

IN THE SUPREME COURT OF THE STATE OF NEVADA

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

Appellant,

v.

DOUGLAS MCEACHERN, EDWARD
KANE, JUDY CODDING, WILLIAM
GOULD, MICHAEL WROTHIAK, and
nominal defendant READING
INTERNATIONAL, INC., A NEVADA
CORPORATION

Respondents.

Electronically Filed
Aug 28 2019 08:05 p.m.
Case No. 75053
Supreme Court Clerk of Supreme Court
Consolidated with Case Nos.
76981, 77648 & 77733

District Court
Case No. A-15-719860-B

Coordinated with:
Case No. P-14-0824-42-E

Appeal (77733)

Eighth Judicial District Court, Dept. XI
The honorable Elizabeth G. Gonzalez

RESPONDENT'S APPENDIX TO ANSWERING BRIEF
FOR CASE NO. 77733

Volume I
RA1 – RA241

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CERTIFICATE OF SERVICE

I certify that I am an employee of MORRIS LAW GROUP; I am familiar with the firm's practice of collection and processing documents for mailing; that, in accordance therewith, I caused the following document to be e-served via the Supreme Court's electronic service process. I hereby certify that on the 29th day of August, 2019, a true and correct copy of the foregoing **RESPONDENT'S APPENDIX TO ANSWERING BRIEF FOR CASE NO. 77733**, was served by the following method(s):

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DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., an individually and
derivatively on behalf 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.

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

BUSINESS COURT

MOTION TO DISMISS COMPLAINT

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

COMES NOW, Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, and Douglas McEachern, by and through their counsel of record, Cohen-Johnson, LLC and Quinn Emanuel Urquhart & Sullivan, LLP, and hereby submit this Motion to Dismiss the Complaint.

This Motion is based upon the following Memorandum of Points and Authorities, the pleadings and papers on file, and any oral argument at the time of a hearing on this motion.

DATED this 10th day of August, 2015.

COHEN-JOHNSON, LLC

By: /s/ H. Stan Johnson
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NOTICE OF MOTION

TO: MARK G. KRUM, LEWIS ROCA ROTHBERGER LLP, Attorneys for Plaintiff.

PLEASE TAKE NOTICE that the above Motion will be heard the 10 day of
SEPTEMBER, 2015 at 8 : 30A in Department XXVII of the above
designated Court or as soon thereafter as counsel can be heard.

Dated this 10th day of August, 2015.

Respectfully Submitted,

COHEN-JOHNSON, LLC

By: /s/ H. Stan Johnson
H. Stan Johnson, Esq.

Christopher Tayback
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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Plaintiff James J. Cotter, Jr. (“Plaintiff” or “James Cotter”) filed this action, individually and as a shareholder of Reading International, Inc. (“Reading”), seeking to bolster his frivolous wrongful termination claim by trying to turn it into a derivative action.¹ Plaintiff alleges that Reading’s Board of Directors acted improperly in voting to terminate him as President and CEO of Reading and, in doing so, breached their fiduciary duties as board members. However, Plaintiff has failed to allege any facts sufficient to support an individual or derivative claim against any member of Reading’s Board for a breach of fiduciary duty. Although most of Plaintiff’s allegations are provably false, even assuming them to be true they amount to nothing more than conclusory claims that any Reading director who voted in favor of his termination *must have* been motivated by personal interests and *must have* failed to exercise proper business judgment. The Complaint offers no facts—and none exist—to make even a facial showing that any Reading director cannot act in a disinterested manner and exercise proper business judgment with respect to decisions regarding Plaintiff’s employment.

First, Plaintiff failed to make a pre-suit demand to Reading’s Board of Directors, as required by Nevada law, to remedy the allegedly improper Board action. Though Nevada law provides that pre-suit demand may be excused in certain limited scenarios, Plaintiff has failed to plead with particularity that the demand should be so excused here. Instead, Plaintiff claims that such demand is excused because of vaguely alleged conflicts of interests alluded to in the Complaint. Plaintiff’s cursory demand futility allegations are based on the same flawed premise as the Complaint generally: that Plaintiff’s ouster could only have been supported by a director who failed to act in a disinterested and independent manner. That circular logic, however, is insufficient to excuse pre-suit demand and has been specifically rejected by Nevada courts.

Second, Plaintiff has failed to adequately plead an essential element of *each* of his three claims. The claims—two for breach of fiduciary duty and one for aiding and abetting breach of

1 fiduciary duty—all require Plaintiff to plead that any purported damages to Reading were
2 proximately caused by Defendants’ improper conduct. Plaintiff has not done so for any of his
3 claims. Indeed, Plaintiff does not even allege how Reading and its shareholders were supposedly
4 damaged by his termination, let alone how such damage is related to Defendants’ supposedly
5 improper conduct. This failure to adequately plead proximate causation requires dismissal of
6 each of the three purported causes of action in the Complaint.

7 Third, Plaintiff cannot fairly and adequately represent the interests of Reading
8 shareholders in a derivative action, as required by the Nevada Rules of Civil Procedure.
9 Plaintiff’s claims amount to the assertion that he shouldn’t have been fired. Such a personal
10 claim cannot, and should not, be brought on behalf of all shareholders of Reading.

11 Finally, to the extent Plaintiff asserts that there was a breach of fiduciary duty to him
12 individually, as opposed to in his capacity as a Reading shareholder, such individual claims fail
13 as a matter of law. Plaintiff’s purported causes of action each require the existence of a fiduciary
14 duty between Plaintiff and members of Reading’s Board. It is undisputed that members of
15 Reading’s Board of Directors, including all individual defendants, owed a fiduciary duty to the
16 corporation. The Board of Directors owed no such duty, however, to Plaintiff in his individual
17 capacity or as an employee/officer of Reading. Neither a corporation nor its board of directors
18 owes a fiduciary duty to its officers. Accordingly, Plaintiff has not, and cannot, plead facts
19 sufficient to state a claim that any fiduciary duty was violated as to him individually.

20 Based on these numerous fatal flaws in the Complaint, Defendants Margaret Cotter, Ellen
21 Cotter, Guy Adams, Edward Kane, and Douglas McEachern (the “Moving Defendants”)
22 respectfully request that Plaintiff’s Complaint be dismissed in its entirety. Plaintiff has failed to
23 state a claim as to each of the three purported causes of action either in his capacity as a
24 shareholder derivative plaintiff or as an individual plaintiff.

27 ¹ That this action is, at its core, a wrongful termination claim is the basis for the Motion to
28 Compel Arbitration filed by Reading International, Inc.

1 **II. FACTS AS ALLEGED IN PLAINTIFF'S COMPLAINT**²

2 A. Reading International

3 Reading International is a Nevada corporation principally engaged in the development,
4 ownership, and operation of entertainment and real estate assets in the United States, Australia,
5 and New Zealand. Compl., ¶ 15. Reading's Board of Directors appointed Plaintiff James Cotter,
6 Jr. as President of Reading on June 1, 2013, and as CEO on August 7, 2014, after his father
7 retired from the position due to health reasons. *Id.*, ¶¶ 7, 17. Plaintiff claims to be a holder of
8 voting shares of Reading stock and also claims to be a co-trustee of a trust which owns a large
9 number of both voting and non-voting shares of Reading stock. *Id.* Plaintiff was, as of the time
10 of his Complaint, one of eight members of Reading's Board of Directors. *Id.*

11 Besides Plaintiff, the seven remaining members of Reading's Board of Directors are: (1)
12 Margaret Cotter, Plaintiff's sister, who has served as a director since 2002 and runs Reading's
13 live theater division, manages certain live theater real estate, and has been responsible for pre-
14 development work on Reading's Manhattan theater properties; (2) Ellen Cotter, Plaintiff's sister,
15 who has served as a director since March 2013, been a Reading employee since 1998, and runs
16 the day-to-day operations of Reading's domestic cinema operations; (3) Edward Kane ("Kane"),
17 who has served as a director since October 2004³ (and before that from 1985-1998) and serves as
18 Chair of the Tax Oversight Committee and the Compensation and Stock Option Committee; (4)
19 Guy Adams ("Adams"), who has served as a director since January 2014 and is a registered
20 investment advisor and experienced independent director on public company boards; (5) Douglas
21 McEachern ("McEachern"), who has served as a director since May 2012 and was an audit
22 partner of Deloitte & Touche from 1985-2009; (6) Timothy Storey ("Storey"), who has served as
23 a director since December 2011; and (7) William Gould ("Gould"), who has served as a director

24
25 ² Nearly all of the allegations and insinuations in the Complaint are false. However, solely
26 for the purpose of this Motion and as required by Nevada law, Plaintiff's baseless allegations are
27 accepted as pleaded and summarized herein. *See Pemberton v. Farmers Ins. Exch.*, 109 Nev.
28 789, 792 (1993).

³ The Complaint erroneously states that Mr. Kane has served on the Board since October
2009.

1 since October 2004. *See* Compl., ¶¶ 8-14; Ex. A attached hereto (Form 10-K/A Amendment No.
2 1 filed by Reading International, Inc.) at 1-3 (providing biographies of each director and a
3 breakdown of their committee memberships). (Directors Ellen Cotter, Margaret Cotter, Kane,
4 McEachern, and Adams are referred to herein as the “Moving Defendants”).

5 B. Termination of Plaintiff’s Employment and Position as President and CEO

6 According to the allegations in Plaintiff’s Complaint, beginning in late 2014, tensions
7 began to rise between him and the other Reading directors, including his siblings Ellen and
8 Margaret Cotter. *Id.*, ¶ 34. Certain of these tensions allegedly related to trust and estate
9 litigation between Plaintiff, on the one hand, and Ellen and Margaret Cotter, on the other hand,
10 initiated after the death of their father in September 2014. *Id.*, ¶¶ 21-22. Allegedly in
11 recognition of these boardroom and familial tensions, in January 2015 the Reading Board of
12 Directors approved a measure providing that none of Plaintiff, Ellen Cotter, or Margaret Cotter
13 could be terminated from their employment without the approval of a majority of the non-Cotter-
14 family directors. *Id.*, ¶ 43. Plaintiff, Ellen Cotter, and Margaret Cotter abstained from voting on
15 this measure. *Id.* According to the Complaint, in March 2015 the non-Cotter members of the
16 Board appointed an independent committee consisting of directors Storey and Gould to work on
17 behalf of the Board directly with Plaintiff in his role as CEO, as the full Board and Plaintiff had
18 been struggling to work productively with Plaintiff. *Id.*, ¶¶ 51-52.

19 Despite these months-long efforts to address and alleviate the ongoing conflicts between
20 Plaintiff and the company’s other directors, these issues could not be effectively resolved.
21 Accordingly, at a May 21, 2015, meeting of the full Board of Directors, Plaintiff’s continuing
22 role as President and CEO was put on the agenda as a discussion item. *Id.*, ¶ 78. Corporate
23 counsel for Reading was present at this May 21 meeting. *Id.*, ¶ 81. At this meeting, the Board
24 invited Plaintiff to discuss his performance as CEO so that the Board could fully evaluate his
25 role. *Id.*, ¶ 85. Plaintiff unilaterally declined to participate in any such discussion. *Id.* Despite
26 Plaintiff’s failure to honor the Board’s request or engage in any discussions about his
27 performance as Reading’s President and CEO, the Board determined that no final decision would
28 be made about Plaintiff’s employment at the May 21 meeting and that additional time would be

1 taken to consider the matter. *Id.*, ¶ 86. The Board agreed to reconvene on May 29, 2015, for
2 further consideration of the issue. *Id.*, ¶¶ 91-93.

3 At the May 29 meeting, Adams made a motion to terminate Plaintiff as Reading's
4 President and CEO. *Id.*, ¶ 93. The Board engaged in extensive discussions about this motion
5 both in and outside the presence of Plaintiff. *Id.*, ¶¶ 94-97. Ultimately, Plaintiff was not
6 terminated on May 29, and the Board adjourned, again allowing for additional time for
7 evaluation and assessment of the issues at hand by Plaintiff and the Board. *Id.*, ¶¶ 98-99.

8 The Board reconvened on June 12, 2015, to address Plaintiff's potential termination. *Id.*,
9 ¶ 105. At this meeting—the third time Reading's Board of Directors met to evaluate Plaintiff's
10 continued employment—the Board ultimately voted to terminate Plaintiff. Ellen and Margaret
11 Cotter, Kane, Adams, and McEachern (each of the Moving Defendants) all voted in favor of
12 termination. *Id.* Storey and Gould voted against termination. *Id.* Plaintiff was therefore,
13 according to his own allegations, terminated based on a majority vote of the full Board *and*, as
14 required by prior Board resolution, a majority vote of the independent directors. (Kane, Adams,
15 McEachern, Storey, and Gould constitute the independent directors). After Plaintiff's
16 termination, Ellen Cotter was appointed interim CEO and President of Reading. *Id.*

17 On June 12, 2015—the same day of the Board vote—Plaintiff filed this action
18 individually and purportedly on behalf of Reading's shareholders claiming that his employment
19 was improperly terminated by Reading's Board and that such termination constituted a breach of
20 the directors' fiduciary duties. Specifically, Plaintiff claims that all Defendants breached their
21 duty of care in connection with Plaintiff's termination (First Cause of Action for Breach of
22 Fiduciary Duty); that Ellen Cotter, Margaret Cotter, Kane, Adams, and McEachern breached
23 their duty of loyalty in connection with the termination (Second Cause of Action for Breach of
24 Fiduciary Duty); and that Ellen and Margaret Cotter aided and abetted breaches of fiduciary duty
25 by Kane, Adams, and McEachern (Third Cause of Action for Aiding and Abetting Breach of
26 Fiduciary Duty). *Id.*, ¶¶ 111-132. Plaintiff alleges that he is excused from making a pre-suit
27 demand on Reading's Board of Directors to remedy their allegedly improper conduct because (a)
28 the Board of Directors did not exercise business judgment in terminating Plaintiff, (b) the Board

of Directors could not exercise business judgment in responding to a pre-suit demand, and (c) directors Kane, Adams, and McEachern are under the control of directors Ellen and Margaret Cotter. *Id.*, ¶¶ 107-110.

C. Litigation Between Plaintiff, Ellen Cotter, and Margaret Cotter Regarding Their Father's Estate

Throughout the spring and early summer of 2015, including during the time period of the above-referenced meetings of the Board of Directors, Plaintiff, on the one hand, and Ellen and Margaret Cotter, on the other hand, were discussing potential resolution of the trust and estate litigation between them. Compl. ¶¶ 23, 87, 91, 98-102. That trust litigation has been coordinated with this supposed derivative action.

III. LEGAL STANDARD

Nevada Rule of Civil Procedure ("NRCP") 12(b)(5) provides for the dismissal of a claim when a party has failed to state a claim upon which relief can be granted. On a motion to dismiss, the trial court "is to determine whether or not the challenged pleading sets forth allegations sufficient to make out the elements of a right to relief." *Pemberton*, 109 Nev. at 792. A complaint should be dismissed if it appears beyond a doubt that a plaintiff can prove no set of facts that would entitle a plaintiff to relief. *See Buzz Stew, LLC, v. City of N. Las Vegas*, 124 Nev. 224, 228 (2008).

To survive a motion to dismiss, a claim must be pleaded showing a party's entitlement to relief. This "requires more than labels and conclusions, and a formulaic recitation of a cause of action's elements will not do." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007).⁴ Bald contentions, unsupported characterizations, and legal conclusions are not well-pleaded allegations, and will not suffice to defeat a motion to dismiss. *See G.K. Las Vegas Ltd. P'ship v.*

⁴ Nevada courts often look to interpretations of analogous federal rules as persuasive authority. *Exec. Mgmt., Ltd. v. Ticor Title Ins. Co.*, 118 Nev. 46, 53 (2002) ("Federal cases interpreting the Federal Rules of Civil Procedure are strong persuasive authority, because the Nevada Rules of Civil Procedure are based in large part upon their federal counterparts.") (quotation marks and citation omitted).

1 *Simon Prop. Grp., Inc.*, 460 F. Supp. 2d 1246, 1261 (D. Nev. 2006); *see also Sprewell v. Golden*
2 *State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001).

3 **IV. ARGUMENT**

4 **A. Because He Offers No More Than Conclusory Allegations, Plaintiff Has Not**
5 **Adequately Pleaded Demand Futility**

6 Ordinarily, the plaintiff in a shareholder derivative suit must “set forth with particularity
7 [in the complaint] the efforts of the plaintiff to secure from the board of directors or trustees and,
8 if necessary, from the shareholders such action as the plaintiff desires, and the reasons for the
9 plaintiff’s failure to obtain such action[.]” Nev. Rev. Stat. § 41.520(2). This requirement of pre-
10 suit demand on the defendant corporation’s board of directors is not merely a pleading hurdle or
11 a technicality, but an important “rule of substantive right designed to give a corporation the
12 opportunity to rectify an alleged wrong without litigation, and to control any litigation which
13 does arise.” *Aronson v. Lewis*, 473 A.2d 805, 809 (Del. 1984), *overruled on other grounds by*
14 *Brehm v. Eisner*, 746 A.2d 244 (Del. 2000); *see also Shoen v. SAC Holding Corp.*, 122 Nev. 621,
15 641 (2006) (adopting the *Aronson* analysis in Nevada shareholder derivative litigation) (“The
16 Delaware court’s approach is a well-reasoned method for analyzing demand futility and is highly
17 applicable in the context of Nevada’s corporations law. Hence, we adopt the test described in
18 *Aronson*, as modified by *Rales*[.]”). Plaintiff has made no such demand.

19 Accordingly, where, as here, a plaintiff seeking to pursue a derivative action has not
20 made a pre-suit demand on the defendant corporation’s board of directors, the law requires the
21 plaintiff to allege *with particularity* that demand on the board of directors would have been
22 futile. *See* Nev. Rev. Stat. § 41.520(2); NRCP 23.1. This heightened pleading standard is
23 similar to that required for claims of fraud. *See Shoen*, 122 Nev. at 633-34 & n.21 (“[A]
24 shareholder must ‘set forth . . . particularized factual statements that are essential to the claim’
25 that a demand has been made and refused, or that making a demand would be futile or otherwise
26 inappropriate.” (*quoting Brehm*, 746 A.2d at 254 (noting that the “with particularity” pleading
27 required in shareholder derivative suits is similar to the heightened pleading required for claims
28 involving fraud or mistake))); *see also La. Mun. Police Emps. Ret. Sys. v. Wynn*, No. 2:12-CV-

1 509 JCM GWF, 2014 WL 994616, at *9 (D. Nev. Mar. 13, 2014) (“The plaintiffs did not allege
2 with sufficient particularity that the board of directors was disinterested or lacked independence,
3 or that there was reasonable doubt that there was a valid exercise of business judgment.”);
4 *Teamsters Union 25 Health Servs. & Ins. Plan v. Baiera*, --- A.3d ---, No. 9503-CB, 2015 WL
5 4237352, at *14 (Del. Ch. July 13, 2015) (dismissing complaint where there was “no
6 informational basis from which [to] conclude that the New Agreement was ‘so far beyond the
7 bounds of reasonable judgment’ as to constitute bad faith or to demonstrate that the members of
8 the Audit Committee put [other interests] ahead of the best interests of the Company.”). Finally,
9 “mere conclusory assertions will not suffice” *Shoen*, 122 Nev. at 634.

10 Nevada courts recognize two specific scenarios when demand by a shareholder derivative
11 plaintiff may be excused (assuming the factual allegations are pled with particularity). Adopting
12 the reasoning of the Delaware Supreme Court in *Aronson v. Lewis*, Nevada courts hold that
13 demand is only excused if “under the particularized facts alleged, a reasonable doubt is created
14 that: (1) the directors are disinterested and independent [or] (2) the challenged transaction was
15 otherwise the product of a valid business judgment.” *Aronson*, 473 A.2d at 814; *see Shoen*, 122
16 Nev. at 635-36 (following *Aronson*). Here, Plaintiff has failed to satisfy either *Aronson* prong.
17 As a result, Plaintiff does not have standing, and the complaint should be dismissed for failure to
18 state a claim. *See Shoen*, 122 Nev. at 634.

19 1. Plaintiff Has Failed to Rebut the Presumption that Reading’s Directors
20 Are Capable of Acting in a Disinterested and Independent Fashion

21 The first *Aronson* prong asks whether the board of directors can make a disinterested and
22 independent decision when presented with the demand. The first prong only excuses demand
23 where a plaintiff can “show that the protection afforded by the business judgment rule is
24 inapplicable to the board majority approving the transaction because those directors are
25 interested, or are controlled by another who is interested, in the subject transaction[.]” *Shoen*,
26 122 Nev. at 638 (quotation marks and citations omitted).

27 A director will be deemed to be interested if the facts alleged “demonstrate[e] a potential
28 personal benefit or detriment to the director as a result of the decision.” *Beam ex rel Martha*

1 *Stewart Living Omnimedia, Inc. v. Stewart*, 845 A.2d 1040, 1049 (Del. 2004). The potential
 2 personal benefit or detriment must relate specifically to the challenged transaction. *See Rales v.*
 3 *Blasband*, 634 A.2d 927, 933 (Del. 1993). “[T]he key principle upon which this area of . . .
 4 jurisprudence is based is that the directors are entitled to a *presumption* that they were faithful to
 5 their fiduciary duties,” and the burden is upon a derivative plaintiff to overcome that
 6 presumption. *Khanna v. McMinn*, No. Civ.A. 20545–NC, 2006 WL 1388744, at *11 (Del. Ch.
 7 May 9, 2006) (emphasis omitted). Nevada courts have explicitly rejected the proposition that
 8 “the demand requirement is excused as to the board of directors merely because the shareholder
 9 derivative complaint alleged that a majority of the directors participated in wrongful acts,
 10 without regard to their impartiality or to the protections of the business judgment rule[.]” *Shoen*,
 11 122 Nev. at 635.

12 Plaintiff has failed to plead specific, particularized facts—as required by Nevada law—
 13 showing that a majority of Reading’s directors are impacted by any debilitating interest or lack
 14 of independence sufficient to rebut the presumption that the business judgment rule applies. *See*
 15 *Shoen*, 122 Nev. at 637 (“[S]ince approval of a transaction by the majority of a disinterested and
 16 independent board usually bolsters the presumption that the transaction was carried out with the
 17 requisite due care, in such cases, a heavy burden falls on a plaintiff to avoid presuit demand.”)
 18 (internal brackets and quotation marks omitted).

19 (a) Allegations Against Kane, Adams, and McEachern

20 Plaintiff claims that Kane, Adams, and McEachern, each independent directors, cannot
 21 act in a disinterested manner because they are controlled by Ellen and Margaret Cotter. This
 22 purported control is based on the following allegations:

- 23 • **Kane:** Kane allegedly has a “quasi-familial” relationship with Ellen and Margaret
 24 Cotter, who call him “Uncle Ed.” Compl., ¶¶ 5, 28, 109.
- 25 • **Adams:** Adams is allegedly “financially dependent on Cotter family businesses [Ellen]
 26 and [Margaret Cotter] control or claim to control.” *Id.*, ¶ 5; *see also id.*, ¶¶ 11 (“A
 27 majority if not almost all of Adams’ income is paid to him by Cotter family businesses
 28 over which [Ellen] and [Margaret Cotter] exercise control or claim to exercise control.”),

70, 72-74, 109. In addition, Adams was allegedly led to believe he would be made CEO of Reading upon Plaintiff's termination. *Id.*, ¶ 71.

- **McEachern:** McEachern allegedly holds an "erroneous expectation that [Ellen] and [Margaret Cotter] ultimately will prevail and control seventy percent (70%) of the voting stock of the Company, thereby controlling McEachern's fate as a director." *Id.*, ¶ 109.

But Plaintiff's allegations with respect to Kane, Adams, and McEachern fail to show a lack of independence.

Plaintiff's conclusory allegations that Kane has a close ("quasi-familial") relationship with Ellen and Margaret Cotter do not support demand futility. (As Plaintiff is Ellen and Margaret Cotter's brother, he presumably shares the same "quasi-familial" relationship with Kane as his sisters.) Where futility is purportedly based on control being exerted by an interested person or persons, a plaintiff must allege particularized facts showing that "through personal or other relationships the directors are beholden to the controlling person." *Aronson*, 473 A.2d at 815. "Allegations of mere personal friendship or a mere outside business relationship, standing alone, are insufficient to raise a reasonable doubt about a director's independence." *Beam*, 845 A.2d at 1050; *see also id.* at 1051-52 ("Mere allegations that [co-directors] move in the same business and social circles, or a characterization that they are close friends, is not enough to negate independence for demand excusal purposes."). Not only does Plaintiff fail to allege the existence or nature of this quasi-familial relationship with any particularity, but he fails to explain how this relationship had or will have any impact on Kane's vote about Plaintiff's reinstatement.

Likewise, the vaguely pleaded supposed benefits being received by Adams and McEachern are not sufficient to show a lack of independence. *See Khanna*, 2006 WL 1388744, at *20 (noting that allegations that a benefit is *material* to a director are necessary to excuse demand, which requires pleading particularized facts "that the alleged benefit was significant enough in the context of the director's economic circumstances[] as to have made it improbable that the director could perform her fiduciary duties . . . without being influenced by her overriding personal interest") (emphasis omitted). Rather than being pleaded with particularity,

Plaintiff's vague allegations with respect to Adams and McEachern are pleaded only on information and belief. Compl., ¶¶ 73, 109. Plaintiff alludes to some unnamed, unspecified, and uncertain financial benefit that Adams and McEachern could potentially receive if they support Margaret and Ellen Cotter, but these alleged benefits are not pleaded with particularity to show that Adams and McEachern could not exercise their fiduciary duties to Reading (or even that Adams and McEachern could not receive these exact same purported benefits with Plaintiff as President and CEO).⁵ See *Beam*, 845 A.2d at 1052 ("To create a reasonable doubt about an outside director's independence, a plaintiff must plead facts that would support the inference that because of the nature of a relationship or additional circumstances other than the interested director's stock ownership or voting power, the non-interested director would be more willing to risk his or her reputation than risk the relationship with the interested director.").

Indeed, Plaintiff does not allege any financial benefit whatsoever to McEachern for supporting Plaintiff's termination. With respect to Adams, Plaintiff does not allege that his financial fate is *actually* controlled by Ellen and Margaret Cotter, but only that they "claim to control" some of the companies with which he is associated. Compl., ¶¶ 5, 11.

The alleged "benefit" to be received by Adams and McEachern—accepting all allegations in the Complaint as true—seems to be nothing more than the chance to curry favor with Ellen and Margaret Cotter; this is not the specific, direct financial benefit required by the law. Plaintiff puts the cart before the horse, assuming a conflict of interest and a breach of fiduciary duty simply because Moving Defendants voted to terminate him. These are the very type of conclusory allegations that do not meet the "heavy burden" necessary excuse pre-suit demand in a Nevada derivative claim. See *Shoen*, 122 Nev. at 1181-82.

⁵ Plaintiff alleges that Margaret and Ellen Cotter controlled Adams' termination vote in part by suggesting to him that he would succeed Plaintiff as CEO of Reading. Compl., ¶ 71. However, once Plaintiff was terminated, Ellen was appointed interim CEO. *Id.* Therefore, *even if* Adams had been motivated by a desire to become CEO himself, which he was not, it is now clear that opportunity no longer exists and is therefore irrelevant in the demand futility context.

(b) Allegations Against Ellen and Margaret Cotter

Plaintiff appears to suggest that Ellen and Margaret Cotter could not act in an independent manner because of their ongoing trust and estate litigation with Plaintiff. Ellen and Margaret Cotter allegedly made decisions as Reading directors with respect to Plaintiff's employment that would allow them to gain leverage in this estate litigation. Compl., ¶¶ 4, 23, 107. These vague insinuations fail as a matter of law, as Plaintiff has not identified with reasonable particularity any "potential personal benefit or detriment" to either Ellen or Margaret Cotter in connection with evaluating a demand on the Board relating to Plaintiff's reinstatement. *See Beam*, 854 A.2d at 1049. The mere fact that Ellen and Margaret Cotter are engaged in litigation with their brother over their father's estate does not render them incapable of exercising business judgment with respect to his termination. *See Fagin v. Gilmartin*, 432 F.3d 276, 283-84 (3d Cir. 2005) ("Potential liability from other, unrelated litigation would not make [the company's] directors interested in the decision to consider a demand for this specific derivative suit."); *Richardson v. Ulsh*, No. CIV.A. 06-3934 MLC, 2007 WL 2713050, at *15 (D.N.J. Sept. 13, 2007) (same). Nor does the Complaint identify any advantage obtained by Ellen and Margaret Cotter in the trust and estate litigation by terminating Plaintiff as CEO. *See Shoen*, 122 Nev. at 638 ("[A] director who has divided loyalties in relation to, *or who has or is entitled to receive specific financial benefit from*, the subject transaction, is an interested director.") (emphasis added). The vague possibility that a director could have been acting for any reason other than his or her best business judgment is insufficient to support a finding of any problematic relationship. *Aronson*, 473 A.2d at 815 (stating that a "mere threat . . . is insufficient to challenge either the independence or disinterestedness of directors").

Plaintiff's entire Complaint—including his allegation of demand futility—hinges on the premise that defendant directors improperly chose sides in a family dispute between the Cotter directors and that, as such, they are not disinterested. But Plaintiff does not allege any facts indicating that any director's decision to vote for Plaintiff's termination was based on a lack of independence or debilitating conflict. Contrary to Plaintiff's claims, the existence of trust and

estate litigation between the Cotters does not somehow render Reading's entire Board of Directors unable to make a legitimate business decision.

2. Plaintiff Has Failed To Rebut The Presumption That Reading's Board of Directors Exercised Proper Business Judgment with Respect to Termination of Plaintiff

Under the second *Aronson* prong, demand may be excused as futile where the derivative claimant "plead[s] particularized facts creating a reasonable doubt as to the 'soundness' of the challenged transaction sufficient to rebut the presumption that the business judgment rule attaches to the transaction." *Khanna*, 2006 WL 1388744, at *23 n.168. The business judgment rule "presumes that the directors have complied with their duties to reasonably inform themselves of all relevant, material information and have acted with the requisite care in making the business decision." *Shoen*, 122 Nev. at 636. Accordingly, the business judgment rule creates a "presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the" organization. *Id.* at 1178-79. Consistent with the theory underlying the business judgment rule, the party challenging the decision bears the burden of establishing facts that rebut the presumption. *See id.* Because the business judgment rule protects the corporate management decisions so long as they can be "attributed to any rational business purpose," *Katz v. Chevron Corp.*, 22 Cal. App. 4th 1352, 1366 (1994), "a heavy burden falls on plaintiff to avoid presuit demand." *Shoen* at 1181.

Plaintiff has not come close to meeting its heavy burden here. Plaintiff does not—and cannot—claim that his termination was an improper business judgment at the time that decision was made. Indeed, Plaintiff's allegations demonstrate that the opposite is true. Reading's Board of Directors required a majority vote of non-Cotter-family directors to terminate Plaintiff, and such majority was achieved. Compl., ¶¶ 43, 105. Reading's Board of Directors held several meetings at which Plaintiff's termination was discussed and included corporate counsel in those meetings. *Id.*, ¶¶ 81, 82, 91, 99, 105. The Board invited Plaintiff to make a presentation or engage in a discussion about his performance as President and CEO, but Plaintiff chose not to do so. *Id.*, ¶ 85. As further discussed below, Plaintiff does not identify any adverse impact to

1 Reading stemming from his termination. Quite simply, Plaintiff fails to allege facts sufficient to
2 rebut the presumption that Reading's Board, including the Moving Defendants, believed
3 themselves to be acting in the best interests of the corporation in voting to terminate Plaintiff.
4 *See In re Walt Disney Co. Derivative Litig.*, 906 A.2d 27, 70-73 (Del. 2006) (holding termination
5 consistent with corporate governance documents not breach of fiduciary duty, and termination of
6 President because CEO could not "work well" with President was within the protection of the
7 business judgment rule). Because Plaintiff fails to satisfy either prong of the *Aronson* demand
8 futility test, the Complaint should be dismissed.

9 B. Plaintiff Cannot Allege that Any Damage to Shareholders Resulted from His
10 Termination

11 Each of Plaintiff's purported causes of action in the Complaint is based on an alleged
12 breach by Reading's directors of a fiduciary duty owed to the corporation. Plaintiff alleges that
13 this duty was breached by terminating Plaintiff as Reading's President and CEO based on
14 motivations other than Reading's best interests. A claim for breach of fiduciary duty requires a
15 plaintiff to demonstrate "the existence of a fiduciary duty, the breach of that duty, and that the
16 breach proximately caused the damages." *Brown v. Kinross Gold U.S.A., Inc.*, 531 F. Supp. 2d
17 1234, 1245 (D. Nev. 2008). Here, Plaintiff has failed to allege if or how any supposed damages
18 to Reading's shareholders resulted from Plaintiff's termination. This is fatal to the Complaint.

19 Plaintiff filed this derivative suit the same day he was terminated by Reading's Board.
20 Plaintiff's personal disgruntlement over his termination does not constitute damage to Reading's
21 shareholders. Plaintiff has not identified any way in which his termination caused injury or
22 damage to any shareholder besides Plaintiff personally. Because Plaintiff has failed to
23 adequately plead proximate causation, dismissal is proper here. *See Bd. of Managers of Foundry*
24 *at Wash. Park Condo. v. Foundry Dev. Co.*, 975 N.Y.S.2d 707, at *2-3 (N.Y. Sup. Ct. 2013)
25 (granting motion to dismiss breach of fiduciary duty claim where allegations failed to make a
26 connection of harm to nominal defendant in derivative action); *Stafford v. Reiner*, 804 N.Y.S.2d
27 114, 114-15 (N.Y. App. Div. 2005) ("[E]ven accepting as true the facts alleged in the complaint
28 and affording [plaintiff] the benefit of every possible favorable inference, [plaintiff's] claim that

1 the defendants' breach of fiduciary duty and/or negligence was a proximate cause of the [alleged
2 damages] remains entirely speculative and finds no support in the record.") (citation omitted).

3 Plaintiff does recite, without factual support, that "[a]s a direct and proximate result of
4 the acts and omissions of said defendants as described herein, Plaintiff and the Company and its
5 other shareholders have suffered injury and continue to suffer injury as alleged herein." Compl.,
6 ¶¶ 116, 123, 131. However, Plaintiff fails to offer any allegations regarding the nature of the
7 supposed injury or damages therefrom and how or why they are related to the complained-of
8 conduct. Mere conclusory allegations with no factual support are insufficient; the Complaint
9 should be dismissed. *See Twombly*, 550 U.S. at 557.

10 C. Plaintiff Cannot Adequately Represent the Interests of Reading's Shareholders

11 This suit concerns Plaintiff's individual grievance regarding his termination from
12 Reading and unrelated ongoing trust and estate litigation between Plaintiff and two of the Board
13 members. That Plaintiff has tried to turn his employment lawsuit into a derivative suit in itself
14 calls for a dismissal of his claims. Rule 23.1 of the Nevada Rules of Civil Procedure provides:
15 "The derivative action may not be maintained if it appears that the plaintiff does not fairly and
16 adequately represent the interests of the shareholders or members similarly situated in enforcing
17 the right of the corporation or association." Nev. R. Civ. P. 23.1. Here, Plaintiff cannot and does
18 not fairly and adequately represent the interests of Reading shareholders.

19 Among the numerous factors a court can consider when determining the adequacy of a
20 derivative plaintiff are "other litigation pending between the plaintiff and defendants; the relative
21 magnitude of plaintiff's personal interests as compared to his interest in the derivative action
22 itself; [and] plaintiff's vindictiveness toward the defendants." *Energytec Inc. v. Proctor*, 2008
23 WL 4131257, *6-7 (N.D. Tex. Aug. 29, 2008) (applying Nev. R. Civ. P. 23.1 and quoting *Davis*
24 *v. Comed, Inc.*, 619 F.2d 588, 593-94 (6th Cir. 1980)). Here, Plaintiff has initiated personal (*i.e.*,
25 non-derivative) litigation against Defendants, has a strong personal interest in regaining control
26 of Reading, and is highly vindictive towards Moving Defendants. *See, e.g.*, Compl., ¶¶ 6
27 (accusing Moving Defendants of "extort[ion]"), 10 (accusing Kane of threatening "Corleone
28 ('Godfather') style family justice"), 65 (accusing Margaret Cotter of being "grossly negligent"

1 with respect to an unrelated corporate matter), 70 (accusing Adams of consistently engaging in a
2 “search for the next public company victim”), 76 (insinuating that Adams was not forthcoming
3 in his divorce proceedings), 109 (accusing Adams, Kane, and McEachern of “pick[ing] sides in a
4 family dispute”). That this suit is driven by personal animus demonstrates that Plaintiff is an
5 inadequate shareholder representative.

6 Applying Rule 23.1 of the Nevada Rules of Civil Procedure, the district court in
7 *Energytec* dismissed with prejudice a shareholder derivative complaint whose facts closely
8 mirror those recited in Plaintiff’s Complaint. The *Energytec* court found that a former CEO
9 could not serve as a derivative plaintiff because,

10 [a]s the former Chairman, CEO and CFO of Energytec, Cole has a personal
11 economic interest in reversing the events leading to his removal. The shareholders
12 do not share this interest, as they do not stand to regain past employment or
13 company influence . . . Furthermore, Cole’s interest in obtaining the requested
relief far outweighs that of other shareholders. He stands to regain control of
Energytec, to remove his competitors and adversaries, and possibly to avoid
further litigation. The shareholders do not share these interests.

14 *Energytec*, 2008 WL 4131257, at *7. As in *Energytec*, Plaintiff here is driven and motivated by
15 interests not shared by Reading’s shareholders. Plaintiff wants his job back, and has brought
16 individual as well as derivative claims relating to his termination. The existence of these non-
17 derivative claims further weighs in favor of a finding that Plaintiff cannot fairly or adequately
18 represent the interests of Reading’s shareholders. *See Smith v. Ayres*, 977 F.2d 946, 949 (5th Cir.
19 1992) (“[T]he trial court should beware allowing a derivative suit to proceed where the
20 representative could conceivably use the derivative action as ‘leverage’ in other litigation.”)
21 (quotation omitted); *Scopas Tech. Co v. Lord*, No. 7559, 1984 WL 8266 (Del. Ch. Nov. 20,
22 1984) (“Ordinarily, other litigation, in and of itself, may warrant disqualification of a plaintiff
23 from bringing a derivative suit where it appears that the derivative plaintiff instituted the
24 derivative suit only as ‘leverage’ to further his individual claims.”); *Recchion on Behalf of*
25 *Westinghouse Elec. Corp. v. Kirby*, 637 F. Supp. 1309, 1314-15 (W.D. Pa. 1986) (“Courts have
26 recognized that the representative plaintiff might use the derivative action as leverage to obtain a
27 favorable settlement in other actions brought against the corporation. A derivative suit can
28 constitute a particularly effective weapon for purposes of obtaining a favorable settlement in

1 other actions In such circumstances, where there is substantial likelihood that the derivative
2 action will be used as a weapon in the plaintiff shareholder's arsenal, and not as a device for the
3 protection of all shareholders, other courts have properly refused to permit the derivative action
4 to proceed.") (citations and quotation omitted).

5 Based on Plaintiff's personal animus against Moving Defendants, the non-derivative
6 litigation between Plaintiff and Defendants (both the trust and estate litigation and the individual
7 claims in this case), and Plaintiff's strong interest in regaining personal control of Reading,
8 Plaintiff cannot adequately and fairly represent Reading shareholders in this action. The
9 Complaint should therefore be dismissed.

10 D. Plaintiff, in His Individual Capacity, Was Not Owed Any Fiduciary Duty

11 Plaintiff brings this action both in his individual capacity and as a shareholder of
12 Reading. If the Complaint is not dismissed in its entirety, each of the three purported causes of
13 action in the Complaint should be dismissed to the extent they are brought by Plaintiff in his
14 individual capacity. Each of the Complaint's three purported causes of action is based on an
15 alleged breach of fiduciary duty *owed to the corporation*. Reading's Board of Directors did not
16 owe Plaintiff any fiduciary duty in his capacity as an officer or executive of the company.
17 Corporate officers owe a fiduciary duty to the corporation, but are owed no such duty in return.
18 Moving Defendants are not aware of any case in any jurisdiction holding that a board of directors
19 owes a fiduciary duty to an officer of the corporation. Because the Complaint fails to allege any
20 fiduciary duty owed to Plaintiff individually, all claims brought by Plaintiff in his individual
21 capacity must be dismissed.

22 ///

23 ///

V. CONCLUSION

WHEREFORE, based on the foregoing, Moving Defendants respectfully request the Court dismiss the Complaint in its entirety.

Dated this 10th day of August, 2015.

COHEN-JOHNSON, LLC

By /s/ H. Stan Johnson
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Attorneys for Defendants
Margaret Cotter, Ellen Cotter,
Douglas McEachern, Guy Adams,
and Edward Kane

CERTIFICATE OF SERVICE

I hereby certify that on the 10th day of August, 2015, I served a copy of the foregoing
MOTION TO DISMISS upon each of the parties via Odyssey E-Filing System pursuant to
NRCP 5(b)(2)(D) and EDCR 8.05 to:

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EXHIBIT A

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**Form 10-K/A
Amendment No. 1**

(Mark One)

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

For the fiscal year ended December 31, 2014

or

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

For the transaction period from _____ to _____

Commission file number: 1-8625

Reading International, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

95-3885184
(I.R.S. Employer
Identification No.)

6100 Center Drive, Suite 900
Los Angeles, CA
(Address of Principal Executive Offices)

90045
(Zip Code)

(213) 235-2240
(Registrant's Telephone Number, Including Area Code)

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

<u>Title of Each Class</u>	<u>Name Of Each Exchange On Which Registered</u>
Class A Nonvoting Common Stock, \$0.01 Par Value per Share	NASDAQ
Class B Voting Common Stock, \$0.01 Par Value per Share	NASDAQ

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that

the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was \$139,379,701 as of June 30, 2014.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 6, 2015, there were outstanding 21,745,484 shares of class A non-voting common stock, par value \$0.01 per share, and 1,580,590 shares of class B voting common stock, par value \$0.01 per share.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends Reading International, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2014, originally filed with the Securities and Exchange Commission, or SEC, on March 7, 2015 (the “Original Filing”). We are amending and refiling Part III to include information required by Items 10, 11, 12, 13 and 14 because our definitive proxy statement will not be filed within 120 days after December 31, 2014, the end of the fiscal year covered by our Annual Report on Form 10-K.

In addition, pursuant to the rules of the SEC, we have also included as exhibits currently dated certifications required under Section 302 of The Sarbanes-Oxley Act of 2002. Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of The Sarbanes-Oxley Act of 2002. We are amending Part IV to reflect the inclusion of those certifications.

Except as described above, no other changes have been made to the Original Filing. Except as otherwise indicated herein, this Amendment continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events that occurred subsequent to the date of the Original Filing. The filing of this Annual Report on Form 10-K/A is not a representation that any statements contained in items of our Annual Report on Form 10-K other than Part III, Items 10 through 14, and Part IV are true or complete as of any date subsequent to the Original Filing.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and position held by each of our executive officers and directors as of April 30, 2015. Directors are elected for a period of one year and thereafter serve until the next annual meeting at which their successors are duly elected by the stockholders.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Ellen M. Cotter	49	Chair of the Board and Chief Operating Officer – Domestic Cinemas
James J. Cotter, Jr.	45	President, Chief Executive Officer and Director (1)(2)
Margaret Cotter	47	Vice Chair of the Board(1)
Guy W. Adams	64	Director(1)(5)
William D. Gould	76	Director (3)
Edward L. Kane	77	Director (1)(2)(4)(5)
Douglas J. McEachern	63	Director (4)
Tim Storey	57	Director (4)(5)

-
- (1) Member of the Executive Committee.
 - (2) Member of the Tax Oversight Committee.
 - (3) Lead independent director.
 - (4) Member of the Audit and Conflicts Committee.
 - (5) Member of the Compensation and Stock Options Committee.

The following sets forth information regarding our directors and our executive officers:

Ellen M. Cotter. Ellen M. Cotter has been a member of the board since March 7, 2013, and on August 7, 2014 was appointed as Chair of our board. She joined our company in March 1998, is a graduate of Smith College and holds a Juris Doctorate from Georgetown Law School. Prior to joining our Company, Ms. Cotter spent four years in private practice as a corporate attorney with the law firm of White & Case in Manhattan. Ms. Cotter is the sister of James J. Cotter, Jr. and Margaret Cotter.

Ms. Cotter brings to the board her 16 years of experience working in our company's cinema operations, both in the United States and Australia. For the past 13 years, she has served as the senior operating officer of our company's domestic cinema operations. She has also served as the Chief Executive Officer of our subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. Ms. Cotter also is a significant stockholder in our company.

James J. Cotter, Jr. James J. Cotter, Jr. has been a director of our company since March 21, 2002, and was appointed Vice Chair of the Board in 2007. The board appointed Mr. Cotter, Jr. to serve as our President, beginning June 1, 2013. On August 7, 2014, he resigned as Vice Chair and was appointed to succeed his late father, James J. Cotter, Sr., as our Chief Executive Officer. He served as Chief Executive Officer of Cecelia Packing Corporation (a Cotter family-owned citrus grower, packer, and marketer) from July 2004 until 2013. Mr. Cotter, Jr. served as a director to Cecelia Packing Corporation from February 1996 to September 1997 and as a director of Gish Biomedical from September 1999 to March 2002. He was an attorney in the law firm of Winston & Strawn, specializing in corporate law, from September 1997 to May 2004. Mr. Cotter, Jr. is the brother of Margaret Cotter and Ellen M. Cotter.

Mr. Cotter, Jr. brings to the board his experience as a business professional, including as chief Executive Officer of Cecelia Packing Corporation, and corporate attorney, and his operating experience as the Chief Executive Officer of Cecelia. As the Vice Chair of our company, since 2007 he has chaired the weekly

Australia/New Zealand Executive Management Committee and the weekly U.S. Executive Management Committee meetings. In addition, he is a significant stockholder in our company.

