

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 WROTONIAK, and
nominal defendant READING
INTERNATIONAL, INC., A NEVADA
CORPORATION

Respondents.

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Case Nos. 76981, 77648 & 77733

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

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

Appeal (77648 & 76981)

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

**JOINT APPENDIX TO OPENING BRIEFS
FOR CASE NOS. 77648 & 76981
Volume XXII
JA 5309- JA5558**

Steve Morris, Esq. (NSB #1543)
Akke Levin, Esq. (NSB #9102)
Morris Law Group
411 E. Bonneville Ave., Ste. 360
Las Vegas, NV 89101
Telephone: (702) 474-9400

Attorneys for Appellant
James J. Cotter, Jr.

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CERTIFICATE OF SERVICE

I certify that 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 28th day of August, 2019, a true and correct copy of the foregoing **JOINT APPENDIX TO OPENING BRIEFS FOR CASE NOS. 77648 & 76981**, was served by the following method(s):

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Stan Johnson
Cohen-Johnson, LLC
255 East Warm Springs Road, Ste. 110
Las Vegas, Nevada 89119

Christopher Tayback
Marshall Searcy
Quinn Emanuel Urquhart & Sullivan LLP
865 South Figueroa Street, 10th Floor
Los Angeles, CA

Attorneys for Respondents
Edward Kane, Douglas McEachern, Judy
Coddington, and Michael Wrotniak

Mark Ferrario
Kara Hendricks
Tami Cowden
Greenberg Traurig, LLP
10845 Griffith Peak Drive Suite 600
Las Vegas, Nevada 89135

Attorneys for Nominal Defendant
Reading International, Inc.

Donald A. Lattin
Carolyn K. Renner
Maupin, Cox & LeGoy
4785 Caughlin Parkway
Reno, Nevada 89519

Ekwan E. Rhow
Shoshana E. Bannett
Bird, Marella, Boxer, Wolpert,
Nessim, Drooks, Lincenberg &
Rhow, P.C.
1875 Century Park East, 23rd Fl.
Los Angeles, CA 90067-2561

Attorneys for Respondent
William Gould

Judge Elizabeth Gonzalez
Eighth Judicial District
court of
Clark County, Nevada
Regional Justice Center
200 Lewis Avenue
Las Vegas, Nevada 89101

By: /s/ Gabriela Mercado

- the non-Cotter directors were told by Ellen Cotter's special counsel that the "corporate structure" of the Company, meaning the fact that Ellen and Margaret Cotter were controlling shareholders, meant that as a practical matter no sale of the Company could occur without their approval,
- The individual director defendants then asked Ellen and Margaret Cotter their views of the Offer from their perspective as controlling shareholders,
- Ellen and Margaret Cotter provided a response, which the minutes describe as "the opposition of certain controlling shareholders to a change of control transaction at this time."
- The individual director the cited their understanding "that a change of control transaction would not be supported by the Company's controlling stockholder" as a basis for determining not to pursue the Offer or undertake any discussions whatsoever with the Offerors.

5. The Imaginary "Business Plan"

As for the (supposed) business plan referenced in the minutes of the June 23, 2016 board meeting, that was merely a PowerPoint presentation that had been shown to the director defendants, but not provided to them in hard copy, at a February 2016 board meeting. (Ex. __, Minutes of the Meeting of the Board of Directors of Reading International Inc. February 18, 2016.) At that time, Ellen Cotter had described it as a work in progress. (*Id.*) Director McEachern acknowledged in deposition that the PowerPoint referenced by Ellen Cotter (including two subsequent visions of it) was, at the time of the June 23, 2016 board meeting, still a "work in process." (See Ex. 2, McEachern 4/19/17 Dep. Tr. at 526:10 – 24.) Nor had that PowerPoint presentation been approved by the RDI board of directors, as anything, much less a business plan for the future of the Company. (Ex. 2, McEachern Dep. Tr. 529:3-13.)

RDI's lack of a Board approved long-term business plan is a material fact in this case. RDI had no such plan when the "Board of Directors determined that [RDI] stockholders would be better served by pursuing [RDI's] [imaginary] independent, stand-alone strategic business plan." (Quoting RDI's July 18, 2016 Press release (Ex. 11 to Plaintiff's initial opposition to MSJ No. 3.) (See also Ex. 6 (June 23, 2016 Board minutes) at pp. 13-14.) In fact, RDI at the time had has no short term business plan either. (See Ex. 7, JJC October 13, 2016 Dec. at ¶ 40-41.) That is why the June 23rd minutes never reference a particular "independent, stand-alone strategic business

1 plan.” (Ex. 6.)

2 RDI previously admitted that there was no “written business plan.” *See* RDI’s Opposition
3 to Plaintiff’s Motion to Permit Certain Discovery Concerning the Recent Offer, p. 4. Instead, RDI
4 admits that its “‘business plan’ is merely an assertion that RDI intends to continue with its
5 ongoing strategy of operations...”. *Id.* RDI also admitted that no such plan existed by asserting
6 that “all documents and communications relating to RDI’s operations” comprise its business plan.
7 *Id.* at pp.4-5. In other words, no actual business plan existed.

8 Any doubt about whether there actually was a business plan was put to rest when the
9 Company filed a Form 8-K and issued a press release in *March 2017* announcing that the Board
10 had then (for the first time) approved a (three-year) business strategy (not plan). (Ex. 10, Form 8-
11 K dated March 2, 2017.) (The 8-K is not an amended 9-K, which means that the matter it reports
12 is a new development, not an update of a prior disclosure about the same matter.)³

13 **6. Fall 2016 Affirmation of the Offer and the Response**

14 In the Fall of 2016, the Offerors reiterated their interest in acquiring all the outstanding
15 stock of RDI. By letter dated October 31, 2016, the Offerors again reiterated their interest in
16 acquiring all the outstanding stock of RDI and indicated that Texas Pacific Group, or "TPG," had
17 joined the Offerors. (Ex. 8, Letter from Paul Heth to Ellen Cotter dated October 31, 2016.) By
18 memorandum dated November 4, 2016, Ellen Cotter transmitted the October 31 letter and other
19 documents to Board members in anticipation of a Board meeting previously scheduled for the
20 following Monday, November 7th, 2016. (Ex. 9, Memorandum from Ellen Cotter to Board of
21 Directors dated November 4, 2016 (“Nov. 4, 2016 Memo”). In that memo, Ellen Cotter stated

22 [REDACTED]

23 [REDACTED]

24 [REDACTED] (Ex. 9, Nov. 4, 2016 Memo) As McEachern

25
26 ³Not coincidentally, that is when the Board also rejected an increased December 2016 offer of \$18.50 from the
27 Offerors, which then had added Texas Pacific Group, commonly referenced as TPG and publicly known to manage
28 billions of dollars of assets, to the group of Offerors. (Ex. 10, Form 8-K dated March 2, 2017)

1 acknowledged in his deposition, TPG manages billions of dollars of assets, meaning that it alone
2 has the ability to fund an acquisition of RDI. (Ex. 2, McEachern 4/19/17 Dep. Tr. 502:14-17.) The
3 RDI Board at the November 4, 2016 meeting reiterated the conclusion(s) reached at the June 23,
4 2016 meeting. (Ex. 11, Letter from Ellen Cotter to Paul Heth dated November 10, 2016.)

6 **7. The December 2016 Increased Offer and the March 2017 Rejection**

7 By letter dated December 19, 2016, the Offerors communicated to RDI directors that they
8 had increased the price per share offered from \$17 to \$18.50. (Ex. 12, Letter from Ellen Cotter to
9 Board of Directors dated December 19, 2016 with enclosure)

10 The RDI Board did not consider the increased December 2016 offer until March 2017. At
11 an RDI board meeting on March 2, 2017, the Board affirmed the decision that it had made in June
12 2016. (Form 8-K dated March 2, 2017.) At the same board meeting on March 2, 2017, the Board
13 approved for the first time a (supposed) (three year) "business strategy" for RDI. (Id.)
14 Coincidentally or not, that "strategy" was prepared over several months preceding management
15 (Ellen Cotter) presenting it to the RDI Board. (Ex. 1, Coddling Dep. Tr. 161:2-13.)

17 **8. The Separate 2017 Offer for the Trust Controlling Block of Stock**

18 Separately, in late January 2017, the Offerors offered to purchase the controlling block of
19 class B voting stock held and to be held by the Trust (approximately 70% of the outstanding Class
20 B voting stock). (See Ex. 13, Ex Parte Petition of Co-Trustee James J. Cotter Jr. for Appointment
21 of Trustee Ad Litem ("Petition for Trustee Ad Litem"), p. 6-7). In February 2017, Mr. Cotter
22 filed a petition in the California Trust Action to have a trustee *ad litem* appointed to replace Ellen
23 and Margaret Cotter as trustees to evaluate and respond to that offer and to any other offers to
24 purchase the class B voting stock held and to be held by the Trust, based on conflicts of interest
25 Ellen and Margaret Cotter faced as trustees (with their personal interests of continuing their
26 positions as highly compensated RDI executives). (See Ex. 13, Petition for Trustee Ad Litem).

27 Notwithstanding the fact that RDI is not a party to the California Trust Action, RDI filed
28 voluminous papers arguing that a sale of the controlling block of RDI stock would not be in the

1 best interests of the Company or its shareholders. (See Ex. 15, pleading filed by Greenberg
2 Traurig.) Of course, RDI counsel by definition is directed by Company management, of which
3 Ellen Cotter is the senior executive, such that she caused RDI to take the side of Ellen and
4 Margaret Cotter in the California Trust Action. Tellingly, certain RDI directors defendants,
5 including McEachern, Kane and Gould, provided declarations in support of the RDI briefs
6 (thereby evidencing their personal interests in having Margaret and Ellen Cotter retain control of
7 RDI). On or about August 29, 2017, the court of the California Trust Action issued a tentative
8 Statement of Decision which, among other things, granted the motion for the appointment of a
9 trustee *ad litem* based on the conflicts Ellen and Margaret Cotter faced as trustees in responding
10 to an offer to purchase the controlling block of stock which, if sold, would put their lucrative
11 executive positions at RDI in jeopardy. (Ex. 14, Tentative Statement of Decision dated August 29,
12 2017.) That Statement of Decision has not been finalized.

13
14 **9. The Individual Director Defendants Act to Make Acquisition of Control of**
15 **RDI by Anyone Other than Margaret and Ellen Cotter More Expensive and**
Less Likely and to Enrich Ellen and Margaret Cotter at the Expense of RDI

16 Faced with the prospect that a trustee *ad litem* could sell the controlling block of RDI class
17 B voting stock and that Ellen and Margaret could lose control, the RDI board acted pre-emptively
18 and aggressively to make an acquisition of control of RDI more expensive and less likely, and
19 simultaneously to advance the personal and financial interests of Ellen and Margaret Cotter at the
20 expense of RDI. They also acted to further their own financial interests

21 To those ends, the RDI Board, first through the compensation and audit committee
22 (comprised of Kane, Coddington and McEachern) and then rubber-stamped by the full board (other
23 than Mr. Cotter), (i) made changes to certain restricted stock grants and options to Ellen and
24 Margaret Cotter so that they would vest immediately upon a change of control of the Company,
25 unless Ellen and Margaret Cotter are part of the group purchasing the class B voting stock the
26 trustee *ad litem* may recommend be sold and (ii) made changes so that Ellen Cotter's restricted
27 stock units vest immediately if she is terminated within 2 years following a change of control of
28 the company. These changes would result in the Company occurring substantial additional

1 expense if any person or entity other than Ellen and Margaret Cotter purchased the controlling
2 block of RDI Class B voting stock presently held by the Trust. These steps obviously and
3 necessarily would have the effect of making acquisition of that stock and control of RDI more
4 expensive, and simply would transfer RDI monies to Ellen and Margaret Cotter if they lose
5 control of the Company. (*See* Form 10-Q dated August 9, 2017.)

6 The compensation committee and board also approved removing restrictive legends from
7 stock held by the other director defendants, which obviously is intended to facilitate them selling
8 RDI stock to further their personal financial interests. (*Id.*)

9 Last but not least, the Board compensation and stock-option committee recommended an
10 increase in Ellen Cotter's base salary that would increase her compensation from approximately
11 \$1.1 million in 2016 to almost three times that amount, approximately \$3.2 million, on a going-
12 forward basis. (*See* Form 10-Q dated August 9, 2017.) That follows an increase in Ellen Cotter's
13 compensation from approximately \$410,000 in 2014 to approximately \$678,000 in 2015. (Ex. 16 ,
14 Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 October 13,
15 2017.)

16 17 **III. ARGUMENT**

18 19 **A. The Recent Statutory Modifications do not Change the Analysis or Outcome Here**

20 As demonstrated in Plaintiff's opposition to the renewed motion directed at the expert
21 testimony of Chief Justice Myron Steele, defendants' characterization of a recent amendment to
22 NRS 78.138 is inaccurate and their reliance on it unavailing. Plaintiff respectfully incorporates
23 that opposition herein. Briefly, as explained in Plaintiff's opposition to the renewed renewed
24 motion in limine to exclude expert testimony of Chief Justice Myron Steele, those amendments do
25 not change the analysis or the result here. Contrary to what the Supplement argues regarding
26 subsection 4 of S.B. 203, that subsection merely provides that directors of a Nevada corporation
27 are not liable for breach of fiduciary duty for failing to abide by foreign laws, judicial decisions or
28 practices. That of course says nothing about whether a Nevada Court in determining whether a

1 director of a Nevada corporation breached his or her fiduciary duties under Nevada law may look
2 to Delaware statutes and/or judicial decisions to assist in interpreting a Nevada statute. Obviously,
3 that would not entail supplanting or modifying the law of Nevada. Finally, insofar as subsection 4
4 of S.B. 203 amends NRS 78.148 (7) to include language that a director of a Nevada corporation
5 cannot be liable to the corporation for money damages "unless...[t]he trier of fact determines that
6 the presumption established by subsection 3 has been rebutted[.]" this provision merely clarifies
7 the pre-existing evidentiary burden, which is that the plaintiff bears the initial burden of rebutting
8 the statutory presumption. The Motion admits as much, stating that the business judgment rule
9 presumptions apply "if the directors of a corporation acted on an informed basis, in good faith and
10 in the honest belief that the action taken was in the best interest of the company." (Motion at 3:25-
11 4:2, citing *Wynn Resorts*.) (Emphasis supplied.)

12 Likewise, the discussion in the Supplement of the portions of the amendment concerning
13 change of control issues (Supplement at 5:10-6:15) is a classic exercise in question begging. They
14 simply invoke the business judgment rule and ignore the facts of this case, which raise the
15 questions of why the director defendants acted as they did, which of course must be viewed in the
16 context of their historical conduct, which evidences a recurring practice of acting as they
17 understand the controlling shareholder(s) desire, in derogation of their fiduciary duties to the
18 Company and its other shareholders. As the facts of this case make clear, including those
19 described herein, the non-Cotter director defendants, led by defendant Gould, appear to have
20 based their decision on how to respond to the Patton Vision Offer(s) based upon their
21 understanding of the wishes of the controlling shareholder(s). In other words, instead of
22 independently taking actions to ascertain what was in the best interests of the corporation and its
23 shareholders, they intentionally did not do so and instead acted to accommodate the wishes of the
24 controlling shareholder(s). Such conduct constitutes intentional misconduct, as described below,
25 and rebuts the presumptions of the business judgment rule. At a minimum, the finder of fact
26 should resolve such disputed issues of material fact.

27 Finally, the case(s) cited for the proposition that there are no damages a matter of law
28 from the actions and inactions of the individual director defendants in response to the Offer are

1 inapposite and do not support the proposition for which they are proffered. In *Cooke v. Oolie*, No.
2 CIV. A. 11134, 2000 WL 710199 (Del. Ch. May 24, 2000), the complained of conduct of two
3 directors, who had made an offer to acquire the company, did not prevent an acquisition on
4 superior terms because the offer was non-binding and subject to conditions. So the case stands for
5 more or less the opposite proposition than the one for which it is cited.

6
7 **B. The Supplemental Motion Misapprehends or Mischaracterizes the Issues Arising**
8 **From the Actions and Inaction of the Director Defendants in Response to the**
9 **Offers**

10 The Supplement filed by the Interested Director Defendants does little but cite to the
11 amended Nevada statute and beg the straw man question they pose. They cite to the amended
12 Nevada statute for the proposition that, in responding to a potential change of control, a board of
13 directors may determine whether it is in the best interests of the corporation by considering "any
14 relevant facts, circumstances, contingencies or constituencies pursuant to subsection for of NRS
15 78.138." (Notably, they do not contend that this means that a board of may accommodate or
16 protect the interests of the constituency of the controlling shareholders without breaching their
17 fiduciary responsibilities to the company and all shareholders.) They then posit that "the Board
18 indisputably considered relevant facts and circumstances relating to the Company's long-term or
19 short-term interests, including the possibility that these interests may be best served by the
20 continued independence of the corporation..." (Supplement at 6:1-4.) In support of that
21 everything and nothing conclusion, they proffer two sentences that reference the approximate one
22 hour and 25 minute telephonic board meeting of June 23, 2016 and the oral presentation by
23 management, which the Supplement describes as "an overview of the Company's cinema and real
24 estate assets." (Id. at 6:4-9.) Then, to beg the straw man question they pose, which is whether the
25 Board made an informed business judgment, they conclude that "the Board properly informed
26 itself with information available to the Company, as well as with the directors' own knowledge of
27 RDI" and finish by asserting that "Plaintiff asks this Court to second-guess the Board's decision"
28 and substitute its judgment for that of the director defendants. (*Id.* at 6:9-15.)

This is nothing more than obfuscation and dissembling. Plaintiff does not ask the Court to

1 make a substantive assessment of the “merits” of a business judgment of the RDI Board, much
2 less substitute the Court’s judgment for that of the Board. Instead, Plaintiff contends that the
3 director defendants breached their duty of loyalty, as evidenced by actions they took and actions
4 they did not take in response to the Offer. For example, why at the outset of the June 2,
5 2017 meeting did director Gould make it a point to have the controlling shareholders tell the
6 Board whether they would support taking any action in support of the Offer? What does that have
7 to do with the best interests of the Company and its minority shareholders, to whom the director
8 defendants owe fiduciary obligations? Why the so-called management (EC) presentation at the
9 June 23, 2017 telephonic Board meeting was preceded by informing the directors that, as a
10 “practical matter,” the approval of the controlling shareholders was necessary to effectuate any
11 change of control, raises only rhetorical questions. As demonstrated above, Defendants’ own June
12 23 meeting minutes unequivocally evidence that consideration of how the controlling
13 shareholders intended to respond to the Offer was recited repeatedly as a “relevant fact[] [or]
14 circumstance[]” by all Board members in determining how to respond. Of course, were the non-
15 Cotter directors acting to protect the interests of the Company and the other shareholders, that is
16 exactly the sort of consideration that should have been tabled, not afforded significant if not
17 decisive weight.

18 As the foregoing suggests, what Plaintiff contends is that the evidence raises a triable
19 question of fact, at a minimum, about whether the director defendants acted with a purpose other
20 than that of advancing the interests of the Company and Company shareholders other than EC and
21 MC, which is what happened if they even considered, much less acquiesced to or accommodated,
22 the wishes of the controlling shareholders. Moreover, if, as the evidence suggests, they acquiesced
23 to or accommodated the wishes of the controlling shareholders, by doing so they engaged in
24 intentional misconduct, which would rebut the business judgment rule presumptions and shift the
25 burden to the individual director defendants to prove the entire fairness of their actions.

26 “Intentional misconduct” is one of three ways in which a fiduciary can fail to act in good
27 faith. *In re Walt Disney Co. Derivative Litig.*, 906 A.2d 27, 67 (Del. 2006). The first occurs
28 “where the fiduciary intentionally acts with a purpose other than that of advancing the best

1 interests of the corporation.” *Id.* The second occurs “where the fiduciary acts with the intent to
2 violate applicable positive law.” *Id.* The third occurs “where the fiduciary intentionally fails to
3 act in the face of a known duty to act, demonstrating a conscious disregard for his duties.” *Id.*

4 Plaintiff also contends is that the evidence raises a triable question of fact about whether
5 the director defendants, by what they did not do, intentionally or purposefully failed to act in the
6 face of a known duty to act, thereby demonstrating a conscious disregard for their fiduciary
7 duties. The Supplement does not address this issue. On the contrary, it implies the incredible,
8 namely, that the Board took such actions as were appropriate to determine that the interests of the
9 Company and its shareholders were best served by not even engaging with the Offerors. The
10 Board meeting lasted less than an hour and a half. It was telephonic. It was not preceded by the
11 dissemination of any materials to the Board whatsoever. The Company at the time had no
12 business plan, much less a Board-approved plan that set out specific goals, the means by which
13 they would be achieved and the timetable for doing so.

14 So what did the individual director defendants do? Did they ask management to produce a
15 business plan that would provide some indication of whether, how and when the critical "asset
16 value" of the real property owned by the Company would, could or might be actualized? Did they
17 ask management to provide them written materials that they could review and consider before
18 making a decision? Did they ask EC and MC to allow them to confer separately? Did they seek
19 advice from independent financial advisors, whether investment bankers, real property experts
20 and/or others? Did they even talk about doing that? Did they seek advice from independent legal
21 counsel, rather than EC's personal counsel, Craig Tompkins, and corporate counsel hired by
22 management (EC)? Did they even talk about that? Did they take any steps whatsoever to assess
23 the Offer and/or the Offerors, including the possibility that the amount offered might be increased
24 dramatically? Did they even talk about that? The answers to each of the foregoing questions, and
25 every other question of that type, is a resounding "no, they did not."

26 What did the individual director defendants do? They quickly ascertained all they needed
27 to know, which was the wishes of the controlling shareholders, to which they readily deferred,
28 consistent with their unvaried historical practice. In doing so, they engaged in intentional

1 misconduct, which rebuts the presumptions of the business judgment rule.

2 Additionally, as Plaintiff has demonstrated previously, the acts and omissions of the
3 individual director defendants with respect to the Offer must be viewed and can only be
4 understood in light of their conduct dating back to the seizure of control of RDI. *See, e.g., In re*
5 *Ebix, Inc. Stockholder Litig.*, 2016 Del. Ch. LEXIS 5 at *66-67 n.137, 2016 WL 208402 (Del.
6 Ch. Jan. 15, 2016) (rejecting director defendants' contention that bylaw amendments should be
7 viewed individually rather than collectively); *Carmody v. Toll Brothers., Inc.*, 723 A.2d 1180,
8 1189 (Del. Ch. 1998) (finding that particularized allegations that directors acted for entrenchment
9 purposes sufficient to excuse demand); *Chrysogelos v. London*, 1992 WL 58516, at *8 (Del. Ch.
10 1992) ("None of these circumstances, if considered individually and in isolation from the rest,
11 would be sufficient to create a reasonable doubt as to the propriety of the director's motives.
12 However, when viewed as a whole, they do create such a reasonable doubt . . ."); *Cal. Pub.*
13 *Employees' Ret. Sys. v. Coulter*, 2002 Del. Ch. LEXIS 144 at *29-30, 2002 WL 31888343 (Del.
14 Ch. Dec. 18, 2002) (concluding that allegations that individually would be insufficient to show a
15 lack of disinterestedness or independence were, taken together, sufficient to do so).

16 Here, Plaintiff has proffered substantial evidence of an ongoing course of self-dealing and
17 entrenchment undertaken for the purpose of protecting and furthering the personal financial and
18 other interests of EC and MC, as well as other individual director defendants. These actions on
19 their face and by their very nature were and are "intentional[] acts with a purpose other than that
20 of advancing the best interests of [RDI]." When viewed in that larger context, there can be no
21 doubt that there are disputed questions of material fact about whether the directors engaged in
22 intentional misconduct, which would rebut the business judgment rule presumptions and shift the
23 burden to the individual director defendants to prove the entire fairness of their actions.

24 25 **IV. CONCLUSION**

26 For all of the foregoing reasons, among others, Plaintiff respectfully submits that MSJ
27 Nos. 2 and 3 and Gould's motion for summary judgment should be denied.

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Morris law Group

By: /s/ Akke Levin

Steve Morris (BN 1543)
Akke Levin (BN 9102)
Morris Law Group
411 E. Bonneville Ave., Ste. 360
Las Vegas, NV 89101

Mark G. Krum (BN 10913)
Yurko, Salvesen & Remz, P.C.
One Washington Mall, 11th Floor
Boston, MA 02108
Tel: 617.723.6900
Fax: 617.723.6905
E-mail:mkrum@bizlit.com

Attorneys for Plaintiff
James J. Cotter, Jr.

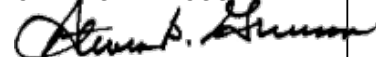
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CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of December, 2017, I caused a true and correct copy of the foregoing **Plaintiff James Cotter, Jr.'s Supplemental Opposition To So-Called Summary Judgment Motion Nos. 2 and 3 And Gould Summary Judgment Motion** to be electronically served to all parties of record via this Court's electronic filing system to all parties listed on the E-Service Master List.

DATED this 1st day of December, 2017

/s/ Akke Levin
Akke Levin



MORRIS LAW GROUP

411 E. BONNEVILLE AVE., STE. 360 • LAS VEGAS, NEVADA 89101
702/474-9400 • FAX 702/474-9422

DECL

MORRIS LAW GROUP

Steve Morris, Bar No. 1543

Akke Levin, Bar No. 9102

411 E. Bonneville Ave., Ste. 360

Las Vegas, Nevada 89101

Telephone: (702) 474-9400

Facsimile: (702) 474-9422

Email: sm@morrislawgroup.com

Email: al@morrislawgroup.com

Mark G. Krum, Bar No. 10913

Yurko, Salvesen & Remz, P.C.

1 Washington Mall, 11th Floor

Boston, MA 02108

Telephone: (617) 723-6900

Facsimile: (617) 723-6905

Email: mkrum@bizlit.com

Attorneys for Plaintiff

James J. Cotter, Jr.

**DISTRICT COURT
CLARK COUNTY, NEVADA**

JAMES J. COTTER, JR., derivatively on) Case No. A-15-719860-B

behalf of Reading International, Inc.,) Dept. No. XI

)

Plaintiff,) Coordinated with:

v.)

) Case No. P-14-0824-42-E

MARGARET COTTER, ELLEN COTTER,) Dept. No. XI

GUY ADAMS, EDWARD KANE,)

DOUGLAS McEACHERN, WILLIAM) Jointly Administered

GOULD, JUDY CODDING, MICHAEL)

WROTONIAK,) **DECLARATION OF AKKE LEVIN IN**

) **SUPPORT OF PLAINTIFF JAMES**

Defendants.) **COTTER JR.'S SUPPLEMENTAL**

And) **OPPOSITION TO SO-CALLED**

) **SUMMARY JUDGMENT MOTION**

READING INTERNATIONAL, INC., a) **NOS. 2 AND 3 AND GOULD SUMMARY**

Nevada corporation,) **JUDGMENT MOTION**

Nominal Defendant.)

)

1 I, Akke Levin, state and declare as follows:

2 1. I am an attorney with Morris Law Group, counsel for Plaintiff James J.
3 Cotter, Jr. I make this declaration based upon personal knowledge, except where stated upon
4 information and belief, and as to that information, I believe it to be true. If called upon to testify
5 as the contents of this declaration, I am legally competent to testify to its contents in a court of
6 law.

7 2. Attached hereto as **Exhibit 1** is a true and correct copy of excerpts from the
8 deposition of Judy Coddling.

9 3. Attached hereto as **Exhibit 2** is a true and correct copy of excerpts from the
10 deposition transcript of Douglas McEachern, taken on April 19, 2017.

11 4. Attached hereto as **Exhibit 3** is a true and correct copy of an Email from
12 Paul Heth to Ellen Cotter dated May 31, 2016 with letter dated May 31, 2016 attached, marked as
13 Deposition Exhibit 493 in this action.

14 5. Attached hereto as **Exhibit 4** is a true and correct copy of the Minutes of the
15 Meeting of the Board of Directors of Reading International Inc. June 2, 2016, marked as
16 Deposition Exhibit 494 in this action.

17 6. Attached hereto as **Exhibit 5** is a true and correct copy of an email from
18 James Cotter to Ellen Cotter dated June 7, 2017, Bates labeled JCOTTER018081-82.

19 7. Attached hereto as **Exhibit 6** is a true and correct copy of the Minutes of the
20 Meeting of the Board of Directors of Reading International, Inc. June 23, 2016, marked as
21 Deposition Exhibit 492 in this action.

22 8. Attached hereto as **Exhibit 7** is a true and correct copy of the Declaration of
23 Plaintiff James J. Cotter Jr. In Opposition to All Individual Defendants' Motions for Partial
24 Summary Judgment ("JJC Declaration") dated October 13, 2016 and filed in this action.

25 9. Attached hereto as **Exhibit 8** is a true and correct copy of a Letter from Paul
26 Heth to Ellen Cotter dated October 31, 2016 Bates labeled JCOTTER018046-48.

27
28

10. Attached hereto as **Exhibit 9** a true and correct copy of Memorandum from Ellen Cotter to Board of Directors dated November 4, 2016, marked as Deposition Exhibit 496 in this action.

