of paragraph 50 of the Complaint, and therefore deny them.

18 51. Defendants are without knowledge or information sufficient to form a belief as to
19 the truth of the allegations of paragraph 51 of the Complaint, and therefore deny them.

20 52. Defendants are without knowledge or information sufficient to form a belief as to
21 the truth of the allegations of paragraph 52 of the Complaint, and therefore deny them.

22 53. Defendants admit that the California Lawsuit has not yet been finally adjudicated.
23 To the extent that the allegations of paragraph 53 of the Complaint are purportedly based on written
24 documents, the documents speak for themselves. Defendants deny the remaining allegations of
25 paragraph 53 of the Complaint.

26 54. The allegations of paragraph 54 of the Complaint are purportedly based on written
27 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
28 54 of the Complaint.

1 55. Defendants are without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of paragraph 55 of the Complaint, and therefore deny them.

3 56. Defendants deny any allegations of any purported fraud. To the extent that the
4 allegations of paragraph 56 of the Complaint are purportedly based on written documents, the
5 documents speak for themselves. To the extent that the allegations of paragraph 56 of the
6 Complaint constitute conclusions of law, no responsive pleading is required. Defendants are
7 without knowledge or information sufficient to form a belief as to the truth of the allegations of
8 paragraph 56 of the Complaint, and therefore deny them.

9 57. Defendants deny the allegations of paragraph 57 of the Complaint.

10 58. Defendants are without knowledge or information sufficient to form a belief as to
11 the truth of the allegations of paragraph 58 of the Complaint, and therefore deny them.

12 59. The allegations of paragraph 59 of the Complaint are purportedly based on written
13 documents, which speak for themselves. Defendants are without knowledge or information
14 sufficient to form a belief as to the truth of the allegations of paragraph 59 of the Complaint, and
15 therefore deny them.

16 60. Defendants are without knowledge or information sufficient to form a belief as to
17 the truth of the allegations of paragraph 60 of the Complaint, and therefore deny them.

18 61. To the extent that the allegations of paragraph 61 of the Complaint are purportedly
19 based on written documents, the documents speak for themselves. Defendants are without
20 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
21 61 of the Complaint, and therefore deny them.

22 62. To the extent that the allegations of paragraph 62 of the Complaint are purportedly
23 based on written documents, the documents speak for themselves. Defendants are without
24 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
25 62 of the Complaint, and therefore deny them.

26 63. For the period preceding when Defendants joined RDI's Board of Directors,
27 Defendants are without knowledge or information sufficient to form a belief as to the truth of the
28 allegation of paragraph 63 of the Complaint that there were no updates provided to the Board by

1 Ellen Cotter about the progress of the CEO search process, and therefore deny it. To the extent
2 that the allegations of paragraph 63 of the Complaint are purportedly based on written documents,
3 the documents speak for themselves. Defendants deny the remaining allegations of paragraph 63
4 of the Complaint.

5 64. The allegations of paragraph 64 of the Complaint are purportedly based on written
6 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
7 64 of the Complaint.

8 65. Defendants admit that the Search Committee interviewed numerous CEO
9 candidates and that members of the committee had extensive experience with Ellen Cotter.
10 Defendants are without knowledge or information sufficient to form a belief as to the truth of the
11 remaining allegations of paragraph 65 of the Complaint, and therefore deny them.

12 66. Defendants are without knowledge or information sufficient to form a belief as to
13 the truth of the allegations of paragraph 66 of the Complaint, and therefore deny them.

14 67. Defendants are without knowledge or information sufficient to form a belief as to
15 the truth of the allegations of paragraph 67 of the Complaint, and therefore deny them.

16 68. Defendants admit the allegation of paragraph 68 of the Complaint.

17 69. Defendants admit that, in January 2016, the Board of Directors appointed Ellen
18 Cotter as the permanent CEO and President of RDI.

19 70. Defendants deny the allegations of paragraph 70 of the Complaint.

20 71. Defendants are without knowledge or information sufficient to form a belief as to
21 the truth of the allegations of paragraph 71 of the Complaint, and therefore deny them. To the
22 extent that the allegations of paragraph 71 of the Complaint constitute conclusions of law, no
23 responsive pleading is required. To the extent a response is deemed required, such allegations of
24 paragraph 71 of the Complaint are denied.

25 72. Defendants are without knowledge or information sufficient to form a belief as to
26 the truth of the allegations of paragraph 72 of the Complaint, and therefore deny them. To the
27 extent that the allegations of paragraph 72 of the Complaint constitute conclusions of law, no
28

1 responsive pleading is required. To the extent a response is deemed required, such allegations of
2 paragraph 72 of the Complaint are denied.

3 73. Defendants are without knowledge or information sufficient to form a belief as to
4 the truth of the allegations of paragraph 73 of the Complaint, and therefore deny them. To the
5 extent that the allegations of paragraph 73 of the Complaint constitute conclusions of law, no
6 responsive pleading is required. To the extent a response is deemed required, such allegations of
7 paragraph 73 of the Complaint are denied.

8 74. Defendants are without knowledge or information sufficient to form a belief as to
9 the truth of the allegations of paragraph 74 of the Complaint, and therefore deny them. To the
10 extent that the allegations of paragraph 74 of the Complaint constitute conclusions of law, no
11 responsive pleading is required. To the extent a response is deemed required, such allegations of
12 paragraph 74 of the Complaint are denied.

13 75. Defendants are without knowledge or information sufficient to form a belief as to
14 the truth of the allegations of paragraph 75 of the Complaint, and therefore deny them.

15 76. Defendants are without knowledge or information sufficient to form a belief as to
16 the truth of the allegations of paragraph 76 of the Complaint, and therefore deny them.

17 77. Defendants are without knowledge or information sufficient to form a belief as to
18 the truth of the allegations of paragraph 77 of the Complaint, and therefore deny them.

19 78. Defendants are without knowledge or information sufficient to form a belief as to
20 the truth of the allegations of paragraph 78 of the Complaint, and therefore deny them.

21 79. Defendants are without knowledge or information sufficient to form a belief as to
22 the truth of the allegations of paragraph 79 of the Complaint, and therefore deny them.

23 80. Defendants are without knowledge or information sufficient to form a belief as to
24 the truth of the allegations of paragraph 80 of the Complaint, and therefore deny them.

25 81. The allegations of paragraph 81 of the Complaint are purportedly based on written
26 documents, which speak for themselves. Defendants are without knowledge or information
27 sufficient to form a belief as to the truth of the allegations of paragraph 81 of the Complaint, and
28 therefore deny them.

1 82. The allegations of paragraph 82 of the Complaint are purportedly based on written
2 documents, which speak for themselves. Defendants are without knowledge or information
3 sufficient to form a belief as to the truth of the allegations of paragraph 82 of the Complaint, and
4 therefore deny them.

5 83. Defendants are without knowledge or information sufficient to form a belief as to
6 the truth of the allegations of paragraph 83 of the Complaint, and therefore deny them.

7 84. The allegations of paragraph 84 of the Complaint are purportedly based on written
8 documents, which speak for themselves. Defendant Judy Coddington denies the remaining
9 allegations of paragraph 84 of the Complaint. Defendant Michael Wrotniak is without knowledge
10 or information sufficient to form a belief as to the truth of the allegations of paragraph 84 of the
11 Complaint, and therefore denies them.

12 85. Defendants are without knowledge or information sufficient to form a belief as to
13 the truth of the allegations of paragraph 85 of the Complaint, and therefore deny them.

14 86. Defendant Judy Coddington admits that Timothy Storey resigned as a director of RDI.
15 Defendant Judy Coddington denies the allegations of paragraph 86 of the Complaint in all other
16 respects. Defendant Michael Wrotniak is without knowledge or information sufficient to form a
17 belief as to the truth of the allegations of paragraph 86 of the Complaint, and therefore denies them.

18 87. Defendants deny the allegations of paragraph 87 of the Complaint.

19 88. Defendants are without knowledge or information sufficient to form a belief as to
20 the truth of the allegations of paragraph 88 of the Complaint, and therefore deny them.

21 89. The allegations of paragraph 89 of the Complaint are purportedly based on written
22 documents, which speak for themselves. Defendants are without knowledge or information
23 sufficient to form a belief as to the truth of the allegations of paragraph 89 of the Complaint, and
24 therefore deny them.

25 90. Defendants are without knowledge or information sufficient to form a belief as to
26 the truth of the allegations of paragraph 90 of the Complaint, and therefore deny them.

27 91. Defendants are without knowledge or information sufficient to form a belief as to
28 the truth of the allegations of paragraph 91 of the Complaint, and therefore deny them.

1 92. The allegations of paragraph 92 of the Complaint are purportedly based on written
2 documents, which speak for themselves. Defendants are without knowledge or information
3 sufficient to form a belief as to the truth of the allegations of paragraph 92 of the Complaint, and
4 therefore deny them.

5 **RESPONSE TO "DEMAND IS EXCUSED"**

6 93. To the extent that the allegations of paragraph 93 of the Complaint constitute
7 conclusions of law, no responsive pleading is required. To the extent a response is deemed
8 required, such allegations of paragraph 93 of the Complaint are denied. Defendants deny the
9 remaining allegations of paragraph 93 of the Complaint.

10 94. Defendants are without knowledge or information sufficient to form a belief as to
11 the truth of the allegations of paragraph 94 of the Complaint, and therefore deny them.

12 95. The allegations of paragraph 95 of the Complaint are purportedly based on written
13 documents, which speak for themselves. Defendants are without knowledge or information
14 sufficient to form a belief as to the truth of the allegations of paragraph 95 of the Complaint, and
15 therefore deny them.

16 96. Defendants are without knowledge or information sufficient to form a belief as to
17 the truth of the allegations of paragraph 96 of the Complaint, and therefore deny them.

18 97. Defendants are without knowledge or information sufficient to form a belief as to
19 the truth of the allegations of paragraph 97 of the Complaint, and therefore deny them.

20 98. Defendants are without knowledge or information sufficient to form a belief as to
21 the truth of the allegations of paragraph 98 of the Complaint, and therefore deny them.

22 99. To the extent that the allegations of paragraph 99 of the Complaint are purportedly
23 based on written documents, the documents speak for themselves. Defendants are without
24 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph
25 99 of the Complaint, and therefore deny them.

26 100. Defendants are without knowledge or information sufficient to form a belief as to
27 the truth of the allegations of paragraph 100 of the Complaint, and therefore deny them.

1 101. Defendants are without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of paragraph 101 of the Complaint, and therefore deny them.

3 102. The allegations of paragraph 102 of the Complaint constitute conclusions of law to
4 which no responsive pleading is required. To the extent a response is deemed required, the
5 allegations of paragraph 102 of the Complaint are denied.

6 103. Defendants are without knowledge or information sufficient to form a belief as to
7 the truth of the allegations of paragraph 103 of the Complaint, and therefore deny them.

8 104. The allegations of paragraph 104 of the Complaint constitute conclusions of law to
9 which no responsive pleading is required. To the extent a response is deemed required, the
10 allegations of paragraph 104 of the Complaint are denied.

11 105. The allegations of paragraph 105 of the Complaint are purportedly based on written
12 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
13 105 of the Complaint.

14 106. Defendants admit that Mary Cotter knows Judy Coddington. To the extent that the
15 allegations of paragraph 106 of the Complaint constitute conclusions of law, no responsive
16 pleading is required. To the extent a response is deemed required, such allegations of paragraph
17 106 of the Complaint are denied. Defendants deny the allegations of paragraph 106 of the
18 Complaint in all other respects.

19 107. Defendants admit that Margaret Cotter knows Michael Wrotniak. To the extent
20 that the allegations of paragraph 107 of the Complaint are purportedly based on written documents,
21 the documents speak for themselves. To the extent that the allegations of paragraph 107 of the
22 Complaint constitute conclusions of law, no responsive pleading is required. To the extent a
23 response is deemed required, such allegations of paragraph 107 of the Complaint are denied.
24 Defendants deny the allegations of paragraph 107 of the Complaint in all other respects.

1 **RESPONSE TO "FIRST CAUSE OF ACTION**

2 **(Breach of Fiduciary Duty - Against Defendants Ellen Cotter, Margaret Cotter, Ed Kane,**
3 **Guy Adams, Bill Gould, Doug McEachern, Judy Coddington and Michael Wrotniak)"**

4 108. Defendants reassert and incorporate their responses to paragraphs 1 through 107 of
5 the Complaint.

6 109. Defendants admit that Ellen Cotter, Margaret Cotter, Edward Kane, Guy Adams,
7 William Gould, Douglas McEachern, Judy Coddington, and Michael Wrotniak are directors of RDI.
8 To the extent that the allegations of paragraph 109 of the Complaint constitute conclusions of law,
9 no responsive pleading is required. To the extent a response is deemed required, such allegations
10 of paragraph 109 of the Complaint are denied.

11 110. The allegations of paragraph 110 of the Complaint constitute conclusions of law to
12 which no responsive pleading is required. To the extent a response is deemed required, the
13 allegations of paragraph 110 of the Complaint are denied.

14 111. The allegations of paragraph 111 of the Complaint constitute conclusions of law to
15 which no responsive pleading is required. To the extent a response is deemed required, the
16 allegations of paragraph 111 of the Complaint are denied.

17 112. Defendants deny the allegations of paragraph 112 of the Complaint.

18 113. Defendants deny the allegations of paragraph 113 of the Complaint.

19 114. Defendants deny the allegations of paragraph 114 of the Complaint.

20 115. Defendants deny that Plaintiffs, RDI, or its stockholders have suffered any damages
21 by virtue of Defendants' conduct.

22 **RESPONSE TO "SECOND CAUSE OF ACTION**

23 **(Aiding and Abetting Breach of Fiduciary Duty - Against Defendants Craig Tompkins, Ed**
24 **Kane, Guy Adams, Doug McEachern, Judy Coddington and Mark Wrotniak)"**

25 116. Defendants reassert and incorporate their responses to paragraphs 1 through 115 of
26 the Complaint.

27 117. Defendants deny the allegations of paragraph 117 of the Complaint.

28 118. Defendants deny the allegations of paragraph 118 of the Complaint.

1 119. Defendants deny the allegations of paragraph 119 of the Complaint.

2 120. Defendants deny the allegations of paragraph 120 of the Complaint.

3 121. Defendants deny that Plaintiffs, RDI, or its stockholders have suffered any damages
4 by virtue of Defendants' conduct.

5 **RESPONSE TO "PRAYER FOR RELIEF"**

6 122. Responding to the unnumbered PRAYER FOR RELIEF, Defendants admit that
7 Plaintiffs demand and pray for judgment as set forth therein, but deny that Defendants caused or
8 contributed to Plaintiffs' or RDI's alleged injuries and further deny that Defendants are liable for
9 damages or any other relief sought in the Complaint.

10 **AFFIRMATIVE DEFENSES**

11 123. Subject to the responses above, Defendants allege and assert the following defenses
12 in response to the allegations, undertaking the burden of proof only as to those defenses deemed
13 affirmative defenses by law, regardless of how such defenses are denominated herein. In addition
14 to the affirmative defenses described below, subject to their responses above, Defendants
15 specifically reserve all rights to allege additional affirmative defenses that become known through
16 the course of discovery.

17 **FIRST DEFENSE – FAILURE TO STATE A CAUSE OF ACTION**

18 124. The Complaint, and each purported cause of action therein, is barred, in whole or
19 in part, for failure to state a cause of action against Defendants under any legal theory.

20 **SECOND DEFENSE – STATUTES OF LIMITATIONS AND REPOSE**

21 125. The Complaint, and each purported cause of action therein, is barred, in whole or
22 in part, by the applicable statutes of limitations and/or statutes of repose.

23 **THIRD DEFENSE – LACHES**

24 126. The Complaint, and each purported cause of action therein, is barred, in whole or
25 in part, by the doctrine of laches, in that Plaintiffs waited an unreasonable period of time to file
26 this action and this prejudicial delay has worked to the detriment of Defendants.

IN THE SUPREME COURT OF NEVADA

JAMES J. COTTER, JR., derivatively on
behalf of Reading International, Inc.,

Appellant,

v.

MARGARET COTTER, ELLEN
COTTER, GUY ADAMS, EDWARD
KANE, DOUGLAS McEACHERN,
WILLIAM GOULD, JUDY CODDING,
MICHAEL WROTONIAK,

Respondents,

and

READING INTERNATIONAL, INC., a
Nevada Corporation,

Nominal Defendant.

Electronically Filed
Jan 22 2019 12:24 p.m.
Elizabeth A. Brown
Clerk of Supreme Court
Supreme Court Case No. 75053

JOINT APPENDIX IN SUPPORT OF
APPELLANT'S OPENING BRIEF

VOLUME I (JA1-250)

Steve Morris, Esq. (#1543)
Akke Levin, Esq. (#9102)
Morris Law Group
411 E. Bonneville Ave., Ste. 360
Las Vegas, NV 89101
Telephone: (702) 474-9400

Attorneys for Appellant
James J. Cotter, Jr.