Margaret Cotter. Margaret Cotter has been a director of our company since September 27, 2002, and on August 7, 2014 was appointed as Vice Chair of our board. Ms. Cotter is the owner and President of OBI, LLC, a company that provides live theater management services to our live theaters. Pursuant to that management arrangement, Ms. Cotter also serves as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. Ms. Cotter receives no compensation for this position, other than the right to participate in our company's medical insurance program. Ms. Cotter manages the real estate which houses each of the four live theaters under our Theater Management Agreement with Ms. Cotter's company, OBI LLC. Ms. Cotter secures leases, manages tenancies, oversees maintenance and regulatory compliance of these properties as well as heads the day to day pre-development process and transition of our properties from theater operations to major realty developments. Ms. Cotter was first commissioned to handle these properties by Sutton Hill Associates, which subsequently sold the business to our company along with other real estate and theaters in 2000. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and a board member of the League of Off-Broadway Theaters and Producers. Ms. Cotter, a former Assistant District Attorney for King's County in Brooklyn, New York, graduated from Georgetown University and Georgetown University Law Center. She is the sister of James J. Cotter, Jr. and Ellen M. Cotter.

Ms. Cotter brings to the board her experience as a live theater producer, theater operator and an active member of the New York theatre community, which gives her insight into live theater business trends that affect our business in this sector. Operating and overseeing our theater these properties for over 16 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, she is a significant stockholder in our company.

Guy W. Adams. Guy W. Adams has been a director of the Company since January 14, 2014. He is a Managing Member of GWA Capital Partners, LLC, a registered investment adviser managing GWA Investments, LLC. The fund invests in various publicly traded securities. Over the past eleven years, Mr. Adams has served as an independent director on the boards of directors of Lone Star Steakhouse & Saloon, Mercer International, Exar Corporation and Vitesse Semiconductor having served in various capacities as lead director, Audit Committee Chair and/or Compensation Committee Chair. Prior to this time, Mr. Adams provided investment advice to various family offices and invested his own capital in public and private equity transactions. Mr. Adams received his Bachelor of Science degree in Petroleum Engineering from Louisiana State University and his Masters of Business Administration from Harvard Graduate School of Business Administration.

Mr. Adams brings many years of experience serving as an independent director on public company boards, and in investing and providing financial advice with respect to investments in public companies.

William D. Gould. William D. Gould has been a director of our company since October 15, 2004 and has been a member of the law firm of TroyGould PC since 1986. Previously, he was a partner of the law firm of O'Melveny & Myers. We have from time to time retained TroyGould PC for legal advice. As an author and lecturer on the subjects of corporate governance and mergers and acquisitions, Mr. Gould brings to the board specialized experience as a corporate attorney. Mr. Gould's corporate transactional experience and expertise in corporate governance matters ensures that we have a highly qualified advisor on our board to provide oversight in such matters.

Edward L. Kane. Edward L. Kane has been a director of our company since October 15, 2004. Mr. Kane was also a director of our company from 1985 to 1998, and served as President from 1987 to 1988. Mr. Kane currently serves as the Chair of our Tax Oversight Committee and of our Compensation and Stock Option Committee (which we refer to as our Compensation Committee). He also serves as a member of our Executive Committee and our Audit and Conflicts Committee. Since 1996, Mr. Kane's principal occupation has been healthcare consultant and advisor. In that capacity, he has served as President and sole shareholder of High Avenue Consulting, a healthcare consulting firm, and as the head of its successor proprietorship. At various times during the past three decades, he has been Adjunct Professor of Law at two of San Diego's Law

Schools, most recently in 2008 and 2009 at Thomas Jefferson School of Law, and prior thereto at California Western School of Law.

Mr. Kane brings to the board his many years as a tax attorney and law professor, which experience well-serves our company in addressing tax matters. Mr. Kane also brings his experience as a past President of Craig Corporation and of Reading Company, two of our corporate predecessors, as well as a former member of the boards of directors of several publicly held corporations.

Douglas J. McEachern. Douglas J. McEachern has been a director of our company since May 17, 2012 and Chair of our Audit and Conflicts Committee since August 1, 2012. He has served as a member of the board and of the Audit and Compensation Committee for Willdan Group, a NASDAQ listed engineering company, since 2009. Mr. McEachern is also the Chair of the board of Community Bank in Pasadena, California and a member of its Audit Committee. He also is a member of the Finance Committee of the Methodist Hospital of Arcadia. Since September 2009, Mr. McEachern has also served as an instructor of auditing and accountancy at Claremont McKenna College. Mr. McEachern was an audit partner from July 1985 to May 2009 with the audit firm, Deloitte and Touche, LLP, with client concentrations in financial institutions and real estate. Mr. McEachern was also a Professional Accounting Fellow with the Federal Home Loan Bank board in Washington DC, from June 1983 to July 1985. From June 1976 to June 1983, Mr. McEachern was a staff member and subsequently a manager with the audit firm, Touche Ross & Co. (predecessor to Deloitte & Touche, LLP). Mr. McEachern received a B.S. in Business Administration in 1974 from the University of California, Berkeley, and an M.B.A. in 1976 from the University of Southern California.

Mr. McEachern brings to the board his more than 37 years' experience meeting the accounting and auditing needs of financial institutions and real estate clients, including our company. Mr. McEachern also brings his experience reporting as an independent auditor to the boards of directors of a variety of public reporting companies and as a board member himself for various companies and not-for-profit organizations.

Tim Storey. Tim Storey has been a director of our company since December 28, 2011. Mr. Storey has served as the sole outside director of our company's wholly-owned New Zealand subsidiary since 2006. He has served since April 1, 2009 as a director of DNZ Property Fund Limited, a commercial property investment fund based in New Zealand and listed on the New Zealand Stock Exchange, and was appointed Chair of the board of that company on July 1, 2009. Since July 28, 2014, Mr. Storey has served as a director of JustKapital Litigation Partners Limited, an Australian Stock Exchange-listed company engaged in litigation financing. From 2011 to 2012, Mr. Storey was a director of NZ Farming Systems Uruguay, a New Zealand-listed company. NZ Farming Systems Uruguay owns and operates dairy farms in Uruguay. Prior to being elected Chair of DNZ Property Fund Limited, Mr. Storey was a partner in Bell Gully (one of the largest law firms in New Zealand). Mr. Storey is also a principal in Prolex Advisory, a private company in the business of providing commercial advisory services to a variety of clients and related entities.

Mr. Storey brings to the board many years of experience in New Zealand corporate law and commercial real estate matters. He serves as a director of our New Zealand subsidiary.

Andrzej Matczynski. Andrzej Matczynski has served as our Chief Financial Officer since November 1999. Mr. Matczynski resigned as our Chief Financial Officer effective May 11, 2015, but will continue as an employee until April 15, 2016 in order to assist in the transition of our new Chief Financial Officer, Mr. Ghose, whose information is set forth below.

Robert F. Smerling. Robert F. Smerling has served as President of our domestic cinema operations since 1994. Mr. Smerling has been in the cinema industry for 57 years and, immediately before joining our company, served as the President of Loews Theatres Management Corporation.

William D. Ellis. William D. Ellis was appointed our General Counsel and Secretary in October 2014. Mr. Ellis has more than 30 years of hands-on legal experience as a real estate lawyer. Before joining our company, he was a partner in the real estate group at Sidley Austin LLP for 16 years. Before that, he worked at the law firm of Morgan Lewis & Bockius LLP. Mr. Ellis began his career as a corporate and securities lawyer

(handling corporate acquisitions, IPO's, mergers, etc.) and then moved on to real estate specialization (handling leasing, acquisitions, dispositions, financing, development and land use and entitlement across the United States). He had a substantial real estate practice in New York and Hawaii, which experience will help us with our real estate and cinema developments there. Mr. Ellis graduated Phi Beta Kappa from Occidental College with a B.A. degree in Political Science. He received his J.D. degree in 1982 from the University of Michigan Law School.

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

Devasis ("Dev") Ghose. On April 20, 2015, we agreed to retain Devasis Dev Ghose to be our new Chief Financial Officer and Treasurer, effective May 11, 2015. Mr. Ghose served as Executive Vice President and Chief Financial Officer and in a number of senior finance roles for 25 years with three NYSE-listed companies: Shurgard Storage Centers, Inc. (an international company focused on the acquisition, development and operation of self-storage centers in the US and Europe; now part of Public Storage), Skilled Healthcare Group (a health services company, now part of Genesis HealthCare), and HCP, Inc., (which invests primarily in real estate serving the healthcare industry), and as Managing Director-International for Green Street Advisors (an independent research and trading firm concentrating on publicly traded real estate corporate securities in the US & Europe). Earlier, Mr. Ghose worked for 10 years for PricewaterhouseCoopers in the US & KPMG in the UK. He qualified as a Certified Public Accountant in the U.S. and a Chartered Accountant in the U.K., and holds an Honors Degree in Physics from the University of Delhi, India and an Executive M.B.A. from the University of California, Los Angeles.

Relationships

Ellen M. Cotter, Margaret Cotter and James J. Cotter, Jr. are directors and officers of our company and of various of its subsidiaries, affiliates or consultants. According to their respective Schedules 13D filed with the SEC, all three consider their beneficial stock holdings in our company to be long-term family assets, and they intend to continue our company in the direction established by their father.

Committees of the Board of Directors

Our board has a standing Executive Committee, Audit and Conflicts Committee, Compensation and Stock Options Committee, and Tax Oversight Committee. These committees are discussed in greater detail below.

The Cotter family members who serve as directors and officers of our company collectively own beneficially shares of our Class B Stock representing more than 70% of the voting power for the election of directors of our company. Therefore, our board has determined that our company is a "Controlled Company" under section 5615(c)(1) of the listing rules of The NASDAQ Capital Stock Market (the "NASDAQ Rules"). After reviewing the benefits and detriments of taking advantage of the exceptions to the corporate governance rules set forth in section 5605 of the NASDAQ Rules, our board has unanimously determined to take advantage of all of the exceptions from the NASDAQ Rules afforded to our company as a Controlled Company.

A Controlled Company is not required to have an independent nominating committee or independent nominating process. It was noted by our directors that the use of an independent nominating committee or independent nominating process would be of limited utility, since any nominee would need to be acceptable to James J. Cotter, Sr., our former controlling stockholder, in order to be elected. The Cotter family, as the holders of a majority of the voting power of our company, are able under Nevada corporations law and our charter documents to elect candidates to our board and to remove a director from the board without the vote of

our other stockholders. Historically, Mr. Cotter, Sr. identified and recommended all nominees to our board in consultation with our other incumbent directors.

Our directors have not adopted any formal criteria with respect to the qualifications required to be a director or the particular skills that should be represented on our board, other than the need to have at least one director and member of our Audit and Conflicts Committee who qualifies as an “audit committee financial expert,” and have not historically retained any third party to identify or evaluate or to assist in identifying or evaluating potential nominees. We have no policy of considering diversity in identifying director nominees.

James J. Cotter, Sr. served as our Chair and Chief Executive Officer until August 7, 2014, when he stepped down for health reasons. Mr. Cotter, Sr. subsequently passed away on September 13, 2014. In connection with his passing, our board determined to appoint Ellen M. Cotter as Chair of the Board with a view to rotating the office of Chair annually among the Cotter family members. The board also has designated William D. Gould to serve as our lead independent director. In that capacity, Mr. Gould chairs meetings of the independent directors and acts as liaison between our Chair and our Chief Executive Officer and our independent directors.

Our board oversees risk by remaining well-informed through regular meetings with management and the personal involvement of our Chief Executive Officer in our day-to-day business, including any matters requiring specific risk management oversight. Our Chief Executive Officer chairs regular senior management meetings addressing domestic and overseas issues. The risk oversight function of our board is enhanced by the fact that our Audit and Conflict Committee is comprised entirely of independent directors.

Executive Committee

A standing Executive Committee, currently comprised of Mr. Cotter, Jr., who serves as Chair, Ms. Margaret Cotter and Messrs. Adams and Kane, is authorized, to the fullest extent permitted by Nevada law, to take action on matters between meetings of the full board. Mr. Cotter, Sr. also served on the Executive Committee until May 15, 2014.

In 2014, the Executive Committee did not take any action with respect to any company matter. With the exception of matters delegated to the Audit and Conflicts Committee or the Compensation and Stock Options Committee, all matters requiring board approval during 2014 were considered by the entire board.

Audit and Conflicts Committee

Our board maintains a standing Audit and Conflicts Committee, which we refer to as the “Audit Committee.” The Audit Committee operates under a Charter adopted by our board that is available on our website at www.readingrdi.com. Our board has determined that the Audit Committee is comprised entirely of independent directors (as defined in section 5605(a)(2) of the NASDAQ Rules), and that Mr. McEachern, the Chair of our Audit Committee, is qualified as an Audit Committee Financial Expert. During 2014, our Audit and Conflicts Committee was comprised of Mr. McEachern, who served as Chair, and Messrs. Kane and Storey.

Compensation and Stock Options Committee

Our board has a standing Compensation and Stock Options Committee, which we refer to as the “Compensation Committee,” comprised entirely of independent directors. The current members of Compensation Committee are Mr. Kane, who serves as Chair, and Messrs. Adams and Storey. Mr. Adams replaced our former director, Alfred Villaseñor, on the Compensation Committee following his election to our board in June 2014.

The Compensation Committee evaluates and makes recommendations to the full board regarding the compensation of our Chief Executive Officer and other Cotter family members and performs other compensation related functions as delegated by our board.

Tax Oversight Committee

Given our operations in the United States, Australia, and New Zealand and our historic net operating loss carry forwards, our board formed a Tax Oversight Committee to review with management and to keep the board informed about our company's tax planning and such tax issues as may arise from time to time. This committee is comprised of Mr. Kane, who serves as Chair, and Mr. Cotter, Jr.

Code of Ethics

We have adopted a Code of Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller and Company employees. The Code of Ethics is available on our website at www.readingrdi.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission (the "SEC") and to provide us with copies of those filings. Based solely on our review of the copies received by us and on the written representations of certain reporting persons, we believe that the following Forms 3 and 4 for transaction that occurred in 2014 were filed later than is required under Section 16(a) of the Securities Exchange Act of 1934:

- James J. Cotter, Sr. failed to timely file 16 Forms 4 with respect to 70 transactions in our common stock;
- James J. Cotter, Jr. failed to timely file one Form 4 with respect to one transaction in our common stock;
- Ellen M. Cotter failed to timely file one Form 4 with respect to one transaction in our common stock;
- Margaret Cotter failed to timely file one Form 4 with respect to one transaction in our common stock;
- Mr. Storey failed to timely file one Form 4 with respect to one transaction in our common stock.

All of the transactions involved were between the individual involved and our company or related to certain inter-family or estate planning transfers, and did not involve transactions with the public. Insofar as we are aware, all required filings have now been made.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Role and Authority of the Compensation Committee

Our board has established a standing Compensation Committee consisting of two or more of our non-employee directors. As a Controlled Company, we are exempt from the NASDAQ Rules regarding the determination of executive compensation. The Compensation Committee has no formal charter, and acts pursuant to the authority delegated to the Compensation Committee from time to time by our board.

The Compensation Committee recommends to the full board the compensation of our Chief Executive Officer and of the other Cotter family members who serve as officers of our company. Our board with the Cotter family directors abstaining, typically has accepted without modification the compensation recommendations of the Compensation Committee, but reserves the right to modify the recommendations or

take other compensation actions of its own. Prior to his resignation as our Chair and Chief Executive Officer on August 7, 2014, during 2014, as in prior years, James J. Cotter, Sr. was delegated by our board responsibility for determining the compensation of our executive officers other than himself and his family members. The board exercised oversight of Mr. Cotter, Sr.'s executive compensation decisions as a part of his performance as our former Chief Executive Officer.

On August 7, 2014, James J. Cotter, Jr. was appointed to succeed Mr. Cotter, Sr. as our Chief Executive Officer. Mr. Cotter, Sr. subsequently passed away on September 13, 2014. No discretionary annual bonuses have yet been awarded to our executive officers, including the Cotter family executives for 2014.

Throughout this section, the individuals named in the Summary Compensation Table, below, are referred to as the "named executive officers."

CEO Compensation

The Compensation Committee recommends to our board the annual compensation of our Chief Executive Officer, based primarily upon the Compensation Committee's annual review of peer group practices and the advice of an independent third-party compensation consultant. The Compensation Committee has established three components of our Chief Executive Officer's compensation -- a base cash salary, a discretionary annual cash bonus, and a fixed stock grant. The objective of each element is to reasonably reward our Chief Executive Officer for his performance and leadership.

In 2007, our board approved a supplemental executive retirement plan ("SERP") pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental retirement benefits as a reward for his more than 25 years of service to our company and its predecessors. Neither Mr. James J. Cotter, Jr., Mr. Cotter, Sr.'s successor as our Chief Executive Officer, nor any of our other current or former officers or employees, is eligible to participate in the SERP, which is described in greater detail below under the caption "Supplemental Executive Retirement Plan." Because this plan was adopted as a reward to Mr. Cotter, Sr. for his past services and the amounts to be paid under that plan are determined by an agreed-upon formula, the Compensation Committee did not take into account the benefits under that plan in determining Mr. Cotter, Sr.'s annual compensation for 2014 or previous years. The amounts reflected in the Executive Compensation Table under the heading "Change in Pension Value and Nonqualified Deferred Compensation Earnings" reflect any increase in the present value of the SERP benefit based upon the actuarial impact of the payment of Mr. Cotter, Sr.'s cash compensation and changes in interest rates. Since the SERP is unfunded, this amount does not reflect any actual payment by our Company into the plan or the value of any assets in the plan (of which there are none). The benefits to Mr. Cotter, Sr. under the SERP were tied to the cash portion only of his compensation, and not to compensation in the form of stock options or stock grants.

2014 CEO Compensation

The Compensation Committee originally engaged Towers Watson, executive compensation consultants, in 2012 to analyze our Chief Executive Officer's total direct compensation compared to a peer group of companies. In preparing the analysis, Towers Watson, in consultation with our management, including James J. Cotter, Sr., identified a peer group of companies in the real estate and cinema exhibition industries, our two business segments, based on market value, industry, and business description.

For purposes of establishing our Chief Executive Officer's 2014 compensation, the Compensation Committee engaged Towers Watson to update its analysis of Mr. Cotter, Sr.'s compensation as compared to his peers, which updated report was received on February 26, 2014. The company paid Towers Watson \$11,461 for the updated report.

The Towers Watson analysis focused on the competitiveness of Mr. Cotter, Sr.'s annual base salary, total cash compensation and total direct compensation (i.e., total cash compensation plus expected value of long-term compensation) relative to a peer group of United States and Australian companies and published compensation survey data, and to our company's compensation philosophy, which was to target Mr. Cotter, Sr.'s total direct compensation to the 66th percentile of the peer group.

The peer group consisted of the following 18 companies:

Acadia Realty Trust	Inland Real Estate Corp.
Amalgamated Holdings Ltd.	Kite Realty Group Trust
Associated Estates Realty Corp.	LTC Properties Inc.
Carmike Cinemas Inc.	Ramco-Gershenson Properties Trust
Cedar Shopping Centers Inc.	Regal Entertainment Group
Cinemark Holdings Inc.	The Marcus Corporation
Entertainment Properties Trust	Urstadt Biddle Properties Inc.
Glimcher Realty Trust	Village Roadshow Ltd.
IMAX Corporation	

Towers Watson predicted 2014 pay levels by using regression analysis to adjust compensation data based on estimated annual revenues of \$260 million (i.e., our company's approximate annual revenues) for all companies, excluding financial services companies. Towers Watson did not evaluate Mr. Cotter, Sr.'s SERP, because the SERP is fully vested and accrues no additional benefits, except as Mr. Cotter, Sr.'s annual cash compensation may change.

The Towers Watson analysis indicated that the peer group data, with the exception of annual base salary, was above Mr. Cotter, Sr.'s pay levels in 2013. The peer group is partially comprised of companies that are larger than our company, and the 66th percentile level tends to reflect the larger peers. However, Towers Watson analysis also indicated that the size of the peers does not materially affect the pay levels at the peer companies. The published survey data of companies of comparable size reviewed by Towers Watson was below our Chief Executive Officer pay levels.

Towers Watson averaged the data from the peer group and the published survey data to compile "blended" market data. As compared to the blended market data, Mr. Cotter, Sr.'s 2013 cash compensation and total direct compensation, which includes the expected value of long-term incentive compensation, was in line with the 66th percentile.

Because our company is comparable to the smaller companies in the peer group, Towers Watson reviewed whether the size of the proxy peer group of companies had a meaningful impact on reported CEO pay levels, and concluded that there is a weak correlation between company size and CEO compensation. It concluded, therefore, that it was not necessary to separately adjust the peer group data based on the size of our company.

The Compensation Committee met on February 27, 2014 to consider the Towers Watson analysis. At the meeting, the Compensation Committee determined to recommend to our board the following compensation for Mr. Cotter, Sr. for 2014 and on March 13, 2014, our board accepted the Compensation Committee's recommendation without modification:

Salary: \$750,000

The Compensation Committee recommended maintaining Mr. Cotter, Sr.'s 2014 annual base salary at its 2013 level of \$750,000, which approximates the 75th percentile of the peer group.

Discretionary Cash Bonus: Up to \$750,000.

In 2013, the Compensation Committee recommended and our board approved a total cash bonus to Mr. Cotter, Sr. of \$1,000,000, as compared to the target bonus of \$500,000. This resulted in total 2013 compensation to Mr. Cotter, Sr. above the 75th percentile of the peer group and total direct compensation near the 66th percentile. At its meeting on February 27, 2014, the Compensation Committee determined to increase the upper range of Mr. Cotter, Sr.'s discretionary cash bonus for 2014 to \$750,000 from the 2013 target level of \$500,000. The bonus was subject to Mr. Cotter, Sr. being employed by our Company at year-end, unless

his employment were to terminate earlier due to his death or disability. No other benchmarks, formulas or quantitative or qualitative measurements were specified for use in determining the amount of cash bonus to be awarded within this range. As in 2013, the Compensation Committee also reserved the right to increase the upper range of discretionary cash bonus amount based upon exceptional results of our company or Mr. Cotter, Sr.'s exceptional performance, as determined in the Compensation Committee's discretion.

At its meeting on August 14, 2014, the Compensation Committee determined that Mr. Cotter, Sr.'s successful completion of our sale of the Burwood property in Australia and other accomplishments in 2014 justified the award to Mr. Cotter, Sr. of the full \$750,000 cash bonus, plus an additional cash bonus of \$300,000. The Compensation Committee's determination to award the extraordinary cash bonus was based in part on the advice of Towers Watson.

Stock Bonus: \$1,200,000 (160,643 shares of Class A Stock).

At its meeting on February 27, 2014, the Compensation Committee determined that, so long as Mr. Cotter, Sr.'s employment with the Company is not terminated prior to December 31, 2014 other than as a result of his death or disability, he was to receive 160,643 shares of our Company's Class A Stock; the number of shares of Class A nonvoting common stock equal to \$1,200,000 divided by the closing price of the stock on February 27, 2014, the date the Committee approved the stock bonus. This compares to a similar stock bonus to Mr. Cotter, Sr. of \$750,000 in 2013.

The stock bonus was paid to the Estate of Mr. Cotter, Sr. in February 2015.

Following his appointment on August 7, 2014 as our Chief Executive Officer, James J. Cotter, Jr. continued to receive the same base salary of \$335,000 that he had previously been receiving in his capacity as our President.

Mr. Cotter, Jr. has not yet been awarded a discretionary cash bonus for 2014.

Total Direct Compensation

We and our Compensation Committee have no policy regarding the amount of salary and cash bonus paid to our Chief Executive Officer or other named executive officers in proportion to their total direct compensation.

Compensation of Other Named Executive Officers

The compensation of Mr. James J. Cotter, Jr. and Ms. Ellen M. Cotter as executive officers of our company is determined by the Compensation Committee based on the same compensation philosophy used to determine Mr. Cotter, Sr.'s 2014 compensation. The Cotter family members' respective compensation consists of a base cash salary, discretionary cash bonus and periodic discretionary grants of stock options.

Mr. Cotter, Sr. set the 2014 base salaries of our executive officers other than himself and members of his family. Mr. Cotter, Sr.'s decisions were not subject to approval by the Compensation Committee or our board, but our Compensation Committee and our board considered Mr. Cotter, Sr.'s decisions with respect to executive compensation in evaluating his performance as our Chief Executive Officer. Mr. Cotter, Sr. informed us that he did not use any formula, benchmark or other quantitative measure to establish or award any component of executive compensation, nor did he consult with compensation consultants on the matter. Mr. Cotter, Sr. also advised us that he considered the following guidelines in setting the type and amount of executive compensation:

1. Executive compensation should primarily be used to:
 - attract and retain talented executives;
 - reward executives appropriately for their individual efforts and job performance; and

- afford executives appropriate incentives to achieve the short-term and long-term business objectives established by management and our board.
2. In support of the foregoing, the total compensation paid to our named executive officers should be:
- fair both to our company and to the named executive officers;
 - reasonable in nature and amount; and
 - competitive with market compensation rates.

Personal and company performances were just two factors considered by Mr. Cotter, Sr. in establishing base salaries. We have no pre-established policy or target for allocating total executive compensation between base and discretionary or incentive compensation, or between cash and stock-based incentive compensation. Historically, including in 2014, a majority of total compensation to our named executive officers has been in the form of annual base salaries and discretionary cash bonuses, although stock bonuses have been granted from time to time under special circumstances. No stock bonuses were awarded in 2014 to our named executive officers other than Mr. Cotter, Sr.

These elements of our executive compensation are discussed further below.

Salary: Annual base salary is intended to compensate named executive officers for services rendered during the fiscal year in the ordinary course of performing their job responsibilities. Factors considered by Mr. Cotter, Sr. in setting the base salaries may have included (i) the negotiated terms of each executive's employment agreement or the original terms of employment, (ii) the individual's position and level of responsibility with our Company, (iii) periodic review of the executive's compensation, both individually and relative to our other named executive officers, and (iv) a subjective evaluation of individual job performance of the executive.

Cash Bonus: Historically, we have awarded annual cash bonuses to supplement the base salaries of our named executive officers, and our board of directors has delegated to our Chief Executive Officer the authority to determine in his discretion the annual cash bonuses, if any, to be paid to our executive officers other than the Cotter family executives. Any discretionary annual bonuses to the Cotter family executive have historically been determined by our board based upon the recommendation of our Compensation Committee.

In light of Mr. Cotter, Sr.'s death in September 2014, cash bonuses for 2014 have not yet been determined by Mr. Cotter, Jr. or, in the case of the Cotter family members, recommended by the Compensation Committee or approved by our board. Factors to be considered in determining or recommending any such cash bonuses include (i) the level of the executive's responsibilities, (ii) the efficiency and effectiveness with which he or she oversees the matters under his or her supervision, and (iii) the degree to which the officer has contributed to the accomplishment of major tasks that advance the company's goals.

Stock Bonus: Equity incentive bonuses may be awarded to align our executives' long-term compensation to appreciation in stockholder value over time and, so long as such grants are within the parameters set by our 2010 Stock Incentive Plan, historically were entirely discretionary on the part of Mr. Cotter, Sr. Other stock grants are subject to board approval. Equity awards may include stock options, restricted stock, bonus stock, or stock appreciation rights. Apart from the stock award to Mr. Cotter, Sr., no stock bonuses were awarded to our executive officers in 2014.

If awarded, it is generally our policy to value stock options and restricted stock at the closing price of our common stock as reported on the NASDAQ Capital Market on the date the award is approved or on the date of hire, if the stock is granted as a recruitment incentive. When stock is granted as bonus compensation for a particular transaction, the award may be based on the market price on a date calculated from the closing date of the relevant transaction. Awards may also be subject to vesting and limitations on voting or other rights.

Andrzej Matyczynski, our Chief Financial Officer, has a written employment agreement with our company that provides for a specified annual base salary and other compensation. Mr. Matyczynski resigned as our Chief Financial Officer effective September 1, 2014, but he and our company agreed to postpone the effective date of his resignation. Upon termination of Mr. Matyczynski's employment, he will become entitled under his employment agreement to a lump-sum severance payment of six months' base salary and to the payment of his vested benefit in accordance with the terms of the deferred compensation plan discussed below in this section.

Other than Mr. Cotter, Sr.'s and Mr. Cotter, Jr.'s role as Chief Executive Officer in setting compensation, none of our executive officers play a role in determining the compensation of our named executive officers.

2014 Base Salaries and Target Bonuses

We have historically established base salaries and target discretionary cash bonuses for our named executive officers through negotiations with the individual named executive officer, generally at the time the named executive officer commenced employment with us, with the intent of providing annual cash compensation at a level sufficient to attract and retain talented and experienced individuals. Our Compensation Committee recommended and our board approved the following base salaries for Mr. Cotter, Jr. and Ellen M. Cotter for 2014:

Name	2013 Base Salary (\$)	2014 Base Salary (\$)
James J. Cotter, Jr.	195,417	335,000
Ellen M. Cotter	335,000	335,000

The base salaries of our other named executive officers were established by Mr. Cotter, Sr. as shown in the following table:

Name	2013 Base Salary (\$)	2014 Base Salary (\$)
Andrzej Matyczynski	309,000	309,000
Robert F. Smerling	350,000	350,000
Wayne Smith	339,000	324,295

All named executive officers are eligible to receive a discretionary annual cash bonus. Cash bonuses are typically prorated to reflect a partial year of service. Our board reserves discretion to adjust bonuses for the Cotter family members based on its own evaluations of the recommendations of our Compensation Committee as it did in both 2013 and 2014 in Mr. Cotter, Sr.'s case.

We offer stock options and stock awards to our employees, including named executive officers, as the long-term incentive component of our compensation program. We sometimes grant equity awards to new hires upon their commencing employment with us and from time to time thereafter. Our stock options allow employees to purchase shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant and may or may not be intended to qualify as "incentive stock options" for U.S. federal income tax purposes. Generally, the stock options we grant to our employees vest over four years in equal installments upon the annual anniversaries of the date of grant, subject to their continued employment with us on each vesting date.

Other Elements of Compensation

Retirement Plans

We maintain a 401(k) retirement savings plan that allows eligible employees to defer a portion of their compensation, within limits prescribed by the Internal Revenue Code, on a pre-tax basis through contributions to the plan. Our named executive officers other than Mr. Smith, who is a non-resident of the U.S., are eligible to participate in the 401(k) plan on the same terms as other full-time employees generally. Currently, we match contributions made by participants in the 401(k) plan up to a specified percentage, and these matching contributions are fully vested as of the date on which the contribution is made. We believe that providing a vehicle for tax-deferred retirement savings through our 401(k) plan, and making fully vested matching contributions, adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies.

Supplemental Executive Retirement Plan

In March 2007, our board approved the SERP pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental retirement benefits. Under the SERP, following his separation from our company, Mr. Cotter, Sr. was to be entitled to receive from our company for the remainder of his life or 180 months, whichever is longer, a monthly payment of 40% of his average monthly base salary and cash bonuses over the highest consecutive 36-month period of earnings prior to Mr. Cotter, Sr.'s separation from service with us. The benefits under the SERP are fully vested. In October 2014, following Mr. Cotter, Sr.'s death, we began accruing monthly supplemental retirement benefits of \$57,000 in accordance with the SERP, but have not yet paid any such benefits to Mr. Cotter, Sr.'s designated beneficiaries.

The SERP is unfunded and, as such, the SERP benefits are unsecured, general obligations of our company. We may choose in the future to establish one or more grantor trusts from which to pay the SERP benefits. The SERP is administered by the Compensation Committee.

Other Retirement Plans

During 2012, Mr. Matyczynski was granted an unfunded, nonqualified deferred compensation plan ("DCP") that was partially vested and was to vest further so long as he remained in our continuous employ. If Mr. Matyczynski were to be terminated for cause, then the total vested amount would be reduced to zero. The incremental amount vested each year was made subject to review and approval by our board. Mr. Matyczynski's DCP vested as follows:

December 31	Total Vested Amount at the End of Each Vesting Year
2013	\$300,000
2014	\$450,000

Mr. Matyczynski resigned his employment with the company effective September 1, 2014, but he and our company agreed to postpone the effective date of his resignation until May 11, 2015. Upon the termination of Mr. Matyczynski's employment, he would become entitled under the DCP agreement to payment of the vested benefits under his DCP in annual installments following the later of (a) 30 days following Mr. Matyczynski's 65th birthday or (b) six months after his separation from service, unless his employment were to be terminated for cause.

We currently maintain no other retirement plan for our named executive officers.

Key Person Insurance

Our company maintains life insurance on certain individuals who we believe to be key to our management. These individuals include James J. Cotter, Jr., Ellen M. Cotter, Margaret Cotter and Messrs. Matyczynski, Smerling and Smith. If such individual ceases to be an employee, director or independent contractor of our company, as the case may be, she or he is permitted, by assuming responsibility for all future premium payments, to replace our company as the beneficiary under such policy. These policies allow each such individual to purchase up to an equal amount of insurance for such individual's own benefit. In the case of our employees, the premium for both the insurance as to which our company is the beneficiary and the insurance as to which our employee is the beneficiary, is paid by our company. In the case of named executive officers, the premium paid by our company for the benefit of such individual is reflected in the Compensation Table in the column captioned "All Other Compensation."

Employee Benefits and Perquisites

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as all full-time employees generally. We do not generally provide our named executive officers with perquisites or other personal benefits, although in the past we provided Mr. Cotter, Sr. the personal use of our West Hollywood, California, condominium, which was used as an executive meeting place and office and sold in February 2015, a company-owned automobile and a health club membership. Historically, all of our other named executive officers also have received an automobile allowance. From time to time, we may provide other perquisites to one or more of our other named executive officers.

Tax Gross-Ups

As a general rule, we do not make gross-up payments to cover our named executive officers' personal income taxes that may pertain to any of the compensation paid or provided by our company. In 2014, however, we reimbursed Ms. Ellen M. Cotter \$50,000 for income taxes she incurred as a result of her exercise of stock options that were deemed to be nonqualified stock options for income tax purposes, but which were intended by the Compensation Committee and her to be so-called incentive stock options, or "ISOs", when originally granted. Our Compensation Committee believe it was appropriate to reimburse Ms. Cotter because it was our company's intention at the time of the issuance to give her the tax deferral feature applicable to ISOs. Due to the application of complex attribution rules, even though she was an executive officer of our company and not a director, she did not in fact qualify for such tax deferral. Accordingly, upon exercise, she received less compensation than the Compensation Committee had intended.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Subject to an exception for "performance-based compensation," Section 162(m) of the Internal Revenue Code generally prohibits publicly held corporations from deducting for federal income tax purposes annual compensation paid to any senior executive officer to the extent that such annual compensation exceeds \$1.0 million. The Compensation Committee and our board consider the limits on deductibility under Section 162(m) in establishing executive compensation, but retain the discretion to authorize the payment of compensation that exceeds the limit on deductibility under this Section as in the case of Mr. Cotter, Sr.

Nonqualified Deferred Compensation

We believe we are operating, where applicable, in compliance with the tax rules applicable to nonqualified deferred compensation arrangements.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, we began accounting for stock-based payments in accordance with the requirements of Statement of Accounting Standards No. 123(R). Our decision to award restricted stock to

Mr. Cotter, Sr. and other named executive officers from time to time was based in part upon the change in accounting treatment for stock options. Accounting treatment otherwise has had no significant effect on our compensation decisions.

Say on Pay

At our Annual Meeting of Stockholders held on May 15, 2014, we held an advisory vote on executive compensation. Our stockholders voted in favor of our company's executive compensation. The Compensation Committee reviewed the results of the advisory vote on executive compensation in 2014 and did not make any changes to our compensation based on the results of the vote.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the "Compensation Discussion and Analysis" required by Item 401(b) of Regulation S-K and, based on such review and discussions, has recommended to our board that the foregoing "Compensation Discussion and Analysis" be included in this Form 10-K/A.

Respectfully submitted,

Edward L. Kane, Chair
Guy W. Adams
Tim Storey

Compensation Committee Interlocks and Insider Participation

There are no "interlocks," as defined by the SEC, with respect to any member of the Compensation Committee during 2014.

Executive Compensation

This section discusses the material components of the compensation program for our executive officers named in the 2014 Summary Compensation Table below. In 2014, our named executive officers and their positions were as follows:

- James J. Cotter, Sr., former Chair of the Board and former Chief Executive Officer.
- James J. Cotter, Jr., Chief Executive Officer and President.
- Andrzej Matyczynski, Chief Financial Officer and Treasurer.
- Robert F. Smerling, President – Domestic Cinema Operations.
- Ellen M. Cotter, Chair of the Board, Chief Operating Officer – Domestic Cinemas and Chief Executive Officer of Consolidated Cinemas, LLC.
- Wayne Smith, Managing Director – Australia and New Zealand.

Summary Compensation Table

The following table shows the compensation paid or accrued during the last three fiscal years ended December 31, 2014 to (i) Mr. James J. Cotter, Sr., who served as our principal executive officer until August 7, 2014, (ii) Mr. James J. Cotter, Jr., who served as our principal executive officer from August 7, 2014 through

December 31, 2014, (iii) Mr. Andrzej Matyczynski, our financial officer, and (iv) the other three persons who served as executive officers in 2014. The following executives are herein referred to as our “named executive officers.”

Summary Compensation Table

						Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	Year	Salary (\$)	Bonus (\$)	Stock Awards \$(1)	Option Awards \$(1)	(\$)	(\$)	(\$)
James J. Cotter, Sr.(2) Chair of the Board and Chief Executive Officer	2014	452,000	1,050,000	1,200,000	--	197,000 (3)	20,000 (4)	2,919,000
	2013	750,000	1,000,000	750,000	--	1,455,000 (3)	25,000 (4)	3,980,000
	2012	700,000	500,000	950,000	--	2,433,000 (3)	24,000 (4)	4,607,000
James J. Cotter, Jr.(5) President and Chief Executive Officer	2014	335,000	--	--	--	--	27,000 (7)	362,000
	2013	195,000	--	--	--	--	20,000 (7)	215,000
	2012	--	--	--	--	--	0	0
Andrzej Matyczynski Chief Financial Officer and Treasurer	2014	309,000	--	--	33,000	150,000 (6)	26,000 (7)	518,000
	2013	309,000	35,000	--	33,000	50,000 (6)	26,000 (7)	453,000
	2012	309,000	--	--	11,000	250,000 (6)	25,000 (7)	617,000
Robert F. Smerling President – Domestic Cinema Operations	2014	350,000	25,000	--	--	--	22,000 (7)	397,000
	2013	350,000	50,000	--	--	--	22,000 (7)	422,000
	2012	350,000	50,000	--	--	--	22,000 (7)	422,000
Ellen M. Cotter Chief Operating Officer Domestic Cinemas	2014	335,000	--	--	--	--	75,000 (7)(8)	410,000
	2013	335,000	--	--	--	--	25,000 (7)	360,000
	2012	335,000	60,000	--	--	--	25,000 (7)	420,000
Wayne Smith Managing director - Australia and New Zealand	2014	324,000	45,000	--	--	--	19,000 (7)	388,000
	2013	339,000	--	--	--	--	20,000 (7)	359,000
	2012	357,000	16,000	--	22,000	--	19,000 (7)	414,000

(1) Amounts represent the aggregate grant date fair value of awards computed in accordance with ASC Topic 718, excluding the effects of any estimated forfeitures. The assumptions used in the valuation of these awards are discussed in Note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on March 17, 2015.

(2) Mr. Cotter, Sr. resigned as our Chair and Chief Executive Officer on August 7, 2014.

(3) Represents the present value of the vested benefits under Mr. Cotter, Sr.’s SERP. In October 2014, we began accruing monthly supplemental retirement benefits of \$57,000 in accordance with the SERP, but have not yet paid any such benefits to Mr. Cotter, Sr.’s designated beneficiaries. Under the SERP, such payments are to continue for a 180-month period.

(4) Until February 25, 2015, we owned a condominium in West Hollywood, California, which we used as an executive meeting place and office. “All Other Compensation” includes the estimated incremental cost to our company of providing the use of the West Hollywood Condominium to Mr. Cotter, Sr., our matching contributions under our 401(k) plan, the cost of a company automobile used by Mr. Cotter, Sr., and health club dues paid by our company.

(5) Mr. Cotter, Jr. was appointed as our Chief Executive Officer on August 7, 2014.

(6) Represents the increase in the vested benefit of the DCP for Mr. Matyczynski. Payment of the vested benefit under his DCP will be made in accordance with the terms of the DCP.

(7) Represents our matching contributions under our 401(k) plan, the cost of key person insurance, and any automobile allowances.

(8) Includes the \$50,000 tax gross-up described in the “Tax Gross-Up” section of the Compensation Discussion and Analysis.

Employment Agreements

James J. Cotter, Jr. On June 3, 2013, we entered into an employment agreement with Mr. James J. Cotter, Jr. to serve as our President. The employment agreement provides that Mr. Cotter, Jr. is to receive an annual base salary of \$335,000, with employee benefits in line with those received by our other senior executives. Mr. Cotter, Jr. also was granted a stock option to purchase 100,000 Class A shares at an exercise price equal to the market price of our Class A shares on the date of grant and which will vest in equal annual increments over a four-year period, subject to his remaining in our continuous employ through each annual vesting date.

Under his employment agreement, we may terminate Mr. Cotter Jr.'s employment with or without cause (as defined) at any time. If we terminate his employment without cause, Mr. Cotter Jr. will be entitled to receive severance in an amount equal to the compensation he would have received had he remained employed by us for 12 months.

William D. Ellis. On October 20, 2014, we entered into an employment agreement with Mr. William D. Ellis, pursuant to which he agreed to serve as our General Counsel for a term of three years. The employment agreement provides that Mr. Ellis is to receive an annual base salary of \$350,000, with an annual target bonus of at least \$60,000. Mr. Ellis also received a "sign-up" bonus of \$10,000 and is entitled to employee benefits in line with those received by our other senior executives. In addition, Mr. Ellis was granted stock options to purchase 60,000 Class A shares at an exercise price equal to the closing price of our Class A shares on the date of grant and which will vest in equal annual increments over a three-year period, subject to his remaining in our continuous employ through each annual vesting date.

Under his employment agreement, we may terminate Mr. Ellis' employment with or without cause (as defined) at any time. If we terminate his employment without cause, Mr. Ellis will be entitled to receive severance in an amount equal to the compensation he would have received for the remainder of the term of his employment agreement, or 24 months, whichever is less. If the termination is in connection with a "change of control" (as defined), Mr. Ellis would be entitled to severance in an amount equal to the compensation he would have received for a period of twice the number of months remaining in the term of his employment agreement.

Andrzej Matyczynski. Mr. Matyczynski, our Chief Financial Officer, has a written employment agreement with our company that provides for a specified annual base salary and other compensation. Mr. Matyczynski resigned as our Chief Financial Officer effective May 11, 2015, but will continue as an employee until April 15, 2016 in order to assist in the transition of our new Chief Financial Officer, Mr. Ghose, whose information is set forth above. Upon termination of Mr. Matyczynski's employment, he will become entitled under his employment agreement to a lump-sum severance payment of six months' base salary and to the payment of his vested benefit under his deferred compensation plan discussed above in this section.

2010 Equity Incentive Plan

On May 13, 2010, our stockholders approved the 2010 Stock Incentive Plan (the "Plan") at the annual meeting of stockholders in accordance with the recommendation of the board of directors of the Company. The Plan provides for awards of stock options, restricted stock, bonus stock, and stock appreciation rights to eligible employees, directors, and consultants. The Plan permits issuance of a maximum of 1,250,000 shares of class A nonvoting common stock. The Plan expires automatically on March 11, 2020.

Equity incentive bonuses may be awarded to align our executives' long-term compensation to appreciation in stockholder value over time and, so long as such grants are within the parameters of the Plan, historically were entirely discretionary on the part of Mr. Cotter, Sr. Other stock grants are subject to board approval. Equity awards may include stock options, restricted stock, bonus stock, or stock appreciation rights. Apart from the stock award to Mr. Cotter, Sr., no stock bonuses were awarded to our executive officers in 2014.

If awarded, it is generally our policy to value stock options and restricted stock at the closing price of our common stock as reported on the NASDAQ Capital Market on the date the award is approved or on the date of hire, if the stock is granted as a recruitment incentive. When stock is granted as bonus compensation for a particular transaction, the award may be based on the market price on a date calculated from the closing date of the relevant transaction. Awards may also be subject to vesting and limitations on voting or other rights.

Certain Federal Income Tax Consequences

Non-qualified Stock Options. There will be no federal income tax consequences to either the Company or the participant upon the grant of a non-discounted NQSO. However, the participant will realize ordinary income on the exercise of the NQSO in an amount equal to the excess of the fair market value of the common stock acquired upon the exercise of such option over the exercise price, and the Company will receive a corresponding deduction. The gain, if any, realized upon the subsequent disposition by the participant of the common stock will constitute short-term or long-term capital gain, depending on the participant's holding period.

Incentive Stock Options. There will be no regular federal income tax consequences to either the Company or the participant upon the grant or exercise of an incentive stock option. If the participant does not dispose of the shares of common stock for two years after the date the option was granted and one year after the acquisition of such shares of common stock, the difference between the aggregate option price and the amount realized upon disposition of the shares of common stock will constitute long-term capital gain or loss, and the Company will not be entitled to a federal income tax deduction. If the shares of common stock are disposed of in a sale, exchange or other "disqualifying disposition" during those periods, the participant will realize taxable ordinary income in an amount equal to the excess of the fair market value of the common stock purchased at the time of exercise over the aggregate option price (adjusted for any loss of value at the time of disposition), and the Company will be entitled to a federal income tax deduction equal to such amount, subject to the limitations under Code Section 162(m).

While the exercise of an incentive stock option does not result in current taxable income, the excess of (1) the fair market value of the option shares at the time of exercise over (2) the exercise price, will be an item of adjustment for purposes of determining the participant's alternative minimum tax income.

SARs. A participant receiving an SAR will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When a participant exercises the SAR, the amount of cash and the fair market value of any shares of common stock received will be ordinary income to the participant and will be allowed as a deduction for federal income tax purposes to the Company, subject to limitations under Code Section 162(m). In addition, the Board (or Committee), may at any time, in its discretion, declare any or all awards to be fully or partially exercisable and may discriminate among participants or among awards in exercising such discretion.