11. Attached hereto as **Exhibit 10** is a true and correct copy of a Form 8-K dated March 2, 2017 filed by Reading International Inc.

12. Attached hereto as **Exhibit 11** is a true and correct copy of a Letter from Ellen Cotter to Paul Heth dated November 10, 2016 Bates Labeled JCOTTER018287.

13. Attached hereto as **Exhibit 12** is a true and correct copy of a Letter from Ellen Cotter to Board of Directors dated December 19, 2016 with enclosure, marked as Deposition Exhibit 506 in this action.

14. Attached hereto as **Exhibit 13** is a true and correct copy of the Ex Parte Petition of Co-Trustee James J. Cotter Jr. for Appointment of Trustee Ad Litem.

15. Attached hereto as **Exhibit 14** is a true and correct copy of the Tentative Statement of Decision dated August 29, 2017.

16. Attached hereto as **Exhibit 15** is a true and correct copy of the first page of a filing by Greenberg Traurig in the California Trust Action.

17. Attached hereto as **Exhibit 16** is a true and correct copy of the Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 dated October 13, 2017 filed by Reading International Inc.

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

Executed this 1st day of December, 2017.

/s/ AKKE LEVIN

Akke Levin

CERTIFICATE OF SERVICE

Pursuant to Nev. R. Civ. P. 5(b)(2)(D) and E.D.C.R. 8.05, I certify that I am an employee of MORRIS LAW GROUP and that on the date below, I cause the following document(s) to be served via the Court's Odyssey E-Filing System: **DECLARATION OF AKKE LEVIN IN SUPPORT OF PLAINTIFF JAMES COTTER JR.'S SUPPLEMENTAL OPPOSITION TO SO-CALLED SUMMARY JUDGMENT MOTION NOS. 2 AND 3 AND GOULD SUMMARY JUDGMENT MOTION** to be served on all interested parties, as registered with the Court's E-Filing and E-Service System. The date and time of the electronic proof of service is in place of the date and place of deposit in the mail.

DATED this 1st day of December, 2017.

By: /s/ PATRICIA FERRUGIA

Exhibit 1

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DISTRICT COURT
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR.,)	
individually and)	
derivatively on behalf of)	
Reading International,)	
Inc.,)	
	)	Case No. A-15-719860-B
Plaintiff,)	
	)	Coordinated with:
vs.)	
	)	Case No. P-14-082942-E
MARGARET COTTER, et al.,)	
)	
Defendants.)	
and)	
)	
READING INTERNATIONAL,)	
INC., a Nevada)	
corporation,)	
)	
Nominal Defendant)	
)	

VIDEOTAPED DEPOSITION OF JUDY CODDING
TAKEN ON MARCH 1, 2017

REPORTED BY:
PATRICIA L. HUBBARD, CSR #3400

<p style="text-align: right;">Page 158</p> <p>1 But I do know that we have a really</p> <p>2 significant and aggressive strategy in place that I</p> <p>3 think that -- I think that we need to see through</p> <p>4 that could bring the most value to the company.</p> <p>5 I think that if the company were to be</p> <p>6 sold now, we wouldn't begin to get the value out of</p> <p>7 company that we will in the future.</p> <p>8 And I also understand from the directors</p> <p>9 who knew Jim, Sr., that he would be very desirous of</p> <p>10 us to continue to develop what he started.</p> <p>11 BY MR. KRUM:</p> <p>12 Q. To which director are you referring? Ed</p> <p>13 Kane?</p> <p>14 A. I've spoken to all of them.</p> <p>15 Q. No. I'm sorry. Let me be more</p> <p>16 specific.</p> <p>17 When you -- when you said that -- you</p> <p>18 testified to the effect you understand from</p> <p>19 directors who knew Jim, Sr., that he would be</p> <p>20 desirous to continue what he started, which</p> <p>21 directors are you referencing?</p> <p>22 A. Well, I think that the one who</p> <p>23 articulates it the best is Ed and -- and Guy. But I</p> <p>24 think there's a general feeling on the part of all</p> <p>25 of the directors outside of the Cotter -- the Cotter</p>	<p style="text-align: right;">Page 160</p> <p>1 Q. Which properties are you referencing?</p> <p>2 A. We're referencing New Market,</p> <p>3 referencing -- well, you know the property in</p> <p>4 Wellington now is -- we have a real opportunity to</p> <p>5 totally reshape that based on the earthquake.</p> <p>6 And some of the issues around the</p> <p>7 parking structure there was prohibiting us from</p> <p>8 doing some things that we would hope to do, and now</p> <p>9 we're going to be able to do them to have more</p> <p>10 square footage.</p> <p>11 I think we have 100 tenants in the --</p> <p>12 New Zealand and Australia that leases are coming up</p> <p>13 at different times that we see ways to get more</p> <p>14 revenue from those. I think there's a lot that have</p> <p>15 an opportunity to bring a lot more value.</p> <p>16 I think they're going to begin to look</p> <p>17 at the Coachella Valley property, which Reading</p> <p>18 is -- I think owns 50 percent of that.</p> <p>19 Q. Is the strategy you've described</p> <p>20 embodied in any business plan?</p> <p>21 A. Yes. That is the business plan. I mean</p> <p>22 there are many types of business plans, as you know.</p> <p>23 I've worked on many different formats and many</p> <p>24 different types. And we have a very clear business</p> <p>25 plan for every theater site that -- and real estate</p>
<p style="text-align: right;">Page 159</p> <p>1 family that would feel that way.</p> <p>2 Q. So, to what are you referring to exactly</p> <p>3 when you referred to a significant and aggressive</p> <p>4 strategy in place?</p> <p>5 A. I think it's the -- all of the</p> <p>6 development that we're doing and all of the</p> <p>7 refurbishing of the theaters, the development of the</p> <p>8 food and beverage and liquor licenses, the</p> <p>9 development of Union Square, the beginnings of</p> <p>10 Theaters 1, 2 and 3 across from Bloomingdale's.</p> <p>11 I think that there is -- we have had the</p> <p>12 highest revenue we've ever had this year. And I</p> <p>13 think that there's just a lot that is going on that</p> <p>14 will just bring much more value to the company and</p> <p>15 its shareholders.</p> <p>16 Q. Over what period of time?</p> <p>17 A. The projections we have are out for</p> <p>18 three years, but I think that we would want to look</p> <p>19 carefully at 2020, as well.</p> <p>20 Q. Why do you say that?</p> <p>21 A. I think that's when we're going to see</p> <p>22 things happening with Theaters 1, 2 and 3, as well</p> <p>23 as the Union Square property, as well as some of the</p> <p>24 work that's going on in both Australia and</p> <p>25 New Zealand and the development of those properties.</p>	<p style="text-align: right;">Page 161</p> <p>1 property that Reading owns.</p> <p>2 Q. What I'm asking is whether there's a</p> <p>3 document or there are documents that embody the</p> <p>4 strategy and business plan as you described?</p> <p>5 A. Yes, we have them.</p> <p>6 Q. Which documents are those?</p> <p>7 A. Well, we've -- we just have the latest</p> <p>8 one for '17, '18 and '19, which is the</p> <p>9 forward-looking documents.</p> <p>10 Q. And when were those prepared?</p> <p>11 A. They've been prepared over the last</p> <p>12 several months, as you would go into the 2017 year.</p> <p>13 An enormous amount of work has been done on them.</p> <p>14 Q. Who has prepared them, to your</p> <p>15 knowledge?</p> <p>16 A. I think the whole collective team in</p> <p>17 Australia and leadership in Australia and</p> <p>18 New Zealand and the leadership in the United States</p> <p>19 and -- whether it be Wayne Smith in the</p> <p>20 Australia/New Zealand and his team, Bob Smerling</p> <p>21 here, and -- for the U.S. cinema base.</p> <p>22 And we have the document on the Union</p> <p>23 Square property, and we're -- they're beginning to</p> <p>24 develop the strategy for Theaters 1, 2 and 3.</p> <p>25 Q. So, what kind of difference, if any, do</p>

<p style="text-align: right;">Page 178</p> <p>1 advice from any investment banker or other financial</p> <p>2 person in connection with your decision-making in</p> <p>3 June of 2016?</p> <p>4 A. No.</p> <p>5 Q. Do you know whether any other director</p> <p>6 did?</p> <p>7 A. I do not know.</p> <p>8 Q. At the board meeting in June 2016 where</p> <p>9 the C.E.O. and the C.F.O. made their presentations</p> <p>10 and the conclusion regarding how to respond to the</p> <p>11 Patton offer or expression of interest was -- was</p> <p>12 made, who said what, if anything, about whether the</p> <p>13 board might, would, should or could consider selling</p> <p>14 the company?</p> <p>15 MR. SEARCY: Objection. Vague.</p> <p>16 THE WITNESS: That was one of our</p> <p>17 actions. That was one of the things we discussed.</p> <p>18 BY MR. KRUM:</p> <p>19 Q. Okay. Who said what?</p> <p>20 A. I don't remember.</p> <p>21 Q. Was there a conclusion?</p> <p>22 A. Yes.</p> <p>23 Q. What was the conclusion?</p> <p>24 A. Not to sell.</p> <p>25 Q. The company's not for sale?</p>	<p style="text-align: right;">Page 180</p> <p>1 Do you recognize Exhibit 492?</p> <p>2 A. I recognize it in light of reading all</p> <p>3 the minutes before we approve of them.</p> <p>4 Q. So this is a -- minutes from the</p> <p>5 June 23, 2016 RDI board of directors meeting,</p> <p>6 correct?</p> <p>7 A. Right.</p> <p>8 Q. For your information, all that</p> <p>9 blacked-out text is something that was redacted --</p> <p>10 A. Privileged.</p> <p>11 Q. -- by counsel for the company.</p> <p>12 I direct your attention, Ms. Coddling, to</p> <p>13 page two of Exhibit 492.</p> <p>14 In the paragraph above the subheading</p> <p>15 "Confidential Advice of Counsel" it records -- I</p> <p>16 don't know about records, it summarizes comments by</p> <p>17 Mr. Cotter about the absence of a business plan</p> <p>18 approved by the board of directors and the response</p> <p>19 of Ellen Cotter that management had, in fact -- and</p> <p>20 I'm reading,</p> <p>21 "Management had in fact provided a</p> <p>22 preliminary business plan to the</p> <p>23 board in February 2016," and so</p> <p>24 forth.</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 179</p> <p>1 A. Yeah.</p> <p>2 MR. KRUM: I'll ask the court reporter</p> <p>3 to mark as next in order what purports to be minutes</p> <p>4 of a June 23, 2016 RDI board of directors meeting.</p> <p>5 (Whereupon the document referred</p> <p>6 to was marked Plaintiffs'</p> <p>7 Exhibit 492 by the Certified</p> <p>8 Shorthand Reporter and is attached</p> <p>9 hereto.)</p> <p>10 THE WITNESS: Thank you.</p> <p>11 MR. KRUM: What's our number?</p> <p>12 THE REPORTER: I'm sorry. 492.</p> <p>13 MR. KRUM: Thank you.</p> <p>14 VIDEOTAPE OPERATOR: We have about ten</p> <p>15 minutes left before I have to change tapes.</p> <p>16 MR. KRUM: Okay. Thank you.</p> <p>17 THE WITNESS: Do you want me to read</p> <p>18 this all?</p> <p>19 BY MR. KRUM:</p> <p>20 Q. No. Not necessary.</p> <p>21 A. Okay.</p> <p>22 Q. And if you want to read it after I ask</p> <p>23 you a question or you want to read parts of it,</p> <p>24 obviously just tell me and I'm happy to have you do</p> <p>25 that.</p>	<p style="text-align: right;">Page 181</p> <p>1 A. I do.</p> <p>2 Q. And do you understand to what the</p> <p>3 reference of a preliminary business plan --</p> <p>4 A. Yes.</p> <p>5 Q. -- in February 2016 is?</p> <p>6 A. Yes. They made a presentation to the</p> <p>7 board, a very detailed presentation that lasted a</p> <p>8 long -- several hours on the business strategy.</p> <p>9 And I think most all, if not all, of the</p> <p>10 directors felt that it was a terrific presentation.</p> <p>11 And we discussed it and asked questions about it</p> <p>12 thoroughly.</p> <p>13 And it's the one we were proceeding on.</p> <p>14 Q. So when you were testifying earlier</p> <p>15 about a business plan, that was the one that was the</p> <p>16 business plan on which you were relying in June of</p> <p>17 2016; is that right?</p> <p>18 MR. SEARCY: Objection. Vague.</p> <p>19 THE WITNESS: Yeah. But periodically,</p> <p>20 as with any good strategy document, you get updates.</p> <p>21 And we were constantly being updated at every board</p> <p>22 meeting.</p> <p>23 BY MR. KRUM:</p> <p>24 Q. Okay. Let me show you what previously</p> <p>25 has been marked as Exhibit 449.</p>

Exhibit 2

1	DISTRICT COURT	
2	CLARK COUNTY, NEVADA	
3		
4	JAMES J. COTTER, JR.,	)Case No. A-15-719860-B
	individually and)
5	derivatively on behalf of	)Coordinated with:
	Reading International, Inc.,)
6		)Case No. P-14-082942-E
	Plaintiff,)
7		)VOLUME III
	vs.)
8		)(Pages 494 - 565)
	MARGARET COTTER, et al.,)
9)
	Defendants.)
10	and)
)
11	READING INTERNATIONAL, INC.,)
	a Nevada corporation,)
12)
	Nominal Defendant.)
13)
14		
15		
16	CONFIDENTIAL	
17	VIDEO DEPOSITION OF DOUGLAS MCEACHERN	
18	Wednesday, April 19, 2017	
19	Los Angeles, California	
20		
21		
22		
23		
24	REPORTED BY: JAN M. ROPER, RPR, CSR NO. 5705	
25	JOB NO.: 387329B	

<p style="text-align: right;">Page 499</p> <p>1 THE VIDEOGRAPHER: Will the court reporter 2 please swear in the witness. 3 4 DOUGLAS MCEACHERN, 5 having been first duly resworn, was 6 examined and testified further as 7 follows: 8 9 EXAMINATION (Resumed) 10 BY MR. KRUM: 11 Q. Good morning, Mr. McEachern. 12 A. Good morning. 13 Q. Is there any reason you cannot give truthful 14 and complete testimony today? 15 A. No. 16 Q. You're not taking any medication that impairs 17 your memory or your judgment or anything of that 18 nature? 19 A. No. 20 Q. You recall the process of a deposition; yes? 21 A. Yes. 22 Q. What did you do to prepare for your 23 deposition today? 24 A. I had a half-hour -- 45-minute, hour 25 conference call yesterday with Mr. Searcy, and I don't</p>	<p style="text-align: right;">Page 501</p> <p>1 A. An offer: Here's what I'm willing to pay for 2 the whole company, as opposed to: Here's an 3 indication that I might have an interest in doing 4 something. 5 Q. And the party or parties that made both the 6 indication of interest and the November or 7 December 2016 offer, included Paul Heth and Patton 8 Vision; correct? 9 A. I thought Paul Heth was Patton Vision but -- 10 Q. With that clarification, the answer is yes? 11 A. Yes. 12 Q. And what else, if anything, do you recall 13 changed between the November or December 2016 offer 14 and the prior indication of interest? 15 A. I believe the first indication of interest 16 was in May -- May of 2016, and it was pretty much 17 Patton Vision on its own. I think later on in the 18 fall of 2016 there was a couple of other -- two or 19 three other groups that Patton Vision had added to 20 this to try to legitimize the offer -- my words -- 21 TPG, Texas Pacific Group, and something that began 22 with an "S." I can't remember the name of it. And I 23 thought there was a third group maybe as part of this 24 activity. 25 Q. You had heard of or were familiar with TPG?</p>
<p style="text-align: right;">Page 500</p> <p>1 remember if Ellen was there for the entire time or 2 not, but she was there for a portion. 3 Q. Did you review any documents? 4 A. Yes. 5 Q. Were these documents you selected or 6 documents that were provided to you? 7 A. They were provided to me. 8 Q. Did any of these documents refresh your 9 memory with respect to the subject matters therein? 10 A. I don't know what -- what do you mean? 11 Q. Well, do you know something today that you 12 didn't remember -- 13 A. No. 14 Q. -- prior to reviewing the documents? 15 A. No. 16 Q. When did you first hear or learn that an 17 offer had been made to acquire all of the outstanding 18 stock of RDI? 19 A. Some -- an offer to acquire the stock, 20 sometime maybe in November, December. Prior to that, 21 there was an indication of interest, but not an offer 22 to buy the stock. 23 Q. Explain to me why you distinguish between -- 24 why you characterize one as an indication of interest 25 and the other as an offer.</p>	<p style="text-align: right;">Page 502</p> <p>1 A. I was a partner with Deloitte. I retired in 2 '09, and I believe at the time TPG was a client of 3 Deloitte, based in the Bay Area. I don't know that 4 they still are or not a client. But I'm familiar with 5 them. 6 Q. Okay. What do you understand TPG to be? 7 A. An investment fund. 8 Q. Anything else? 9 A. That's all I recall. Bought companies. 10 Q. Big? Small? 11 MR. SEARCY: Objection. Vague. 12 THE WITNESS: I don't know. 13 BY MR. KRUM: 14 Q. Did you ever hear or learn that they had 15 billions of dollars of assets under their control -- 16 TPG does? 17 A. I wouldn't be surprised. 18 MR. KRUM: I'm going to ask the court 19 reporter to slide me the exhibits so that I can hand 20 them to the witness to facilitate this process. 21 Q. So, Mr. McEachern, you can watch me shuffle 22 and stumble, instead of me watching you do it. 23 We're off to a slow start. We're missing the 24 first document we marked today. Bear with me. Here 25 we are.</p>

<p style="text-align: right;">Page 511</p> <p>1 MR. SEARCY: Objection. Vague.</p> <p>2 THE WITNESS: I don't recall.</p> <p>3 BY MR. KRUM:</p> <p>4 Q. Let's go back to the second page of</p> <p>5 Exhibit 494.</p> <p>6 Do you see that there is apparently a</p> <p>7 substantial description of what Frank Reddick said</p> <p>8 that's been blacked out or redacted?</p> <p>9 A. I see something's been redacted.</p> <p>10 Q. Well, you see it says "Mr. Reddick then</p> <p>11 described," and down at the bottom "Mr. Reddick" and</p> <p>12 so forth. Then if you look at the next page, it says</p> <p>13 "Mr. Bonner", then all the text blacked out.</p> <p>14 So with that by way of reference, do you</p> <p>15 recall either or both Frank Reddick or Mike Bonner</p> <p>16 speaking at the June 2, 2016 board meeting?</p> <p>17 A. The minutes indicate they did, and I would</p> <p>18 have no reason to believe that they didn't speak at</p> <p>19 the board meeting.</p> <p>20 Q. Do you have any independent recollection that</p> <p>21 they did so?</p> <p>22 A. We've had a lot of board meetings, and we</p> <p>23 have a lot of attorneys at board meetings, and a lot</p> <p>24 of times attorneys speak up at board meetings. I</p> <p>25 can't remember who spoke up at what board meeting.</p>	<p style="text-align: right;">Page 513</p> <p>1 BY MR. KRUM:</p> <p>2 Q. Without saying who said what, when you</p> <p>3 testified a moment ago that you believed that you had</p> <p>4 legal counsel discuss what your fiduciary</p> <p>5 responsibilities were, you're referring to counsel for</p> <p>6 the company; correct?</p> <p>7 A. Yes, I was.</p> <p>8 Q. To the best of your recollection, was there</p> <p>9 any discussion at the June 2, 2016 board meeting about</p> <p>10 the cost or possible cost or anticipated cost of the</p> <p>11 board, or some members of the board, receiving</p> <p>12 independent advice, whether it be from legal counsel</p> <p>13 or a financial adviser or an investment banker?</p> <p>14 A. I do not recall.</p> <p>15 Q. Let's go back to Page 4 of Exhibit 494. I</p> <p>16 direct your attention, Mr. McEachern, to the second</p> <p>17 bullet point that begins, "It would not be cost</p> <p>18 effective at this point in time for the Company to</p> <p>19 incur the cost and expense of retaining outside</p> <p>20 financial advisors."</p> <p>21 Do you see that?</p> <p>22 A. Yes, I do.</p> <p>23 Q. Having had that brought to your attention,</p> <p>24 does that refresh your memory about there being a</p> <p>25 discussion of the cost of engaging outside financial</p>
<p style="text-align: right;">Page 512</p> <p>1 Q. Okay. In connection with the indication of</p> <p>2 interest and/or the offer, as you've used those terms,</p> <p>3 did you personally consider seeking advice from</p> <p>4 independent counsel, meaning a lawyer, who would</p> <p>5 represent you as distinct from the company or a</p> <p>6 financial adviser, investment banker?</p> <p>7 A. I do not recall that.</p> <p>8 Q. Did you ever have any communications or</p> <p>9 discussions with anyone about doing so?</p> <p>10 A. I believe it was a topic at a board</p> <p>11 meeting -- which one I don't recall -- and I believe</p> <p>12 we had legal counsel discussion of what our fiduciary</p> <p>13 responsibilities were.</p> <p>14 MR. SEARCY: Let's not get into the details</p> <p>15 of what counsel may have advised you at the board.</p> <p>16 He's asked you a different question -- so I don't want</p> <p>17 you to get into legal advice provided at a board</p> <p>18 meeting. He's asked you a different question about</p> <p>19 whether you looked into obtaining your own personal</p> <p>20 counsel or if anyone else on the board talked about</p> <p>21 getting their own personal counsel.</p> <p>22 THE WITNESS: No.</p> <p>23 BY MR. KRUM:</p> <p>24 Q. Okay. And without saying --</p> <p>25 THE WITNESS: Thank you.</p>	<p style="text-align: right;">Page 514</p> <p>1 advisers?</p> <p>2 MR. SEARCY: Objection. Vague. Are you</p> <p>3 asking about this meeting or ever?</p> <p>4 MR. KRUM: This meeting.</p> <p>5 THE WITNESS: It's documented that we had</p> <p>6 that conclusion, so I presume we had that discussion.</p> <p>7 BY MR. KRUM:</p> <p>8 Q. My question is: Having had that brought to</p> <p>9 your attention, does that prompt your memory that such</p> <p>10 a discussion occurred, or do you still have no memory</p> <p>11 of it?</p> <p>12 A. As I said before, we had three or four board</p> <p>13 meetings over a period of time, and I had subsequent</p> <p>14 discussions with two trustees, whatever they're</p> <p>15 called, appointed by the estate judge for litigation</p> <p>16 that's going on on estate matters and things -- what</p> <p>17 happened when, I can't recall.</p> <p>18 Q. Do you have a recollection, apart from the</p> <p>19 discussion with the trustees or whatever they're</p> <p>20 called, of having had any communications with anyone</p> <p>21 about you and/or any other members of the RDI Board of</p> <p>22 Directors engaging independent financial advisers in</p> <p>23 connection with either the indication of interest or</p> <p>24 the offer?</p> <p>25 MR. SEARCY: I'd just object as to vague.</p>

<p style="text-align: right;">Page 515</p> <p>1 Are you now asking him about this meeting or ever?</p> <p>2 MR. KRUM: Ever. That's exactly what you</p> <p>3 prompted me to ask.</p> <p>4 THE WITNESS: I don't recall.</p> <p>5 BY MR. KRUM:</p> <p>6 Q. Okay. What, if anything, was said at the</p> <p>7 June 2, 2016 board meeting about whether any or all of</p> <p>8 Margaret Cotter, Ellen Cotter, and/or Jim Cotter, Jr.,</p> <p>9 would conceptually or, in fact, support a transaction</p> <p>10 that entailed the sale of a company -- the company?</p> <p>11 A. I don't -- don't recall. I do recall this</p> <p>12 third bullet that's included here was brought to the</p> <p>13 board's attention by Bill Gould, the lead director,</p> <p>14 saying we should solicit input from the controlling</p> <p>15 shareholders, which would include all three of the</p> <p>16 Cotter kids -- children in that group.</p> <p>17 The thing that stands out in my mind is a</p> <p>18 comment from Mr. Cotter, Jr., saying that this</p> <p>19 indication of interest was woefully inadequate, or</p> <p>20 words to that effect.</p> <p>21 Q. When was that?</p> <p>22 A. I'm sorry?</p> <p>23 Q. When was that?</p> <p>24 A. That's what I'm saying. I'm not sure if it</p> <p>25 was at this meeting or subsequent. There were</p>	<p style="text-align: right;">Page 517</p> <p>1 quarterly.</p> <p>2 Q. Okay. Did there come a time in 2016 when the</p> <p>3 board authorized management to proceed with the full</p> <p>4 range of redevelopment activities, including, for</p> <p>5 example, securing construction financing?</p> <p>6 A. I believe so.</p> <p>7 Q. As of June 2016, what was your understanding,</p> <p>8 if any, as to the timetable for redevelopment of the</p> <p>9 Union Square property?</p> <p>10 A. Do you want to go back to all the various</p> <p>11 pieces that consisted of the redevelopment of the</p> <p>12 property, including the landmark commission approvals</p> <p>13 and vacating the building? What is it that you want</p> <p>14 to get?</p> <p>15 Q. The question I was asking, Mr. McEachern,</p> <p>16 concerned your understanding in June of 2016 looking</p> <p>17 forward, not backward.</p> <p>18 So with that by explanation, as of June 2016,</p> <p>19 what was your understanding as to the status of the</p> <p>20 Union Square redevelopment?</p> <p>21 A. Where were we in June 2nd of 2016? I'd have</p> <p>22 to go back and look at documents and see what we were</p> <p>23 told.</p> <p>24 Q. Well, if you look at Page 8 of the June 2,</p> <p>25 2016 minutes, Exhibit 494, in the middle of the page,</p>
<p style="text-align: right;">Page 516</p> <p>1 multiple meetings that we had to discuss this.</p> <p>2 Q. Okay. I direct your attention,</p> <p>3 Mr. McEachern, to Page 7 of Exhibit 494. In the</p> <p>4 middle of the page there's a subhead that says Union</p> <p>5 Square Presentation. Beneath it the text begins,</p> <p>6 "Margaret Cotter and Michael Buckley next updated the</p> <p>7 Board on the status of the company" --</p> <p>8 A. Resolved that. Uh-huh.</p> <p>9 Q. Okay. Okay. Yes. And so independent of</p> <p>10 what these minutes reflect --</p> <p>11 A. I'm sorry. Which page are you --</p> <p>12 Q. It starts on the prior page.</p> <p>13 A. Okay. So is that --</p> <p>14 Q. So I just -- so do you recall that, at the</p> <p>15 June 2, 2016 board meeting, there was a presentation</p> <p>16 regarding Union Square?</p> <p>17 A. It's documented, so it must have taken place.</p> <p>18 Q. Okay. But you don't recall whether it was</p> <p>19 that meeting or some other meeting?</p> <p>20 A. Well, I had asked when we sort of initiated</p> <p>21 the Union Square activities and redeveloping that</p> <p>22 property, that the board be updated on a quarterly</p> <p>23 basis of the status of what was going on with the</p> <p>24 renovation of the building, and so we've had multiple</p> <p>25 discussions of Union Square, and I believe at least</p>	<p style="text-align: right;">Page 518</p> <p>1 which I think you mentioned earlier, it starts with</p> <p>2 the word "Resolved."</p> <p>3 A. Yes, sir.</p> <p>4 Q. You see that the management's authorized to</p> <p>5 proceed with the redevelopment of the Union Square</p> <p>6 property, and it talks about construction and</p> <p>7 construction financing and so forth.</p> <p>8 A. Uh-huh.</p> <p>9 Q. So take such time, if any -- if any time, you</p> <p>10 need to review that.</p> <p>11 My question is: Does this refresh your</p> <p>12 memory that at the RDI Board of Directors' meeting on</p> <p>13 June 2, 2016, the board authorized management to</p> <p>14 proceed with the redevelopment of the Union Square</p> <p>15 property?</p> <p>16 A. I would recharacterize what you just said to</p> <p>17 say that they continued, because we'd already been</p> <p>18 down the path of starting to do the reconstruction and</p> <p>19 renovation of the building. So it was already going</p> <p>20 on. We just confirmed what we'd previously done up to</p> <p>21 that date and authorized them to go forward with these</p> <p>22 other activities.</p> <p>23 Q. At the June 2, 2016 board of directors</p> <p>24 meeting, who said what, if anything, about whether,</p> <p>25 and if so, how the matters resolved by the board as</p>