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CERTIFICATE OF SERVICE

I certify that on the 22nd day of January 2019, I served a copy of **JOINT APPENDIX IN SUPPORT OF APPELLANT'S OPENING BRIEF VOLUME I (JA1-250)** upon all counsel of record:

☒ By mailing it by first class mail with sufficient postage prepaid to the following address(es); via email and/or through the court's efilng service:

Stan Johnson
Cohen-Johnson, LLC
255 East Warm Springs Road, Ste. 110
Las Vegas, NV 89119

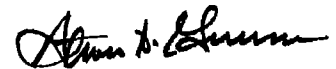
Christopher Tayback
Marshall Searcy
Quinn Emanuel Urquhart & Sullivan LLP
865 South Figueroa Street, 10th Floor
Los Angeles, CA 90017
christayback@quinnemanuel.com
marshallsearcy@quinnemanuel.com

*Attorneys for Respondents Edward Kane,
Douglas McEachern, Judy Coddling, and
Michael Wrotniak*

Ara H. Shirinian, Settlement Judge
10651 Capesthorpe Way
Las Vegas, Nevada 89135
arashirinian@cox.net

Mark Ferrario
Kara Hendricks
Tami Cowden
Greenberg Traurig, LLP
10845 Griffith Peak Dr.
Las Vegas, NV 89135
*Attorneys for Nominal
Defendant Reading
International, Inc.*

By: /s/ Patricia A. Quinn
An employee of Morris Law Group



CLERK OF THE COURT

1 **COMPB**

2 MARK G. KRUM (Nevada Bar No. 10913)

3 MKrum@LRRILaw.com

4 LEWIS ROCA ROTHGERBER LLP

5 3993 Howard Hughes Parkway, Suite 600

6 Las Vegas, Nevada 89169

7 (702) 949-8200

8 (702) 949-8398 fax

9 Attorneys for Plaintiff

10 *James J. Cotter, Jr.*

11 **DISTRICT COURT**

12 **CLARK COUNTY, NEVADA**

13 JAMES J. COTTER, JR., individually and
14 derivatively on behalf of Reading International,
15 Inc.,

16 Plaintiff,

17 v.

18 MARGARET COTTER, ELLEN COTTER,
19 GUY ADAMS, EDWARD KANE, DOUGLAS
20 McEACHERN, TIMOTHY STOREY,
21 WILLIAM GOULD, and DOES 1 through 100,
22 inclusive,

23 Defendants.

24 and

25 READING INTERNATIONAL, INC., a Nevada
26 corporation;

27 Nominal Defendant.

CASE NO. A-15-719860-B

DEPT. NO. XXVII

COMPLAINT

[Business Court Requested: [EDCR 1.61]

**[Exempt From Arbitration: declaratory
relief requested; action in equity]**

28 For his complaint, plaintiff James J. Cotter, Jr., by and through his counsel, Mark G. Krum
of Lewis Roca Rothgerber LLP, hereby alleges the following:

NATURE OF THE CASE

1. This action arises from the intentional misconduct of a majority of the board of
directors of Reading International, Inc. ("RDI" or the "Company"), including individuals who

3993 Howard Hughes Parkway
Suite 600
Las Vegas, NV 89169-5996
**LEWIS ROCA
ROTHGERBER**

1 comprise a majority of the outside directors of RDI, which is a public company. In particular and
2 without limitation, outside directors Edward Kane ("Kane"), Guy Adams ("Adams") and Douglas
3 McEachern ("McEachern"), together with director Ellen Cotter ("EC") and ("outside") director
4 Margaret Cotter ("MC"), have acted in a manner that was and is in derogation of their fiduciary
5 obligations as directors of RDI, first to threaten James J. Cotter, Jr. ("JJC" or "Plaintiff") with
6 termination as President and Chief Executive Officer ("CEO") of RDI in order to pressure him to
7 settle certain trust and estate litigation with EC and MC and then, when JJC failed to succumb to
8 that threat and pressure, to conduct a (legally ineffectual) boardroom coup, precipitously removing
9 JJC as President and CEO of RDI.

10 2. These directors did so without undertaking any semblance of a process to warrant
11 making any decision regarding the status of JJC (or anyone) as President and CEO, and did so in
12 the face of express acknowledgements by outside directors Timothy Storey ("Storey") and
13 William Gould ("Gould") that the directors had failed to undertake any process that would warrant
14 making any decision about the status of the President and CEO of RDI, much less the decision to
15 remove JJC as President and CEO of RDI. In particular, Gould warned the others that, because
16 they had undertaken no process to warrant even making such a decision, they all could be subject
17 to liability. Storey called the lack of process and planned coup a "kangaroo court," and warned
18 the outside directors that, "as directors we can't just do what a shareholder [, meaning EC and
19 MC,] asks."

20 3. One reason defendants engaged in no process whatsoever before deciding to
21 terminate JJC as President and CEO of RDI is because the decision to do so in reality was not a
22 business decision by directors about the status of the President and CEO of RDI. Instead, the
23 decision was made to choose sides in family disputes between EC and MC, on one hand, and JJC,
24 on the other hand, which disputes include certain trust and estate litigation commenced by EC and
25 MC against JJC following the passing of their father, James J. Cotter, Sr. ("JJC, Sr."), in
26 September 2014, as well as unbecoming disputes of a more personal nature, including the refusal
27 of EC and MC to report to their "little brother," who succeeded JJC, Sr. as CEO of RDI.
28

6. Ultimately, and as described herein, EC, MC, Adams, Kane and McEachern communicated to JJC that he must agree to a global settlement proposal acceptable to EC and MC and covering all trust and estate litigation and other disputes between MC and EC, on one hand, and JJC, on the other hand, failing which Adams, Kane and McEachern (as three of the five outside directors) would vote to terminate JJC as President and CEO of RDI. JJC ultimately declined to be extorted, and Adams, Kane and McEachern voted to terminate JJC as President and CEO of RDI, as did EC and MC, with Storey and Gould voting against doing so.

7. Plaintiff James J. Cotter, Jr. (JJC) is and at all times relevant hereto was a director of RDI. JJC became a director of RDI on or about March 21, 2002. Involved in RDI management since mid-2005, JJC was appointed Vice Chairman of the RDI board of directors in 2007 and President of RDI on or about June 1, 2013. He was appointed CEO by the RDI board on

1 or about August 7, 2014, immediately after JJC, Sr. resigned from that position. He is the son of
2 the late James J. Cotter, Sr. (JJC, Sr.) and the brother of defendants MC and EC. JJC at all times
3 relevant hereto has owned RDI stock, and owns 718,232 shares of RDI Class A non-voting stock
4 (including 47,500 shares subject to stock options) and is co-trustee and beneficiary of the James J.
5 Cotter Living Trust, dated August 1, 2000, as amended (the "Trust"), which owns 2,115,539
6 shares of RDI Class A (non-voting) stock and 1,023,888 shares of RDI Class B (voting) stock, and
7 options to acquire 100,000 additional shares of RDI Class B (voting) stock, which Trust became
8 irrevocable upon the passing of JJC, Sr. on September 13, 2014.

9 8. Defendant Margaret Cotter (MC) is and at all times relevant hereto was an outside
10 director of RDI. MC is engaged in trust and estate litigation against JJC, by which she seeks,
11 among other things, to invalidate a trust document as part of an overall effort by MC and EC to,
12 among other things, procure voting control of RDI stock sufficient to elect RDI's directors. MC
13 became a director of RDI on or about September 27, 2002. MC is the owner and President of
14 OBI, LLC, a company that provides theater management services to live theaters indirectly
15 owned by RDI through Liberty Theatres, of which MC is President. MC also sought to
16 oversee development of real property in New York owned directly or indirectly by RDI,
17 notwithstanding the fact that she had no experience or expertise in doing so and
18 notwithstanding the fact that she refused to work with, and actively opposes the hiring of,
19 any senior executive engaged or proposed to be engaged to assist her.

20 9. Defendant Ellen Cotter (EC) is and at all times relevant hereto was a director of
21 RDI. EC is engaged in trust and estate litigation against JJC, by which she seeks, among other
22 things, to invalidate a trust document as part of an overall effort by MC and EC to, among other
23 things, procure voting control of RDI stock by Margaret sufficient to elect RDI's directors. She
24 became a director of RDI on or about March 13, 2013. EC is the senior executive at RDI
25 responsible for the day-to-day operations of its domestic cinema operations. Those cinema
26 operations consistently have failed to match, much less exceed, the financial results of comparable
27 and peer group cinema operations.

28 10. Defendant Edward Kane (Kane) is and at all times relevant hereto was an outside

1 director of RDI. Kane has been a director of RDI since approximately October 15, 2009. By
2 Kane's own admission, he was made a director of RDI because he was a friend of JJC, Sr., the
3 now deceased father of JJC, EC and MC, and in spite of the fact that Kane neither had nor has
4 skills or expertise to add value as a director of RDI. Kane has sided with EC and MC in their
5 family disputes with Plaintiff, launching vicious *ad hominem* attacks against those such as Gould
6 who have expressed unfavorable opinions about either or both MC and EC, and lecturing JJC
7 about how he (Kane) is implementing Corleone ("Godfather") style family justice in dealing with
8 JJC, whom Kane acknowledges is the person most qualified to be CEO of RDI. Kane sold all of
9 the RDI options he then owned on or about May 27, 2014.

10 11. Defendant Guy Adams (Adams) is and at all times relevant hereto was an outside
11 director of RDI. Adams became a director of RDI on or about January 14, 2014. A majority if not
12 almost all of Adams' income is paid to him by Cotter family businesses over which EC and MC
13 exercise control or claim to exercise control. For that reason, among others, Adams is financially
14 dependent on EC and MC and does not qualify as an independent director of RDI. For those
15 reasons and others, Adams was and is not a disinterested director for the purposes of any decision
16 to terminate JJC as President and CEO of RDI. Adams sold all of the RDI options he owned on or
17 about March 26, 2015.

18 12. Defendant Douglas McEachern (McEachern) is and at all times relevant hereto was
19 an outside director of RDI. McEachern became a director of RDI on or about May 17, 2012.
20 McEachern acted to protect and preserve his personal interests, and chose the side of EC and MC
21 in their family disputes with JJC, when he voted as an RDI director to terminate JJC as President
22 and CEO of RDI, including for the reasons described hereinafter.

23 13. Defendant Timothy Storey (Storey) is and at all times relevant hereto was an
24 outside director of RDI. Storey became a director of RDI on or about December 28, 2011. He has
25 served as the sole outside director of RDI's wholly-owned New Zealand subsidiary since 2006.
26 Storey has served as Chairman of the Board of DNZ Property Fund Limited, a billion dollar
27 commercial property investment fund based in New Zealand and listed on the New Zealand Stock
28 Exchange, since 2009. Prior to the being elected Chairman of DNZ Property Fund Limited,

1 Storey was a partner in Bell Gully (one of the largest law firms in New Zealand). Storey was
2 appointed the representative or ombudsman of the five outside directors in or about March 2015,
3 for the purpose of assisting JJC as CEO in dealing with his sisters, EC and MC, who refused to
4 interact with him in that capacity and, as to MC, refused altogether to have any substantive
5 discussions with JJC with respect to the business she supervised, live theaters, and the real estate
6 development opportunities in New York City that she sought to supervise without oversight or
7 assistance.

8 14. Defendant William Gould (Gould) is and at all times relevant hereto was an outside
9 director of RDI. Gould was appointed a director on or about October 15, 2004. Gould is a name
10 partner at the Los Angeles law firm of TroyGould, PC and is an author and lecturer on the subjects
11 of corporate governance and mergers and acquisitions.

12 15. Nominal defendant Reading International, Inc. (RDI) is a Nevada corporation and
13 is, according to its public filings with the United States Securities and Exchange Commission (the
14 "SEC"), an internationally diversified company principally focused on the development,
15 ownership and operation of entertainment and real estate assets in the United States, Australia and
16 New Zealand. The company operates in two business segments, namely, cinema exhibition,
17 through approximately 58 multiplex cinemas, and real estate, including real estate development
18 and the rental of retail, commercial and live theater assets. The company manages world-wide
19 cinemas in the United States, Australia and New Zealand. RDI has two classes of stock, Class A
20 stock held by the investing public, which stock exercises no voting rights, and Class B stock,
21 which is the sole voting stock with respect to the election of directors. An overwhelming majority
22 (approximately eighty percent (80%)) of the Class A stock is legally and/or beneficially owned by
23 shareholders unrelated to JJC, EC and MC. Approximately seventy percent (70%) of the Class B
24 stock is subject to disputes and pending trust and estate litigation between EC and MC, on one
25 hand, and JJC, on the other hand. RDI is named as a nominal defendant in recognition of the fact
26 that it may be contended that one or more claim made by this complaint is derivative in nature.

27 16. The true names and capacities, whether individual, corporate, associate or
28 otherwise, of Defendants named and identified herein as Does 1 through 100, inclusive, are

1 currently unknown to Plaintiff. Plaintiff, therefore, sues said Defendants by such fictitious names
2 and will amend his Complaint to show their true names and capacities upon ascertaining the same.
3 Upon information and belief, each of the Defendants sued herein as Doe has some responsibility
4 for the damages arising as a result of the matters herein alleged.

5 ALLEGATIONS COMMON TO ALL CLAIMS

6 **General Background**

7 17. Since approximately 2000, and until he resigned as Chairman and CEO of RDI on
8 or about August 7, 2014 due to health reasons, James J. Cotter, Sr. (JJC, Sr.) was the CEO and
9 Chairman of the Board of Directors of RDI. Additionally, JJC, Sr. through the Trust (according to
10 RDI filings with the SEC, among other things) controlled approximately seventy percent (70%) of
11 the Class B voting stock of RDI. As such, JJC, Sr. unilaterally selected and elected the board of
12 directors.

13 18. As acknowledged by defendant Kane, JJC, Sr. for all intents and purposes ran the
14 Company as he saw fit, without meaningful oversight or input from the board of directors.
15 According to Kane, JJC, Sr. "did not seek directors that could add significant value but sought out
16 friends to fill out the 'independent' member requirements." Kane also acknowledged that, with
17 the passing of JJC, Sr., it was "time to change this approach and appoint individuals that could
18 offer solid advice and counsel, such as some NYC real estate people and/or NYC people with
19 political know-how that we might need if we are to develop our valuable assets there."

20 19. Recognizing JJC, Sr.'s control of the Company, the board asked that he provide
21 them with a succession plan. He did so in or about December 2006, and the RDI board agreed to
22 it. The succession plan was to have JJC assume JJC, Sr.'s position when JJC, Sr. retired or
23 passed, as the case may be.

24 20. Since 2005, JJC was involved in most RDI executive management meetings and
25 privy to most significant internal senior management memos. JJC was appointed Vice Chairman
26 of the RDI board in 2007. The RDI board appointed JJC President of RDI on or about June 1,
27 2013, which responsibilities he filled without objection by the RDI board of directors.

28 21. On or about September 13, 2014, JJC, Sr. passed.

1 22. Soon thereafter, trust and estate litigation was commenced by his daughters, MC
2 and EC, including against JJC, which litigation involved the issue of whether MC or JJC, or both,
3 should control the RDI voting stock previously controlled by JJC, Sr., among other things.

4 23. Apparently recognizing that their machinations to use the uncertainty attendant to
5 the pending trust and estate litigation to secure control of the RDI voting stock previously
6 controlled by JJC, Sr. were destined to ultimately fail, and with MC in perceived jeopardy of being
7 terminated from managing the live theater operations due to the Orpheum Theatre debacle
8 described herein, MC and EC launched a plan to attempt to preempt the ultimate disposition of
9 that trust and estate litigation, as well as MC's possible termination. MC and EC secured the
10 agreement of defendants Kane, Adams and McEachern to pick sides in their family dispute with
11 JJC, and to act in derogation of their fiduciary obligations and the interests of RDI and all RDI
12 stockholders, to threaten and then, when the threat failed, to stage a boardroom coup by firing
13 Plaintiff as President and CEO of RDI.

14 24. JJC alienated his sisters and Adams, Kane and McEachern because, as President
15 and CEO of RDI, he acted to protect and further the interests of RDI and all of its shareholders,
16 repeatedly rebuffing the efforts of MC and EC to advance their own interests, as well as efforts by
17 Kane, Adams and McEachern to protect and further the interests of MC and EC, as well as their
18 own interests, all to the detriment of the Company and its other shareholders. For example, EC
19 attempted to charge RDI for dinners she had with her mother and sister (including an expensive
20 Thanksgiving dinner with her mother, sister and sister's children), a simple and egregious practice
21 of self-dealing that Plaintiff rejected, angering EC.

22 25. Ultimately, JJC was fired as President and CEO of RDI because JJC refused to
23 acquiesce to ultimatums from EC, MC, Kane, Adams and McEachern that he enter into a
24 settlement proposal (including of trust and estate issues) satisfactory to EC and MC.

25 **EC and MC Act To Further Their Own Interests; Kane Assists**

26 26. Soon after JJC, Sr. passed, EC sought an employment agreement and a promotion
27 from Chief Operating Officer of RDI's Domestic Cinema Operations to head of its worldwide
28 cinema division (including Australian and New Zealand Cinema Operations). EC also sought an

1 employment agreement. Plaintiff is informed and believes that EC did so in part because she was
2 fearful that JJC, acting to protect and further the interests of the Company, would demote or fire
3 her.

4 27. Soon after JJC, Sr. passed, EC also sought a raise. The claimed impetus for the
5 requested raise was to qualify for a loan on a Laguna Beach, California condominium. EC sought
6 it in part because EC understood that Kane would get it for her.