Restricted Stock. Unless a participant makes an election to accelerate recognition of the income to the date of grant, a participant receiving a restricted stock award will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock, and the Company will be entitled to a corresponding tax deduction at that time, subject to the limitations under Code Section 162(m).

Outstanding Equity Awards

The following table sets forth outstanding equity awards held by our named executive officers as of December 31, 2014 under the Plan:

Outstanding Equity Awards At Year Ended December 30, 2014

	Class	Option Awards				Stock Awards	
		Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units that Have Not Vested (\$)
James J. Cotter, Sr.	B	100,000	--	10.24	09/05/2017	--	--
James J. Cotter, Jr.	A	12,500	--	3.87	07/07/2015	--	--
James J. Cotter, Jr.	A	10,000	--	8.35	01/19/2017	--	--
James J. Cotter, Jr.	A	100,000	--	6.31	02/06/2018	--	--
Ellen M. Cotter	A	20,000	--	5.55	03/06/2018	--	--
Ellen M. Cotter	B	50,000	--	10.24	09/05/2017	--	--
Andrzej Matyczynski	A	25,000	25,000	6.02	08/22/2022	--	--
Robert F. Smerling	A	43,750	--	10.24	09/05/2017	--	--

Option Exercises and Stock Vested

The following table contains information for our named executive officers concerning the option awards that were exercised and stock awards that vested during the year ended December 31, 2014:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
James J. Cotter, Sr.	--	--	160,643	1,200,000
Andrzej Matyczynski	35,100	180,063	--	--

Pension Benefits

The following table contains information concerning pension plans for each of the named executive officers for the year ended December 31, 2014:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
James J. Cotter, Sr.(1)	SERP	27	\$ 7,595,000	\$ --
Andrzej Matyczynski(2)	DCP	5	\$ 450,000	\$ --

Director Compensation

During 2014, all of our directors, except Mr. James J. Cotter Sr., Mr. James J. Cotter, Jr. and Ms. Ellen M. Cotter, received an annual fee of \$35,000 (prorated for the year in which a director is first elected or appointed). In addition to their annual directors fee, the following directors received a one-time fee of \$5,000 for their services as a member of the board and of all board committees on which they serve; Messrs. Adams, Gould, McEachern and Kane. Mr. Storey received a one-time fee of \$10,000, for his services as a member of the board and of all board committees on which he served. Messrs. McEachern and Storey also each received an additional \$6,000 for their participation in Special Committee Meetings. For 2014, the Chair of our Audit and Conflicts Committee received an additional fee of \$7,000, the Chair of our Compensation Committee received an additional fee of \$5,000, and the Chair of our Tax Oversight Committee received an additional fee of \$18,000.

Upon joining our board, new directors have historically received immediately vested five-year stock options to purchase 20,000 shares of our Class A Stock at an exercise price equal to the market price of the stock at the date of grant. From time to time our directors also are granted additional stock options as compensation for their service on our board. Historically, these awards were based upon the recommendations of our former Chair and principal shareholder, Mr. James J. Cotter, Sr., which recommendations were reviewed and acted upon by our entire board. When such additional awards have been made, typically, each sitting director (other than Mr. Cotter, Sr., who historically did not participate in such awards) was awarded the same number of options on the same terms. Historically, we have granted our officers and directors replacement options where their options would otherwise expire with exercise prices that were out of the money at the time of such expiration.

In November 2014, our board of directors determined to make grants to our non-employee directors on January 15 of each year of stock options to purchase 2,000 shares of our Class A Stock. The options will be for a term of five years, have an exercise price equal to the market price of Class A Stock on the grant date and be fully vested immediately upon grant.

The following table sets forth information concerning the compensation to persons who served as our non-employee directors during 2014 for their services as directors.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Margaret Cotter (1)	35,000	0	0	35,000
Guy W. Adams (2)	40,000	69,000	0	109,000
William D. Gould	35,000	0	0	35,000
Edward L. Kane	63,000	0	0	63,000
Douglas J. McEachern	53,000	0	0	53,000
Tim Storey	51,000	0	21,000(3)	72,000
Alfred Villaseñor (4)	10,000	0	0	10,000

- (1) In addition to her director's fees, Ms. Margaret Cotter receives a combination of fixed and incentive management fees under the OBI Management Agreement described under the caption "Certain Transactions and Related Party Transactions - OBI Management Agreement," below.
- (2) Mr. Adams joined the board on January 14, 2014 and was granted on that date a five-year stock option to purchase 20,000 shares of our Class A Stock at an exercise price of \$7.40 per share.
- (3) This amount represents fees paid to Mr. Storey as the sole independent director of our company's wholly-owned New Zealand subsidiary.
- (4) Represents fees paid to Mr. Villaseñor prior to our 2014 Annual Meeting of Stockholders, when he declined to stand for re-nomination as a director.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as described below, the following table sets forth the shares of Class A Stock and Class B Stock beneficially owned on April 30, 2015 by:

- each of our incumbent directors;
- each of our incumbent named executive officers set forth in the Summary Compensation Table of this Proxy Statement;

- each person known to us to be the beneficial owner of more than 5% of our Class B Stock; and
- all of our incumbent directors and incumbent executive officers as a group.

The beneficial ownership of 327,808 shares of our outstanding Class B Stock, which we refer to as the “disputed shares,” and 100,000 shares of Class B Stock underlying a currently exercisable stock option, which we refer to as the “disputed option,” is disputed by the Cotter family members, and the following table does not ascribe to any person or entity the beneficial ownership of the disputed shares or of the shares underlying the disputed option.

Except as noted, we believe that each beneficial owner has sole voting power and sole investment power with respect to the shares shown. An asterisk (*) denotes beneficial ownership of less than 1%.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)			
	Class A Stock		Class B Stock	
	Number of Shares	Percentage of Stock	Number of Shares	Percentage of Stock
Directors and Named Executive Officers				
James J. Cotter, Jr. (2)(9)(10)	3,220,251	14.7	696,080	44.0
Ellen M. Cotter (3)(9)(10)	2,818,995	13.0	746,080	47.2
Margaret Cotter (4)(9)(10)	3,111,572	14.3	731,180	46.3
Guy W. Adams	- 0 -	--	- 0 -	--
William D. Gould (5)	54,340	*	--	--
Edward L. Kane (6)	19,500	*	100	*
Andrzej Matyczynski	25,789	*	--	--
Douglas J. McEachern (7)	37,300	*	--	--
Tim Storey (8)	27,000	*	--	--
Robert F. Smerling (8)	43,750	*	--	--
5% or Greater Stockholders				
James J. Cotter Living Trust (9)(10)	1,897,649	8.7	696,080	44.0
James J. Cotter Living Trust/Estate of James J. Cotter, Deceased(9)(10)	408,263	1.9	427,808	25.5
Mark Cuban (11) 5424 Deloache Avenue Dallas, Texas 75220	72,164	*	207,611	13.1
PICO Holdings, Inc. and PICO Deferred Holdings, LLC (12) 875 Prospect Street, Suite 301 La Jolla, California 92037	--	--	97,500	6.2
All directors and executive officers as a group (10 persons)(13)	5,476,570	24.9	1,209,088	71.9

(1) Percentage ownership is determined based on 21,745,484 shares of Class A Stock and 1,580,590 shares of Class B Stock outstanding on May 6, 2015. Except as described in footnote (13) with respect to the beneficial ownership of all directors and executive officers as a group, the table does not ascribe to any person or entity the beneficial ownership of the disputed shares or of the shares underlying the disputed option. Except as described with respect to the disputed shares and the disputed option, beneficial ownership has been determined in accordance with SEC rules. Shares subject to options that are presently exercisable, or exercisable within 60 days of May 6, 2015, which are indicated by footnote, are deemed to be

beneficially owned by the person holding the options and are deemed to be outstanding in computing the percentage ownership of that person, but not in computing the percentage ownership of any other person.

- (2) The Class A Stock shown include 97,500 shares subject to stock options. The Class A Stock shown also include 289,390 shares held by a trust for the benefit of James J. Cotter, Sr.'s grandchildren (the "Cotter grandchildren's trust") and 102,751 held by the James J. Cotter Foundation. Mr. Cotter, Jr. is co-trustee of the Cotter grandchildren's trust and of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Mr. Cotter, Jr. disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any, in such shares. The Class A Stock shown also includes 1,897,649 shares held by the James J. Cotter Living Trust, or the "Living Trust," which became irrevocable upon Mr. Cotter, Sr.'s death on September 13, 2014. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (3) The Class A Stock shown includes 20,000 shares subject to stock options. The Class A Stock shown also include 102,751 shares held by the James J. Cotter Foundation. Ms. Cotter is co-trustee of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown also includes 408,263 shares that Ms. Cotter maintains are part of the Estate of James J. Cotter, Deceased (the "Cotter Estate") that is being administered in the State of Nevada and that Mr. Cotter, Jr. contends are held by the Living Trust. On December 22, 2014, the District Court of Clark County, Nevada, appointed Ellen M. Cotter and Margaret Cotter as co-executors of the Cotter Estate. As such, Ellen M. Cotter would be deemed to beneficially own such shares. As co-trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (9). The shares shown also include 1,897,649 shares held by the Living Trust. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (4) The Class A Stock shown includes 17,000 shares subject to stock options. The Class A shares shown also include 289,390 shares held by the Cotter grandchildren's trust and 102,751 shares held by the James J. Cotter Foundation. Ms. Cotter is co-trustee of the Cotter grandchildren's trust and of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown includes 408,263 shares that Ms. Cotter maintains are part of the Cotter Estate and that Mr. Cotter, Jr. contends are held by the Living Trust. As co-executor of the Cotter Estate, Ms. Cotter would be deemed to beneficially own such shares. As co-trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (9). The shares shown also include 1,897,649 shares held by the Living Trust. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (5) Includes 17,000 shares subject to stock options.
- (6) The Class A Stock shown includes 2,000 shares subject to stock options.
- (7) Includes 27,000 shares subject to stock options.
- (8) Consists of shares subject to stock options.
- (9) James J. Cotter, Jr., Ellen M. Cotter and Margaret Cotter are the Co-trustees of the Living Trust. On June 5, 2013, the Declaration of Trust establishing the Living Trust was amended and restated (the "2013 Restatement") to provide that, upon the death of James J. Cotter, Sr., the Trust's shares of Class B Stock were to be held in a separate trust, to be known as the "Reading Voting Trust," for the benefit of the grandchildren of Mr. Cotter, Sr. Mr. Cotter, Sr. passed away in September 2014. The 2013 Restatement also names Margaret Cotter the sole trustee of the Reading Voting Trust and names James J. Cotter, Jr. as the first alternate trustee in the event that Ms. Cotter is unable or unwilling to act as trustee. On June 19, 2014, Mr. Cotter, Sr. signed a 2014 Partial Amendment to Declaration of Trust (the "2014 Amendment") that names Margaret Cotter and James J. Cotter, Jr. as the co-trustees of the Reading Voting Trust and provides that, in the event they are unable to agree upon an important trust decision, they shall rotate the trusteeship between them annually on each January 1st. It further directs the trustees of the Reading Voting Trust to, among other things, vote the Class B Stock held by the Reading Voting Trust in favor of the appointment of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. to our board and to take all actions to rotate the chairmanship of our board among the three of them. On February 6, 2015, Ellen Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles, captioned In re James J. Cotter Living Trust dated August 1, 2000 (Case No. BP159755). The Petition, among other things, seeks relief that could determine the validity of the 2014 Amendment and who between Margaret Cotter and James J. Cotter Jr. will have authority as trustee or co-trustees of the Reading Voting Trust to vote the shares of Class B Stock shown (in whole or in part) and the scope and extent of such authority. Mr. Cotter, Jr. has filed an opposition to the Petition. As co-trustees of the Living Trust, Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter would share voting and investment power of the shares held by the Living Trust and, as such, would be deemed to beneficially own such shares. As trustee or co-trustees of the Reading Voting Trust, Margaret Cotter or Mr. Cotter, Jr., or both, would be deemed to beneficially own the Class B Stock shown. Each of Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter disclaims beneficial ownership of the shares held by the Living Trust except to the extent of his or her pecuniary interest, if any, in such shares.

- (10) Our stock register reflects that the 327,808 disputed shares of Class B Stock, which constitute approximately 20.7% of the voting power of our outstanding capital stock, and the disputed option to purchase 100,000 shares of Class B Stock, are standing in the name of Mr. Cotter, Sr. Ellen M. Cotter and Margaret Cotter dispute that Mr. Cotter, Sr. executed a written assignment that purported to transfer the disputed shares to the Living Trust and contend that, until such time as they pour over into the Living Trust, the disputed shares make up a part of the Cotter Estate. Ellen M. Cotter and Margaret Cotter also contend that the disputed option belongs to the Cotter Estate, while Mr. Cotter, Jr. disputes these contentions. Because the disputed shares and the shares underlying the disputed option together represent a material amount of our outstanding Class B stock, on April 29, 2015, we filed in the District Court of Clark County, Nevada, a petition requesting instructions from the Court regarding the disputed shares and the disputed option. A copy of our petition is set forth as an exhibit to our current report on Form 8 K filed with the SEC on May 4, 2015. Depending upon the outcome of this matter, the beneficial ownership of our Class B Stock will change, perhaps materially, from that presented in this table. The Cotter family also dispute whether the Class A Stock shown is held by the Living Trust or by the Cotter Estate.
- (11) Based on Mr. Cuban's Form 4 filed with the SEC on July 18, 2011 and Schedule 13G filed on February 14, 2012.
- (12) Based on the PICO Holdings, Inc. and PICO Deferred Holdings, LLC Schedule 13G filed with the SEC on February 15, 2011.
- (13) The Class A Stock shown includes 408,263 disputed shares of Class A Stock and 251,250 shares subject to options. The Class B Stock shown includes the 327,808 disputed shares and the 100,000 shares subject to the disputed option.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Transactions

The members of our Audit and Conflicts Committee are Edward Kane, Tim Storey, and Douglas McEachern, who serves as Chair. Management presents all potential related party transactions to the Conflicts Committee for review. Our Conflicts Committee reviews whether a given related party transaction is beneficial to our company, and approves or bars the transaction after a thorough analysis. Only Committee members disinterested in the transaction in question participate in the determination of whether the transaction may proceed.

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the leasing with an option to purchase of certain cinemas located in Manhattan including our Village East and Cinemas 1, 2 & 3 theaters. In connection with that transaction, we also agreed to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company that is owned by Sutton Hill Associates, which was a 50/50 partnership between James J. Cotter, Sr. and Michael Forman. The Village East is the only cinema subject to this lease, and during 2014, 2013 and 2012 we paid rent to SHC in the amount of \$590,000 annually.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require us to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than \$100,000 each. In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1, 2 & 3. In connection with that transaction, we granted to SHC an option to acquire a 25% interest in the special purpose entity formed to acquire these interests at cost. On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of its \$3 million deposit plus the assumption of its proportionate share of SHP's liabilities, giving SHC a 25% non-managing membership interest in SHP. We manage this cinema property for an annual management fee equal to 5% of its annual gross income.

In February 2015, we and SHP entered into an amendment to the management agreement dated as of June 27, 2007 between us and SHC. The amendment, which was retroactive to December 1, 2014, memorialized our undertaking to SHP with respect to \$750,000 (the “Renovation Funding Amount”) of renovations to Cinemas 1, 2 & 3 funded or to be funded by us. In consideration of our funding of the renovations, our annual management fee under the management agreement was increased commencing January 1, 2015 by an amount equivalent to 100% of any incremental positive cash flow of Cinemas 1, 2 & 3 over the average annual positive cash flow of the Cinemas over the three-year period ended December 31, 2014 (not to exceed a cumulative aggregate amount equal to the Renovation Funding Amount), plus a 15% annual cash-on-cash return on the balance outstanding from time to time of the Renovation Funding Amount, payable at the time of the payment of the annual management fee. Under the amended management agreement, we are entitled to retain ownership of (and any right to depreciate) any furniture, fixtures and equipment purchased by us in connection with such renovation and have the right (but not the obligation) to remove all such furniture, fixtures and equipment (at our own cost and expense) from the Cinemas upon the termination of the management agreement. The amendment also provides that, during the term of the management agreement, SHP will be responsible for the cost of repair and maintenance of the renovations.

OBI Management Agreement

Pursuant to a Theater Management Agreement (the “Management Agreement”), our live theater operations are managed by OBI LLC (“OBI Management”), which is wholly owned by Ms. Margaret Cotter who is our Vice Chair and the sister of James J. Cotter, Jr. and Ellen M. Cotter.

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately 21% of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex in Chicago on a fee basis based on theater cash flow. In 2014, OBI Management earned \$397,000, which was 20.9% of net cash flows for the year. In 2013, OBI Management earned \$401,000, which was 20.1% of net cash flows for the year. In 2012, OBI Management earned \$390,000, which was 19.7% of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

OBI Management conducts its operations from our office facilities on a rent-free basis, and we share the cost of one administrative employee of OBI Management. Other than these expenses and travel-related expenses for OBI Management personnel to travel to Chicago as referred to above, OBI Management is responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renews automatically each year unless either party gives at least six months’ prior notice of its determination to allow the Management Agreement to expire. In addition, we may terminate the Management Agreement at any time for cause.

Live Theater Play Investment

From time to time, our officers and directors may invest in plays that lease our live theaters. The play STOMP has played in our Orpheum Theatre since prior to our acquisition of the theater in 2001. Mr. Cotter, Sr. owned an approximately 5% interest in that play.

Shadow View Land and Farming LLC

During 2012, Mr. Cotter, Sr., our former Chair, Chief Executive Officer and controlling shareholder, contributed \$2.5 million of cash and \$255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, which is owned 50% by our company. Mr. Cotter, Jr. contends that the other 50% interest in Shadow View Land and Farming, LLC is

owned by the James J. Cotter, Sr. Trust, while Ellen Cotter and Margaret Cotter contend that such interest is owned by the Cotter Estate. We are the managing member of Shadow View Land and Farming, LLC, with oversight provided by our Audit and Conflicts Committee.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Summary of Principal Accounting Fees for Professional Services Rendered

Our independent public accountants, Grant Thornton, LLP, have audited our financial statements for the fiscal year ended December 31, 2014, and are expected to have a representative present at the Annual Meeting who will have the opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

Audit Fees

The aggregate fees for professional services for the audit of our financial statements, audit of internal controls related to the Sarbanes-Oxley Act, and the reviews of the financial statements included in our Forms 10-K and 10-Q provided by Grant Thornton LLP for 2014 and 2013 were approximately \$661,700 and \$550,000, respectively.

Audit-Related Fees

Grant Thornton, LLP did not provide us any audit related services for 2014 or 2013.

Tax Fees

Grant Thornton, LLP did not provide us any products or any services for tax compliance, tax advice, or tax planning for 2014 or 2013.

All Other Fees

Grant Thornton, LLP did not provide us any services for 2014 or 2013 other than as set forth above.

Pre-Approval Policies and Procedures

Our Audit Committee must pre-approve, to the extent required by applicable law, all audit services and permissible non-audit services provided by our independent registered public accounting firm, except for any de minimis non-audit services. Non-audit services are considered de minimis if (i) the aggregate amount of all such non-audit services constitutes less than 5% of the total amount of revenues we paid to our independent registered public accounting firm during the fiscal year in which they are provided; (ii) we did not recognize such services at the time of the engagement to be non-audit services; and (iii) such services are promptly submitted to our Audit Committee for approval prior to the completion of the audit by our Audit Committee or any of its members who has authority to give such approval. Our Audit Committee pre-approved all services provided to us by Grant Thornton LLP for 2014 and 2013.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(3) The following exhibits are filed as part of this report:

Exhibit No.	Description
31.1	Certification of Principal Executive Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

READING INTERNATIONAL, INC.

Date: May 8, 2015

By: /s/ ANDRZEJ MATYCZYNSKI
Name: Andrzej Matyczynski
Title: Chief Financial Officer

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, James J. Cotter, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Reading International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ JAMES J. COTTER, JR.

James J. Cotter, Jr.
Chief Executive Officer

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

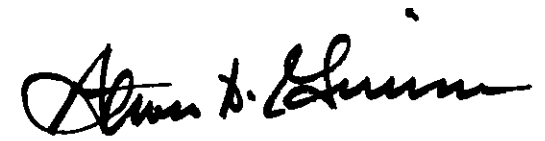
I, Andrzej Matyczynski, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Reading International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ ANDRZEJ MATYZYNSKI

Andrzej Matyczynski
Chief Financial Officer


CLERK OF THE COURT

JMOT
MARK E. FERRARIO, ESQ.
(NV Bar No. 1625)
G. LANCE COBURN, ESQ.
(NV Bar No. 6604)
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ferrariom@gtlaw.com
coburnl@gtlaw.com

Counsel for Reading International, Inc.

DISTRICT COURT
CLARK COUNTY, NEVADA

In the Matter of the Estate of

JAMES J. COTTER,

Deceased.

Case No. P 14-082942-E

Dept. XI

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

Case No. A-15-719860-B

Dept. No. XI

Plaintiff,

Jointly Administered

v.

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

**READING INTERNATIONAL, INC.'S
JOINDER TO MARGARET COTTER,
ELLEN COTTER, DOUGLAS
MCEACHERN, GUY ADAMS, AND
EDWARD KANE'S MOTION TO
DISMISS COMPLAINT**

Defendants.

**Date of Hearing: September 10, 2015
Time of Hearing: 8:30am.**

///

///

DATED this 20th day of August, 2015.

/s/ Mark E. Ferrario

Counsel for Reading International, Inc.

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 Joinder to Margaret Cotter, Ellen Cotter, Douglas McEachern, Guy Adams, and Edward Kane's Motion to Dismiss 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.

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DATED this 10th day of August, 2015.

/s/ Andrea Lee Rosehill
AN EMPLOYEE OF GREENBERG TRAURIG, LLP


CLERK OF THE COURT

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8 *Counsel for Reading International, Inc.*

9 **DISTRICT COURT**

10 **CLARK COUNTY, NEVADA**

11 In the Matter of the Estate of
12 JAMES J. COTTER,
13 Deceased.

Case No. P. 14-082942-E
Dept. 11

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

Case No. A-15-719860-B
Dept. No. XI
Jointly Administered

17 v.

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

**[COURTESY FILING OF]
MOTION TO COMPEL
ARBITRATION**

HEARING
Date: 9/1/2015
Time: 8:30a

22 Defendants.
23
24
25
26
27
28

GREENBERG TRAURIG, LLP
3773 Howard Hughes Parkway, Suite 400 North
Las Vegas, Nevada 89169
Telephone: (702) 792-3773
Facsimile: (702) 792-9002

Reading International, Inc., a Nevada corporation by and through undersigned counsel of record, hereby moves this Court for an order compelling arbitration of this dispute, with a corresponding stay of this action during such arbitration. This Motion is based upon the files and records in this matter, the attached memorandum of authorities, and any argument allowed at the time of hearing.

DATED this 31st day of August, 2015.

GREENBERG TRAURIG, LLP

/s/ Mark E. Ferrario

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

James J. Cotter Jr.'s ("Mr. Cotter") complaint sets forth a number of claims, all of which involve either directly or indirectly the termination of his employment with Reading International, Inc. ("Reading"). This is borne out by the relief Mr. Cotter requests, which is reinstatement of his position with Reading. What Mr. Cotter fails to mention in his complaint is that his employment was governed by an Employment Agreement. Pursuant to that agreement any disputes relating to Mr. Cotter's employment must be arbitrated. None of Mr. Cotter's allegations stem from anything other than his desire to recapture his employment. As a result, this matter must be stayed, pending arbitration of Mr. Cotter's claims.

II. SUMMARY OF FACTS

On June 3, 2013, Mr. Cotter executed an Employment Agreement pursuant to which he was to act as the President for Reading. The Employment Agreement provides all controversies relating thereto should be arbitrated. As relevant to this motion:

“Any dispute or controversy arising under this Agreement or relating to its interpretation or the breach hereof, including the arbitrability of any such dispute or controversy, shall be determined and settled by arbitration in Los Angeles, California pursuant to the Rules then obtaining of the American Arbitration Association. Any award rendered herein shall be final and binding on each and all of the parties, and judgment may be entered thereon in any court of competent jurisdiction.”

Employment Agreement attached hereto as **Exhibit 1**, at ¶13.

On June 12, 2015, concluding a process of review and deliberation that had begun some three weeks earlier on May 21, 2015, Reading’s Board of Directors voted to terminate Mr. Cotter’s employment with Reading. In the afternoon of that same day, June 12th, Plaintiff filed the present suit in which he alleges Breach of Fiduciary Duty against all Defendants, Breach of Fiduciary Duty against Reading Directors Margaret Cotter, Ellen Cotter, Adams, Kane and McEachern, and Aiding and Abetting Breach of Fiduciary Duty against Margaret Cotter and Ellen Cotter for the actions taken leading to his termination. *See* Complaint on file herein at p.25, 26, and 27. The only relief Mr. Cotter seeks is to obtain re-employment and obtain money damages resulting from his termination. Mr. Cotter’s prayer for relief requests an Order “enjoining Defendants from taking further action to effectuate or implement the (legally ineffectual) termination of Plaintiff as President and CEO of RDI”, and for an order determining “that the termination was legally ineffectual and of no force and effect.” Complaint, at p. 28, *Prayer for Relief*.

A review of the Motion for Preliminary Injunction filed on August 4th demonstrates clearly that this case is about nothing more than the termination of Mr. Cotter’s employment. There are no less than twenty-one (21) references to Mr. Cotter’s employment “termination” in the first ten pages of the brief. These references paint a clear picture of what is

1 really at issue in this case, the termination of Mr. Cotter's employment which was governed by
2 his agreement with the company. *See e.g.* Motion for Preliminary Injunction, page 2, lines 15-22
3 (Mr. Cotter acknowledges the termination of his employment "precipitated" the commencement
4 of this action); Motion for Preliminary Injunction, page 7, lines 9-12 (alleging Mr. Cotter was
5 pressured by his sisters to "avoid termination as President and CEO"); page 7, lines 22-23
6 (suggesting what Mr. Cotter had to do to "avoid being fired"); page 7, lines 25-26 (discussion
7 alleging threats to "terminate" Mr. Cotter"); page 10, lines 14-24
8 (referencing the Boards' decision to terminate Mr. Cotter). Moreover, when it comes to the
9 relief requested in the Preliminary Injunction Motion, Mr. Cotter's first request is that the court
10 restore him to the positions of President and CEO of Reading a determination that will
11 necessarily involve his employment agreement. *See*, Motion for Preliminary Injunction, page 3,
12 item number one.

13 Mr. Cotter's dispute is subject to arbitration. Reading filed a Demand for Arbitration
14 with the American Arbitration Association on July 14, 2015 requesting declaratory relief
15 determining that Mr. Cotter's employment and employment agreement with Reading have been
16 validly terminated, that the Board validly removed him from his position with Reading, that Mr.
17 Cotter is required to submit his resignation from all positions with Reading and its affiliates and
18 subsidiaries, including as a member of the Board of Directors, and that Mr. Cotter is not owed
19 any further compensation or benefits under the employment agreement due to such a breach.
20 Reading also seeks an order requiring Mr. Cotter to resign, and/or any damages resulting from
21 his failure to resign, as well as its costs and fees. See the Demand for Arbitration attached
22 hereto as **Exhibit 2**. Mr. Cotter has rejected the demand thus necessitating this motion.

23 It appears that Mr. Cotter, understanding that he has no claim under his Employment
24 Agreement, is attempting to end run the absolute right of Reading to terminate his employment
25 without cause (subject to the payment of a negotiated liquidated damage amount) by claiming
26 that the exercise of that absolute right by the Board was somehow a breach of the fiduciary

1 duties owed by those directors to Reading itself. It is to be noted that, if this is correct, then any
2 terminated employee could make the same end run around his or her employment contract, so
3 long as that former employee was a shareholder at the time of his or her termination. This would
4 materially undermine the ability of corporate employers to negotiate “at will” employment
5 contracts or to require arbitration.

6 **III. LEGAL ARGUMENT**

7 This Court should enter an order compelling Mr. Cotter to honor his agreement and
8 arbitrate all pending claims as the Employment Agreement is a valid and existing contract with
9 an agreement to arbitrate disputes thereunder, and all of Mr. Cotter’s claims arise from or relate
10 to the Employment Agreement.

11 **A. The Employment Agreement is a Valid and Existing Arbitration Agreement.**

12 Reading is a Nevada corporation headquartered in California. Mr. Cotter was employed
13 with Reading subject to an Employment Agreement with a California choice of law provision.
14 Courts typically give wide latitude to the choice of law in a contract governing arbitration so
15 long as the situs of the choice of law has a substantial relation with the transaction. *Coleman v.*
16 *Assurant, Inc.*, 508 F. Supp. 2d 862, 865 (D. Nevada, 2007) citing *Ferdie Sievers and Lake*
17 *Tahoe Land Co., v. Diversified Mortg. Investors*, 95 Nev. 811, 603 P.2d 270, 273 (1979). The
18 Court must also analyze whether the arbitration provision is contrary to the public policy of the
19 current forum. *Id.* Thus, while both the law California (the choice of law forum) and Nevada
20 (the current forum) are relevant, these distinctions do not matter. Both California and Nevada
21 law strongly favor arbitrating this dispute.

22 In Nevada, an agreement to arbitrate is valid, enforceable, and irrevocable. *See* NRS
23 38.219. Nevada's public policy strongly favors enforcing contractual provisions for
24 arbitration. *Phillips v. Parker*, 106 Nev. 415, 794 P.2d 716 (1990). Consequently, when there is
25 an agreement to arbitrate there is a “presumption of arbitrability.” *Id.* All doubts concerning the
26 arbitrability of the subject matter should be resolved in favor of arbitration. *Id.* citing *Exber, Inc.*

1 *v. Sletten Constr. Co.*, 92 Nev. 721, 729, 558 P.2d 517, 522 (1976). Courts are not to deprive the
2 parties of the benefits of arbitration they have bargained for, and arbitration clauses are to be
3 construed liberally in favor of arbitration. *Id.*

4 Nevada favors arbitration because it generally avoids the higher costs and longer time
5 periods associated with traditional litigation. *Burch v. Second Judicial Dist. Ct.*, 118 Nev. 438,
6 442; 49 P.3d 647, 650 (2002). Indeed, Nevada law expressly provides for Courts to order
7 arbitration under the terms of an applicable agreement whenever possible:

8 1. On motion of a person showing an agreement to arbitrate and alleging another
9 person's refusal to arbitrate pursuant to the agreement:

10 (a) If the refusing party does not appear or does not oppose the motion, the
11 court shall order the parties to arbitrate; and

12 (b) If the refusing party opposes the motion, the court shall proceed summarily
13 to decide the issue and order the parties to arbitrate unless it finds that there
14 is no enforceable agreement to arbitrate.

15 NRS 38.221. Once the Court determines that arbitration is appropriate, the district court,
16 upon compelling arbitration, is required to “stay any judicial proceeding that involves a
17 claim subject to the arbitration.” NRS 38.221(6).

18 California, too, holds “a strong public policy in favor of arbitration as a speedy and
19 relatively inexpensive means of dispute resolution.” *Lewis v. Fletcher Jones Motor Cars, Inc.*,
20 205 Cal. App. 4th 436, 452 (2012), as modified (Apr. 25, 2012). “A trial court is required to
21 order a dispute to arbitration when the party seeking to compel arbitration proves the existence of
22 a valid arbitration agreement covering the dispute.” *Laswell v. AG Seal Beach, LLC*, 189 Cal.
23 App. 4th 1399, 1404-05 (2010)(Emphasis added).

24 Therefore, regardless of which state’s law is applied, arbitration is the favored avenue for
25 adjudication. Mr. Cotter has no basis to dispute the existence of or his assent to the Employment
26 Agreement. Therefore, this Court should order Mr. Cotter to proceed with Arbitration.

27 **B. The Arbitration Provision Applies to All Claims at Issue.**

The plain language of the Employment Agreement confirms Mr. Cotter agreed to arbitrate the issues at bar. The arbitration provision in Mr. Cotter's Employment Agreement is broad and encompasses "any dispute or controversy arising under this Agreement or relating to its interpretation or the breach thereof." Exhibit 1, ¶13. The Employment Agreement defines Mr. Cotter's terms of employment, duties, compensation, expenses and benefits, among other rights and obligations. *Id.*, generally. The Employment Agreement specifically provides Mr. Cotter may be terminated by the Board of Directors, and it defines the Parties' obligations to each other once that termination occurs. Exhibit 1, ¶10. Mr. Cotter hopes that by alleging the Reading Directors breached their fiduciary duty, he can obtain the relief he seeks (reinstatement of his employment) without mentioning his Employment Agreement. This strategy should fail.

Nevada Courts have ruled that creative pleading is not sufficient to avoid a prior agreement to arbitrate. In *Phillips v. Parker*, the Plaintiff attempted to use a strategy very similar to James Cotter Jr.'s strategy here. To avoid arbitration, the *Parker* Plaintiff amended his complaint to avoid any mention of a breach of contract, and instead alleged claims of RICO, wrongful removal of a director, breach of fiduciary duty, fraud and conversion. *Phillips v. Parker*, 106 Nev. 418. The *Parker* Court was unpersuaded, ruling that the Plaintiff cannot use the agreement with the arbitration provision to demonstrate his ownership of stock in a corporation, without placing himself squarely within the ambit of the arbitration provisions covering controversies or claims arising out of or relating to the agreement. *Id.* "Despite careful pleading, the amended complaint relates to the agreement and hence is subject to arbitration." *Id.*

Once you peel away the hyperbole in the complaint you find that Mr. Cotter believes he was improperly discharged. Because his right of employment arises from the Employment Agreement, any allegations of improper discharge would fall within its terms. Mr. Cotter cannot argue he is entitled to retain his position with Reading, without referencing his rights under the Employment Agreement. He has no other basis to be employed. To give Mr. Cotter the relief he

1 seeks, the Court must analyze whether the Reading Board's actions breached Mr. Cotter's rights
2 under the Employment Agreement. Mr. Cotter cannot avoid his agreement by simply ignoring it
3 or with creative pleading.

4 **IV.CONCLUSION**

5 Because Mr. Cotter's claims arise out of and relate to his Employment Agreement, such
6 claims must be arbitrated. This matter should be stayed and the Court should compel Mr. Cotter
7 to submit his claims to arbitration pursuant to the terms set forth in the Employment Agreement.

8 DATED this 31st day of August, 2015.

9 GREENBERG TRAURIG, LLP

10 /s/ Mark E. Ferrario

11 MARK E. FERRARIO, ESQ. (NV Bar No. 1625)
12 Leslie S. Godfrey, Esq. (NV Bar No. 10229)
13 3773 Howard Hughes Parkway
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14 *Counsel for Reading International, Inc.*

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 **[Courtesy Filing of] Motion to Compel Arbitration** 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.

A-15-719860-B - James Cotter, Jr., Plaintiff(s) vs. Margaret Cotter, Defendant(s)

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DATED this 31st day of August, 2015.

/s/ Andrea Lee Rosehill

AN EMPLOYEE OF GREENBERG TRAURIG, LLP

EXHIBIT 1

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of June 3, 2013 by and between Reading International, Inc., a Nevada corporation, (the "Company"), and James J. Cotter, Jr. (the "Executive").

1. Term of Employment

Subject to the provisions of Section 10 below, the Company shall employ the Executive, and the Executive shall serve the Company in the capacity of President for a term commencing as of June 3, 2013 and ending that date which is twelve (12) months after either party provides the other party with written notice of termination (the "Term of Employment").

2. Duties

During the Term of Employment, the Executive will serve as the Company's President and will report directly to the Chief Executive Officer. The Executive shall devote substantially all of his business time to the Company and shall perform such duties, consistent with his status as President of the Company, as he may be assigned from time to time by the Chief Executive Officer.

3. Compensation

During the Term of Employment, the Company shall pay to the Executive as compensation for the performance of his duties and obligations hereunder a salary at the rate of \$335,000 per annum during each year of the term of this Agreement. Such salary shall be paid in accordance with the Company's standard payment practices.

4. Expenses and Other Benefits

All travel, entertainment and other reasonable business expenses incident to the rendering of services by the Executive hereunder will be promptly paid or reimbursed by the Company subject to submission by the Executive in accordance with the Company's policies in effect from time to time. The Executive shall be entitled to a vehicle allowance of \$15,000, per annum.

The Executive shall be entitled during the Term of Employment to participate in employee benefit and welfare plans and programs of the Company including, without any limitation, any key man or executive long term disability insurance and employee stock option plans to the extent that any other senior executives or officers of the Company or its subsidiaries are eligible to participate and subject to the provisions, rules, regulations, and laws applicable thereto. The Executive shall immediately be granted 100,000 employee stock options, which options shall vest annually over a five (5) year period.

5. Death or Disability

This Agreement shall be terminated by the death of the Executive and also may be terminated by the Board of Directors of the Company if the Executive shall be rendered incapable by illness or any physical or mental disability (individually, a "disability") from substantially complying with the terms, conditions and provisions to be observed and performed on his part for a continuous period in excess of three (3) months or ninety (90) days in the aggregate during any twelve (12) months during the Term of Employment.

6. Disclosure of Information; Inventions and Discoveries

The Executive shall promptly disclose to the Company all processes, trademarks, inventions, improvements, discoveries and other information (collectively, "developments") directly related to the business of the Company conceived, developed or acquired by him alone or with others during the Term of Employment by the Company, whether or not during regular working hours or through the use of material or facilities of the Company. All such developments shall be the sole and exclusive property of the Company, and upon request the Executive shall deliver to the Company all drawings, sketches, models and other data and records relating to such development. In the event any such development shall be deemed by the Company to be patentable, the Executive shall, at the expense of the Company, assist the Company in obtaining a patent or patents thereon and execute all documents and do all other things necessary or proper to obtain letters patent and invest the Company with full title thereto.

7. Non-Competition

The Company and the Executive agree that the services rendered by the Executive hereunder are unique and irreplaceable. During his employment by the Company, the Executive shall not provide any type of services to any business that in the reasonable judgment of the Company is, or as a result of the Executive's engagement or participation would become, directly competitive with any aspect of the business of the Company.

8. Non-Disclosure

The Executive will not at any time after the date of this Employment Agreement divulge, furnish or make accessible to anyone (otherwise than in the regular course of business of the Company) any knowledge or information with respect to confidential matters of the Company, except to the extent such disclosure is (a) in the performance of his duties under this Agreement, (b) required by applicable law, (c) authorized in writing by the Company, or (d) when required to do so by legal process, that requires him to divulge, disclose or make accessible such information.

9. Remedies

The Company may pursue any appropriate legal, equitable or other remedy, including injunctive relief, in respect of any failure by the Executive to comply with the provisions of Sections 6, 7 or 8 hereof, it being acknowledged by the Executive that the remedy at law for any such failure would be inadequate.

10. Termination

This Agreement and the Executive's employment with the Company may be terminated by the Board of Directors of the Company (i) in the event of the Executive's fraud, embezzlement or any other illegal act committed intentionally by Executive in connection with Executive's duties as an executive of the Company which causes or may reasonably be expected to cause substantial economic injury to the Company or (ii) upon thirty (30) days' notice to the Executive if the Executive shall be in material breach of any material provision of this Employment Agreement other than as provided in clause (i) above and shall have failed to cure such breach during such thirty (30) day period (the events in (i) and (ii) shall constitute "Cause"). Any such notice to the Executive shall specify with particularity the reason for termination or proposed termination. In the event of termination under this Section 10 or under Section 5 (except as provided therein), the Company's unaccrued obligations under this Agreement shall cease and the Executive shall forfeit all right to receive any unaccrued compensation or benefits hereunder but shall have the right to reimbursement of expenses already incurred. If the Company terminates Executive without Cause, the Executive shall be entitled to compensation and benefits which he was receiving for a period of twelve months from such notice of termination. Notwithstanding any termination of the Agreement pursuant to this Section 10 or by reason of disability under Section 5, the Executive, in consideration of his employment hereunder to the date of such termination, shall remain bound by the provisions of Sections 6, 7 and 8 (unless this Agreement is terminated on account of the breach hereof by the Company) of this Agreement.

In the event of any termination, the Executive shall not be required to seek other employment to mitigate damages, and any income earned by the Executive from other employment or self-employment shall not be offset against any obligations of the Company to the Executive under this Agreement. The Company's obligations hereunder and the Executive's rights to payment shall not be subject to any right of set-off, counterclaim or other deduction by the Company not in the nature of customary withholding, other than in any judicial proceeding or arbitration.

11. Resignation

In the event that the Executive's services hereunder are terminated under Section 5 or 10 of this Agreement (except by death), the Executive agrees that he will deliver his written resignation to the Board of Directors, such resignation to become effective immediately.

12. Data

Upon expiration of the Term of Employment or termination pursuant to Section 5 or 10 hereof, the Executive or his personal representative shall promptly deliver to the Company all books, memoranda, plans, records and written data of every kind relating to the business and affairs of the Company which are then in his possession on account of his employment hereunder, but excluding all such materials in the Executive's possession which are personal and not property of the Company or which he holds on account of his past or current status as a director or shareholder of the Company.

13. Arbitration

Any dispute or controversy arising under this Agreement or relating to its interpretation or the breach hereof, including the arbitrability of any such dispute or controversy, shall be determined and settled by arbitration in Los Angeles, California pursuant to the Rules then obtaining of the American Arbitration Association. Any award rendered herein shall be final and binding on each and all of the parties, and judgment may be entered thereon in any court of competent jurisdiction.

14. Waiver of Breach

Any waiver of any breach of this Employment Agreement shall not be construed to be a continuing waiver or consent to any subsequent breach on the part either of the Executive or of the Company.

15. Assignment

Neither party hereto may assign his or its rights or delegate his or its duties under this Employment Agreement without the prior written consent of the other party; provided, however, that this Agreement shall inure to the benefit of and be binding upon the successors and assignees of the Company, upon (a) a sale of all or substantially all of the Company's assets, or upon merger or consolidation of the Company with or into any other corporation, and (b) upon delivery on the effective day of such sale, merger or consolidation to the Executive of a binding instrument of assumption by such successors and assigns of the rights and liabilities of the Company under this Agreement, provided, however, that no such assignment or transfer will relieve the Company from its payment obligations hereunder in the event the transferee or assignee fails to timely discharge them. No rights or obligations of the Executive under this Agreement may be assigned or transferred other than his rights to compensation and benefits, which may be transferred by will or operation of law or as otherwise specifically provided or permitted hereunder or under the terms of any applicable employee benefit plan.

16. Notices

Any notice required or desired to be given hereunder shall be in writing and shall be deemed sufficiently given when delivered or 3 days after mailing in United States

certified or registered mail, postage prepaid, to the party for whom intended at the following address:

The Company:

Reading International, Inc.
6100 Center Drive, Suite 900
Los Angeles, CA 90045

The Executive:

James J. Cotter, Jr.
Reading International, Inc.
6100 Center Drive, Suite 900
Los Angeles, CA 90045

or to such other address as either party may from time to time designate by like notice to the other.

17. General

The terms and provisions of this Agreement shall constitute the entire agreement by the Company and the Executive with respect to the subject matter hereof, and shall supersede any and all prior agreements or understandings between the Executive and the Company, whether written or oral. This Agreement may be amended or modified only by a written instrument executed by the Executive and the Company, and any such amendment or modification or any termination of this Agreement shall become effective only after written approval thereof has been received by the Executive. This Agreement shall be governed by and construed in accordance with California law. In the event that any terms or provisions of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms and provisions hereof. In the event of any judicial, arbitral or other proceeding between the parties hereto with respect to the subject matter hereof, the prevailing party shall be entitled, in addition to all other relief, to reasonable attorneys' fees and expenses and court costs.

18. Indemnification

The Company shall indemnify the Executive to the fullest extent permitted by law in effect as of the date hereof, or as hereafter amended, against all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties, and amounts paid in settlement) reasonably incurred by the Executive in connection with a Proceeding. For the purposes of this section, a "Proceeding" shall mean any action, suit or proceeding, whether civil, criminal, administrative or investigative, in which the Executive is made, or is threatened to be made, a party to, or a witness in, such action, suit or proceeding by reason of the fact that he is or was an

officer, director or employee of the Company or is or was serving as an officer, director, member, employee, trustee or agent of any other entity at the request of the Company.

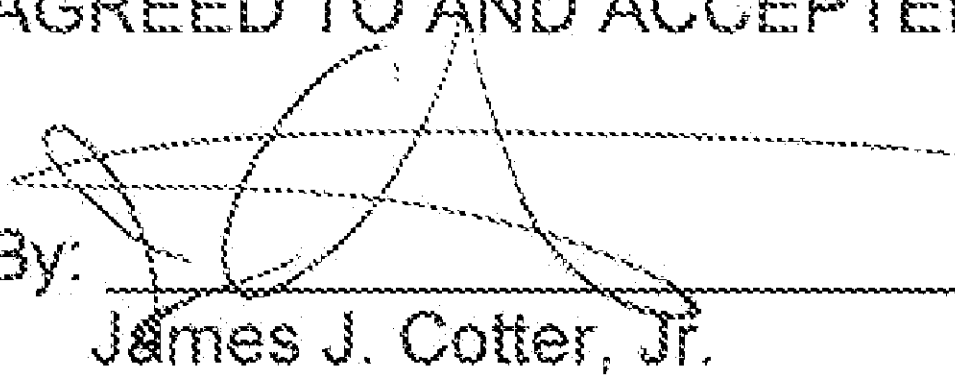
IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

READING INTERNATIONAL, INC.

By: 

James J. Cotter, Sr.

AGREED TO AND ACCEPTED:

By: 

James J. Cotter, Jr.

EXHIBIT 2



Please visit our website at www.adr.org if you would like to file this case online. AAA Customer Service can be reached at 800-778-7879.

Mediation: If you would like the AAA to contact the other parties and attempt to arrange mediation, please check this box ☐.
There is no additional administrative fee for this service.

Parties (Claimant)

Name of Claimant: Reading International, Inc.