<p style="text-align: right;">Page 523</p> <p>1 at approximately 4:00 p.m., and concluded at 2 approximately 5:25 p.m.? The first page and last page 3 is where I read that. 4 A. Yes, I see that. 5 Q. Does that comport with your recollection of 6 this meeting, or do you have any? 7 A. I don't have any. 8 Q. So rather than me walking you through the 9 minutes, tell me what you recall occurring at the 10 June 23, 2016 board meeting. And if you look at the 11 bottom of the first page, Mr. McEachern, you'll see 12 that it describes the purpose of the meeting. 13 Actually, at the bottom of the first page and the top 14 of the second, if that's helpful, so you have the 15 meeting in mind. 16 A. I'm sorry. What was your question again? 17 Q. So independent of what Exhibit 450 says, what 18 is your recollection of -- 19 A. What took place at this meeting? 20 Q. -- what took place at the June 23, 2016 21 telephonic board meeting? 22 A. I believe we discussed this indication of 23 interest that Patton Vision had for the company, and 24 we discussed the valuation of real estate assets and 25 the cinema assets of the company to try to come up</p>	<p style="text-align: right;">Page 525</p> <p>1 performance. 2 At the same time, there was a -- I don't know 3 when it began; I know sort of when it ended -- a 4 theater development activity taking place in Hawaii. 5 BY MR. KRUM: 6 Q. You refer to a business plan put together by 7 management endorsed by the board. 8 What business plan is that? 9 A. It's fairly well documented. I would imagine 10 that it's been turned over. It was an attachment to 11 some of the documents I saw yesterday. 12 Q. Let me you show you what previously was 13 marked as Exhibit 496. I direct your attention, 14 Mr. McEachern, to the third page of that document 15 entitled Mission, Vision & Strategy. 16 A. Yes. 17 Q. Do you recognize that document? 18 A. Yes, I do. 19 Q. What is it? First of all, where does it 20 start, and where does it end? 21 A. I'm trying to find that out. 22 Q. My suggestion is that it ends at 17993. But 23 you decide and let me know. I'm just trying to be 24 helpful. 25 A. I think it ends at 17995. I think the rest</p>
<p style="text-align: right;">Page 524</p> <p>1 with what management perceived their view of the value 2 of the assets were and compared that to the offer that 3 we had received for the indication of interest. 4 Q. What discussion was there, if any, about what 5 would be done or what might be done to actualize the 6 value that management perceived? 7 MR. SEARCY: Objection. Vague. 8 THE WITNESS: There were -- I don't know that 9 there were specific items discussed at that meeting. 10 There could have been. But in the context of a 11 business plan that's been put together by management 12 that's been endorsed by the board, there are 13 renovation activities taking place with the cinemas. 14 There is development efforts taking place with Union 15 Square. There's proposed redevelopment efforts taking 16 place of a property called Cannon Park in Australia. 17 There are additional theater development activities 18 taking place in New Zealand. 19 I'm trying to think of the pieces that are 20 going on. There is the Newmarket development taking 21 place in Australia. There is a -- there is another 22 development taking place in Australia, and I've 23 forgotten the name of the city. 24 But there are a series of redevelopment 25 efforts taking place with cinemas to enhance their</p>	<p style="text-align: right;">Page 526</p> <p>1 are agendas for various other board meetings. 2 Q. So my question is: Is this document, 3 Mission, Vision & Strategy, commencing on the third 4 page of Exhibit 496 with production No. 17966 -- is 5 that the document you've referenced as a business 6 plan? 7 A. Where is the document 179 -- is that this 8 document here? I'm not familiar with the numbering 9 system. I'm sorry. 10 Q. Yeah. So let me ask the question again. 11 Looking at Exhibit 496 and turning your attention to 12 the document beginning on the third page, which is 13 entitled Mission, Vision & Strategy -- 14 A. Uh-huh. 15 Q. -- is that document, the Mission, Vision & 16 Strategy document, the document to which you're 17 referring when you testified a moment ago that there 18 was a business plan? 19 MR. SEARCY: Objection. Vague. 20 THE WITNESS: There was this document, and 21 there was a subsequent one, and there may have been a 22 third updating various things. It's a document, and 23 it's a work in process. 24 BY MR. KRUM: 25 Q. When was the third?</p>

<p style="text-align: right;">Page 527</p> <p>1 A. This is from -- like all of the board 2 meetings, things sort of run together. They're 3 attached to the various board minutes, I would 4 imagine.</p> <p>5 Q. Can you describe the third in any -- 6 A. We're assuming there is. I said there might 7 have been.</p> <p>8 Q. Okay. Fair enough. So as of June 2016, what 9 did you understand the document or documents embodying 10 the business plan to be?</p> <p>11 A. I don't understand the question. I'm sorry. 12 Do you want to know what they said? what they were 13 doing?</p> <p>14 Q. No, I want to know what they are. Which 15 documents embodied the business plan? This is one, 16 unless it was superseded; right?</p> <p>17 MR. SEARCY: Objection. Vague.</p> <p>18 BY MR. KRUM:</p> <p>19 Q. So let me show you -- 20 (Reporter interruption in proceedings.) 21 MR. KRUM: Yeah. I'm sorry. 22 THE WITNESS: I don't know the answer to the 23 question. I'm sorry.</p> <p>24 BY MR. KRUM:</p> <p>25 Q. So I'm going to hand you Exhibits 497 and</p>	<p style="text-align: right;">Page 529</p> <p>1 These were presentations to shareholders. 2 BY MR. KRUM:</p> <p>3 Q. Prior to 2017, when, if ever, was something 4 you would call a business plan presented to and 5 approved by the RDI Board of Directors?</p> <p>6 MR. SEARCY: Other than what he's already 7 testified to?</p> <p>8 THE WITNESS: I recall no business plan or 9 strategy being documented or put forth until sometime 10 in the November 2015 time frame when Ellen Cotter was 11 the interim -- I think she was still the interim CEO 12 of the company at the time. Before that, there was 13 nothing that existed in the company.</p> <p>14 BY MR. KRUM:</p> <p>15 Q. What existed for the first time in or about 16 November of 2015?</p> <p>17 A. We started to have the development of a 18 strategy and a business plan for Reading 19 International.</p> <p>20 Q. You know, you're putting -- as you answered 21 that, you're putting your hands on Exhibits 497 and 22 98.</p> <p>23 So the question I should ask: Are you 24 referring to those in your answer?</p> <p>25 A. 497, yes.</p>
<p style="text-align: right;">Page 528</p> <p>1 498. You should recognize them as the PowerPoints 2 from the 2015 and 2016 annual shareholders meeting. 3 Let me give them to you and see if you do.</p> <p>4 A. I recognize the document from the 2015 5 meeting and specifically recall a -- I think it was by 6 Craig Tompkins -- a remembrance of Jim Cotter, Sr., 7 that was made at the meeting at the beginning of it.</p> <p>8 Q. Which exhibit was that one? 9 A. 497.</p> <p>10 Q. Okay.</p> <p>11 A. And 498: And I recognize 498 as having been 12 presented at the stockholders meeting in June of 2016.</p> <p>13 Q. Now, are either or both of those documents 14 documents that you view as containing or embodying or 15 setting out the business plan to which you referred in 16 your prior testimony?</p> <p>17 A. I think --</p> <p>18 MR. SEARCY: Objection. Vague.</p> <p>19 Go ahead.</p> <p>20 THE WITNESS: I'm sorry.</p> <p>21 MR. SEARCY: That's all right. I'm just 22 objecting. Go ahead.</p> <p>23 THE WITNESS: I think they're components. I 24 think there was a much broader discussion that was 25 done internally that was presented to the board.</p>	<p style="text-align: right;">Page 530</p> <p>1 Q. Let me show you what previously has been 2 marked as Exhibit 499.</p> <p>3 A. Are we done with these two?</p> <p>4 Q. Yes.</p> <p>5 A. Okay.</p> <p>6 Q. Have you ever seen Exhibit 499?</p> <p>7 A. I'm not certain.</p> <p>8 Q. So -- please go ahead.</p> <p>9 A. Let me explain why I'm saying I'm not 10 certain. This was something that was presented to an 11 investor conference sponsored by B. Riley, and I don't 12 know that we saw this beforehand or not. Some of the 13 pieces of it are embedded in these other documents 14 that you've handed me.</p> <p>15 Q. You've seen it previously, Exhibit 499?</p> <p>16 A. I said I'm not certain.</p> <p>17 Q. So how do you know that some of it are 18 embedded in the other documents?</p> <p>19 A. I just flipped through it and saw the 20 documents that I saw over here.</p> <p>21 Q. Okay. So let me ask you to take a look back, 22 Mr. McEachern, at Exhibit 449 -- sorry. I misspoke. 23 I have the wrong number. It's 496.</p> <p>24 A. Uh-huh.</p> <p>25 Q. Sorry. Part of which was previously marked</p>

[illegible]

1 [REDACTED]
2 Q. Did you ever have any communications with
3 anybody in which the subject was or a subject was the
4 value of RDI's cinema operations business?
5 A. I've been aware of having ranges of the value
6 of the cinema operations being discussed, yes.
7 Q. Okay. And I direct your attention to the
8 bottom of -- well, strike that.
9 Before I ask you to look at that, do you have
10 any recollection of numbers, whether in terms of
11 aggregate value or value per share of RDI stock?
12 A. No, I don't. I do know that in one of these
13 analysis that has been presented, management has
14 said -- has presented: Here's what our cash flow in
15 the cinema operations are, and you take your pick as
16 to whether you think it's a 6, 7, 8, 9, or 10 multiple
17 that you apply to the cash flows.
18 Q. Which did you pick, if any?
19 A. I don't recall having settled on anything.
20 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Response	Percentage
Yes, the U.S. should take action to address climate change	95%
No, the U.S. should not take action to address climate change	5%

[illegible]

<p style="text-align: right;">Page 555</p> <p>1 shareholders' view of this particular situation. You 2 asked about a sale of the company versus this 3 expression of interest by Patton Vision. I know they 4 didn't -- they said that they didn't support that, the 5 sale of the company. I think they wanted to continue 6 to realize the value of the company and get it done. 7 Q. So who said what during the discussion that 8 Bill Gould prompted or led? 9 A. I don't recall. 10 Q. Beyond recalling -- but you do recall that 11 Ellen and/or Margaret indicated that they were opposed 12 to pursuing either the expression of interest and/or 13 the offer by Patton Vision; is that right? 14 MR. SEARCY: Objection. Vague. Misstates 15 testimony. 16 THE WITNESS: It does what to testimony? 17 MR. SEARCY: Misstates testimony. Go ahead. 18 THE WITNESS: Okay. At some point -- I 19 believe it was at that meeting; it could have been 20 later -- they expressed that they were not interested 21 in pursuing this expression or indication of interest, 22 and I do believe it was Bill Gould who initiated the 23 discussion about what the controlling shareholders 24 want, but I could be wrong on that, too, but that's my 25 recollection.</p>	<p style="text-align: right;">Page 557</p> <p>1 A. I see that, that it was documented there. It 2 could have been that I was told that earlier by Ellen 3 or Margaret. 4 Q. Take a look at Page 13 at the third "Whereas" 5 clause, which reads, "The Board of Directors does not 6 believe that a change of control transaction would be 7 supported by the Company's controlling stockholder." 8 Do you see that? 9 A. I see that. 10 Q. Do you -- does that refresh your recollection 11 that at the June 23 board meeting there was a 12 discussion that resulted in that conclusion? 13 MR. SEARCY: Objection. Vague. 14 THE WITNESS: I thought that I indicated that 15 I was aware of it then, but I might have heard about 16 it earlier. 17 BY MR. KRUM: 18 Q. Okay. So but my question is: Does this 19 refresh your recollection about that meeting? 20 A. No. 21 Q. No? At the bottom of Page 12 and the top of 22 Page 13, it indicates that Ellen Cotter, as the 23 chairman, asked the board to consider and select 24 between two alternative approaches. 25 Do you see that?</p>
<p style="text-align: right;">Page 556</p> <p>1 BY MR. KRUM: 2 Q. Let's go back, Mr. McEachern, to Exhibit 450, 3 which should be in your stack there. It's one that's 4 previously marked. 5 A. Is that June 23rd minutes? 6 Q. Yes. 7 A. Okay. It's marked differently than these 8 others. 9 Q. Right. I direct your attention to Page 12 of 10 Exhibit 450. 11 A. Okay. 12 Q. Do you see Point F begins with the words "The 13 opposition of certain controlling stockholders to a 14 change of control transaction at this time"? 15 A. I see that, yes. 16 Q. And let's -- does that refresh your 17 recollection that it was at the June 23 -- strike 18 that. Does that refresh your recollection that it was 19 at or prior to or both that Ellen and Margaret Cotter 20 indicated -- that was very convoluted. I apologize. 21 Does that refresh your memory that at the 22 telephonic board meeting of June 23, 2016, Ellen 23 and/or Margaret Cotter indicated that they were 24 opposed to a change of control transaction or a sale 25 of the company?</p>	<p style="text-align: right;">Page 558</p> <p>1 A. I see that, yes. 2 Q. Is that your recollection of the two 3 approaches the board considered at that point in time 4 on June 23, 2016? 5 A. Could you repeat your question. I'm sorry. 6 Q. Do you recall that those were the two 7 approaches the board chose between at the meeting -- 8 the telephonic meeting of June 23, 2016? 9 A. No. 10 Q. And "no" means you don't recall; correct? 11 A. I don't recall. 12 Q. Would your -- would your view of how to 13 respond to the -- to an expression of interest or an 14 offer from Patton Vision have been different if the 15 offer price were \$26? 16 A. 26 to 30 bucks a share, I think we would have 17 had a much bigger discussion of things, yes. 18 Q. What if it were \$22? 19 A. I can't answer if it wasn't on the table. 20 Q. So I assume the same is true for any other 21 number below \$22 and above 17 -- no, and above 18.50; 22 right? 23 A. I would assume, but I don't know. 24 Q. So did you make any -- did you reach any 25 conclusions about -- strike that.</p>

Exhibit 3

Filed Under Seal

Exhibit 4

Filed Under Seal

Exhibit 5

Filed Under Seal

Exhibit 6

Filed Under Seal

Exhibit 7

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

Lewis Roca
ROTHGERBER CHRISTIE

1 **DEC**
2 MARK G. KRUM (Nevada Bar No. 10913)
3 MKrum@LRRC.com
4 LEWIS ROCA ROTHGERBER CHRISTIE LLP
5 3993 Howard Hughes Parkway, Suite 600
6 Las Vegas, Nevada 89169
7 (702) 949-8200
8 (702) 949-8398 fax
9
10 Attorneys for Plaintiff
11 *James J. Cotter, Jr.*
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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, WILLIAM GOULD, JUDY
CODDING, MICHAEL WROTNIAK, and
DOES 1 through 100, inclusive,

Defendants.

and

READING INTERNATIONAL, INC., a Nevada
corporation;

Nominal Defendant.

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

Plaintiffs,

vs.

MARGARET COTTER, ELLEN COTTER,
GUY ADAMS, EDWARD KANE, DOUGLAS
McEACHERN, WILLIAM GOULD, JUDY
CODDING, MICHAEL WROTNIAK, CRAIG
TOMPKINS, and DOES 1 through 100,
inclusive,

DISTRICT COURT
CLARK COUNTY, NEVADA

CASE NO. A-15-719860-B
DEPT. NO. XI
Coordinated with:
CASE NO. P-14-082942-E
DEPT. NO. XI
CASE NO. A-16-735305-B
DEPT. NO. XI
Jointly administered

**DECLARATION OF PLAINTIFF
JAMES J. COTTER, JR. IN
OPPOSITION TO ALL INDIVIDUAL
DEFENDANTS' MOTIONS FOR
PARTIAL SUMMARY JUDGMENT
(AND GOULD JOINDERS)**

[Business Court Requested: [EDCR 1.61]

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

Defendants.

and

READING INTERNATIONAL, INC., a
Nevada corporation,

Nominal Defendant.

I, James J. Cotter, Jr. hereby declare, under the penalty of perjury and the laws of Nevada,
as follows:

1. I am over eighteen (18) years of age. I have personal knowledge of the facts
contained in this declaration, except on those matters stated upon information and belief, and as to
those matters, I believe them to be true. If called upon to testify as to the contents of this
declaration, I am legally competent to do so in a court of law.

2. I am the Plaintiff in the above-captioned action. I am, and at all times relevant
hereto was, a shareholder of RDI. I have been a director of RDI since on or about March 21, 2002.
I have been involved in RDI management since mid-2005, I was appointed Vice Chairman of the
RDI board of directors in 2007 and President of RDI on or about June 1, 2013. I was appointed
CEO by the RDI Board on or about August 7, 2014, immediately after James J. Cotter, Sr. (JJC,
Sr.) resigned from that position. I am the son of the late JJC, Sr., and the brother of defendants
Margaret Cotter ("MC") and Ellen Cotter ("EC"). I presently own approximately 560,186 shares
of RDI Class A non-voting stock and options to acquire another 50,000 shares of RDI Class A
non-voting stock. I am also the co-trustee and beneficiary of the James J. Cotter Living Trust,
dated August 1, 2000, as amended (the "Trust"), which owns 2,115,539 shares of RDI Class A
(non-voting) stock and 1,123,888 shares of RDI Class B (voting) stock. The Trust became
irrevocable upon the passing of JJC, Sr. on September 13, 2014.

3. I submit this declaration in support of the oppositions to all of the motions for
summary judgment filed by one or more of the individual defendants in this action.

4. Nominal defendant Reading International, Inc. (RDI or Company) is a Nevada
corporation and is, according to its public filings with the United States Securities and Exchange

Commission (the "SEC"), an internationally diversified company principally focused on the development, ownership and operation of entertainment and real estate assets in the United States, Australia and New Zealand. The Company operates in two business segments, namely, cinema exhibition, through approximately 58 multiplex cinemas, and real estate, including real estate development and the rental of retail, commercial and live theater assets. The Company manages world-wide cinemas in the United States, Australia and New Zealand. RDI has two classes of stock, Class A stock held by the investing public, which stock exercises no voting rights, and Class B stock, which is the sole voting stock with respect to the election of directors. An overwhelming majority (approximately eighty percent (80%)) of the Class A stock is legally and/or beneficially owned by shareholders unrelated to me, EC or MC. Approximately seventy percent (70%) of the Class B stock is subject to disputes and pending trust and estate litigation in California between EC and MC, on the one hand, and me, on the other hand, and a probate action in Nevada. Of the Class B stock, approximately forty-four percent (44%) is held in the name of the Trust. RDI is named only as a nominal defendant in this derivative action.

5. I signed a verification of a Second Amended Verified Complaint (the "SAC") in this action. I stand by the substantive allegations of the SAC and incorporate them herein by reference.

The Position of CEO at RDI

6. Certain of the motions for summary judgment brought by the individual defendants in this action suggest that I was appointed CEO of RDI in August 2014 after what amounted to no deliberation by the Board of Directors. That is absolutely false. In fact, as early as 2006, James J Cotter, Sr. ("JJC, Sr."), then the CEO and controlling shareholder of RDI, had communicated to the RDI board of directors his proposed succession plan for the positions of President and CEO. That plan was for me to work under the direction of JJC, Sr. to learn the businesses of RDI, including by functioning in a senior executive role.

7. Since 2005, I was involved in most RDI executive management meetings and privy to most significant internal senior management memos. As mentioned above, I was appointed Vice Chairman of the RDI board in 2007. The RDI Board appointed me President of

1 RDI on or about June 1, 2013, and I filled those responsibilities without objection by the RDI
2 board of directors.

3 8. Soon after I became CEO, my sisters, Ellen, who was an executive at RDI in the
4 domestic cinema segment of the Company's business, and Margaret, who managed RDI's limited
5 live theater operations as a third-party consultant, both communicated to me and to members of
6 the RDI Board of Directors that they did not want to report to me as CEO. In fact, neither of them
7 previously while working for or with the Company effectively had ever reported to anyone other
8 than our father, JJC, Sr. Margaret in particular resisted and effectively refused to report to me until
9 she no longer needed to do so, following my (purported) termination as President and CEO of the
10 Company. They also co-opted at least one employee, Linda Pham, who claimed at some point in
11 2014 that I had created a hostile work environment for her, which accusation was not well-taken
12 and, in any event, moot with the passage of time by Spring 2015, as director Kane acknowledged
13 at the time.

14 **Disputes With My Sisters**

15 9. My sisters and I had certain disputes with respect to matters of our father's estate.
16 The most significant and contentious dispute concerned who would be the trustee or trustees of the
17 voting trust that, following our father's death, holds approximately 70% of the voting stock of
18 RDI. According to a 2013 amendment to his trust documentation, Margaret was to be the sole
19 trustee. Pursuant to a 2014 amendment to his trust documentation, Margaret and I were to serve
20 contemporaneously as co-trustees. In early February 2015, Ellen and Margaret commenced a
21 lawsuit in California state court challenging the validity of the 2014 amendment to our father's
22 trust documents (the "California Trust Action").

23 10. My sisters and I also had certain disputes with respect to RDI. Most generally, they
24 disagreed with my view and approach of running RDI like a public company, including hiring a
25 senior executive qualified to oversee the development of the Company's valuable real estate and,
26 more fundamentally, operating the Company to increase its value for all shareholders, not just its
27 value to the Cotter family as controlling shareholders.

Threatened Termination and Termination

11. Late in the day on May 19, 2015, I received from Ellen, as the chairperson of the RDI Board of Directors, an agenda for a supposed special meeting of the RDI board on May 21, 2015, two days later. I learned that the benignly described first item on the agenda, "status of president and CEO," apparently referred to a secret plan of Ellen and Margaret, together with Ed Kane, Guy Adams and Doug McEachern, to vote to remove me as President and CEO of RDI. However, that meeting commenced and concluded without the threatened vote being taken.

12. Next, on or about May 27, 2015, the lawyer representing Ellen and Margaret in the California Trust Action transmitted to my lawyer in that action a document that proposed to resolve the disputes between my sisters and me, including with respect to who would be the trustee of the voting trust and whether Margaret and Ellen would report to me as CEO of RDI. (A true and correct copy of the May 27, 2015 document, which was marked as deposition exhibit 322, is attached hereto as exhibit "A.")

13. On Friday, May 29, 2015, the (supposed) special board meeting of May 21 was to resume. That morning, before the meeting, I met with Ellen and Margaret. At that meeting, they told me that they were unwilling to mediate or to negotiate any of the terms of the May 27 document described above. They also told me that if I did not agree to resolve my disputes with them on the terms set out in that document, that the RDI Board of Directors would vote at the (supposed) meeting that day to terminate me as President and CEO.

14. The (supposed) special board meeting commenced on May 29 and the issue of my termination as President and CEO was the subject. At this (supposed) special meeting, or another, McEachern pressured me to resign as President and CEO. Eventually, the non-Cotter members of the RDI Board of Directors met with my sisters separately from me. Following that, the majority of the non-cotter directors, namely, Messrs. Adams, Kane and McEachern, advised me that the meeting would adjourn temporarily and resume telephonically at 6 p.m. They further advised that, if I had not reached a resolution of disputes between me and my sisters by the time the (supposed) special meeting reconvened telephonically at 6 p.m. that day, they would proceed with the vote to

1 terminate me, meaning that the three of them would vote to terminate me as President and CEO of
2 RDI.

3 15. That afternoon, Ellen and Margaret again refused to mediate and again refused to
4 negotiate. Ultimately, I indicated a willingness to resolve disputes based on the document
5 provided, subject to conferring with counsel. At or about 6 p.m., the (supposed) special RDI board
6 meeting resumed telephonically, at which time Ellen reported to the five non-Cotter directors that
7 we had reached an agreement in principle to resolve our disputes, subject to conferring with
8 respective counsel. Ed Kane congratulated us and made a statement to the effect that he hoped that
9 I was CEO of the Company for 30 years. No vote was taken on my termination.

10 16. On or about June 8, 2015, I communicated to my sisters that I could not agree to
11 the document their lawyer had transmitted to my lawyer on or about June 2, 2015. Ellen called a
12 (supposed) special board meeting for June 12, 2015, at which meeting each of Messrs. Adams,
13 Kane and McEachern made good on their threat to vote to terminate me and did so.

14 **Director Interest and Independence**

15 17. One or more of the defendants' motions for summary judgment claim that SEC
16 filings by RDI describe the non-Cotter directors as "independent," that I signed one or more of
17 those SEC filings and that I therefore admit that those directors are independent for the purposes
18 of this action. That is inaccurate. The term "independent" as used in RDI's SEC filings do not
19 refer to matters of Nevada law. It referred usually to the fact that, pursuant to the terms of the
20 Company's listing agreement with NASDAQ, the stock exchange on which RDI stock trades,
21 directors meet the standard of independence of NASDAQ. None of the director defendants have
22 ever suggested to me that they understood use of the term "independent" in RDI's SEC filings to
23 communicate anything other than that non-Cotter directors were not members of the Cotter family
24 which, in one manner or another, controlled approximately 70% of the voting stock of RDI. As
25 among members of the RDI Board of Directors, the term "independent" was used historically to
26 refer to directors who were not members of the Cotter family.

27 18. Ed Kane was a life-long friend of my father, having met when they were graduate
28 students. Kane was in my father's wedding and was a speaker at my father's funeral. Over my

1 lengthy tenure as a director at RDI, I observed Kane as a director of RDI acting at all times as if
2 his job as a director was to carry out my father's wishes. Kane admitted to me that he was not
3 independent for purposes other than the NASDAQ listing agreement and suggested after I became
4 CEO that the Company would benefit from independent directors knowledgeable about its two
5 principal businesses, cinemas and real estate.

6 19. On the contentious issue between me and my sisters regarding who would be the
7 trustee(s) of the voting trust, Kane communicated to me that his view was that it was my fathers'
8 wishes that Margaret alone be the trustee, and he pressured me to agree to that. At one point in the
9 context of discussions regarding terminating me as President and CEO of RDI, Kane said to me
10 angrily that he thought I "f*##ed Margaret" by the 2014 amendment to my father's trust
11 documentation, which amendment made me a co-trustee with Margaret of the voting trust.

12 20. Kane remains very close with my sisters, who still call him "Uncle Ed" (which I
13 ceased doing after joining RDI). They continue to get together socially, including for family meals
14 during holiday periods, which is what they admittedly did around the Christmas holidays in 2015.

15 21. Guy Adams is a long time friend of my father. After Adams effectively became
16 unemployed, my father attempted to provide him work and income. Eventually, my father through
17 a company he wholly-owned entered into an agreement with Adams to pay Adams \$1000 per
18 month. That company now is part of my father's estate, of which my sisters are executors, such
19 that they are in a position to control whether Adams is paid that money or not. Adams also has
20 carried interests in certain real estate in which my father invested. My sisters as executors of my
21 father's estate are in position to see to it that Adams is or is not paid any monies he is owed on
22 account of those carried interests.

23 22. Prior to on or about May 2015, Adam's financial condition and, more particularly,
24 his dependence on or independence from my sisters, in terms of his financial situation, had not
25 arisen as a subject. When I suspected that Adams had agreed with my sisters to vote to terminate
26 me as President and CEO of RDI, that raised the issue of whether he was financially dependent on
27 them. I now know that he is. I learned from Adams' sworn declarations in his California state
28 court divorce case that almost all of his income comes from RDI and from one or more companies

1 that my sisters control. Adams is not independently wealthy. I asked him about his financial
2 dependence or independence at the (supposed) May 21, 2015 special board meeting, at which time
3 he refused to answer.

4 23. Michael Wrotniak's wife Trisha was Margaret's roommate in her freshman year of
5 college at Georgetown University. Margaret and Trisha have been life-long best friends starting
6 with their first year in college together. Michael also went to Georgetown University where he
7 met his wife Trisha and also developed a very close friendship with Margaret in college. Given
8 that Margaret only has a few friends, her relationship with Trisha and Michael is extremely
9 important. Margaret has spent a lot of time with Michael and his wife over the years, as all three
10 live in metropolitan New York City. Margaret became like an aunt to Trisha and Michael's
11 children. My sister Ellen and mother also know Trisha and Michael very well, and they have all
12 attended social events together in New York, such as birthday and cocktail parties my sister
13 Margaret has hosted at her apartment in New York City. I believe Margaret's oldest child refers to
14 Trisha and Michael as Aunt and Uncle. Michael's communication with me as a director has been
15 very guarded, which I understand to reflect his knowledge of the lawsuit and his close relationship
16 with Margaret.

17 24. Judy Coddling has had a very close personal relationship with my mother for more
18 than thirty years. (Ellen lives with our mother, who has chosen my sisters' side in the disputes
19 between us.) Ms. Coddling has become close with my sisters Ellen and Margaret. On October 13,
20 2015, over breakfast I had with her, she expressed to me that RDI is a family business and that the
21 only people who should manage it should be one of the Cotters and that she would help make sure
22 of that, whether it be Ellen or me. Her reaction to the offer to purchase all of the stock of the
23 Company at a price in excess of what it trades in the market (the "Offer"), first made by
24 correspondence dated on or about May 31, 2015, reflected Ms. Coddling's unwavering loyalty to
25 Ellen. Before the board meeting at which the Board was going to discuss the Offer, she indicated
26 to me that there was no way that the Offer should even be considered (clearly having spoken to
27 Ellen about it before the board meeting).

1 25. Bill Gould was a professional acquaintance and friendly with my father for years.
2 Repeatedly since my termination as President and CEO, he has said to me that he has acquiesced
3 as an RDI director to conduct to which he objects and/or to conclusions with which he disagrees,
4 stating in words or substance that he must “pick his fights.”