7 28. Kane, who has a decade's long quasi-familial relationship with each of MC and
8 EC, who call him "Uncle Ed," acted to ensure that EC would obtain the loan she sought, described
9 above.

10 29. To that end, Kane, purporting to act as chairman of the RDI Compensation
11 Committee, without authority or approval from the RDI Compensation Committee, on RDI
12 letterhead wrote EC's lender and represented that the Committee "anticipate[d] a total cash
13 compensation increase of no less than 20%" for EC "effective no later than January 1, 2015."
14 Despite JJC pointing out that sending such a letter to EC's bank was inappropriate, EC executed
15 the letter on behalf of Kane.

16 30. Shortly thereafter, Kane acknowledged to RDI board members that the study that
17 had been commissioned and expected to justify EC's pay increase, actually failed to do so.

18 31. Also, in October 2014, Kane prompted the RDI board to provide EC a "bonus" of
19 \$50,000, on account of a supposed error by the Company in connection with the issuance of RDI
20 stock options EC had exercised in 2013.

21 **The Outside Directors Act To Further Their Own Interests**

22 32. Separately, commencing shortly after JJC, Sr.'s death on September 13, 2014,
23 Kane began pressing Plaintiff as President and CEO to recommend to the RDI board, and thereby
24 effectively approve, increases in directors' fees and consideration paid to Kane and other outside
25 board members.

26 33. Kane and the other outside directors were successful in increasing their
27 compensation. On or about November 13, 2014, the RDI board raised annual directors' fees by
28 approximately forty-three percent (43%) and gave each nonemployee director additional

1 compensation in the form of stock options and a one-time cash compensation.

2 **MC And EC Bring Cotter Family Disputes To RDI's Boardroom**

3 34. In an effort to accommodate MC and EC, who refused to report to JJC as CEO,
4 outside board members initiated a "discussion forum," whereby each of JJC, MC and EC would
5 meet with two non-Cotter directors, Storey and McEachern. One meeting occurred on or about
6 November 12, 2014 and one occurred on or about December 16, 2014. These meetings did not
7 assuage MC and EC.

8 35. Notwithstanding the fact that Plaintiff had been President of RDI since 2013,
9 notwithstanding the fact that JJC, Sr. and the RDI board had agreed upon a succession plan
10 pursuant to which Plaintiff would succeed JJC, Sr. as CEO of RDI, and notwithstanding that JJC,
11 Sr.'s testamentary disposition memorialized to EC and MC his intention that JJC serve as
12 President of RDI, MC and EC resisted and sought to avoid reporting to JJC.

13 36. Commencing in the fourth quarter of 2014, MC undertook to enlist Kane to
14 undermine Plaintiff. During that time frame she confidentially requested of Kane that she be made
15 co-CEO of RDI.

16 37. During that time frame, Plaintiff in furtherance of his responsibilities as CEO of
17 RDI sought to engage in substantive communications with MC about the live theater business for
18 which she was responsible. MC flatly refused to have substantive communications with Plaintiff
19 about such matters.

20 38. Plaintiff also brought to the attention of Kane the difficulties created by MC and
21 EC, including in particular but not limited to MC's abject refusal to communicate with Plaintiff
22 about the businesses for which she either had or claimed she should have responsibility, meaning
23 the live theater business, and two highly valuable real estate assets in New York City which MC
24 was not qualified to manage or lead without expert or qualified assistance she refused to accept,
25 including by consistently resisting hiring a qualified executive.

26 **Kane Acts To Protect EC And MC**

27 39. In or about January 2015, Kane acted to protect and further the interests of EC and
28 MC, in derogation of his fiduciary obligations.

1 40. By way of email dated January 16, 2015, Kane communicated to Plaintiff a
2 suggestion to the effect that EC be given the title she wants, that MC be treated as a “co-equal with
3 [a] new head of domestic real estate [and] [t]hat she and the new head will report to you and you
4 will resolve any conflicts between them that they cannot resolve themselves [and] you will make a
5 title for MC as a new employee of the Company”

6 **MC And EC Prompt The Outside Directors To Participate In Family Disputes**

7 41. The outside board members, faced with the personal disputes MC and EC had with
8 JJC, including the pending trust and estate litigation, took steps to protect and enhance their
9 personal interests.

10 42. The RDI board of directors on January 15, 2015 determined to purchase a directors
11 and officers insurance policy (which it never had before) with a limit of \$10 million. At the time,
12 they also determined that stock option grants to individual directors made on or about November
13 13, 2014 would vest immediately and further determined that January 15, 2015 would be the date
14 on which to establish the stock price for option purposes.

15 43. In a private session of the outside directors on January 15, 2015, they discussed and
16 agreed upon a course of action which initially was proposed to be the first two paragraphs quoted
17 below, but after discussion became all three. They resolved and approved, with Plaintiff, EC and
18 MC abstaining, as follows:

19 “The CEO [JJC,] cannot terminate the employment of Ellen Cotter unless
20 a majority of the independent directors concur with the CEO’s recommendation to
21 terminate Ellen Cotter;

22 The CEO [JJC,] cannot terminate the existing Theater Management
23 Agreement of Ms. Margaret Cotter unless a majority of the independent directors
24 concurs with the CEO’s recommendations to terminate such Theater Management
25 Agreement; and

26 The CEO [JJC,] cannot be terminated without the approval of the
27 majority of the independent directors.”

28 **JJC Succeeds As President And CEO; MC And EC Continue To Object**

 44. Plaintiff’s work as CEO was recognized as successful by the stock market. RDI
stock was trading at \$8.17 per share when Plaintiff became CEO but, by approximately the end of

2014, had traded as high as \$13.26 per share and, in the Spring of 2015, traded at over \$14.45 per share.

45. One analyst described the successes of JJC as President and CEO as follows:

Management Catalysts

RDI has historically suffered from a control discount. The dual class structure created a situation where the Cotter family owned approx. 30% of outstanding shares, but 70% of class B voting stock. James Cotter Sr., the longtime CEO, made little effort to promote the company and was slow to monetize assets and unlock the value even though he did acquire assets smartly and did a good job of operating the business. Over the past two years, asset monetization has moved ahead and seems to be a sign of things to come. In early August, James Cotter, Sr., resigned from serving as the Company's Chairman and CEO and recently passed away. Cotter's son Jim has taken over the CEO position. We think that Jim has already been a positive influence in terms of value realization during the last year. We believe that Jim was instrumental in pushing not only the sales of important Australian assets, but also the share buyback. He is also seeking other ways to increase value (e.g. considering ways to further monetize the Angelika brand). We expect the stock will move much closer to fair value once definitive announcements are made around the New York City assets and other smaller asset monetization announcements in the next 12 months. The two New York assets discussed have appreciated significantly in recent years and are a part of the value here. It is also worth noting that RDI also owns other valuable, underutilized real estate (including Minetta Lane Theater, Orpheum Theater, Royal George in Chicago, etc.) that could ultimately be redeveloped and create incremental value for shareholders.

46. After meeting JJC in person in October 2014, one large stockholder commented, "I came away from our meeting with a firm view that you care about shareholders and that both you and us will be nicely rewarded over time...I intend to remain a long-term partner. I am confident that if you continue to buy back stock and the investment community begins to believe that you, as a leader, will act in the best interests of shareholders, the stock price will be considerably higher." The stock price did move considerably higher.

47. JJC's success in fact began as early as June 1, 2013, when he was appointed President of RDI. After JJC, Sr. was diagnosed with prostate cancer in early 2013, JJC, Sr. turned over more responsibility to JJC, as JJC, Sr. was battling prostate cancer. On June 1, 2013, the stock price was only \$6.08 per share.

48. JJC's success as President and CEO of RDI continues to be recognized by the stock market. On May 31, 2015, The Street Ratings upgraded their recommendation of RDI to a "buy"

1 or "purchase." On June 4, 2015, RDI Class A stock traded in the public marketplace as high as
2 \$14.45 per share.

3 49. MC and EC objected to Plaintiff's on-going, successful efforts as President and
4 CEO of RDI which, though in the best interests of all RDI shareholders, including the public non-
5 Cotter family shareholders, were viewed by MC and EC as not in their personal interests. MC and
6 EC continued to voice objections to JJC communicating with shareholders.

7 50. By their actions and statements, including but not limited to their demands for
8 additional compensation and for employment agreements, and their complaint that Plaintiff had
9 acted in the interests of all RDI shareholders rather than in their particular interests, MC and EC
10 made clear that their personal interests were paramount, in derogation of the interests of RDI and
11 its other shareholders, notwithstanding that both were RDI directors.

12 **JJC Complies With Board Requests, MC And EC Do Not**

13 51. By March 2015, the efforts of EC and MC to promote their own interests, in
14 derogation of the interests of the Company, compelled the non-Cotter members of the RDI board
15 of directors to intervene.

16 52. In March 2015, the non-Cotter directors appointed lead director Gould and director
17 Storey as an independent committee, with Storey functioning as their representative or
18 ombudsman to work with JJC as CEO, including by acting as a facilitator with EC and MC.

19 53. On behalf of the non-Cotter directors, Gould advised MC and EC and Plaintiff that
20 the process they had put in place, involving director Storey as described herein, would continue
21 through the end of June 2015, at which time an assessment would be made of the situation,
22 including in particular the extent to which each of the three of them had cooperated in the process
23 and had undertaken to improve their working relationships and to sustain improved working
24 conditions.

25 54. From that point forward, Plaintiff has worked with director Storey in the manner
26 Storey on behalf of the non-Cotter directors had requested.

27 55. However, MC and EC did not, including as otherwise averred herein. Instead, they
28 continued to act to preserve and further their own personal and financial interests, to the detriment

1 of RDI and its shareholders.

2 56. Thus, although MC for months had resisted even having substantive discussions
3 with Plaintiff about the live theater business operations for which she was responsible, and
4 although MC for months had failed and refused to produce even the most rudimentary of business
5 plans, she nevertheless pushed to be provided an employment agreement with RDI. For example,
6 on May 4, 2015, by which time she had provided no business plan whatsoever, notwithstanding
7 requests from Plaintiff and from director Storey that she do so, she emailed Plaintiff, stating "any
8 idea when this employment agreement of mine that you have been working on for months will be
9 presented?"

10 **The Outside Directors Demand More Money**

11 57. In the same time frame, the non-Cotter directors were seeking additional
12 compensation. In particular, Kane pushed Plaintiff to provide all non-Cotter directors other than
13 director Storey an extra \$25,000 for the first six months of 2015, with the understanding "that at
14 year-end we will be asking for an additional payment."

15 58. With respect to director Storey, who resides in New Zealand and had taken no
16 fewer than a half dozen trips to Los Angeles in furtherance of his role as the representative or
17 ombudsman of the non-Cotter directors in interfacing with Plaintiff, on the one hand, and MC and
18 EC, respectively, on the other hand, Kane's proposal was that Storey receive an additional \$75,000
19 for the first six months of 2015, in recognition of the time and effort Storey was expending as the
20 representative or ombudsman for the non-Cotter directors.

21 59. Plaintiff advised Kane that he had some reservations about the additional
22 compensation Kane proposed providing to the non-Cotter directors.

23 60. While Plaintiff did as director Storey requested, MC and EC pursued their own
24 personal interests, in derogation of the interests of RDI and its shareholders. Among other things,
25 EC had her personal lawyers copied on internal RDI correspondence and present on telephone
26 calls with RDI outside counsel and executives, including the CFO and the General Counsel, so as
27 to protect and further the interests of EC and MC.
28

MC's Orpheum Theatre Debacle Puts Her Employment In Jeopardy

61. On or about May 18, 2015, Plaintiff took MC to task, observing that she had been promising him a business plan for eight months but still had not delivered one.

62. RDI's proxy statement filed with the SEC in connection with the annual meeting of RDI stockholders that occurred in 2014 described MC's role in relevant part as "the President of Liberty Theatres, the subsidiary through which we own our live theaters. [MC] manages the real estate which houses each of four live theaters [including the one which is the principle source of revenue, the Orpheum Theatre,] [and as such] secures leases, manages tenancies, oversees maintenance and regulatory compliance on the properties. . . ."

63. MC's diligence and candor, or lack of one or both, have been called into question by her handling of the relationship with the Stomp Producers. The Stomp Producers, the tenant at the RDI owned Orpheum Theatre and the source of a majority of RDI's live theater revenues, gave notice on April 23, 2015 of termination of the lease for cause. MC had prior notice of alleged problems of the nature upon which Stomp based its purported termination of the lease for cause. Nevertheless, MC allegedly failed to handle the business for which she was responsible, whether by addressing the alleged problems, by developing a constructive working relationship with the Stomp Producers or otherwise.

64. MC had been aware of the alleged issues raised by the Stomp Producers for months. In particular, by email and correspondence dated February 6, 2015, the Stomp producers wrote to MC and complained "about the maintenance and upkeep of the Orpheum Theatre." They further stated in their February 6, 2015 letter to MC as follows:

"Nothing in this letter is new to you as we and our employees have been in almost constant contact about recurring problems at the theater, but there is now an urgent need to attend to this matter on an immediate and comprehensive, rather than piecemeal, bases"

65. MC failed to disclose the February 6, 2015 letter, that the Stomp Producers told MC on April 9, 2015 that they were going to vacate the theater or even the situation with the Stomp Producers generally to Plaintiff or, Plaintiff is informed, to any outside member of the RDI board of directors. In other words, she concealed the fact that she was facing a serious business

1 challenge, whether real or contrived by the Stomp Producers, and in doing so breached her
2 fiduciary obligations as a director. In so acting, she also undertook to deceive Plaintiff and the
3 non-Cotter members of RDI's board into providing her an employment contract with respect to the
4 very matters as to which she was then accused of being grossly negligent, among other things.

5 66. Upon learning of the Stomp Producer's notice to terminate, director Gould stated an
6 assessment to the effect that MC's handling of the situation (independent of the merits or lack of
7 merits of the claims of the Stomp Producers), including not notifying anyone about the threat of
8 the Company losing a material portion of its live theater business income, could be grounds for
9 termination.

10 Kane Acts To Protect MC

11 67. Concerned that MC was about to be terminated for cause, director (Uncle Ed) Kane
12 took actions to protect his quasi-family, MC and EC. Together they launched the scheme to extort
13 JJC or, failing that, terminate him as President and CEO of RDI, enlisting the assistance and
14 cooperation of directors Adams and McEachern, both of whom acted to preserve and further their
15 own personal and financial interests, including in voting to terminate JJC as President and CEO
16 and replace him as CEO with Adams.

17 68. Kane's quasi-familial relationship and visceral support of MC and EC has been
18 evidenced by, among other things, stunning *ad hominem* invectives directed at directors Gould and
19 Storey, as well as by rants to JJC about "The Godfather" and the Corleone family from that series
20 of movies, even including a suggestion that termination of JJC would be analogous to the murder
21 of someone disrespecting a Corleone family member.

22 Adams Is Beholden To MC And EC

23 69. The efforts of MC and EC, together with their protector and benefactor, (Uncle Ed)
24 Kane, to threaten and later depose JJC as President and CEO, provided a perfect opportunity for
25 Adams to protect his own personal (including professional) and financial interests.

26 70. Prior to 2007 or 2008, when (according to Adams' own sworn testimony in a recent
27 divorce proceeding) his business of investing monies he raised privately failed after he lost
28 approximately seventy percent (70%) of the monies invested with him, Adams was active as a

1 small time shareholder activist who purchased small stakes in public companies, agitated for
2 change in the boardroom, secured a position as director, generated a quick and short term profit
3 through the process and then promptly resigned, to search for the next public company victim.
4 Since that time, Adams has been unsuccessful in reviving that business and, for all intents and
5 purposes, has been unemployed.

6 71. EC led Adams to believe that he would be appointed CEO of RDI upon termination
7 of JJC. Simply holding that position would be of value to Adams, including in reviving his
8 business of investing in public companies, agitating for change in the composition of the board or
9 otherwise at the company, cashing out and moving on. Adams for that reason supported
10 terminating JJC. After JJC had been terminated, it was EC rather than Adams (who previously
11 was identified to become CEO) who was appointed interim CEO of RDI.

12 72. Separately, Adams is beholden to EC and MC because, among other things, he is
13 financially dependent on monies paid to him by the Cotter family businesses EC and MC control
14 or claim to control. Based on information provided by Adams in sworn statements in a recent
15 divorce proceeding, it appears that amounts paid to him by Cotter entities over which EC and MC
16 exercise control or claim to exercise control amounted to over half (50%) of Adam's (claimed
17 approximate \$90,000) income in 2013, at a minimum, and possibly amounted to over eighty
18 percent (80%) of that income.

19 73. Additionally, Plaintiff is informed and believes and thereon alleges that on or
20 about May 2013, Adams entered into an agreement with JJC, Sr. whereby Adams received, among
21 other things, a carried interest in certain real estate projects, including one by the name of Shadow
22 View. Plaintiff is further informed and believes and thereon alleges that the value of Adams'
23 carried interest in Shadow View, including whether it will be monetized and the extent to which it
24 will be monetized for the benefit of Adams, is contended by MC and EC to be the responsibility of
25 the estate of JJC, Sr., of which MC and EC presently are the administrators.