Representative's Name (if known): Gary M. McLaughlin

Address:

6100 Center Drive, Suite 900

Firm (if applicable): Akin Gump Strauss Hauer & Feld LLP

Representative's Address: 2029 Century Park East, Suite 2400

City: Los Angeles

State: CA

Zip Code: 90045

City: Los Angeles

State: CA

Zip Code: 90067

Phone No.:

Fax No.:

Phone No.: (310) 728-3358

Fax No.: (310) 229-1001

Email Address:

Email Address: gmclaughlin@akingump.com

Parties (Respondent)

Name of Respondent: James J. Cotter, Jr.

Representative's Name (if known): Kate Visosky

Address:

311 Homewood Road

Firm (if applicable): Sheppard Mullin Richter & Hampton LLP

Representative's Address: 1901 Avenue of the Stars, Suite 1600

City: Los Angeles

State: CA

Zip Code: 90049

City: Los Angeles

State: CA

Zip Code: 90067

Phone No.: (646) 331-2650

Fax No.:

Phone No.: (310) 228-3700

Fax No.: (310) 228-3701

Email Address: jcotterprivate@gmail.com

Email Address: kvisosky@sheppardmullin.com

Claim: What was/is the employee's annual wage range? ☐ Less than \$100,000 ☐ \$100,000-\$250,000 ☒ Over \$250,000

Note: This question is required by California law.

Amount of Claim: Non-monetary claims; monetary claims TBD - see attached.

Claim involves: ☐ Statutorily Protected Rights ☒ Non-Statutorily Protected Rights

In detail, please describe the nature of each claim. You may attach additional pages if necessary:

See attached.

Other Relief Sought: ☒ Attorneys Fees ☐ Interest ☒ Arbitration Costs ☐ Punitive/ Exemplary ☒ Other See attached.

Neutral: Please describe the qualifications for arbitrator(s) to hear this dispute:

Experience with employment, executive agreements, and corporate governance matters.

Hearing: Estimated time needed for hearings overall:

hours or 2-3

days

Hearing Locale: Los Angeles

☐ Requested by Claimant ☒ Locale provision included in the contractFiling Fee: ☐ Employer-Promulgated Plan fee requirement or \$200 (max amount per AAA rules)☒ Standard Fee Schedule for Individually-Negotiated Contracts ☐ Flexible Fee Schedule for Individually-Negotiated Contracts

Amount Tendered: \$3,250 (non-monetary claims; current monetary claims less than \$150,000)

Notice: To begin proceedings, please send a copy of this Demand and the Arbitration Agreement, along with the filing fee as provided for in the Rules, to: American Arbitration Association, Case Filing Services, 1101 Laurel Oak Road, Suite 100, Voorhees, NJ 08043. Send the original Demand to the Respondent.

Signature (may be signed by a representative):

Date: July 14, 2015

Pursuant to Section 1284.3 of the California Code of Civil Procedure, consumers with a gross monthly income of less than 300% of the federal poverty guidelines are entitled to a waiver of arbitration fees and costs, exclusive of arbitrator fees. This law applies to all consumer agreements subject to the California Arbitration Act, and to all consumer arbitrations conducted in California. Only those disputes arising out of employer promulgated plans are included in the consumer definition. If you believe that you meet these requirements, you must submit to the AAA a declaration under oath regarding your monthly income and the number of persons in your household. Please contact the AAA's Western Case Management Center at 1-877-528-0879. If you have any questions regarding the waiver of administrative fees, AAA Case Filing Services can be reached at 877-495-4185.

Attachment to Arbitration Demand

James J. Cotter, Jr. is the former CEO and President of Reading International, Inc. ("Reading" or the "Company"). His employment and employment agreement with the Company were properly terminated by the Board of Directors of the Company on June 12, 2015, at which time he was removed as an officer of the Company and each of its subsidiaries and as a manager and/or director of each subsidiary. His employment agreement required him to submit his resignation from all capacities with the Company in the event his employment is terminated, and Reading contends that this includes requiring him to resign his position as Chief Executive Officer and President of the Company, any position for any affiliate or subsidiary of the Company, and his position on the Company's Board of Directors. Reading also contends that it is not required to pay any continuing compensation or benefits under his employment agreement due to Mr. Cotter's material breach by refusing to resign. Mr. Cotter is challenging the validity of his termination of employment and his removal as Chief Executive Officer and President of the Company, and has refused to resign from any position. Mr. Cotter has also sued the individual members of the Board of Directors, and the Company as a nominal defendant, in Nevada alleging breach of fiduciary duty as a result of his termination.

Reading seeks declaratory relief determining that Mr. Cotter's employment and employment agreement with the Company have been validly terminated, that the Board validly removed him from his positions as Chief Executive Officer and President of the Company and positions with the Company's subsidiaries and that Mr. Cotter is required to submit his resignation from all positions with the Company and its affiliates and subsidiaries, including as a member of the Board of Directors, and that Mr. Cotter is not owed any further compensation or benefits under the employment agreement due to such breach. Reading will also seek an order requiring Mr. Cotter to resign, and/or any damages resulting from his failure to resign, as well as its costs and fees.

In the event of any termination, the Executive shall not be required to seek other employment to mitigate damages, and any income earned by the

Executive from other employment or self-employment shall not be offset against any obligations of the Company to the Executive under this Agreement. The Company's obligations hereunder and the Executive's rights to payment shall not be subject to any right of set-off, counterclaim or other deduction by the Company not in the nature of customary withholding, other than in any judicial proceeding or arbitration.

11. Resignation

In the event that the Executive's services hereunder are terminated under Section 5 or 10 of this Agreement (except by death), the Executive agrees that he will deliver his written resignation to the Board of Directors, such resignation to become effective immediately.

12. Data

Upon expiration of the Term of Employment or termination pursuant to Section 5 or 10 hereof, the Executive or his personal representative shall promptly deliver to the Company all books, memoranda, plans, records and written data of every kind relating to the business and affairs of the Company which are then in his possession on account of his employment hereunder, but excluding all such materials in the Executive's possession which are personal and not property of the Company or which he holds on account of his past or current status as a director or shareholder of the Company.

13. Arbitration

Any dispute or controversy arising under this Agreement or relating to its interpretation or the breach hereof, including the arbitrability of any such dispute or controversy, shall be determined and settled by arbitration in Los Angeles, California pursuant to the Rules then obtaining of the American Arbitration Association. Any award rendered herein shall be final and binding on each and all of the parties, and judgment may be entered thereon in any court of competent jurisdiction.

14. Waiver of Breach

Any waiver of any breach of this Employment Agreement shall not be construed to be a continuing waiver or consent to any subsequent breach on the part either of the Executive or of the Company.

15. Assignment

Neither party hereto may assign his or its rights or delegate his or its duties under this Employment Agreement without the prior written consent of the other party; provided, however, that this Agreement shall inure to the benefit of and be binding upon the successors and assignees of the Company, upon (a) a sale of all or substantially all of the Company's assets, or upon merger or consolidation of the Company with or into any other corporation, and (b) upon delivery on the effective day of such sale, merger or consolidation to the Executive of a binding instrument of assumption by such successors and assigns of the rights and liabilities of the Company under this Agreement, provided, however, that no such assignment or transfer will relieve the Company from its payment obligations hereunder in the event the transferee or assignee fails to timely discharge them. No rights or obligations of the Executive under this Agreement may be assigned or transferred other than his rights to compensation and benefits, which may be transferred by will or operation of law or as otherwise specifically provided or permitted hereunder or under the terms of any


CLERK OF THE COURT

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Attorneys for Defendants Margaret Cotter,
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Adams, and Edward Kane

DISTRICT COURT
CLARK COUNTY, NEVADA

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

Plaintiffs,

v.

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

Defendants.

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

BUSINESS COURT

MOTION TO DISMISS COMPLAINT

Hearing Date:
Hearing Time:

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

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MOTION TO DISMISS COMPLAINT

COMES NOW, Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, and Douglas McEachern, by and through their counsel of record, Cohen-Johnson, LLC and Quinn Emanuel Urquhart & Sullivan, LLP, and hereby submit this Motion to Dismiss the Complaint.

This Motion is based upon the following Memorandum of Points and Authorities, the pleadings and papers on file, and any oral argument at the time of a hearing on this motion.

DATED this 3rd day of September, 2015.

COHEN-JOHNSON, LLC

By: /s/ H. Stan Johnson
H. Stan Johnson, Esq.

Christopher Tayback
Marshall M. Searcy
QUINN EMANUEL
URQUHART & SULLIVAN,
LLP

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

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

NOTICE OF MOTION

TO: ALEXANDER ROBERTSON IV, ROBERTSON & ASSOCIATES, LLP , and ADAM C. ANDERSON, PATTI, SGRO, LEWIS & ROGER , Attorneys for Plaintiffs.

PLEASE TAKE NOTICE that the above Motion will be heard the 13 day of Oct, 2015 at 9:00am in Department XXVII of the above designated Court or as soon thereafter as counsel can be heard.

Dated this 3rd day of September, 2015.

Respectfully Submitted,

COHEN-JOHNSON, LLC

By: /s/ H. Stan Johnson
H. Stan Johnson, Esq.

Christopher Tayback
Marshall M. Searcy
QUINN EMANUEL
URQUHART & SULLIVAN,
LLP

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

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Plaintiffs are a small group of professional investors with unclear and questionable motives looking to exploit a dispute between siblings in the wake of their father's death.¹ In a complaint that often repeats verbatim the allegations of the former CEO's grievance over his termination by Reading International, Inc. ("Reading"), Plaintiffs allege that Reading's Board of Directors somehow breached its duties to the company by deciding—after a series of meetings—to fire the CEO. Nonetheless, Plaintiffs do not describe a single task or project that the former CEO ever accomplished. They fail to identify any special skills or abilities of the former CEO. In fact, Plaintiffs do not identify any injury that they suffered from the CEO's termination—not surprising, considering that Reading's stock price was higher a month after the CEO's termination than on the day he was fired.

In addition to parroting the employment claims of Reading's former CEO, Plaintiffs also allege that four directors have formed an executive committee that has "frozen out" other members of the board. But closer examination reveals that this claim is little more than window dressing. Executive committees are permitted by both Reading's by-laws and Nevada law. Further, Plaintiffs do not identify a single action taken by the committee that has been opposed by any other board member. Plaintiffs certainly do not identify any action taken by the committee that has breached any duty to shareholders or caused any injury to them.

Plaintiffs' complaint criticizes expenditures approved by the Board: they allege that, going as far back as 2007, the Board approved payments made on behalf of the founder of the company (who died last year). They allege that the Board increased director compensation from \$35,000/year to \$50,000/year. But, to the extent their claims aren't already barred by the statute of limitations, Plaintiffs fail to allege that they were shareholders during the time these expenditures were made. This failure is fatal to Plaintiffs' claims. In any event, Plaintiffs fail to

¹ In fact, this action has been coordinated with the Nevada probate action (Case No. P-14-082942-E) relating to James Cotter, Sr.'s estate.

1 show how these expenditures were made as a function of anything other than ordinary business
2 judgment.

3 Moreover, for all of the above claims, Plaintiffs failed to make any demand on Reading's
4 Board of Directors and fail to allege why a demand (if they could articulate one) would have
5 been futile. For their claims about the termination of Reading's CEO, Plaintiffs allege a "quasi-
6 familial" relationship between certain of the directors, including the former CEO. But there is
7 nothing sinister about close friendships between directors, and cases hold that such friendships
8 are not an impediment to the exercise of proper business judgment. In any event, none of
9 Plaintiffs' allegations provide any reason to believe that a demand on the Board concerning
10 Plaintiffs' other claims would have been futile.

11 Based on these numerous fatal flaws in the Complaint, defendants Margaret Cotter, Ellen
12 Cotter, Guy Adams, Edward Kane, and Douglas McEachern (the "Moving Defendants")
13 respectfully request that Plaintiffs' Complaint be dismissed in its entirety. Plaintiffs have failed
14 to state a claim as to each of the five purported causes of action.

15 **II. ALLEGATIONS IN PLAINTIFFS' COMPLAINT²**

16 Plaintiffs allege they are current holders of non-voting shares of Reading International, a
17 corporation principally engaged in the development, ownership, and operation of entertainment
18 and real estate assets in the United States, Australia, and New Zealand. Compl., ¶¶ 2-10.

19 Plaintiffs allege that Reading has two classes of stock: Class A non-voting stock and Class B
20 voting stock. Id., ¶ 11. Plaintiffs are a group of professional investors motivated by short-term
21 profit seeking to capitalize on the dispute between James Cotter, Jr. and Reading in order to
22 increase the value of their non-voting stock at the expense of the voting stock, including by
23 collapsing the Class A and Class B shares into one class. Id. at 16. Plaintiffs allege that
24 approximately 70% of the Class B voting stock is the subject of a trust and estate dispute

25
26 ² Nearly all of the allegations and insinuations in the Complaint are false. However, solely
27 for the purpose of this Motion and as required by Nevada law, Plaintiffs' baseless allegations are
28 accepted as pleaded and summarized herein. See Pemberton v. Farmers Ins. Exch., 858 P.2d 380,
381 (Nev. 1993).

1 between James, Ellen, and Margaret Cotter relating to their late father's estate. Id. ¶¶ 11, 13, 16.
2 Their father, James J. Cotter, Sr., controlled approximately 70% of Reading's Class B stock until
3 his death in 2014. Id., ¶¶ 13, 15-16. Plaintiffs allege that James J. Cotter, Jr. was made President
4 of Reading in June 2013, id. ¶ 14, and made CEO of Reading in August 2014. See id., ¶ 13.

5 Plaintiffs also make the following allegations in support of their causes of action against
6 Reading and its directors (except for James Cotter, Jr.):

7 Termination of James Cotter, Jr. As President and CEO

8 According to Plaintiffs' Complaint, James Cotter, Jr. alleges in his own complaint
9 (referred to herein as the "JJC Complaint") that he was terminated by a vote of Reading's Board
10 of Directors on June 12, 2015, because he refused to settle his litigation with Margaret and Ellen
11 Cotter regarding their father's estate. Id., ¶¶ 16-17. Plaintiffs also allege that James Cotter, Jr.
12 believes his termination constituted a breach of fiduciary duty by the five Reading directors who
13 voted in favor of termination: defendants Margaret Cotter, Ellen Cotter, Edward Kane, Douglas
14 McEachern, and Guy Adams (each of the Moving Defendants). Id., ¶¶ 17-18.

15 Formation of an Executive Committee

16 Plaintiffs allege that in the litigation resulting from his termination, James Cotter, Jr. filed
17 a motion claiming that defendants Margaret Cotter, Ellen Cotter, Kane, and Adams have formed
18 an "Executive Committee" of Reading's Board that has "frozen out" the remaining directors
19 from participating in Board decisions. Id., ¶ 19. Both Reading's bylaws and Nevada law
20 explicitly authorize the formation of board of directors committees to manage affairs of a
21 company. See Nev. Rev. Stat. § 78.125(1) ("[T]he board of directors may designate one or more
22 committees which, to the extent provided in the resolution or resolutions or in the bylaws of the
23 corporation, have and may exercise the powers of the board of directors in the management of
24 the business and affairs of the corporation."); Ex. A attached hereto at p. 6 (Reading's Amended
25 and Restated Bylaws). Plaintiffs do not identify any decisions made by the Executive
26 Committee that the full board did not participate in.

Purported Delay of Annual Meeting of Reading's Shareholders

Plaintiffs allege that an annual meeting of Reading shareholders would normally have been held in or around May 2015. Compl., ¶ 20. Plaintiffs allege that due to either the Cotter family trust and estate litigation or a decision by Reading leadership, Reading has not yet filed a proxy statement with the SEC or held its annual meeting. Id. Nevada law provides certain specific remedies for holders of voting shares of a company if an annual meeting to elect directors is not held at least every 18 months. See Nev. Rev. Stat. § 78.345(1) ("If any corporation fails to elect directors within 18 months after the last election of directors required by NRS 78.330, the district court has jurisdiction in equity, upon application of any one or more stockholders holding stock entitling them to exercise at least 15 percent of the voting power, to order the election of directors in the manner required by NRS 78.330."). Plaintiffs do not allege they own any voting shares of Reading. Notably, Plaintiffs' allegations about the supposed shareholder meeting delay do not form the basis for any of the causes of action in the Complaint. Instead, these allegations are apparently included primarily as the basis for Plaintiffs' Motion for a Preliminary Injunction.

Reading's last annual shareholders meeting was held in May 2014, less than 18 months ago. Compl. ¶ 20. Reading has set its next annual meeting for November 10, 2015, less than 18 months from the last meeting. See Ex. B attached hereto (September 1, 2015, Reading Form 8-K).³ Neither Reading nor its Board even announced any intention to delay the company's annual meeting or allow more than 18 months to pass between meetings.

Alleged Corporate "Waste"

Plaintiffs allege that all of the director defendants (the Moving Defendants, Storey, and Gould) wasted Reading corporate assets in a number of ways, including: (1) approving, in 2007, a retirement plan for James J. Cotter, Sr.; (2) increasing director compensation after James J.

³ On a motion to dismiss, the court may consider documents whose contents are referenced in the complaint. See *In re Silicon Graphics Inc. Sec. Litig.*, 183 F.3d 970, 986 (9th Cir. 1999), superseded by statute on other grounds. Reading's SEC filings are referenced by Plaintiffs throughout their Complaint.

1 Cotter, Sr.'s death; (3) approving the reimbursement of Ellen Cotter for taxes incurred in
2 connection with an exercise of Reading stock options; (4) approving payments in connection
3 with James J. Cotter, Sr.'s memorial; and (5) paying bonuses at various times to James J. Cotter,
4 Sr. Compl., ¶¶ 59-63.

5 **III. LEGAL STANDARD**

6 Nevada Rule of Civil Procedure 12(b)(5) provides for the dismissal of a claim when a
7 party has failed to state a claim upon which relief can be granted. On a motion to dismiss, the
8 trial court is to "determine whether or not the challenged pleading sets forth allegations sufficient
9 to make out the elements of a right to relief." *Pemberton v. Farmers Ins. Exch.*, 858 P.2d 380,
10 381 (citation omitted). A complaint should be dismissed if it appears beyond a doubt that a
11 plaintiff can prove no set of facts that would entitle a plaintiff to relief. See *Buzz Stew, LLC, v.*
12 *City of N. Las Vegas*, 181 P.3d 670, 672 (Nev. 2008).

13 To survive a motion to dismiss, a claim must be pleaded showing a party's entitlement to
14 relief. This "requires more than labels and conclusions, and a formulaic recitation of the
15 elements of a cause of action will not do[.]" *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555
16 (2007).⁴ Bald contentions, unsupported characterizations, and legal conclusions are not well-
17 pleaded allegations, and will not suffice to defeat a motion to dismiss. See *G.K. Las Vegas Ltd.*
18 *P 'ship v. Simon Prop. Grp., Inc.*, 460 F. Supp. 2d 1246, 1261 (D. Nev. 2006); see also *Sprewell*
19 *v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001) opinion amended on *denial of reh'g*,
20 275 F.3d 1187 (9th Cir. 2001).

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26 ⁴ Nevada courts often look to interpretations of analogous federal rules as persuasive
27 authority. *Executive Mgmt., Ltd. v. Ticor Title Ins. Co.*, 38 P.3d 872, 876 (Nev. 2002) ("Federal
28 cases interpreting the Federal Rules of Civil Procedure are strong persuasive authority, because
the Nevada Rules of Civil Procedure are based in large part upon their federal counterparts.")
(quotation marks and citation omitted).

1 **IV. ARGUMENT**

2 **A. Because Plaintiffs Have Failed to Allege Any Breach Of Fiduciary Duty, They**
3 **Have Failed To State Any Claim Upon Which Relief Can Be Granted**

4 Each of Plaintiffs' purported causes of action in the Complaint is based on an alleged
5 breach by certain of Reading's directors of a fiduciary duty owed to the corporation. Plaintiffs
6 allege that this duty was breached by (1) terminating James Cotter, Jr. as Reading's President
7 and CEO; (2) forming an Executive Committee; (3) abusing control of Reading; (4)
8 mismanaging Reading; (5) and wasting corporate assets, including by approving a retirement
9 plan for James Cotter, Sr., approving bonuses to James Cotter, Sr., approving payments relating
10 to James Cotter, Sr.'s memorial, and increasing director compensation. A claim for breach of
11 fiduciary duty requires a plaintiff to demonstrate "the existence of a fiduciary duty, the breach of
12 that duty, and that the breach proximately caused the damages." *Brown v. Kinross Gold U.S.A.,*
13 *Inc.*, 531 F. Supp. 2d 1234, 1245 (D. Nev. 2008). Here, Plaintiffs have failed to allege how any
14 of the complained-of conduct constitutes a breach of any fiduciary duty or how they have been
15 damaged by any such breach, even if all Plaintiffs' allegations are accepted as true.

16 1. **Plaintiffs' Claims For Anything Other Than Breach Of Fiduciary Duty**
17 **Are Barred By Nevada Law**

18 As a preliminary matter, Plaintiffs' purported "abuse of control" (Third Cause of Action),
19 "gross mismanagement" (Fourth Cause of Action), and "corporate waste" (Fifth Cause of
20 Action) claims are not separate and distinct from their claims for breach of fiduciary duty and
21 aiding and abetting breach of fiduciary duty. Because these claims are not separate causes of
22 action, and are instead simply reiterations of Plaintiffs' claims for breach of fiduciary duty, the
23 Court should dismiss Plaintiffs' Third, Fourth, and Fifth Causes of Action. See, e.g., *In re W.*
24 *World Funding, Inc.*, 52 B.R. 743, 766-67 (D. Nev. 1985) (corporate waste and gross
25 mismanagement are considered breaches of an officer's fiduciary duty) *aff'd in part, rev'd in part*
26 *sub nom. Buchanan v. Henderson*, 131 B.R. 859 (D. Nev. 1990) *rev'd*, 985 F.2d 1021 (9th Cir.
27 1993); *Rabkin v. Philip A. Hunt Chem. Corp.*, 547 A.2d 963, 969 (Del. Ch. 1986) (corporate
28 waste is an example of a breach of fiduciary duty). Nevada courts have never recognized claims
against corporate officers or directors for "abuse of control," "gross mismanagement," or

“corporate waste” as being distinct from a claim of breach of fiduciary duty. Indeed, Nevada law exonerates directors from liability to their corporation for any claim other than one for intentional breach of fiduciary duty:

[A] director or officer is not individually liable to the corporation or its stockholders for any damages as a result of any act or failure to act . . . unless it is proven that:

(a) The director’s or officer’s act or failure to act constituted a breach of his fiduciary duties as a director or officer; **and**

(b) The breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

See Nev. Rev. Stat. § 78.138(7) (emphasis added). Thus, to the extent Plaintiffs claim that these purported causes of action are for something other than breach of fiduciary duty, they should be dismissed as prohibited by Nevada law; Plaintiffs have not alleged any facts that, even if true, would demonstrate intentional misconduct by any director.

2. Plaintiffs’ Various Allegations Fail To Allege An Actual Breach Of A Fiduciary Duty By Any Director of Reading Or Any Damages Resulting From Such A Breach

In addition, despite their various allegations, Plaintiffs have failed to properly allege any breach of fiduciary duty (First and Second Causes of Action). Plaintiffs may disagree with the actions of the Reading’s Board, but they have not alleged that any of the complained-of conduct constituted an act of intentional misconduct by any defendant. Directors of Nevada corporations are entitled to a statutory presumption (i.e., the business judgment rule) that they “acted in good faith, on an informed basis and with a view to the interests of the corporation.” Nev. Rev. Stat. § 78.138(3).

(a) The Termination of James Cotter, Jr. Did Not Constitute A Breach Of Any Fiduciary Duty and Did Not Proximately Cause Any Damages

Plaintiffs fail to identify how terminating a corporate officer is a breach of fiduciary duty to Reading. At most, Plaintiffs allege that the Moving Defendants took into consideration the ongoing animosity between the Cotters as one factor in deciding to vote in favor of James Cotter, Jr.’s termination. The fact that a company’s CEO cannot work well with its directors is a valid

1 basis for terminating the executive and is a decision protected by the business judgment rule.
2 See *In re Walt Disney Co. Derivative Litig.*, 906 A.2d 27, 69-73 (Del. 2006) (holding termination
3 consistent with corporate governance documents not breach of fiduciary duty, and termination of
4 President because CEO could not “work well” with President was within the protection of the
5 business judgment rule). Nor do Plaintiffs dispute James Cotter, Jr.’s allegation, made in his
6 own complaint, that he was terminated by a majority of Reading’s independent directors in
7 accordance with the Board of Directors resolution specifically relating to the termination of a
8 member of the Cotter family. See JJC Compliant, ¶¶ 43, 105. Plaintiffs do not allege any
9 intentional misconduct by any director in connection with James Cotter, Jr.’s termination and
10 have therefore failed to sufficiently allege a breach of fiduciary duty in connection with that
11 Board decision. See Nev. Rev. Stat. § 78.138(7).

12 Nor do Plaintiffs describe how James Cotter, Jr.’s termination caused injury or damage to
13 Reading’s shareholders. To sustain their damage claims, Plaintiffs must plead facts, and not just
14 conclusions, from which a reasonable inference can be drawn that Moving Defendants caused
15 such damages by engaging in “intentional misconduct, fraud or a knowing violation of law.” See
16 Nev. Rev. Stat. § 78.138(7). They have not done so. Instead, Plaintiffs allege that Reading’s
17 share price has gone down since James Cotter, Jr.’s termination. See, e.g., Compl. ¶ 39. It is not
18 reasonable to infer that the difference between Reading’s share price on June 12, 2015, and today
19 resulted from the CEO’s termination. Stock prices fluctuate all the time, and any decrease in
20 price could be due to myriad factors, including notably James Cotter, Jr.’s lawsuit against
21 Reading (filed on the same day as his termination), the subsequent complaint filed by the
22 Plaintiffs, or wider economic circumstances such as the crash of the Chinese stock market, which
23 began on the same day as Plaintiff’s termination.⁵ In reality, the performance of Reading shares
24 between June 12 and September 2, 2015, was better than the NASDAQ, Dow, or S&P 500

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26 ⁵ See, e.g., Keith Bradsher & Chris Buckley, *China’s Market Rout Is a Double Threat*, New
27 York Times, July 5, 2015, retrieved from
28 [http://www.nytimes.com/2015/07/06/business/international/chinas-market-rout-is-a-double-
threat.html?_r=0](http://www.nytimes.com/2015/07/06/business/international/chinas-market-rout-is-a-double-threat.html?_r=0) (“About \$2.7 trillion in value has evaporated since the Chinese stock market
peaked on June 12.”).

1 indices. Since James Cotter, Jr.'s termination, Reading shares have at times traded at a higher
2 price than on the day he was terminated. There is no basis for Plaintiffs' unsupported conclusion
3 that any decrease in Reading's share price over the last two-and-a-half months was proximately
4 caused by the company's termination of James Cotter, Jr.. See G.K. Las Vegas Ltd. P 'ship v.
5 Simon Prop. Grp., Inc., 460 F. Supp. 2d 1246, 1261 (D. Nev. 2006) (bald contentions,
6 unsupported characterizations, and legal conclusions are not well-pleaded allegations, and will
7 not suffice to defeat a motion to dismiss).

8 In addition, Plaintiffs themselves allege that Reading's share price increased during the
9 time James Cotter, Jr. was CEO. See Compl., ¶ 22. That is the same time frame as some of the
10 purported corporate waste alleged by Plaintiffs. To the extent Plaintiffs wish to use share price
11 as a proxy for damage to shareholders, then by their own measure many of their claims would
12 lack foundation.

13 Plaintiffs recite, without factual support, that "[a]s a direct and proximate result" of
14 Moving Defendants' conduct, some unspecified injury was suffered. Compl., ¶¶ 42, 48, 52, 56,
15 64. However, Plaintiffs fail to offer any allegations regarding the nature of the supposed injury
16 or damages therefrom and how or why they are related to James Cotter, Jr.'s termination. Mere
17 conclusory allegations with no factual support are insufficient; the Complaint should be
18 dismissed. See Twombly, 550 U.S. at 555. Because Plaintiffs have failed to adequately plead
19 proximate causation, dismissal is proper here. See Brown, 531 F. Supp. 2d at 1245; Bd. of
20 Managers of Foundry at Wash. Park Condo. v. Foundry Dev. Co., No. 4484/2010, 2013 WL
21 4615000, at *2-3 (N.Y. Sup. Ct. Aug. 23 2013) (granting motion to dismiss breach of fiduciary
22 duty claim where allegations failed to make a connection of harm to nominal defendant in
23 derivative action); Stafford v. Reiner, 804 N.Y.S.2d 114, 114-15 (N.Y. App. Div. 2005) ("[E]ven
24 accepting as true the facts alleged in the complaint and affording [plaintiff] the benefit of every
25 possible favorable inference, [plaintiff's] claim that the defendants' breach of fiduciary duty
26 and/or negligence was a proximate cause of the [alleged damages] remains entirely speculative
27 and finds no support in the record.") (citations omitted).

(b) The Existence Of An Executive Committee And The Alleged
Improper Expenditures Did Not Constitute A Breach Of Fiduciary
Duty Or Proximately Cause Any Damages

Plaintiffs' allegations regarding the remaining purported breaches of fiduciary duty are even less sufficient. Plaintiffs do not allege any facts to suggest that Reading's Board engaged in any intentional misconduct with respect to director compensation, the Executive Committee, or the dispensation of corporate funds.

With respect to the Executive Committee, the Complaint does not allege even one action taken by that committee, let alone one that damaged Reading's shareholders or that was opposed by other members of the Board of Directors. The Executive Committee of Reading's Board was established prior to James Cotter, Jr.'s termination and is explicitly authorized by Nevada law and Reading's Bylaws. See Nev. Rev. Stat. § 78.125(1); Ex. A attached hereto at p. 6 (Reading's Amended and Restated Bylaws). Indeed, Reading's May 12, 2015 Form 10-K/A filing with the SEC, which was signed by James Cotter, Jr. as CEO, indicates that James Cotter, Jr. was the chairman of the Executive Committee before his termination. See Ex. C attached hereto at p. 5.

In addition, Plaintiffs' allegations regarding purported corporate waste fail to reach the exceedingly high standard for claims based on such allegations, i.e., "an exchange that is so one sided that no business person of ordinary, sound judgment could conclude that the corporation has received adequate consideration." *Brehm v. Eisner*, 746 A.2d 244, 263 (Del. 2000); see also *In re Disney*, 906 A.2d at 74 ("A claim of waste will arise only in the rare, unconscionable case where directors irrationally squander or give away corporate assets. This onerous standard for waste is a corollary of the proposition that where business judgment presumptions are applicable, the board's decision will be upheld unless it cannot be attributed to any rational business purpose.") (internal citations and quotation marks omitted). There is no allegation here of unconscionable conduct by any director. Plaintiffs simply allege that Reading's directors allocated funds in a manner that Plaintiffs do not like. Plaintiffs may genuinely believe that Reading's Board made flawed decisions regarding corporate funds, but that is not intentional misconduct. See *Shoen v. SAC Holding Corp.*, 137 P.3d 1171, 1181 (Nev. 2006) ("[E]ven a bad

1 decision is generally protected by the business judgment rule’s presumption that the directors
2 acted in good faith, with knowledge of the pertinent information, and with an honest belief that
3 the action would serve the corporation’s interests.”); see also *In re McKesson HBOC, Inc. Sec.*
4 *Litig.*, 126 F. Supp. 2d 1248, 1278 (N.D. Cal. 2000) (“[C]onclusory assertions that directors
5 breached their fiduciary duty of care are inadequate; rather, the complaint must contain well-
6 pleaded allegations to overcome the presumption that the directors’ decisions were informed and
7 reached in good faith.”).

8 In addition, any claim relating to James Cotter, Sr.’s retirement plan is barred by the
9 applicable statute of limitations. Claims for breach of fiduciary duty are governed by a three-
10 year statute of limitations. See *Golden Nugget, Inc. v. A.W. Ham, Jr.*, 646 P.2d 1211, 1223 (Nev.
11 1982). Plaintiffs’ claims in this action are based, at least in part, on a Supplemental Executive
12 Retirement Plan (“SERP”) that was approved by Reading’s Board of Directors in 2007. See
13 Exhibit A attached hereto at p. 7 (“In 2007, our board approved a supplemental executive
14 retirement plan (“SERP”) pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental
15 retirement benefits as a reward for his more than 25 years of service to our company and its
16 predecessors.”). Accordingly, the limitations period for any claim based on this conduct has run,
17 and all such claims must be dismissed.

18 Finally, Plaintiffs have failed to sufficiently allege any damages resulting from the
19 existence of an Executive Committee or any actions of Reading’s Board. A properly-pled claim
20 for damages must show that such damages were proximately caused by “intentional misconduct,
21 fraud or a knowing violation of law” by the defendants. See Nev. Rev. Stat. § 78.138(7). Here,
22 Plaintiffs do not identify a single action of the Executive Committee, let alone what damages the
23 committee allegedly caused. Nor have Plaintiffs identified any damage from any corporate
24 expenditure that resulted from intentional wrongdoing by Moving Defendants, which is required
25 for any claim of damages. Plaintiffs’ conclusory allegations are simply not sufficient, and the
26 failure to identify any damage to shareholders is fatal to the Complaint.

1 **B. Because They Offer No More Than Conclusory Allegations, Plaintiffs Have**
2 **Not Adequately Pleaded Demand Futility**

3 Ordinarily, the plaintiff in a shareholder derivative suit must “set forth with particularity
4 [in the complaint] the efforts of the plaintiff to secure from the board of directors or trustees and,
5 if necessary, from the shareholders such action as the plaintiff desires, and the reasons for the
6 plaintiff’s failure to obtain such action[.]” Nev. Rev. Stat. § 41.520(2). This requirement of pre-
7 suit demand on the defendant corporation’s board of directors is not merely a pleading hurdle or
8 a technicality, but an important “rule of substantive right designed to give a corporation the
9 opportunity to rectify an alleged wrong without litigation, and to control any litigation which
10 does arise.” See Aronson v. Lewis, 473 A.2d 805, 809 (Del. 1984), overruled in part on other
11 grounds by Brehm v. Eisner, 746 A.2d 244 (Del. 2000); Shoen, 137 P.3d at 1184 (adopting the
12 Aronson analysis in Nevada shareholder derivative litigation) (“The Delaware court’s approach
13 is a well-reasoned method for analyzing demand futility and is highly applicable in the context of
14 Nevada’s corporations law. Hence, we adopt the test described in Aronson, as modified by
15 Rales[.]”). Plaintiffs have made no such demand.

16 Accordingly, where, as here, a plaintiff seeking to pursue a derivative action has not
17 made a pre-suit demand on the defendant corporation’s board of directors, the law requires the
18 plaintiff to allege with particularity that demand on the board of directors would have been
19 futile. See Nev. Rev. Stat. § 41.520(2); Nev. R. Civ. P. 23.1. This heightened pleading standard
20 is similar to that required for claims of fraud. See Shoen, 137 P.3d at 1179-80 & n.21 (“[A]
21 shareholder must ‘set forth . . . particularized factual statements that are essential to the claim’
22 that a demand has been made and refused, or that making a demand would be futile or otherwise
23 inappropriate.” (quoting Brehm, 746 A.2d at 254 (noting that the “with particularity” pleading
24 required in shareholder derivative suits is similar to the heightened pleading required for claims
25 involving fraud))); see also La. Mun. Police Emps. Ret. Sys. v. Wynn, No. 2:12-CV-509 JCM
26 GWF, 2014 WL 994616, at *9 (D. Nev. Mar. 13, 2014) (“The plaintiffs have failed their burden
27 to show demand would have been futile. The plaintiffs did not allege with sufficient particularity
28 that the board of directors was disinterested or lacked independence, or that there was reasonable

doubt that there was a valid exercise of business judgment. Therefore, this court will grant the defendants' motion to dismiss.") (internal citations omitted); Teamsters Union 25 Health Servs. & Ins. Plan v. Baiera, No. 9503-CB, 2015 WL 4237352, at *8, 17 (Del. Ch. July 13, 2015) (granting motion to dismiss derivative complaint for failure to adequately plead demand futility with particularity). "[M]ere conclusory assertions will not suffice" Shoen, 137 P.3d at 1180.

Reading has eight directors. Accordingly, demand is not futile if at least five directors can act in a disinterested manner with respect to any of the various claims made by Plaintiffs. Plaintiffs have asserted no claims against James Cotter, Jr. (even though he was Chairman of the Executive Committee and a member of the Board during the time period of the allegedly wasteful transactions) and concede that he is disinterested with respect to the transactions at issue. Likewise, Plaintiffs do not challenge the disinterestedness of directors Gould, Storey, or McEachern. Accordingly, in order to prevail on their claim of demand futility, Plaintiffs must establish that not one of the remaining four directors can act in a disinterested manner with respect to the numerous claims at issue.

Nevada courts recognize two specific scenarios when demand by a shareholder derivative plaintiff may be excused (assuming the factual allegations are pled with particularity). Adopting the reasoning of the Delaware Supreme Court in Aronson v. Lewis, Nevada courts hold that demand is only excused if "under the particularized facts alleged, a reasonable doubt is created that: (1) the directors are disinterested and independent" or "(2) the challenged transaction was otherwise the product of a valid business judgment." See Aronson, 473 A.2d at 814; Shoen, 137 P.3d at 1180-82, 1184 (following Aronson). Here, Plaintiffs have failed to satisfy either Aronson prong. As a result, Plaintiffs do not have standing, and the Complaint should be dismissed for failure to state a claim. See Shoen, 137 P.3d at 1180.

1. Plaintiffs Have Failed to Rebut the Presumption that Reading's Directors Are Capable of Acting in a Disinterested and Independent Fashion

The first Aronson prong asks whether the board of directors can make a disinterested and independent decision when presented with the demand. The first prong only excuses demand

1 where a plaintiff can “show that the protection afforded by the business judgment rule is
2 inapplicable to the board majority approving the transaction because those directors are
3 interested, or are controlled by another who is interested, in the subject transaction[.]” Shoen,
4 137 P.3d at 1182 (quotation marks and citations omitted).

5 A director will be deemed to be interested if the facts alleged “demonstrat[e] a potential
6 personal benefit or detriment to the director as a result of the decision.” See *Beam ex rel. Martha*
7 *Stewart Living Omnimedia, Inc. v. Stewart*, 845 A.2d 1040, 1049 (Del. 2004). The potential
8 personal benefit or detriment must relate specifically to the challenged transaction. See *Rales v.*
9 *Blasband*, 634 A.2d 927, 933 (Del. 1993). “[T]he key principle upon which this area of . . .
10 jurisprudence is based is that the directors are entitled to a presumption that they were faithful to
11 their fiduciary duties[,]” and the burden is upon a derivative plaintiff to overcome that
12 presumption. *Khanna v. McMinn*, No. Civ.A. 20545–NC, 2006 WL 1388744, at *11 (Del. Ch.
13 May 9, 2006) (emphasis in original). Nevada courts have explicitly rejected the proposition that
14 “the demand requirement is excused as to the board of directors merely because the shareholder
15 derivative complaint allege[d] that a majority of the directors participated in wrongful acts,
16 without regard to their impartiality or to the protections of the business judgment rule[.]” Shoen,
17 137 P.3d at 1180-81.

18 Plaintiffs have failed to plead specific, particularized facts—as required by Nevada law—
19 showing that a majority of Reading’s directors are impacted by any debilitating interest or lack
20 of independence sufficient to rebut the presumption that the business judgment rule applies. See
21 Shoen, 137 P.3d at 1181 (“S[ince] [ap]proval of a transaction by the majority of a disinterested
22 and independent board usually bolsters the presumption that the transaction was carried out with
23 the requisite due care, in such cases, a heavy burden falls on a plaintiff to avoid presuit
24 demand.”) (internal brackets and quotation marks omitted).

25 The Complaint refers to a wide range of purportedly improper conduct spanning the
26 course of many years, predating the tenure of certain current directors. This allegedly improper
27 conduct by current and former directors includes:

- 28 • The termination of James Cotter, Jr. as President and CEO in 2015;

- Approval of increased compensation to directors beginning in 2014;
- The continued existence of an Executive Committee of Reading’s Board, of which James Cotter, Jr. served as chairman prior to his termination;
- The approval in 2007 of a retirement plan for James Cotter, Sr.;
- The 2014 reimbursement to Ellen Cotter of \$50,000 in taxes she paid as the result of an exercise of stock options;
- The payment of expenses associated with James Cotter, Sr.’s memorial;
- The payment of performance bonuses to James Cotter, Sr. during the course of his tenure as CEO of Reading.

And yet, Plaintiffs’ demand futility allegations relate almost entirely to the termination of James Cotter, Jr.—and are inadequate even as to that specific claim—and do not even attempt to explain why demand would be futile with respect to all Plaintiffs’ claims. Plaintiffs’ demand futility allegations against Kane, Adams, and Ellen and Margaret Cotter fail for the following reasons:

(a) Allegations Against Kane and Adams

Plaintiffs do not claim any actual knowledge of any basis why Kane and Adams, both independent directors, cannot act in a disinterested manner. Instead, Plaintiffs rely entirely on the allegations—some of which are made solely on information and belief—contained in James Cotter, Jr.’s complaint about these directors’ purported lack of disinterestedness. Every substantive allegation about Kane and Adams is framed in terms of what James Cotter, Jr. alleges in the JJC Complaint. See Compl., ¶¶ 24, 25, 27-30. This complete reliance on unproven allegations in another complaint is improper and falls far short of the particularized and verified factual allegations required by Nevada law. See *Shenk v. Karmazin*, 867 F. Supp. 2d 379, 382 (S.D.N.Y. 2011) (allegations of demand futility insufficient under Federal Rule 23.1(b) and Delaware law where allegations merely relied on another complaint against the company).⁶

⁶ Before filing a complaint, attorneys have a duty to conduct “an inquiry reasonable under the circumstances” Nev. R. Civ. P. 11(b). Relying on allegations in another complaint not yet resolved on the merits does not constitute a reasonable inquiry. See *Maine State Ret. Sys. v.*

1 However, even taken at face value, these borrowed allegations about Kane and Adams’
2 supposed bias against James Cotter, Jr. do not demonstrate that these directors cannot act in a
3 disinterested manner with respect to James Cotter, Jr.’s termination or any transaction identified
4 by Plaintiffs. Plaintiffs claim Kane and Adams are not disinterested because they are controlled
5 by Ellen and Margaret Cotter. This purported control is based on the following allegations made
6 by James Cotter, Jr.:

- 7 • **Kane:** Plaintiffs allege that James Cotter, Jr. alleges that Kane has a “quasi-familial”
8 relationship with Ellen and Margaret Cotter, who call him “Uncle Ed.” Compl., ¶ 24.
9 Plaintiffs allege that James Cotter, Jr. alleges that Kane sought a raise for Ellen Cotter
10 after her father’s passing in order for her to obtain a home loan and wrote a letter to her
11 lender in support of that same loan. Id. Plaintiffs allege that James Cotter, Jr. alleges that
12 Kane sent an email to James Cotter, Jr. suggesting that Ellen Cotter should be given the
13 title she wanted and Margaret Cotter be made co-head of domestic real estate for Reading
14 (though there is no allegation that either suggestion was ever implemented). Id.
15 Plaintiffs allege that James Cotter, Jr. alleges that Kane has “rant[ed]” about the Corleone
16 family from the Godfather films to James Cotter, Jr. Id., ¶ 25.
- 17 • **Adams:** Plaintiffs allege that James Cotter, Jr. alleges that, at one point, Adams derived
18 up to 70-80% of his income from entities controlled by Ellen and Margaret Cotter. Id., ¶
19 28. Plaintiffs allege that James Cotter, Jr. alleges that Adams has a carried interest in
20 certain real estate projects, and that the decision as to whether that interest will be
21 monetized rests with Ellen and Margaret Cotter. Id., ¶ 29. Plaintiffs allege that James

23 Countrywide Fin. Corp., No. 2:10-CV-0302 MRP, 2011 WL 4389689, at *20 (C.D. Cal. May 5,
24 2011) (“This [non-delegable duty to make a reasonable inquiry] means Plaintiffs cannot rely on
25 allegations from complaints in other cases if the Plaintiffs themselves have not investigated the
26 allegations.”); Geinko v. Padda, No. 00 C 5070, 2002 WL 276236, at *6 (N.D. Ill. Feb. 27, 2002)
27 (complaint did not conform with the requirements of Rule 11 where “[p]laintiffs merely have
28 recited facts from other actions, attached copies of those actions, and asserted that red flags emerge
 from those facts”). Further, allegations from another complaint are immaterial as a matter of law,
 and may be stricken from pleadings. In re Countrywide Fin. Corp. Mortg.-Backed Sec. Litig., 934
 F. Supp. 2d 1219, 1226 (C.D. Cal. 2013); RSM Prod. Corp. v. Fridman, 643 F. Supp. 2d 382, 403
 (S.D.N.Y. 2009) aff’d, 387 F. App’x 72 (2d Cir. 2010).

1 Cotter, Jr. alleges Adams was led to believe he would be made CEO of Reading upon
2 James Cotter, Jr.'s termination. *Id.*, ¶ 28.

3 Plaintiffs' allegations with respect to Kane and Adams fail to show a lack of independence.

4 Plaintiffs' conclusory allegations that, according to James Cotter, Jr., Kane has a close
5 relationship with Ellen and Margaret Cotter does not remotely disqualify him from making
6 decisions as a Reading board member. Where futility is purportedly based on control being
7 exerted by an interested person or persons, a plaintiff must allege particularized facts showing
8 that "through personal or other relationships the directors are beholden to the controlling
9 person." *Aronson*, 473 A.2d at 815. "Allegations of mere personal friendship or a mere outside
10 business relationship, standing alone, are insufficient to raise a reasonable doubt about a
11 director's independence." *Beam*, 845 A.2d at 1050; see also *id.* at 1051-52 ("Mere allegations
12 that [co-directors] move in the same business and social circles, or a characterization that they
13 are close friends, is not enough to negate independence for demand excusal purposes."); *La.*
14 *Mun. Police Emps. Ret. Sys. v. Wynn*, 2014 WL 994616, at *6-7 (rejecting allegations of lack of
15 independence based on "lengthy personal and business relationships between board members"
16 and the controlling person including, inter alia, decades-long friendships, political contributions,
17 threats against enemies, million-dollar charitable contributions, and outside financial
18 relationships).