5 26. For example, at a board meeting at which the board was asked to approve minutes
6 from the (supposed) special board meetings of May 21 and 29, 2015 in June 12, 2015, at which I
7 objected because the minutes contained significant factual inaccuracies, at which I voted against
8 approving the minutes and at which Tim Storey abstained, reflecting that he that too thought the
9 minutes inaccurate (as he testified unequivocally in deposition in this case), Bill Gould voted to
10 approve the minutes. When I asked him afterwards why he had voted to approve inaccurate
11 minutes, he said that, although he could not remember the meetings well enough to state that the
12 minutes were accurate, he thought the ultimate descriptions of action taken, meaning the
13 termination of me, the appointment of Ellen as interim CEO and the repopulation of the executive
14 committee, were accurate, and that he did not want to fight about them.

15 27. Also as an example, Bill Gould admitted to me that he thought the process
16 deficient, and the time inadequate, to make a genuinely informed decision about whether to add
17 Judy Coddington to the RDI Board of Directors. At the board meeting when that happened, he
18 described the decision to add her as a director as having been “slammed down,” but he acquiesced.

19 28. It is clear to me that Bill Gould effectively has given up trying to do what he thinks
20 is the proper thing to do as an RDI director, and is and since June 2015 has been in “go along, get
21 along” mode. He first failed to cause any proper process to occur regarding my termination, and
22 allowed the ombudsman process (by which then director Tim Storey as the representative of the
23 non-Cotter directors was working with me and my sisters to enable us to work together as
24 professionals, which process was to continue into June 2015) to be aborted. That, together with the
25 forced “retirement” of Tim Storey, apparently so chastened Bill Gould that he became unwilling to
26 take a stand on any matter in which doing so would place him in disagreement with my sisters. For
27 example, he has acknowledged that Margaret lacks the experience and qualifications to hold the
28

1 highly compensated job she now holds at RDI, but Bill Gould did not object to it or the
2 compensation being given to her.

3 **The Executive Committee**

4 29. My sisters first proposed an executive committee as a means to avoid reporting to
5 me or, as a practical matter, to anyone, in the Fall of 2014. I resisted that executive committee
6 construct, which was not implemented at that time. As part of the resolution of our disputes that
7 they attempted to force me to accept in May and June 2015, described above, they included an
8 executive committee construct that would have had them reporting to the executive committee that
9 they, together with Guy Adams who is financially beholden to them, would control. As part of
10 their seizure of control of RDI, in addition to terminating me as President and CEO, they activated
11 and repopulated RDI's Board of Directors executive committee. That executive committee
12 previously had never met and never made a decision. After it was activated and repopulated on
13 June 12, 2015, it was used as a means to exclude me and then director Tim Storey, and to a lesser
14 extent Bill Gould, from functioning as directors of RDI and, in some instances, even having
15 knowledge of matters that were handled by the executive committee that historically and
16 ordinarily were handled by RDI's Board of Directors.

17 **The Supposed CEO Search**

18 30. When RDI filed a Form 8-K with the SEC and issued a press release announcing
19 the termination of me as President and CEO, RDI also announced that it would engage a search
20 firm to conduct the search for a new President and CEO. The board empowered Ellen to select the
21 search firm. Ellen selected Korn Ferry ("KF"). She explained to the RDI Board of Directors the
22 she selected KF because KF offered a proprietary assessment tool, which would be used to assess
23 the three finalists for the position of President and CEO, which assessment she asserted would
24 "de-risk" the search process. The Board agreed. Ellen also told the Board that the three final
25 candidates would be presented to the Board for interviews. The Board agreed. Ellen selected
26 herself, Margaret, Bill Gould and Doug McEachern to be members of the CEO search committee,
27 which the Board accepted without substantive discussion.

1 31. After the CEO search committee was put in place and KF engaged, the full board
2 received effectively no information about whether and how the CEO search was proceeding. In the
3 time frame from August through December 2015, Ellen for the CEO search committee provided
4 approximately two reports, the latter of which was in mid-December which, as it turned out, was
5 after the process had been aborted and Ellen selected, at least preliminarily. Tim Storey objected
6 to the full board not being apprised of the status of the CEO search, prior to his forced
7 “retirement.”

8 32. Ultimately, in early January 2016, the CEO search committee presented Ellen as
9 their choice for President and CEO. They did not offer, much less present, three finalists to the
10 Board for interviews. They did not have KF perform its paid for, proprietary assessment of the
11 finalists, or of anyone. Before that Board meeting, at which Ellen was made President and CEO,
12 the material provided to the Board effectively amounted to a memorandum prepared by Craig
13 Tompkins, which memorandum claimed to summarize the reasons for the CEO search committee
14 selecting Ellen. The stated reasons are reasons that no outside candidate could have met. The
15 stated reasons are reasons that do not approximate, much less match, the criteria that the CEO
16 search committee created and KF memorialized as the criteria to identify candidates and
17 ultimately select a new President and CEO. The stated reasons for selecting Ellen were, as I heard
18 them explained at the January board meeting, effectively distilled into a single consideration,
19 namely, that Ellen and Margaret were controlling shareholders.

20 33. Although I did not agree with the termination of me as President and CEO, and
21 thought and maintain that it was improper, I had hoped that the CEO search committee would
22 conduct a bona fide search and provide to the board for interview three qualified finalists, as had
23 been agreed. I now know that not only did that not happen, but that the CEO search committee
24 terminated the search, and effectively terminated KF, after meeting with Ellen as a declared
25 candidate for the positions of President and CEO. Independent of the results of that process, which
26 at the time I asserted did not serve the interests of the Company, that the process was manipulated
27 and/or aborted in my view amounts to abdication of the board’s responsibilities.
28

Actions to Secure Control and Use It to Pay those Who Have It

34. In April 2015, I learned that Ellen and Margaret had exercised options they held personally to acquire RDI class B voting stock and that, with the advice and assistance of Craig Tompkins, a lawyer who was a consultant to the Company, they sought to exercise a supposed option in my father's name to acquire 100,000 shares of RDI Class B voting stock. The factual context for the effort to exercise the supposed 100,000 share option is that a majority of the voting stock controlled by my father was held in the name of his Trust, of which the three of us were trustees. Because of that, Ellen and Margaret could not properly vote that stock without my agreement. The stock that was held—not owned—in my father's estate, which was controlled by Ellen and Margaret as the executors, approximated the amount of RDI class B voting stock held by third parties, including Mark Cuban. The point of the effort to exercise the supposed 100,000 share option was to ensure that Ellen and Margaret as executors would have more class B stock than third parties, including Mark Cuban.

35. There were a host of issues faced by the Company due to the request of Margaret and Ellen to exercise these supposed 100,000 share option. For example, one threshold question the Company would have needed to have answered was whether the option was legally effective. That question was not answered. Another threshold question was whether the supposed 100,000 share option automatically had transferred to my father's trust upon his death. That also was not answered, to my knowledge. Possibly due to such unanswered questions, the compensation committee of the Board did not authorize the exercise of the supposed 100,000 share option in April. Margaret and Ellen therefore delayed to the 2015 annual shareholders meeting. After the executive committee (at Ellen's request) had set the annual shareholders meeting for November (meaning that as a board member I had no say on the subject) and the record date for it in October 2015, Ellen had Kane and Adams as two of three members of the compensation committee authorize the request to exercise the supposed 100,000 share option, which was done in September shortly before a hearing in the Nevada probate case. I understand they did so so that the 100,000 shares supposedly could be registered with the Company in the name of Ellen and Margaret as executors prior to the record date. The Company received no benefit from this, in fact suffered the

1 injury from replacing outstanding liquid class A stock with effectively illiquid class B stock and, I
2 am informed and believe, from covering the tax obligation that belong to the person or entity
3 exercising the option.

4 **Monetary Rewards to Margaret, Ellen and Adams**

5 36. In March 2016, the Board approved giving Margaret employment at the Company
6 as the senior executive in charge of development of the Company's valuable New York real estate.
7 That is a position Margaret had sought since my father passed. It is a position that I refused to give
8 her, with the then support of all of the non-Cotter directors, because she was unqualified to hold it.
9 She has no prior real estate development experience. What was discussed during my tenure as
10 President and CEO was providing Margaret employment at the Company, so that she could have
11 health benefits for herself and her two children, in a position in which she would continue to be
12 responsible for the modest live theater operations and in which she could work in connection with
13 any development of the Company's New York real estate, but not as the senior executive
14 responsible for the development of the Company's New York real estate. In other words, Margaret
15 could have a position, but she would not have a position that called upon her to do that which she
16 had no experience doing and that which she was unqualified to do. That is the position Margaret
17 was given in March. It is a highly compensated position that reflects its responsibilities. But
18 Margaret has neither the prior experience nor the qualifications to hold it. Nevertheless, she is paid
19 as if she does. Which, in my view, amounts to waste of Company monies. Additionally, the
20 \$200,000 paid to Margaret, ostensibly for concessions Margaret previously was willing to make
21 for free to become an employee of the Company, and reportedly for prior services rendered which
22 the Board year after year had not chosen to pay her, is simply a gift, presumably because Margaret
23 made less money in 2015 due to the Stomp debacle.

24 37. The compensation package provided to Ellen in March 2016, like the one provided
25 to Margaret, is a departure from the Company's practices, in terms of the amount paid relative to
26 the skill and experience of the person being paid. Ellen now is the CEO of what basically is the
27 same company of which I was CEO, but she has a compensation package that could pay her twice
28 to three times as much. No board member has ever explained to me why they think this is

1 appropriate, except to the extent they have alluded to the fact that they view Ellen and Margaret as
2 controlling shareholders.

3 38. Adams in March 2016 was awarded what amounted to a \$50,000 bonus for being a
4 director. As a director, I have not seen him provide extraordinary service that warrants a payment
5 such as that, which is a material departure from past practices at the Company, in which extra cash
6 payments to Directors typically were \$10,000. The sole notable exception was the \$75,000 paid
7 to Tim Storey for his work as ombudsman, but the amount of time and effort he put in that role,
8 including travel between New Zealand and Los Angeles, exceeded by a multiple the amount of
9 time Adams has devoted to being a director in 2015 and 2016. I have no doubt that Adams was
10 paid \$50,000 for what amounted to exemplary loyalty to Ellen.

11 **The Offer**

12 39. Ellen shared with the full Board, in or about early June, an offer by third parties to
13 purchase all of the outstanding stock of RDI for cash consideration at a price of approximately
14 33% above the prices of which RDI stock then traded (i.e., the "Offer"). The Board met on June 2,
15 2016 regarding the Offer. At that time, Ellen proposed to have management prepare
16 documentation regarding the value of the Company to be provided to Board members for their
17 review and consideration in advance of another board meeting to consider the Offer. I objected,
18 suggesting that an independent person or company be charged with preparing such documentation
19 for review by the Board. My objection was noted and overruled, and the Board agreed to proceed
20 in the manner Ellen suggested. Additionally, board members inquired what Ellen and Margaret as
21 controlling shareholders wanted to do in response to the Offer.

22 40. On or about June 7, 2016, in view of the Offer, I asked Ellen to provide me the
23 Company's business plan. I understood that there was none and her failure to respond confirmed
24 that.

25 41. The Board reconvened on June 23, 2016, regarding the Offer. No materials had
26 been delivered to Board members prior to that meeting. At that meeting, Ellen made an oral
27 presentation regarding the supposed value of the Company. I found it difficult to follow her oral
28 presentation with no prior or contemporaneous documentation. I cannot imagine how outside

1 directors less familiar with the details of the Company followed it. Not one of the directors other
2 than Ellen indicated that they had taken any action at all, whether reviewing Company
3 documentation, speaking with experts such as counsel or bankers or doing anything else at all, to
4 prepare to discuss the Offer. At that meeting, Ellen also indicated that she and Margaret would
5 oppose any response other than rejecting the Offer, and added that it was their belief that the
6 Company should proceed on its course as an independent company. No director asked questions
7 about whether and how the Company could ever actualize the supposed value Ellen claimed it had.
8 None asked questions about whether management was preparing a business plan to do so or, for
9 that matter, simply preparing a long-term or strategic business plan. None exists. Instead, the non-
10 Cotter directors simply ascertained that Ellen and Margaret wanted to reject the Offer and agreed
11 that the price offered was inadequate. They all voted to proceed in the manner Ellen
12 recommended.

13 I declare under penalty of perjury under the laws of the State of Nevada, that the foregoing
14 is true and correct.

15 DATED this 13th day of October, 2016

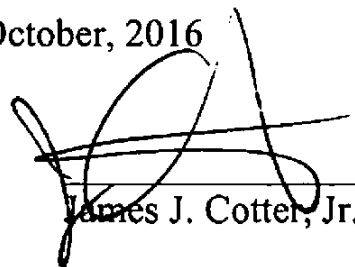
16
17 
18 James J. Cotter, Jr.

Exhibit 8

Filed Under Seal

Exhibit 9

Filed Under Seal

Exhibit 10

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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): March 2, 2017

READING INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

<u>Nevada</u> (State or Other Jurisdiction of Incorporation)	<u>1-8625</u> (Commission File Number)	<u>95-3885184</u> (IRS Employer Identification No.)
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<u>5995 Sepulveda Blvd, Suite 300, Culver City, California</u> (Address of Principal Executive Offices)	<u>90230</u> (Zip Code)
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Registrant's telephone number, including area code: **(213) 235-2240**

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:

- .. 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. ("Reading" or the "Company"), through its separate press releases dated March 6, 2017, announced the following matters approved by its Board of Directors at a meeting held on March 2, 2017: (i) \$25 million stock repurchase program of Reading's non-voting common stock, and (ii) three-year business strategy.

Item 9.01 Financial Statements and Exhibits.

- 99.1 Press release issued by Reading International, Inc. on March 6, 2017, entitled "\$25 Million Stock Repurchase Program Approved by Reading International, Inc.".
- 99.2 Press release issued by Reading International, Inc. on March 6, 2017, entitled "Reading Board Approves 3-Year Business Strategy".



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 hereunto duly authorized.

READING INTERNATIONAL, INC.

Date: March 7, 2017

By: /s/ Devasis Ghose
Name: Devasis Ghose
Title: Executive Vice President &
Chief Financial Officer

EX-99 2 c634-20170307xex99.htm EX-99



\$25 Million Stock Repurchase Program Approved by Reading International, Inc.

Los Angeles, California – Monday, March 6, 2017 – Reading International, Inc. ("Reading") (NASDAQ: RDI) today announced that its Board of Directors has authorized a stock repurchase program to repurchase up to \$25 million of Reading's Non-Voting Common stock.

"This new stock repurchase program reinforces the Board's commitment to delivering stockholder value and underscores the confidence we have in our business strategy, our financial performance, and our prospects for 2017 and beyond," said Ellen Cotter, Chair, President and Chief Executive Officer. "Our Board on March 2, 2017, approved management's three year business strategy for our Company, which focuses on the continued development of new cinemas in the United States, Australia and New Zealand, the continued improvement of our existing cinemas to elevate the guest experience, presentation and food and beverage program, and the continued re-development of our various real estate assets (including our Union Square and Cinemas 1,2&3 properties in New York City and our Australia and New Zealand Entertainment Themed Centers). Reading had near record high revenues during the third quarter of 2016 and we remain confident in our future earnings potential as we continue to execute our global cinema strategy and maximize the value in our various real estate projects."

Dev Ghose, Executive Vice President and Chief Financial Officer, said, "As we previously committed, the Company completed its prior share repurchase program at the end of 2016. Reading's continued execution of its strategy is driving solid free cash flows, which enables us to consider opportunistic stock repurchases while maintaining ample liquidity to drive the growth contemplated by our current business strategy and to continue to make strategic investments in our cinemas and real estate development projects."

The prior repurchase program was completed at the end of 2016, purchasing 181,739 shares of Class A Non-Voting Common Stock between November 15th and December 29th, at an average price of \$15.64 per share. The newly approved repurchase program will allow Reading to repurchase its Class A Common Shares from time to time in accordance with the requirements of the Securities and Exchange Commission on the open market, in block trades and in privately negotiated transactions, depending on market conditions and other factors. All purchases are subject to the availability of shares at prices that are acceptable to Reading, and accordingly, no assurances can be given as to the timing or number of shares that may ultimately be acquired pursuant to this authorization. The Board's authorization is for a two year period, expiring March 1, 2019, or earlier should the full repurchase authorization be expended. The repurchase program does not obligate the Company to acquire any specific number of shares and may be suspended or terminated at any time.

About Reading International, Inc.

Reading International (<http://www.readingrdi.com>) is in the business of owning and operating cinemas and developing, owning, and operating real estate assets. Our business consists primarily of:

- the development, ownership, and operation of multiplex cinemas in the United States, Australia and New Zealand; and
- The development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed centers in Australia and New Zealand and live theater assets in Manhattan and Chicago in the United States.

Reading manages its worldwide business under various brands:

- in the United States, under the
 - Angelika Film Center brand (<http://www.angelikafilmcenter.com>);
 - Consolidated Theatres brand (<http://www.consolidatedtheatres.com>);
 - City Cinemas brand (<http://www.citycinemas.com>);
 - Reading Cinema brand (<http://www.readingcinemasus.com>);
 - Liberty Theatres brand (<http://libertytheatresusa.com>); and
 - 44 Union Square (<http://44unionsquare.com>).
- in Australia, under the
 - Reading Cinema brand (<http://www.readingcinemas.com.au>);
 - Auburn Redyard brand (<http://www.auburnredyard.com.au>);
 - Cannon Park brand (<http://www.cannonparktownsville.com.au>); and
 - Newmarket Village brand (<http://newmarket-village.com.au>).
- in New Zealand, under the
 - Reading Cinema brand (<http://www.readingcinemas.co.nz>); and
 - Courtenay Central brand (<http://www.courtenaycentral.co.nz>).

Cautionary Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act").

For a detailed discussion of these and other risk factors, please refer to Reading International's Annual Report on Form 10-K for the year ended December 31, 2015 and other filings Reading International makes from time to time with the Securities and Exchange Commission (the "SEC"), which are available on the SEC's Web site (<http://www.sec.gov>).

Investors are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Reading International does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after the date of this press release, or to reflect the occurrence of unanticipated events.

Contacts:

Reading International, Inc.
Dev Ghose, Executive Vice President & Chief Financial Officer
Andrzej Matyczynski, Executive Vice President for Global Operations
213-235-2240

or

Joele Frank, Wilkinson Brimmer Katcher
Kelly Sullivan or Matthew Gross
212-355-4449

EX-99.2 3 c634-20170307xex99_2.htm EX-99.2



Reading Board Approves 3-Year Business Strategy

Votes to Pursue Independent Business Strategy

Los Angeles, California – Monday, March 6, 2017 – Reading International, Inc. (“Reading”) (NASDAQ: RDI) announced today that its Board of Directors has approved a three-year business strategy prepared by management. The business strategy focuses on the continued development of new cinemas in the United States, Australia and New Zealand, the continued improvement of our existing cinemas to elevate the guest experience, presentation and food and beverage program, and the continued re-development of our various real estate assets (including our Union Square and Cinemas 1, 2 & 3 properties in New York City and our Australia and New Zealand Entertainment Themed Centers).

In a separate release today, the company also announced that the Board has also authorized a stock repurchase program to repurchase up to \$25 million of Reading’s Non-Voting Common stock.

Following adoption of the company’s three year business strategy, the Board considered whether it was in the best interests of the Company and its stockholders to continue to pursue its independent business strategy. As previously disclosed, Reading received correspondence from Patton Vision LLC in May and September of 2016 in which Patton Vision made unsolicited, non-binding indications of interest to acquire all of Reading’s outstanding stock at \$17.00 per share and again in December 2016 at \$18.50 per share in cash.

Upon completion of its review, the Board confirmed its determination that Reading and its stockholders would be best served by the continued independence of Reading and by the pursuit of its three year business strategy. The Board instructed management to inform Patton Vision that the Board does not have any present interest in engaging in discussions regarding a possible sale of Reading.

The following is the text of the letter that was sent on March 6, 2017, to Patton Vision Principal, Paul Heth:

Delivered by Mail and Email

Mr. Paul B. Heth
Principal
Patton Vision, LLC
2140 S. Dupont Highway
Camden, DE 19934

Dear Mr. Heth:

At our Board Meeting of March 2, 2017, the Board of Directors of Reading International, Inc. approved the three year business strategy prepared by Management. Our business strategy focuses on the continued development of new cinemas in the United States, Australia and New Zealand, the continued improvement of our existing cinemas to elevate the guest experience, presentation and food and beverage program, and the continued re-development of our various real estate assets (including our Union Square and Cinemas 1, 2 & 3 properties in New York City and our Australia and New Zealand Entertainment Themed Centers).

Since we are in a black out period, pending the filing of our Annual Report on Form 10K, we are limited in what we can say here. However, we will be filing our annual report on Form 10K in the near future, and we urge you to review it in detail.

At our March 2, 2017 meeting, in light of your latest indication of interest, our Board, having thoroughly evaluated its three year business strategy, considered whether our Company and our stockholders would be best served by the continued independence of our Company.

Upon completing its review, the Board determined that our Company and our stockholders would be best served by the continued independence of our Company and by the pursuit of the above referenced business strategy. On behalf of the Board, I have been advised to inform you that our Board does not have any present interest in engaging in discussions regarding a possible sale of our Company.

Very Truly Yours,
Ellen Cotter
Chairman of the Board, Chief Executive Officer and President
Reading International, Inc.

About Reading International, Inc.

Reading International (<http://www.readingrdi.com>) is in the business of owning and operating cinemas and developing, owning, and operating real estate assets. Our business consists primarily of:

- the development, ownership, and operation of multiplex cinemas in the United States, Australia and New Zealand; and
- The development, ownership, and operation of retail and commercial real estate in Australia, New Zealand, and the United States, including entertainment-themed centers in Australia and New Zealand and live theater assets in Manhattan and Chicago in the United States.

Reading manages its worldwide business under various brands:

- in the United States, under the
 - Angelika Film Center brand (<http://www.angelikafilmcenter.com>);
 - Consolidated Theatres brand (<http://www.consolidatedtheatres.com>);
 - City Cinemas brand (<http://www.citycinemas.com>);
 - Reading Cinema brand (<http://www.readingcinemasus.com>);
 - Liberty Theatres brand (<http://libertytheatresusa.com>); and
 - 44 Union Square (<http://44unionsquare.com>).
- in Australia, under the
 - Reading Cinema brand (<http://www.readingcinemas.com.au>);
 - Auburn Redyard brand (<http://www.auburnredyard.com.au>);
 - Cannon Park brand (<http://www.cannonparktownsville.com.au>); and
 - Newmarket Village brand (<http://newmarket-village.com.au>).
- in New Zealand, under the
 - Reading Cinema brand (<http://www.readingcinemas.co.nz>); and.
 - Courtenay Central brand (<http://www.courtenaycentral.co.nz>).

Cautionary Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act").

For a detailed discussion of these and other risk factors, please refer to Reading International's Annual Report on Form 10-K for the year ended December 31, 2015 and other filings Reading International makes from time to time with the Securities and Exchange Commission (the "SEC"), which are available on the SEC's Web site (<http://www.sec.gov>).

Investors are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Reading International does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after the date of this press release, or to reflect the occurrence of unanticipated events.

Contacts:

Reading International, Inc.

Dev Ghose, Executive Vice President & Chief Financial Officer

Andrzej Matyczynski, Executive Vice President for Global Operations

213-235-2240

or

Joele Frank, Wilkinson Brimmer Katcher

Kelly Sullivan or Matthew Gross

212-355-4449

Exhibit 11

Filed Under Seal

Exhibit 12

Filed Under Seal

Exhibit 13

1 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
A Limited Liability Partnership
2 Including Professional Corporations
ADAM F. STREISAND, Cal. Bar No. 155662
3 NICHOLAS J. VAN BRUNT, Cal. Bar No. 233876
VALERIE E. ALTER, Cal. Bar No. 239905
4 1901 Avenue of the Stars, Suite 1600
Los Angeles, California 90067-6055
5 Telephone: 310.228.3700
Facsimile: 310.228.3701
6 Email: astreisand@sheppardmullin.com
nvanbrunt@sheppardmullin.com
7 valter@sheppardmullin.com

8 Attorneys for JAMES J. COTTER, JR.

9
10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF LOS ANGELES, CENTRAL DISTRICT
12

13 In re the

14 JAMES J. COTTER LIVING
TRUST dated August 1, 2000,
15 as amended
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Case No. BP159755

Assigned for All Purposes to:
The Hon. Clifford L. Klein

***EX PARTE* PETITION OF CO-TRUSTEE
JAMES J. COTTER, JR. FOR
APPOINTMENT OF TRUSTEE *AD*
*LITEM***

Date: February 9, 2017
Time: 8:30 a.m.
Dept: Room 260

1 Petitioner James J. Cotter, Jr. ("Jim Jr."), co-trustee of the James J. Cotter Living Trust
2 dated August 1, 2000, as amended (the "Trust"), established by James J. Cotter, Sr. ("Jim Sr."),
3 hereby petitions this Court *ex parte* for an order appointing a trustee *ad litem* with full power and
4 authority to consider an offer ("Offer") from Patton Vision, LLC ("Patton Vision") to buy, at a
5 premium, the Trust's shares of Reading International, Inc. ("RDI" or the "Company"), and to take
6 all actions the interim trustee deems necessary and appropriate in connection with the Offer,
7 including without limitation, negotiating with Patton Vision, or others, and selling the stock. In
8 support thereof, Jim Jr. respectfully alleges as follows:

9 I. INTRODUCTION

10 1. On January 23, 2017, Patton Vision communicated to Margaret Cotter
11 ("Margaret"), Ellen Cotter ("Ellen"), and Jim Jr., as co-trustees of the Trust under a 2014
12 Amendment thereto (the "2014 Amendment"), the Offer to buy the Trust's shares of RDI for
13 \$18.50 a share, representing a significant premium¹ over market value.² Patton Vision has
14 requested an opportunity to discuss its offer with Margaret and Ellen, but they have refused to
15 respond, to consider the Offer, or to engage in any due diligence. At this point in the Trust
16 proceedings, the inaction by Margaret and Ellen should come as no surprise to this Court.

17 2. As counsel for Margaret and Ellen admitted in opening statements at trial of their
18 contest of the 2014 Amendment, and which has become plain during those proceedings, the Cotter
19 sisters will do everything in their power, including advocating for their own disinheritance, in
20 order to control the Company that employs them. As Mark Cuban, owner of approximately
21 12.37% of RDI's voting stock, recently complained (or warned) in a statement to the press, RDI's
22 "stock is far lower than it should be because it appears to be run like a family ~~business~~ ^{company}."

23
24 ¹ The offered \$18.50 per share represents a premium of more than 40% over RDI's market value
25 as of May 26, 2016, which date is significant because, as explained in more detail below, that is
26 the date on which Patton Vision first sought to acquire RDI (and before RDI's status as an
27 acquisition target became public).

28 ² Patton Vision made a similar offer simultaneously to Margaret and Ellen as co-executors of the
 Will of Jim Sr. for the RDI shares in the Nevada probate estate which Margaret and Ellen have so
 far refused to distribute to the Trust as required by the Will.

³ <https://www.thestreet.com/story/13975025/1/heth-continues-run-at-reading-international.html>

1 is even more troubling is that the trustees have a fiduciary duty to manage the Trust's RDI voting
2 stock solely for the benefit of Jim Sr.'s grandchildren, not as their own personal piggy bank.
3 Whether the 2014 Amendment or the 2013 Restated Trust is ultimately held to be the governing
4 instrument, the voting stock of the Trust is to be set aside in a subtrust, the "Voting Trust," for the
5 benefit of Jim Sr.'s grandchildren (three of whom are Jim Jr.'s children, two are Margaret's).

6 3. Ellen and Margaret have an irreconcilable conflict, which by their actions in
7 response to this and two prior offers by Patton Vision, Ellen and Margaret have shown themselves
8 unwilling to resolve, as legally required of them, in favor of what is in the best interests of the
9 grandchildren, and only the best interests of the grandchildren. Ellen and Margaret, as trustees,
10 are required to act solely in furtherance of the grandchildren's welfare, even if it is not in their
11 own personal pecuniary interest. Thus, even if Patton Vision could discontinue the employment
12 services of Margaret and Ellen upon acquiring the RDI stock, Margaret and Ellen must support a
13 sale to Patton Vision if it were in the ultimate best interests of the grandchildren.

14 4. In light of the conflict, and Margaret and Ellen's refusal to consider or explore a
15 possible sale, a trustee *ad litem* should be appointed for that purpose who has no personal agenda
16 at stake. Without prejudging how an independent trustee might come out on the Patton Vision
17 Offer, or any other, there is no doubt a compelling reason to believe that a sale would be the only
18 reasonable solution. Currently, the grandchildren's entire inheritance is tied to one stock in one
19 company, which, as noted above, appears to be run as a family piggy bank according to the next
20 largest stockholder. Selling at a premium and investing the proceeds in a diversified portfolio of
21 assets would minimize risk and maximize potential gains, as has been historically proven to be
22 true. In addition, a sale would likely end all of the litigation and conflict since it is all based upon
23 control of RDI. It is also important to note that while Jim Sr. clearly intended all three of his
24 children to be involved in RDI, Margaret and Ellen ensured that Jim Sr.'s intent in that regard
25 would not be carried out by terminating Jim Jr. from the Company and attempting to oust him
26 from the RDI Board, and Margaret and Ellen have argued repeatedly at trial that Jim Sr.'s intent
27 could not be carried out, because Jim Sr. could not tie the hands of the Board of Directors of this
28

1 public company. Notwithstanding, the grandchildren are the only beneficiaries of the Voting
2 Trust and their interest is the only interest that counts.