26 74. Thus, Adams' personal and financial interests are dependent on his financial
27 benefactors, MC and EC. Practically, Adams has little choice if any but to accommodate and
28 advance the personal interests of MC and EC.

1 terminate the President and CEO of RDI, and a request that the outside directors meet before the
2 scheduled May 19 meeting, Kane provided a visceral response to the effect that the outside
3 directors did not need to meet, tacitly admitting that even the pretense of process would not be
4 undertaken as "the die is cast".

5 81. In furtherance of their self-serving scheme, EC and Adams previously had hired
6 counsel to attend a May 21, 2015 board meeting at which the first agenda item was termination of
7 JJC as President and CEO. Clearly, the purpose for which Adams and EC engaged counsel,
8 ostensibly representing RDI, to attend that board meeting, was to issue to JJC an ultimatum that he
9 immediately without counsel negotiate a termination agreement with those lawyers, failing which
10 he would be fired.

11 82. Counsel for JJC appeared at the meeting and explained, among other things, that (i)
12 the non-Cotter directors had not engaged in any process that would satisfy any measure of their
13 fiduciary obligations to even make a decision with respect to whether to terminate JJC as President
14 or CEO, and that (ii) Adams not only was not disinterested with respect to the decision, he was so
15 interested that he was clearly and indisputably conflicted, that Kane too clearly was interested
16 under Nevada law and that McEachern also appeared interested. JJC's counsel effectively made
17 these comments on the way out of the room, after the board had voted (by 5 to 3) to allow the
18 lawyers hired by EC to stay, but to not allow JJC's personal lawyer to attend even for agenda item
19 one, which was relevant to JJC individually, not just as an officer of RDI.

20 83. Adams, bristling at the prospect of others being dissuaded from terminating JJC and
21 then selecting Adams to replace JJC as CEO, directed that the two security officers waiting outside
22 the boardroom be called to physically remove JJC's attorney from the premises. Of course, Adams
23 lacked authority to do so.

24 84. For his part, Kane simply directed personal invective at JJC's attorney, just as Kane
25 had done previously toward directors Storey and Gould when each of them expressed views that
26 were in the estimation of Kane contrary to the interests of MC, EC or both, as well as to Kane's
27 intent on rendering punitive consequences.

28 85. Faced with a clear record that the non-Cotter directors had failed to undertake any

1 process, much less an appropriate process, to make a decision regarding whether to terminate JJC
2 as President and CEO, Adams solicited JJC to have an impromptu discussion about his
3 performance. Recognizing that Adams' solicitation was nothing more than a disingenuous, after-
4 the-fact effort to fabricate a record of process and diligence where none existed, JJC demurred. Of
5 course, JJC also had reason to do so in view of the fact that the non-Cotter directors previously had
6 put in place a process (described above) that was to play out through the end of June, at least,
7 which process had not been completed, meaning that the non-Cotter directors' decision to
8 terminate JJC as President and CEO was in derogation of, and pre-empted, their own processes.

9 86. The choreographers then determined to adjourn the May 21, 2015 board meeting to
10 May 28, 2015, to afford them an opportunity to further attempt to pressure JJC to resign or
11 otherwise obviate the need for them to execute their threat to terminate him as President and CEO.

12 87. Thus, on Wednesday, May 27, 2015, Texas attorney Harry Susman, one of the
13 lawyers representing MC and EC in the trust and estate litigation, transmitted to Adam Streisand,
14 an attorney representing JJC in the trust and estate litigation, a global settlement proposal,
15 including all trust and estate matters. The proposal was communicated as effectively a "take-it or
16 leave-it" proposal and was accompanied by a deadline of 9:00 a.m. on Friday, May 29 to accept
17 the proposal.

18 88. Also on May 27, 2015, EC emailed RDI directors a "reminder" "that the board
19 meeting held last Thursday was adjourned, to reconvene this Friday, May 29, 2015. The board
20 meeting will begin at **11:00 a.m. at our Los Angeles office.**"

21 89. By the foregoing actions, among others, MC and EC made clear that accepting their
22 take-it or leave-it settlement proposal was what JJC had to do to avoid being fired as President and
23 CEO of RDI.

24 90. Also on May 28, 2015, approximately one day after EC's lawyer transmitted the
25 "take-it or leave-it" global settlement proposal and one day before the RDI board was to reconvene
26 to execute on their threat to terminate JJC as President and CEO of RDI, Kane told JJC to accept
27 the take-it or leave-it offer to "end all of the litigation and ill feelings." Among other things, by
28 email on May 28, 2015, Kane stated as follow to JJC:

1 "I have not seen the [take it or leave it settlement] proposal. I understand
2 that it would leave you with your title, which is very important to you and
3 which you told me was essential to any settlement . . . if it is take-it or
4 leave-it, then I STRONGLY ADVISE YOU TO TAKE IT, . . . if we can
end all of the litigation and ill feelings, -- and their offer to keep you as
CEO as a major concession -- . . ."

5 91. On Friday, May 29, before the RDI board of directors meeting reconvened, EC and
6 MC met with JJC and told him that the settlement proposal that had been conveyed by attorney
7 Susman on their behalf two days earlier was a take-it or leave-it offer and that, if JJC did not
8 accept it, the RDI board would terminate him as President and CEO. JJC attempted to discuss
9 proposed changes with them, to which EC and MC responded that they would accept no changes.
10 They repeated that if JJC did not accept the agreement as proposed, JJC would be terminated as
11 President and CEO of RDI.

12 92. Director Gould shortly thereafter came to JJC's office and said that the majority of
13 the non-Cotter board members had determined to terminate him and that the supposed board
14 meeting was about to commence.

15 93. JJC entered the conference room where the supposed meeting was to occur. The
16 supposed meeting was commenced and Adams made a motion to terminate JJC as President and
17 CEO.

18 94. JJC observed that Adams was not independent or disinterested, pointing out that a
19 substantial portion of his income came from Cotter entities, as evidenced by sworn testimony
20 Adams had given in his divorce proceeding. JJC invited Adams to prove otherwise, to which
21 Adams responded that he did not have to do so. Others inquired of Adams' financial relationship
22 to Cotter entities, but Adams declined to provide substantive responses to those queries.

23 95. Director Gould opined that it was not the role of the RDI board of directors to
24 intercede in the personal disputes between EC and MC, on the one hand, and JJC, on the other
25 hand, nor to tip the balance of power in those disputes. He further observed that the board should
26 attempt to maintain the status quo until the courts resolved the trust and estate litigation, and added
27 that he thought JJC had done a good job.

28 96. Kane offered more personal invective directed to JJC, including comments to the

1 effect that he thought that JJC had "*****ed Margaret over with the changes . . . made to the estate"
2 and that JJC "does not have people skills especially with his two sisters . . ."

3 97. Next, the five outside directors asked JJC to leave the conference room so that they
4 could talk with EC and MC. Plaintiff is informed and believes that one or more of Kane, Adams
5 and McEachern conferred with EC and MC about whether to proceed to terminate JJC as President
6 and CEO or to continue to attempt to pressure him to accept EC's and MC's take-it or leave-it
7 settlement proposal.

8 98. Next, at or about 2:30 p.m., JJC was advised that the supposed RDI board meeting
9 would be adjourned until at or about 6:00 p.m. that evening and that JJC had until then to strike a
10 global settlement with EC and MC, failing which he would be terminated as President and CEO of
11 RDI when the supposed meeting reconvened at or about 6:00 p.m. on Friday, May 29, 2015.

12 99. The supposed meeting reconvened at or about 6:00 p.m. on Friday, May 29, 2015,
13 at which point EC reported that (a virtually extorted) JJC had agreed in principal to substantial
14 terms demanded by EC and MC and that, while no definitive agreement had been reached, EC and
15 MC would have one of their lawyers provide documentation to counsel for JJC. As a result, the
16 threatened termination remained threatened.

17 100. On Wednesday, June 3, 2015, attorney Susman on behalf of EC and MC
18 transmitted an proposed global settlement document to one of JJC's trust and estate attorneys,
19 attorney Streisand. The document contained new terms previously not discussed, much less
20 agreed, by the parties.

21 101. On Friday, June 5, 2015, attorney Susman left a message for attorney Streisand, the
22 sum and substance of which was that he (Susman) was awaiting word that JJC had accepted the
23 global settlement document. By that message, attorney Susman implied that the document was,
24 like a prior document he had transmitted, a "take-it or leave-it" proposal.

25 102. On June 8, 2015, JJC advised EC and MC that he could not accept their take-it or
26 leave-it global settlement proposal. MC responded that she would advise the RDI board of
27 directors, referencing the on-going, explicit threat to have JJC terminated as President and CEO of
28 RDI if he failed to agree to a global settlement (including of all trust and estate litigation matters)

1 satisfactory to EC and MC.

2 103. On June 9, 2015, in furtherance of important ongoing RDI business, JJC asked for a
3 response from MC with respect to a senior executive candidate to oversee RDI's United States real
4 estate, which candidate had been endorsed by senior executives at RDI. MC consistently has
5 resisted employing such a person, apparently fearing that someone qualified might undermine her
6 efforts to manage RDI's valuable U.S. real estate holdings. In response to JJC's email, she called
7 him and said, among other things, "you were supposed to be terminated but for a global settlement
8 . . . bye . . . bye."

9 104. On Wednesday afternoon, June 10, 2015, EC transmitted an email to all RDI board
10 members (and RDI's general counsel) stating, among other things, that "we would like to
11 reconvene the Meeting that was adjourned on Friday, May 29th, at approximately 6:15 p.m. (Los
12 Angeles time.) We would like to reconvene this Meeting telephonically *Friday, June 12 at 11:00*
13 *a.m. (Los Angeles time)* . . ." The email purported to further "confirm [] our meeting of the Board
14 of Directors on Thursday, June 18th . . . We will be distributing Agenda and Board package for this
15 Meeting at the end of this week . . ."

16 105. On Friday, June 12, 2015, the supposed RDI board of directors meeting of May 29,
17 2015 supposedly was reconvened. The sole agenda item carried over from May 21, 2015 was the
18 termination of JJC as President and CEO of RDI. All other agenda items were deferred until the
19 next regularly scheduled board meeting six days later, on June 18, 2015. Following through on
20 their prior threat to terminate JJC if he did not reach a global settlement (including all trust and
21 estate litigation issues) satisfactory to EC and MC, EC, MC, Adams, Kane and McEachern each
22 voted to terminate JJC. McEachern made on last effort to pressure JJC, inviting him to resign
23 rather than be terminated. Storey and Gould voted against terminating JJC as President and CEO.
24 EC was elected interim CEO. Based on that action, which Plaintiff maintains was legally
25 ineffectual because each of EC, MC, Adams, Kane and McEachern were interested and therefore
26 should not have had their votes counted, Adams, Kane, McEachern, EC and MC have taken the
27 position that JJC has been terminated as President and CEO of RDI.

28 106. Thus, MC and EC, together with Adams, Kane and McEachern, have misused their

1 positions as directors of RDI to further the personal interests of MC and EC, including in the trust
2 and estate litigation.

3 **Demand Is Excused**

4 107. Insofar as any or all of the claims made herein are derivative in nature, demand
5 upon the RDI board is excused because, among other things, each of the individuals named as
6 defendants herein comprising seven of eight board members (and, counting Plaintiff, eight of
7 eight) and comprising five of five outside directors, are unable to exercise independent and
8 disinterested business judgment in responding to a demand, and because the actions giving rise to
9 this action, namely, the threat to terminate JJC and the subsequent actions to do so when he refused
10 to be pressured into settling trust and estate litigation with EC and MC on terms satisfactory to
11 them, were not *bona fide* business decisions undertaken honestly and in good faith in the best
12 interests of RDI, much less the product of a valid exercise of business judgment.

13 108. In that respect, all of the RDI board members named as defendants herein would be
14 materially affected, either to their benefit or detriment, by a decision of the RDI board with respect
15 to any demand, and would be so affected in a manner not shared by the Company or its
16 stockholders, including for the reasons alleged herein.

17 109. Additionally, each of the five outside directors is and would be unable to exercise
18 independent and disinterested business judgment responding to a demand because, among other
19 things, doing so would entail assessing their own liability, including possibly to the Company.
20 The same is true particularly with respect to a majority of the outside directors, meaning Adams,
21 Kane and McEachern, each of whom lack independence generally and, more particularly with
22 respect to the decision to pick sides in a family dispute and terminate Plaintiff as President and
23 CEO of RDI, lack disinterestedness, including for the reasons alleged herein, including but not
24 limited to Adams' financial dependence on companies controlled or claimed to be controlled by
25 EC and MC, Kane's quasi-familial relationship with EC and MC and McEachern's decision to
26 protect and pursue his own personal and financial interest which, Plaintiff is informed and
27 believes, is based upon McEachern's erroneous expectation that EC and MC ultimately will
28 prevail and control seventy percent (70%) of the voting stock of the Company, thereby controlling

McEachern's fate as a director.

110. Additionally, notwithstanding the foregoing allegations, each of Adams, Kane and McEachern lack disinterestedness and independence because each has affirmatively chosen, without any obligation to do so and in derogation of their fiduciary obligations as directors of RDI, to pick sides in a family dispute involving trust and estate litigation between Plaintiff, on one hand, and EC and MC, on the other hand, and to misuse their positions as directors in doing so. Like MC and EC, in so acting, they did not act honestly and in good faith in the best interests of RDI.

FIRST CAUSE OF ACTION

(For Breach of Fiduciary Duty – Against All Defendants)

111. Plaintiff repeats and realleges paragraphs 1 through 113, inclusive, of this complaint and incorporates them herein by this reference as though set forth in full.

112. Each of defendants Kane, Adams, McEachern, Storey and Gould at all times relevant hereto were directors of RDI. As such, each owed fiduciary duties, including fiduciary duties of care, candor, good faith and loyalty, to the Company, to Plaintiff and to other RDI shareholders.

113. The duty of care owed by each of these defendants entails, among other things, an obligation to exercise the requisite degree of care in the process of decision making as a director and to act on an informed basis.

114. The duty of care further requires, among other things, that these directors do not act with undue haste, a lack of board preparation or a failure of deliberation with respect to the merits of any and every supposed business decision.

115. By the conduct described herein, including in particular but not limited to the failure to engage in any process to assess the skills and performance of Plaintiff as President or as CEO in connection with the decision to threaten to terminate and to terminate him, and including but not limited to the conduct herein that amounted to pre-empting any process of doing so and preventing any *bona fide* deliberations with respect to such decision, each of defendants Kane, Adams, McEachern, Storey and Gould have breach their fiduciary obligations, including in particular their fiduciary duty of care.

116. As a direct and proximate result of the acts and omissions of said defendants as described herein, Plaintiff and the Company and its other shareholders have suffered injury and continue to suffer injury as alleged herein.

117. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages, which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants. Plaintiff will amend this complaint and set forth said damages when they are ascertained, according to proof at trial.

SECOND CAUSE OF ACTION

(Breach of Fiduciary Duty – Against MC, EC, Adams, Kane and McEachern)

118. Plaintiff repeats and realleges paragraphs 1 through 113, inclusive, of this complaint and incorporates them herein by this reference as though set forth in full.

119. Each of defendants Kane, Adams, McEachern, Storey and Gould at all times relevant hereto were directors of RDI. As such, each owed fiduciary duties, including fiduciary duties of care, candor and loyalty, to the Company, to Plaintiff and to other RDI shareholders.

120. The duty of loyalty includes the obligation to not use their positions of control of the Company, including in particular as directors, to further their own personal or financial interests or the personal or financial interests of another of them to the detriment of the interests of the Company and its shareholders.

121. By the conduct described herein, each of these defendants have undertaken to further their own interests or the interests of another of them, to the direct, immediate and ongoing detriment of the Company, Plaintiff and each of its other shareholders.

122. By reason of the foregoing, each of MC, EC, Adams, Kane and McEachern have breached their fiduciary obligations, and in particular their fiduciary duties of good faith, loyalty and candor, to the Company and to Plaintiff and all other shareholders of the Company.

123. As a direct and proximate result of the acts and omissions of said defendants as described herein, Plaintiff and the Company and its other shareholders have suffered injury and continue to suffer injury as alleged herein.

124. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,

1 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.
2 Plaintiff will amend this complaint and set forth said damages when they are ascertained,
3 according to proof at trial.

4 **THIRD CAUSE OF ACTION**

5 **(Aiding and Abetting Breach of Fiduciary Duty – Against MC and EC)**

6 125. Plaintiff repeats and realleges paragraphs 1 through 113, inclusive, of this
7 complaint and incorporates them herein by this reference as though set forth in full.

8 126. Insofar as any or all of Defendants contend that the decision to terminate Plaintiff
9 as CEO and President was made based upon a vote of the non-Cotter directors, and independent of
10 the fact that such vote was legally ineffectual, the fiduciary breaches alleged above were solicited
11 and aided and abetted by MC and EC.

12 127. As alleged more fully herein, EC and MC had solicited and assisted the actionable
13 conduct of defendants Kane, Adams and McEachern, including in particular but not limited to the
14 threat by the three of them to terminate JJC as President and CEO of RDI if, in the few hours
15 between the adjournment of the supposed RDI board meeting on Friday, May 29, 2015 the
16 presumption of that supposed meeting at or about 6:00 p.m. that evening, JJC did not reach a
17 global settlement agreement with EC and MC, meaning agree to their take-it or leave-it agreement
18 or any other such agreement they would demand he accept.