19 Those cases are particularly applicable here, where Kane had the same "quasi-familial"
20 relationship with James Cotter, Jr. as with his sisters. Indeed, not only do Plaintiffs fail to allege
21 with particularity the existence or nature of Ellen and Margaret Cotter's relationship with Kane,
22 but they fail to explain how this relationship had or will have any impact on Kane's vote relating
23 to James Cotter, Jr.'s termination, let alone the myriad other breaches of fiduciary duty alleged in
24 the Complaint. See *La. Mun. Police Emps. Ret. Sys. v. Wynn*, 2014 WL 994616, at *6-7
25 (allegations of personal and business relationships were insufficient to show directors "lacked
26 independence or were unable to objectively consider a transaction. Accordingly, plaintiffs have
27 not alleged with particularity sufficient facts to show that . . . directors lack independence to
28

1 establish that a majority of the board is interested under Shoen to excuse the demand
2 requirement.”).

3 Likewise, the vaguely pleaded supposed benefits being received by Adams are not
4 sufficient to show a lack of independence. See Khanna, 2006 WL 1388744, at *20 (noting that
5 allegations that a benefit is material to a director are necessary to excuse demand, which requires
6 pleading particularized facts “that the alleged benefit was significant enough in the context of the
7 director’s economic circumstances[] as to have made it improbable that the director could
8 perform her fiduciary duties . . . without being influenced by her overriding personal interest”)
9 (internal quotation marks and emphasis omitted) (quoting Orman v. Cullman, 794 A.2d 5, 23
10 (Del. Ch. 2002)). Rather than being pleaded with particularity, Plaintiffs’ vague allegations with
11 respect to Adams are made in wholesale reliance on unsupported claims in the JJC Complaint.
12 Compl., ¶¶ 28-29. Plaintiffs allude to some unnamed, unspecified, and uncertain financial
13 benefit that Adams could potentially receive if he supports Margaret and Ellen Cotter, but these
14 alleged benefits are not pleaded with particularity to show that Adams could not exercise his
15 fiduciary duties to Reading (or even that Adams could not receive these exact same purported
16 benefits with James Cotter, Jr. as President and CEO).⁷ See Beam, 845 A.2d at 1052 (“To create
17 a reasonable doubt about an outside director’s independence, a plaintiff must plead facts that
18 would support the inference that because of the nature of a relationship or additional
19 circumstances other than the interested director’s stock ownership or voting power, the non-
20 interested director would be more willing to risk his or her reputation than risk the relationship
21 with the interested director.”).

22 Plaintiffs do not allege that Adams’ financial fate is actually controlled by Ellen and
23 Margaret Cotter, but only that someone with an axe to grind against Adams (James Cotter, Jr.)

24
25 ⁷ Plaintiffs allege that Margaret and Ellen Cotter controlled Adams’ termination vote in part by
26 suggesting to him that he would succeed James Cotter, Jr. as CEO of Reading. Compl., ¶ 28.
27 However, once James Cotter, Jr. was terminated, Ellen Cotter was appointed interim CEO. Id.
28 Therefore, even if Adams had been motivated by a desire to become CEO himself, which he was
not, it is now clear that opportunity no longer exists and is therefore irrelevant in the demand
futility context.

1 made an allegation of generalized financial ties. Compl., ¶¶ 28, 29. The alleged “benefit” to be
2 received by Adams—accepting all allegations in the Complaint as true—seems to be nothing
3 more than the chance to curry favor with Ellen and Margaret Cotter; this is not the specific,
4 direct financial benefit required by the law and has nothing to do with the majority of Plaintiffs’
5 claims. Instead, Plaintiffs’ claims are the very type of conclusory allegations that do not meet
6 the “heavy burden” necessary excuse pre-suit demand in a Nevada derivative claim. See Shoen,
7 137 P.3d at 1181-82.

8 (b) Allegations Against Ellen and Margaret Cotter

9 As with their allegations about Kane and Adams’ lack of independence, Plaintiffs rely
10 entirely on claims made by James Cotter, Jr. for their conclusion that Ellen and Margaret Cotter
11 are not disinterested directors. Compl., ¶¶ 31-32. As already discussed, this selective cut-and-
12 paste approach falls far short of the heightened pleading requirements for demand futility
13 required under Nevada law.

14 Even accepting Plaintiffs’ secondhand allegations as true, the Complaint fails to
15 demonstrate that Ellen and Margaret Cotter are not disinterested. Plaintiffs appear to suggest
16 that Ellen and Margaret Cotter could not act in an independent manner in connection with a
17 demand relating to James Cotter, Jr.’s termination because of their ongoing trust and estate
18 litigation with him. See Compl., ¶¶ 31-32. Ellen and Margaret Cotter allegedly voted to
19 terminate James Cotter, Jr. because he would not accept a proposed settlement agreement in the
20 family’s estate litigation. Id. This demand futility allegation fails as a matter of law. See Beam,
21 845 A.2d at 1049. The mere fact that Ellen and Margaret Cotter are engaged in litigation with
22 their brother over their father’s estate does not render them incapable of exercising business
23 judgment with respect to Reading. See Fagin v. Gilmartin, 432 F.3d 276, 283-84 (3d Cir. 2005)
24 (“Potential liability from other, unrelated litigation would not make [the company’s] directors
25 interested in the decision to consider a demand for this specific derivative suit.”); Richardson v.
26 Ulsh, No. CIV.A. 06-3934 MLC, 2007 WL 2713050, at *15 (D.N.J. Sept. 13, 2007) (same). Nor
27 does the Complaint identify any advantage obtained by Ellen and Margaret Cotter in the trust
28 and estate litigation by terminating James Cotter, Jr. as CEO. See Shoen, 137 P.3d at 1182 (“[A]

1 director who has divided loyalties in relation to, or who has or is entitled to receive specific
2 financial benefit from, the subject transaction, is an interested director.”) (emphasis added).

3 The vague possibility that a director could have been acting for any reason other than his
4 or her best business judgment is insufficient to support a finding of any problematic relationship.
5 Aronson, 473 A.2d at 815 (stating that a “mere threat . . . is insufficient to challenge either the
6 independence or disinterestedness of directors”). Even if the trust and estate litigation impacted
7 Ellen and Margaret Cotter’s disinterestedness with respect to James Cotter, Jr.—and it does
8 not—it would have no impact on their assessment of a demand relating to any of the other
9 purported Board wrongdoing alleged by Plaintiffs. In addition to being directors, Ellen and
10 Margaret Cotter are significant shareholders of Reading and own far more shares than Plaintiffs.
11 It is of course in their best interest to maximize the value of Reading’s shares, and as major
12 shareholders their interest in doing so is far greater than that of Plaintiffs. Reading was built by
13 Ellen and Margaret Cotter’s father, and their and their family’s long-term financial interests and
14 security are inextricably tied to the company. The more attractive Reading shares are to
15 investors and the market, the more Ellen and Margaret Cotter’s shares are worth. Reading’s
16 financial health is far more valuable to Ellen and Margaret Cotter than any of the short-term
17 personal financial benefits alleged in the Complaint.

18 (c) Allegations Relating to the Executive Committee

19 Plaintiffs allege—relying on claims made by James Cotter, Jr., but this time in a motion
20 filed by him rather than a verified complaint—that Ellen Cotter, Margaret Cotter, Kane, and
21 Adams are not disinterested because they have allegedly formed an Executive Committee of the
22 Board of Directors. Compl., ¶ 33. Even setting aside that the Executive Committee was formed
23 long before James Cotter, Jr.’s termination and that James Cotter, Jr. was the Chairman of that
24 committee,⁸ Plaintiffs do not identify a single improper action taken by the Executive Committee
25 or offer any explanation as to why membership in this committee would somehow render a
26 director improperly interested. That a director engaged in the complained-of conduct does not
27

28 ⁸ See Ex. C attached hereto at p. 5.

1 somehow rebut the presumption that a director is disinterested and exercising proper business
2 judgment. See Shoen, 137 P.3d at 1180-81 (“[T]he demand requirement is [not] excused as to
3 the board of directors merely because the shareholder derivative complaint alleges that a
4 majority of the directors participated in wrongful acts, without regard to their impartiality or to
5 the protections of the business judgment rule[.]”).

6 2. Plaintiffs Have Failed To Rebut The Presumption That Reading’s Board of
7 Directors at All Times Exercised Proper Business Judgment

8 Under the second Aronson prong, demand may be excused as futile where the derivative
9 claimant “plead[s] particularized facts creating a reasonable doubt as to the ‘soundness’ of the
10 challenged transaction sufficient to rebut the presumption that the business judgment rule
11 attaches to the transaction.” Khanna, 2006 WL 1388744, at *23 n.168 (citation omitted). The
12 business judgment rule “presumes that the directors have complied with their duties to
13 reasonably inform themselves of all relevant, material information and have acted with the
14 requisite care in making the business decision.” Shoen, 137 P.3d at 1181. Accordingly, the
15 business judgment rule creates a “presumption that in making a business decision the directors of
16 a corporation acted on an informed basis, in good faith and in the honest belief that the action
17 taken was in the best interests of the” organization. Id. at 1178-79 (quotation marks and citation
18 omitted). Consistent with the theory underlying the business judgment rule, the party
19 challenging the decision bears the burden of establishing facts that rebut the presumption. See
20 id. Because the business judgment rule protects the corporate management decisions so long as
21 they can be “attributed to any rational business purpose,” Katz v. Chevron Corp., 22 Cal. App.
22 4th 1352, 1366 (1994) (quotation marks and citations omitted), “a heavy burden falls on plaintiff
23 to avoid presuit demand.” Shoen, 137 P.3d at 1181.

24 Plaintiffs have not come close to meeting their heavy burden here. Plaintiffs appear to
25 suggest that each of the seven director defendants (the Moving Defendants, Storey, and Gould)
26 failed to exercise proper business judgment with respect to the Board’s decision to increase
27 director compensation to bring that compensation in line with the market. Compl., ¶ 23; see also
28 Ex. C attached hereto at p. 18-19 (outlining 2014 director compensation and showing that base

1 director compensation was only \$35,000/year prior to any increase). However, Plaintiffs fail to
2 identify any reason why this was not an exercise of proper business judgment, instead relying on
3 a conclusory allegation that this vote was an example of the Board “wasting the corporate assets
4 to promote their own personal financial interests.” Compl., ¶ 23. Plaintiffs’ invective is not
5 enough here; quite simply, Plaintiffs fail to allege facts sufficient to rebut the presumption that
6 Reading’s Board, including the Moving Defendants, believed themselves to be acting in the best
7 interests of the corporation in making decisions about director compensation. Because Plaintiffs
8 fail to satisfy either prong of the Aronson demand futility test, the Complaint should be
9 dismissed.

10 3. Plaintiffs Make No Allegations Regarding How Any Director’s Purported
11 Bias Against James Cotter, Jr. Would Impact A Demand On The Board
Relating To Any Of Plaintiffs’ Other Claims

12 As discussed above, despite the fact the Plaintiffs allege a laundry list of wrongdoing by
13 Reading’s directors, Plaintiffs’ demand futility allegations are focused almost exclusively on the
14 termination of James Cotter, Jr. Not only are Plaintiffs’ allegations inadequate with respect to
15 that particular claim, but Plaintiffs do not and cannot explain how a supposed bias against James
16 Cotter, Jr. would have any impact on a demand relating to any other claim.

17 Nevada Rule of Civil Procedure Section 23.1 requires a derivative plaintiff to “allege
18 with particularity the efforts, if any, made by the plaintiff to obtain the action the plaintiff desires
19 from the directors or comparable authority and, if necessary, from the shareholders or members,
20 and the reasons for the plaintiff’s failure to obtain the action or for not making the effort.” In
21 describing what action is desired by the directors, a plaintiff must explain the details of the
22 allegation, including the responsible parties, the relief requested, and the injury caused. See
23 *Energytec, Inc. v. Proctor*, Nos. 3:06–CV–0871–L, 3:06–CV–0933–L, 2008 WL 4131257, at *4
24 (N.D. Tex. Aug. 29, 2008) (applying Nevada law, a demand that “did not explicitly discuss
25 wrongful activities, name the responsible parties, propose remedial relief, and allege specific
26 injury to the corporation” was insufficient to meet the demand requirement) (citing *Levner v.*
27 *Saud*, 903 F. Supp. 452, 456 (S.D.N.Y. 1994), *aff’d* 61 F.3d 8 (2d Cir. 1995); *Allison v. General*
28 *Motors Corp.*, 604 F. Supp. 1106, 1117 (D. Del.), *aff’d* 782 F.2d 1026 (3d Cir.1985)); *Allison*,

1 604 F. Supp. at 1117 (“At a minimum, a demand must identify the alleged wrongdoers, describe
2 the factual basis of the wrongful acts and the harm caused to the corporation, and request
3 remedial relief.”).

4 Here, Plaintiffs do not identify what action they desire from Reading’s Board of Directors
5 or why any Reading director cannot properly assess any particular request (besides generally
6 alluding to a bias against James Cotter, Jr. that is irrelevant to the majority of Plaintiffs’ claims).
7 Presumably, whatever demand Plaintiffs would make on the current Board is different with
8 respect to, for example, James Cotter, Jr.’s termination versus the bonuses allegedly paid to
9 James Cotter, Sr. or the existence of an Executive Committee. But Plaintiffs never specify what
10 action it expects the Board to take, let alone why a current director cannot apply sound and
11 independent business judgment to a demand for that specific action. In addition, Plaintiffs do
12 not explain why current directors could not properly evaluate a demand relating to conduct that
13 predated their board tenure. See Shoen, 137 P.3d at 1182-84 (describing different demand
14 futility tests where the allegedly improper action was taken by former as opposed to current
15 board members).

16 Plaintiffs’ unsupported, vague, and conclusory allegations make it impossible to
17 determine how or why any current director might not be disinterested with respect to some
18 unidentified, ambiguous demand on the Board relating to conduct that occurred as long as eight
19 years ago. Plaintiffs bear the burden of showing futility with respect to a majority of directors
20 for each potential demand on the Board. Plaintiffs do not provide anywhere near enough
21 specificity to even begin that analysis, let alone to rebut the presumption of disinterestedness.
22 Accordingly, Plaintiffs’ demand futility allegations fail as a matter of law.

23 C. **Plaintiffs Have Failed to Properly Plead “Contemporaneous Ownership,” an**
24 **Essential Element of a Derivative Action**

25 The Nevada Supreme Court requires that a plaintiff plead “contemporaneous ownership”
26 to have standing to bring a derivative lawsuit. See Keever v. Jewelry Mountain Mines, Inc., 100
27 Nev. 576, 577 (1984). Specifically, a plaintiff bringing a Rule 23.1 derivative action lacks
28 standing unless he “owned stock in the corporation ‘at the time of the transaction of which he

1 complains' and throughout the pendency of the suit." Id. ("The requirement that the
2 representative plaintiff has an ongoing proprietary interest in the corporation ensures that the
3 corporation's interests in the derivative action will be adequately represented."); see also Nev. R.
4 Civ. P. 23.1 (requiring a derivative plaintiff to "allege that the plaintiff was a shareholder or
5 member at the time of the transaction of which the plaintiff complains").

6 Here, Plaintiffs fail to allege their ownership of Reading shares during the relevant time
7 period. Indeed, Plaintiffs do not even identify what the relevant time period is, let alone when
8 they acquired Reading shares. This suit concerns conduct dating back at least eight years.
9 Plaintiffs' "corporate waste" cause of action, for example, relates to performance bonuses given
10 to James J. Cotter, Sr. during the course of his long tenure at the company. See Compl., ¶ 63.
11 The retirement plan at issue was approved in 2007.⁹ Not one of the numerous Plaintiffs states
12 when it allegedly acquired Reading stock, though each alleges that it is a current owner. See id.
13 ¶¶ 2-8. However, given the long and unspecified time period over which Moving Defendants'
14 alleged misconduct occurred, current stock ownership does not demonstrate (or even imply)
15 contemporaneous ownership at the time of any purported breaches of fiduciary duty.¹⁰ Plaintiffs
16 have failed to alleged contemporaneous ownership of Reading shares and therefore lack standing
17 to bring this claim.

18 ///

19 ///

24 ⁹ See Ex. C attached hereto at p. 7.

25 ¹⁰ Plaintiffs' general allegation that they have "at all relevant times" been Reading shareholders
26 is insufficient. See *In re RINO Int'l Corp. Deriv. Litig.*, Nos. 2:10-CV-02209-RLH, 2:10-CV-
27 02244-KJD, 2011 WL 5245426, *2 (D. Nev. Nov. 2, 2011) ("Mere allegations that Plaintiffs 'have
28 owned [a company's] stock during the Relevant Period ... and continue to own the Company's
common stock' are insufficient. These 'relevant period' type allegations are the only type of
allegations present in this complaint. Thus, the Court is compelled to dismiss the complaint for
this reason alone.") (internal citation omitted).

V. CONCLUSION

WHEREFORE, based on the foregoing, Moving Defendants respectfully request the Court dismiss the Complaint in its entirety.

Dated this 3rd day of September, 2015.

COHEN-JOHNSON, LLC

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CERTIFICATE OF SERVICE

I hereby certify that on the 3rd day of September, 2015, I served a copy of the foregoing
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EXHIBIT A

AMENDED AND RESTATED

BYLAWS

OF

Reading International, Inc.

A Nevada Corporation

(formerly Citadel Holding Corporation)

AMENDED AND RESTATED
BYLAWS
OF
READING INTERNATIONAL, INC.

A Nevada Corporation

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AMENDED AND RESTAED
BYLAWS¹
OF
READING INTERNATIONAL, INC.
A Nevada Corporation

**ARTICLE I
STOCKHOLDERS**

SECTION 1 ANNUAL MEETING

Annual meetings of the stockholders, commencing with the year 2000, shall be held each year within 150 days of the end of the fiscal year on the third Thursday in May if not a legal holiday, and if a legal holiday, then on the next secular day following at ten o'clock a.m., or such other date and time as may be set by the Board of Directors² from time to time and stated in the notice of the meeting, at which the stockholders shall elect by a plurality vote a Board of Directors and transact such other business as may properly be brought before the meeting.

SECTION 2 SPECIAL MEETINGS

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the Chairman or Vice Chairman of the Board or the President, and shall be called by the Chairman, Vice Chairman or President at the written request of a majority of the Board of Directors or at the written request of stockholders owning outstanding shares representing a majority of the voting power of the Corporation. Such request shall state the purpose or purposes of such meeting.

SECTION 3 NOTICE OF MEETINGS

Written notice of stockholders meetings, stating the place, date and hour thereof, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote thereat at least ten days but not more than sixty days before the date of the meeting, unless a different period is prescribed by statute. Business transacted any special meeting of the stockholders shall be limited to the purpose or purposes stated in the notice.

¹ These Amended and Restated Bylaws are hereinafter referred to as the Bylaws.

² The "Board" and "Board of Directors" are hereinafter used in reference to the Board of Directors of Reading International, Inc.

SECTION 4 PLACE OF MEETINGS

All annual meetings of the stockholders shall be held in the County of Los Angeles, State of California, at such place as may be fixed from time to time by the Board of Directors, or at such other place within or without the State of Nevada as the directors shall determine. Special meetings of the stockholders may be held at such time and place within or without the State of Nevada as shall be stated in the notice of the meeting, or in a duly executed waiver of notice thereof. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

SECTION 5 STOCKHOLDER LISTS

The officer who has charge of the stock ledger of the Corporation shall prepare and make, not less than ten nor more than sixty days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any proper purpose germane to the meeting, during ordinary business hours for a period not less than ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 6 QUORUM; ADJOURNED MEETINGS

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 7 VOTING

Except as otherwise provided by statute or the Articles of Incorporation or these Bylaws, and except for the election of directors, at any meeting duly called and held at which a quorum is present, a majority of the votes cast at such meeting upon a given matter by the holders of outstanding shares of stock of all classes of stock of the Corporation entitled to vote thereon who are present in person or by proxy shall decide such matter. At any meeting duly called and held for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes cast by the holders (acting as such) of shares of stock of the Corporation entitled to elect such directors.

SECTION 8 PROXIES

At any meeting of the stockholders any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No proxy, proxy revocation or power of attorney to vote shall be used at a meeting of the stockholders unless it shall have been filed with the secretary of the meeting; provided, however, nothing contained herein shall prevent any stockholder from attending any meeting and voting in person. All questions regarding the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by the inspectors of election who shall be appointed by the Board of Directors, or if not so appointed, then by the presiding officer of the meeting.

SECTION 9 ACTION WITHOUT MEETING

Any action which may be taken by the vote of the stockholders at a meeting may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power, unless the provisions of the statutes governing the Corporation or of the Articles of Incorporation require a different proportion of voting power to authorize such action in which case such proportion of written consents shall be required. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

SECTION 10 CERTAIN LIMITATIONS

The Board of Directors shall not, without the prior approval of the stockholders, adopt any procedures, rules or requirements which restrict a stockholders right to (i) vote, whether in person, by proxy or by written consent; (ii) elect, nominate or remove directors; (iii) call a special meeting; or (iv) to bring new business before the stockholders, except as may be required by applicable law.

ARTICLE II DIRECTORS

SECTION 1 MANAGEMENT OF CORPORATION

The business of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

SECTION 2 NUMBER, TENURE, AND QUALIFICATIONS

The number of directors, which shall constitute the whole board, shall be nine (9). Thereafter, the number of directors may from time to time be increased or decreased to not less than one nor more than ten by action of the Board of Directors. The directors shall be elected by

the holders of shares entitled to vote thereon at the annual meeting of the stockholders and, except as provided in Section 4 of this Article, each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

SECTION 3 CHAIRMAN AND VICE CHAIRMAN OF THE BOARD

The directors may elect one of their members to be Chairman of the Board of Directors and one of their members to be Vice Chairman of the Board of Directors. The Chairman and Vice Chairman shall be subject to the control of and may be removed by the Board of Directors. The Chairman and Vice Chairman shall perform such duties as may from time to time be assigned to them by the Board of Directors.

SECTION 4 VACANCIES; REMOVAL

Vacancies in the Board of Directors, including those caused by an increase in the number of directors, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual or a special meeting of the stockholders. The holders of no less than two-thirds of the outstanding shares of stock entitled to vote may at any time peremptorily terminate the term of office of all or any of the directors by vote at a meeting called for such purpose or by written consent filed with the Secretary or, in his absence, with any other officer. Such removal shall be effective immediately, even if successors are not elected simultaneously.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any directors, or if the authorized number of directors be increased, or if the stockholders fail at any annual or special meeting of stockholders at which any director or directors are elected to elect the full authorized number of directors to be voted for at that meeting.

If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board or the stockholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

SECTION 5 ANNUAL AND REGULAR MEETINGS

Annual and regular meetings of the Board of Directors shall be held at any place within or without the State of Nevada that has been designated from time to time by resolution of the Board of Directors or by written consent of all members of the Board of Directors. In the absence of such designation, annual and regular meetings shall be held at the registered office of the Corporation. Regular meetings of the Board of Directors may be held without call or notice at such time and at such place as shall from time to time be fixed and determined by the Board of Directors.

SECTION 6 FIRST MEETING

The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the directors in order legally to constitute the meeting, provided a quorum is present. In the event of the failure of the stockholders to fix the time and place of such first meeting, or in the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

SECTION 7 SPECIAL MEETINGS

Special meetings of the Board of Directors may be called by the Chairman or Vice Chairman of the Board or the President upon notice to each director, either personally or by mail or by telegram. Upon the written request of a majority of the directors, the Chairman or Vice Chairman of the Board or the President shall call a special meeting of the Board to be held within two days of the receipt of such request and shall provide notice thereof to each director, either personally or by mail or by telegram.

SECTION 8 BUSINESS OF MEETINGS

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 9 QUORUM; ADJOURNED MEETINGS

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number is required by law or by the Articles of Incorporation. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other members of the Board shall be as valid and effective in all respects as if passed by the Board of Directors in a regular meeting.

A quorum of the directors may adjourn any directors meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the directors present at any directors' meeting, either regular or special, may adjourn from time to time, without notice other than announcement at the meeting, until a quorum is present.

Notice of the time and place of holding an adjourned meeting need not be given to the absent directors if the time and place are fixed at the meeting adjourned.

SECTION 10 COMMITTEES

The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees of the Board of Directors, each committee to consist of at least one or more directors of the Corporation which, to the extent provided in the resolution, shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the Corporation and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power to amend the Articles of Incorporation, to adopt an agreement or plan of merger or consolidation, to recommend to the stockholders a sale, lease or exchange of all or substantially all of the Corporation's assets, to recommend to the stockholders dissolution or revocation of dissolution, or to amend these Bylaws, and, unless the resolution or the Articles of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by the Board of Directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The members of any such committee present at any meeting and not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. At meetings of such committees, a majority of the members or alternate members shall constitute a quorum for the transaction of business, and the act of a majority of the members or alternate members at any meeting at which there is a quorum shall be the act of the committee.

The committees, if required by the Board, shall keep regular minutes of their proceedings and report the same to the Board of Directors.

SECTION 11 ACTION WITHOUT MEETING; TELEPHONE MEETINGS

Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

Nothing contained in these Bylaws shall be deemed to restrict the powers of members of the Board of Directors, or any committee thereof, to participate in a meeting of the Board or committee by means of telephone conference or similar communications equipment whereby all persons participating in the meeting can hear each other.

SECTION 12 SPECIAL COMPENSATION

The directors may be paid their expenses of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director as fixed by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees may be allowed like reimbursement and compensation for attending committee meetings.

ARTICLE III NOTICES

SECTION 1 NOTICE OF MEETINGS

Whenever, under the provisions of the Articles of Incorporation or applicable law or these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholders, at his address as it appears on the records of the Corporation, postage prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Notices of meetings of stockholders shall be in writing and signed by the President or a Vice-President or the Secretary or an Assistant Secretary or by such other person or persons as the directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time and the place, which may be within or without this State, where it is to be held. Personal delivery of any notice to any officer of a corporation or association, or to any member of a partnership, shall constitute delivery of such notice to such corporation, association or partnership. In the event of the transfer of stock after delivery of such notice of and prior to the holding of the meeting it shall not be necessary to deliver or mail notice of the meeting to the transferee.

SECTION 2 EFFECT OF IRREGULARLY CALLED MEETINGS

Whenever all parties entitled to vote at any meeting, whether of directors or stockholders, consent, either by a writing on the records of the meeting or filed with the secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

SECTION 3 WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of the statutes, the Articles of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE IV OFFICERS

SECTION 1 ELECTION

The officers of the Corporation shall be elected annually at the first meeting by the Board of Directors held after each annual meeting of the stockholders and shall be a President, one or more Vice Presidents, a Treasurer and a Secretary, and such other officers with such titles and duties as the Board of Directors may determine, none of whom need be directors. The President shall be the Chief Executive Officer, unless the Board designates the Chairman of the Board as Chief Executive Officer. Any person may hold one or more offices and each officer shall hold office until his successor shall have been duly elected and qualified or until his death or until he shall resign or is removed in the manner as hereinafter provided for such term as may be prescribed by the Board of Directors from time to time.

SECTION 2 CHAIRMAN AND VICE CHAIRMAN OF THE BOARD

The Board of Directors at its first annual meeting after each annual meeting of the stockholders may choose a Chairman and Vice Chairman of the Board from among the directors of the Corporation. The Chairman of the Board, and in his absence the Vice Chairman, shall preside at meetings of the stockholders and the Board of Directors and shall see that all orders and resolutions of the Board of Directors are carried into effect.

SECTION 3 PRESIDENT

The President shall be the chief operating officer of the Corporation, shall also be a director and shall have active management of the business of the Corporation. The President shall execute on behalf of the Corporation all instruments requiring such execution except to the extent the signing and execution thereof shall be expressly designated by the Board of Directors to some other officer or agent of the Corporation.

SECTION 4 VICE-PRESIDENT

The Vice-President shall act under the direction of the President and in the absence or disability of the President shall perform the duties and exercise the powers of the President. The Vice-President shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe. The Board of Directors may designate one or more Executive Vice-Presidents or may otherwise specify the order of seniority of the Vice-Presidents. The duties and powers of the President shall descend to the Vice-Presidents in such specified order of seniority.

SECTION 5 SECRETARY

The Secretary shall act under the direction of the President. Subject to the direction of the President, the Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record the proceedings. The Secretary shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all

meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the President or the Board of Directors.

SECTION 6 ASSISTANT SECRETARIES

The Assistant Secretaries shall act under the direction of the President. In order of their seniority, unless otherwise determined by the President or the Board of Directors, they shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

SECTION 7 TREASURER

The Treasurer shall act under the direction of the President. Subject to the direction of the President, the Treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the President or the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of such person's office and for the restoration to the Corporation, in case of such person's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in such person's possession or under such person's control belonging to the Corporation.

SECTION 8 ASSISTANT TREASURERS

The Assistant Treasurers in the order of their seniority, unless otherwise determined by the President or the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time prescribe.

SECTION 9 COMPENSATION

The Board of Directors shall fix the salaries and compensation of all officers of the Corporation.

SECTION 10 REMOVAL; RESIGNATION

The officers of the Corporation shall hold office at the pleasure of the Board of Directors. Any officer elected or appointed by the Board of Directors, or any member of a committee, may

be removed at any time, with or without cause, by the Board of Directors by a vote of not less than a majority of the entire Board at any meeting thereof or by written consent. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors for the unexpired portion of the term.

Any director or officer of the Corporation, or any member of any committee, may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President, or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if the time is not specified, then upon receipt thereof. The acceptance of such resignation shall not be necessary to make it effective.

ARTICLE V CAPITAL STOCK

SECTION 1 CERTIFICATED AND UNCERTIFICATED SHARES OF STOCK

Shares of stock in the Corporation shall be represented by certificates, or shall be uncertificated, as determined by the Board of Directors in its discretion. As to any shares represented by certificates, every stockholder shall be entitled to have a certificate signed by the Chairman or Vice Chairman of the Board of Directors, the President or a Vice-President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such person in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of the various classes of stock or series thereof and the qualifications, limitations or restrictions of such rights, shall be set forth in full or summarized on the face or back of any certificate which the Corporation shall issue to represent such stock; provided, however, that except as otherwise provided in NRS 78.242, in lieu of the foregoing requirements, there may be set forth on the face or back of any certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests, the designations, preferences and relative, participating, optional or other special rights of the various classes or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

If a certificate representing stock is signed (1) by a transfer agent other than the Corporation or its employees or (2) by a registrar other than the Corporation or its employees, the signatures of the officers of the Corporation may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall cease to be such officer before such certificate is issued, such certificate may be issued with the same effect as though the person had not ceased to be such officer. The seal of the Corporation, or a facsimile thereof, may, but need not be, affixed to any certificates representing stock.

SECTION 2 SURRENDERED; LOST OR DESTROYED CERTIFICATES

The Board of Directors or any transfer agent of the Corporation may direct a new certificate or certificates to be issued, or, if such stock is no longer certificated, a registration of such stock, in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed upon the making of an affidavit of that fact by the person claiming

the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, or new registration of uncertificated stock, the Board of Directors (or any transfer agent of the Corporation authorized to do so by a resolution of the Board of Directors) may, in its discretion and as a condition precedent to the issuance or registration thereof, require the owner, of such lost or destroyed certificate or certificates, or the owner's legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

SECTION 3 REGULATIONS

The Board of Directors shall have the power and authority to make all such rules and regulations and procedures as it may deem expedient concerning the issue, transfer and cancellation of stock of the Corporation and replacement of any stock certificates representing stock and registration and re-registration of any uncertificated stock.

SECTION 4 RECORD DATE

The Board of Directors may fix in advance a date not more than sixty days nor less than ten days preceding the date of any meeting of stockholders, or the date for the payment of any distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining the consent of stockholders for any purpose, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting, and any adjournment thereof, or entitled to receive payment of any such distribution, or to give such consent, and in such case, such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to notice of and to vote at such meeting, or any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

SECTION 5 REGISTERED OWNER

The Corporation shall be entitled to recognize the person registered on its books as the owner of the shares to be the exclusive owner for all purposes, including voting and distribution, and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

ARTICLE VI GENERAL PROVISIONS

SECTION 1 REGISTERED OFFICE

The registered office of the Corporation shall be in the County of Clark, State of Nevada. The principal office of the Corporation shall be located in the County of Los Angeles, State of California.

The Corporation may also have offices at such other places both within and without the State of Nevada as the Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 2 CHECKS; NOTES

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 3 FISCAL YEAR

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

SECTION 4 STOCK OF OTHER CORPORATIONS OR OTHER INTERESTS

Unless otherwise ordered by the Board of Directors, the President, the Secretary, and such other attorneys or agents of the Corporation as may be from time to time authorized by the Board of Directors or the President, shall have full power and authority on behalf of the Corporation to attend and to act and vote in person or by proxy at any meeting of the holders of securities of any corporation or other entity in which the Corporation may own or hold shares or other securities, and at such meetings shall possess and may exercise all the rights and powers incident to the ownership of such shares or other securities which the Corporation, as the owner or holder thereof, might have possessed and exercised if present. The President, the Secretary or other such attorneys or agents may also execute and deliver on behalf of the Corporation, powers of attorney, proxies, consents, waivers and other instruments relating to the shares or securities owned or held by the Corporation.

SECTION 5 CORPORATE SEAL

The corporation will have a corporate seal, as may from time to time be determined by resolution of the Board of Directors. If a corporate seal is adopted, it shall have inscribed thereon the name of the corporation and the words "Corporate Seal" and "Nevada." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

SECTION 6 ANNUAL STATEMENT

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by a vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

SECTION 7 DIVIDENDS

Dividends upon the capital stock of the Corporation, subject to the provision of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation.

Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute and sole discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property or the Corporation, or for such other purpose or purposes as the directors believe to be in the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 8 CONFLICTS OF INTEREST

In the event of any proposed transaction which would result in the merger of the Corporation with or into any other company or entity, or the sale, dividend, spin-off or transfer of all or substantially all of the assets of the Corporation, whether in one or more related transactions (a "Covered Transaction"), such Covered Transaction shall require the approval of a two-thirds majority of the Board of Directors after a review and written report of the terms and fairness of such transaction have been conducted and prepared by a special committee of the Board appointed to conduct such review. Such special committee shall consist of not less than two directors and shall be composed entirely of directors who are neither employees, directors, officers, agents or appointees or representatives of any company or entity affiliated with any party to the Covered Transaction, other than the Corporation. Such special committee is authorized to retain such professional advisors, including investment bankers, attorneys, and accountants as it may determine, in its sole discretion, to be appropriate under the circumstances.

ARTICLE VII INDEMNIFICATION

SECTION 1 INDEMNIFICATION OF OFFICERS AND DIRECTORS, EMPLOYEES AND AGENTS

Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or a person of whom that person is the legal representative is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation or for its benefit as a director, officer, employee or agent of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the NRS from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. The expenses of officers, directors, employee or agents incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay the amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Corporation. Such right of indemnification shall be a contract right, which may be enforced in any manner desired by such person. Such right of indemnification shall not be exclusive of any other right which such directors, officers, employees or agents may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law or otherwise, as well as their rights under this Article VII.

SECTION 2 INSURANCE

The Board of Directors may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the Corporation would have the power to indemnify such person.

SECTION 3 FURTHER BYLAWS

The Board of Directors may from time to time adopt further Bylaws with respect to indemnification and may amend these and such Bylaws to provide at all times the fullest indemnification permitted by the laws of the State of Nevada.

ARTICLE VIII AMENDMENTS

SECTION 1 AMENDMENTS BY STOCKHOLDERS

The Bylaws may be amended by the stockholders at any annual or special meeting of the stockholders by a majority vote, provided notice of intention to amend or repeal shall have been contained in the notice of such meeting.

SECTION 2 AMENDMENTS BY BOARD OF DIRECTORS

The Board of Directors at any regular or special meeting by a majority vote may amend these Bylaws, including Bylaws adopted by the stockholders, but the stockholders may from time to time specify particular provisions of the Bylaws, which shall not be amended by the Board of Directors.

CERTIFICATE OF SECRETARY

I, the undersigned, hereby certify that I am the duly elected and qualified Secretary of Reading International, Inc. (formerly Citadel Holding Corporation), a Nevada corporation (the “Company”), and that the foregoing Bylaws, consisting of 17 pages (including cover page and table of contents), constitute the Amended and Restated Bylaws of the Company as duly adopted by the Board of Directors on November 19, 1999 and amended by the Board of Directors on March 21, 2002, September 26, 2002, October 15, 2004, December 27, 2007 and December 28, 2011

IN WITNESS WHEREOF, I have hereunto subscribed my name this 28th of December, 2011.

Andrzej Matyczynski, Secretary

EXHIBIT B

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): September 1, 2015

READING INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction of Incorporation)

1-8625
(Commission File Number)

95-3885184
(I.R.S. Employer Identification No.)

6100 Center Drive
Suite 900
Los Angeles, California
(Address of Principal Executive Offices)

90045
(Zip Code)

(213) 235-2240
(Registrant's Telephone Number, Including Area Code)

n/a
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

Item 8.01 Other Events.

Reading International, Inc.'s ("we," "our," "us," "Reading" or the "Company") 2015 Annual Meeting of Stockholders (the "2015 Annual Meeting") will be held on Tuesday, November 10, 2015, at a time and location still to be determined. The record date for the determination of Stockholders entitled to receive notice of and to vote at the 2015 Annual Meeting shall be the close of business on Tuesday October 6, 2015. Because the date of the 2015 Annual Meeting differs by more than thirty (30) days from the anniversary date of the 2014 Annual Meeting of Stockholders (the "2014 Annual Meeting"), which was held on Thursday, May 15, 2014, the Company is providing this information in accordance with Rule 14a-5(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Deadline for Stockholder Proposals Submitted Pursuant to Rule 14a-8 of the Exchange Act

As noted above, the 2015 Annual Meeting date represents a change of more than thirty (30) days from the anniversary date of the 2014 Annual Meeting. As a result, pursuant to Rule 14a-8 under the Exchange Act, the Company has set a new deadline for the receipt of any Stockholder proposals submitted pursuant to Rule 14a-8 of the Exchange Act for inclusion in the Company's proxy materials for the 2015 Annual Meeting. Pursuant to Rule 14a-8(e)(2) under the Exchange Act, such proposals must be received by the Company's Secretary on or before the close of business on Friday, September 25, 2015, which the Company has determined to be a reasonable time before it expects to begin to print and send its proxy materials. Such proposals also need to comply with the rules of the Securities and Exchange Commission regarding the inclusion of Stockholder proposals in the Company's proxy materials, and may be omitted if not in compliance with applicable requirements.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by Reading International, Inc. announcing date for 2015 Annual Stockholders Meeting

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 1, 2015

READING INTERNATIONAL, INC.

By: /s/ Ellen M. Cotter
Ellen M. Cotter
Chief Executive Officer

EXHIBIT C

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**Form 10-K/A
Amendment No. 1**

(Mark One)

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

For the fiscal year ended December 31, 2014

or

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

For the transaction period from _____ to _____

Commission file number: 1-8625

Reading International, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

95-3885184
(I.R.S. Employer
Identification No.)

6100 Center Drive, Suite 900
Los Angeles, CA
(Address of Principal Executive Offices)

90045
(Zip Code)

(213) 235-2240
(Registrant's Telephone Number, Including Area Code)

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

<u>Title of Each Class</u>	<u>Name Of Each Exchange On Which Registered</u>
Class A Nonvoting Common Stock, \$0.01 Par Value per Share	NASDAQ
Class B Voting Common Stock, \$0.01 Par Value per Share	NASDAQ

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that

the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was \$139,379,701 as of June 30, 2014.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 6, 2015, there were outstanding 21,745,484 shares of class A non-voting common stock, par value \$0.01 per share, and 1,580,590 shares of class B voting common stock, par value \$0.01 per share.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends Reading International, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2014, originally filed with the Securities and Exchange Commission, or SEC, on March 7, 2015 (the “Original Filing”). We are amending and refiling Part III to include information required by Items 10, 11, 12, 13 and 14 because our definitive proxy statement will not be filed within 120 days after December 31, 2014, the end of the fiscal year covered by our Annual Report on Form 10-K.

In addition, pursuant to the rules of the SEC, we have also included as exhibits currently dated certifications required under Section 302 of The Sarbanes-Oxley Act of 2002. Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of The Sarbanes-Oxley Act of 2002. We are amending Part IV to reflect the inclusion of those certifications.

Except as described above, no other changes have been made to the Original Filing. Except as otherwise indicated herein, this Amendment continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events that occurred subsequent to the date of the Original Filing. The filing of this Annual Report on Form 10-K/A is not a representation that any statements contained in items of our Annual Report on Form 10-K other than Part III, Items 10 through 14, and Part IV are true or complete as of any date subsequent to the Original Filing.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and position held by each of our executive officers and directors as of April 30, 2015. Directors are elected for a period of one year and thereafter serve until the next annual meeting at which their successors are duly elected by the stockholders.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Ellen M. Cotter	49	Chair of the Board and Chief Operating Officer – Domestic Cinemas
James J. Cotter, Jr.	45	President, Chief Executive Officer and Director (1)(2)
Margaret Cotter	47	Vice Chair of the Board(1)
Guy W. Adams	64	Director(1)(5)
William D. Gould	76	Director (3)
Edward L. Kane	77	Director (1)(2)(4)(5)
Douglas J. McEachern	63	Director (4)
Tim Storey	57	Director (4)(5)

-
- (1) Member of the Executive Committee.
 - (2) Member of the Tax Oversight Committee.
 - (3) Lead independent director.
 - (4) Member of the Audit and Conflicts Committee.
 - (5) Member of the Compensation and Stock Options Committee.

The following sets forth information regarding our directors and our executive officers:

Ellen M. Cotter. Ellen M. Cotter has been a member of the board since March 7, 2013, and on August 7, 2014 was appointed as Chair of our board. She joined our company in March 1998, is a graduate of Smith College and holds a Juris Doctorate from Georgetown Law School. Prior to joining our Company, Ms. Cotter spent four years in private practice as a corporate attorney with the law firm of White & Case in Manhattan. Ms. Cotter is the sister of James J. Cotter, Jr. and Margaret Cotter.

Ms. Cotter brings to the board her 16 years of experience working in our company's cinema operations, both in the United States and Australia. For the past 13 years, she has served as the senior operating officer of our company's domestic cinema operations. She has also served as the Chief Executive Officer of our subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. Ms. Cotter also is a significant stockholder in our company.

James J. Cotter, Jr. James J. Cotter, Jr. has been a director of our company since March 21, 2002, and was appointed Vice Chair of the Board in 2007. The board appointed Mr. Cotter, Jr. to serve as our President, beginning June 1, 2013. On August 7, 2014, he resigned as Vice Chair and was appointed to succeed his late father, James J. Cotter, Sr., as our Chief Executive Officer. He served as Chief Executive Officer of Cecelia Packing Corporation (a Cotter family-owned citrus grower, packer, and marketer) from July 2004 until 2013. Mr. Cotter, Jr. served as a director to Cecelia Packing Corporation from February 1996 to September 1997 and as a director of Gish Biomedical from September 1999 to March 2002. He was an attorney in the law firm of Winston & Strawn, specializing in corporate law, from September 1997 to May 2004. Mr. Cotter, Jr. is the brother of Margaret Cotter and Ellen M. Cotter.

Mr. Cotter, Jr. brings to the board his experience as a business professional, including as chief Executive Officer of Cecelia Packing Corporation, and corporate attorney, and his operating experience as the Chief Executive Officer of Cecelia. As the Vice Chair of our company, since 2007 he has chaired the weekly

Australia/New Zealand Executive Management Committee and the weekly U.S. Executive Management Committee meetings. In addition, he is a significant stockholder in our company.

Margaret Cotter. Margaret Cotter has been a director of our company since September 27, 2002, and on August 7, 2014 was appointed as Vice Chair of our board. Ms. Cotter is the owner and President of OBI, LLC, a company that provides live theater management services to our live theaters. Pursuant to that management arrangement, Ms. Cotter also serves as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. Ms. Cotter receives no compensation for this position, other than the right to participate in our company's medical insurance program. Ms. Cotter manages the real estate which houses each of the four live theaters under our Theater Management Agreement with Ms. Cotter's company, OBI LLC. Ms. Cotter secures leases, manages tenancies, oversees maintenance and regulatory compliance of these properties as well as heads the day to day pre-development process and transition of our properties from theater operations to major realty developments. Ms. Cotter was first commissioned to handle these properties by Sutton Hill Associates, which subsequently sold the business to our company along with other real estate and theaters in 2000. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and a board member of the League of Off-Broadway Theaters and Producers. Ms. Cotter, a former Assistant District Attorney for King's County in Brooklyn, New York, graduated from Georgetown University and Georgetown University Law Center. She is the sister of James J. Cotter, Jr. and Ellen M. Cotter.

Ms. Cotter brings to the board her experience as a live theater producer, theater operator and an active member of the New York theatre community, which gives her insight into live theater business trends that affect our business in this sector. Operating and overseeing our theater these properties for over 16 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, she is a significant stockholder in our company.

Guy W. Adams. Guy W. Adams has been a director of the Company since January 14, 2014. He is a Managing Member of GWA Capital Partners, LLC, a registered investment adviser managing GWA Investments, LLC. The fund invests in various publicly traded securities. Over the past eleven years, Mr. Adams has served as an independent director on the boards of directors of Lone Star Steakhouse & Saloon, Mercer International, Exar Corporation and Vitesse Semiconductor having served in various capacities as lead director, Audit Committee Chair and/or Compensation Committee Chair. Prior to this time, Mr. Adams provided investment advice to various family offices and invested his own capital in public and private equity transactions. Mr. Adams received his Bachelor of Science degree in Petroleum Engineering from Louisiana State University and his Masters of Business Administration from Harvard Graduate School of Business Administration.