3 5. This conflict necessitates immediate relief. Patton Vision's principal has recently
4 stated in the press that he is willing to consider a higher offer for RDI if "a valuation path that is
5 greater than our offer that makes sense," but that "other opportunities are presenting themselves,
6 and we're going to proceed where we can execute."² In other words, time is of the essence.

7 6. For these reasons, Jim Jr. respectfully requests that this Court appoint an
8 independent trustee *ad litem* with full authority to consider the Offer, engage in the due diligence
9 necessary to do so, negotiate if the interim trustee deems appropriate and take all actions necessary
10 and appropriate to consummate a transaction in the trustee's reasonable judgment and discretion.

11 **II. JURISDICTIONAL ALLEGATIONS**

12 7. Jim Jr. is a co-trustee of the Trust under the 2014 Amendment, a beneficiary under
13 both the 2014 Amendment and the 2013 complete restatement of the Trust (the "2013 Trust"),
14 and an interested person as defined in Section 48 of the Probate Code. Jim Jr. therefore has
15 standing to bring this Petition. Prob. Code §§ 1310, subd. (b), 15642, subd. (e), 17206.

16 8. Margaret and Ellen are co-trustees under the 2014 Amendment with Jim Jr. (and
17 would be sole trustees of the 2013 Trust if the 2014 Amendment were invalidated). Ellen resides
18 in this County. Margaret resides in New York, New York.

19 9. The Trust is administered in this County and all three co-trustees have invoked the
20 jurisdiction of this Court on that basis in various other petitions in this proceeding. This Court has
21 jurisdiction over Jim Jr.'s Petition, which concerns the internal affairs of the Trust, pursuant to
22 California Probate Code § 17000(a).

23 10. Venue is proper pursuant to California Probate Code § 17005(a)(1), because the
24 principal place of the Trust's administration is in Los Angeles County.

25 **III. FACTUAL ALLEGATIONS**

26 **A. The Grandchildren's Interest In The RDI Voting Stock.**

27 11. Pending litigation will determine which provisions of which Trust instrument
28 govern. But under either the 2014 Amendment or the 2013 Trust, Jim Sr.'s RDI voting stock is to

1 be distributed to a sub-trust for the ultimate benefit of Jim Sr.'s grandchildren titled the Reading
2 Voting Trust. Under the terms of the 2014 Amendment, but not the 2013 Trust, Margaret, Ellen
3 and Jim Jr. have what amounts to a theoretical income interest in part of the Reading Voting Trust
4 for some period of time. Margaret, Ellen and Jim Jr. have no interest whatever in the Reading
5 Voting Trust if the 2013 Trust governs and the 2014 Amendment is invalid. The Voting Trust
6 under the 2014 Amendment would be divided into a generation skipping transfer tax ("GST")
7 exempt share and a non-GST exempt share. Only under the 2014 Amendment, Margaret, Ellen,
8 and Jim Jr. would be entitled to discretionary payments of net income for their lifetimes from the
9 non-GST exempt share. The sole asset is the RDI voting stock. The only possible income would
10 be dividends, but RDI does not issue dividends nor is there any plan that RDI will ever issue any
11 dividends. Thus, this so-called income interest to part of the Voting Trust under the 2014
12 Amendment, if it is valid, is non-existent. It is merely theoretical.

13 12. Under the 2014 Amendment, the entire GST exempt share and the remainder of the
14 non-GST exempt share is to be held for the benefit of the grandchildren. If the 2014 Amendment
15 is found invalid and the 2013 Trust governs, the grandchildren and only the grandchildren have
16 any interest (the children do not even have the theoretical income interest in part as discussed
17 above). Under the 2013 Trust, the Reading Voting Trust is not divided into GST exempt and non-
18 exempt shares and Jim Sr.'s children have no right or interest in the Reading Voting Trust at all.
19 Instead, all of the voting stock is to be held in trust for the sole benefit of Jim Sr.'s grandchildren.⁴

20 13. Although Margaret and Ellen have no right to ownership of the RDI voting stock
21 under the 2013 Trust or the 2014 Amendment, they are the only ones who have benefitted from
22 the Trust's RDI stock because they have used that voting stock to maintain control of RDI for
23 themselves. Through that control, they ensured the termination of Jim Jr. as CEO, the promotion

24 ⁴ The significant difference between the 2014 Amendment and the 2013 Trust, which has spawned
25 the litigation between the parties, is in the naming of successor trustees for the Trust and trustees
26 for the Reading Voting Trust. Under the 2014 Amendment, Ellen, Margaret and Jim Jr. are
27 successor co-trustees of the Trust, and Jim Jr. and Margaret are co-trustees of the Reading Voting
28 Trust. Whereas, under the 2013 Trust, Ellen and Margaret are the successor co-trustees of the
Trust, and Margaret is the sole trustee of the Reading Voting Trust. In other words, the 2013 Trust
would give Margaret and Ellen sole control over RDI. It stands to reason that should the voting
stock sell, the litigation between the Cotter siblings may finally reach a resolution.

1 of Ellen to replace Jim Jr. as CEO, and the hiring of Margaret as an employee (she had been for
2 decades merely an independent consultant prior to Jim Sr.'s death). Margaret and Ellen used that
3 control to institute lucrative compensation arrangements for themselves. As long as Margaret and
4 Ellen keep the voting stock in Trust, their positions of control of RDI remain.

5 **B. The Offer To Buy The Trust's Voting Stock**

6 14. The Patton Vision Offer provides the grandchildren with an opportunity to profit
7 significantly, and to protect their inheritance from market volatility by allowing the trustee to
8 invest the proceeds of the sale of the voting stock in a diversified portfolio.

9 15. On May 31, 2016, Patton Vision wrote to Ellen, as RDI's CEO, offering to
10 purchase RDI, both the voting and non-voting stock, for \$17 per share, which was a significant
11 premium over the market price of the stock.

12 16. At a June 2, 2016 meeting, Ellen advised RDI's Board of Directors of the Patton
13 Vision offer.

14 17. On June 23, 2016, the Board met to discuss the Patton Vision offer. Ellen gave an
15 oral presentation in which she concluded that the \$17/share offer did not reflect RDI's true value.
16 Ellen and Margaret also indicated that they did not support a sale of RDI. Jim Jr. reserved
17 judgment, citing insufficient information. In the end, the Board declined to hire an outside
18 independent investment advisor, and declined to pursue the offer. The Board indicated that one of
19 its factors in deciding not to pursue the Patton Vision Offer was that the Company's controlling
20 shareholder, i.e., Ellen and Margaret, were not in favor of doing so.

21 18. Ellen rejected Patton Vision's May 31, 2016 offer on September 14, 2016 without
22 even attempting to discuss, much less negotiate, with Patton Vision.

23 19. Patton Vision again wrote to Ellen on September 14, 2016, reiterating its prior
24 offer.

25 20. On October 31, 2016, Patton Vision sent letters to each member of the RDI Board.
26 In this letter, Patton Vision stated, "I am requesting a meeting in person, or over the phone, to
27 establish a reasonable and appropriate dialogue going forward. *We are concerned that the*
28 *executive leadership's unwillingness to engage in a dialogue with Patton Vision, will make it*

1 *impossible for the Board to properly consider our proposal* at the upcoming Board of Directors
2 Meeting scheduled for November 7, 2016.”

3 21. Patton vision additionally explained,

4 You also may or may not be aware that the CEO and Board Chair of
5 Reading International, Inc., Ms. Ellen Cotter, despite a number of
6 personal written requests over nearly a five month period, has been
7 unwilling to meet with me and representatives of my consortium. I
8 have emphasized to Ms. Cotter in our correspondence that a higher
9 valuation for my offer may be warranted, should there be non-public
10 information about which I am unaware. To my knowledge, she and
11 the executive leadership of the Company have not appointed a
12 subcommittee, or an independent committee of the Reading
13 International Board, to consider my offer to the level of detail that
14 all shareholders of the company and the offer deserves.

15 Certainly, it is necessary for such a material matter, such as our
16 offer, to be treated with respect and according to the fiduciary
17 responsibilities of you and your colleagues on the Reading Inter-
18 national, Inc. Board of Directors. Before any formal discussion of
19 the offer at your Board level, a detailed discussion in person is
20 warranted.

21 Please let me be very clear, and repeat that our offer is in fact a bona
22 fide, fully-funded, all cash offer, that would provide your
23 shareholders a significant premium to the current publicly listed
24 price of the company's shares.

25 22. The Board considered Patton Vision's newest offer on November 7, 2016. It still
26 did not engage an outside investment advisor or conduct any diligence on the Patton Vision Offer.

27 23. In another one-page letter dated November 10, 2016, Ellen again dismissed out-of-
28 hand Patton Vision's proposal, based on the surface-level discussion at the Board's November 7,
2016 meeting.

29 24. On December 19, 2016, Patton Vision reached out to Ellen yet again, and increased
30 its offer to \$18.50 per share, which again represented a significant premium.

31 25. Ellen did nothing substantive in response.

32 26. Despite having received no meaningful response from RDI, Patton Vision renewed
33 its offer to buy RDI for \$18.50 per share again on January 23, 2017.⁵ This time, it directed its

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⁵ The Offer was for RDI's voting stock and for the non-voting stock. That is of no moment here because, according to Margaret and Ellen, the Trust's shares of RDI non-voting stock would go to

1 offer not to Ellen as CEO of RDI, but to Ellen, Margaret, and Jim Jr. as co-trustees of the Trust
2 under the 2014 Amendment. Patton Vision expressly offered to consider a higher sale price if one
3 could be justified.

4 27. Patton Vision made the same offer to Margaret and Ellen as the sole executors of
5 Jim Sr.'s Will.⁶

6 C. The Patton Vision Offer Pits Margaret And Ellen's Personal Interests Against
7 The Interests Of The Grandchildren

8 28. Margaret and Ellen have not responded to Patton Vision's latest offer to them as
9 trustees and executors, and Jim Jr. is informed and believes that Margaret and Ellen have done
10 nothing to evaluate the Offer. In light of Ellen's refusal to respond meaningfully to the offers
11 made directly to RDI, it stands to reason that she and Margaret will do what has been done since
12 May 2016: dismiss the Offer in order to preserve their control of RDI.

13 29. Ellen and Margaret's consistent dismissals of Patton Vision's offers—at more than
14 40% over the market price for RDI's stock—puts them clearly at odds with the grandchildren-
15 beneficiaries of that stock, under either the 2014 Amendment or the 2013 Trust.⁷

16 30. It is in the grandchildren's best interests for an independent trustee *ad litem* to
17 consider objectively the Patton Vision Offer. As noted above, the grandchildren's shares of RDI
18 voting stock are providing them no present monetary benefit. If Patton Vision's Offer were

19 the James J. Cotter Foundation and it, like the grandchildren, are served by considering Patton
20 Vision's above-market offer.

21 ⁶ There is no dispute that Jim Sr. owned 1,123,888 shares of RDI voting stock at his death.
22 Because Margaret and Ellen have refused to marshal Trust assets, 427,808 shares of Jim Sr.'s
23 voting stock are being administered in the probate estate and 696,080 shares are currently held in
24 the Trust.

25 ⁷ It should be noted that Margaret and Ellen previously objected to the appointment of an
26 independent guardian *ad litem* to represent the grandchildren's interest in this proceeding, alleging
27 that the interests of Margaret and Jim Jr. are aligned with their children's interests, such that the
28 expense of a guardian *ad litem* was not necessary for the Trust. As noted in the main text, there is
serious doubt as to whether Margaret's interests align with that of her children. Moreover, as a
practical matter, Margaret and Ellen have divested Jim Jr. of any meaningful ability to represent
his children's interests by taking the position that they alone have the right to vote the Trust's RDI
voting stock because they constitute a majority of trustees, effectively denying any representation
to Jim Jr.'s children. Jim Jr. therefore renews his request for the appointment of a guardian *ad*
litem by way of a separately filed petition.

1 accepted, by contrast, the Reading Voting Trust would receive more than \$33 million, which could
2 in turn be invested in a diversified portfolio allowing the grandchildren to realize now the benefits
3 of their stock ownership. Moreover, the grandchildren would be able to receive their inheritance
4 outright at age 31, instead of receiving income or principal at the discretion of a trustee.⁸

5 31. Margaret and Ellen, by contrast, have a personal interest in maintaining control of
6 RDI, which gives them a present benefit, as they currently run the Company, Ellen as its CEO and
7 Margaret as Executive Vice President of Real Estate Management and Development-NYC. They
8 have shown themselves willing to act against their own pecuniary interest to maintain that control
9 (if they win the Trust contest, they lose tens of millions of dollars in inheritance), and there is no
10 reason to believe that they will put the grandchildren's pecuniary interests above their own
11 personal need for control.

12 IV. CLAIMS

13 A. Temporary Trustee with Immediate Powers Is Necessary to Prevent Injury
14 and Loss to the Trust

15 32. Probate Code section 1310(b) provides as follows:

16 Notwithstanding that an appeal is taken from the judgment or order,
17 for the purpose of preventing injury or loss to a person or property,
18 the trial court may direct the exercise of the powers of the fiduciary,
19 or may appoint a temporary guardian or conservator of the person or
20 estate, or both, or a special administrator or temporary trustee, to
21 exercise the powers, from time to time, as if no appeal were pending.
All acts of the fiduciary pursuant to the directions of the court made
under this subdivision are valid, irrespective of the result of the
appeal. An appeal of the directions made by the court under this
subdivision shall not stay these directions.

22 Jim Jr. alleges that this Court should appoint a trustee *ad litem* with directions under Probate Code
23 section 1310(b) to evaluate the Patton Vision Offer and take reasonable steps to act on the Offer in
24 the trustee's sole discretion.

25
26
27 ⁸ Jim Jr. recognizes that it was Jim Sr.'s intent to keep RDI in the family and for all three of his
28 children to work together in that endeavor. However, as the years of litigation and infighting have
shown, absent a resolution by the three Cotter children to work together, which has proven
impossible, Jim Sr.'s vision cannot be fulfilled.

1 33. A trustee has a duty to exercise reasonable care, skill, and prudence in
2 administering the trust, and to do so solely in the interest of the beneficiaries Prob. Code §§
3 16000, 16040, subd. (a). A trustee must act impartially with all trust beneficiaries. Prob. Code §
4 16003. Margaret's and Ellen's conflicts of interest and unrelenting need to control RDI, no
5 matter the consequences, prevent them from carrying out their fiduciary duties of loyalty, good
6 faith, and impartiality.

7 34. Under Probate Code section 15642, subdivision (e), "[i]f it appears to the court that
8 trust property or the interests of a beneficiary may suffer loss or injury pending a decision on a
9 petition for removal of a trustee and any appellate review, the court may, on its own motion or on
10 petition of a cotrustee or beneficiary...suspend the powers of the trustee to extent the court deems
11 necessary." See Prob. Code § 15642, subd. (b) ("The grounds for removal of a trustee by the
12 court include the following: (3) Where hostility or lack of cooperation among co-trustees impairs
13 the administration of the trust....(4) Where the trustee fails or declines to act....(9) For other good
14 cause"). Pursuant to Probate Code section 17206, the court has discretion "to make any orders
15 and take any other action necessary or proper to dispose of the matters presented by the petition,
16 including appointment of a temporary trustee to administer the trust in whole or in part." Absent
17 an order under Probate Code section 1310(b), Jim Jr. requests that this Court exercise its
18 discretion under Probate Code section 15642, subdivision (e) and Probate Code section 17206 to
19 suspend the powers of the co-trustees with respect to the sale of RDI shares in order to prevent
20 loss or injury to Trust property and to protect the interests of the beneficiaries, particularly the
21 Cotter grandchildren.

22 B. Nomination of Andrew Wallet, Esq. as Trustee *Ad Litem*

23 35. Given the irreconcilable conflicts of interests between Margaret and Ellen on the
24 one hand, and the Cotter grandchildren on the other, and the hostility between Jim Jr. and
25 Margaret and Ellen, which has impaired the administration of the Trust, Jim Jr. respectfully
26 nominates Andrew Wallet, Esq. to serve as trustee *ad litem*. Mr. Wallet has the experience and
27 skill to serve as a fiduciary in these circumstances. A true and correct copy of Mr. Wallet's
28

curriculum vitae is attached hereto as Exhibit 1. Mr. Wallet consents to this appointment and his consent is attached hereto as Exhibit 2.

VI. PERSONS ENTITLED TO NOTICE

36. The following persons are entitled to notice of this Petition (there have been no requests for special notice):

Margaret G. Lodise, Esq. Kenneth M. Glazier, Esq. Douglas E. Lawson, Esq. SACKS, GLAZIER, FRANKLIN & LODISE LLP 350 South Grand Avenue, Suite 3500 Los Angeles, CA 90071	Attorneys for Petitioners, Ann Margaret Cotter and Ellen Cotter
Harry P. Susman, Esq. SUSMAN GODFREY L.L.P. 1000 Louisiana, Suite 5100 Houston, TX 77002	Attorneys for Petitioners, Ann Margaret Cotter and Ellen Marie Cotter
Glenn Bridgman, Esq. SUSMAN GODFREY L.L.P. 1901 Avenue of the Stars, Suite 950 Los Angeles, CA 90067-6029	Attorneys for Petitioners, Ann Margaret Cotter and Ellen Marie Cotter
James J. Cotter, Jr. 311 Homewood Los Angeles, California 90049	Adult Son; Beneficiary; Successor Co- Trustee
Ellen Marie Cotter 20 East 74th Street, Apt. 5B New York, NY 10021	Adult Daughter; Beneficiary; Successor Co- Trustee; Co-Executor
Ann Margaret Cotter 120 Central Park South Apt. 8A New York, NY 10019	Adult Daughter; Beneficiary; Successor Co- Trustee; Co-Executor
Duffy James Drake 120 Central Park South Apt. 8A New York, NY 10019	Minor Grandson; Beneficiary

1	Margot James Drake Cotter 120 Central Park South Apt. 8A New York, NY 10019	Minor Granddaughter; Beneficiary
4	Sophia I. Cotter 311 Homewood Los Angeles, California 90049	Minor Granddaughter; Beneficiary
6	Brooke E. Cotter 311 Homewood Los Angeles, California 90049	Minor Granddaughter; Beneficiary
8	James J. Cotter 311 Homewood Los Angeles, California 90049	Minor Grandson; Beneficiary
10	Gerard Cotter 226 Pondfield Road Bronxville, New York 10708	Beneficiary
12	Victoria Heinrich 186 Cherrybrook Lane Irvine, California 92613	Beneficiary
14	Susan Heierman 262 West Pecan Place Tempe, Arizona 85284	Beneficiary
17	Eva Barragan 13914 Don Julian La Puente, California 91746	Beneficiary
19	Mary Cotter 2818 Dumfries Road Los Angeles, California 90064	Beneficiary
21	James J. Cotter Foundation Reading International 6100 Center Drive Suite 900 Los Angeles, California 90045	Beneficiary

V. PRAYER FOR RELIEF

WHEREFORE, Jim Jr. prays for an order of this Court granting the Petition as follows:

1. Appointing Andrew Wallet, Esq. as trustee *ad litem*.

1 2. Granting the trustee *ad litem* with full power, authority, and protections under the
2 Trust and California trust law, as any other named trustee would have, to evaluate the Offer,
3 conduct due diligence, negotiate with Patton Vision or any other potential offerors, and take all
4 actions necessary or appropriate to consummate the sale of the Trust's RDI shares, including but
5 not limited to:

6 a. Communicate solely with Patton Vision regarding their Offer to purchase
7 the Trust's RDI shares;

8 b. Receive solely and exclusively all offers for the purchase of the Trust's RDI
9 shares;

10 c. Enter into purchase and sale agreements with respect to the Trust's RDI
11 shares;

12 d. Take all actions necessary to carry out the terms, conditions, and obligations
13 of any purchase and sale agreement with respect to the Trust's RDI shares, including negotiating
14 any modifications thereto;

15 e. Receive all proceeds of sale from the Trust's RDI shares;

16 f. Return to the co-trustees of the Trust, namely Margaret, Ellen, and Jim Jr.,
17 net proceeds of the sale of the Trust's RDI shares to be invested, managed and distributed in
18 accordance with the terms of the Trust;

19 g. Hire investment advisors, tax advisors, accountants, attorneys, or any other
20 advisors the trustee *ad litem* deems necessary and reasonable, in his sole discretion, to carry out
21 his powers;

22 3. Temporarily suspending Jim Jr., Margaret, and Ellen's powers with respect to all of
23 the foregoing and within matters until further orders of this Court;

1 4. Allowing the trustee *ad litem* compensation calculated at his normal hourly rate,
2 and instructing the trustee of the Trust, namely Margaret, Ellen, and Jim Jr., to pay the trustee *ad*
3 *litem*'s fees on a monthly basis.

4 5. Instructing the trustee *ad litem* to take all actions consistent with this order
5 notwithstanding any appeal, pursuant to Probate Code section 1310(b), the court finding that such
6 order is necessary to prevent loss or injury to the Trust.

7 6. Granting such other relief as this Court deems just and proper.
8
9

10 Dated: February 8, 2017

11 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

12
13 By



14
15 _____
16 ADAM F. STREISAND
17 Attorneys for JAMES J. COTTER, JR.
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Exhibit 14

CONFORMED COPY
ORIGINAL FILED
Superior Court for California
County of Los Angeles

AUG 29 2017

Sherri R. Carter, Executive Officer/Clerk
By: Sharon McKinney, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

In Re: JAMES J. COTTER LIVING TRUST	)	Case No.: BP159755
)	
ELLEN MARIE COTTER)	
MARGARET COTTER)	
Petitioners,	)))	TENTATIVE STATEMENT OF
vs.	)))	DECISION
JAMES J. COTTER Jr.,)))	
Respondent.))	
)	

The court makes the following findings in this case:

The "hospital amendment" is invalid due to the lack of capacity of James Cotter, Sr. and undue influence when he signed the hospital amendment. Although James Cotter, Sr. intended for the voting stock and other assets of his trust to remain with the family, there is no explicit prohibition on their sale, as circumstances have changed, both as to the ability of his children to work cooperatively as executives in his company RDI, the potential conflict of interest with any of the children as to the grandchildren, and the lack of diversification with the extensive holdings in the cinema industry.

JA5397

The court exercises its power pursuant to Probate Code section 15642 to appoint a temporary trustee ad litem, with the narrow and specific authority to obtain offers to purchase the Reading stock in the voting trust, but not to exercise any other powers without court approval, specifically the sale of the company or any other powers possessed by the trustees. The trustees are not suspended or removed, pending future hearings if necessary.

The significant assets of Sr.'s estate begins with the company Sr. built, RDI, and specifically the company stock. RDI is his family business and he owned the majority throughout his life. RDI has a dual-class stock structure with non-voting (Class A) and voting (Class B) stock. At his death, Sr. owned roughly 1.2 million voting shares (70% of the voting stock), which are not actively traded, and about 2.2 million non-voting shares.

His assets also included citrus farms in Tulare and Fresno counties, consisting of over 2000 acres of orchards and a packaging house, Cecelia Packing, that processed citrus both from the its own orchards and other farms. The court does not sense that Sr.'s children have a sentimental attachment to these Central Valley orange groves as with a traditional family farm or ranch.

Sr. owned numerous private investments and real estate, often as partnership shares of real-estate ventures. These investments include, among others, the properties known as Sutton Hill, Shadow View, Sorento, and Panorama, and a Laguna Beach condominium. Sr. owned an interest in the 120 Central Park South Cooperative Apartment that his daughter Margaret has lived in for over 20 years. Sr.'s Supplemental Executive Retirement Plan ("SERP") from RDI is worth approximately \$7.5 million.

Exhibit 15

1 Mark E. Ferrario(SBN 104062)
2 Ferrarion@gtlaw.com
3 GREENBERG TRAURIG, LLP
4 3773 Howard Hughes Parkway
5 Suite 400 North
6 Las Vegas, NV 89169
7 Telephone: (702) 792-3773
8 Facsimile: (702) 792-9002

9 Attorneys for READING INTERNATIONAL,
10 INC.

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CENTRAL DISTRICT

In re the

JAMES J. COTTER LIVING
TRUST dated August 1, 2000,
as amended

CASE NO. BP159755

READING INTERNATIONAL, INC.'S
STATEMENT OF POSITION ON
JAMES J. COTTER, JR.'S *EX PARTE*
PETITION FOR THE APPOINTMENT
OF A TRUSTEE *AD LITEM*

DECLARATIONS OF WILLIAM GOULD,
DOUGLAS McEACHERN, AND
EDWARD KANE

Assigned for All Purposes to:
Hon. Clifford L. Klein

Date: May 15, 2017
Time: 8:30 a.m.
Dept.: 9

PROVISIONALLY FILED UNDER SEAL

Exhibit 16

DEF 14A 1 rdi-20171013xdef14a.htm DEF 14A

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒
 Filed by a party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material under Sec. 240.14a-12

READING INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

- (1) Title of each class of securities to which transaction applies: _____
 (2) Aggregate number of securities to which transaction applies: _____
 (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): _____
 (4) Proposed maximum aggregate value of transaction: _____
 (5) Total fee paid: _____

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid: _____
 (2) Form, Schedule or Registration Statement No.: _____
 (3) Filing Party: _____
 (4) Date Filed: _____

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READING INTERNATIONAL, INC.
5995 Sepulveda Boulevard, Suite 300
Culver City, California 90230

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON TUESday, november 7, 2017

TO THE STOCKHOLDERS:

The 2017 Annual Meeting of Stockholders (the “Annual Meeting”) of Reading International, Inc., a Nevada corporation, will be held at the Courtyard by Marriott Los Angeles Westside, located at 6333 Bristol Parkway, Culver City, California 90230, on Tuesday, November 7, 2017, at 11:00 a.m., Local Time, for the following purposes:

1. To elect eight Directors to serve until the Company’s 2018 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
2. To approve, on a non-binding, advisory basis, the executive compensation of our named executive officers;
3. To recommend, by non-binding, advisory vote, the frequency of votes on executive compensation;
4. To approve an amendment to increase the number of shares of common stock issuable under our 2010 Stock Incentive Plan from 302,540 shares back up to its original reserve of 1,250,000 shares; and
5. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

A copy of our Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended December 31, 2016 are enclosed (the “Annual Report”). Only holders of record of our Class B Voting Common Stock at the close of business on September 21, 2017, are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

Whether or not you plan on attending the Annual Meeting, we ask that you take the time to vote by following the Internet or telephone voting instructions provided on the enclosed proxy card or by completing and mailing the proxy card as promptly as possible. We have enclosed a self-addressed, postage-paid envelope for your convenience. If you later decide to attend the Annual Meeting, you may vote your shares even if you have already submitted a proxy card.

By Order of the Board of Directors,

Ellen M. Cotter
Chair of the Board

October 13, 2017



READING INTERNATIONAL, INC.
5995 Sepulveda Boulevard, Suite 300
Culver City, California 90230

PROXY STATEMENT

Annual Meeting of Stockholders
Tuesday, November 7, 2017

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Reading International, Inc. (the “Company,” “Reading,” “we,” “us,” or “our”) of proxies for use at our 2017 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Tuesday, November 7, 2017, at 11:00 a.m., local time, at the Courtyard by Marriott Los Angeles Westside, located at 6333 Bristol Parkway, Culver City, California 90230, and at any adjournment or postponement thereof. This Proxy Statement and form of proxy are first being sent or given to stockholders on or about October 13, 2017.

At our Annual Meeting, you will be asked to (1) elect eight Directors to our Board of Directors (the “Board”) to serve until the 2018 Annual Meeting of Stockholders or until their successors are duly elected and qualified; (2) approve, on a non-binding, advisory basis, the executive compensation of our named executive officers; (3) recommend, by non-binding, advisory vote, the frequency of votes on executive compensation; (4) approve an amendment to increase the number of shares of common stock issuable under our 2010 Stock Incentive Plan from 302,540 shares back up to its original reserve of 1,250,000 shares; and (5) act on any other business that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Ellen M. Cotter and Margaret Cotter, Co-Executors of their father’s (James J. Cotter, Sr.) estate (the “Cotter Estate”) and Co-Trustees of a trust (the “Cotter Trust”) established for the benefit of his heirs, together, have sole or shared voting control over an aggregate of 1,123,888 shares or 66.9% of our Class B Stock, which is the only class of our common stock with voting power. Ellen M. Cotter and Margaret Cotter have informed our Board that their brother, James, J. Cotter, Jr. (“Mr. Cotter, Jr.”), is taking the position that under the trust document currently governing the Cotter Trust, they are obligated to vote to elect him to our Board, even though he has not been nominated by our Board. As previously disclosed in our Company’s Report on Form 8-K dated September 6, 2017, the California Superior Court has tentatively ruled that the amendment to the Cotter Trust (the “2014 Amendment”), which included certain language relating to the appointment of Ellen M. Cotter, Margaret Cotter and Mr. Cotter, Jr., to our Board, is invalid. However, that ruling is at this point in time only tentative and not binding on the parties or the Superior Court. Accordingly, Ellen M. Cotter and Margaret Cotter have advised our Board that, unless further action is taken by the Superior Court regarding their obligations under the 2014 Amendment, they currently intend to present at the Annual Meeting two stockholder proposals, the first, to amend our Company’s Bylaws to increase the number of directors to nine (9) directors, and, the second, to elect Director Mr. Cotter, Jr. as a director of the Company.