19 128. EC and MC further solicited and aided and abetted the decisions and actions of
20 defendants Adams, Kane and McEachern to terminate JJC as President and CEO of RDI.

21 129. EC and MC further prompted and aided and abetted the fiduciary breaches of
22 Storey and Gould.

23 130. Each of EC and MC have acted with knowledge of the fiduciary obligations of the
24 five outside directors. Each of EC and MC have acted with knowledge of the manner in which
25 those fiduciary obligations were breached, and aided and abetted and continue to aide and abed
26 said breaches. Accordingly, each of EC and MC are liable for aiding and abetting those fiduciary
27 breaches.

28 131. As a direct and proximate result of the acts and omissions of said defendants as

1 described herein, Plaintiff and the Company and its other shareholders have suffered injury and
2 continue to suffer injury as alleged herein.

3 132. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,
4 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.
5 Plaintiff will amend this complaint and set forth said damages when they are ascertained,
6 according to proof at trial.

7 Irreparable Harm

8 133. As a result of the ongoing acts of Defendants, the Company, Plaintiff and other
9 shareholders have suffered and will continue to suffer immediate and ongoing irreparable injury
10 for which no adequate remedy at law exists. Accordingly, Plaintiff is entitled to temporary,
11 preliminary and permanent injunctive relief restraining Defendants, and each of them, from
12 continuing their course of conduct and undertaking further actions in derogation of their fiduciary
13 obligations, and to an order and judgment finding that the actions undertaken to date to threaten
14 JJC with termination and thereafter terminate JJC as President and CEO of RDI, as well as such
15 further actions that may be undertaken in furtherance of the scheme alleged herein, are legally
16 ineffectual and of no force and effect.

17 134. In particular, unless such injunctive relief is granted, Plaintiff, the Company and
18 other shareholders will suffer irreparable harm for which no adequate remedy at law exists.

19 PRAYER FOR RELIEF

20 WHEREFORE, Plaintiff prays for judgment against Defendants and each of them, jointly
21 and severely, as follows:

22 1. For relief restraining and enjoining Defendants from taking further action to
23 effectuate or implement the (legally ineffectual) termination of Plaintiff as President and CEO of
24 RDI;

25 2. For a determination that the purported termination of Plaintiff as President and
26 CEO of RDI was legally ineffectual and is of no force and effect;

27 3. For judgment against each of the Defendants for breach of their respective fiduciary
28 obligations;

1 4. For actual and compensatory damages against Defendants in an amount according
2 to proof at trial;

3 5. For costs of suit herein; and

4 6. For such other and further relief as the Court may deem just and proper.

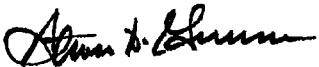
5 DATED this 12th day of June, 2015.

6 LEWIS ROCA ROTHGERBER LLP

7
8 /s/ Mark G. Krum

9 Mark G. Krum (Nevada Bar No. 10913)
10 3993 Howard Hughes Pkwy, Suite 600
11 Las Vegas, NV 89169-5958

12 Attorneys for Plaintiff
13 James J. Cotter, Jr.



CLERK OF THE COURT

MARK G. KRUM (Nevada Bar No. 10913
MKrum@LRRLaw.com)

LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

Attorneys for Plaintiff
James J. Cotter, Jr.

DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf of Reading International,
Inc.,

Plaintiff,

v.

MARGARET COTTER; et al.,

Defendants,

and

READING INTERNATIONAL, INC., a Nevada
corporation;

Nominal Defendant.

Case No. A-15-719860-B

Dept. No. XXVII

AFFIDAVIT OF SERVICE

COLIN HEXAMER #R-081292, being duly sworn, or under penalty of perjury, states that at all times herein Affiant was and is a citizen of the United States, over 18 years of age, and not a party to or interested in the proceedings in which this Affidavit is made. That Affiant received a copy of the following document(s):

SUMMONS;
COMPLAINT


on the 15 day of JUNE, 2015, and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:

1 ☒ Serving Defendant: William Gould (Board Member) of Reading International, Inc., by personally
2 delivering and leaving a copy of the Summons & Complaint at 2215-B Renaissance Drive, Las Vegas,
3 Nevada 89119 with Cayla Denney - Receptionist of CSC Services of Nevada, Inc., Registered Agent of
4 Reading International, Inc. (Caucasian, Female, 35 yrs., 5'5", 220 lbs., Brown/Blonde hair, Brown eyes),
5 a person of suitable age and discretion authorized by Registered Agent to accept service of process.

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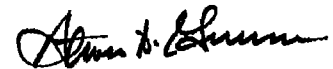
"I declare under penalty under the Law of the State of Nevada that the foregoing is true and correct."

Executed on the 16 day of June, 2015


(Server Signature)
COLIN HEXAMER, #R-081292
Registered California Process Server

(No Notary Per NRS 53.045)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

1 MARK G. KRUM (Nevada Bar No. 10913
2 MKrum@LRRLaw.com
3 LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
4 Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

5
6 Attorneys for Plaintiff
James J. Cotter, Jr.

8 DISTRICT COURT
9 CLARK COUNTY, NEVADA

11 JAMES J. COTTER, JR., individually and)
12 derivatively on behalf of Reading International,)
13 Inc.,)

14 Plaintiff,

15 v.

16 MARGARET COTTER; et al.,

17 Defendants.

18 and

19 READING INTERNATIONAL, INC., a Nevada
20 corporation;

21 Nominal Defendant.

Case No. A-15-719860-B

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25 interested in the proceedings in which this Affidavit is made. That Affiant received a copy of the
following document(s):

26 **SUMMONS;**
COMPLAINT


27
28 on the 15 day of JUNE, 2015, and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:

1 ☒ Serving Defendant: Timothy Storey (Board Member) of Reading International, Inc., by personally
2 delivering and leaving a copy of the Summons & Complaint at 2215-B Renaissance Drive, Las Vegas,
3 Nevada 89119 with Cayla Denney - Receptionist of CSC Services of Nevada, Inc., Registered Agent of
4 Reading International, Inc. (Caucasian, Female, 35 yrs., 5'5", 220 lbs., Brown/Blonde hair, Brown eyes),
5 a person of suitable age and discretion authorized by Registered Agent to accept service of process.

6CONTROL #21070581.rv.....

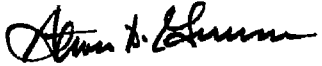
7 "I declare under penalty of perjury that the foregoing is true and correct."

8
9 Executed on the 18 day of June, 2015

10 
11 (Server Signature)
12 COLIN HEXAMER
13 Registered Work Card #R-081292

(No Notary Per NRS 53.045)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

MARK G. KRUM (Nevada Bar No. 10913)
MKrum@LRRLaw.com
LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

Attorneys for Plaintiff
James J. Cotter, Jr.

DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf of Reading International,
Inc.,

Plaintiff,

v.

MARGARET COTTER: et al.,

Defendants,

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READING INTERNATIONAL, INC., a Nevada
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Nominal Defendant.

Case No. A-15-719860-B

Dept. No. XXVII

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SUMMONS;
COMPLAINT


on the 15 day of JUNE, 2015, and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:

1 ☒ Serving Defendant: Guy Adams (Board Member) of Reading International, Inc., by personally
2 delivering and leaving a copy of the Summons & Complaint at 2215-B Renaissance Drive, Las Vegas,
3 Nevada 89119 with Cayla Denney - Receptionist of CSC Services of Nevada, Inc., Registered Agent of
4 Reading International, Inc. (Caucasian, Female, 35 yrs., 5'5" 220 lbs., Brown/Blonde hair, Brown eyes),
5 a person of suitable age and discretion authorized by Registered Agent to accept service of process.

6CONTROL #21070588.rv.....

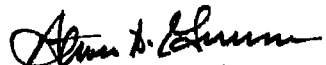
7 "I declare under penalty of perjury that the foregoing is true and correct."

8
9 Executed on the 18 day of June, 2015

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11 _____
12 (Server Signature)
13 COLIN HEXAMER
14 Registered Work Card #R-081292

(No Notary Per NRS 33.043)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

MARK G. KRUM (Nevada Bar No: 10913
MKrum@LRRLaw.com
LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

Attorneys for Plaintiff
James J. Cotter, Jr.

DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf of Reading International,
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Plaintiff,

v.

MARGARET COTTER; et al..

Defendants,

and

READING INTERNATIONAL, INC., a Nevada
corporation;

Nominal Defendant.

Case No. A-15-719860-B

Dept. No. XXVII

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AFFIDAVIT OF SERVICE

COLIN HEXAMER #R-081292, being duly sworn, or under penalty of perjury, states that at all times herein Affiant was and is a citizen of the United States, over 18 years of age, and not a party to or interested in the proceedings in which this Affidavit is made. That Affiant received a copy of the following document(s):

SUMMONS;
COMPLAINT


on the 15 day of JUNE, 2015. and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:

1 ☒ Serving Defendant: Edward Kane (Board Member) of Reading International, Inc., by personally
2 delivering and leaving a copy of the Summons & Complaint at 2215-B Renaissance Drive, Las Vegas,
3 Nevada 89119 with Cayla Denney - Receptionist of CSC Services of Nevada, Inc. Registered Agent of
4 Reading International, Inc. (Caucasian, Female, 35 yrs., 5'5", 220 lbs., Brown/Blonde hair, Brown eyes),
5 a person of suitable age and discretion authorized by Registered Agent to accept service of process.

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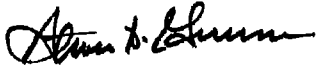
"I declare under penalty of perjury that the foregoing is true and correct."

Executed on the 14 day of June, 2015


(Server Signature)
COLIN HEXAMER
Registered Work Card #R-081292

(No Notary Per NRS 53.045)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

1 MARK G. KRUM (Nevada Bar No. 10913
2 MKrum@LRRLaw.com
3 LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
4 Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

5
6 Attorneys for Plaintiff
7 *James J. Cotter, Jr.*

8 DISTRICT COURT
9 CLARK COUNTY, NEVADA

10
11 JAMES J. COTTER, JR., individually and)
12 derivatively on behalf of Reading International.)
13 Inc.,)

Case No. A-15-719860-B

Dept. No. XXVII

14 Plaintiff,

15 v.

AMENDED
AFFIDAVIT OF SERVICE

16 MARGARET COTTER; et al.,

17 Defendants,

18 and

19 READING INTERNATIONAL, INC., a Nevada)
20 corporation;)

21 Nominal Defendant.)
22

23 COLIN HEXAMER #R-081292, being duly sworn, or under penalty of perjury, states that at all times
24 herein Affiant was and is a citizen of the United States, over 18 years of age, and not a party to or
25 interested in the proceedings in which this Affidavit is made. That Affiant received a copy of the
following document(s):

26 SUMMONS;
27 COMPLAINT

28 on the 15 day of JUNE, 2015, and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:


1 ☒ Serving Defendant: Ellen Corter (Board Member) of Reading International, Inc., by personally
2 delivering and leaving a copy of the Summons & Complaint at 2215-B Renaissance Drive, Las Vegas,
3 Nevada 89119 with Cayla Denney - Receptionist of CSC Services of Nevada, Inc., Registered Agent of
4 Reading International, Inc. (Caucasian, Female, 35 yrs., 5'5", 220 lbs., Brown/Blonde hair, Brown eyes),
5 a person of suitable age and discretion authorized by Registered Agent to accept service of process.

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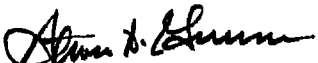
Executed on the 14 day of June, 2015



(Server Signature)
COLIN HEXAMER
Registered Work Card #R-081292

(No Notary Per NRS 53.045)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

MARK G. KRUM (Nevada Bar No. 10913
MKrum@LRRLaw.com
LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

Attorneys for Plaintiff
James J. Cotter, Jr.

DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf of Reading International,
Inc.,

Plaintiff,

v.

MARGARET COTTER: et al.,

Defendants.

and

READING INTERNATIONAL, INC., a Nevada
corporation;

Nominal Defendant.

Case No. A-15-719860-B

Dept. No. XXVII

AMENDED
AFFIDAVIT OF SERVICE

COLIN HEXAMER #R-081292, being duly sworn, or under penalty of perjury, states that at all times herein Affiant was and is a citizen of the United States, over 18 years of age, and not a party to or interested in the proceedings in which this Affidavit is made. That Affiant received a copy of the following document(s):

SUMMONS;
COMPLAINT

on the 15 day of JUNE, 2015, and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:

1 ☒ Serving Nominal Defendant: Reading International, Inc., a Nevada corporation - c/o CSC Services
2 of Nevada, Inc. - Registered Agent by personally delivering and leaving a copy of the Summons &
3 Complaint at 2215-B Renaissance Drive, Las Vegas, Nevada 89119 with Cayla Denney - Receptionist
4 (Caucasian, Female, 35 yrs., 5'5", 220 lbs., Brown/Blonde hair, Brown eyes), a person of suitable age
5 and discretion authorized by Registered Agent to accept service of process at the above address shown
6 on the current certificate of designation filed with the Secretary of State.

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CONTROL #21070566.iv

"I declare under penalty of perjury that the foregoing is true and correct."

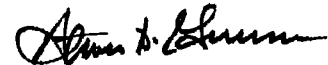
Executed on the 18 day of June, 2015



(Server Signature)
COLIN HEXAMER
Registered Work Card #R-081292

(No Notary Per NRS 53.045)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

MARK G. KRUM (Nevada Bar No. 10913
MKrum@LRRLaw.com
LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

Attorneys for Plaintiff
James J. Cotter, Jr.

DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf of Reading International,
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v.

MARGARET COTTER; et al..

Defendants,

and

READING INTERNATIONAL, INC., a Nevada
corporation;

Nominal Defendant.

Case No. A-15-719860-B

Dept. No. XXVII

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AFFIDAVIT OF SERVICE

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SUMMONS;
COMPLAINT


on the 15 day of JUNE, 2015, and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:

1 ☒ Serving Defendant: Margaret Cotter (Board Member) of Reading International, Inc., by personally
2 delivering and leaving a copy of the Summons & Complaint at 2215-B Renaissance Drive, Las Vegas,
3 Nevada 89119 with Cayla Denney - Receptionist of CSC Services of Nevada, Inc., Registered Agent of
4 Reading International, Inc. (Caucasian, Female, 35 yrs., 5'5", 220 lbs., Brown/Blonde hair, Brown eyes),
5 a person of suitable age and discretion authorized by Registered Agent to accept service of process.

6 CONTROL #21070585.FY
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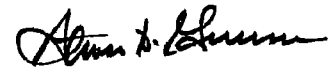
8 "I declare under penalty of perjury that the foregoing is true and correct."

9 Executed on the 16 day of June, 2015

10 
11 (Server Signature)
12 COLIN HEXAMER
13 Registered Work Card #R-081292

(No Notary Per NRS 33.045)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

MARK G. KRUM (Nevada Bar No. 10913
MKrum@LRRLaw.com
LEWIS ROCA ROTHGERBER LLP
3993 Howard Hughes Parkway, Suite 600
Las Vegas, Nevada 89169
(702) 949-8200
(702) 949-8398 fax

Attorneys for Plaintiff
James J. Cotter, Jr.

DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf of Reading International,
Inc.,

Plaintiff,

v.

MARGARET COTTER; et al.,

Defendants,

and

READING INTERNATIONAL, INC., a Nevada
corporation;

Nominal Defendant.

Case No. A-15-719860-B

Dept. No. XXVII

AMENDED
AFFIDAVIT OF SERVICE

COLIN HEXAMER #R-081292, being duly sworn, or under penalty of perjury, states that at all times herein Affiant was and is a citizen of the United States, over 18 years of age, and not a party to or interested in the proceedings in which this Affidavit is made. That Affiant received a copy of the following document(s):

SUMMONS;
COMPLAINT

on the 15 day of JUNE, 2015, and
served the same on this 15 day of JUNE, 2015 at 4:31 PM by:

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☒ Serving Defendant: Douglas McEachern (Board Member) of Reading International, Inc., by personally delivering and leaving a copy of the Summons & Complaint at 2215-B Renaissance Drive, Las Vegas, Nevada 89119 with Cayla Denney - Receptionist of CSC Services of Nevada, Inc., Registered Agent of Reading International, Inc. (Caucasian, Female, 35 yrs., 5'5", 220 lbs., Brown/Blonde hair, Brown eyes), a person of suitable age and discretion authorized by Registered Agent to accept service of process.

*****CONTROL #21070584.ry*****

"I declare under penalty of perjury that the foregoing is true and correct."

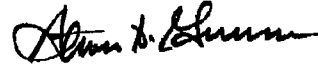
Executed on the 14 day of June, 2015



(Seryer Signature)
COLIN HEXAMER
Registered Work Card #R-081292

(No Notary Per NRS 53.045)

Service Provided for:
Nationwide Legal Nevada, LLC (1656)
720 S. 4th Street-Suite 305
Las Vegas, Nevada 89101
(702) 385-5444



CLERK OF THE COURT

1 **ACOM**
2 MARK G. KRUM (Nevada Bar No. 10913)
3 MKrum@LRRLaw.com
4 LEWIS ROCA ROTHGERBER LLP
5 3993 Howard Hughes Parkway, Suite 600
6 Las Vegas, Nevada 89169
7 (702) 949-8200
8 (702) 949-8398 fax

9 Attorneys for Plaintiff
10 *James J. Cotter, Jr.*

11 DISTRICT COURT

12 CLARK COUNTY, NEVADA

13 JAMES J. COTTER, JR., derivatively on behalf
14 of Reading International, Inc.,

15 Plaintiff,

16 v.