Mr. Adams brings many years of experience serving as an independent director on public company boards, and in investing and providing financial advice with respect to investments in public companies.

William D. Gould. William D. Gould has been a director of our company since October 15, 2004 and has been a member of the law firm of TroyGould PC since 1986. Previously, he was a partner of the law firm of O'Melveny & Myers. We have from time to time retained TroyGould PC for legal advice. As an author and lecturer on the subjects of corporate governance and mergers and acquisitions, Mr. Gould brings to the board specialized experience as a corporate attorney. Mr. Gould's corporate transactional experience and expertise in corporate governance matters ensures that we have a highly qualified advisor on our board to provide oversight in such matters.

Edward L. Kane. Edward L. Kane has been a director of our company since October 15, 2004. Mr. Kane was also a director of our company from 1985 to 1998, and served as President from 1987 to 1988. Mr. Kane currently serves as the Chair of our Tax Oversight Committee and of our Compensation and Stock Option Committee (which we refer to as our Compensation Committee). He also serves as a member of our Executive Committee and our Audit and Conflicts Committee. Since 1996, Mr. Kane's principal occupation has been healthcare consultant and advisor. In that capacity, he has served as President and sole shareholder of High Avenue Consulting, a healthcare consulting firm, and as the head of its successor proprietorship. At various times during the past three decades, he has been Adjunct Professor of Law at two of San Diego's Law

Schools, most recently in 2008 and 2009 at Thomas Jefferson School of Law, and prior thereto at California Western School of Law.

Mr. Kane brings to the board his many years as a tax attorney and law professor, which experience well-serves our company in addressing tax matters. Mr. Kane also brings his experience as a past President of Craig Corporation and of Reading Company, two of our corporate predecessors, as well as a former member of the boards of directors of several publicly held corporations.

Douglas J. McEachern. Douglas J. McEachern has been a director of our company since May 17, 2012 and Chair of our Audit and Conflicts Committee since August 1, 2012. He has served as a member of the board and of the Audit and Compensation Committee for Willdan Group, a NASDAQ listed engineering company, since 2009. Mr. McEachern is also the Chair of the board of Community Bank in Pasadena, California and a member of its Audit Committee. He also is a member of the Finance Committee of the Methodist Hospital of Arcadia. Since September 2009, Mr. McEachern has also served as an instructor of auditing and accountancy at Claremont McKenna College. Mr. McEachern was an audit partner from July 1985 to May 2009 with the audit firm, Deloitte and Touche, LLP, with client concentrations in financial institutions and real estate. Mr. McEachern was also a Professional Accounting Fellow with the Federal Home Loan Bank board in Washington DC, from June 1983 to July 1985. From June 1976 to June 1983, Mr. McEachern was a staff member and subsequently a manager with the audit firm, Touche Ross & Co. (predecessor to Deloitte & Touche, LLP). Mr. McEachern received a B.S. in Business Administration in 1974 from the University of California, Berkeley, and an M.B.A. in 1976 from the University of Southern California.

Mr. McEachern brings to the board his more than 37 years' experience meeting the accounting and auditing needs of financial institutions and real estate clients, including our company. Mr. McEachern also brings his experience reporting as an independent auditor to the boards of directors of a variety of public reporting companies and as a board member himself for various companies and not-for-profit organizations.

Tim Storey. Tim Storey has been a director of our company since December 28, 2011. Mr. Storey has served as the sole outside director of our company's wholly-owned New Zealand subsidiary since 2006. He has served since April 1, 2009 as a director of DNZ Property Fund Limited, a commercial property investment fund based in New Zealand and listed on the New Zealand Stock Exchange, and was appointed Chair of the board of that company on July 1, 2009. Since July 28, 2014, Mr. Storey has served as a director of JustKapital Litigation Partners Limited, an Australian Stock Exchange-listed company engaged in litigation financing. From 2011 to 2012, Mr. Storey was a director of NZ Farming Systems Uruguay, a New Zealand-listed company. NZ Farming Systems Uruguay owns and operates dairy farms in Uruguay. Prior to being elected Chair of DNZ Property Fund Limited, Mr. Storey was a partner in Bell Gully (one of the largest law firms in New Zealand). Mr. Storey is also a principal in Prolex Advisory, a private company in the business of providing commercial advisory services to a variety of clients and related entities.

Mr. Storey brings to the board many years of experience in New Zealand corporate law and commercial real estate matters. He serves as a director of our New Zealand subsidiary.

Andrzej Matyczynski. Andrzej Matyczynski has served as our Chief Financial Officer since November 1999. Mr. Matyczynski resigned as our Chief Financial Officer effective May 11, 2015, but will continue as an employee until April 15, 2016 in order to assist in the transition of our new Chief Financial Officer, Mr. Ghose, whose information is set forth below.

Robert F. Smerling. Robert F. Smerling has served as President of our domestic cinema operations since 1994. Mr. Smerling has been in the cinema industry for 57 years and, immediately before joining our company, served as the President of Loews Theatres Management Corporation.

William D. Ellis. William D. Ellis was appointed our General Counsel and Secretary in October 2014. Mr. Ellis has more than 30 years of hands-on legal experience as a real estate lawyer. Before joining our company, he was a partner in the real estate group at Sidley Austin LLP for 16 years. Before that, he worked at the law firm of Morgan Lewis & Bockius LLP. Mr. Ellis began his career as a corporate and securities lawyer

(handling corporate acquisitions, IPO's, mergers, etc.) and then moved on to real estate specialization (handling leasing, acquisitions, dispositions, financing, development and land use and entitlement across the United States). He had a substantial real estate practice in New York and Hawaii, which experience will help us with our real estate and cinema developments there. Mr. Ellis graduated Phi Beta Kappa from Occidental College with a B.A. degree in Political Science. He received his J.D. degree in 1982 from the University of Michigan Law School.

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

Devasis ("Dev") Ghose. On April 20, 2015, we agreed to retain Devasis Dev Ghose to be our new Chief Financial Officer and Treasurer, effective May 11, 2015. Mr. Ghose served as Executive Vice President and Chief Financial Officer and in a number of senior finance roles for 25 years with three NYSE-listed companies: Shurgard Storage Centers, Inc. (an international company focused on the acquisition, development and operation of self-storage centers in the US and Europe; now part of Public Storage), Skilled Healthcare Group (a health services company, now part of Genesis HealthCare), and HCP, Inc., (which invests primarily in real estate serving the healthcare industry), and as Managing Director-International for Green Street Advisors (an independent research and trading firm concentrating on publicly traded real estate corporate securities in the US & Europe). Earlier, Mr. Ghose worked for 10 years for PricewaterhouseCoopers in the US & KPMG in the UK. He qualified as a Certified Public Accountant in the U.S. and a Chartered Accountant in the U.K., and holds an Honors Degree in Physics from the University of Delhi, India and an Executive M.B.A. from the University of California, Los Angeles.

Relationships

Ellen M. Cotter, Margaret Cotter and James J. Cotter, Jr. are directors and officers of our company and of various of its subsidiaries, affiliates or consultants. According to their respective Schedules 13D filed with the SEC, all three consider their beneficial stock holdings in our company to be long-term family assets, and they intend to continue our company in the direction established by their father.

Committees of the Board of Directors

Our board has a standing Executive Committee, Audit and Conflicts Committee, Compensation and Stock Options Committee, and Tax Oversight Committee. These committees are discussed in greater detail below.

The Cotter family members who serve as directors and officers of our company collectively own beneficially shares of our Class B Stock representing more than 70% of the voting power for the election of directors of our company. Therefore, our board has determined that our company is a "Controlled Company" under section 5615(c)(1) of the listing rules of The NASDAQ Capital Stock Market (the "NASDAQ Rules"). After reviewing the benefits and detriments of taking advantage of the exceptions to the corporate governance rules set forth in section 5605 of the NASDAQ Rules, our board has unanimously determined to take advantage of all of the exceptions from the NASDAQ Rules afforded to our company as a Controlled Company.

A Controlled Company is not required to have an independent nominating committee or independent nominating process. It was noted by our directors that the use of an independent nominating committee or independent nominating process would be of limited utility, since any nominee would need to be acceptable to James J. Cotter, Sr., our former controlling stockholder, in order to be elected. The Cotter family, as the holders of a majority of the voting power of our company, are able under Nevada corporations law and our charter documents to elect candidates to our board and to remove a director from the board without the vote of

our other stockholders. Historically, Mr. Cotter, Sr. identified and recommended all nominees to our board in consultation with our other incumbent directors.

Our directors have not adopted any formal criteria with respect to the qualifications required to be a director or the particular skills that should be represented on our board, other than the need to have at least one director and member of our Audit and Conflicts Committee who qualifies as an “audit committee financial expert,” and have not historically retained any third party to identify or evaluate or to assist in identifying or evaluating potential nominees. We have no policy of considering diversity in identifying director nominees.

James J. Cotter, Sr. served as our Chair and Chief Executive Officer until August 7, 2014, when he stepped down for health reasons. Mr. Cotter, Sr. subsequently passed away on September 13, 2014. In connection with his passing, our board determined to appoint Ellen M. Cotter as Chair of the Board with a view to rotating the office of Chair annually among the Cotter family members. The board also has designated William D. Gould to serve as our lead independent director. In that capacity, Mr. Gould chairs meetings of the independent directors and acts as liaison between our Chair and our Chief Executive Officer and our independent directors.

Our board oversees risk by remaining well-informed through regular meetings with management and the personal involvement of our Chief Executive Officer in our day-to-day business, including any matters requiring specific risk management oversight. Our Chief Executive Officer chairs regular senior management meetings addressing domestic and overseas issues. The risk oversight function of our board is enhanced by the fact that our Audit and Conflict Committee is comprised entirely of independent directors.

Executive Committee

A standing Executive Committee, currently comprised of Mr. Cotter, Jr., who serves as Chair, Ms. Margaret Cotter and Messrs. Adams and Kane, is authorized, to the fullest extent permitted by Nevada law, to take action on matters between meetings of the full board. Mr. Cotter, Sr. also served on the Executive Committee until May 15, 2014.

In 2014, the Executive Committee did not take any action with respect to any company matter. With the exception of matters delegated to the Audit and Conflicts Committee or the Compensation and Stock Options Committee, all matters requiring board approval during 2014 were considered by the entire board.

Audit and Conflicts Committee

Our board maintains a standing Audit and Conflicts Committee, which we refer to as the “Audit Committee.” The Audit Committee operates under a Charter adopted by our board that is available on our website at www.readingrdi.com. Our board has determined that the Audit Committee is comprised entirely of independent directors (as defined in section 5605(a)(2) of the NASDAQ Rules), and that Mr. McEachern, the Chair of our Audit Committee, is qualified as an Audit Committee Financial Expert. During 2014, our Audit and Conflicts Committee was comprised of Mr. McEachern, who served as Chair, and Messrs. Kane and Storey.

Compensation and Stock Options Committee

Our board has a standing Compensation and Stock Options Committee, which we refer to as the “Compensation Committee,” comprised entirely of independent directors. The current members of Compensation Committee are Mr. Kane, who serves as Chair, and Messrs. Adams and Storey. Mr. Adams replaced our former director, Alfred Villaseñor, on the Compensation Committee following his election to our board in June 2014.

The Compensation Committee evaluates and makes recommendations to the full board regarding the compensation of our Chief Executive Officer and other Cotter family members and performs other compensation related functions as delegated by our board.

Tax Oversight Committee

Given our operations in the United States, Australia, and New Zealand and our historic net operating loss carry forwards, our board formed a Tax Oversight Committee to review with management and to keep the board informed about our company's tax planning and such tax issues as may arise from time to time. This committee is comprised of Mr. Kane, who serves as Chair, and Mr. Cotter, Jr.

Code of Ethics

We have adopted a Code of Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller and Company employees. The Code of Ethics is available on our website at www.readingrdi.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission (the "SEC") and to provide us with copies of those filings. Based solely on our review of the copies received by us and on the written representations of certain reporting persons, we believe that the following Forms 3 and 4 for transaction that occurred in 2014 were filed later than is required under Section 16(a) of the Securities Exchange Act of 1934:

- James J. Cotter, Sr. failed to timely file 16 Forms 4 with respect to 70 transactions in our common stock;
- James J. Cotter, Jr. failed to timely file one Form 4 with respect to one transaction in our common stock;
- Ellen M. Cotter failed to timely file one Form 4 with respect to one transaction in our common stock;
- Margaret Cotter failed to timely file one Form 4 with respect to one transaction in our common stock;
- Mr. Storey failed to timely file one Form 4 with respect to one transaction in our common stock.

All of the transactions involved were between the individual involved and our company or related to certain inter-family or estate planning transfers, and did not involve transactions with the public. Insofar as we are aware, all required filings have now been made.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Role and Authority of the Compensation Committee

Our board has established a standing Compensation Committee consisting of two or more of our non-employee directors. As a Controlled Company, we are exempt from the NASDAQ Rules regarding the determination of executive compensation. The Compensation Committee has no formal charter, and acts pursuant to the authority delegated to the Compensation Committee from time to time by our board.

The Compensation Committee recommends to the full board the compensation of our Chief Executive Officer and of the other Cotter family members who serve as officers of our company. Our board with the Cotter family directors abstaining, typically has accepted without modification the compensation recommendations of the Compensation Committee, but reserves the right to modify the recommendations or

take other compensation actions of its own. Prior to his resignation as our Chair and Chief Executive Officer on August 7, 2014, during 2014, as in prior years, James J. Cotter, Sr. was delegated by our board responsibility for determining the compensation of our executive officers other than himself and his family members. The board exercised oversight of Mr. Cotter, Sr.'s executive compensation decisions as a part of his performance as our former Chief Executive Officer.

On August 7, 2014, James J. Cotter, Jr. was appointed to succeed Mr. Cotter, Sr. as our Chief Executive Officer. Mr. Cotter, Sr. subsequently passed away on September 13, 2014. No discretionary annual bonuses have yet been awarded to our executive officers, including the Cotter family executives for 2014.

Throughout this section, the individuals named in the Summary Compensation Table, below, are referred to as the "named executive officers."

CEO Compensation

The Compensation Committee recommends to our board the annual compensation of our Chief Executive Officer, based primarily upon the Compensation Committee's annual review of peer group practices and the advice of an independent third-party compensation consultant. The Compensation Committee has established three components of our Chief Executive Officer's compensation -- a base cash salary, a discretionary annual cash bonus, and a fixed stock grant. The objective of each element is to reasonably reward our Chief Executive Officer for his performance and leadership.

In 2007, our board approved a supplemental executive retirement plan ("SERP") pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental retirement benefits as a reward for his more than 25 years of service to our company and its predecessors. Neither Mr. James J. Cotter, Jr., Mr. Cotter, Sr.'s successor as our Chief Executive Officer, nor any of our other current or former officers or employees, is eligible to participate in the SERP, which is described in greater detail below under the caption "Supplemental Executive Retirement Plan." Because this plan was adopted as a reward to Mr. Cotter, Sr. for his past services and the amounts to be paid under that plan are determined by an agreed-upon formula, the Compensation Committee did not take into account the benefits under that plan in determining Mr. Cotter, Sr.'s annual compensation for 2014 or previous years. The amounts reflected in the Executive Compensation Table under the heading "Change in Pension Value and Nonqualified Deferred Compensation Earnings" reflect any increase in the present value of the SERP benefit based upon the actuarial impact of the payment of Mr. Cotter, Sr.'s cash compensation and changes in interest rates. Since the SERP is unfunded, this amount does not reflect any actual payment by our Company into the plan or the value of any assets in the plan (of which there are none). The benefits to Mr. Cotter, Sr. under the SERP were tied to the cash portion only of his compensation, and not to compensation in the form of stock options or stock grants.

2014 CEO Compensation

The Compensation Committee originally engaged Towers Watson, executive compensation consultants, in 2012 to analyze our Chief Executive Officer's total direct compensation compared to a peer group of companies. In preparing the analysis, Towers Watson, in consultation with our management, including James J. Cotter, Sr., identified a peer group of companies in the real estate and cinema exhibition industries, our two business segments, based on market value, industry, and business description.

For purposes of establishing our Chief Executive Officer's 2014 compensation, the Compensation Committee engaged Towers Watson to update its analysis of Mr. Cotter, Sr.'s compensation as compared to his peers, which updated report was received on February 26, 2014. The company paid Towers Watson \$11,461 for the updated report.

The Towers Watson analysis focused on the competitiveness of Mr. Cotter, Sr.'s annual base salary, total cash compensation and total direct compensation (i.e., total cash compensation plus expected value of long-term compensation) relative to a peer group of United States and Australian companies and published compensation survey data, and to our company's compensation philosophy, which was to target Mr. Cotter, Sr.'s total direct compensation to the 66th percentile of the peer group.

The peer group consisted of the following 18 companies:

Acadia Realty Trust	Inland Real Estate Corp.
Amalgamated Holdings Ltd.	Kite Realty Group Trust
Associated Estates Realty Corp.	LTC Properties Inc.
Carmike Cinemas Inc.	Ramco-Gershenson Properties Trust
Cedar Shopping Centers Inc.	Regal Entertainment Group
Cinemark Holdings Inc.	The Marcus Corporation
Entertainment Properties Trust	Urstadt Biddle Properties Inc.
Glimcher Realty Trust	Village Roadshow Ltd.
IMAX Corporation	

Towers Watson predicted 2014 pay levels by using regression analysis to adjust compensation data based on estimated annual revenues of \$260 million (i.e., our company's approximate annual revenues) for all companies, excluding financial services companies. Towers Watson did not evaluate Mr. Cotter, Sr.'s SERP, because the SERP is fully vested and accrues no additional benefits, except as Mr. Cotter, Sr.'s annual cash compensation may change.

The Towers Watson analysis indicated that the peer group data, with the exception of annual base salary, was above Mr. Cotter, Sr.'s pay levels in 2013. The peer group is partially comprised of companies that are larger than our company, and the 66th percentile level tends to reflect the larger peers. However, Towers Watson analysis also indicated that the size of the peers does not materially affect the pay levels at the peer companies. The published survey data of companies of comparable size reviewed by Towers Watson was below our Chief Executive Officer pay levels.

Towers Watson averaged the data from the peer group and the published survey data to compile "blended" market data. As compared to the blended market data, Mr. Cotter, Sr.'s 2013 cash compensation and total direct compensation, which includes the expected value of long-term incentive compensation, was in line with the 66th percentile.

Because our company is comparable to the smaller companies in the peer group, Towers Watson reviewed whether the size of the proxy peer group of companies had a meaningful impact on reported CEO pay levels, and concluded that there is a weak correlation between company size and CEO compensation. It concluded, therefore, that it was not necessary to separately adjust the peer group data based on the size of our company.

The Compensation Committee met on February 27, 2014 to consider the Towers Watson analysis. At the meeting, the Compensation Committee determined to recommend to our board the following compensation for Mr. Cotter, Sr. for 2014 and on March 13, 2014, our board accepted the Compensation Committee's recommendation without modification:

Salary: \$750,000

The Compensation Committee recommended maintaining Mr. Cotter, Sr.'s 2014 annual base salary at its 2013 level of \$750,000, which approximates the 75th percentile of the peer group.

Discretionary Cash Bonus: Up to \$750,000.

In 2013, the Compensation Committee recommended and our board approved a total cash bonus to Mr. Cotter, Sr. of \$1,000,000, as compared to the target bonus of \$500,000. This resulted in total 2013 compensation to Mr. Cotter, Sr. above the 75th percentile of the peer group and total direct compensation near the 66th percentile. At its meeting on February 27, 2014, the Compensation Committee determined to increase the upper range of Mr. Cotter, Sr.'s discretionary cash bonus for 2014 to \$750,000 from the 2013 target level of \$500,000. The bonus was subject to Mr. Cotter, Sr. being employed by our Company at year-end, unless

his employment were to terminate earlier due to his death or disability. No other benchmarks, formulas or quantitative or qualitative measurements were specified for use in determining the amount of cash bonus to be awarded within this range. As in 2013, the Compensation Committee also reserved the right to increase the upper range of discretionary cash bonus amount based upon exceptional results of our company or Mr. Cotter, Sr.'s exceptional performance, as determined in the Compensation Committee's discretion.

At its meeting on August 14, 2014, the Compensation Committee determined that Mr. Cotter, Sr.'s successful completion of our sale of the Burwood property in Australia and other accomplishments in 2014 justified the award to Mr. Cotter, Sr. of the full \$750,000 cash bonus, plus an additional cash bonus of \$300,000. The Compensation Committee's determination to award the extraordinary cash bonus was based in part on the advice of Towers Watson.

Stock Bonus: \$1,200,000 (160,643 shares of Class A Stock).

At its meeting on February 27, 2014, the Compensation Committee determined that, so long as Mr. Cotter, Sr.'s employment with the Company is not terminated prior to December 31, 2014 other than as a result of his death or disability, he was to receive 160,643 shares of our Company's Class A Stock; the number of shares of Class A nonvoting common stock equal to \$1,200,000 divided by the closing price of the stock on February 27, 2014, the date the Committee approved the stock bonus. This compares to a similar stock bonus to Mr. Cotter, Sr. of \$750,000 in 2013.

The stock bonus was paid to the Estate of Mr. Cotter, Sr. in February 2015.

Following his appointment on August 7, 2014 as our Chief Executive Officer, James J. Cotter, Jr. continued to receive the same base salary of \$335,000 that he had previously been receiving in his capacity as our President.

Mr. Cotter, Jr. has not yet been awarded a discretionary cash bonus for 2014.

Total Direct Compensation

We and our Compensation Committee have no policy regarding the amount of salary and cash bonus paid to our Chief Executive Officer or other named executive officers in proportion to their total direct compensation.

Compensation of Other Named Executive Officers

The compensation of Mr. James J. Cotter, Jr. and Ms. Ellen M. Cotter as executive officers of our company is determined by the Compensation Committee based on the same compensation philosophy used to determine Mr. Cotter, Sr.'s 2014 compensation. The Cotter family members' respective compensation consists of a base cash salary, discretionary cash bonus and periodic discretionary grants of stock options.

Mr. Cotter, Sr. set the 2014 base salaries of our executive officers other than himself and members of his family. Mr. Cotter, Sr.'s decisions were not subject to approval by the Compensation Committee or our board, but our Compensation Committee and our board considered Mr. Cotter, Sr.'s decisions with respect to executive compensation in evaluating his performance as our Chief Executive Officer. Mr. Cotter, Sr. informed us that he did not use any formula, benchmark or other quantitative measure to establish or award any component of executive compensation, nor did he consult with compensation consultants on the matter. Mr. Cotter, Sr. also advised us that he considered the following guidelines in setting the type and amount of executive compensation:

1. Executive compensation should primarily be used to:
 - attract and retain talented executives;
 - reward executives appropriately for their individual efforts and job performance; and

- afford executives appropriate incentives to achieve the short-term and long-term business objectives established by management and our board.
2. In support of the foregoing, the total compensation paid to our named executive officers should be:
- fair both to our company and to the named executive officers;
 - reasonable in nature and amount; and
 - competitive with market compensation rates.

Personal and company performances were just two factors considered by Mr. Cotter, Sr. in establishing base salaries. We have no pre-established policy or target for allocating total executive compensation between base and discretionary or incentive compensation, or between cash and stock-based incentive compensation. Historically, including in 2014, a majority of total compensation to our named executive officers has been in the form of annual base salaries and discretionary cash bonuses, although stock bonuses have been granted from time to time under special circumstances. No stock bonuses were awarded in 2014 to our named executive officers other than Mr. Cotter, Sr.

These elements of our executive compensation are discussed further below.

Salary: Annual base salary is intended to compensate named executive officers for services rendered during the fiscal year in the ordinary course of performing their job responsibilities. Factors considered by Mr. Cotter, Sr. in setting the base salaries may have included (i) the negotiated terms of each executive's employment agreement or the original terms of employment, (ii) the individual's position and level of responsibility with our Company, (iii) periodic review of the executive's compensation, both individually and relative to our other named executive officers, and (iv) a subjective evaluation of individual job performance of the executive.

Cash Bonus: Historically, we have awarded annual cash bonuses to supplement the base salaries of our named executive officers, and our board of directors has delegated to our Chief Executive Officer the authority to determine in his discretion the annual cash bonuses, if any, to be paid to our executive officers other than the Cotter family executives. Any discretionary annual bonuses to the Cotter family executive have historically been determined by our board based upon the recommendation of our Compensation Committee.

In light of Mr. Cotter, Sr.'s death in September 2014, cash bonuses for 2014 have not yet been determined by Mr. Cotter, Jr. or, in the case of the Cotter family members, recommended by the Compensation Committee or approved by our board. Factors to be considered in determining or recommending any such cash bonuses include (i) the level of the executive's responsibilities, (ii) the efficiency and effectiveness with which he or she oversees the matters under his or her supervision, and (iii) the degree to which the officer has contributed to the accomplishment of major tasks that advance the company's goals.

Stock Bonus: Equity incentive bonuses may be awarded to align our executives' long-term compensation to appreciation in stockholder value over time and, so long as such grants are within the parameters set by our 2010 Stock Incentive Plan, historically were entirely discretionary on the part of Mr. Cotter, Sr. Other stock grants are subject to board approval. Equity awards may include stock options, restricted stock, bonus stock, or stock appreciation rights. Apart from the stock award to Mr. Cotter, Sr., no stock bonuses were awarded to our executive officers in 2014.

If awarded, it is generally our policy to value stock options and restricted stock at the closing price of our common stock as reported on the NASDAQ Capital Market on the date the award is approved or on the date of hire, if the stock is granted as a recruitment incentive. When stock is granted as bonus compensation for a particular transaction, the award may be based on the market price on a date calculated from the closing date of the relevant transaction. Awards may also be subject to vesting and limitations on voting or other rights.

Andrzej Matyczynski, our Chief Financial Officer, has a written employment agreement with our company that provides for a specified annual base salary and other compensation. Mr. Matyczynski resigned as our Chief Financial Officer effective September 1, 2014, but he and our company agreed to postpone the effective date of his resignation. Upon termination of Mr. Matyczynski's employment, he will become entitled under his employment agreement to a lump-sum severance payment of six months' base salary and to the payment of his vested benefit in accordance with the terms of the deferred compensation plan discussed below in this section.

Other than Mr. Cotter, Sr.'s and Mr. Cotter, Jr.'s role as Chief Executive Officer in setting compensation, none of our executive officers play a role in determining the compensation of our named executive officers.

2014 Base Salaries and Target Bonuses

We have historically established base salaries and target discretionary cash bonuses for our named executive officers through negotiations with the individual named executive officer, generally at the time the named executive officer commenced employment with us, with the intent of providing annual cash compensation at a level sufficient to attract and retain talented and experienced individuals. Our Compensation Committee recommended and our board approved the following base salaries for Mr. Cotter, Jr. and Ellen M. Cotter for 2014:

Name	2013 Base Salary (\$)	2014 Base Salary (\$)
James J. Cotter, Jr.	195,417	335,000
Ellen M. Cotter	335,000	335,000

The base salaries of our other named executive officers were established by Mr. Cotter, Sr. as shown in the following table:

Name	2013 Base Salary (\$)	2014 Base Salary (\$)
Andrzej Matyczynski	309,000	309,000
Robert F. Smerling	350,000	350,000
Wayne Smith	339,000	324,295

All named executive officers are eligible to receive a discretionary annual cash bonus. Cash bonuses are typically prorated to reflect a partial year of service. Our board reserves discretion to adjust bonuses for the Cotter family members based on its own evaluations of the recommendations of our Compensation Committee as it did in both 2013 and 2014 in Mr. Cotter, Sr.'s case.

We offer stock options and stock awards to our employees, including named executive officers, as the long-term incentive component of our compensation program. We sometimes grant equity awards to new hires upon their commencing employment with us and from time to time thereafter. Our stock options allow employees to purchase shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant and may or may not be intended to qualify as "incentive stock options" for U.S. federal income tax purposes. Generally, the stock options we grant to our employees vest over four years in equal installments upon the annual anniversaries of the date of grant, subject to their continued employment with us on each vesting date.

Other Elements of Compensation

Retirement Plans

We maintain a 401(k) retirement savings plan that allows eligible employees to defer a portion of their compensation, within limits prescribed by the Internal Revenue Code, on a pre-tax basis through contributions to the plan. Our named executive officers other than Mr. Smith, who is a non-resident of the U.S., are eligible to participate in the 401(k) plan on the same terms as other full-time employees generally. Currently, we match contributions made by participants in the 401(k) plan up to a specified percentage, and these matching contributions are fully vested as of the date on which the contribution is made. We believe that providing a vehicle for tax-deferred retirement savings through our 401(k) plan, and making fully vested matching contributions, adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies.

Supplemental Executive Retirement Plan

In March 2007, our board approved the SERP pursuant to which we agreed to provide Mr. Cotter, Sr. supplemental retirement benefits. Under the SERP, following his separation from our company, Mr. Cotter, Sr. was to be entitled to receive from our company for the remainder of his life or 180 months, whichever is longer, a monthly payment of 40% of his average monthly base salary and cash bonuses over the highest consecutive 36-month period of earnings prior to Mr. Cotter, Sr.'s separation from service with us. The benefits under the SERP are fully vested. In October 2014, following Mr. Cotter, Sr.'s death, we began accruing monthly supplemental retirement benefits of \$57,000 in accordance with the SERP, but have not yet paid any such benefits to Mr. Cotter, Sr.'s designated beneficiaries.

The SERP is unfunded and, as such, the SERP benefits are unsecured, general obligations of our company. We may choose in the future to establish one or more grantor trusts from which to pay the SERP benefits. The SERP is administered by the Compensation Committee.

Other Retirement Plans

During 2012, Mr. Matyczynski was granted an unfunded, nonqualified deferred compensation plan ("DCP") that was partially vested and was to vest further so long as he remained in our continuous employ. If Mr. Matyczynski were to be terminated for cause, then the total vested amount would be reduced to zero. The incremental amount vested each year was made subject to review and approval by our board. Mr. Matyczynski's DCP vested as follows:

December 31	Total Vested Amount at the End of Each Vesting Year
2013	\$300,000
2014	\$450,000

Mr. Matyczynski resigned his employment with the company effective September 1, 2014, but he and our company agreed to postpone the effective date of his resignation until May 11, 2015. Upon the termination of Mr. Matyczynski's employment, he would become entitled under the DCP agreement to payment of the vested benefits under his DCP in annual installments following the later of (a) 30 days following Mr. Matyczynski's 65th birthday or (b) six months after his separation from service, unless his employment were to be terminated for cause.

We currently maintain no other retirement plan for our named executive officers.

Key Person Insurance

Our company maintains life insurance on certain individuals who we believe to be key to our management. These individuals include James J. Cotter, Jr., Ellen M. Cotter, Margaret Cotter and Messrs. Matyczynski, Smerling and Smith. If such individual ceases to be an employee, director or independent contractor of our company, as the case may be, she or he is permitted, by assuming responsibility for all future premium payments, to replace our company as the beneficiary under such policy. These policies allow each such individual to purchase up to an equal amount of insurance for such individual's own benefit. In the case of our employees, the premium for both the insurance as to which our company is the beneficiary and the insurance as to which our employee is the beneficiary, is paid by our company. In the case of named executive officers, the premium paid by our company for the benefit of such individual is reflected in the Compensation Table in the column captioned "All Other Compensation."

Employee Benefits and Perquisites

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as all full-time employees generally. We do not generally provide our named executive officers with perquisites or other personal benefits, although in the past we provided Mr. Cotter, Sr. the personal use of our West Hollywood, California, condominium, which was used as an executive meeting place and office and sold in February 2015, a company-owned automobile and a health club membership. Historically, all of our other named executive officers also have received an automobile allowance. From time to time, we may provide other perquisites to one or more of our other named executive officers.

Tax Gross-Ups

As a general rule, we do not make gross-up payments to cover our named executive officers' personal income taxes that may pertain to any of the compensation paid or provided by our company. In 2014, however, we reimbursed Ms. Ellen M. Cotter \$50,000 for income taxes she incurred as a result of her exercise of stock options that were deemed to be nonqualified stock options for income tax purposes, but which were intended by the Compensation Committee and her to be so-called incentive stock options, or "ISOs", when originally granted. Our Compensation Committee believe it was appropriate to reimburse Ms. Cotter because it was our company's intention at the time of the issuance to give her the tax deferral feature applicable to ISOs. Due to the application of complex attribution rules, even though she was an executive officer of our company and not a director, she did not in fact qualify for such tax deferral. Accordingly, upon exercise, she received less compensation than the Compensation Committee had intended.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Subject to an exception for "performance-based compensation," Section 162(m) of the Internal Revenue Code generally prohibits publicly held corporations from deducting for federal income tax purposes annual compensation paid to any senior executive officer to the extent that such annual compensation exceeds \$1.0 million. The Compensation Committee and our board consider the limits on deductibility under Section 162(m) in establishing executive compensation, but retain the discretion to authorize the payment of compensation that exceeds the limit on deductibility under this Section as in the case of Mr. Cotter, Sr.

Nonqualified Deferred Compensation

We believe we are operating, where applicable, in compliance with the tax rules applicable to nonqualified deferred compensation arrangements.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, we began accounting for stock-based payments in accordance with the requirements of Statement of Accounting Standards No. 123(R). Our decision to award restricted stock to

Mr. Cotter, Sr. and other named executive officers from time to time was based in part upon the change in accounting treatment for stock options. Accounting treatment otherwise has had no significant effect on our compensation decisions.

Say on Pay

At our Annual Meeting of Stockholders held on May 15, 2014, we held an advisory vote on executive compensation. Our stockholders voted in favor of our company's executive compensation. The Compensation Committee reviewed the results of the advisory vote on executive compensation in 2014 and did not make any changes to our compensation based on the results of the vote.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the "Compensation Discussion and Analysis" required by Item 401(b) of Regulation S-K and, based on such review and discussions, has recommended to our board that the foregoing "Compensation Discussion and Analysis" be included in this Form 10-K/A.

Respectfully submitted,

Edward L. Kane, Chair
Guy W. Adams
Tim Storey

Compensation Committee Interlocks and Insider Participation

There are no "interlocks," as defined by the SEC, with respect to any member of the Compensation Committee during 2014.

Executive Compensation

This section discusses the material components of the compensation program for our executive officers named in the 2014 Summary Compensation Table below. In 2014, our named executive officers and their positions were as follows:

- James J. Cotter, Sr., former Chair of the Board and former Chief Executive Officer.
- James J. Cotter, Jr., Chief Executive Officer and President.
- Andrzej Matyczynski, Chief Financial Officer and Treasurer.
- Robert F. Smerling, President – Domestic Cinema Operations.
- Ellen M. Cotter, Chair of the Board, Chief Operating Officer – Domestic Cinemas and Chief Executive Officer of Consolidated Cinemas, LLC.
- Wayne Smith, Managing Director – Australia and New Zealand.

Summary Compensation Table

The following table shows the compensation paid or accrued during the last three fiscal years ended December 31, 2014 to (i) Mr. James J. Cotter, Sr., who served as our principal executive officer until August 7, 2014, (ii) Mr. James J. Cotter, Jr., who served as our principal executive officer from August 7, 2014 through

December 31, 2014, (iii) Mr. Andrzej Matyczynski, our financial officer, and (iv) the other three persons who served as executive officers in 2014. The following executives are herein referred to as our “named executive officers.”

Summary Compensation Table

						Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	Year	Salary (\$)	Bonus (\$)	Stock Awards \$(1)	Option Awards \$(1)	(\$)	(\$)	(\$)
James J. Cotter, Sr.(2) Chair of the Board and Chief Executive Officer	2014	452,000	1,050,000	1,200,000	--	197,000 (3)	20,000 (4)	2,919,000
	2013	750,000	1,000,000	750,000	--	1,455,000 (3)	25,000 (4)	3,980,000
	2012	700,000	500,000	950,000	--	2,433,000 (3)	24,000 (4)	4,607,000
James J. Cotter, Jr.(5) President and Chief Executive Officer	2014	335,000	--	--	--	--	27,000 (7)	362,000
	2013	195,000	--	--	--	--	20,000 (7)	215,000
	2012	--	--	--	--	--	0	0
Andrzej Matyczynski Chief Financial Officer and Treasurer	2014	309,000	--	--	33,000	150,000 (6)	26,000 (7)	518,000
	2013	309,000	35,000	--	33,000	50,000 (6)	26,000 (7)	453,000
	2012	309,000	--	--	11,000	250,000 (6)	25,000 (7)	617,000
Robert F. Smerling President – Domestic Cinema Operations	2014	350,000	25,000	--	--	--	22,000 (7)	397,000
	2013	350,000	50,000	--	--	--	22,000 (7)	422,000
	2012	350,000	50,000	--	--	--	22,000 (7)	422,000
Ellen M. Cotter Chief Operating Officer Domestic Cinemas	2014	335,000	--	--	--	--	75,000 (7)(8)	410,000
	2013	335,000	--	--	--	--	25,000 (7)	360,000
	2012	335,000	60,000	--	--	--	25,000 (7)	420,000
Wayne Smith Managing director - Australia and New Zealand	2014	324,000	45,000	--	--	--	19,000 (7)	388,000
	2013	339,000	--	--	--	--	20,000 (7)	359,000
	2012	357,000	16,000	--	22,000	--	19,000 (7)	414,000

(1) Amounts represent the aggregate grant date fair value of awards computed in accordance with ASC Topic 718, excluding the effects of any estimated forfeitures. The assumptions used in the valuation of these awards are discussed in Note 3 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on March 17, 2015.

(2) Mr. Cotter, Sr. resigned as our Chair and Chief Executive Officer on August 7, 2014.

(3) Represents the present value of the vested benefits under Mr. Cotter, Sr.’s SERP. In October 2014, we began accruing monthly supplemental retirement benefits of \$57,000 in accordance with the SERP, but have not yet paid any such benefits to Mr. Cotter, Sr.’s designated beneficiaries. Under the SERP, such payments are to continue for a 180-month period.

(4) Until February 25, 2015, we owned a condominium in West Hollywood, California, which we used as an executive meeting place and office. “All Other Compensation” includes the estimated incremental cost to our company of providing the use of the West Hollywood Condominium to Mr. Cotter, Sr., our matching contributions under our 401(k) plan, the cost of a company automobile used by Mr. Cotter, Sr., and health club dues paid by our company.

(5) Mr. Cotter, Jr. was appointed as our Chief Executive Officer on August 7, 2014.

(6) Represents the increase in the vested benefit of the DCP for Mr. Matyczynski. Payment of the vested benefit under his DCP will be made in accordance with the terms of the DCP.

(7) Represents our matching contributions under our 401(k) plan, the cost of key person insurance, and any automobile allowances.

(8) Includes the \$50,000 tax gross-up described in the “Tax Gross-Up” section of the Compensation Discussion and Analysis.

Employment Agreements

James J. Cotter, Jr. On June 3, 2013, we entered into an employment agreement with Mr. James J. Cotter, Jr. to serve as our President. The employment agreement provides that Mr. Cotter, Jr. is to receive an annual base salary of \$335,000, with employee benefits in line with those received by our other senior executives. Mr. Cotter, Jr. also was granted a stock option to purchase 100,000 Class A shares at an exercise price equal to the market price of our Class A shares on the date of grant and which will vest in equal annual increments over a four-year period, subject to his remaining in our continuous employ through each annual vesting date.

Under his employment agreement, we may terminate Mr. Cotter Jr.'s employment with or without cause (as defined) at any time. If we terminate his employment without cause, Mr. Cotter Jr. will be entitled to receive severance in an amount equal to the compensation he would have received had he remained employed by us for 12 months.

William D. Ellis. On October 20, 2014, we entered into an employment agreement with Mr. William D. Ellis, pursuant to which he agreed to serve as our General Counsel for a term of three years. The employment agreement provides that Mr. Ellis is to receive an annual base salary of \$350,000, with an annual target bonus of at least \$60,000. Mr. Ellis also received a "sign-up" bonus of \$10,000 and is entitled to employee benefits in line with those received by our other senior executives. In addition, Mr. Ellis was granted stock options to purchase 60,000 Class A shares at an exercise price equal to the closing price of our Class A shares on the date of grant and which will vest in equal annual increments over a three-year period, subject to his remaining in our continuous employ through each annual vesting date.

Under his employment agreement, we may terminate Mr. Ellis' employment with or without cause (as defined) at any time. If we terminate his employment without cause, Mr. Ellis will be entitled to receive severance in an amount equal to the compensation he would have received for the remainder of the term of his employment agreement, or 24 months, whichever is less. If the termination is in connection with a "change of control" (as defined), Mr. Ellis would be entitled to severance in an amount equal to the compensation he would have received for a period of twice the number of months remaining in the term of his employment agreement.

Andrzej Matyczynski. Mr. Matyczynski, our Chief Financial Officer, has a written employment agreement with our company that provides for a specified annual base salary and other compensation. Mr. Matyczynski resigned as our Chief Financial Officer effective May 11, 2015, but will continue as an employee until April 15, 2016 in order to assist in the transition of our new Chief Financial Officer, Mr. Ghose, whose information is set forth above. Upon termination of Mr. Matyczynski's employment, he will become entitled under his employment agreement to a lump-sum severance payment of six months' base salary and to the payment of his vested benefit under his deferred compensation plan discussed above in this section.

2010 Equity Incentive Plan

On May 13, 2010, our stockholders approved the 2010 Stock Incentive Plan (the "Plan") at the annual meeting of stockholders in accordance with the recommendation of the board of directors of the Company. The Plan provides for awards of stock options, restricted stock, bonus stock, and stock appreciation rights to eligible employees, directors, and consultants. The Plan permits issuance of a maximum of 1,250,000 shares of class A nonvoting common stock. The Plan expires automatically on March 11, 2020.

Equity incentive bonuses may be awarded to align our executives' long-term compensation to appreciation in stockholder value over time and, so long as such grants are within the parameters of the Plan, historically were entirely discretionary on the part of Mr. Cotter, Sr. Other stock grants are subject to board approval. Equity awards may include stock options, restricted stock, bonus stock, or stock appreciation rights. Apart from the stock award to Mr. Cotter, Sr., no stock bonuses were awarded to our executive officers in 2014.

If awarded, it is generally our policy to value stock options and restricted stock at the closing price of our common stock as reported on the NASDAQ Capital Market on the date the award is approved or on the date of hire, if the stock is granted as a recruitment incentive. When stock is granted as bonus compensation for a particular transaction, the award may be based on the market price on a date calculated from the closing date of the relevant transaction. Awards may also be subject to vesting and limitations on voting or other rights.

Certain Federal Income Tax Consequences

Non-qualified Stock Options. There will be no federal income tax consequences to either the Company or the participant upon the grant of a non-discounted NQSO. However, the participant will realize ordinary income on the exercise of the NQSO in an amount equal to the excess of the fair market value of the common stock acquired upon the exercise of such option over the exercise price, and the Company will receive a corresponding deduction. The gain, if any, realized upon the subsequent disposition by the participant of the common stock will constitute short-term or long-term capital gain, depending on the participant's holding period.

Incentive Stock Options. There will be no regular federal income tax consequences to either the Company or the participant upon the grant or exercise of an incentive stock option. If the participant does not dispose of the shares of common stock for two years after the date the option was granted and one year after the acquisition of such shares of common stock, the difference between the aggregate option price and the amount realized upon disposition of the shares of common stock will constitute long-term capital gain or loss, and the Company will not be entitled to a federal income tax deduction. If the shares of common stock are disposed of in a sale, exchange or other "disqualifying disposition" during those periods, the participant will realize taxable ordinary income in an amount equal to the excess of the fair market value of the common stock purchased at the time of exercise over the aggregate option price (adjusted for any loss of value at the time of disposition), and the Company will be entitled to a federal income tax deduction equal to such amount, subject to the limitations under Code Section 162(m).

While the exercise of an incentive stock option does not result in current taxable income, the excess of (1) the fair market value of the option shares at the time of exercise over (2) the exercise price, will be an item of adjustment for purposes of determining the participant's alternative minimum tax income.

SARs. A participant receiving an SAR will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When a participant exercises the SAR, the amount of cash and the fair market value of any shares of common stock received will be ordinary income to the participant and will be allowed as a deduction for federal income tax purposes to the Company, subject to limitations under Code Section 162(m). In addition, the Board (or Committee), may at any time, in its discretion, declare any or all awards to be fully or partially exercisable and may discriminate among participants or among awards in exercising such discretion.

Restricted Stock. Unless a participant makes an election to accelerate recognition of the income to the date of grant, a participant receiving a restricted stock award will not recognize income, and the Company will not be allowed a tax deduction, at the time the award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock, and the Company will be entitled to a corresponding tax deduction at that time, subject to the limitations under Code Section 162(m).

Outstanding Equity Awards

The following table sets forth outstanding equity awards held by our named executive officers as of December 31, 2014 under the Plan:

Outstanding Equity Awards At Year Ended December 30, 2014

	Class	Option Awards				Stock Awards	
		Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units that Have Not Vested (\$)
James J. Cotter, Sr.	B	100,000	--	10.24	09/05/2017	--	--
James J. Cotter, Jr.	A	12,500	--	3.87	07/07/2015	--	--
James J. Cotter, Jr.	A	10,000	--	8.35	01/19/2017	--	--
James J. Cotter, Jr.	A	100,000	--	6.31	02/06/2018	--	--
Ellen M. Cotter	A	20,000	--	5.55	03/06/2018	--	--
Ellen M. Cotter	B	50,000	--	10.24	09/05/2017	--	--
Andrzej Matyczynski	A	25,000	25,000	6.02	08/22/2022	--	--
Robert F. Smerling	A	43,750	--	10.24	09/05/2017	--	--

Option Exercises and Stock Vested

The following table contains information for our named executive officers concerning the option awards that were exercised and stock awards that vested during the year ended December 31, 2014:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
James J. Cotter, Sr.	--	--	160,643	1,200,000
Andrzej Matyczynski	35,100	180,063	--	--

Pension Benefits

The following table contains information concerning pension plans for each of the named executive officers for the year ended December 31, 2014:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
James J. Cotter, Sr.(1)	SERP	27	\$ 7,595,000	\$ --
Andrzej Matyczynski(2)	DCP	5	\$ 450,000	\$ --

Director Compensation

During 2014, all of our directors, except Mr. James J. Cotter Sr., Mr. James J. Cotter, Jr. and Ms. Ellen M. Cotter, received an annual fee of \$35,000 (prorated for the year in which a director is first elected or appointed). In addition to their annual directors fee, the following directors received a one-time fee of \$5,000 for their services as a member of the board and of all board committees on which they serve; Messrs. Adams, Gould, McEachern and Kane. Mr. Storey received a one-time fee of \$10,000, for his services as a member of the board and of all board committees on which he served. Messrs. McEachern and Storey also each received an additional \$6,000 for their participation in Special Committee Meetings. For 2014, the Chair of our Audit and Conflicts Committee received an additional fee of \$7,000, the Chair of our Compensation Committee received an additional fee of \$5,000, and the Chair of our Tax Oversight Committee received an additional fee of \$18,000.