The Board understands that Ellen M. Cotter and Margaret Cotter have separate obligations as Co-Executors of the Cotter Estate and Co-Trustees of the Cotter Trust. The

above-referenced stockholder proposals that Ellen M. Cotter and Margaret Cotter currently intend to take solely in such roles do not diminish the Board's continuing support of them in their director and executive officer capacities.

As of September 21, 2017, the record date for the Annual Meeting (the "Record Date"), there were 1,680,590 shares of our Class B Voting Common Stock ("Class B Stock") outstanding.

When proxies are properly executed and received, the shares represented thereby will be voted at the Annual Meeting in accordance with the directions noted thereon.

ABOUT THE ANNUAL MEETING AND VOTING

Why am I receiving these proxy materials?

This Proxy Statement is being sent to all of our stockholders of record as of the close of business on September 21, 2017, by Reading's Board to solicit the proxy of holders of our Class B Stock to be voted at Reading's 2017 Annual Meeting, which will be held on Tuesday, November 7, 2017, at 11:00 a.m. local time, at the Courtyard by Marriott Los Angeles Westside, located at 6333 Bristol Parkway, Culver City, California 90230.

What items of business will be voted on at the Annual Meeting?

There are four items of business scheduled to be voted on at the 2017 Annual Meeting:

- PROPOSAL 1: Election of eight Directors to the Board (the "Election of Directors");
- PROPOSAL 2: To approve, on a non-binding, advisory basis, the executive compensation of our named executive officers (the "Executive Compensation Proposal");
- PROPOSAL 3: To recommend, by non-binding, advisory vote, the frequency of votes on executive compensation (the "Executive Compensation Vote Frequency Proposal"); and
- PROPOSAL 4: To approve an amendment to increase the number of shares of common stock issuable under our 2010 Stock Incentive Plan from 302,540 back up to its original reserve of 1,250,000 shares (the "Plan Amendment Proposal").

We will also consider any other business that may properly come before the Annual Meeting or any adjournments or postponements thereof, including approving any such adjournment, if necessary.

Ellen M. Cotter and Margaret Cotter have advised our Board of Directors that they currently intend to present at the meeting two stockholder proposals, one, to amend our Company's Bylaws to increase the number of directors to nine (9) directors, and, the second, to nominate Director James J. Cotter, Jr. as a director of the Company to fill the resulting vacancy. Due to the fact that Ellen M. Cotter and Margaret Cotter control 66.9% of our Company's Class B Stock in their capacities as Co-Executors of the Cotter Estate and as Co-Trustees of the Cotter Trust, they have sufficient voting power to pass their proposals without the support of any other holder of our Class B. Stock. The Board's recommendation for the election of its nominees is not changed as a result of the two stockholder proposals.

How does the Board of Directors recommend that I vote?

Our Board recommends that you vote:

- On PROPOSAL 1: "FOR" the election of each of its nominees to the Board;
- On PROPOSAL 2: "FOR" the Executive Compensation Proposal;
- On PROPOSAL 3: "One Year" for the Executive Compensation Vote Frequency Proposal; and
- On PROPOSAL 4: "FOR" the Plan Amendment Proposal.

What happens if additional matters are presented at the Annual Meeting?

Other than the items of business described in this Proxy Statement, we are not aware of

any other business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxies will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

Am I eligible to vote?

You may vote your shares of Class B Stock at the Annual Meeting if you were a holder of record of Class B Stock at the close of business on September 21, 2017. Your shares of Class B Stock are entitled to one vote per share. At that time, there were 1,680,590 shares of Class B Stock outstanding, and approximately 325 holders of record. Each share of Class B Stock is entitled to one vote on each matter properly brought before the Annual Meeting.

What if I own Class A Nonvoting Common Stock?

If you do not own any Class B Stock, then you have received this Proxy Statement only for your information. You and other holders of our Class A Nonvoting Common Stock ("Class A Stock") have no voting rights with respect to the matters to be voted on at the Annual Meeting.

What should I do if I receive more than one copy of the proxy materials?

You may receive more than one copy of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate notice or a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you may receive more than one copy of this Proxy Statement or more than one proxy card.

To vote all of your shares of Class B Stock by proxy card, you must either (i) complete, date, sign and return each proxy card and voting instruction card that you receive or (ii) vote over the Internet or by telephone the shares represented by each notice that you receive.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Many stockholders of our Company hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences in how stockholders of record and beneficial owners are treated.

Stockholders of Record. If your shares of Class B Stock are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares and the proxy materials are being sent directly to you by Reading. As the stockholder of record of Class B Stock, you have the right to vote in person at the meeting. If you choose to do so, you can vote using the ballot provided at the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you decide later not to attend the Annual Meeting.

Beneficial Owner. If you hold your shares of Class B Stock through a broker, bank or other nominee rather than directly in your own name, you are considered the beneficial owner of shares held in street name and the proxy materials are being forwarded to you by your broker, bank or other nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you are also invited to attend the Annual Meeting. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the Annual Meeting, unless you obtain a proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. You will need to contact your broker, trustee or nominee to obtain a proxy, and you will need to bring it to the Annual Meeting in order to vote in person.

How do I vote?

Proxies are solicited to give all holders of our Class B Stock who are entitled to vote on the matters that come before the Annual Meeting the opportunity to vote their shares, whether or not they attend the Annual Meeting in person. If you are a holder of record of shares of our Class B Stock, you have the right to vote in person at the Annual Meeting. If you choose to do so, you can vote using the ballot provided at the Annual Meeting. Even if you plan to attend the

Annual Meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you decide later not to attend the Annual Meeting. You can vote by one of the following manners:

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- By Internet — Holders of record of our Class B Stock may submit proxies over the Internet by following the instructions on the proxy card. Holders of our Class B Stock who are beneficial owners may vote by Internet by following the instructions on the voting instruction card sent to them by their bank, broker, trustee or nominee. Proxies submitted by the Internet must be received by 11:59 p m., local time, on November 6, 2017 (the day before the Annual Meeting).
- By Telephone — Holders of record of our Class B Stock who live in the United States or Canada may submit proxies by telephone by calling the toll-free number on the proxy card and following the instructions. Holders of record of our Class B Stock will need to have the control number that appears on their proxy card available when voting. In addition, holders of our Class B Stock who are beneficial owners of shares living in the United States or Canada and who have received a voting instruction card by mail from their bank, broker, trustee or nominee may vote by phone by calling the number specified on the voting instruction card. Those stockholders should check the voting instruction card for telephone voting availability. Proxies submitted by telephone must be received by 11:59 p m., local time, on November 6, 2017 (the day before the Annual Meeting).
- By Mail — Holders of record of our Class B Stock who have received a paper copy of a proxy card by mail may submit proxies by completing, signing and dating their proxy card and mailing it in the accompanying pre-addressed envelope. Holders of our Class B Stock who are beneficial owners who have received a voting instruction card from their bank, broker or nominee may return the voting instruction card by mail as set forth on the card. Proxies submitted by mail must be received by the Inspector of Elections before the polls are closed at the Annual Meeting.
- In Person — Holders of record of our Class B Stock may vote shares held in their name in person at the Annual Meeting. You also may be represented by another person at the Annual Meeting by executing a proxy designating that person. Shares of Class B Stock for which a stockholder is the beneficial owner, but not the stockholder of record, may be voted in person at the Annual Meeting only if such stockholder obtains a proxy from the bank, broker or nominee that holds the stockholder's shares, indicating that the stockholder was the beneficial owner as of the record date and the number of shares for which the stockholder was the beneficial owner on the record date.

Holders of our Class B Stock are encouraged to vote their proxies by Internet, telephone or by completing, signing, dating and returning a proxy card or voting instruction card, but not by more than one method. If you vote by more than one method, or vote multiple times using the same method, only the last-dated vote that is timely received by the Inspector of Elections will be counted, and each previous vote will be disregarded. If you vote in person at the Annual Meeting, you will revoke any prior proxy that you may have given. You will need to bring a valid form of identification (such as a driver's license or passport) to the Annual Meeting to vote shares held of record by you in person.

What if my shares are held of record by an entity such as a corporation, limited liability company, general partnership, limited partnership or trust (an "Entity"), or in the name of more than one person, or I am voting in a representative or fiduciary capacity?

Shares held of record by an Entity. In order to vote shares on behalf of an Entity, you need to provide evidence (such as a sealed resolution) of your authority to vote such shares, unless you are listed as a record holder of such shares.

Shares held of record by a trust. The trustee of a trust is entitled to vote the shares held by the trust, either by proxy or by attending and voting in person at the Annual Meeting. If you are voting as a trustee, and are not identified as a record owner of the shares, then you must provide suitable evidence of your status as a trustee of the record

trust owner. If the record owner is a trust and there are multiple trustees, then if only one trustee votes, that trustee's vote applies to all of the shares held of record by the trust. If more than one trustee votes, the votes of the majority of the voting trustees apply to all of the shares held of record by the trust. If more than one trustee votes and the votes are split evenly on any particular Proposal, each trustee may vote proportionally the shares held of record by the trust.

Shares held of record in the name of more than one person. If only one individual votes, that individual's vote applies to all of the shares so held of record. If more than one person votes, the votes of the majority of the voting individuals apply to all of such shares. If more than one individual votes and the votes are split evenly on any particular proposal, each individual may vote such shares proportionally.

How will my shares be voted if I do not give specific voting instructions?

If you are a stockholder of record and you:

- Indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board of Directors; or
- Sign and send in your proxy card and do not indicate how you want to vote, then the proxyholders, S. Craig Tompkins and William D. Gould, will vote your shares in the manner recommended by our Board of Directors as follows: FOR each of the eight nominees for director named below under “Proposal 1: Election of Directors;” FOR the Executive Compensation Proposal; FOR “One Year” on the Executive Compensation Vote Frequency Proposal; FOR approval of the Plan Amendment Proposal, and in the discretion of our proxyholders on such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

What is a broker non-vote?

If your shares are held by a broker on your behalf (that is, in “street name”), and you do not instruct the broker as to how to vote these shares on any “non-routine” proposals included in this Proxy Statement, the broker may not exercise discretion to vote for or against those proposals. This would be a “broker non-vote,” and these shares will not be counted as having been voted on the applicable proposal. Applicable rules permit brokers to vote shares held in street name on routine matters. However, all matters contained in this Proxy Statement for submission to a vote of the stockholders are considered “non-routine.” Therefore, broker non-votes will have no effect on the vote of the matters included for submission to the vote of the stockholders.

What routine matters will be voted on at the Annual Meeting?

All of the proposals contained in this Proxy Statement are considered non-routine matters. Please instruct your bank or broker so your vote can be counted.

How “withhold authority” and abstain and broker non-votes are counted?

Proxies that are voted to “withhold authority,” abstain or for which there is a broker non-vote are included in determining whether a quorum is present. If “withhold authority” or abstain is selected on a matter to be voted on under which approval by a majority of the votes cast by the stockholders entitled to vote present in person or represented by proxy is required (specifically, Proposal 2: the Executive Compensation Proposal, and Proposal 4: the Plan Amendment Proposal), such a selection would not have an effect on the vote, since a selection to “withhold authority” or abstain from casting a vote does not count as a vote cast on that matter. Likewise broker non-votes will have no effect on the vote of the matters included for submission to the vote of the stockholders, since broker non-votes are not counted as a vote cast on that matter.

How can I change my vote after I submit a proxy?

If you are a stockholder of record, there are three ways you can change your vote or revoke your proxy after it has been submitted:

- First, you may send a written notice to Reading International, Inc., postage or other delivery charges pre-paid, 5995 Sepulveda Boulevard, Suite 300, Culver City, CA, 90230, c/o Secretary of the Annual Meeting, stating that you revoke your proxy. To be effective, the Inspector of Elections must receive your written notice prior to the closing of the polls at the Annual Meeting.
- Second, you may complete and submit a new proxy in one of the manners described above under the caption, “How do I vote?” Any earlier proxies will

be revoked automatically.

Third, you may attend the Annual Meeting and vote in person. Any earlier proxy will be revoked. However, attending the Annual Meeting without voting in person will not revoke your proxy.

How will we solicit proxies and who will pay the costs?

We will pay the costs of the solicitation of proxies. We may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding the voting materials to their customers who are beneficial owners and obtaining their voting instructions. In addition to soliciting proxies by mail, our board members, officers and employees may solicit proxies on our behalf, without additional compensation, personally or by telephone.

Is there a list of stockholders entitled to vote at the Annual Meeting?

The names of stockholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the Annual Meeting, at our corporate offices, 5995 Sepulveda Boulevard, Suite 300, Culver City, CA 90230 between the hours of 9:00 a.m. and 5:00 p.m., local time, for any purpose relevant to the Annual Meeting. To arrange to view this list during the times specified above, please contact the Secretary of the Annual Meeting at (213) 235-2240.

What constitutes a quorum?

The presence in person or by proxy of the holders of record of a majority of our outstanding shares of Class B Stock entitled to vote will constitute a quorum at the Annual Meeting. Each share of our Class B Stock entitles the holder of record to one vote on all matters to come before the Annual Meeting.

How are votes counted and who will certify the results?

First Coast Results, Inc. will act as the independent Inspector of Elections and will count the votes, determine whether a quorum is present, evaluate the validity of proxies and ballots, and certify the results. A representative of First Coast Results, Inc. will be present at the Annual Meeting. The final voting results will be reported by us on a Current Report on Form 8-K to be filed with the Securities and Exchange Commission (the "SEC") within four business days following the Annual Meeting.

What is the vote required for a Proposal to pass?

Proposal 1 (the Election of Directors): The nominees for election as Directors at the Annual Meeting who receive the highest number of "FOR" votes for the available Board seats will be elected as Directors. This is called plurality voting. Unless you indicate otherwise, the persons named as your proxies will vote your shares FOR all the nominees for Directors named in Proposal 1. If your shares are held by a broker or other nominee and you would like to vote your shares for the election of Directors in Proposal 1, you must instruct the broker or nominee to vote "FOR" for each of the candidates for whom you would like to vote. If you give no instructions to your broker or nominee, then your shares will not be voted. If you instruct your broker or nominee to "WITHHOLD," then your vote will not be counted in determining the election.

Proposal 2 (the Executive Compensation Proposal) requires the "FOR" vote of a majority of the votes cast by the stockholders present in person or represented by proxy at the Annual Meeting and entitled to vote thereon to pass. Because your vote is advisory, it will not be binding on the Board of Directors or the Company. However, the Board of Directors will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Proposal 3 (the Executive Compensation Vote Frequency Proposal) The option receiving the greatest number of votes – every one year, every two years or every three years – will be the frequency that stockholders approve. While your vote is advisory, and will not be binding on the Board of Directors or the Company, the Board has previously determined that it will in fact seek an annual advisory vote on Executive Compensation.

Proposal 4 (the Plan Amendment Proposal) requires the "FOR" vote of a majority of

the votes cast by the stockholders present in person or represented by proxy at the Annual Meeting and entitled to vote thereon in order to pass.

Only votes “FOR” on Proposal 1 (the Election of Directors) will be counted since directors are elected by plurality vote. The nominees receiving the highest total votes for the number of seats on the Board will be elected as directors. Only votes “FOR” and “AGAINST” will be counted for Proposal 2 (the Executive Compensation Proposal), Proposal 4 (the Plan Amendment Proposal), since abstentions are not counted as votes cast. Only votes for “one year,” “two years” or “three years” on Proposal 3 (the Executive Compensation Vote Frequency Proposal) will be counted as votes cast on the matter. Broker non-votes will not apply to any of the matters since the matters voted on by Stockholders are “non-routine” matters that brokers may not vote on unless voting instructions are received from the beneficial holder.

Is my vote kept confidential?

Proxies, ballots and voting tabulations identifying stockholders are kept confidential and will not be disclosed to third parties, except as may be necessary to meet legal requirements.

How will the Annual Meeting be conducted?

In accordance with our Bylaws, Ellen M. Cotter, as the Chair of the Board, will be the Presiding Officer of the Annual Meeting. S. Craig Tompkins has been designated by the Board to serve as Secretary for the Annual Meeting.

Ms. Cotter and other members of management will address attendees following the Annual Meeting. Stockholders desiring to pose questions to our management are encouraged to send their questions to us, care of the Secretary of the Annual Meeting, in advance of the Annual Meeting, so as to assist our management in preparing appropriate responses and to facilitate compliance with applicable securities laws.

The Presiding Officer has broad authority to conduct the Annual Meeting in an orderly and timely manner. This authority includes establishing rules for stockholders who wish to address the meeting or bring matters before the Annual Meeting. The Presiding Officer may also exercise broad discretion in recognizing stockholders who wish to speak and in determining the extent of discussion on each item of business. In light of the need to conclude the Annual Meeting within a reasonable period of time, there can be no assurance that every stockholder who wishes to speak will be able to do so. The Presiding Officer has authority, in her discretion, to at any time recess or adjourn the Annual Meeting. Only stockholders are entitled to attend and address the Annual Meeting. Any questions or disputes as to who may or may not attend and address the Annual Meeting will be determined by the Presiding Officer.

Only such business as shall have been properly brought before the Annual Meeting shall be conducted. Pursuant to our governing documents and applicable Nevada law, in order to be properly brought before the Annual Meeting, such business must be brought by or at the direction of (1) the Chair, (2) our Board, or (3) holders of record of our Class B Stock. At the appropriate time, any stockholder who wishes to address the Annual Meeting should do so only upon being recognized by the Presiding Officer.

CORPORATE GOVERNANCE**Director Leadership Structure**

Ellen M. Cotter is our current Chair, President and Chief Executive Officer. Ellen M. Cotter has been with our Company for approximately 20 years, focusing principally on the cinema operations aspects of our business. Historically, except for a brief period immediately following the resignation for health reasons of our founder, Mr. James J. Cotter, Sr., we currently have combined the roles of the Chair and the Chief Executive Officer. At the present time, we believe that the combination of these roles (i) allows for consistent leadership, (ii) continues the tradition of having a Chair and Chief Executive Officer, who is also a member of the Cotter Family (which currently controls over 70% of the voting power of our Company), and also (iii) reflects the reality of our status as a “controlled company” under relevant NASDAQ Listing Rules.

Margaret Cotter is our current Vice-Chair and also serves as our Executive Vice President – Real Estate Management and Development - NYC. Margaret Cotter has been responsible for the operation of our live theaters for more than 18 years and has for more than the past 6 years been leading the re-development of our New York properties.

Ellen M. Cotter has a substantial stake in our business, owning directly 802,903 shares of Class A Stock and 50,000 shares of Class B Stock. Margaret Cotter likewise has a substantial stake in our business, owning directly 810,284 shares of Class A Stock and 35,100 shares of Class B Stock. Ellen M. Cotter and Margaret Cotter are the Co-Executors of the Cotter Estate and Co-Trustees of the Cotter Trust established for the benefit of his heirs. Together, they have sole or shared voting control over an aggregate of 1,208,988 shares or 71.9% of our Class B Stock.

Mr. Cotter, Jr., has previously asserted that he has the right to vote the Class B Stock held by the Cotter Trust. However, on August 29, 2017, the Superior Court of the State of California for the County of Los Angeles entered a Tentative Statement of Decision (the "Tentative Ruling") in the matter regarding the Cotter Trust, Case No. BP159755 (the "Trust Litigation") in which it tentatively determined, among other things, that Mr. Cotter, Jr., is not a trustee of the Cotter Trust, and that he has no say in the voting of such Class B Stock. Under the Tentative Ruling, however, Mr. Cotter, Jr., would still succeed to the position of sole trustee of the voting sub-trust to be established under the Cotter Trust to hold the Class B Stock owned by the Cotter Trust (and it is anticipated, the Class B Stock currently held by the Cotter Estate), in the event of the death, disability or resignation of Margaret Cotter from such position. Under the governing California Rules of Court, the Tentative Statement of Decision does not constitute a judgment and is not binding on the Superior Court. The Superior Court remains free to modify or change its decision. It is uncertain as to when, if ever, the Tentative Ruling will become final, or the form in which it will ultimately be issued.

While the issue of Mr. Cotter, Jr.'s status as a trustee of the Cotter Trust is being finally resolved, the Company continues to believe, as stated in our prior proxy materials, that, under applicable Nevada Law, where there are multiple trustees of a trust that is a record owner of voting shares of a Nevada corporation, and more than one trustee votes, the votes of the majority of the voting trustees apply to all of the shares held of record by the trust. If more than one trustee votes and the votes are split evenly on any particular proposal, each trustee may vote proportionally the shares held of record by the trust. Ellen M. Cotter and Margaret Cotter collectively constitute at least a majority of the Co-Trustees of the Cotter Trust. Accordingly, the Company believes that Ellen M. Cotter and Margaret Cotter collectively have the power and authority to vote all of the shares of Class B Stock held of record by the Cotter Trust (41.4% of the shares of the Class B Stock entitled to vote at the Annual Meeting), which, when added to the other shares they report as being beneficially owned by them, will constitute 71.9% of the shares of Class B Stock entitled to vote at the Annual Meeting.

Ellen M. Cotter and Margaret Cotter have informed the Board that they intend to vote the shares held by the Cotter Trust and the Cotter Estate "FOR" each of the eight nominees named in this Proxy Statement for the Election of Directors under Proposal 1, "FOR" the Executive Compensation Proposal under Proposal 2, "One Year" for the Executive Compensation Vote Frequency Proposal under Proposal 3, and "FOR" the Plan Amendment Proposal under Proposal 4. In addition, Ellen M. Cotter and Margaret Cotter have advised our Board that they currently intend to present at the meeting two stockholder proposals, one, to amend the Company's Bylaws to increase the number of directors to nine (9) directors, and, the second to nominate Director James J. Cotter, Jr. as a director of the Company to fill the resulting vacancy, and that they currently intend to vote the shares held by the Cotter Trust and the Cotter Estate in favor of both stockholder proposals. As a result, passage of each of the proposals is assured. The Board's recommendation for the election of its nominees is not changed as a result of the two stockholder proposals.

The Company has elected to take the “controlled company” exemption under applicable listing rules of the NASDAQ Capital Stock Market (the “NASDAQ Listing Rules”). Accordingly, the Company is exempted from the requirement to have an independent nominating committee and to have a board of directors composed of at least a majority of independent directors, as that term is defined in the NASDAQ Listing Rules and SEC Rules (“Independent Directors”). We are nevertheless nominating a majority of Independent Directors for election to our Board. We currently have an Audit and Conflicts Committee (the “Audit Committee”) and a Compensation and Stock Options Committee (the “Compensation Committee”) composed entirely of Independent Directors. William D. Gould serves as the Lead Independent Director among our Independent Directors (“Lead Independent Director”). In that capacity, Mr. Gould chairs meetings of the Independent Directors and acts as liaison between our Chair, President and Chief Executive Officer and our Independent Directors. Mr. Gould was recently recognized by the Nevada Supreme Court as an authority in the application of the “business judgment rule” as it relates to decisions of boards of directors in the Court’s decision in *Wynn Resorts, Ltd. v. Eighth Judicial District Court*, 133 Nev. Adv. Op. 52, 399 P.2d 334, (Nev. 2017) (the “Wynn Resorts Case”). We also currently have a four-member Executive Committee composed of our Chair and Vice-Chair and Messrs. Guy W. Adams and Edward L. Kane. As a consequence of this structure, the concurrence of at least one non-management member of the Executive Committee is required in order for the Executive Committee to take action.

We believe that our Directors bring a broad range of leadership experience to our Company and regularly contribute to the thoughtful discussion involved in effectively overseeing the business and affairs of the Company. We believe that all Board members are well engaged in their responsibilities and that all Board members express their views and consider the opinions expressed by other Directors. Our Independent Directors are involved in the leadership structure of our Board by serving on our Audit Committee and Compensation Committee, each of which has a separate independent Chair. Nominations to our Board for the Annual Meeting were made by our entire Board, consisting of a majority of Independent Directors.

We encourage, but do not require, our Board members to attend our Annual Meeting. All of our nine incumbent Directors attended the 2016 Annual Meeting of Stockholders.

Since our 2015 Annual Meeting of Stockholders, we have (i) adopted a best practices charter for our Compensation Committee, (ii) adopted a new best practices Charter for our Audit Committee, (iii) completed, with the assistance of compensation consultants Willis Towers Watson and outside counsel Greenberg Traurig, LLP, a complete review of our compensation practices, in order to bring them into alignment with current best practices. Last year we adopted a new Code of Business Conduct and Ethics, and a Supplemental Insider Trading Policy restricting trading in our stock by our Directors and executive officers and updated our Whistleblower Policy. Earlier this year, we adopted a Stock Ownership Policy, setting out minimum stock ownership levels for our directors and senior executives.

Management Succession: Appointment of Ellen M. Cotter as our President and Chief Executive Officer.

On August 7, 2014, James J. Cotter, Sr., our then controlling stockholder, Chair and Chief Executive Officer, resigned from all positions at our Company, and passed away on September 13, 2014. Upon his resignation, Ellen M. Cotter was appointed Chair, Margaret Cotter, her sister, was appointed Vice Chair and James Cotter, Jr., her brother, was appointed Chief Executive Officer, while continuing his position as President.

On June 12, 2015, the Board terminated the employment of James J. Cotter, Jr. as our President and Chief Executive Officer, and appointed Ellen M. Cotter to serve as the Company’s interim President and Chief Executive Officer. The Board established an Executive Search Committee (the “Search Committee”) initially composed of Ellen M. Cotter, Margaret Cotter, and Independent Directors William Gould and Douglas McEachern, and retained Korn/Ferry International (“Korn Ferry”) to evaluate candidates for the Chief Executive Officer

position. Ellen M. Cotter resigned from the Search Committee when she concluded that she was a serious candidate for the position. Korn Ferry screened over 200 candidates and ultimately presented six external candidates to the Search Committee. The Search Committee evaluated those external candidates and Ellen M. Cotter in meetings in December 2015 and January 2016, considering numerous factors, including, among others, the benefits of having a President and Chief Executive Officer who has the confidence of the existing senior management team, Ms. Cotter's prior performance as an executive of the Company and her performance as the interim President and Chief Executive Officer of the Company, the qualifications, experience and compensation demands of the external candidates, and the benefits and detriments of having a Chair, President and Chief Executive Officer who is also a controlling stockholder of the Company. The Search Committee recommended the appointment of Ellen M. Cotter as permanent President and Chief Executive Officer and the Board appointed her on January 8, 2016, with seven Directors voting yes, one Director (James J. Cotter, Jr.) voting no, and Ellen M. Cotter abstaining.

Ellen M. Cotter serves as our President and Chief Executive Officer at the pleasure of our Board and is an employee “at will” with no guaranteed term of employment.

Potential Impact of Trust Litigation Regarding Your Vote.

While our Company is not a party to the Trust Litigation, the rulings of the Superior Court in that case could have a potential material impact upon the control our Company, the future composition of our Board and senior executive management team and our Company’s continued pursuit of the Strategic Plan articulated in our various filings with the SEC, at our prior stockholder meetings, and at analyst presentations. To date, the Superior Court has accepted our submissions and allowed us to be involved in the Trust Litigation, so as to provide us an opportunity to address issues of concern to our Company and our stockholders generally. However, no assurances can be given as to the outcome of the Trust Litigation, and we are advised that it is unlikely that we would have standing to pursue an appeal.

In its Tentative Ruling, the Superior Court invalidated the amendment to the Cotter Trust signed by Mr. Cotter, Sr., on June 19, 2014 (the “2014 Amendment”) and stated the Superior Court’s determination to appoint a temporary trustee ad litem to obtain offers for the Class B Stock held by the Cotter Trust. Under the governing California Rules of Court, the Tentative Ruling does not constitute a judgment and is not binding on the Superior Court. The Superior Court remains free to modify or change its decision. It is uncertain as to when, if ever, the Tentative Ruling will become final, or the form in which it will ultimately be issued.

As to the invalidation of the 2014 Amendment, as mentioned above, if the Tentative Ruling becomes final, Mr. Cotter, Jr.’s claim that he has any right, power or authority to vote the approximately 41.4% of the Class B Stock held by the Cotter Trust will be resolved by placing sole voting control in the hands of Margaret Cotter over the voting trust (the “Cotter Voting Trust”) to be established under the Cotter Trust to hold the Class B Stock currently held by the Cotter Trust and, it is anticipated, the approximately 25.5% of the Class B Stock currently held by the Cotter Estate. It will also invalidate the provision of the 2014 Amendment requiring the Trustee of the Cotter Voting Trust to vote to elect Mr. Cotter, Jr. to our Company’s Board.