17 MARGARET COTTER, ELLEN COTTER,
18 GUY ADAMS, EDWARD KANE, DOUGLAS
19 McEACHERN, TIMOTHY STOREY,
20 WILLIAM GOULD, and DOES 1 through 100,
21 inclusive,

22 Defendants.

23 and

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Nominal Defendant.

CASE NO. A-15-719860-B
DEPT. NO. XI

CASE NO. P-14-082942-E
DEPT. NO. XI

Jointly administered

**FIRST AMENDED VERIFIED
COMPLAINT**

[Business Court Requested: [EDCR 1.61]

**[Exempt From Arbitration: declaratory
relief requested; action in equity]**

3993 Howard Hughes Parkway
Suite 600
Las Vegas, NV 89169-5996
**LEWIS ROCA
ROTHGERBER**

1 For his derivative complaint herein, plaintiff James J. Cotter, Jr. hereby alleges the
2 following:

3 **NATURE OF THE CASE**

4 1. This action arises from the intentional misconduct of a majority of the board of
5 directors of Reading International, Inc. ("RDI" or the "Company"), including individuals who
6 comprise a majority of the outside directors of RDI, which is a public company. In particular and
7 without limitation, outside directors Edward Kane ("Kane"), Guy Adams ("Adams") and Douglas
8 McEachern ("McEachern"), together with director Ellen Cotter ("EC") and "outside" director
9 Margaret Cotter ("MC"), have acted to wrongfully seize control of RDI, to perpetuate that control
10 and to fundamentally change and dismantle the corporate governance structures of RDI, all to
11 protect and further their personal financial and other interests, in purposeful derogation of their
12 fiduciary obligations as directors of RDI.

13 2. These director defendants first threatened James J. Cotter, Jr. ("JJC" or "Plaintiff")
14 with termination as President and Chief Executive Officer ("CEO") of RDI in order to pressure
15 him to resolve trust and estate litigation with EC and MC and to cede control of RDI to them.

16 3. Next, when JJC failed to succumb to those threats, these director defendants
17 undertook a purported boardroom coup, precipitously removing JJC as President and CEO of RDI.
18 These directors did so without undertaking any semblance of a process to warrant making any
19 decision regarding the status of JJC (or anyone) as President and CEO, and did so in the face of
20 express admonitions by outside directors Timothy Storey ("Storey") and William Gould ("Gould")
21 that the directors had failed to undertake any process that would warrant making any decision
22 about the status of the President and CEO of RDI, much less the decision to remove JJC as
23 President and CEO of RDI. For example, Gould warned the others that, because they had
24 undertaken no process to warrant even making such a decision, they all could be subject to
25 liability. Also by way of example, Storey called the lack of process and planned coup a "kangaroo
26 court," and warned the outside directors that, "as directors we can't just do what a shareholder [,
27 meaning EC and MC,] asks." Not only did these five director defendants precipitously terminate
28 JJC as President and CEO of RDI without undertaking any process, they purposefully pre-empted

1 and aborted an ongoing and incomplete process that they had put in place only approximately two
2 months earlier.

3 4. What each of Kane, Adams and McEachern did was to choose sides in family
4 disputes between EC and MC, on one hand, and JJC, on the other hand, which disputes included
5 certain trust and estate litigation commenced by EC and MC against JJC following the passing of
6 their father, James J. Cotter, Sr. ("JJC, Sr."), in September 2014, as well as disputes about control
7 of RDI and whether EC and MC would report to their "little brother," who succeeded JJC, Sr. as
8 CEO of RDI, or to anyone, as a practical matter.

9 5. EC and MC have at all times acted purposefully to protect and further their own
10 personal financial and other interests to the detriment of RDI and all of its shareholders other than
11 them, including through their pervasive and persistent self-dealing and misuse of RDI resources,
12 including as alleged herein. They regularly sought, and often received, money, benefits, titles,
13 positions and/or promotions they would not have received but for their status as potential
14 controlling shareholders.

15 6. Defendant Kane, who has a decade's long *quasi*-familial relationship with EC and
16 MC, who call him "Uncle Ed," simply and admittedly picked sides in a family dispute,
17 contemporaneously seizing the opportunity to protect and advance his own personal and financial
18 interests, as well. Defendant McEachern did the same. Defendant Adams did so as well. Adams
19 is financially dependent on Cotter family businesses and deals that EC and MC control.

20 7. Since wrongfully seizing control of RDI, each of EC, MC, Kane, Adams and
21 McEachern have engaged in a systematic misuse of the corporate machinery and dismantling of
22 the corporate governance structures of RDI. They have acted to preserve and perpetuate their
23 control of RDI. They have acted to further their own financial and other interests, in purposeful
24 derogation of their fiduciary duties to RDI and its shareholders.

25 8. Among other things, those five defendants have withheld and manipulated minutes
26 of Board of Directors meetings and have withheld and manipulated board agendas and meetings.
27 These defendants, together with defendant Gould, have created and/or approved fictional Board
28

1 minutes. They each did so in an effort to conceal their fiduciary breaches and to attempt to avoid
2 liability for such breaches.

3 9. EC, MC, Kane, Adams and McEachern have acted to entrench themselves, for their
4 own financial advantage. For example, they effectively eliminated Plaintiff, Storey and Gould as
5 functioning members of RDI's Board of Directors. Among other things, they have done so by a
6 purported executive committee of RDI's Board of Directors. The executive committee ("EC
7 Committee") has been populated by EC, MC, Kane and Adams. The EC Committee purportedly
8 possesses the full authority of RDI's full Board of Directors. Gould has acquiesced to if not
9 cooperated with, the ongoing self-dealing of these five defendants, who effectively have removed
10 Storey as a director and have added to the Board persons expected to be loyal to EC and MC by
11 virtue of pre-existing personal friendships.

12 10. Plaintiff is informed and believes that, on September 17, 2015, the night before
13 counsel for EC and MC told the Court in the accompanying Nevada probate action that the estate
14 of their deceased father (the "Estate") could not distribute stock to the Trust (defined herein), its
15 sole beneficiary, because of liquidity and tax issues, EC and MC acted to exercise an option held
16 by the Estate, of which they are executors, to acquire 100,000 shares of RDI class B voting stock.
17 Plaintiff is informed and believes that EC and MC took such actions because it is their
18 understanding that, absent the exercise of the option for the Estate to acquire 100,000 shares of
19 RDI class B voting stock which EC and MC will purport to vote as executors of the Estate, EC
20 and MC lacked sufficient votes to control the 2015 ASM and, in effect, unilaterally elect as RDI
21 directors whomever they choose. Plaintiff is informed and believes that on or about September
22 21, 2015, Kane and Adams, purporting to act as directors and as members of the Compensation
23 Committee, authorized the request of EC and MC that the Estate be allowed to use liquid class A
24 RDI stock to exercise the option to acquire the 100,000 shares. Kane and Adams did so in
25 derogation of the interests of RDI, which received no benefit from receiving class A stock (rather
26 than cash), which merely reduced the float of such stock. Plaintiff is informed and believes that
27 Kane and Adams also did so without requiring EC and MC as executors of the Estate to produce
28 documentation establishing the Estate's entitlement to exercise such option, which documentation

1 may not exist. The third director who was a member of the Compensation Committee, Timothy
2 Storey, was unable to attend such supposed meeting of the Compensation Committee because it
3 was called with too little notice.

4 11. EC on or about August 3, 2015 acted to add a person who is a close personal friend
5 of hers to the RDI Board of Directors, claiming that he possessed real estate expertise that would
6 add value to the Board. Prior to that date, there had been no discussion by the Board of adding
7 another director to the Board, although EC had raised the person with the EC Committee, which
8 rubber-stamped her suggestion. After Plaintiff disclosed that, in addition to being a close personal
9 friend of EC, the person EC proposed to add to the RDI Board of Directors previously had done
10 business with and caused harm to RDI, EC effectively withdrew that nomination, reporting that
11 the candidate decided to withdraw it given pending litigation.

12 12. EC on or about October 5, 2015 proposed adding a different individual to the RDI
13 Board of Directors, and all individual defendants other than Storey (and Plaintiff) agreed to the
14 request of EC to do so. Although EC proposed the candidate to the Board two days before the
15 Board meeting, directors Kane, McEachern and Adams had met the candidate weeks before. That
16 person, Judy Coddington, is a very close and long-standing friend of the mother of the Cotters. Ms.
17 Coddington, though apparently qualified in the field of education, has no expertise in either of RDI's
18 principal business segments, cinema operations and real estate development, and likewise brings
19 no corporate governance or financial expertise that would add value to the RDI Board of
20 Directors. Plaintiff is informed and believes that Ms. Coddington was selected because she is
21 expected to be loyal to EC and MC. It has been reported in the Los Angeles Times that Ms.
22 Coddington's activities relating to her employer's alleged violations of the public bidding laws to
23 secure a contract with L.A. Unified School District (LAUSD) to provide iPads to schools is
24 currently under scrutiny in a federal criminal investigation, and another source reports that her
25 employer would be dismissing her from such position on account of her alleged activity.

26 13. On October 5, 2015, EC and MC announced to the full RDI Board of Directors that
27 they determined to have a so-called nominating committee comprised of Kane, Adams and
28 McEachern propose the slate of persons to be nominees to be recommended by the Board at RDI's

1 2015 ASM, which has been set for November 10, 2015. EC and MC determined that Storey
2 would not be nominated to stand for reelection as a director at the 2015 ASM. Plaintiff is
3 informed and believes that this decision was made in part because Storey has insisted that the
4 Board of Directors act to protect and further the interests of all shareholders, not just EC and MC.
5 Plaintiff also is informed and believes that Kane, Adams and McEachern, purporting to act as the
6 referenced nominating committee, agreed to and implemented the decision of EC and MC to not
7 nominate Storey to stand for reelection as a director at the 2015 ASM. Plaintiff is further
8 informed and believes that Adams and McEachern pressured Storey to “retire” because EC and
9 MC asked them to do so. Plaintiff is informed and believes that Storey’s “resignation” was sought
10 so that the nominating committee could propose a college friend of MC, who also is the husband
11 of MC’s best personal friend, to fill Storey’s newly vacated Board position.

12 14. The supposed nominating committee, acting at the direction and requests of EC and
13 MC, then selected Michael Wrotniak (“Wrotniak”) to replace Storey. Wrotniak does not have
14 expertise in either of RDI’s business segments, cinema operations and real estate development.
15 Nor does he possess expertise in corporate governance. Nor does he possess expertise in any other
16 matter that would be of value to RDI as a public company. Plaintiff is informed and believes that
17 Wrotniak was chosen because MC and EC expect him to be loyal to them.

18 15. McEachern, Adams and Kane, purporting to act as a newly formed nominating
19 committee for the RDI Board of Directors with respect to the slate of persons to be nominated by
20 the Company as directors for election at the 2015 ASM, effectively chose Wrotniak rather than
21 another candidate. McEachern and Adams interviewed a candidate who has served as a chief
22 financial officer of a multi-billion dollar public real estate services and investment company, who
23 has experience dealing with Wall Street and who has experience in real estate development and
24 had no ties to any of the Cotters. That candidate, who was suggested by Plaintiff, expressed
25 interest in serving as a director of RDI.

26 16. As an integral part of their scheme to seize control of RDI and to perpetuate their
27 control of RDI to further their personal financial and other interests, EC and MC systematically
28 have failed to make timely and accurate disclosures and SEC filings they are required to make,

1 and systematically have made materially misleading if not inaccurate disclosures, including as
2 alleged herein. EC and MC also have caused the Company to make materially misleading if not
3 inaccurate disclosures, including but not limited to in the Proxy Statement issued by the Company
4 on or about October 20, 2015 for the 2015 Annual Shareholders Meeting scheduled for November
5 10, 2015, including as alleged herein. Plaintiff is informed and believes that one or more of the
6 other individual defendants, other than Storey, have actively assisted in or knowingly acquiesced
7 to this conduct.

8 **PARTIES**

9 17. Plaintiff James J. Cotter, Jr. (JJC) is and at all times relevant hereto was a
10 shareholder of RDI. JJC also has been a director of RDI since on or about March 21, 2002.
11 Involved in RDI management since mid-2005, JJC was appointed Vice Chairman of the RDI
12 board of directors in 2007 and President of RDI on or about June 1, 2013. He was appointed CEO
13 by the RDI Board on or about August 7, 2014, immediately after JJC, Sr. resigned from that
14 position. He is the son of the late James J. Cotter, Sr. (JJC, Sr.) and the brother of defendants MC
15 and EC. JJC at times relevant hereto has owned RDI stock, and owns 858,897 shares of RDI
16 Class A non-voting stock (including 50,000 shares subject to stock options) and is co-trustee and
17 beneficiary of the James J. Cotter Living Trust, dated August 1, 2000, as amended (the "Trust"),
18 which owns 2,115,539 shares of RDI Class A (non-voting) stock and 1,023,888 shares of RDI
19 Class B (voting) stock, as well as options to acquire 100,000 additional shares of RDI Class B
20 (voting) stock, which options apparently have been exercised. The Trust became irrevocable upon
21 the passing of JJC, Sr. on September 13, 2014.

22 18. Defendant Margaret Cotter (MC) is and at all times relevant hereto was an
23 "outside" director of RDI. MC is engaged in trust and estate litigation against JJC, by which she
24 seeks, among other things, to invalidate a trust document as part of an overall effort by MC and
25 EC to, among other things, procure control of RDI class B stock sufficient to elect RDI's directors.
26 MC became a director of RDI on or about September 27, 2002. MC is the owner and President of
27 OBI, LLC, a company that provides theater management services to live theaters indirectly owned
28 by RDI through Liberty Theatres, of which MC is President. MC also sought to oversee

1 development of real estate in New York owned directly or indirectly by RDI. She did so
2 notwithstanding the fact that she had no experience or expertise in doing so. She did so
3 notwithstanding the fact that she is unqualified to do so. MC opposed the hiring of a senior
4 executive to work on the development of real estate owned by RDI. In particular, she successfully
5 ended the Company's ongoing search for such an executive. She did so as part of an ongoing
6 effort to secure employment with the Company.

7 19. Defendant Ellen Cotter (EC) is and at all times relevant hereto was a director of
8 RDI. EC is engaged in trust and estate litigation against JJC, by which she seeks, among other
9 things, to invalidate a trust document as part of an overall effort by MC and EC to, among other
10 things, procure control of RDI class B voting stock sufficient to elect RDI's directors. She
11 became a director of RDI on or about March 13, 2013. EC is the senior executive at RDI
12 responsible for the day-to-day operations of its domestic cinema operations. Those cinema
13 operations consistently have failed to match, much less exceed, the financial results of comparable
14 and peer group cinema operations.

15 20. Defendant Edward Kane (Kane) is and at all times relevant hereto was an outside
16 director of RDI. Kane has been a director of RDI since approximately October 15, 2009. By
17 Kane's own admission, he was made a director of RDI because he was a friend of JJC, Sr., the
18 now deceased father of JJC, EC and MC. By Kane's own admission, he neither had nor has skills
19 or expertise to add value as a director of RDI. Kane has sided with EC and MC in their family
20 disputes with Plaintiff, launching vicious *ad hominem* attacks against those such as Gould who
21 have expressed unfavorable opinions relating to either or both MC and EC, and lecturing JJC
22 about how he (Kane) is implementing Corleone ("Godfather") style family justice in dealing with
23 JJC. Nevertheless, Kane has acknowledged that JJC is the person most qualified to be CEO of
24 RDI. Kane sold all of the RDI options he then owned on or about May 27, 2014.

25 21. Defendant Guy Adams (Adams) is and at all times relevant hereto was an outside
26 director of RDI. Adams became a director of RDI on or about January 14, 2014. A majority if not
27 almost all of Adams' income is paid to him by Cotter family businesses over which EC and MC
28 exercise control. For that reason, among others, Adams is financially dependent on EC and MC

1 and does not qualify as an independent director of RDI. For those reasons and others, including
2 that Adams has a financial interest in assets controlled directly or indirectly by EC and/or MC,
3 Adams was and is not a disinterested director for the purposes of any decision to terminate JJC as
4 President and CEO of RDI or any other decision of interest to EC and/or MC. Adams sold all of
5 the RDI options he owned on or about March 26, 2015.

6 22. Defendant Douglas McEachern (McEachern) is and at all times relevant hereto was
7 an outside director of RDI. McEachern became a director of RDI on or about May 17, 2012.
8 McEachern acted to protect and preserve his personal interests, and chose the side of EC and MC
9 in their family disputes with JJC, including by agreeing as an RDI director to threaten and to
10 terminate JJC as President and CEO of RDI, and thereafter by misusing his position as a director
11 to protect and further the personal interests of EC and MC, as well as his own, purposefully acting
12 in ways he knew were detrimental to RDI and its public shareholders.