Upon joining our board, new directors have historically received immediately vested five-year stock options to purchase 20,000 shares of our Class A Stock at an exercise price equal to the market price of the stock at the date of grant. From time to time our directors also are granted additional stock options as compensation for their service on our board. Historically, these awards were based upon the recommendations of our former Chair and principal shareholder, Mr. James J. Cotter, Sr., which recommendations were reviewed and acted upon by our entire board. When such additional awards have been made, typically, each sitting director (other than Mr. Cotter, Sr., who historically did not participate in such awards) was awarded the same number of options on the same terms. Historically, we have granted our officers and directors replacement options where their options would otherwise expire with exercise prices that were out of the money at the time of such expiration.

In November 2014, our board of directors determined to make grants to our non-employee directors on January 15 of each year of stock options to purchase 2,000 shares of our Class A Stock. The options will be for a term of five years, have an exercise price equal to the market price of Class A Stock on the grant date and be fully vested immediately upon grant.

The following table sets forth information concerning the compensation to persons who served as our non-employee directors during 2014 for their services as directors.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Margaret Cotter (1)	35,000	0	0	35,000
Guy W. Adams (2)	40,000	69,000	0	109,000
William D. Gould	35,000	0	0	35,000
Edward L. Kane	63,000	0	0	63,000
Douglas J. McEachern	53,000	0	0	53,000
Tim Storey	51,000	0	21,000(3)	72,000
Alfred Villaseñor (4)	10,000	0	0	10,000

- (1) In addition to her director's fees, Ms. Margaret Cotter receives a combination of fixed and incentive management fees under the OBI Management Agreement described under the caption "Certain Transactions and Related Party Transactions - OBI Management Agreement," below.
- (2) Mr. Adams joined the board on January 14, 2014 and was granted on that date a five-year stock option to purchase 20,000 shares of our Class A Stock at an exercise price of \$7.40 per share.
- (3) This amount represents fees paid to Mr. Storey as the sole independent director of our company's wholly-owned New Zealand subsidiary.
- (4) Represents fees paid to Mr. Villaseñor prior to our 2014 Annual Meeting of Stockholders, when he declined to stand for re-nomination as a director.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as described below, the following table sets forth the shares of Class A Stock and Class B Stock beneficially owned on April 30, 2015 by:

- each of our incumbent directors;
- each of our incumbent named executive officers set forth in the Summary Compensation Table of this Proxy Statement;

- each person known to us to be the beneficial owner of more than 5% of our Class B Stock; and
- all of our incumbent directors and incumbent executive officers as a group.

The beneficial ownership of 327,808 shares of our outstanding Class B Stock, which we refer to as the “disputed shares,” and 100,000 shares of Class B Stock underlying a currently exercisable stock option, which we refer to as the “disputed option,” is disputed by the Cotter family members, and the following table does not ascribe to any person or entity the beneficial ownership of the disputed shares or of the shares underlying the disputed option.

Except as noted, we believe that each beneficial owner has sole voting power and sole investment power with respect to the shares shown. An asterisk (*) denotes beneficial ownership of less than 1%.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)			
	Class A Stock		Class B Stock	
	Number of Shares	Percentage of Stock	Number of Shares	Percentage of Stock
Directors and Named Executive Officers				
James J. Cotter, Jr. (2)(9)(10)	3,220,251	14.7	696,080	44.0
Ellen M. Cotter (3)(9)(10)	2,818,995	13.0	746,080	47.2
Margaret Cotter (4)(9)(10)	3,111,572	14.3	731,180	46.3
Guy W. Adams	- 0 -	--	- 0 -	--
William D. Gould (5)	54,340	*	--	--
Edward L. Kane (6)	19,500	*	100	*
Andrzej Matyczynski	25,789	*	--	--
Douglas J. McEachern (7)	37,300	*	--	--
Tim Storey (8)	27,000	*	--	--
Robert F. Smerling (8)	43,750	*	--	--
5% or Greater Stockholders				
James J. Cotter Living Trust (9)(10)	1,897,649	8.7	696,080	44.0
James J. Cotter Living Trust/Estate of James J. Cotter, Deceased(9)(10)	408,263	1.9	427,808	25.5
Mark Cuban (11) 5424 Deloache Avenue Dallas, Texas 75220	72,164	*	207,611	13.1
PICO Holdings, Inc. and PICO Deferred Holdings, LLC (12) 875 Prospect Street, Suite 301 La Jolla, California 92037	--	--	97,500	6.2
All directors and executive officers as a group (10 persons)(13)	5,476,570	24.9	1,209,088	71.9

(1) Percentage ownership is determined based on 21,745,484 shares of Class A Stock and 1,580,590 shares of Class B Stock outstanding on May 6, 2015. Except as described in footnote (13) with respect to the beneficial ownership of all directors and executive officers as a group, the table does not ascribe to any person or entity the beneficial ownership of the disputed shares or of the shares underlying the disputed option. Except as described with respect to the disputed shares and the disputed option, beneficial ownership has been determined in accordance with SEC rules. Shares subject to options that are presently exercisable, or exercisable within 60 days of May 6, 2015, which are indicated by footnote, are deemed to be

beneficially owned by the person holding the options and are deemed to be outstanding in computing the percentage ownership of that person, but not in computing the percentage ownership of any other person.

- (2) The Class A Stock shown include 97,500 shares subject to stock options. The Class A Stock shown also include 289,390 shares held by a trust for the benefit of James J. Cotter, Sr.'s grandchildren (the "Cotter grandchildren's trust") and 102,751 held by the James J. Cotter Foundation. Mr. Cotter, Jr. is co-trustee of the Cotter grandchildren's trust and of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Mr. Cotter, Jr. disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any, in such shares. The Class A Stock shown also includes 1,897,649 shares held by the James J. Cotter Living Trust, or the "Living Trust," which became irrevocable upon Mr. Cotter, Sr.'s death on September 13, 2014. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (3) The Class A Stock shown includes 20,000 shares subject to stock options. The Class A Stock shown also include 102,751 shares held by the James J. Cotter Foundation. Ms. Cotter is co-trustee of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown also includes 408,263 shares that Ms. Cotter maintains are part of the Estate of James J. Cotter, Deceased (the "Cotter Estate") that is being administered in the State of Nevada and that Mr. Cotter, Jr. contends are held by the Living Trust. On December 22, 2014, the District Court of Clark County, Nevada, appointed Ellen M. Cotter and Margaret Cotter as co-executors of the Cotter Estate. As such, Ellen M. Cotter would be deemed to beneficially own such shares. As co-trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (9). The shares shown also include 1,897,649 shares held by the Living Trust. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (4) The Class A Stock shown includes 17,000 shares subject to stock options. The Class A shares shown also include 289,390 shares held by the Cotter grandchildren's trust and 102,751 shares held by the James J. Cotter Foundation. Ms. Cotter is co-trustee of the Cotter grandchildren's trust and of the Cotter Foundation and, as such, is deemed to beneficially own such shares. Ms. Cotter disclaims beneficial ownership of such shares except to the extent of her pecuniary interest, if any, in such shares. The Class A Stock shown includes 408,263 shares that Ms. Cotter maintains are part of the Cotter Estate and that Mr. Cotter, Jr. contends are held by the Living Trust. As co-executor of the Cotter Estate, Ms. Cotter would be deemed to beneficially own such shares. As co-trustees of the Living Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (9). The shares shown also include 1,897,649 shares held by the Living Trust. See footnotes (9) and (10) for information regarding beneficial ownership of the shares held by the Living Trust that is disputed by the Cotter family members.
- (5) Includes 17,000 shares subject to stock options.
- (6) The Class A Stock shown includes 2,000 shares subject to stock options.
- (7) Includes 27,000 shares subject to stock options.
- (8) Consists of shares subject to stock options.
- (9) James J. Cotter, Jr., Ellen M. Cotter and Margaret Cotter are the Co-trustees of the Living Trust. On June 5, 2013, the Declaration of Trust establishing the Living Trust was amended and restated (the "2013 Restatement") to provide that, upon the death of James J. Cotter, Sr., the Trust's shares of Class B Stock were to be held in a separate trust, to be known as the "Reading Voting Trust," for the benefit of the grandchildren of Mr. Cotter, Sr. Mr. Cotter, Sr. passed away in September 2014. The 2013 Restatement also names Margaret Cotter the sole trustee of the Reading Voting Trust and names James J. Cotter, Jr. as the first alternate trustee in the event that Ms. Cotter is unable or unwilling to act as trustee. On June 19, 2014, Mr. Cotter, Sr. signed a 2014 Partial Amendment to Declaration of Trust (the "2014 Amendment") that names Margaret Cotter and James J. Cotter, Jr. as the co-trustees of the Reading Voting Trust and provides that, in the event they are unable to agree upon an important trust decision, they shall rotate the trusteeship between them annually on each January 1st. It further directs the trustees of the Reading Voting Trust to, among other things, vote the Class B Stock held by the Reading Voting Trust in favor of the appointment of Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. to our board and to take all actions to rotate the chairmanship of our board among the three of them. On February 6, 2015, Ellen Cotter and Margaret Cotter filed a Petition in the Superior Court of the State of California, County of Los Angeles, captioned In re James J. Cotter Living Trust dated August 1, 2000 (Case No. BP159755). The Petition, among other things, seeks relief that could determine the validity of the 2014 Amendment and who between Margaret Cotter and James J. Cotter Jr. will have authority as trustee or co-trustees of the Reading Voting Trust to vote the shares of Class B Stock shown (in whole or in part) and the scope and extent of such authority. Mr. Cotter, Jr. has filed an opposition to the Petition. As co-trustees of the Living Trust, Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter would share voting and investment power of the shares held by the Living Trust and, as such, would be deemed to beneficially own such shares. As trustee or co-trustees of the Reading Voting Trust, Margaret Cotter or Mr. Cotter, Jr., or both, would be deemed to beneficially own the Class B Stock shown. Each of Mr. Cotter, Jr., Ellen M. Cotter and Margaret Cotter disclaims beneficial ownership of the shares held by the Living Trust except to the extent of his or her pecuniary interest, if any, in such shares.

- (10) Our stock register reflects that the 327,808 disputed shares of Class B Stock, which constitute approximately 20.7% of the voting power of our outstanding capital stock, and the disputed option to purchase 100,000 shares of Class B Stock, are standing in the name of Mr. Cotter, Sr. Ellen M. Cotter and Margaret Cotter dispute that Mr. Cotter, Sr. executed a written assignment that purported to transfer the disputed shares to the Living Trust and contend that, until such time as they pour over into the Living Trust, the disputed shares make up a part of the Cotter Estate. Ellen M. Cotter and Margaret Cotter also contend that the disputed option belongs to the Cotter Estate, while Mr. Cotter, Jr. disputes these contentions. Because the disputed shares and the shares underlying the disputed option together represent a material amount of our outstanding Class B stock, on April 29, 2015, we filed in the District Court of Clark County, Nevada, a petition requesting instructions from the Court regarding the disputed shares and the disputed option. A copy of our petition is set forth as an exhibit to our current report on Form 8 K filed with the SEC on May 4, 2015. Depending upon the outcome of this matter, the beneficial ownership of our Class B Stock will change, perhaps materially, from that presented in this table. The Cotter family also dispute whether the Class A Stock shown is held by the Living Trust or by the Cotter Estate.
- (11) Based on Mr. Cuban's Form 4 filed with the SEC on July 18, 2011 and Schedule 13G filed on February 14, 2012.
- (12) Based on the PICO Holdings, Inc. and PICO Deferred Holdings, LLC Schedule 13G filed with the SEC on February 15, 2011.
- (13) The Class A Stock shown includes 408,263 disputed shares of Class A Stock and 251,250 shares subject to options. The Class B Stock shown includes the 327,808 disputed shares and the 100,000 shares subject to the disputed option.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Transactions

The members of our Audit and Conflicts Committee are Edward Kane, Tim Storey, and Douglas McEachern, who serves as Chair. Management presents all potential related party transactions to the Conflicts Committee for review. Our Conflicts Committee reviews whether a given related party transaction is beneficial to our company, and approves or bars the transaction after a thorough analysis. Only Committee members disinterested in the transaction in question participate in the determination of whether the transaction may proceed.

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC ("SHC") regarding the leasing with an option to purchase of certain cinemas located in Manhattan including our Village East and Cinemas 1, 2 & 3 theaters. In connection with that transaction, we also agreed to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company that is owned by Sutton Hill Associates, which was a 50/50 partnership between James J. Cotter, Sr. and Michael Forman. The Village East is the only cinema subject to this lease, and during 2014, 2013 and 2012 we paid rent to SHC in the amount of \$590,000 annually.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the "cinema ground lease"). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require us to purchase all or a portion of SHC's interest in the existing cinema lease and the cinema ground lease at any time between July 1, 2013 and December 4, 2019. SHC's put option may be exercised on one or more occasions in increments of not less than \$100,000 each. In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1, 2 & 3. In connection with that transaction, we granted to SHC an option to acquire a 25% interest in the special purpose entity formed to acquire these interests at cost. On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of its \$3 million deposit plus the assumption of its proportionate share of SHP's liabilities, giving SHC a 25% non-managing membership interest in SHP. We manage this cinema property for an annual management fee equal to 5% of its annual gross income.

In February 2015, we and SHP entered into an amendment to the management agreement dated as of June 27, 2007 between us and SHC. The amendment, which was retroactive to December 1, 2014, memorialized our undertaking to SHP with respect to \$750,000 (the “Renovation Funding Amount”) of renovations to Cinemas 1, 2 & 3 funded or to be funded by us. In consideration of our funding of the renovations, our annual management fee under the management agreement was increased commencing January 1, 2015 by an amount equivalent to 100% of any incremental positive cash flow of Cinemas 1, 2 & 3 over the average annual positive cash flow of the Cinemas over the three-year period ended December 31, 2014 (not to exceed a cumulative aggregate amount equal to the Renovation Funding Amount), plus a 15% annual cash-on-cash return on the balance outstanding from time to time of the Renovation Funding Amount, payable at the time of the payment of the annual management fee. Under the amended management agreement, we are entitled to retain ownership of (and any right to depreciate) any furniture, fixtures and equipment purchased by us in connection with such renovation and have the right (but not the obligation) to remove all such furniture, fixtures and equipment (at our own cost and expense) from the Cinemas upon the termination of the management agreement. The amendment also provides that, during the term of the management agreement, SHP will be responsible for the cost of repair and maintenance of the renovations.

OBI Management Agreement

Pursuant to a Theater Management Agreement (the “Management Agreement”), our live theater operations are managed by OBI LLC (“OBI Management”), which is wholly owned by Ms. Margaret Cotter who is our Vice Chair and the sister of James J. Cotter, Jr. and Ellen M. Cotter.

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately 21% of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex in Chicago on a fee basis based on theater cash flow. In 2014, OBI Management earned \$397,000, which was 20.9% of net cash flows for the year. In 2013, OBI Management earned \$401,000, which was 20.1% of net cash flows for the year. In 2012, OBI Management earned \$390,000, which was 19.7% of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

OBI Management conducts its operations from our office facilities on a rent-free basis, and we share the cost of one administrative employee of OBI Management. Other than these expenses and travel-related expenses for OBI Management personnel to travel to Chicago as referred to above, OBI Management is responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renews automatically each year unless either party gives at least six months’ prior notice of its determination to allow the Management Agreement to expire. In addition, we may terminate the Management Agreement at any time for cause.

Live Theater Play Investment

From time to time, our officers and directors may invest in plays that lease our live theaters. The play STOMP has played in our Orpheum Theatre since prior to our acquisition of the theater in 2001. Mr. Cotter, Sr. owned an approximately 5% interest in that play.

Shadow View Land and Farming LLC

During 2012, Mr. Cotter, Sr., our former Chair, Chief Executive Officer and controlling shareholder, contributed \$2.5 million of cash and \$255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, which is owned 50% by our company. Mr. Cotter, Jr. contends that the other 50% interest in Shadow View Land and Farming, LLC is

owned by the James J. Cotter, Sr. Trust, while Ellen Cotter and Margaret Cotter contend that such interest is owned by the Cotter Estate. We are the managing member of Shadow View Land and Farming, LLC, with oversight provided by our Audit and Conflicts Committee.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Summary of Principal Accounting Fees for Professional Services Rendered

Our independent public accountants, Grant Thornton, LLP, have audited our financial statements for the fiscal year ended December 31, 2014, and are expected to have a representative present at the Annual Meeting who will have the opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

Audit Fees

The aggregate fees for professional services for the audit of our financial statements, audit of internal controls related to the Sarbanes-Oxley Act, and the reviews of the financial statements included in our Forms 10-K and 10-Q provided by Grant Thornton LLP for 2014 and 2013 were approximately \$661,700 and \$550,000, respectively.

Audit-Related Fees

Grant Thornton, LLP did not provide us any audit related services for 2014 or 2013.

Tax Fees

Grant Thornton, LLP did not provide us any products or any services for tax compliance, tax advice, or tax planning for 2014 or 2013.

All Other Fees

Grant Thornton, LLP did not provide us any services for 2014 or 2013 other than as set forth above.

Pre-Approval Policies and Procedures

Our Audit Committee must pre-approve, to the extent required by applicable law, all audit services and permissible non-audit services provided by our independent registered public accounting firm, except for any de minimis non-audit services. Non-audit services are considered de minimis if (i) the aggregate amount of all such non-audit services constitutes less than 5% of the total amount of revenues we paid to our independent registered public accounting firm during the fiscal year in which they are provided; (ii) we did not recognize such services at the time of the engagement to be non-audit services; and (iii) such services are promptly submitted to our Audit Committee for approval prior to the completion of the audit by our Audit Committee or any of its members who has authority to give such approval. Our Audit Committee pre-approved all services provided to us by Grant Thornton LLP for 2014 and 2013.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(3) The following exhibits are filed as part of this report:

Exhibit No.	Description
31.1	Certification of Principal Executive Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer dated March 7, 2014 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

READING INTERNATIONAL, INC.

Date: May 8, 2015

By: /s/ ANDRZEJ MATYCZYNSKI
Name: Andrzej Matyczynski
Title: Chief Financial Officer

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, James J. Cotter, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Reading International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ JAMES J. COTTER, JR.

James J. Cotter, Jr.
Chief Executive Officer

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

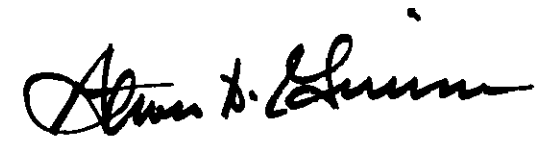
I, Andrzej Matyczynski, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Reading International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2015

/s/ ANDRZEJ MATYZYNSKI

Andrzej Matyczynski
Chief Financial Officer



CLERK OF THE COURT

TRAN

DISTRICT COURT
CLARK COUNTY, NEVADA
* * * * *

JAMES COTTER, JR.

Plaintiff

vs.

MARGARET COTTER, et al.

Defendants
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CASE NO. A-719860

DEPT. NO. XI

**Transcript of
Proceedings**

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

**HEARING ON DEFENDANTS' MOTION TO DISMISS
AND PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION**

THURSDAY, SEPTEMBER 10, 2015

APPEARANCES:

FOR THE PLAINTIFF:

MARK G. KRUM, ESQ.
ALEX ROBERTSON, ESQ.

FOR THE DEFENDANTS:

DONALD A. LATTIN, ESQ.
MICHAEL HUGHES, ESQ.
MARSHALL SEARCY, ESQ.
CHRISTOPHER TAYBACK, ESQ.
MARK E. FERRARIO, ESQ.
ALAN D. FREER, ESQ.

COURT RECORDER:

JILL HAWKINS
District Court

TRANSCRIPTION BY:

FLORENCE HOYT
Las Vegas, Nevada 89146

Proceedings recorded by audio-visual recording, transcript
produced by transcription service.

1 LAS VEGAS, NEVADA, THURSDAY, SEPTEMBER 10, 2015 9:03 A.M.

2 (Court was called to order)

3 THE COURT: Cotter versus Cotter.

4 All right. Starting with Mr. Robertson, please go
5 across the room, identify yourself for purposes of my record.

6 MR. ROBERTSON: Good morning, Your Honor. Alex
7 Robertson for the intervening plaintiffs.

8 MR. KRUM: Good morning, Your Honor. Mark Krum for
9 plaintiff James J. Cotter, Jr.

10 MR. TAYBACK: Good morning, Your Honor. Christopher
11 Tayback, pro hac vice pending. And I'm appearing on behalf of
12 the moving directors.

13 THE COURT: Anybody have an objection to him
14 speaking today?

15 MR. KRUM: No, Your Honor.

16 MR. SEARCY: Good morning, Your Honor. Marshall
17 Searcy also here for the moving defendants, also pro hac vice
18 pending.

19 THE COURT: Anybody have any objection if he speaks
20 today?

21 MR. ROBERTSON: No, Your Honor.

22 MR. KRUM: No, Your Honor.

23 THE COURT: Okay.

24 MR. HUGHES: Michael Hughes of the law firm of Cohen
25 & Johnson, Your Honor, on behalf of the moving defendants.

1 MR. FERRARIO: Mark Ferrario, Your Honor, for
2 Reading, who joined in the motion that will be argued by --

3 THE COURT: Not you.

4 MR. FERRARIO: -- not me.

5 MR. FREER: Alan Freer on behalf of the personal
6 representatives.

7 THE COURT: And who's on the telephone?

8 MR. LATTIN: Don Lattin, Your Honor, representing
9 Timothy Storey and William Gould.

10 THE COURT: Thank you.

11 It's your motion.

12 MR. TAYBACK: Good morning, Your Honor. One thing I
13 think we know from the complaint and really the gravamen of
14 the complaint is that the plaintiff was fired, fired by the
15 directors, by a majority of the non-Cotter family directors,
16 under a process that was put in place by the plaintiff when he
17 was a director saying that that is how a termination would
18 have to happen, if it was going to happen, of a Cotter family
19 member. That's what this case is about, and that's really
20 what's pled.

21 What that's not is it's not adequate for a
22 derivative complaint. And that's really for three separate
23 reasons. The first is that it does not satisfy the pre-filing
24 demand requirement. And there's no dispute that that wasn't
25 made. The question, the question as framed by the complaint

1 is whether or not it adequately alleges disinterest of the
2 directors or a lack of disinterest by a majority of the
3 directors. Second, it doesn't plead around the business
4 judgment rule. And, third, it hasn't pleaded damages to the
5 class. And that really relates to the fourth point, which is
6 that the plaintiff, this plaintiff, is not an adequate
7 plaintiff for this case, for a derivative case. And I'm going
8 to address those really in turn fairly briefly, given Your
9 Honor's time constraints.

10 The first is if you look at the cases, the seminal
11 cases that talk about when a demand is deemed futile based on
12 the lack of disinterest by directors, the allegations in this
13 complaint fall squarely within the cases. Things like they
14 have a business relationship with some of the principal
15 directors, the principal directors own a large controlling
16 share, those are issues that were decided and not deemed
17 sufficient to plead disinterest. If you look at the Martha
18 Stewart case or you look at the Wynn case, those fall squarely
19 within that, and that's really all the allegations against
20 people like Mr. McEachern, Mr. Kane, Mr. Adams --

21 THE COURT: But don't you want to look at the Schoen
22 case because we actually have Nevada law on it?

23 MR. TAYBACK: And I have looked at the Schoen case.

24 THE COURT: Okay.

25 MR. TAYBACK: And the Schoen case says that it's the

1 plaintiff's burden to plead and overcome the presumption of
2 the business judgment rule that shows that the majority of
3 those directors are disinterested. And simply saying that
4 they have a social relationship, that is not sufficient. It's
5 not sufficient there, and it's not sufficient in any other
6 case. You have to show that they acted in their own self
7 interest. And there's nothing that pleads that either
8 Margaret or Ellen Cotter or, frankly, Mr. Adams or Mr.
9 McEachern or Mr. Kane did that. Simply keeping your status as
10 a director is not sufficient. Simply saying that one
11 perceives, as alleged in this complaint, perceives that the
12 board is having difficulty getting along with, that the
13 parties can't get along. In fact, that falls squarely within
14 the business judgment rule, and that's exactly what took place
15 in that Disney case out of Delaware, which is persuasive
16 authority, though not Nevada authority.

17 The point really is whether that satisfies the
18 requirement, which is a high burden in a derivative case, for
19 saying that a demand on this board would be futile. The fact
20 is it wouldn't be futile. It was a divided board in any
21 event.

22 The second point that I want to make is that this
23 plaintiff is not only an inadequate representative of this
24 class, but he's an unnecessary representative. And I say that
25 second point because I think it's worth highlighting. There's

1 some references in the opposition to the fact that there's a
2 subsequent complaint in intervention filed by what are called
3 the T2 plaintiffs.

4 THE COURT: Mr. Robertson's clients.

5 MR. TAYBACK: Yes. And that motion -- that
6 complaint -- that complaint isn't at issue. There's no motion
7 pending on that complaint as of yet. It's not due for a
8 period of time. But the point is that whether Mr. Cotter is
9 an adequate representative is highlighted by the fact that
10 what he's seeking is different than what the T2 plaintiffs
11 really are seeking. They have a complaint that addresses
12 conduct that occurred at the corporation while the plaintiff
13 was a director, while the plaintiff was the CEO. And when you
14 evaluate the question of whether or not Mr. Cotter, the
15 plaintiff, is an adequate representative you look not only at
16 one kind of damages, what he's seeking to regain or restore to
17 the corporation, which in his case frankly is not anything.
18 It's really his job that he's seeking to have reinstated. And
19 there's speculative arguments at best about what impact that
20 would have on shareholders. But that's different than what
21 the real gravamen of a derivative complaint is.

22 The real problem is that you don't need to have Mr.
23 Cotter raise this derivative complaint, because T2 is there.
24 They would be an adequate plaintiff. At least they're not
25 saddled with the burden that Mr. Cotter has of having a

1 personal self interest, having parallel litigation, having an
2 agenda other than the benefit of shareholders. And that's the
3 criteria. That's really what the criteria boils down to for
4 determining whether a plaintiff is an adequate plaintiff for a
5 derivative claim.

6 With that I will reserve the balance of my time, if
7 I can.

8 THE COURT: Yes.

9 MR. TAYBACK: Thank you.

10 THE COURT: Mr. Krum.

11 MR. KRUM: Good morning, Your Honor. Thank you.
12 Please indulge me. I've broken my glasses, and so the ones
13 I've purchased from Walgreens I can see to read, but I can't
14 see you.

15 THE COURT: I'm still up here. I'm in a blur.

16 MR. KRUM: Well, I can, but not the way I'd like to.

17 The argument just proffered is like the argument
18 made in the moving papers, including that it contains
19 mischaracterizations of the allegations of my complaint and
20 also contains mischaracterizations of the allegations of the
21 intervening complaint. We've addressed those issues in our
22 opposition. I don't intend to repeat that. What I do want to
23 do is speak to a few things that I think their reply papers
24 highlight in a rather telling way.

25 This is a derivative case, and therefore when day's

1 ended why the sun rises in the east there's going to be a
2 motion to dismiss challenging the adequacy of allegations
3 pleading demand futility. We have those. We've briefed
4 those. They were just argued, and I may speak to them
5 briefly. We spoke to them at length in the opposition.

6 In this case the defendants set about the day after
7 this case was filed of creating a arbitration, which is a
8 contrived dispute. First they use that as a basis for a
9 motion to compel arbitration, which you denied. Now it's a
10 principal basis for their adequacy argument.

11 We spoke to the eight or so considerations in our
12 opposition brief, almost all of which were ignored in the
13 moving papers and the reply brief, and purposefully so, I
14 submit. So I'm going to talk about what the reply brief tells
15 us. It starts out with an argument that isn't about demand
16 futility and it is not about adequacy. It's about pleading
17 damages. Well, I respectfully submit, Your Honor, that's a
18 telling, telling point, that they didn't start with one of the
19 two principal bases of their motion, one of which is what is
20 argued in every case of this nature. And that argument, of
21 course, is simply wrong as a matter of law. It suggests that
22 you must plead some sort of money damages. Well, obviously in
23 a court in equity that's not the case.

24 So I'm going to go back to one of my favorite cases
25 by virtue of what I think is a lovely quote. "An equitable

1 action does not become permissible simply because it is
2 legally possible. That's Schnell v. Cris-Craft. We cited
3 that in the opposition to the motion to compel arbitration.
4 That's a case in which the defendant board of directors
5 changed something about the annual meeting and they did so in
6 what they contended was in compliance with Delaware law. The
7 court found that they did so for the purpose of
8 disenfranchising shareholders and the effect of doing so and
9 granted injunctive relief.

10 Well, of course, that's the nature of the relief
11 sought by our complaint, not simply with respect to the
12 termination of the plaintiff, but also with respect to the
13 ongoing dismantling of the fundamental corporate governance
14 structures to the company. As you know, they've effectively
15 replaced the board of directors with a four-member executive
16 committee comprised of, not surprisingly, Ellen Cotter,
17 Margaret Cotter, Ed Kane, and Guy Adams. And what we'll learn
18 in discovery is that has effectively supplanted the board of
19 the directors on a going forward basis. And what does that
20 mean? That means directors Gould and Storey, who weren't with
21 the program, are excluded from functioning as board members,
22 as is my client.

23 So, in any event -- and then the last thing on that
24 particular point, the case they cite doesn't say anything at
25 all about monetary damages. It's just a general proposition

1 that you need to have causation between the complaint of
2 conduct and the relief you seek.

3 Now, the argument today started with a misstatement
4 that the complaint alleges that the plaintiff was terminated
5 pursuant to a process. In point of fact the complaint alleges
6 that the process in existence was preempted and aborted so
7 that it wouldn't come to fruition, and he was then terminated
8 before it came to fruition. Perhaps Counsel's referring to
9 something different, which is in paragraph 43 of our
10 complaint. It recites that at a January 15th, 2015, meeting
11 the what I'll call the non-Cotter members of the board of
12 directors reached -- resolved with the three Cotters
13 abstaining that any of the three of them could be terminated
14 only upon a majority vote of the non-Cotter directors. And
15 the only reasons I mention that is perhaps that's what he's
16 thinking of and why he misspoke. And that shows you that as
17 of January every member of that board knew that there was a
18 conflict such that none of the Cotters could properly vote
19 with respect to the employment of the other Cotters. Those
20 people made that determination, and it's in the complaint.

21 With respect to Kane and Adams and McEachern we go
22 through that in extensive detail. And unless you want me to
23 speak to some of that, I won't.

24 THE COURT: I don't need you to.

25 MR. KRUM: And on the adequacy, we've covered that

1 in extensive detail. So unless you have questions --

2 THE COURT: Can you talk to me about the derivative
3 nature of the damages that you've alleged, if any.

4 MR. KRUM: Sure. Well, as I said a moment ago, Your
5 Honor, I expect that that will change over the course of
6 discovery, because the scheme that was the subject matter of
7 the complaint is ongoing. Recall, it started with an effort
8 to pressure my client to reach a resolution of a trust in a
9 state litigation that would entail, among other things,
10 effectively ceding control of the Class B voting stock and the
11 company to Ellen and Margaret Cotter. When the five outside
12 -- when the three outside directors, McEachern, Kane, and
13 Adams, together with Ellen and Margaret, gave him ultimatum
14 over a period of -- repeatedly over a period of three weeks,
15 which ultimatums were followed with take-it-or-leave-it
16 demands, they weren't acting to further the interests of the
17 company, they were acting to further the interests of
18 themselves and Ellen and Margaret, and they've continued to do
19 so since we filed the complaint.

20 To answer your question, Your Honor -- this is not
21 in the complaint, because it postdates the complaint; I could
22 put it in the complaint, but that doesn't change anything --
23 they have formed an executive committee comprised of the four
24 people I mentioned, they've given to that executive committee
25 the full power of the board. That conduct, Your Honor, is in

1 derogation of historical practices of the company. To be
2 perfectly clear, the company has always had an executive
3 committee, and every SEC disclosure says we have an executive
4 committee with the full powers of the board, it's never, ever,
5 ever done anything. So now it does everything. And do you
6 know what they've disclosed about that? Nothing. Not one
7 word. Not an 8K, nothing. And I guarantee you that won't be
8 in their proxy statement, either.

9 So the answer to the question, Your Honor, it's in
10 the nature of restoring the full function of the fundamental
11 corporate governance entity, the board of directors, which has
12 been preempted by these people as part of their scheme to
13 secure and exercise and cement control. And the other part
14 today is to require them to make curative disclosures. The
15 range of the disclosures weren't confined to what I described,
16 but what I'm addressing is what's ongoing. This is not --
17 they depict this as a one off employment decision. But if you
18 look at our preliminary injunction motion, you look at the
19 intervening complaint, both of which postdate the complaint,
20 you can see that the's not the case. What transpired is
21 exactly what I said, a scheme to secure control, entrench
22 themselves, and misuse their position as directors to further
23 their own interests in derogation of the interests of the
24 company and a derogation of the fiduciary obligations to all
25 shareholders.

1 So the injunctive relief, Your Honor, is going to be
2 entirely of an equitable nature unless we get into
3 particulars. And we may. We raise some monetary items in our
4 complaint, moneys paid to Ellen Cotter that weren't paid to
5 others, \$50,000 supposedly to reimburse her. The intervening
6 complaint has a little more focus on that kind of thing, as
7 well as a couple additional items that, contrary to what was
8 represented to you, did not occur when my client was CEO of
9 the company. So they may have some monetary issues. I don't
10 know whether we will.

11 THE COURT: So why do I need two derivative claims?

12 MR. KRUM: Well, I suggest you look back at the
13 Mayer [phonetic] case. That's a case in which the court found
14 that the plaintiff, who was similarly situated to my
15 plaintiff, was uniquely qualified. Basically what happens is
16 the court assessed whether there would be any value added, and
17 the court found there would be substantial value added because
18 the plaintiff was uniquely qualified by virtue of his
19 familiarity with the company and the issues and so forth. And
20 as a practical matter, neither as a matter of law nor as a
21 matter of logic does it follow that if there are two
22 plaintiffs, two derivative plaintiffs with overlapping claims
23 that one is unnecessary. They cite no authority for that,
24 it's logically fallacious and I can tell you exactly what
25 that's about. As a practical matter it's a simple divide-and-

1 conquer strategy, if we can get rid of Cotter and Krum then
2 all we have to do is do some pabulum standard settlement and
3 maybe these investor plaintiffs will go away. I'm not
4 suggesting they will, but, look, this isn't an argument
5 predicated upon any legal authority or any logic. It's
6 argument predicated upon an end game as to avoid the merits of
7 this case. And the answer is any procedural impediment we can
8 raise such that we won't ever have to get to the merits let's
9 give it a try. We saw that with the motion to compel
10 arbitration. But to answer that question, there's no law for
11 that. You know, if we had exactly different claims, they'd
12 say what they said in the reply brief. We don't have exactly
13 different claims. We have overlapping claims, some the same,
14 some different. And that may evolve to be perfectly clear.
15 As I hope my comments have made clear, I'm focused on the
16 governance aspect of this. But what they would say is what
17 they said in the reply brief.

18 THE COURT: You get to sit down now. Thanks.

19 MR. KRUM: Thank you.

20 THE COURT: Any wrap-up? You have a couple minutes,
21 I think.

22 MR. TAYBACK: Your Honor, the question's damages to
23 shareholders, not damages to this plaintiff. And that Energy
24 Tech case out of Texas --

25 THE COURT: I have cases, derivative cases all the

1 time where the only damages being sought by the clearly
2 adequately plaintiffs are injunctive relief.

3 MR. TAYBACK: It's not a question of monetary
4 damages, it's damages that affect the shareholders.

5 THE COURT: I understand what you're saying. But
6 it's --

7 MR. TAYBACK: And I will say that the Energy Tech
8 case falls squarely within these kind of facts. And that's
9 contrary to what I think was just described as the Mayer case,
10 where that -- the proposition in the Mayer case was the fact
11 that an individual shareholder has other litigation against a
12 director doesn't preclude them per se from being a shareholder
13 in a derivative case. But that didn't decide the issue as to
14 whether a derivative case was appropriate or proper. In fact,
15 in that case it didn't involve a terminated employee seeking
16 his own reinstatement. That is what this case is about.
17 That's what this case, not the T2 case, that's what this case
18 is about. And that's why this case is different and, frankly,
19 superfluous unnecessary to the decision of whatever issues
20 might affect shareholders. That's for a different plaintiff
21 on a different day that doesn't have this agenda that is
22 singular to this plaintiff.

23 THE COURT: Thank you.

24 The motion is granted in part. It is granted as to
25 the damages aspect, which need to be more particularly pled

1 for derivative purposes, as opposed to direct benefits to the
2 plaintiff. The plaintiff has adequately alleged demand
3 futility and interestedness.

4 I need to set a Rule 16 conference with you. I'm
5 thinking of October 21st.

6 MR. TAYBACK: Your Honor, may I grab a calendar?

7 THE COURT: Hold on a second.

8 Is that a Wednesday, Dulce, October --

9 THE CLERK: Yes.

10 THE COURT: Oh. That's because I have the 2016
11 calendar out. Hold on a second.

12 I'm really thinking October 23rd.

13 MR. KRUM: Your Honor, may I put this in a broader
14 timetable context we need to address?

15 THE COURT: No. Because I'm going to ask that
16 question in a minute.

17 MR. KRUM: Well --

18 THE COURT: So I'm thinking of doing the Rule 16
19 conference on this Business Court case on October 23rd. Then
20 I'm going to ask you some more questions in a minute and tell
21 you a couple other answers you're not going to like.

22 MR. KRUM: Fine.

23 THE COURT: Okay. So, Dan, issue an order for
24 October 23rd.

25 With respect to the motion to dismiss that's

1 scheduled for October 13th, for some reason the Clerk's Office
2 set you on Department 29's calendar and not on my calendar.
3 Since you're on my calendar, it's 8:30. So please be here at
4 8:30, and make sure your documents come to me, not to
5 Department 29.

6 With respect to the manage for preliminary
7 injunction, it's like pulling teeth dealing with you guys.
8 What have we got to do to get you tell me what the date is
9 that we're going to do the preliminary injunction hearing?

10 MR. KRUM: Your Honor, what we've -- what it is with
11 which we're struggling is when will be able to do what we need
12 to do, first, get the documents produced and reviewed; second,
13 take the depositions; third, do the briefing. And we have had
14 calls on a weekly basis with respect to this, so counsel have
15 not been diligent. Mr. Coburn has borne the laboring oar.

16 THE COURT: No, you've been diligent.

17 MR. KRUM: Yeah. I think the answer is we should
18 pick a date far enough out that we think we can meet it. And
19 that's probably going to be, in my estimation, the week before
20 Thanksgiving. I'd suggest the 19th. And the reason for that,
21 Your Honor, is when I proposed a schedule in my motion to
22 expedite and set the hearing the schedule contemplated
23 documents would be produced by today, the depositions would
24 commence 10 days or so hence, and then we'd have briefing and
25 we'd have a hearing the first week of November. The documents

1 haven't been produced as to the company. I can't speak to the
2 individuals, I think they're at least some of them well along.
3 But as to the company there still remains a lot of work to do
4 is what I'm told. I don't think we're going to have time to
5 do what we need to do to have a hearing any earlier than the
6 week before Thanksgiving.

7 THE COURT: Okay. Then on October 21st [sic] when
8 we're here for the Rule 16 conference we will talk about
9 scheduling your preliminary injunction hearing.

10 MR. KRUM: 23rd; right?

11 THE COURT: 23rd, yes. The Friday of that week.
12 What day is it, Dulce?

13 THE CLERK: The 23rd.

14 MR. KRUM: 23rd.

15 THE COURT: The day that Dan puts on the order that
16 you get we're going to talk about scheduling your preliminary
17 injunction hearing and where you are on the expedited
18 discovery that I granted a month or so ago.

19 MR. KRUM: Thank you, Your Honor.

20 THE COURT: Anything else? Have a lovely day.

21 THE PROCEEDINGS CONCLUDED AT 9:25 A.M.

22 * * * * *

23

24

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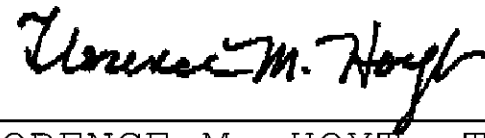
CERTIFICATION

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

AFFIRMATION

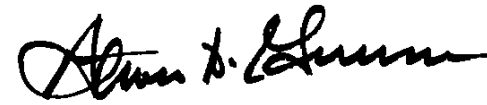
I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

**FLORENCE HOYT
Las Vegas, Nevada 89146**



FLORENCE M. HOYT, TRANSCRIBER

DATE



CLERK OF THE COURT

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DISTRICT COURT

CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf 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

READING INTERNATIONAL, INC., a Nevada
corporation;

Nominal Defendant.

CASE NO. A-15-719860-B
Dept No. XI

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

Jointly Administered

**ORDER DENYING NOMINAL
DEFENDANT READING
INTERNATIONAL, INC.'S MOTION TO
COMPEL ARBITRATION**

Hearing date: September 1, 2015
Hearing time: 8:30 a.m.

Defendant Reading International, Inc.'s Motion to Compel Arbitration came on hearing on
September 1, 2015. Mark Ferrario and Lance Coburn appeared on behalf of Defendant Reading
International, Inc. Mark G. Krum appeared on behalf of Plaintiff James J. Cotter, Jr. Harold
Johnson and Marshall Searcy appeared on behalf of Margaret Cotter, Ellen Cotter, Edward Kane,

1 Guy Adams and Douglas McEachern. Donald Lattin appeared on behalf of William Gould and
2 Timothy Storey.

3 The Court, having reviewed the pleadings and documents on file herein and heard the
4 arguments of counsel, good cause appearing,

5 IT IS HEREBY ORDERED, the Motion to Compel Arbitration is DENIED.

6 **IT IS SO ORDERED**

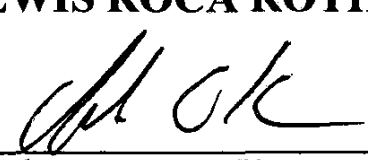
7 DATED this 7th day of September, 2015.

8 
9 DISTRICT COURT JUDGE

10 FOR **ELIZABETH GONZALEZ** 

11 DATED this 29 day of September, 2015.

12 **LEWIS ROCA ROTHGERBER**

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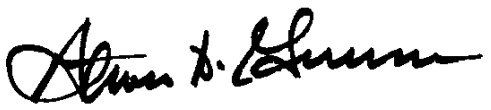
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EIGHTH JUDICIAL DISTRICT COURT

CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and
derivatively on behalf of Reading International,
Inc., *et al.*,

Plaintiff,

vs.

MARGARET COTTER, an individual, *et al.*,

Defendants.

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

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

Related and Coordinated Cases

BUSINESS COURT

**ORDER REGARDING
MOTION TO DISMISS COMPLAINT**

THIS MATTER HAVING COME TO BE HEARD BEFORE the Court on a Motion To Dismiss Complaint (hereinafter referred to as the "Motion") filed by Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, and Douglas McEachern (collectively referred to as the "Defendants") and joined in by Reading International, Inc. (hereinafter referred to as "Reading"), and it appearing that due and proper notice was given for the Motion, that a written opposition to the Motion was filed by Plaintiff James J. Cotter, Jr. (hereinafter referred to as "Plaintiff") and joined in by several Intervening Plaintiffs, that a written reply in support of the Motion was filed by the Defendants, that oral argument was presented to the Court by counsel for Defendants and Plaintiff at the time and place set for hearing of the Motion, and that good cause exists for granting a portion of the Motion,

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT the Motion is granted in part and denied in part.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED THAT the Motion is granted with respect to the requirement that Plaintiff must allege damages with more particularity for ^{direct} derivative purposes as opposed to ^{derivative} ~~direct~~ ^{claims by} benefits to the Plaintiff. The Motion is otherwise denied.

~~IT IS FINALLY ORDERED, ADJUDGED, AND DECREED THAT the Complaint filed by Plaintiff in the above-captioned proceedings is hereby dismissed without prejudice and Plaintiff shall have leave to file a first amended complaint in the above-captioned proceedings.~~

DATED this 15th day of October, 2015.


DISTRICT COURT JUDGE
ELIZABETH GONZALEZ

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21 MAUPIN, COX & LEGOY

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23 /s/ Don Lattin

TRAN

JAMES COTTER, JR.

CASE NO. A-719860

DEPT. NO. XI

Transcript of Proceedings

• • • • •

HEARING ON MOTION TO COMPEL AND MOTION TO
FILE DOCUMENT UNDER SEAL

APPEARANCES:

MARK G. KRUM, ESQ.

HAROLD S. JOHNSON, ESQ.
CHRISTOPHER TAYBACK, ESQ.
ALEXANDER ROBERTSON IV, ESQ.
KARA HENDRICKS, ESQ.