As discussed in more detail below, our Board did not re-nominate Mr. Cotter, Jr., for election to our Board, and has instead reduced the size of our Board from nine (9) to eight (8) members, effective upon completion of the election at our upcoming Annual Meeting. Due to (1) the uncertainty due to the tentative nature of the ruling as to whether or not Ellen M. Cotter and Margaret Cotter, acting as Trustees of the Cotter Trust, would be required to seek appointment of Mr. Cotter, Jr., to the Board, (2) the lack of sufficient time to complete reasonable due diligence on potential candidates for such position, and (3) the difficulty in recruiting potential candidates due to Mr. Cotter, Jr.’s proclivity to sue new directors, the determination was made not to attempt to recruit a new director to our Board at this time, and, instead, the Board reduced the size of our Board from nine (9) members to (8) members effective as of completion of the vote on the election of our Board at our upcoming Annual Meeting.

Ellen M. Cotter and Margaret Cotter have informed our Board that Mr. Cotter, Jr., is taking the position that under the 2014 Amendment, they are obligated to vote to elect him to our Board, even though he has not been nominated by our Board. As also noted above, the California Court has tentatively found the 2014 Amendment to be invalid. However, as that ruling is at this point in time only tentative and not binding on the parties or the Superior Court, Ellen M. Cotter and Margaret Cotter have advised our Board that, unless further action is taken by the Superior Court, they currently intend to present at the meeting two stockholder proposals, the first, to amend our Company’s Bylaws to increase the number of directors to nine (9) directors, and, the second, to nominate Director Mr. Cotter, Jr. as a director of the Company to fill the resulting vacancy. Ellen M. Cotter and Margaret Cotter have further advised that they are not recommending the amendment of the Bylaw or the election of Mr. Cotter, Jr., to any other stockholder and that they will not be soliciting proxies in support of such proposals. However, as they control 66.9% of our Class B Stock in their capacities as Co-Executors and Co-Trustees, they have sufficient voting power to amend the Bylaws and to elect Mr. Cotter, Jr., to our Board without the support of any other holder of our Class B Stock. If for

some reason, the size of the Board were not to be increased from 8 to 9 members, then Ellen M. Cotter and Margaret Cotter would still have the power to unilaterally elect Mr. Cotter, Jr., to the Board with the result that one of the eight individuals nominated by the Board would not be elected. However, our Board does not believe that this result is likely.

As to the appointment of a trustee ad litem, under the Tentative Ruling, the trustee ad litem would have no right, power or authority to effect, or to bind the Cotter Trust to effect, any sale of the Class B Stock held by the Cotter Trust. As we are advised by counsel that a court hearing would be required before any binding agreement to sell such shares could be entered into, we do not anticipate that any material change in the holdings of the Class B Stock held by the Cotter Trust will occur prior to our 2017 Annual Meeting, if ever. We are advised by Ellen M. Cotter and Margaret Cotter that, if there is a sale of the Class B Stock held by the Cotter Trust, they intend to be the buyers of such shares.

As previously announced, on August 7, 2017, our Board of Directors appointed a Special Independent Committee to, among other things, review, consider, deliberate, investigate, analyze, explore, evaluate, monitor and exercise general oversight of any and all activities of our Company directly or indirectly involving, responding to or relating to any potential change of control transaction relating to a sale by the Cotter Trust of its holdings of Class B Stock. The Special Independent Committee will be reviewing the scope and implications of the Tentative Ruling and, consistent with its delegated authority, working to protect the best interests of our Company and stockholders in general. Directors Judy Coddington, William Gould and Douglas McEachern have been appointed to serve on this Special Independent Committee.

Board's Role in Risk Oversight

Our management is responsible for the day-to-day management of risks we face as a Company, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

The Board plays an important role in risk oversight at Reading through direct decision-making authority with respect to significant matters, as well as through the oversight of management by the Board and its committees. In particular, the Board administers its risk oversight function through (1) the review and discussion of regular periodic reports by the Board and its committees on topics relating to the risks that the Company faces, (2) the required approval by the Board (or a committee of the Board) of significant transactions and other decisions, (3) the direct oversight of specific areas of the Company's business by the Audit Committee and the Compensation Committee, and (4) regular periodic reports from the auditors and other outside consultants regarding various areas of potential risk, including, among others, those relating to our internal control over financial reporting. The Board also relies on management to bring significant matters impacting the Company to the attention of the Board.

"Controlled Company" Status

Under section 5615(c)(1) of the NASDAQ Listing Rules, a "controlled company" is a company in which 50% of the voting power for the election of Directors is held by an individual, a group, or another company. Together, Ellen M. Cotter and Margaret Cotter beneficially own 1,208,988 shares or 71.9% of our Class B Stock. Our Class A Stock does not have voting rights. Based on advice of counsel, our Board has determined that the Company is therefore a "controlled company" within the NASDAQ Listing Rules.

After reviewing the benefits and detriments of taking advantage of the exemptions to certain corporate governance rules available to a "controlled company" as set forth in the NASDAQ Listing Rules, our Board has determined to take advantage of those exemptions. In reliance on a "controlled company" exemption, the Company does not maintain a separate standing Nominating Committee. The Company nevertheless at this time maintains a Board composed of a majority of Independent Directors, a fully independent Audit Committee, and a fully independent Compensation Committee, and has no present intention to vary from that structure. Our Board, consisting of a majority of Independent Directors, approved each of the nominees for our 2017 Annual Meeting. See "*Consideration and Selection of the Board's Director Nominees*," below.

Board Committees

Our Board has a standing Executive Committee, Audit Committee, and Compensation Committee. Our Board has also appointed a Special Independent Committee as discussed above. The Tax Oversight Committee has been inactive since November 2, 2015 in anticipation that its functions would be moved to the Audit Committee under its new charter. That new charter was approved on May 5, 2016. These committees, other than the Tax Oversight Committee, are discussed in greater detail below.

Executive Committee. Our Executive Committee operates pursuant to a resolution adopted by our Board and is currently composed of Ms. Ellen M. Cotter, Ms. Margaret Cotter and Messrs. Guy W. Adams and Edward L. Kane. Pursuant to that resolution, the Executive Committee is authorized, to the fullest extent permitted by Nevada law and our Bylaws, to take any and all actions that could have been taken by the full Board between meetings of the full Board. The Executive Committee held five meetings during 2016.

Audit Committee. The Audit Committee operates pursuant to a Charter adopted by our Board that is available on our website at <http://www.readingrdi.com/Committee-Charters>. The Audit Committee reviews, considers, negotiates and approves or disapproves related party transactions (see the discussion in the section entitled “*Certain Relationships and Related Party Transactions*” below). In addition, the Audit Committee is responsible for, among other things, (i) reviewing and discussing with management the Company’s financial statements, earnings press releases and all internal controls reports, (ii) appointing, compensating and overseeing the work performed by the Company’s independent auditors, and (iii) reviewing with the independent auditors the findings of their audits.

Our Board has determined that the Audit Committee is composed entirely of Independent Directors (as defined in section 5605(a)(2) of the NASDAQ Listing Rules), and that Mr. Douglas McEachern, the Chair of our Audit Committee, is qualified as an Audit Committee Financial Expert. Our Audit Committee is currently composed of Mr. McEachern, who serves as Chair, Mr. Edward L. Kane and Mr. Michael Wrotniak. The Audit Committee held twelve meetings during 2016.

Compensation Committee. Our Board has established a standing Compensation Committee consisting of three of our Independent Directors, and is currently composed of Mr. Edward L. Kane, who serves as Chair, Dr. Judy Coddington and Mr. Douglas McEachern. Mr. Adams served through May 14, 2016. As a controlled company, we are exempt from the NASDAQ Listing Rules regarding the determination of executive compensation solely by Independent Directors. Notwithstanding such exemption, we adopted a Compensation Committee charter on March 10, 2016 requiring our Compensation Committee members to meet the independence rules and regulations of the SEC and the NASDAQ Stock Market. As a part of the transition to this new compensation committee structure, the compensation for 2016 of the President, Chief Executive Officer, all Executive Vice Presidents, all Vice Presidents and all Managing Directors was reviewed and approved by the Board at that March 10, 2016 meeting.

The Compensation Committee charter is available on our website at <http://www.readingrdi.com/charter-of-our-compensation-stock-options-committee/>. The Compensation Committee evaluates and makes recommendations to the full Board regarding the compensation of our Chief Executive Officer. Under its Charter, the Compensation Committee has delegated authority to establish the compensation for all executive officers other than the President and Chief Executive Officer; provided that compensation decisions related to members of the Cotter Family remain vested in the full Board. In addition, the Compensation Committee establishes the Company’s general compensation philosophy and objectives (in consultation with management), approves and adopts on behalf of the Board incentive compensation and equity-based compensation plans, subject to stockholder approval as required, and performs other compensation related functions as delegated by our Board. The Compensation Committee held six meetings during 2016.

Consideration and Selection of the Board’s Director Nominees

The Company has elected to take the “controlled company” exemption under applicable NASDAQ Listing Rules. Accordingly, the Company does not maintain a standing Nominating Committee. Our Board, consisting of a majority of Independent Directors, approved each of the Board nominees for our 2017 Annual Meeting.

Our Board does not have a formal policy with respect to the consideration of Director candidates recommended by our stockholders. No non-Director stockholder has, in more than the past ten years, made any formal proposal or recommendation to the Board as to potential

nominees. Neither our governing documents nor applicable Nevada law place any restriction on the nomination of candidates for election to our Board directly by our stockholders. In light of the facts that (i) we are a controlled company under the NASDAQ Listing Rules and exempted from the requirements for an independent nominating process, and (ii) our governing documents and Nevada law place no limitation upon the direct nomination of Director candidates by our stockholders, our Board believes there is no need for a formal policy with respect to Director nominations.

Our Board will consider nominations from our stockholders, provided written notice is delivered to the Secretary of the Annual Meeting at our principal executive offices identifying any such suggested candidate not less than 120 days prior to the first anniversary of the date that this Proxy Statement is sent to stockholders, or such earlier date as may be reasonable in the event that our annual stockholders meeting is moved more than 30 days from the anniversary of the 2017 Annual Meeting. Absent that, stockholders wishing to nominate persons to the Board must do so by other means, such as nominating such persons at the stockholders' meeting. At the present time, we intend to hold our 2018 Annual Meeting in June 2018. Consequently, any stockholder wishing to suggest a candidate for consideration should plan to provide notice identifying such candidate by the end of January 2018. Such written notice should set forth the name, age, address, and principal occupation or employment of such nominee, the number of shares of our common stock that are beneficially owned by such nominee, and such other information required by the proxy rules of the SEC with respect to a nominee of our Board.

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 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.

Following a review of the experience and overall qualifications of the Director candidates, on September 21, 2017, our Board resolved to nominate, each of the incumbent Directors named in Proposal 1 for election as Directors of the Company at our 2017 Annual Meeting. Eight nominees were approved, excluding Director James J. Cotter, Jr.

Each of the nominees named in Proposal 1 received at least seven (7) Yes votes, with each such nominee abstaining as to his or her nomination.

After selecting the nominees named in Proposal 1, our Board then reduced the size of our Board from nine (9) members to (8) members effective as of completion of the vote on the election of our Board at our upcoming Annual Meeting.

Having been informed that Ellen M. Cotter and Margaret Cotter currently intend to bring stockholder proposals to amend the Bylaws to increase the Board back to nine persons and to nominate James J. Cotter, Jr. to the Board, each of the Board members other than the Cotter family members continue to believe that Mr. Cotter, Jr. should not be a director, but acknowledge that the combined voting power of the Cotter Trust and the Cotter Estate will assure that the Bylaws amendment will be approved and that Mr. Cotter, Jr. will be elected. The Board's recommendation for the election of its nominees is not changed as a result of the two stockholder proposals.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics (the “Code of Conduct”) designed to help our Directors and employees resolve ethical issues. Our Code of Conduct applies to all Directors and employees, including the Chief Executive Officer, the Chief Financial Officer, principal accounting officer, controller and persons performing similar functions. Our Code of Conduct is posted on our website at <http://www.readingrdi.com/reading-international-code-of-ethics>.

The Board has established a means for employees to report a violation or suspected violation of the Code of Conduct anonymously. In addition, we have adopted an “Amended and Restated Whistleblower Policy and Procedures,” which is posted on our website, at <http://www.readingrdi.com/amended-and-restated-whistleblower-policy-and-procedures>, that establishes a process by which employees may anonymously disclose to our Principal Compliance Officer (currently the Chair of our Audit Committee) alleged fraud or violations of accounting, internal accounting controls or auditing matters.

Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee adopted a written charter for approval of transactions between the Company and its Directors, Director nominees, executive officers, greater than five percent beneficial owners and their respective immediate family members, where the amount involved in the transaction exceeds or is expected to exceed \$120,000 in a single calendar year and the party to the transaction has or will have a direct or indirect interest. A copy of this charter is available at <http://www.readingrdi.com/group-investor-relations/group-ir-governance/committee-charters/>. For additional information, see the section entitled “*Certain Relationships and Related Party Transactions*. ”

Material Legal Proceedings Involving Claims Against our Directors and Certain Executive Officers

On June 12, 2015, the Board of Directors terminated James J. Cotter, Jr. as the President and Chief Executive Officer of our Company. That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a derivative action, and titled “*James J. Cotter, Jr., individually and derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al.*” Case No.: A-15-719860-V, Dept. XI, against our Company and each of our then sitting Directors (Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Tim Storey) in the Eighth Judicial District Court of the State of Nevada for Clark County (the “Nevada District Court”). Since that date, our Company has been engaged in ongoing litigation with Mr. Cotter, Jr. with respect to his claims against our Directors. Mr. Cotter, Jr. has over this period of time twice amended his complaint, removing his individual claims and withdrawing his claims against Tim Storey (but reserving the right to reinstitute such claims), adding claims relating to actions taken by our Board since the filing of his original complaint and adding as defendants two of our directors who were not on our Board at the time of his termination: Judy Coddington and Michael Wrotniak. Mr. Cotter, Jr.’s lawsuit, as amended from time to time, is referred to herein as the “Cotter Jr. Derivative Action” and his complaint, as amended from time to time, is referred to herein as the “Cotter Jr. Derivative Complaint.” The defendant directors named in the Cotter Jr. Derivative Complaint, from time to time, are referred to herein as the “Defendant Directors.”

The Cotter Jr. Derivative Complaint alleges among other things, that the Defendant Directors breached their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief Executive Officer, continuing to make use of the Executive Committee that has been in place for more than the past ten years (but which no longer includes Mr. Cotter, Jr. as a member), making allegedly potentially misleading statements in our Company’s press releases and filings with the SEC, paying certain compensation to Ellen Cotter, allowing the Cotter Estate to make use of Class A Common Stock to pay for the exercise of certain long

outstanding stock options to acquire 100,000 shares of Class B Common Stock held of record by the Cotter Estate and determined by the Nevada District Court to be assets of the Cotter Estate, and allowing Ellen Cotter and Margaret Cotter to vote the 100,000 shares of Class B Common Stock issued upon the exercise of such options, appointing Ellen Cotter as President and Chief Executive Officer, appointing Margaret Cotter as Executive Vice President-Real Estate Management and Development-NYC, and the way in which the Board handled an unsolicited indication of interest made by a third party to acquire all of the stock of our Company. In the lawsuit, Mr. Cotter, Jr. seeks reinstatement as President and Chief Executive Officer, a declaration that Ellen Cotter and Margaret Cotter may not vote the above referenced 100,000 shares of Class B Stock, and alleges as damages fluctuations in the price for our Company's shares after the announcement of his termination as President and Chief Executive Officer and certain unspecified damages to our Company's reputation.

In addition, our Company is in arbitration with Mr. Cotter, Jr. (Reading International, Inc. v. James J. Cotter, AAA Case No. 01-15-0004-2384, filed July 2015) (the “Cotter Jr. Employment Arbitration”) seeking declaratory relief and defending claims asserted by Mr. Cotter, Jr. On January 20, 2017, Mr. Cotter Jr. filed a First Amended Counter-Complaint which includes claims of breach of contract, contractual indemnification, retaliation, wrongful termination in violation of California Labor Code § 1102.5, wrongful discharge, and violations of California Code of Procedure § 1060 based on allegations of unlawful and unfair conduct. Mr. Cotter, Jr. seeks compensatory damages estimated by his counsel at more than \$1.2 million, plus unquantified special and punitive damages, penalties, interest and attorney’s fees. On April 9, 2017, the Arbitrator granted without leave to amend the Company’s motion to dismiss Mr. Cotter, Jr.’s claims for retaliation, violation of labor code §1102.5 and wrongful discharge in violation of public policy.

Mr. Cotter, Jr. also brought a direct action in the Nevada District Court (*James J. Cotter, Jr. v. Reading International, Inc., a Nevada corporation; Does 1-100 and Roe Entities, 1-100, inclusive, Case No. A-16-735305-B*) seeking advancement of attorney’s fees incurred in the Cotter Jr. Employment Arbitration. Summary judgment was entered against Mr. Cotter, Jr. with respect to that direct action on October 3, 2016.

For a period of approximately 12 months, between August 6, 2015 and August 4, 2016, our Company and our directors other than Mr. Cotter, Jr. were subject to a derivative lawsuit filed in the Nevada District Court captioned T2 Partners Management, LP, a Delaware limited partnership, doing business as Kase Capital Management; T2 Accredited Fund, LP, a Delaware limited partnership, doing business as Kase Fund; T2 Qualified Fund, LP, a Delaware limited partnership, doing business as Kase Qualified Fund; Tilson Offshore Fund, Ltd, a Cayman Islands exempted company; T2 Partners Management I, LLC, a Delaware limited liability company, doing business as Kase Management; T2 Partners Management Group, LLC, a Delaware limited liability company, doing business as Kase Group; JMG Capital Management, LLC, a Delaware limited liability company, Pacific Capital Management, LLC, a Delaware limited liability company (the “T2 Plaintiffs”), derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, Timothy Storey, William Gould and Does 1 through 100, inclusive, as defendants, and, Reading International, Inc., a Nevada corporation, as Nominal Defendant. That complaint was subsequently amended (as amended the “T2 Derivative Complaint”) to add as defendants Directors Judy Coddington and Michael Wrotniak (collectively with the directors initially named the “T2 Defendant Directors”) and S. Craig Tompkins, our Company’s legal counsel (collectively with the T2 Defendant Directors, the “T2 Defendants”). The T2 Derivative Action was settled pursuant to a Settlement Agreement between the parties dated August 4, 2016, which was modified as approved by the Nevada District Court on October 6, 2016. The District Court’s Order provided for the dismissal with prejudice of all claims contained in the T2 Plaintiffs’ First Amended Complaint and provide that each side would be responsible for its own attorneys’ fees.

In the joint press release issued by our Company and the T2 Plaintiffs on July 13, 2016, representatives of the T2 Plaintiffs stated as follows: *“We are pleased with the conclusions reached by our investigations as Plaintiff Stockholders and now firmly believe that the Reading Board of Directors has and will continue to protect stockholder interests and will continue to work to maximize shareholder value over the long-term. We appreciate the Company’s willingness to engage in open dialogue and are excited about the Company’s prospects. Our questions about the termination of James Cotter, Jr., and various transactions between Reading and members of the Cotter family-or entities they control-have been definitively addressed and put to rest. We are impressed by measures the Reading Board has made over the past year to further strengthen corporate governance. We fully support the Reading Board and management team and their strategy to create stockholder value.”*

The T2 Plaintiffs alleged in their T2 Derivative Complaint various violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the T2 Defendant

Directors. More specifically the T2 Derivative Complaint sought the reinstatement of James J. Cotter, Jr. as President and Chief Executive Officer, an order setting aside the election results from the 2015 Annual Meeting of Stockholders, based on an allegation that Ellen Cotter and Margaret Cotter were not entitled to vote the shares of Class B Common Stock held by the Cotter Estate and the Cotter Trust, and certain monetary damages, as well as equitable injunctive relief, attorney fees and costs of suit. In May 2016, the T2 Plaintiffs unsuccessfully sought a preliminary injunction (1) enjoining the Inspector of Elections from counting at our 2016 Annual Meeting of Stockholders any proxies purporting to vote either the 327,808 Class B shares held of record by the Cotter Estate or the 696,080 Class B shares held of record by the Cotter Trust, and (2) enjoining Ellen Cotter, Margaret Cotter and James J. Cotter, Jr. from voting the above referenced shares at the 2016 Annual Meeting of Stockholders. This request for preliminary injunctive relief was denied by the Nevada District Court after a hearing on May 26, 2016.

On September 15, 2016, Mr. Cotter, Jr. filed a writ with the Nevada Supreme Court seeking a determination that the Nevada District Court erred in its determination that, by communicating his thoughts about the Cotter Jr. Derivative Action with counsel for the T2 Plaintiffs without any confidentiality or joint representation agreement, Mr. Cotter, Jr.'s counsel waived any attorney work product privilege that might otherwise have been applicable to such communication. Our Company is of the view that any privilege was waived by the unprotected communication of such thoughts to a third party such as counsel to the T2 Plaintiffs. On March 23, 2017, the Nevada Supreme Court set oral argument on the matter for the next available calendar.

On February 14, 2017, we filed a writ with the Nevada Supreme Court seeking a determination that the Nevada District Court erred in its decision to allow Mr. Cotter, Jr. access to certain communications between the Defendant Directors and Company counsel, which the Defendant Directors and our Company believe to be subject to the attorney-client communication privilege. Specifically, our writ asks the Nevada Supreme Court to determine whether the fact that the Defendant Directors are relying upon the Nevada business judgment rule constitutes, in whole or in part, a waiver of the attorney-client privilege held by us.

Our request was substantially mooted by the decision in July 2017 in the Wynn Resorts Case, in which similar issues were considered. In that case, the Nevada Supreme Court stated:

Accordingly, we reiterate that the business judgment rule goes beyond shielding directors from personal liability in decision-making. Rather, it also ensures that courts defer to the business judgment of corporate executives and prevents courts from “substitute[ing] [their] own notions of what is or is not sound business judgment,” if “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 company.” [Citations omitted]

And,

We agree that “it is the existence of legal advice that is material to the question of whether the board acted with due care, not the substance of that advice.” Accordingly, the district court erred when it compelled Wynn Resorts to produce any attorney client privileged . . . documents on the basis that Wynn Resorts waive the attorney-client privilege of those documents by claiming the business judgment rule as a defense. [Citations omitted].

On September 18, 2017, in light of the decision by the Nevada Supreme Court in the Wynn Resorts Case, the Nevada District Court ruled that the attorney-client communications privilege applicable to advice given by company counsel to directors of the Company was not waived by the fact that the directors may have disclosed that, in the execution of their obligations as directors, they obtained advice of counsel, and that while the fact that such advice was received may be relevant to whether or not a director had met his or her duties of care, the substance of such advice nevertheless continued to be protected by the attorney-client communications privilege. The Nevada District Court further noted that such privilege belonged to the Company, and could not be waived by individual directors. Accordingly, the Nevada District Court denied Mr. Cotter, Jr.'s motion to discover advice given by Company counsel to the Defendant Directors.

With the resolution of this issue, the Company believes that the remaining discovery is very limited and that it is likely that the Cotter Jr. Derivative Action will be tried beginning in the first quarter of next year.

The Cotter Jr. Employment Arbitration is in the discovery phase.

Our Company is and was legally obligated to cover the costs and expenses incurred by our Defendant Directors in defending the Cotter Jr. Derivative Action and the T2 Derivative Action. Furthermore, although in a derivative action, the stockholder plaintiff seeks damages or other relief for the benefit of our Company, and not for the stockholder plaintiff's individual benefit and, accordingly, we are, at least in theory, only a nominal defendant, as a practical matter, because Mr. Cotter, Jr. is also seeking, among other things, an order that our Board's determination to terminate Mr. Cotter, Jr. was ineffective and that he be reinstated as the President and Chief Executive Officer of our Company and also limiting the use of our Board's Executive Committee, and as he asserts potentially misleading statements in certain press releases and filings with the SEC, our Company is also incurring on its own account significant cost and expense defending the decision to terminate Mr. Cotter, Jr. as President and Chief Executive Officer, its board committee structure, and the adequacy of those press releases and filings, in addition to its costs incurred in responding to discovery demands and satisfying indemnity obligations to the

Defendant Directors. Likewise, in connection with the T2 Derivative Action, our Company incurred substantial costs defending claims related to the defense of claims relating to the termination of Mr. Cotter, Jr., opposing his reinstatement, and defending the conduct of its annual meetings. Cost incurred in the Cotter Jr. Employment Arbitration and in the defense of the Cotter Jr. Attorney's fees case were direct costs of our Company.

The Directors and Officer's Insurance Policy, in the amount of \$10 million, being used to cover a portion of the costs of defending the Cotter Jr. Derivative Action, has been exhausted. We are now covering the defense costs of the Defendant Directors, in addition to our own costs incurred in connection with the Cotter Jr. Derivative Action.

On August 7, 2017, our Board appointed a Special Independent Committee to, among other things, review, consider, deliberate, investigate, analyze, explore, evaluate, monitor and exercise general oversight of any and all activities of the Company directly or indirectly involving, responding to or relating to the Cotter Jr. Derivative Action, the Cotter Jr. Employment Arbitration and any other litigation or arbitration matters involving any one or more of Ellen Cotter, Margaret Cotter, James J. Cotter, Jr., the Cotter Estate and/or the Cotter Trust. See "Board Committees—Special Independent Committee," above.

PROPOSAL 1: ELECTION OF DIRECTORS

Nominees for Election

Eight Directors are to be elected at our Annual Meeting to serve until the Annual Meeting of Stockholders to be held in 2018 or until their successors are duly elected and qualified. Unless otherwise instructed, the proxyholders will vote the proxies received by us "FOR" the election of the nominees below, all of whom currently serve as Directors. The eight nominees for election to the Board who receive the greatest number of votes cast for the election of Directors by the shares present and entitled to vote will be elected Directors. The nominees named have consented to serve if elected.

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

Name	Age	Position
Ellen M. Cotter	51	Chairperson of the Board and Chief Executive Officer and President (1)
Guy W. Adams	65	Director (1)
Judy Coddig	71	Director (2)
Margaret Cotter	49	Vice Chairperson of the Board and Executive Vice President-Real Estate Management and Development-NYC (1)
William D. Gould	78	Director (3)
Edward L. Kane	79	Director (1) (2) (4)
Douglas J. McEachern	65	Director (2) (4)
Michael Wrotniak	50	Director (4)

(1) Member of the Executive Committee

(2) Member of the Compensation Committee

(3) Lead Independent Director

(4) Member of the Audit Committee

Ellen M. Cotter. Ellen M. Cotter has been a member of our Board of Directors since March 13, 2013, and currently serves as a member of our Executive Committee. Ms. Cotter was appointed Chairperson of our Board on August 7, 2014 and served as our interim President and Chief Executive Officer from June 12, 2015 until January 8, 2016, when she was appointed our

permanent President and Chief Executive Officer. She joined the Company in March 1998. Ms. Cotter is also a director of Cecelia Packing Corporation (a Cotter family-owned citrus grower, packer and marketer). Ms. Cotter is a graduate of Smith College and holds a Juris Doctor from Georgetown University Law Center. Prior to joining the Company, Ms. Cotter spent four years in private practice as a corporate attorney with the law firm of White & Case in New York City. Ms. Cotter is the sister of Margaret Cotter and James J. Cotter, Jr. Prior to being appointed as our President and Chief Executive Officer, Ms. Cotter served for more than ten years as the Chief Operating Officer (“COO”) of our domestic cinema operations, in which capacity she had, among other things, responsibility for the acquisition and development, marketing and operation of our cinemas in

the United States. Prior to her appointment as COO of Domestic Cinemas, she spent a year in Australia and New Zealand, working to develop our cinema and real estate assets in those countries. Ms. Cotter is the Co-Executor of her father's estate, which is the record owner of 297,070 shares of Class A Stock and 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Cotter is a Co-Trustee of the James J. Cotter Foundation (the "Cotter Foundation"), which is the record holder of 102,751 shares of Class A Stock and Co-Trustee of the James J. Cotter, Sr. Trust (the "Cotter Trust"), which is the record owner of 1,897,649 shares of Class A Stock and 696,080 shares of Class B Stock (representing an additional 41.4% of such Class B Stock). Ms. Cotter also holds various positions in her family's agricultural enterprises.

Ms. Cotter brings to our Board her nineteen years of experience working in our Company's cinema operations, both in the United States and Australia. She has also served as the Chief Executive Officer of Reading's subsidiary, Consolidated Entertainment, LLC, which operates substantially all of our cinemas in Hawaii and California. In addition, with her direct ownership of 802,903 shares of Class A Stock and 50,000 shares of Class B Stock and her positions as Co-Executor of her father's estate and Co-Trustee of the Cotter Trust and the Cotter Foundation, Ms. Cotter is a significant stakeholder in our Company. Ms. Cotter is well recognized in and a valuable liaison to the film industry. In recognition of her contributions to the independent film industry, Ms. Cotter was awarded the first Gotham Appreciation Award at the 2015 Gotham Independent Film Awards. She was also inducted that same year into the Show East Hall of Fame.