13 23. Defendant Timothy Storey (Storey) was at all times relevant hereto up until
14 October 11, 2015 an outside director of RDI. Storey became a director of RDI on or about
15 December 28, 2011. He has served as the sole outside director of RDI's wholly-owned New
16 Zealand subsidiary since 2006. Storey has served as Chairman of the Board of DNZ Property
17 Fund Limited, a billion dollar commercial property investment fund based in New Zealand and
18 listed on the New Zealand Stock Exchange, since 2009. Prior to the being elected Chairman of
19 DNZ Property Fund Limited, Storey was a partner in Bell Gully (one of the largest law firms in
20 New Zealand). Storey was appointed the representative or ombudsman of the five outside
21 directors in or about March 2015, for the purpose of assisting JJC as CEO in dealing with his
22 sisters, EC and MC, and for the purpose of assessing how the siblings functioned and reporting to
23 the Board and recommending what, if anything, the Board should do regarding any of them. This
24 occurred because, among other things, EC and MC resisted, if not refused, to interact with JJC as
25 CEO and, as to MC, she refused altogether to have any substantive discussions with JJC with
26 respect to the business she supervised, live theaters, and the real estate development opportunities
27 in New York City that she sought to supervise without oversight or assistance.

28 24. Defendant William Gould (Gould) is and at all times relevant hereto was an outside

1 director of RDI. Gould was appointed a director on or about October 15, 2004. Gould is a name
2 partner at the Los Angeles law firm of TroyGould, PC.

3 25. Nominal defendant Reading International, Inc. (RDI) is a Nevada corporation and
4 is, according to its public filings with the United States Securities and Exchange Commission (the
5 "SEC"), an internationally diversified company principally focused on the development,
6 ownership and operation of entertainment and real estate assets in the United States, Australia and
7 New Zealand. The company operates in two business segments, namely, cinema exhibition,
8 through approximately 58 multiplex cinemas, and real estate, including real estate development
9 and the rental of retail, commercial and live theater assets. The company manages world-wide
10 cinemas in the United States, Australia and New Zealand. RDI has two classes of stock, Class A
11 stock held by the investing public, which stock exercises no voting rights, and Class B stock,
12 which is the sole voting stock with respect to the election of directors. An overwhelming majority
13 (approximately eighty percent (80%)) of the Class A stock is legally and/or beneficially owned by
14 shareholders unrelated to JJC, EC and MC. Approximately seventy percent (70%) of the Class B
15 stock is subject to disputes and pending trust and estate litigation in California between EC and
16 MC, on one hand, and JJC, on the other hand, and a probate action in Nevada. Of the class B
17 stock, approximately forty-four percent (44%) is held in the name of the Trust. RDI is named only
18 as a nominal defendant in this derivative action.

19 26. The true names and capacities, whether individual, corporate, associate or
20 otherwise, of Defendants named and identified herein as Does 1 through 100, inclusive, are
21 currently unknown to Plaintiff. Plaintiff, therefore, sues said Defendants by such fictitious names
22 and will amend his Complaint to show their true names and capacities upon ascertaining the same.
23 Upon information and belief, each of the Defendants sued herein as Doe has some responsibility
24 for the damages arising as a result of the matters herein alleged.

25 **ALLEGATIONS COMMON TO ALL CLAIMS**

26 **General Background**

27 27. Since approximately 2000, and until he resigned as Chairman and CEO of RDI on
28 or about August 7, 2014 due to health reasons, James J. Cotter, Sr. (JJC, Sr.) was the CEO and

1 Chairman of the Board of Directors of RDI. Additionally, JJC, Sr. through the Trust (according to
2 RDI filings with the SEC, among other things) controlled approximately seventy percent (70%) of
3 the Class B voting stock of RDI. As such, JJC, Sr. unilaterally selected and elected the board of
4 directors.

5 28. For all intents and purposes, JJC, Sr., ran the Company as he saw fit, without
6 meaningful oversight or input from the board of directors. According to Kane, JJC, Sr. "did not
7 seek directors that could add significant value but sought out friends to fill out the 'independent'
8 member requirements." Kane himself acted as if his job as a director was to protect and further
9 the interests of his life-long friend, JJC, Sr., not to protect and further the interests of RDI and its
10 shareholders. With the passing of JJC, Sr., Kane also acknowledged that it was "time to change
11 this approach and appoint individuals that could offer solid advice and counsel, such as some
12 NYC real estate people and/or NYC people with political know-how that we might need if we are
13 to develop our valuable assets there."

14 29. Recognizing JJC, Sr.'s control of the Company, the board asked that he provide
15 them with a succession plan. He did so in or about December 2006, and the RDI board
16 implemented it. The succession plan was to have JJC assume JJC, Sr.'s position when JJC, Sr.
17 retired or passed, as the case may be.

18 30. Since 2005, JJC was involved in most RDI executive management meetings and
19 privy to most significant internal senior management memos. JJC was appointed Vice Chairman
20 of the RDI board in 2007. The RDI board appointed JJC President of RDI on or about June 1,
21 2013, which responsibilities he filled without objection by the RDI board of directors.

22 31. On or about September 13, 2014, JJC, Sr. passed.

23 32. Soon thereafter, trust and estate litigation was commenced by his daughters, MC
24 and EC, including against JJC, which litigation involved the issue of whether MC or JJC, or both,
25 should control the RDI voting stock previously controlled by JJC, Sr., among other things.

26 33. As President and CEO of RDI, JJC alienated his sisters because he acted to protect
27 and further the interests of RDI and all of its shareholders, repeatedly rebuffing the efforts of MC
28 and EC to advance their own interests, as well as efforts by Kane, Adams and McEachern to

1 protect and further the interests of MC and EC, as well as their own interests, all to the detriment
2 of the Company and its other shareholders. For example, JJC questioned and/or rejected purported
3 expenses EC and MC sought to have RDI pay. In one instance, EC attempted to charge RDI for
4 an expensive Thanksgiving dinner with her mother, sister and sister's children, which effort
5 Plaintiff rejected, angering EC. In another instance, MC attempted to charge RDI for certain
6 expenses of her father's funeral. JJC insisted that RDI employ an executive qualified to direct
7 RDI's real estate business, which MC resisted. MC wanted to direct RDI's real estate businesses.
8 However, she is unqualified to do so. She wanted to do so in order to be employed by RDI and to
9 secure lucrative compensation and/or benefits she otherwise would not receive.

10 34. Frustrated by Plaintiff's apparent refusal as President and CEO to accede to their
11 demands for titles, positions, promotions, employment contracts and money from RDI, and with
12 MC believing she was in jeopardy of having her lucrative consulting arrangement to manage live
13 theater operations terminated due to the Orpheum Theatre debacle described herein, MC and EC
14 agreed to act together and acted to protect and advance their personal interests by seizing and
15 acting to perpetuate control of RDI. To that end, MC and EC next secured the agreement of
16 defendants Kane, Adams and McEachern to choose sides in their family dispute with JJC, and to
17 act in derogation of their fiduciary obligations and the interests of RDI and all RDI stockholders,
18 to threaten Plaintiff and then, when the threat failed, to stage a boardroom coup by firing Plaintiff
19 as President and CEO of RDI and to thereafter act to perpetuate their control of RDI.

20 **EC and MC Act To Further Their Own Interests; Kane Assists**

21 35. Soon after JJC, Sr. passed, EC sought an employment agreement and a promotion
22 from Chief Operating Officer of RDI's Domestic Cinema Operations to head of its worldwide
23 cinema division (including Australian and New Zealand Cinema Operations). EC also sought an
24 employment agreement. Plaintiff is informed and believes that EC did so in part because she was
25 fearful that JJC, acting to protect and further the interests of the Company, would fire her,
26 notwithstanding the fact that he had never expressed any intention of doing so.

27 36. Soon after JJC, Sr. passed, EC also sought a raise. The claimed impetus for the
28 requested raise was to qualify for a loan on a Laguna Beach, California condominium. EC sought

1 it in part because EC understood that Kane would get it for her.

2 37. Kane, who has a decade's long quasi-familial relationship with each of MC and
3 EC, who call him "Uncle Ed," acted to ensure that EC would obtain the loan she sought, described
4 above.

5 38. To that end, Kane, purporting to act as chairman of the RDI Compensation
6 Committee, without authority or approval from the RDI Compensation Committee, on RDI
7 letterhead wrote EC's lender and represented that the Committee "anticipate[d] a total cash
8 compensation increase of no less than 20%" for EC "effective no later than January 1, 2015."
9 Despite JJC pointing out that sending such a letter to EC's bank was inappropriate, EC executed
10 the letter on behalf of Kane.

11 39. Shortly thereafter, Kane acknowledged to RDI board members that the study that
12 had been commissioned and expected to justify EC's pay increase, actually failed to do so.

13 40. Also, in October 2014, Kane prompted the RDI board to provide EC a "bonus" of
14 \$50,000, on account of a supposed error by the Company in connection with the issuance of RDI
15 stock options EC had exercised in 2013. No other similarly situated RDI executive received such
16 a "bonus," which was tantamount to a gift or other unearned compensation given to EC from the
17 coffers of RDI.

18 **The Outside Directors Act To Further Their Own Interests**

19 41. Separately, commencing shortly after JJC, Sr.'s death on September 13, 2014,
20 Kane began pressing Plaintiff as President and CEO to recommend to the RDI board, and thereby
21 effectively approve, increases in directors' fees and consideration paid to Kane and other outside
22 board members.

23 42. Kane and the other outside directors were successful in increasing their
24 compensation. On or about November 13, 2014, the RDI board raised annual directors' fees by
25 approximately forty-three percent (43%) and gave each nonemployee director additional
26 compensation in the form of stock options and a one-time cash compensation.

27 **MC And EC Bring Cotter Family Disputes To RDI's Boardroom**

28 43. Notwithstanding the fact that Plaintiff had been President of RDI since 2013,

1 notwithstanding the fact that JJC, Sr. and the RDI board had implemented a succession plan
2 pursuant to which Plaintiff would succeed JJC, Sr. as CEO of RDI, and notwithstanding that JJC,
3 Sr.'s testamentary disposition memorialized to EC and MC his intention that JJC serve as
4 President of RDI, MC and EC resisted and sought to avoid reporting to JJC. EC and MC involved
5 certain directors in their disputes with JJC soon after JJC became CEO of RDI.

6 44. In the fourth quarter of 2014, MC undertook to enlist Kane to undermine Plaintiff.
7 During that time frame she confidentially requested of Kane that she be made co-CEO of RDI.

8 45. During that time frame, Plaintiff in furtherance of his responsibilities as CEO of
9 RDI sought to engage in substantive communications with MC about the live theater business for
10 which she was responsible. MC flatly refused to have substantive communications with Plaintiff
11 about such matters.

12 46. Plaintiff also brought to the attention of Kane and other directors the difficulties
13 created by MC and EC, including in particular but not limited to MC's abject refusal to
14 communicate with Plaintiff about the businesses for which she either had or claimed she should
15 have responsibility, meaning the live theater business, and two highly valuable real estate assets in
16 New York City which MC was not qualified to manage or lead without expert or qualified
17 assistance she refused to accept, including by consistently resisting hiring a qualified executive.

18 **Kane Acts To Protect EC And MC**

19 47. In or about January 2015, Kane acted to protect and further the interests of EC and
20 MC, in derogation of his fiduciary obligations.

21 48. By way of email dated January 16, 2015, Kane communicated to Plaintiff a
22 suggestion to the effect that EC be given the title she wants, that MC be treated as a "co-equal with
23 [a] new head of domestic real estate [and] [t]hat she and the new head will report to you and you
24 will resolve any conflicts between them that they cannot resolve themselves [and] you will make a
25 title for MC as a new employee of the Company"

26 **MC And EC Prompt The Outside Directors To Participate In Family Disputes**

27 49. The outside board members, faced with the personal disputes MC and EC had with
28 JJC, including the pending trust and estate litigation, took steps to protect and enhance their

1 personal interests.

2 50. The RDI board of directors on January 15, 2015 determined to purchase a directors
3 and officers insurance policy (which it never had before) with a limit of \$10 million. At the time,
4 they also determined that stock option grants to individual directors made on or about November
5 13, 2014 would vest immediately and further determined that January 15, 2015 would be the date
6 on which to establish the stock price for option purposes.

7 51. In a private session of the outside directors on January 15, 2015, they discussed and
8 agreed upon a course of action put forth by EC and MC which initially was proposed to be the first
9 two paragraphs quoted below, but after discussion became all three. They resolved and approved,
10 with Plaintiff, EC and MC abstaining, as follows:

11 "The CEO [JJC,] cannot terminate the employment of Ellen Cotter unless
12 a majority of the independent directors concur with the CEO's recommendation to
terminate Ellen Cotter;

13 The CEO [JJC,] cannot terminate the existing Theater Management
14 Agreement of Ms. Margaret Cotter unless a majority of the independent directors
15 concurs with the CEO's recommendations to terminate such Theater Management
Agreement; and

16 The CEO [JJC,] cannot be terminated without the approval of the
majority of the independent directors."

17 **JJC Succeeds As President And CEO; MC And EC Continue To Object**

18 52. Plaintiff's work as CEO was recognized as successful by the stock market. RDI
19 stock was trading at \$8.17 per share when Plaintiff became CEO but, by approximately the end of
20 2014, had traded as high as \$13.26 per share and, in the Spring of 2015, traded at over \$14.45 per
21 share.

22 53. One analyst described the successes of JJC as President and CEO as follows:

23 **Management Catalysts**

24 RDI has historically suffered from a control discount. The dual class
25 structure created a situation where the Cotter family owned approx. 30%
26 of outstanding shares, but 70% of class B voting stock. James Cotter Sr.,
27 the longtime CEO, made little effort to promote the company and was
28 slow to monetize assets and unlock the value even though he did acquire
assets smartly and did a good job of operating the business. Over the past
two years, asset monetization has moved ahead and seems to be a sign of
things to come. In early August, James Cotter, Sr., resigned from serving
as the Company's Chairman and CEO and recently passed away. Cotter's
son Jim has taken over the CEO position. We think that Jim has already

1 been a positive influence in terms of value realization during the last year.
2 We believe that Jim was instrumental in pushing not only the sales of
3 important Australian assets, but also the share buyback. He is also seeking
4 other ways to increase value (e.g. considering ways to further monetize the
5 Angelika brand). We expect the stock will move much closer to fair value
6 once definitive announcements are made around the New York City assets
7 and other smaller asset monetization announcements in the next 12
8 months. The two New York assets discussed have appreciated
9 significantly in recent years and are a part of the value here. It is also
10 worth noting that RDI also owns other valuable, underutilized real estate
11 (including Minetta Lane Theater, Orpheum Theater, Royal George in
12 Chicago, etc.) that could ultimately be redeveloped and create incremental
13 value for shareholders.

14 54. After meeting JJC in person in October 2014, one large stockholder commented, "I
15 came away from our meeting with a firm view that you care about shareholders and that both you
16 and us will be nicely rewarded over time...I intend to remain a long-term partner. I am confident
17 that if you continue to buy back stock and the investment community begins to believe that you, as
18 a leader, will act in the best interests of shareholders, the stock price will be considerably higher."
19 The stock price did move considerably higher.

20 55. JJC's success in fact began as early as June 1, 2013, when he was appointed
21 President of RDI. After JJC, Sr. was diagnosed with prostate cancer in early 2013, JJC, Sr. turned
22 over more responsibility to JJC, as JJC, Sr. was battling prostate cancer. On June 1, 2013, the
23 stock price was only \$6.08 per share.

24 56. JJC's success as President and CEO of RDI continues to be recognized by the stock
25 market. On May 31, 2015, The Street Ratings upgraded their recommendation of RDI to a "buy"
26 or "purchase." On June 4, 2015, RDI Class A stock traded in the public marketplace as high as
27 \$14.45 per share.

28 57. MC and EC objected to Plaintiff's on-going, successful efforts as President and
29 CEO of RDI which, though in the best interests of all RDI shareholders, including the public non-
30 Cotter family shareholders, were viewed by MC and EC as not in their personal interests because,
31 among other things, they preferred that the price at which RDI class A stock traded artificially
32 depressed. MC and EC continued to voice objections to JJC communicating with shareholders.

33 58. By their actions and statements, including but not limited to their demands

1 additional compensation and for employment agreements, and their complaint that Plaintiff had
2 acted in the interests of all RDI shareholders rather than in their particular interests, MC and EC
3 made clear that their personal interests were paramount, and that they would act to protect and
4 further their personal interests, to the detriment of the interests of RDI and its other shareholders.

5 **JJC Complies With Board Processes, MC And EC Prompt The Termination of Such**
6 **Processes**

7 59. By March 2015, the efforts of EC and MC to promote their own interests, in
8 derogation of the interests of the Company, compelled the non-Cotter members of the RDI board
9 of directors to act.

10 60. In March 2015, the non-Cotter directors appointed lead director Gould and director
11 Storey as an independent committee, with Storey functioning as their representative or
12 ombudsman to work with JJC as CEO, including by acting as a facilitator with EC and MC.

13 61. On behalf of the non-Cotter directors, Gould advised MC and EC and Plaintiff that
14 the process they had put in place, involving director Storey as ombudsman, would continue
15 through June 2015, at which time an assessment would be made of the situation, including in
16 particular the extent to which each of the three of them had cooperated in the process and had
17 undertaken to improve their working relationships and to sustain improved working conditions.