TRANSCRIPTION BY:

FLORENCE HOYT
Las Vegas, Nevada 89146

RA198

1 LAS VEGAS, NEVADA, THURSDAY, FEBRUARY 18, 2016, 9:46 A.M.

2 (Court was called to order)

3 THE COURT: Ms. Hendricks, I'm sorry. I was looking
4 for Mr. Ferrario. I didn't see him, so I didn't call the
5 case. And then Laura says, Ms. Hendricks is here for him.
6 And it's like, darn, I should have got them in the --

7 MS. HENDRICKS: It's a little quieter in the
8 courtroom today. I understand.

9 THE COURT: Okay. Mr. Krum, you're up.

10 MR. KRUM: Thank you, Your Honor. Good morning.
11 Mark Krum for plaintiff, James J. Cotter, Jr.

12 Your Honor, I have a couple --

13 THE COURT: Aren't you glad you aren't on the Jacobs
14 case anymore?

15 MR. KRUM: Well, let me -- I'll answer that in just
16 a moment following what I have, a couple preliminary comments
17 to go to neither motion. First, we had some issues with our
18 exhibit citations and our exhibits in our papers, and I don't
19 know how that happened. Perhaps my team was out to lunch with
20 Mr. Lenhart's team. But, in any event, I apologize.

21 Second, Your Honor, I'm pleased to see and I know
22 that you're pleased to see that the opposition includes no
23 references to the Macau Data Privacy Act.

24 So, anyway, I'm not going to speak to the motion to
25 seal. I don't think anything's confidential. But it's been

1 designated as such, and we've respected that.

2 Here's what we're faced with today. We're faced
3 with something that has indicia of suppression or spoliation
4 of evidence. We ask questions as to why certain critical
5 documents have not been produced, logged, or both, and we
6 receive no answers. In the opposition, remarkably, the Court
7 has received no answers. Instead, the opposition is an
8 exercise in misdirection and obfuscation, talking about
9 plaintiff's discovery responses with respect to which it's
10 almost entirely inaccurate.

11 Let me provide you some information that gives you
12 an accurate sense of the state of document production in this
13 case. As of today the plaintiff has produced -- I'm going to
14 round to the nearest hundred. As of today the plaintiff has
15 produced approximately 11,500 pages of documents, and that
16 includes --

17 THE COURT: And by plaintiffs are you including Mr.
18 Robertson's people, or just yours?

19 MR. KRUM: Just mine.

20 THE COURT: Okay.

21 MR. KRUM: Just mine. And that includes a couple
22 thousand pages last night. By way of comparison, defendant
23 Margaret Cotter has produced approximately 500 pages.
24 Defendant Ellen Cotter has produced approximately a thousand
25 pages. Defendant Ed Kane has produced approximately

1 900 pages. Defendant Doug McEachern has produced
2 approximately 2800 pages, and Defendant Guy Adams has produced
3 approximately 7700 pages. And the reason Mr. Adams has such a
4 substantial production is because he has thousands of pages of
5 documents concerning his involvement in Cotter family
6 businesses that go to issues relating to his financial
7 dependence on those businesses.

8 Now, they're going to reply that, well, the
9 companies produced these documents. That is not correct, Your
10 Honor. Of those five individual defendants only Ellen Cotter
11 is a company officer. And the most telling example is Ed
12 Kane, 900 pages. So, Your Honor, I want to talk about --

13 THE COURT: So let me ask a question. You are in
14 large part saying, Judge, we've gotten an email on which there
15 are six recipients and only two of them produced it, where are
16 the documents from the other four.

17 MR. KRUM: Well, that's an example.

18 THE COURT: Right.

19 MR. KRUM: The way I would describe it, Your Honor,
20 is we have a recurring phenomenon of documents not being
21 produced by each of the parties who are indicated on the
22 documents were authors or recipients, as well as documents
23 being produced by another defendant, in this particular
24 example Mr. Gould, and not produced and not logged by any of
25 these individual defendants.

1 THE COURT: So your concern is that there is a --
2 that's indicative to you that the search for the information
3 has either not been thorough or that documents may have gone
4 missing.

5 MR. KRUM: Correct.

6 THE COURT: Okay. Now can I ask you a question
7 which was the one I had the biggest concern about last night
8 when I read this. With respect to Document Request Number 3
9 that requests gross income of the defendants Adams and Kane
10 you're not really requesting gross income, you're requesting
11 income from the entities related to the defendants.

12 MR. KRUM: Well, the issue, Your Honor, to be clear,
13 is -- are either or both of those gentlemen dependent upon
14 moneys received from Cotter family businesses controlled by
15 Ellen and Margaret Cotter and/or moneys received from RDI.
16 And, of course, the only way we can assess that is to know
17 that information, as well as how much money they make. Now, I
18 don't want their tax returns. We have to have -- by the way,
19 it's phrased as "documents sufficient to show." So I'm
20 perfectly happy to have something less than all their private
21 information. I just want the bottom line. Because how can I
22 say, well, Mr. Adams, you made \$150,000 last year from Cotter
23 family businesses and that's significant, if I don't have his
24 full information? Although that's a bad example, because I do
25 have something from Adams in his sworn testimony from the

1 divorce case. What I do not have, Your Honor, is anything
2 from Mr. Kane, who in one of these exhibits exclaims that he
3 needs cash, cash is king. So that's what that's about.

4 But, Your Honor, I want to talk about the documents,
5 because you've spoke to the critical issue. Exhibit 9 to our
6 papers is a May 15 email from Adams to Kane -- actually, I'm
7 sorry, it's an exchange of emails, first from Adams to Kane
8 and then back and then reply. The subject matter is my
9 client's employment agreement. The middle email says, we
10 give him written notice and he gets one year of severance.
11 The reply says, there's a question about whether options
12 terminate after he's -- continue to vest after he's
13 terminated. The point, of course, Your Honor, is that this
14 email dated May 15th, which is before even the notice of the
15 special meeting about his status goes out, evidences that
16 these two guys had determined to terminate him. And, by the
17 way, we now have other evidence. Mr. Storey testified on
18 Friday that he received a call from Mr. McEachern saying that
19 on March 15th or about March 15 McEachern called Storey and
20 said, I've determined to terminate Cotter. The next day Adams
21 did so. But, Your Honor, this document was produced by Adams
22 and not by Kane.

23 Let's look at Number 6, Your Honor. This one is
24 even more troubling, because the --

25 Oh. I'm sorry. And the explanation for Number 9 in

1 the opposition, well, plaintiff has done it, too, Exhibit I
2 and J to the opposition were produced by defendants, but not
3 plaintiffs, so why can plaintiff complain. Well, one, that's
4 ont responsive. And, two, I have an answer for that. I and J
5 are in a tremendous mass of documents that we've preliminarily
6 withheld on the basis of privilege because both of those
7 documents are to or from an in-house RDI attorney, and RDI has
8 claimed privilege. And we respect that claim. Mr. Cotter
9 remains a director. We have hundreds, if not thousands, of
10 documents on the individual defendants' privilege log and,
11 unless we work out something, on our draft privilege log that
12 are those documents that are privileged as to the intervening
13 plaintiffs, not as to anybody who's here. So --

14 But anyway, Number --

15 THE COURT: No. That's not what the Nevada Supreme
16 Court says. Because, remember, they issued that decision that
17 they're privileged even from you who may have received it.

18 MR. KRUM: Well, no. We have different -- no, no.
19 We have a different circumstance. Mr. Cotter remains a
20 director, Your Honor. He's not a -- he doesn't fit -- the GT
21 people and I worked through this laboriously.

22 THE COURT: Oh. You did? Okay.

23 MR. KRUM: So look at Number 6, Your Honor. The
24 fact that this wasn't produced or logged is very, very
25 troubling. This is a document dated May 28th. That is the

1 day before the reconvened board meeting of May 29th. On
2 May 29th the board met in the morning, and they told Mr.
3 Cotter at the end of that meeting that adjourned at 1:00
4 o'clock, you go settle with your sisters or you're going to be
5 terminated. They reconvened at 6:00 o'clock on Friday, the
6 29th, and Ellen Cotter says, we have a tentative settlement.

7 By the way, those aren't just my words. That's
8 exactly what Mr. Storey's contemporaneous handwritten notes
9 say about what happened on May 29th.

10 So here's what's going on May 28th. Here's a memo
11 -- excuse me, an email from -- exchange between Gould and
12 Kane, copied to the other individual defendants, and in two
13 sentences, two simple, straightforward, declarative sentences
14 on the 28th of May at 4:53 p.m., presumably Pacific Time, Mr.
15 Kane makes clear exactly what we've pleaded, namely, that Mr.
16 Cotter has been told, quote, "Accept the offer to remain CEO
17 under the terms presented by Ellen and Margaret," close quote.
18 Quote, "If Jim declines the conditions presented by Margaret
19 and Ellen," close quote, he's going to be terminated and then
20 they'll talk about the other issue of an interim CEO. This
21 goes to very issue with which we were supposed to have
22 conducted expedited discovery. Was this document produced by
23 Kane or Adams or McEachern? No.

24 Now, they claim, oh, well, we think those two
25 sentences and the balance of it are privileged and it's on Mr.

1 Adams's privilege log. And we fouled up the exhibit, but they
2 included it in theirs, and I hope you had a chance to look at
3 it. The document which they claim logs these May 28th
4 exchange of emails is dated May 29, and it's supposedly from
5 Mr. Brockmeyer, I think they said, who's a local Los Angeles
6 lawyer. Well, Your Honor, in their opposition they say the
7 reason the earlier email postdates the later emails is time
8 difference. Well, Mr. Brockmeyer would have had to have been
9 somewhere around Mumbai for that to be the case. So their
10 explanation doesn't hold true, there's no explain otherwise
11 offered, and the declarations of Kane and McEachern are
12 classic everything and nothing declarations. That's why
13 they're not quoted in the opposition. They just say, well,
14 you know, I didn't destroy everything and everything's
15 copacetic.

16 So this is a critical, critical issue, Your Honor.
17 We have two documents that go to the heart of the issues that
18 we raised and you said could be the subject of expedited
19 discovery. They have not been properly produced, they've not
20 been properly logged. There's something amiss here, Your
21 Honor.

22 On the interrogatories I only had one comment about
23 one of -- excuse me, the document requests. I only had one
24 comment about one of them. Number 38, which is on page 21 of
25 our motion, concerns documents regarding the Class B voting

1 stock held in the name of the Trust or the Estate or the name
2 of the decedent, James J. Cotter, Sr. And they complain that,
3 well, that's going to have all sorts of documents from the
4 Estate proceeding. I've told them that they don't have to
5 produced pleadings, of course. So, in other words, what
6 they're arguing is, Your Honor, these documents are
7 discoverable in this case but because they're also
8 discoverable I guess in the California Estate case or in the
9 probate case before you that's consolidated with this case
10 somehow they're not discoverable here. That doesn't cut it.

11 THE COURT: Okay. Thanks.

12 MR. KRUM: Thanks, Your Honor.

13 THE COURT: Good morning.

14 MR. TAYBACK: Your Honor, by my count this is --
15 maybe I'll wait till the beep. By my count this is maybe the
16 third time we've been in here on something phrased as an
17 urgent matter, an emergency done on shortened time, where with
18 respect to many of these issues, not the substantive issues
19 with which we did meet and confer, but on the speed with which
20 the production is being made, the propriety of logging with
21 which the issue about the privilege log, which, as Mr. Krum I
22 believe now concedes because our opposition points it out,
23 they were looking at the wrong privilege log when they're
24 talking about the discrepancy. These issues could have been
25 and should have been handled, frankly, in ordinary course. If

1 you want to look at the statistics for how and where discovery
2 stands in this matter, which is where Mr. Krum started, the
3 total documents produced in this case, total number of
4 documents, not pages, by all parties is 12,538. RDI has
5 produced 6200 of those, T2 86, Glazer 89, the plaintiff 2700,
6 the other defendants over 3300. That's as of yesterday.

7 The fact is that there were document requests, two
8 sets, propounded by both plaintiffs and the individual
9 defendants that I'm here representing. Those were both
10 propounded initially in August. Our production was complete
11 in November. We produced a privilege log that had 1300
12 entries in October. We've not received a privilege log from
13 plaintiff on anything. We have not received a complete
14 production from the plaintiff with respect to our first set of
15 document requests from August.

16 The seconds sets of document requests by both
17 plaintiff and the individual defendants were propounded around
18 the same time, in November. We started production after
19 meeting and conferring in late January on February 1st. We've
20 received no response from plaintiff as to when, if ever, he's
21 going to respond to the second set of document requests. And
22 there've been two extensions granted to the only set of
23 interrogatories propounded on plaintiff, and as of yet there's
24 no substantive responses to those interrogatories.

25 Discovery is not one sided. With respect to the

1 specific allegations I have to tell you that we take them
2 seriously. The allegations of document spoliation are not
3 something that I think anybody can come in here and say
4 they've taken lightly. We went, we looked. The fact is the
5 three documents that they're pointing to as having not been
6 produced that should have been produced by specific individual
7 defendants all predate the litigation. Mr. Kane explains he
8 didn't keep every email prior to the litigation, as does Mr.
9 McEachern. The fact is those emails were produced when and if
10 they existed.

11 There are questions regarding Margaret Cotter's
12 document production, Margaret and Ellen Cotter's document
13 productions. The fact is, as Mr. Krum also knows, there are
14 two entities that are producing documents on behalf of those
15 individual people. We are producing the documents from their
16 individual computers. But both Margaret and Ellen Cotter do
17 work for Reading, and both of them have voluminous documents
18 on the Reading server. And that has been the subject of
19 ongoing negotiation between Mr. Krum and counsel for Reading
20 separate and apart from counsel for the individual defendants,
21 myself. The fact is we've produced voluminous documents, all
22 the documents I believe that are responsive to the first set
23 of document requests and most of the documents that are
24 responsive to the second set of document requests. I think
25 the questions are if he had picked up the phone and called and

1 asked about, one, why is there a -- why are these documents
2 not present in Mr. Kane's production whereas they're present
3 in Mr. Adams's production, the answer would have been simple.
4 It would have been as Mr. Kane states in his declaration,
5 which is he doesn't have them, they predate the litigation, he
6 had no obligation to hold onto them at that point in time.

7 I think the question with respect to the privilege
8 log would have been very much the same. And there was some
9 back and forth on the privilege log. But the question that he
10 asked today is not the question he asked in that exchange,
11 which is, I'm looking at Privilege Log Entry Number 406. In
12 fact, we would have said, if you look at the correct privilege
13 log you would see it.

14 And, yes, the discrepancy of the date is based on a
15 time zone difference, because, yes, the lawyer who was the
16 sender or recipient on that email was in a different time
17 zone, and therefore it's dated May 29th. Moreover, as we
18 pointed out, the actual original email, that is to say not the
19 chain, is separately logged. And we pointed that out to him,
20 separately logged as Mr. Adams's Number 392.

21 The fact is we've complied with our discovery
22 obligations and then some. We have a privilege log which we
23 would be more than happy to provide to anybody who wants to
24 look at it. I think that Mr. Krum should have called, should
25 have picked up the phone and asked about issues that he had

1 before filing a motion on shortened time making what frankly
2 are very serious allegations that I don't believe are well
3 founded.

4 With that, I think the issue that I would like to
5 address is the substantive document requests. Because, if you
6 ask me, Mr. Krum has phrased -- has set this motion up to
7 start with allegations that I don't think are well founded but
8 are inflammatory as a means of trying to say, you should
9 simply grant the motions to compel the substantive requests,
10 which I don't think should be granted for specific reasons. I
11 really think they fall into a few categories, Documents
12 Requests -- this is using the numbers from the second set of
13 document requests upon which he's moved to compel -- 3 and 4.
14 3 receives all personal financial information of Mr. Kane and
15 Mr. Adams. He says, documents sufficient to show. And he
16 says, I'm not interested in their tax returns, but I need
17 documents sufficient to show all the money that they've made
18 from all sources in each of the last three years. I don't
19 know what documents those would be other than tax documents
20 that would be sufficient to show how much income. He's
21 certainly welcome to ask questions at a deposition, but what
22 documents would exist to show that other than tax documents?

23 We offered to produce documents that would show the
24 amount of income earned by Mr. Kane and Mr. Adams from
25 specific Cotter-related entities identified by the plaintiff.

1 He rejected that. He said he wants -- and the request is
2 phrased as, any entity that is or has ever been claimed to be
3 controlled by any person named Cotter, effectively. And that
4 simply leaves us in a position where we have to guess what Mr.
5 Cotter, Sr., now deceased, every may have contended he had a
6 controlling interest in, let alone Margaret and Ellen Cotter,
7 let alone Reading, which is also contemplated by that. We
8 simply asked for some particularity with respect to this
9 specifics as it relates to income earned from the Cotters'
10 specific entities.

11 Similarly, at Category 4 of the document requests
12 asks for all emails, all communications by Mr. Adams with
13 anybody at Reading or anybody named or on behalf of the
14 Cotters unbridled by time, unbridled by subject matter.
15 That's simply overburdensome -- burdensome and overbroad.

16 38 and 40. 40 we've actually resolved. As we
17 stated and as the letter attached to Mr. Krum's motion
18 reflects, both 38 and 40 were the subject of further review by
19 us. And when we filed our amended responses yesterday those
20 amended responses made clear that we'll produce Category 40.
21 So that's not at issue.

22 THE COURT: Amended responses don't help me.

23 MR. TAYBACK: I understand, although that begs the
24 question as to whether or not he should have picked up the
25 phone, since that was not something which we've said we would

1 stand on our objections, as based on his own meet and confer
2 letter.

3 With respect to 38 we -- it asks for all documents
4 regarding Class B stock. Our objection is simply that's
5 everything contemplated in the litigation, everything
6 referenced in the parallel litigations involving the Trusts
7 and Estates. That's overbroad. We've offered to narrow it,
8 we've offered to produce documents related to the exercise of
9 that option, and we think that it's overbroad as phrased and
10 should be narrowed. He's rejected those requests.

11 The last categories are 47 through 50, and those are
12 generally statements that relate to other statements made in a
13 proxy statement regarding Margaret and Ellen Cotter being
14 trustees, regarding RDI being a controlled company under
15 NASDAQ, and regarding Ellen Cotter's appointment as CEO.
16 Those are objectionable for the reasons we state in the
17 papers; that is to say, we're willing to produce some
18 documents. We frankly think we've probably produced
19 documents, because those -- the documents we think would be
20 responsive are responsive to other requests. We've asked for
21 some clarification as to why it is that he insists on this
22 request if we've produced documents to this other request
23 that's similar.

24 We've gotten no response to that. If he means
25 something else, we'd like to know what it is. But as phrased

1 it's nothing that is either not overly broad or something we
2 don't even know what he's referring to, because it's not clear
3 to us that it's anything more than what's already been
4 produced.

5 THE COURT: Okay.

6 MR. TAYBACK: Thank you.

7 THE COURT: Thank you.

8 Mr. Krum, anything else?

9 MR. KRUM: Yes, Your Honor, very, very briefly.

10 On the documents requests --

11 THE COURT: You have 30 seconds to wrap up.

12 MR. KRUM: On the document requests they're not
13 unbridled lists of time. They're specified to call for
14 documents dated January 1, '14, and after. Second, "predate
15 the litigation" is erroneous and misleading. Exhibit 9 is
16 dated May 15th, 6 May 28th. On May 20 I sent a litigation
17 hold letter to their counsel.

18 Finally, their privilege log is full of derivative
19 litigation privileged documents that predate that, back into
20 March, I think.

21 THE COURT: Okay. 'Bye.

22 MR. KRUM: Thank you.

23 THE COURT: All right. The motion is granted in
24 part. With respect to Request for Production Number 3 the
25 defendants are correct, they do not need to provide any

1 information in the form of documents related to gross income.
2 However, during deposition Mr. Krum may inquire as to the
3 percentage that the Cotter-related income forms of the gross
4 income to make any determination you think is appropriate.

5 With respect to the remaining documents, they are
6 all granted. However, you do not have to produced pleadings
7 that exist in filed cases. You may refer counsel to those.

8 In addition, a certification needs to be provided by
9 any defendant who has deleted information, whether it was pre
10 or post litigation, that they have done a search and what
11 their practice was for deleting information prior to the time.

12 I am not at this point addressing any issues related
13 to spoliation. If something comes from that, we have to have
14 an evidentiary hearing after a motion to compel if we get
15 there.

16 Anything else?

17 MR. KRUM: Nothing else, Your Honor.

18 THE COURT: 'Bye.

19 MR. KRUM: Thank you.

20 THE PROCEEDINGS CONCLUDED AT 10:09 A.M.

21 * * * * *

22

23

24

25

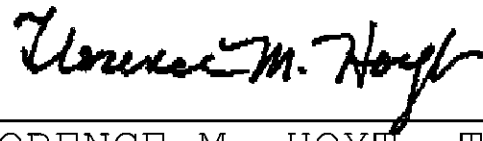
CERTIFICATION

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

AFFIRMATION

I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

FLORENCE HOYT
Las Vegas, Nevada 89146



FLORENCE M. HOYT, TRANSCRIBER

2/22/16

DATE

TRAN

JAMES COTTER, JR.

CASE NO. A-719860
P-082942

DEPT. NO. XI

Transcript of Proceedings

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HEARING ON DEFENDANTS' MOTION TO COMPEL
AND MOTION TO DISQUALIFY

COURT RECORDER:

TRANSCRIPTION BY:

JILL HAWKINS
District Court

FLORENCE HOYT
Las Vegas, Nevada 89146

RA217

APPEARANCES:

FOR THE PLAINTIFF:

JOHN BRAGONJE, ESQ.

FOR THE DEFENDANTS:

HAROLD STANLEY, JOHNSON, ESQ.
ALAN D. FREER, ESQ.
MARSHALL M. SEARCY, ESQ.
BRADLEY JOE RICHARDSON, ESQ.
AARON D. SHIPLEY, ESQ.
MARK E. FERRARIO, ESQ.

FOR THE INTERVENOR:

ALEXANDER ROBERTSON, IV, ESQ.

1 LAS VEGAS, NEVADA, TUESDAY, JUNE 21, 2016, 8:42 A.M.

2 (Court was called to order)

3 THE COURT: All right. So before I start with the
4 motions I have an issue. Mr. Ferrario has been trying
5 desperately to get me to move your dates, and he thinks he's
6 negotiated a solution. And I have concerns about the
7 solution. So the solution is you have agreed to among
8 yourselves --

9 Mr. Robertson, are you on the phone?

10 MR. ROBERTSON: I am, Your Honor. Thank you.

11 THE COURT: Okay. You've agreed among yourselves to
12 extend expert discovery cutoff through October 14th, 2016,
13 where we have a trial stack starting November 14th. And while
14 I recognize that's probably okay, I need to make sure
15 everybody understands that means you're not filing a single
16 motion in limine or other related motion after the deadline of
17 September 23rd I don't care what happens. Because I'm not
18 signing any OSTs.

19 MR. FERRARIO: We understood that.

20 THE COURT: Well, I know you understood it.

21 MR. FERRARIO: No. I conveyed it to the universe of
22 people.

23 THE COURT: I'm not entirely clear if anybody
24 else --

25 MR. FERRARIO: Okay. Then I'll --

1 THE COURT: That's why I'm saying this. Because the
2 word "all" keeps slipping out when I write it in on the
3 drafts. Does anybody not understand that?

4 Mr. Robertson, do you understand that?

5 MR. ROBERTSON: Yes, Your Honor.

6 THE COURT: That means something odd happens and you
7 want to strike an expert, you're screwed.

8 MR. FREER: So just to clarify the record, all means
9 all, Your Honor?

10 THE COURT: All means all.

11 MR. FERRARIO: That doesn't mean we can't -- the
12 initial designations are going to be mid --

13 THE COURT: As long as your motion is filed on or
14 before --

15 MR. FERRARIO: Right.

16 THE COURT: -- September 23rd, you're okay.

17 MR. FERRARIO: That's fine.

18 THE COURT: Does anybody not understand? Okay.
19 Then I'll go ahead and sign this after I have written the word
20 "all" in twice and initialled it.

21 Laura, can I give it back to Mr. Ferrario, or is he
22 one of the people who loses them?

23 MR. FERRARIO: I would give it to Laura.

24 THE COURT: We gave two to Mr. Netzorg the other
25 day, and they didn't make it back to his office.

1 All right. Anybody want to do anything before we go
2 to the motions?

3 Dulce, do you need anybody to tell you who they are?

4 THE CLERK: No, Your Honor.

5 THE COURT: All right. It's your motion.

6 MR. SEARCY: Good morning, Your Honor.

7 THE COURT: We're going to do the more complicated
8 motion before the easy one. So does your firm move to
9 disqualify in every case they have?

10 MR. SEARCY: It only seems that way in front of you,
11 Your Honor. But no. And this is a different motion to
12 disqualify. This isn't --

13 THE COURT: I understand it's a different issue.

14 MR. SEARCY: Yes. But it certainly has come up with
15 Your Honor twice now, from what I understand. This motion to
16 disqualify, however, is pretty unique. It arises from what
17 we've learned in discovery in the last few weeks. We learned
18 that the plaintiff, Jim Cotter, Jr., encouraged T2 to enter
19 this lawsuit, but we also learned that T2 doesn't actually
20 want to see Jim Cotter, Jr., reinstated as CEO, despite what's
21 set forth in T2's complaint in this action. And in fact we
22 took T2's deposition, and they -- both the representatives of
23 the T2 plaintiffs in this case admitted that Ellen Cotter was
24 doing a good job as CEO. Instead, what T2 is interested in
25 here, Your Honor, and this is also what we've learned from the

1 discovery, is seeing that a group of minority shareholders
2 take control of the company, that those shareholders then sell
3 the assets of the company, and that T2 enriches itself to the
4 expense of all other shareholders.

5 What we've also learned, Your Honor, and that's what
6 brings us to this motion today, is that T2 has been trading
7 stock in Reading after receiving non-public information from
8 Reading. That's a violation of black letter law that applies
9 to derivative plaintiffs. And in light of that violation T2
10 should be disqualified as a plaintiff in this action.

11 Now, T2 in opposing our motion for disqualification
12 hasn't submitted any evidence, hasn't submitted any
13 declaration, hasn't denied in any way that they engaged in
14 these sales and that they engaged in these sales after
15 receiving document production and non-public information from
16 us. What they've done instead is they argue four points that
17 I'll go through very quickly.

18 First they argue that there isn't really such a
19 rule. However, if you look to what they cite to, Your Honor,
20 they haven't provided any contrary authorities. In fact, the
21 Colera [phonetic] case that they cite states that it's the
22 black letter rule that a derivative plaintiff violates its
23 fiduciary duties by trading stock after receiving non-public
24 information. They also tell you that it's -- that in this
25 case the parties have somehow bargained away the rights

1 against -- prohibiting trading after receipt of non-public
2 information. But, number one, during the actual negotiations
3 with the parties --

4 And I see that Your Honor is concerned about
5 something that I just said. I want -- is there something that
6 I can address for the Court?

7 THE COURT: Keep going.

8 MR. SEARCY: Okay. In the negotiations between the
9 parties, Your Honor, the plaintiffs recognized that they had a
10 legal obligation not to trade in stock after receiving non-
11 public information. They also said, we don't have to put that
12 in the stipulation because we recognize that it's a rule that
13 applies to us. Moreover, we couldn't even waive that
14 obligation of plaintiffs if we wanted to. Plaintiffs have a
15 fiduciary obligation to other shareholders not to trade after
16 receipt of non-public information.

17 The next thing the plaintiffs argue is that Nevada
18 hasn't yet applied the bright-line rule that's applied in
19 Delaware. That's true. This is a case of first impression in
20 Nevada. However, the Supreme Court here has recognized that
21 Delaware authority is persuasive authority. And Delaware has
22 applied this bright-line rule with respect to shareholders
23 now. There's every reason to think that the Nevada Supreme
24 Court would take this persuasive authority and apply it, and
25 the Court should apply it here.

1 The last point that is raised by the plaintiffs,
2 Your Honor, is that they argue that this rule should only
3 apply to extraordinary transactions. But there's nothing in
4 any of the authorities that they cite that indicate that the
5 rule should be limited that way. And in fact derivative
6 plaintiff always owes duties to the shareholders. And so
7 there's no reason why a plaintiff should be able to pick and
8 choose between obligations.

9 So in sum, Your Honor, there's a black letter
10 principle of Delaware law here. Plaintiffs violated that
11 black letter principle of law. They don't deny that they've
12 violated it. And, as a result, they should be dismissed.

13 THE COURT: Thank you.

14 Mr. Robertson.

15 MR. ROBERTSON: Thank you, Your Honor. The bright-
16 line, quote, "rule" that the defendants are advocating here
17 just simply doesn't exist. They only cite to one reported
18 case and five unreported hearing transcripts. The one case
19 that they cite to, the Steinhart case is factually inapposite
20 to the facts here. That case dealt with a pending merger
21 where the court in that case actually had issued an order
22 prohibiting the plaintiffs in that derivative action from
23 trading stock during the pendency of that action. No such
24 order exists in this case.

25 And the other five unreported hearing transcripts

1 defendants cite to in their motion all deal with either
2 pending mergers or settlement for the derivative action where
3 there was specific credible evidence offered to the court that
4 the plaintiffs by their own admissions had traded on material
5 non-public information. Here the defendants have failed to
6 provide this Court with any credible evidence of a single
7 example of material non-public information that my clients
8 relied upon in making their trades. They simply point to
9 hundreds of thousands of documents that their counsel stamped
10 as "confidential" and presumed then that something in that
11 haystack of confidential documents rose to a level of material
12 non-public information. And they also failed then to connect
13 the dots that my clients relied upon that information in
14 making their trades.

15 If you look at the facts, they belie the arguments
16 made by the defendants. If any material non-public
17 information had existed, the company would have been required
18 by law to file an 8-K identifying that information at some
19 point in time. The fact that RDI has never filed an 8-K
20 disclosing this supposed material non-public information
21 belies their very argument.

22 Also, the fact that James Cotter, Jr., who's a
23 director sitting on the board of directors and is privy to
24 much more information than what has been produced to my
25 clients in discovery, has continued to trade. And there's no

1 motion to disqualify him or claim that he has somehow traded
2 on material non-public information.

3 And finally, you know, simply designating these
4 hundreds of thousands of documents as confidential without
5 identifying any example for this Court to say this is material
6 non-public information and this information was specifically
7 relied upon by my clients during their trades doesn't meet
8 their standard of proof here. In fact there's no evidence
9 that my clients' trading was any different than any of the
10 other shareholders, which is simply selling high and buying
11 low based upon the share price of the publicly traded stock on
12 the Exchange.

13 THE COURT: Anything else, Mr. Robertson?

14 MR. ROBERTSON: No. That's it, Your Honor.

15 THE COURT: Mr. Bragonje.

16 MR BRAGONJE: We don't have anything besides what's
17 in our opposition.

18 THE COURT: Okay. We're back to you. So can you
19 give me the specific items of material non-public information
20 you believe were in the possession of the T2 plaintiffs that
21 they made trades upon?

22 MR. SEARCY: Your Honor, we've certainly produced
23 material non-public information to T2. But to answer your
24 question --

25 THE COURT: I asked you a particular question.

1 MR. SEARCY: -- can we connect the dots between a
2 particular piece of information that we provided to them and a
3 particular trade, we cannot.

4 THE COURT: No. That's not what I asked you,
5 Counsel. Let me ask it differently. Can you point me to the
6 specific document or documents which you produced under the
7 protective order which you believe are material non-public
8 information that was then after the production traded upon?

9 MR. SEARCY: Your Honor, I think I was trying to
10 answer your question. If you're asking me to identify a
11 particular piece of non-public information that T2 saw and
12 then traded based upon that, that material non-public
13 information, I can't identify that for you, Your Honor. And
14 we certainly didn't try to set that out in the motion.
15 Instead, our motion is much simpler than that. Under Delaware
16 law, and it should be applied, we think, by this Court, the
17 rule against trading when you're a derivative plaintiff is
18 basically a prophylactic rule. Once you receive non-public
19 information you're not supposed to trade on it. And that's
20 what the Delaware cases state, that's what's set forth
21 clearly.

22 The additional step, Your Honor, of then going
23 through and parsing, saying, you traded on this piece of this
24 information, or, you traded on that piece of information, we
25 don't think it's required.

1 THE COURT: So you're telling me -- let me summarize
2 what I think you just said. Your position is because you
3 designated information confidential and it was produced to T2,
4 they are prohibited from trading, period, end of story?

5 MR. SEARCY: That's correct, Your Honor.

6 THE COURT: Okay.

7 MR. SEARCY: That's correct.

8 THE COURT: I just wanted to make sure I understood.

9 MR. SEARCY: That is our position. And that's
10 certainly our position in this motion, Your Honor.

11 THE COURT: And it's simply because you designated
12 the information confidential, not because it's material non-
13 public information?

14 MR. SEARCY: Well, Your Honor, to answer your
15 question, we designated it as confidential because we believed
16 it was material non-public information.

17 THE COURT: Well, no. You designated other things
18 as confidential, too. That's why I was trying to ask the
19 question the way I did.

20 MR. SEARCY: Well, Your Honor, in our case it's not
21 -- to be clear, it's not just our designating things as
22 confidential that makes them material non-public information.
23 I think that's what Your Honor is getting at.

24 THE COURT: That's why I'm trying to get you to
25 identify for me the documents which you contend are as

1 material non-public information that was provided pursuant to
2 the confidentiality agreement to the T2 plaintiffs which you
3 believe precludes them from being able to trade.

4 MR. SEARCY: And, Your Honor, we think that in this
5 case our production to them of the documents that they
6 requested included material non-public information and they
7 were precluding from trading. I'm happy to provide a
8 supplemental brief to the Court that further sets out what we
9 think was material non-public information in the material that
10 we provided if that's the next step that Your Honor --

11 THE COURT: After my experience last week with your
12 firm on supplementing when I am in this position I'm not going
13 to do that. If you want to file another motion, you can.

14 I'm going to deny it without prejudice.

15 MR. SEARCY: All right. Thank you, Your Honor.

16 THE COURT: Anything else? It's a different case,
17 though.

18 Anything else?

19 So can I go to the fairly easy motion, which is a
20 settlement of a claim with a very interesting person?

21 MR. FREER: Yes.

22 THE COURT: Can you tell me why the crib is part of
23 it?

24 MR. FREER: They were living together as boyfriend
25 and girlfriend at the time the decedent passed away, and she

1 wants the crib. And we said, okay.

2 THE COURT: Is there a small person that was in the
3 crib?

4 MR. FREER: Yes, there is.

5 THE COURT: Here's why I have that question. I read
6 your settlement agreement which is attached. Is there an
7 issue about the parentage of the small person?

8 MR. FREER: No. There is not.

9 THE COURT: Okay. Anything else?

10 MR. FREER: No. We were very sure about that, Your
11 Honor.

12 THE COURT: I was just checking. We double checked.
13 She was with child when they first met and started the
14 relationship.

15 THE COURT: Anything else?

16 MR. SEARCY: Your Honor, we had one privilege log
17 motion.

18 THE COURT: No. I'm on this motion.

19 MR. SEARCY: Oh. Sorry. I didn't want you to close
20 shop without --

21 THE COURT: I'm not closing shop.

22 MR. SHIPLEY: Just for the record, there's no
23 opposition from Mr. Cotter to the settlement.

24 THE COURT: To the crib?

25 MR. SHIPLEY: To the crib.

1 MR. FREER: And the Land Rover.

2 THE COURT: And the leather chests.

3 MR. FREER: Yes.

4 THE COURT: Okay. Anything else?

5 MR. FREER: No. That's it, Your Honor.

6 THE COURT: Under the circumstances the settlement
7 is approved.

8 MR. FREER: Thank you, Your Honor.

9 THE COURT: Okay. Now can I go to the motion to
10 compel a better privilege log.

11 MR. SEARCY: Me again, Your Honor.

12 This is our motion to compel a better privilege log
13 from Jim Cotter, Jr., the plaintiff here. There are two
14 issues here. One is probably resolved, Your Honor. We asked
15 for a better formatting so that the privilege log would be
16 readable and usable. Plaintiff's attorney has said that
17 they'll provide that. We haven't received it yet, but I'm
18 assuming that it will arrive.

19 The more important issue, however, Your Honor, is
20 that plaintiff hasn't logged any documents, any communications
21 with the T2 plaintiffs, with Mark Kuben [phonetic], with Andy
22 Shapiro, who's another important relevant party in this case,
23 any communications that occurred after the filing of the
24 lawsuit. That's directly contrary to this Court's order on
25 March 17th, 2016, where Your Honor ordered that those

1 documents be produced without the date limitation that
2 plaintiffs sought to impose, including documents created after
3 the filing of the lawsuit. So those documents should either
4 have been logged on plaintiff's privilege log or produced.
5 And there's a reason why we think now those documents should
6 have been produced. We've taken the depositions again, Your
7 Honor, of the T2 plaintiffs and of Mr. Cotter, Jr., and there
8 isn't a joint interest agreement here. So these documents
9 should not be privileged.

10 And in fact, as we've learned, because the T2
11 plaintiffs don't actually support Mr. Cotter, Jr.'s position
12 in this case, they don't have a joint interest. So those
13 communications between the plaintiffs, in this case Mr.
14 Cotter, Jr., and T2, should be produced; the communications
15 that he's had with Mark Kuben should be produced postdating
16 the filing of this lawsuit; and his communications with Mr.
17 Andy Shapiro should be produced postdating the filing of this
18 lawsuit, with the limitation that the Court placed on that
19 production, that those documents relate to Reading. And so,
20 Your Honor, that's the issue.

21 THE COURT: Thank you.

22 Mr. Bragonje.

23 MR BRAGONJE: Thank you, Your Honor.

24 Your Honor, as I look at this motion I think it's
25 premature. I don't think that there's been an adequate meet

1 and confer. My understanding is that --

2 THE COURT: So can't you just add a column at least
3 so we could have a meet and confer that gives them numbers?

4 MR BRAGONJE: I think that's a great idea.

5 THE COURT: I've never seen one with no numbers at
6 all of any sort. Ever.

7 MR BRAGONJE: I don't know that I have, either. I
8 don't know that I have, either. I'm sure that that is
9 something we can do probably with a keystroke. And I'm sure
10 we'd be happy to do that.

11 THE COURT: Okay. Other than that, what else do you
12 want to do to solve this problem?

13 MR BRAGONJE: Well, I think that -- my understanding
14 is that the documents that have been talked about here between
15 the intervening plaintiffs and my client have been produced.
16 Now, if that's not the case, I think we'll need more meet and
17 confer, because that's my understanding. And I don't know
18 that I can offer a lot more than that today.

19 THE COURT: So you recognize there is no privilege
20 between your clients' and Mr. Robertson's clients'
21 communications related to Reading?

22 MR BRAGONJE: I think that's the case. I know
23 there's no joint prosecution agreement. I can't think of any
24 reason why --

25 THE COURT: Is there a joint prosecution agreement?

1 MR BRAGONJE: I said there is not --

2 THE COURT: Okay.

3 MR BRAGONJE: -- is my understanding.

4 THE COURT: All right. Because I haven't heard
5 there is.

6 MR BRAGONJE: So I appreciate that. Again, my
7 understanding is that those documents have been produced.

8 THE COURT: Can you tell me why the privilege log
9 stops after the filing of the complaint when we specifically
10 discussed that given the change in the claims it needed to
11 continue?

12 MR BRAGONJE: I cannot.

13 THE COURT: Okay.

14 MR BRAGONJE: I cannot. I only assume that --

15 THE COURT: We don't want you to assume.

16 MR BRAGONJE: Yeah. I cannot speak to that.

17 THE COURT: Can you tell me why it stops a little
18 before the complaint is filed?

19 MR BRAGONJE: On that point my understanding is that
20 the documents that are most pertinent to this case and the
21 communications really arose about the time that the lawsuit
22 was filed. My partner Mark was retained in May of 2015, and
23 that's when the action started, is my understanding. Now, I
24 understand that there's an ongoing trust and estate litigation
25 in California. There may be other documents that predate the

1 filing of this lawsuit that are part of that lawsuit. And I
2 don't think that we're the custodian of those, and I don't
3 know that -- where those documents are available to all. I
4 don't know that it's incumbent on us to produce those and do a
5 log of those. And we may not -- we may or may not claim
6 privilege to those. But I can say that our position is that
7 the action started about the time that we were retained, which
8 is about the time the lawsuit started. I don't think that we
9 believe that there are documents that predate that epoch.

10 THE COURT: Well, I've certainly granted discovery
11 requests significantly before that and ordered motions to
12 compel. Whether they're privileged information related to
13 that or not is another issue.

14 MR BRAGONJE: I don't -- I can't speak to that.

15 THE COURT: Anything else that you want to tell me?

16 MR BRAGONJE: Not unless there's anything else you
17 want to know.

18 THE COURT: No. Those were my questions. Thank
19 you.

20 Mr. Searcy, you're back up.

21 MR. SEARCY: Your Honor, in light of what we've just
22 heard, it seems like the issue now is fairly discrete that
23 plaintiff needs to be ordered again to produce documents in
24 compliance with the Court's March 17th order concerning
25 documents concerning communications between Mr. Cotter, Jr.,

1 T2, Mark Kuben, and Andy Shapiro from January 2014 to the
2 present. That's what the Court ordered in March, that's what
3 Mr. Cotter, Jr., the plaintiff, needs to do here. There was
4 some indication from counsel for Jim Cotter, Jr., that there
5 had been production of those documents. In fact, I think the
6 opposition to our motion on the privilege log indicates just
7 the opposite, that plaintiff had chosen that date -- I believe
8 my time is up -- that date, the date of the filing of the
9 lawsuit to cease production of documents, thinking that they
10 weren't relevant. That doesn't comply with this Court's
11 order. He should be produced [sic] to produce. Thank you,
12 Your Honor.

13 THE COURT: Thank you.

14 Number one, we're going to add a column with a
15 numeric designation for each privilege entry. I don't care
16 how you do it. Typically we do it with Bates numbers.
17 Sometimes we do it with just sequential numbers. I'm not
18 going to tell you how to do it, but it needs to be done so
19 that there is an ability to do a meet and confer, rather than
20 referring to a row number on a page of a multipage privilege
21 log.

22 In addition, you need to add the documents that
23 exist after the filing of the complaint given the nature of
24 the allegations in this case and confirm that there are no
25 additional documents that would fall within that for the

1 period for which I've previously granted discovery.

2 MR BRAGONJE: How would you like us to confirm that?

3 THE COURT: I don't know.

4 MR BRAGONJE: Okay. We'll figure it out.

5 THE COURT: How long do you need to add the numbers?

6 That's the easy part.

7 MR BRAGONJE: My only hesitation is Mr. Krum is out

8 of the country.

9 THE COURT: So when does he come back?

10 MR BRAGONJE: He'll be out this whole week. So --

11 THE COURT: Why are you looking at me funny?

12 MR. FERRARIO: Because he --

13 THE COURT: Mr. Bragonje. Come on, get the name.

14 MR. FERRARIO: -- said that -- I know. But he's in

15 a tough spot here.

16 THE COURT: He is in a real tough spot.

17 MR. FERRARIO: So we're all going to bite our tongue

18 on what it's like --

19 THE COURT: We're going to be nice to him.

20 MR. FERRARIO: -- to deal with Mr. Krum on discovery

21 issues. But --

22 THE COURT: Right. We're being nice to him. You

23 notice he came.

24 MR. FERRARIO: I am. But he says --

25 MR BRAGONJE: He's always nice to me.

1 MR. FERRARIO: -- there's no privilege. So why are
2 we even having a -- there's no joint prosecution agreement.
3 Why aren't they just producing this stuff?

4 THE COURT: Well, there may be things that are
5 privileged that don't relate to that.

6 MR. FERRARIO: Well, I think the scope of Mr.
7 Searcy's request, and we're engrossed in this, as well, is
8 communications with the people that they don't have a joint --

9 THE COURT: The privilege log is -- the privilege
10 log is broader than that.

11 MR. FERRARIO: No, I get that.

12 THE COURT: Okay.

13 MR. FERRARIO: There may be things where they're
14 discussing those people between counsel that might find its
15 way on the privilege log. But communications with the T2
16 group, let's just call it that, with Mr. Shapiro added, if he
17 conceded there's no joint prosecution agreement, wouldn't all
18 that have to be produced like from the January '14 date up to
19 today? And the reason I'm interested in this, there's
20 discovery that's been undertaken by --

21 THE COURT: How's this?

22 MR. FERRARIO: -- we probably don't even know
23 this --

24 THE COURT: I'll just say --

25 MR. FERRARIO: -- Jim, Jr., on things that have

1 occurred, you know, in the recent past, quite frankly.

2 THE COURT: One would think.

3 MR. FERRARIO: Yeah.

4 THE COURT: But step one is I need to get numbers on
5 the privilege log so an intelligent discussion can occur
6 between Mr. Searcy and Mr. Krum when Mr. Krum comes back.
7 And, you know, there's a couple of ways to do it, and I'm not
8 going to tell anybody how to do it. And then we need to
9 confirm that there are no befores, and if there are any afters
10 that need to be added they're added, and Mr. Searcy can make a
11 followup motion referring to the numbers after the meet and
12 confer when I can make an intelligent decision. Because I can
13 reference the privilege log. But I don't know that it's still
14 an issue, so we're not there.

15 MR. FERRARIO: Okay.

16 THE COURT: Anything else? Thank you, Mr. Bragonje,
17 for being here.

18 MR. BRAGONJE: Thank you, Your Honor.

19 THE COURT: Did I miss anything else, Mr. Searcy,
20 since you're out of time?

21 MR. SEARCY: Nothing else, Your Honor.

22 THE COURT: All right. Have a lovely day,
23 gentlemen.

24 If I could go to --

25 MR. ROBERTSON: Your Honor, I wasn't able to hear

1 your ruling.

2 THE COURT: You're not disqualified. It was denied
3 without prejudice, Mr. Robertson.

4 See, that's why telephone appearances are sometimes
5 problematic. I understand they're permitted, but the level of
6 participation is not always the same as being in the
7 courtroom.

8 MR. ROBERTSON: Understood, Your Honor. Thank you.

9 THE COURT: Goodbye.

10 THE PROCEEDINGS CONCLUDED AT 9:07 A.M.

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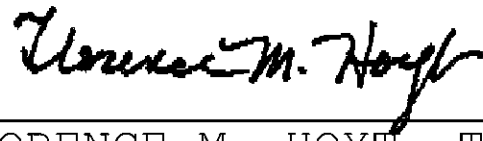
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I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

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Las Vegas, Nevada 89146**



FLORENCE M. HOYT, TRANSCRIBER

6/22/16

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