18 62. From that point forward, Plaintiff worked with director Storey in the manner Storey
19 on behalf of the non-Cotter directors had requested.

20 63. However, MC and EC did not, including as otherwise averred herein. Instead, they
21 continued to act to preserve and further their own personal and financial interests, to the detriment
22 of RDI and its shareholders and refused to do certain things requested by Plaintiff, which Storey
23 had agreed were in the best interests of RDI.

24 64. Thus, although MC for months had resisted even having substantive discussions
25 with Plaintiff about the live theater business operations for which she was responsible, and
26 although MC for months had failed and refused to produce even the most rudimentary of business
27 plans, she nevertheless pushed to be provided an employment agreement with RDI. For example,
28 on May 4, 2015, by which time the Orpheum theater debacle had come to light, and by which time

1 she had provided no business plan whatsoever, notwithstanding requests from Plaintiff and from
2 director Storey that she do so, and notwithstanding that she refused to have any substantive
3 discussions with Plaintiff about the live theater business operations, she emailed Plaintiff, stating
4 "any idea when this employment agreement of mine that you have been working on for months
5 will be presented?"

6 **The Outside Directors Demand More Money**

7 65. In the same time frame, the non-Cotter directors were seeking additional
8 compensation. In particular, Kane pushed Plaintiff to provide all non-Cotter directors other than
9 director Storey an extra \$25,000 for the first six months of 2015, with the understanding "that at
10 year-end we will be asking for an additional payment."

11 66. With respect to director Storey, who resides in New Zealand and had taken no
12 fewer than a half dozen trips to Los Angeles in furtherance of his role as the representative or
13 ombudsman of the non-Cotter directors in interfacing with Plaintiff, on the one hand, and MC and
14 EC, respectively, on the other hand, Kane's proposal was that Storey receive an additional \$75,000
15 for the first six months of 2015, in recognition of the time and effort Storey was expending as the
16 representative or ombudsman for the non-Cotter directors.

17 67. Plaintiff advised Kane that he had some reservations about the additional
18 compensation Kane proposed providing to the non-Cotter directors.

19 68. While Plaintiff did as director Storey requested, MC and EC pursued their own
20 personal interests, in derogation of the interests of RDI and its shareholders. Among other things,
21 EC had her personal lawyers copied on internal RDI correspondence and present on telephone
22 calls with RDI outside counsel and executives, including the CFO and the General Counsel, about
23 which Plaintiff as CEO was not notified, so as to protect and further the interests of EC and MC.

24 **MC's Orpheum Theatre Debacle Puts Her In Jeopardy**

25 69. On or about May 18, 2015, Plaintiff took MC to task, observing that she had been
26 promising him a business plan for eight months but still had not delivered one.

27 70. RDI's proxy statement filed with the SEC in connection with the annual meeting of
28 RDI stockholders that occurred in 2014 described MC's role in relevant part as "the President of

1 Liberty Theatres, the subsidiary through which we own our live theaters. [MC] manages the real
2 estate which houses each of four live theaters [including the one which is the principle source of
3 revenue, the Orpheum Theatre,] [and as such] secures leases, manages tenancies, oversees
4 maintenance and regulatory compliance on the properties. . . .”

5 71. MC’s diligence and candor, or lack of one or both, have been called into question
6 by her handling of the relationship with the Stomp Producers. The Stomp Producers, the tenant at
7 the RDI owned Orpheum Theatre and the source of a majority of RDI’s live theater revenues, gave
8 notice on April 23, 2015 of termination of the lease for cause. MC had prior notice of alleged
9 problems of the nature upon which Stomp based its purported termination of the lease for cause.
10 Nevertheless, MC allegedly failed to handle the business for which she was responsible, whether
11 by addressing the alleged problems, by developing a constructive working relationship with the
12 Stomp Producers or otherwise.

13 72. MC had been aware of the alleged issues raised by the Stomp Producers for
14 months. In particular, by email and correspondence dated February 6, 2015, the Stomp producers
15 wrote to MC and complained “about the maintenance and upkeep of the Orpheum Theatre.” They
16 further stated in their February 6, 2015 letter to MC as follows:

17 “Nothing in this letter is new to you as we and our employees have been in almost
18 constant contact about recurring problems at the theater, but there is now an
19 urgent need to attend to this matter on an immediate and comprehensive, rather
20 than piecemeal, bases”

21 73. MC failed to disclose the February 6, 2015 letter or the substance of it or that the
22 Stomp Producers told MC on April 9, 2015 that they were going to vacate the theater or even the
23 situation with the Stomp Producers generally to Plaintiff or, Plaintiff is informed, to any outside
24 member of the RDI board of directors. In other words, she concealed the fact that she was facing a
25 serious business challenge, whether real or contrived by the Stomp Producers, and in doing so
26 breached her fiduciary obligations as a director. In so acting, she also undertook to deceive
27 Plaintiff and the non-Cotter members of RDI’s board into providing her an employment contract
28 with respect to the very matters as to which she was then accused of being grossly negligent,
among other things.

1 74. Upon learning of the Stomp Producer's notice to terminate, director Gould stated an
2 assessment to the effect that MC's handling of the situation (independent of the merits or lack of
3 merits of the claims of the Stomp Producers), including not notifying anyone about the threat of
4 the Company losing a material portion of its live theater business income, could be grounds for
5 termination.

6 **Kane Acts To Protect MC**

7 75. Concerned that MC was at risk to be terminated for cause, director (Uncle Ed) Kane
8 took actions to protect his quasi-family, MC and EC. Together they launched the scheme to extort
9 JJC or, failing that, to terminate him as President and CEO and seize control of RDI, enlisting the
10 assistance and cooperation of directors Adams and McEachern, both of whom acted to preserve
11 and further their own personal and financial interests.

12 76. Kane's quasi-familial relationship and visceral support of MC and EC has been
13 evidenced by, among other things, stunning *ad hominem* invectives directed at directors Gould and
14 Storey, as well as by rants to JJC about "The Godfather" and the Corleone family from that series
15 of movies, even including a suggestion that termination of JJC would be analogous to the murder
16 of someone disrespecting a Corleone family member.

17 **Adams Is Beholden To MC And EC**

18 77. The efforts of MC and EC, together with their protector and benefactor, (Uncle Ed)
19 Kane, to threaten and later depose JJC as President and CEO, provided a perfect opportunity for
20 Adams to protect his own personal (including professional) and financial interests.

21 78. Prior to 2007 or 2008, when (according to Adams' own sworn testimony in a recent
22 divorce proceeding) his business of investing monies he raised privately failed after he lost
23 approximately seventy percent (70%) of the monies invested with him, Adams was active as a
24 small time shareholder activist who purchased small stakes in public companies, agitated for
25 change in the boardroom, secured a position as director, generated a quick and short term profit
26 through the process and then promptly resigned, to search for the next public company victim.
27 Since that time, Adams has been unsuccessful in reviving that business and, for all intents and
28 purposes, has been unemployed.

1 79. EC led Adams to believe that he would be appointed CEO of RDI upon termination
2 of JJC. Simply holding that position would be of value to Adams, including in reviving his
3 business of investing in public companies, agitating for change in the composition of the board or
4 otherwise at the company, cashing out and moving on. Adams for that reason supported
5 terminating JJC. After JJC had been terminated, it was EC rather than Adams (who previously
6 was identified to become CEO) who was appointed interim CEO of RDI.

7 80. Separately, Adams is beholden to EC and MC because, among other things, he is
8 financially dependent on monies paid to him by the Cotter family businesses EC and MC control.
9 Based on information provided by Adams in sworn statements in a recent divorce proceeding, it
10 appears that amounts paid to him by Cotter entities over which EC and MC exercise control or
11 claim to exercise control amounted to over half (50%) of Adam's (claimed approximate \$90,000)
12 income in 2013, at a minimum, and possibly amounted to over eighty percent (80%) of that
13 income.

14 81. Additionally, Plaintiff is informed and believes and thereon alleges that on or about
15 May 2013, Adams entered into an agreement with JJC, Sr. whereby Adams received, among other
16 things, a carried interest in certain real estate projects, including one by the name of Shadow View.
17 Plaintiff is further informed and believes and thereon alleges that the value of Adams' carried
18 interest in Shadow View, including whether it will be monetized and the extent to which it will be
19 monetized for the benefit of Adams, is contended by MC and EC to be the responsibility of the
20 estate of JJC, Sr., of which MC and EC presently are the executors.

21 82. Thus, Adams' personal and financial interests are dependent on his financial
22 benefactors, MC and EC. Practically, Adams has little choice if any but to accommodate and
23 advance the personal interests of MC and EC, including by helping them seize, consolidate and
24 perpetuate their control of RDI, including as alleged herein.

25 83. For such reasons, Adams is not independent generally, and not disinterested with
26 respect to the disputes between MC and EC, on one hand, and JJC on the other, much less with
27 respect to the decision to fire JJC.

28 84. In or about March 26, 2015, Adams sold all RDI options he had, including options

1 he had been granted only a few months earlier. He has never owned any RDI shares. Today,
2 Adams holds no RDI stock or options. Notably, he failed to disclose that he owned RDI options in
3 his divorce proceedings.

4 85. The other non-Cotter board members know of, and previously had reason to
5 suspect, that Adams suffers from debilitating and disqualifying personal (and professional) and
6 financial interests, both generally and particularly regarding the vote to remove JJC as President
7 and CEO and to replace JJC as CEO with Adams. Among other things and without limitation,
8 when Adams joined the RDI board of directors on or about January 14, 2014, he was asked
9 whether he would be an independent director and, more particularly, about his financial dealings
10 with the Cotter family and Cotter family entities. Although Adams acknowledged that he had such
11 financial relationships with the Cotter family and/or the Cotter family controlled businesses, he
12 declined to particularize the relationships or disclose the particulars regarding the financial aspects
13 of them, and instead claimed the monies he was being paid were "*de minimus*."

14 **Defendants Other Than Storey And Gould Threaten Plaintiff With Termination If He Fails**
15 **to Resolve Disputes With EC and MC on Terms Unilaterally Set By Them**

16 86. On Tuesday, May 19, 2015, EC distributed a purported agenda for an RDI board of
17 directors meeting scheduled to commence not quite 48 hours later, at 11:15 a.m., on Thursday,
18 May 21, 2015. The first action item on the agenda was entitled "Status of President and CEO[.]"
19 which in fact was the agenda item to raise an issue previously never discussed by RDI's Board of
20 Directors, namely, termination of JJC as President and CEO of RDI.

21 87. Prior to May 19, 2015, acting in concert with MC and EC, Adams, Kane and
22 McEachern had agreed to vote to seize control of RDI and, if necessary to do so, to terminate JJC
23 as President and CEO of RDI.

24 88. In the face of objections by directors Gould and Storey that the non-Cotter directors
25 had not undertaken an appropriate process to make any decision regarding whether or not to
26 terminate the President and CEO of RDI, and a request that the outside directors meet before the
27 scheduled May 21 meeting, Kane provided a visceral response to the effect that the outside
28 directors did not need to meet, tacitly acknowledging the planned coup and admitting that even the

1 pretense of process would not be undertaken because "the die is cast."

2 89. In furtherance of their self-serving scheme, EC and Adams previously had hired
3 counsel ostensibly representing RDI, Akin Gump, and had that counsel attend the May 21 board
4 meeting at which the first agenda item was termination of JJC as President and CEO.

5 90. Counsel for JJC appeared at the meeting and explained, among other things, that (i)
6 the non-Cotter directors had not engaged in any process that would satisfy any measure of their
7 fiduciary obligations to even make a decision with respect to whether to terminate JJC as President
8 or CEO, and that (ii) Adams not only was not disinterested with respect to the decision, he was so
9 interested that he was clearly and indisputably conflicted, that Kane too clearly was interested
10 under Nevada law and that McEachern also appeared interested. JJC's counsel effectively made
11 these comments on the way out of the room, after the board had voted (by 5 to 3) to allow the
12 lawyers hired by EC and Adams to stay, but to not allow JJC's lawyer to attend even for agenda
13 item one.

14 91. Adams, bristling at the prospect of others being dissuaded from terminating JJC and
15 then selecting Adams to replace JJC as CEO, directed that the two security officers waiting outside
16 the boardroom be called to physically remove JJC's attorney from the premises. Of course, Adams
17 lacked authority to do so.

18 92. For his part, Kane simply directed personal invective at JJC's attorney, just as Kane
19 had done previously toward directors Storey and Gould when each of them expressed views that
20 were in the estimation of Kane contrary to the interests of MC, EC or both, as well as to Kane's
21 intent on rendering punitive consequences.

22 93. Faced with a clear record that the non-Cotter directors had failed to undertake any
23 process, much less an appropriate process, to make a decision regarding whether to terminate JJC
24 as President and CEO, Adams solicited JJC to have an impromptu discussion about his
25 performance. Recognizing that Adams' solicitation was nothing more than a disingenuous, after-
26 the-fact effort to fabricate a record of process and diligence where none existed, JJC demurred. Of
27 course, JJC also had reason to do so in view of the fact that the non-Cotter directors previously had
28 put in place a process (described above) that was to play out through the end of June, at least,

1 which process had not been completed, meaning that the non-Cotter directors' decision to
2 terminate JJC as President and CEO was in derogation of, and pre-empted, their own processes.

3 94. EC, MC, Kane, Adams and McEachern then determined to adjourn the May 21,
4 2015 board meeting to May 29, 2015, to afford them an opportunity to further attempt to pressure
5 JJC to cede control of RDI to them.

6 95. Thus, on Wednesday, May 27, 2015, Texas attorney Harry Susman, one of the
7 lawyers representing MC and EC in the trust and estate litigation, transmitted to Adam Streisand,
8 an attorney representing JJC in the trust and estate litigation, a document outlining terms to which
9 JJC was required to agree to avoid the threatened termination. The proposal was communicated as
10 effectively a "take-it or leave-it" proposal and was accompanied by a deadline of 9:00 a.m. on
11 Friday, May 29 to accept the proposal.

12 96. Also on May 27, 2015, EC emailed RDI directors a "reminder" "that the board
13 meeting held last Thursday was adjourned, to reconvene this Friday, May 29, 2015. The board
14 meeting will begin at 11:00 a.m. at our Los Angeles office."

15 97. By the foregoing actions, among others, MC and EC made clear that accepting their
16 take-it or leave-it settlement proposal was what JJC had to do to avoid being fired as President and
17 CEO of RDI.

18 98. Also on May 28, 2015, approximately one day after EC and MC's lawyer
19 transmitted the "take-it or leave-it" global settlement proposal and one day before the RDI board
20 was to reconvene to execute on their threat to terminate JJC as President and CEO of RDI, Kane
21 told JJC to accept the take-it or leave-it offer to "end all of the litigation and ill feelings." Among
22 other things, by email on May 28, 2015, Kane stated as follow to JJC:

23 "I have not seen the [take it or leave it settlement] proposal. I understand
24 that it would leave you with your title, which is very important to you and
25 which you told me was essential to any settlement . . . if it is take-it or
26 leave-it, then I STRONGLY ADVISE YOU TO TAKE IT, . . . if we can
end all of the litigation and ill feelings, -- and their offer to keep you as
CEO as a major concession -- . . ."

27 99. On Friday, May 29, before the RDI board of directors meeting reconvened, EC and
28 MC met with JJC and told him that the document that had been conveyed by attorney Susman on

1 their behalf two days earlier was a take-it or leave-it offer and that, if JJC did not accept it, the RDI
2 board would terminate him as President and CEO. JJC attempted to discuss proposed changes
3 with them, to which EC and MC responded that they would accept no changes. They repeated that
4 if JJC did not accept the agreement as proposed, JJC would be terminated as President and CEO of
5 RDI.

6 100. Director Gould shortly thereafter came to JJC's office and said that the majority of
7 the non-Cotter board members were prepared to vote to terminate him and that the supposed board
8 meeting was about to commence.

9 101. JJC entered the conference room where the supposed meeting was to occur. The
10 supposed meeting was commenced and Adams made a motion to terminate JJC as President and
11 CEO.

12 102. JJC observed that Adams was not independent or disinterested, pointing out that a
13 substantial portion of his income came from Cotter entities, as evidenced by sworn testimony
14 Adams had given in his divorce proceeding. JJC invited Adams to prove otherwise, to which
15 Adams responded that he did not have to do so. Others inquired of Adams' financial relationship
16 to Cotter entities, but Adams declined to provide substantive responses to those queries.

17 103. Director Gould opined that it was not the role of the RDI board of directors to
18 intercede in the personal disputes between EC and MC, on the one hand, and JJC, on the other
19 hand, nor to tip the balance of power in those disputes. He further observed that the board should
20 attempt to maintain the status quo until the courts resolved the trust and estate litigation, and added
21 that he thought JJC had done a good job.

22 104. Kane offered more personal invective directed to JJC, including comments to the
23 effect that he thought that JJC had "****ed Margaret over with the changes . . . made to the estate"
24 and that JJC "does not have people skills especially with his two sisters . . ."

25 105. Next, the five outside directors asked JJC to leave the conference room so that they
26 could talk with EC and MC. Plaintiff is informed and believes that one or more of Kane, Adams
27 and McEachern conferred with EC and MC about whether to proceed to terminate JJC as President
28 and CEO or to continue to attempt to pressure him to resolve his disputes with EC and MC on