Guy W. Adams. Guy W. Adams has been a Director of the Company since January 14, 2014, and currently serves as the chair of our Executive Committee. For more than the past eleven years, he has been a Managing Member of GWA Capital Partners, LLC, a registered investment adviser managing GWA Investments, LLC, a fund investing in various publicly traded securities. Over the past sixteen 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. At these companies, he has held a variety of board positions, including lead director, audit committee chair and compensation committee chair. He has spoken on corporate governance topics before such groups as the Council of Institutional Investors, the USC Corporate Governance Summit and the University of Delaware Distinguished Speakers Program. Mr. Adams provides investment advice to private clients and currently invests his own capital in public and private equity transactions. He served as an advisor to James J. Cotter, Sr. and continues to provide professional advisory services to various enterprises now owned by either the Cotter Estate or the Cotter Trust. Mr. Adams also provides services to two captive insurance companies owned in equal shares by Ellen M. Cotter, James J. Cotter, Jr. and Margaret Cotter. 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.

Dr. Judy Coddling. Dr. Judy Coddling has been a Director of our Company since October 5, 2015, and currently serves as a member of our Compensation Committee. Dr. Coddling is a globally respected education leader. From October 2010 until October 2015, she served as the Managing Director of "The System of Courses," a division of Pearson, PLC (NYSE: PSO), the largest education company in the world that provides education products and services to institutions, governments and to individual learners. Prior to that time, Dr. Coddling served as the Chief Executive Officer and President of America's Choice, Inc., which she founded in 1998, and which was acquired by Pearson in 2010. America's Choice, Inc. was a leading education company offering comprehensive, proven solutions to the complex problems educators face in the era of accountability. Dr. Coddling has a Doctorate in Education from University of Massachusetts at Amherst and completed postdoctoral work and served as a teaching associate in Education at Harvard University where she taught graduate level courses

focused on moral leadership. Dr. Coddling has served on various boards, including the Board of Trustees of Curtis School, Los Angeles, CA (since 2011) and the Board of Trustees of Educational Development Center, Inc. since 2012. Through family entities, Dr. Coddling has been and continues to be involved in the real estate business in Florida and the exploration of mineral, oil and gas rights in Maryland and Kentucky.

Dr. Coddling brings to our Board her experience as an entrepreneur, as an author, advisor and researcher in the areas of leadership training and decision-making as well as her experience in the real estate business.

Margaret Cotter. Margaret Cotter has been a Director of our Company since September 27, 2002, and on August 7, 2014 was appointed Vice Chairperson of our Board and currently serves as a member of our Executive Committee. On March 10, 2016, our Board appointed Ms. Cotter as Executive Vice President-Real Estate Management and Development-NYC, and Ms. Cotter became a full time employee of our Company. In this position, Ms. Cotter is responsible for the management of our live theater properties and operations, including the oversight of the day to day development process of our Union Square and Cinemas 1, 2, 3 properties. Ms. Cotter is the owner and President of OBI, LLC ("OBI"), which, from 2002 until her appointment as Executive Vice President – Real Estate Management and Development-NYC, managed our live-theater operations under a management agreement and provided management and various services regarding the development of our New York theater and cinema properties. Pursuant to the OBI management agreement, Ms. Cotter also served as the President of Liberty Theaters, LLC, the subsidiary through which we own our live theaters. The OBI management agreement was terminated with Ms. Cotter's appointment as Executive Vice President-Real Estate Management and Development-NYC. See *Certain Relationships and Related Transactions*, and *Director Independence*, below for more information about the services provided by OBI. Ms. Cotter is also a theatrical producer who has produced shows in Chicago and New York and in May 2017 due to other commitments stepped down as a long time board member of the League of Off-Broadway Theaters and Producers. She is a director of Cecelia Packing Corporation. 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 Ellen M. Cotter and James J. Cotter, Jr. Ms. Margaret Cotter is a Co-Executor of her father's estate, which is the record owner of 297,070 shares of Class A Stock and 427,808 shares of our Class B Stock (representing 25.5% of such Class B Stock). Ms. Cotter is also a Co-Trustee of the Cotter Trust, which is the record owner of 1,897,649 shares of Class A Stock and 696,080 shares of Class B Voting Common Stock (representing an additional 41.4% of such Class B Stock). Ms. Cotter is also a Co-Trustee of the Cotter Foundation, which is the record holder of 102,751 shares of Class A Stock and of the James. J. Cotter Grandchildren's Trust which is the record holder of 274,390 shares of Class A Stock. Ms. Cotter also holds various positions in her family's agricultural enterprises.

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, and in New York and Chicago real estate matters. Operating and the daily oversight of our theater properties for over 18 years, Ms. Cotter contributes to the strategic direction for our developments. In addition, with her direct ownership of 810,284 shares of Class A Stock and 35,100 shares of Class B Stock and her positions as Co-Executor of her father's estate and Co-Trustee of the Cotter Trust, the Cotter Foundation, and the James J. Cotter Grandchildren's Trust, Ms. Cotter is a significant stakeholder in our Company.

William D. Gould. William D. Gould has been a Director of our Company since October 15, 2004, and currently serves as our Lead Independent Director. Mr. Gould 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. Total fees payable to Mr. Gould's law firm for calendar year 2016 were \$1,088. Mr. Gould is an author and lecturer on the subjects of corporate governance and mergers and acquisitions. Mr. Gould brings to our Board more than fifty years of experience as a corporate lawyer and advisor focusing on corporate governance, mergers and acquisitions.

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 Compensation Committee, and until its functions were moved to the Audit Committee in May, 2016, as chair of our Tax Oversight Committee. He also serves as a member of our Executive Committee and our Audit Committee. Mr. Kane practiced as a tax attorney for many years in New York and in California. Since 1996, Mr. Kane has acted as a consultant and advisor to the health care industry. During the 1990s, Mr. Kane also served as the Chairman and CEO of ASMG

Outpatient Surgical Centers in Southern California, and he served as a director of BDI Investment Corp., which was a regulated investment company, based in San Diego. For over a decade, he was the Chairman of Kane Miller Books, an award-winning publisher of children's books. At various times during the past three decades, Mr. Kane 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.

In addition to his varied business experience, Mr. Kane brings to our Board his many years as a tax attorney and law professor. 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 his experience 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. Mr. McEachern currently serves as the Chair of our Audit Committee, a position he has held since August 1, 2012 and as a member of our Compensation Committee, since May 14, 2016. He has served as a member of the board and of the audit and compensation committees for Willdan Group, a NASDAQ listed engineering company, since 2009. From June 2011 until October 2015, Mr. McEachern was a director of Community Bank in Pasadena, California and a member of its audit committee. Mr. McEachern served as the chair of the board of Community Bank from October 2013 until October 2015. He also is a member of the finance committee of the Methodist Hospital of Arcadia. From September 2009 to December 2015, Mr. McEachern 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 of Deloitte & 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 of 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 our Board his more than 39 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.

Michael Wrotniak. Michael Wrotniak has been a Director of our Company since October 12, 2015, and has served as a member of our Audit Committee since October 25, 2015. Since 2009, Mr. Wrotniak has been the Chief Executive Officer of Aminco Resources, LLC ("Aminco"), a privately held international commodities trading firm. Mr. Wrotniak joined Aminco in 1991 and is credited with expanding Aminco's activities in Europe and Asia. By establishing a joint venture with a Swiss engineering company, as well as creating partnerships with Asia-based businesses, Mr. Wrotniak successfully diversified Aminco's product portfolio. Mr. Wrotniak became a partner of Aminco in 2002. Mr. Wrotniak is a member of the Board of Advisors of the Little Sisters of the Poor at their nursing home in the Bronx, New York since approximately 2004. Mr. Wrotniak graduated from Georgetown University in 1989 with a B.S. in Business Administration (cum laude).

Mr. Wrotniak is a specialist in foreign trade, and brings to our Board his considerable experience in international business, including foreign exchange risk mitigation.

Please see footnote 13 of the Beneficial Ownership of Securities table for additional information regarding the Cotter Trust and the election of Ellen M. Cotter, Margaret Cotter and James Cotter, Jr. to the Board.

Attendance at Board and Committee Meetings

During the year ended December 31, 2016, our Board met eleven times. The Audit Committee held eleven meetings, the Compensation Committee held seven meetings, the Executive Committee met five times and the CEO Search Committee met once. Each Director attended at least 75% of these Board meetings and at least 75% of the meetings of all committees on which he or she served.

Indemnity Agreements

We currently have indemnity agreements in place with each of our current Directors and senior officers and employees, as well as certain of the Directors and senior officers and employees of our subsidiaries. Under these agreements, we have agreed, subject to certain

exceptions, to indemnify each of these individuals against all expenses, liabilities and losses incurred in connection with any threatened, pending or contemplated action, suit or proceeding, whether civil or criminal, administrative or investigative, to which such individual is a party or is threatened to be made a party, in any manner, based upon, arising from, relating to or by reason of the fact that such individual is, was, shall be or has been a Director, officer, employee, agent or fiduciary of the Company.

Compensation of Directors

During 2016, we paid our non-employee Directors \$50,000 per year. We paid the Chair of our Audit Committee an additional \$20,000 per year, the Chair of our Compensation Committee an additional \$15,000 per year, the Executive Committee Chair an additional \$20,000 per year and the Lead Independent Director an additional \$10,000 per year.

In March 2016, the Board approved additional special compensation to be paid for extraordinary services to the Company and devotion of time in providing such services, as follows:

Guy W. Adams:	\$50,000
Edward L. Kane:	\$10,000
Douglas J. McEachern:	\$10,000

In January, 2016, each of our then non-employee Directors received an annual grant of stock options to purchase 2,000 shares of our Class A Stock. The options awarded have a term of five years, an exercise price equal to the market price of Class A Stock on the grant date and were fully vested immediately upon grant. As discussed below, our outside director compensation was changed for the remainder of 2016 and the years thereafter. See “2016 and Future Director Compensation,” below.

Director Compensation Table

The following table sets forth information concerning the compensation to persons who served as our non-employee Directors during 2016 for their services as Directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	All Other Compensation (\$)	Total (\$)
Judy Coddling	55,000 ⁽³⁾	60,000	0	115,000
James J. Cotter, Jr.	44,492 ⁽⁴⁾	60,000	0	104,492
Margaret Cotter ⁽²⁾	11,058 ⁽⁵⁾	0	0	11,058
Guy W. Adams	121,250 ⁽⁶⁾	60,000	0	181,250
William D. Gould	60,000 ⁽⁷⁾	60,000	0	120,000
Edward L. Kane	90,000 ⁽⁸⁾	60,000	0	150,000
Douglas J. McEachern	83,750 ⁽⁹⁾	60,000	0	143,750
Michael Wrotniak	57,500 ⁽¹⁰⁾	60,000	0	117,500

(1) Fair value of the award computed in accordance with FASB ASC Topic 718

(2) Until March 10, 2016, in addition to her Director’s fees, Ms. Margaret Cotter received 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. Upon her appointment as EVP, Real Estate Management and Development – NYC, she ceased to receive compensation for her services as a director.

(3) Represents payment of Base Director Fee of \$50,000 and a Compensation Committee Member Fee of \$5,000

(4) Represents payment of Base Director Fee of \$50,000 less amounts related to expenses that were owed to Company

(5) Represents payment of prorated Base Director Fee for the 2016 First Quarter

(6) Represents payment of Base Director Fee of \$50,000, Executive Committee Chairman Fee of \$20,000 and a one-time payment of \$50,000 for extraordinary services and unusual time demands. The amount also includes a prorated Compensation Committee Member Fee of \$1,250 for the 2016 First Quarter

(7) Represents payment of Base Director Fee of \$50,000 and Lead Independent Member Fee of \$10,000

(8) Represents payment of Base Director Fee of \$50,000, Audit Committee Member Fee of \$7,500, Compensation Committee Chairman Fee of \$15,000, Executive Committee Member Fee of \$7,500 and a one-time payment of

\$10,000 for extraordinary services and unusual time demands

- (9) Represents payment of Base Director Fee of \$50,000, Audit Committee Chairman Fee of \$20,000 and a one-time payment of \$10,000. The amount also includes a prorated Compensation Committee Member Fee of \$3,750 for the 2016 Second, Third and Fourth Quarters
- (10) Represents payment of Base Director Fee of \$50,000 and Audit Committee Member Fee of \$7,500

2016 and Future Director Compensation

As discussed below in “*Compensation Discussion and Analysis*,” the Executive Committee of our Board, upon the recommendation of our Chief Executive Officer, requested the Compensation Committee to evaluate the Company's compensation policy for outside directors and to establish a plan that encompasses sound corporate practices consistent with the best interests of the Company. Our Compensation Committee undertook to review, evaluate, revise and recommend the adoption of new compensation arrangements for executive and management officers and outside directors of the Company. In January 2016, the Compensation Committee retained the international compensation consulting firm of Willis Towers Watson as its advisor in this process and also relied on our legal counsel, Greenberg Traurig, LLP.

The process followed by our Compensation Committee was similar to that in scope and approach used by the Compensation Committee in considering executive compensation. Willis Towers Watson reviewed and presented to the Compensation Committee the competitiveness of the Company's outside director compensation. The Company's outside director compensation was compared to the compensation paid by the 15 peer companies (identified “Compensation Discussion and Analysis”). Willis Towers Watson's key findings were:

- Our annual Board retainer was slightly above the 50th percentile while the total cash compensation paid to outside Directors was close to the 25th percentile.
- Due to our minimal annual Director equity grants, total direct compensation to our outside Directors was the lowest among the peer group.
- We should consider increasing our committee cash compensation and annual Director equity grants to be in line with peer practices.

The foregoing observations and recommendations were studied, questioned and thoroughly discussed by our Compensation Committee, Willis Towers Watson and legal counsel over the course of our Compensation Committee meetings. Among other things, our Compensation Committee discussed and considered the recommendations made by Willis Towers Watson regarding Director retainer fees and equity awards for Directors. Following discussion, our Compensation Committee recommended and our Board authorized that:

- The Board retainer currently paid to outside Directors will not be changed.
- The committee chair retainers will be increased to \$20,000 for our Audit Committee and our Executive Committee and \$15,000 for our Compensation Committee.
- The committee member fees will be \$7,500 for our Audit and Executive Committees and \$5,000 for our Compensation Committee.
- The Lead Independent Director fee will be increased to \$10,000.
- The annual equity award value to Directors will be \$60,000 as a fixed dollar value based on the closing price on the date of the grant and, that the equity award be restricted stock units and that such restricted stock units have a twelve month vesting period.
- Our Board also approved additional special compensation to be paid to certain directors for extraordinary services provided to us and devotion of time in providing such services as follows:
 - Guy W. Adams, \$50,000
 - Edward L. Kane, \$10,000
 - Douglas J. McEachern, \$10,000

Our Board compensation was made effective for the year 2016 and equity grants were made on March 10, 2016 based upon the closing of the Company's Class A Common Stock on such date.

Vote Required

The eight nominees receiving the greatest number of votes cast at the Annual Meeting

will be elected to the Board.

The Board has nominated each of the nominees discussed above to hold office until the 2018 Annual Meeting of Stockholders and thereafter until his or her respective successor has been duly elected and qualified. The Board has no reason to believe that any nominee will be unable or to serve and all nominees named have consented to serve if elected.

Ellen M. Cotter and Margaret Cotter, who together have shared voting control over an aggregate of 1,208,988 shares, or 71.9%, of our Class B Stock, have informed the Board that they intend to vote the shares beneficially held by them in favor of eight nominees named in this Proxy Statement for election to the Board discussed under Proposal 1 (the Election of Directors).

Recommendation of the Board

THE BOARD RECOMMENDS A VOTE “FOR” EACH OF THE DIRECTOR NOMINEES.

PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) requires that our stockholders have the opportunity to cast a non-binding, advisory vote regarding the approval of the compensation of our “named executive officers” as disclosed in this Proxy Statement. A description of the compensation paid to these individuals is set out below under the heading, “Executive Compensation.”

We believe that the compensation policies for the named executive officers are designed to attract, motivate and retain talented executive officers and are aligned with the long-term interests of our stockholders. This advisory stockholder vote, commonly referred to as a “say-on-pay” vote, gives you as a stockholder the opportunity to approve or not approve the compensation of the named executive officers that is disclosed in this Proxy Statement by voting for or against the following resolution (or by abstaining with respect to the resolution).

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.

This vote is advisory in nature and therefore is not binding on either our Board or us. However, the Compensation Committee will take into account the outcome of the stockholder vote on this proposal when considering future executive compensation arrangements. Furthermore, this vote is not intended to address any specific item of compensation, but rather the overall compensation of our “named executive officers” and our general compensation policies and practices.

Vote Required

The approval of this proposal requires the number of votes cast in favor of this proposal to exceed the number of votes cast in opposition to this proposal.

Ellen M. Cotter and Margaret Cotter, who together have shared voting control over an aggregate of 1,208,988 shares, or 71.9%, of our Class B Stock, have informed the Board that they intend to vote the shares beneficially held by them in favor of the advisory vote on the “say on pay” for our “named executive officers” discussed under Proposal 2 (the Executive Compensation Proposal).

Recommendation of the Board

THE BOARD RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL 3: ADVISORY VOTE ON THE FREQUENCY OF VOTES ON

EXECUTIVE COMPENSATION

The Dodd-Frank Act requires our stockholders to have the opportunity to cast a non-binding, advisory vote regarding how frequently we should conduct a say-on-pay vote (similar to Proposal 2 above). At our 2011 Annual Meeting of stockholders, our stockholders voted to hold an advisory vote on executive compensation every three years. Accordingly, we have subsequently submitted say-on-pay proposals on executive compensation every three years at our annual meetings.

We are required to hold a vote on the frequency of say-on-pay proposals every six years. As a result, we are again asking you to vote on whether you would prefer an advisory vote every one, two or three years or you may abstain. The Board has determined that an advisory vote on executive compensation every year is the best approach for the Company. This recommendation is based on a number of considerations, including the following:

- Our Company has implemented a number of corporate governance best practices and this recommendation is in keeping with that direction; and
- An annual cycle will provide stockholders the opportunity to make a non-binding vote on our executive compensation, rather than the previous three year cycle.

Vote Required

The option receiving the greatest number of votes (every one, two or three years) will be considered the frequency approved by stockholders. Although the vote is non-binding, the Board will take into account the outcome of the vote when making future decisions about the frequency for holding an advisory vote on executive compensation.

Ellen M. Cotter and Margaret Cotter, who together have shared voting control over an aggregate of 1,208,988 shares, or 71.9%, of our Class B Stock, have informed the Board that they intend to vote the shares beneficially held by them in favor of conducting the Advisory Vote on Executive Compensation every year.

Recommendation of the Board

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE TO CONDUCT AN ADVISORY VOTE ON EXECUTIVE COMPENSATION EVERY YEAR.

PROPOSAL 4: APPROVAL OF AN AMENDMENT TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK ISSUABLE UNDER THE COMPANY'S 2010 STOCK INCENTIVE PLAN

General

At the Annual Meeting, the stockholders will be asked to approve an amendment to the 2010 Stock Incentive Plan (the "2010 Plan") to increase the number of shares of Common Stock reserved for issuance under the 2010 Plan by an additional 947,460 shares to bring our authorization back up to the original 1,250,000 share authorization.

As of September 30, 2017, there were 302,540 shares authorized for issuance under the 2010 Plan and available for future grants or awards. The purpose of the amendment is to ensure that we will continue to have a sufficient reserve of Common Stock available under the 2010 Plan and will be able to maintain our equity incentive compensation program. Subject to the approval of stockholders, our Board adopted the amendment to the 2010 Plan on March 2, 2017, to increase the number of shares of Common Stock available for issuance under the 2010 Plan by 947,460 shares to bring our authorization back up to the original 1,250,000 share authorization.

We strongly believe that the approval of the amendment to the 2010 Plan is essential to our continued success. Our Board and management believe that equity awards motivate high levels of performance, align the interests of our employees and stockholders by giving directors, employees and consultants the perspective of owners with an equity stake in our Company, and provide an effective means of recognizing their contributions to the success of our Company. Our Board and management believe that equity awards are necessary to remain competitive in our industry and are essential to recruiting and retaining the highly qualified employees who help us meet our goals. Our Board and management believe that the ability to grant equity

awards will be important to our future success.

The following is a summary of the material terms of the 2010 Plan, as amended by the proposed amendment. This summary is not complete and is qualified in its entirety by reference to the full text of the 2010 Plan, as amended by the proposed amendment.

Share Reserve. If this amendment is approved, the number of shares of Common Stock reserved for issuance under the 2010 Plan will include (a) shares reserved for issuance under the 2010 Plan not to exceed an aggregate of 1,250,000 shares of Common Stock, (b) the number of shares available for issuance under the Plan shall be reduced by one (1) share for each share of Common Stock issued pursuant to a Stock Award granted under the 2010 Plan and (c) one (1) share for each Common Stock equivalent subject to a stock appreciation right granted under the 2010 Plan.

Vote Required

The approval of this proposal requires the number of votes cast in favor of this proposal to exceed the number of votes cast in opposition to this proposal.

Ellen M. Cotter and Margaret Cotter, who together have shared voting control over an aggregate of 1,208,988 shares, or 71.9%, of our Class B Stock, have informed the Board that they intend to vote the shares beneficially held by them in favor of the 2010 Stock Incentive Plan Amendment discussed under Proposal 4 (the Plan Amendment Proposal).

Recommendation of the Board

THE BOARD RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE 2010 STOCK INCENTIVE PLAN AMENDMENT.

REPORT OF THE AUDIT COMMITTEE

The following is the report of the Audit Committee of our Board with respect to our audited financial statements for the fiscal year ended December 31, 2016.

The information contained in this report shall not be deemed to be “soliciting material” or “filed” with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

The purpose of the Audit Committee is to assist our Board in its general oversight of our financial reporting, internal controls and audit functions. The Audit Committee operates under a written Charter adopted by our Board. The Charter is reviewed periodically and subject to change, as appropriate. The Audit Committee Charter describes in greater detail the full responsibilities of the Audit Committee.

In this context, the Audit Committee has reviewed and discussed the Company’s audited financial statements with management and Grant Thornton LLP, our independent auditors. Management is responsible for: the preparation, presentation and integrity of our financial statements; accounting and financial reporting principles; establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)); establishing and maintaining internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)); evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal control over financial reporting; and evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. Grant Thornton LLP is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America, as well as an opinion on (i) management’s assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting.

The Audit Committee has discussed with Grant Thornton LLP the matters required to be discussed by Auditing Standard No. 16, “Communications with Audit Committees” and PCAOB Auditing Standard No. 5, “An Audit of Internal Control Over Financial Reporting that is Integrated with Audit of Financial Statements.” In addition, Grant Thornton LLP has provided the Audit Committee with the written disclosures and the letter required by the Independence Standards Board Standard No. 1, as amended, “Independence Discussions with Audit Committees,” and the Audit Committee has discussed with Grant Thornton LLP their firm’s independence.

Based on their review of the consolidated financial statements and discussions with and representations from management and Grant Thornton LLP referred to above, the Audit Committee recommended to our Board that the audited financial statements be included in our Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2016 for filing with the SEC.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that our financial statements are complete and accurate and in accordance with accounting principles generally accepted in the United States. That is the responsibility of management and our independent registered public accounting firm.

In giving its recommendation to our Board, the Audit Committee relied on (1) management’s representation that such financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and (2) the report of our independent registered public accounting firm with respect to such financial statements.

Respectfully submitted by the Audit
Committee.

Douglas J. McEachern, Chair
Edward L. Kane
Michael Wrotniak

BENEFICIAL OWNERSHIP OF SECURITIES

Except as described below, the following table sets forth the shares of Class A Stock and Class B Stock beneficially owned on August 31, 2017 by:

- each of our Directors;
- each of our executive officers and current 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 Directors and executive officers as a group.

Except as noted, and except pursuant to applicable community property laws, 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
<i>Directors and Named Executive Officers</i>				
Ellen M. Cotter (2)(13)	3,165,044	14.8	1,173,888	69.8
James J. Cotter, Jr. (3) (13)	2,698,394	12.6	696,080	41.4
Margaret Cotter (4)(13)	3,423,855	16.0	1,158,988	69.0
Guy W. Adams (5)	7,021	*	—	—
Judy Coddling (6)	7,021	*	—	—
Devasis Ghose (7)	50,000	—	—	—
William D. Gould (8)	58,340	*	—	—
Edward L. Kane (9)	25,521	*	100	*
Andrzej J. Matyczynski (10)	55,493	*	—	—
Douglas J. McEachern (11)	44,321	*	—	—
Robert F. Smerling (12)	15,140	*	—	—
Michael Wrotniak	12,021	—	—	—
<i>5% or Greater Stockholders</i>				
James J. Cotter Living Trust (13)	1,897,649	8.8	696,080	41.4
Estate of James J. Cotter, Sr. (Deceased) (13)	326,800	1.5	427,808	25.5
Mark Cuban (14)				
5424 Deloache Avenue	72,164	*	207,913	12.4
Dallas, Texas 75220				
PICO Holdings, Inc. and PICO Deferred Holdings, LLC (15)	—	—	117,500	7.0
875 Prospect Street, Suite 301				
La Jolla, California 92037				
James J. Cotter Foundation	102,751	*		
Cotter 2005 Grandchildren's Trust	289,390	1.3		
All Directors and executive officers as a group (12 persons) (16)	4,686,791	21.9	1,209,088	71.9

(1) Percentage ownership is determined based on 21,377,070 shares of Class A Stock and 1,680,590 shares of Class B Stock outstanding on August 31, 2017. Beneficial ownership has been determined in accordance with SEC rules. Shares subject to options that are currently exercisable, or exercisable within 60 days following the date as of which this information is provided, and not subject to repurchase as of that date, 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 includes 34,941 shares subject to stock options as well as 802,903 shares held directly. The Class A Stock shown also includes 102,751 shares held by the Cotter Foundation. Ellen M. Cotter is a 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 297,070 shares that are part of the Cotter Estate that is being administered in the State of Nevada and 29,730 shares from the Cotter Profit Sharing Plan. 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. The shares of Class A Stock shown also include 1,897,649 shares held by Cotter Trust. See footnote (13) to this table for information regarding beneficial ownership of the shares held by the Cotter Trust. As Co-Trustees of the Cotter Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (13). Together Margaret Cotter and Ellen M. Cotter beneficially own 1,208,988 shares of Class B Stock.
- (3) The Class A Stock shown is made up of 423,604 shares held directly. The Class A Stock shown also includes 274,390 shares held by the Cotter 2005 Grandchildren's Trust and 102,751 held by the Cotter Foundation. Mr. Cotter, Jr. is Co-Trustee of the Cotter 2005 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 Cotter Trust, which became irrevocable upon Mr. Cotter, Sr.'s death on September 13, 2014. See footnote (13) below for information regarding beneficial ownership of the shares held by the Cotter Trust. As Co-Trustees of the Cotter Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (13). The Class A Stock shown includes 770,186 shares pledged as security for a margin loan. Mr. Cotter, Jr. asserts that options to purchase 50,000 shares granted in connection with his prior employment as CEO remain in effect; we do not believe that this is accurate and treat such options as forfeited.
- (4) The Class A Stock shown includes 11,981 shares subject to stock options as well as 810,284 shares held directly. The Class A Stock shown also includes 102,751 shares held by the Cotter Foundation, 274,390 shares held by the Cotter 2005 Grandchildren's Trust and 29,730 shares from the Cotter Profit Sharing Plan. Margaret Cotter is Co-Trustee of the Cotter 2005 Grandchildren's Trust 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 297,070 shares of Class A Stock that are part of the Cotter Estate. As Co-Executor of the Cotter Estate, Ms. Cotter would be deemed to beneficially own such shares. The shares of Class A Stock shown also include 1,897,649 shares held by the Cotter Trust. See footnote (13) for information regarding beneficial ownership of the shares held by the Cotter Trust. As Co-Trustees of the Cotter Trust, the three Cotter family members would be deemed to beneficially own such shares depending upon the outcome of the matters described in footnote (13). Together Margaret Cotter and Ellen M. Cotter beneficially own 1,208,988 shares of Class B Stock.
- (5) The Class A Stock shown includes 2,000 shares subject to stock options.
- (6) The Class A Stock shown includes 2,000 shares subject to stock options.
- (7) The Class A Stock shown includes 42,500 shares subject to stock options.
- (8) The Class A Stock shown includes 9,000 shares subject to stock options.
- (9) The Class A Stock shown includes of 4,000 shares subject to stock options.
- (10) The Class A Stock shown includes of 28,736 shares subject to stock options.
- (11) The Class A Stock shown includes of 9,000 shares subject to stock options.
- (12) The Class A Stock shown includes of 4,981 shares subject to stock options.
- (13) On June 5, 2013, the Declaration of Trust establishing the Cotter 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 on September 13, 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. The trustees of the Cotter Trust, as of the 2013 Restatement, were Ellen M. Cotter and Margaret Cotter. 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 M. 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. The 2014 Amendment states that James J. Cotter, Jr., Ellen M. Cotter and Margaret Cotter are Co-Trustees of the Cotter Trust. On February 6, 2015, Ellen M. 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 "Trust Litigation"). 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. filed an opposition to the Petition. On August 29, 2017, the Superior Court of the State of California for the County of Los Angeles entered a Tentative Statement of

Decision (the "Tentative Ruling") in the matter regarding the Trust Litigation in which it tentatively determined, among other things, that Mr. Cotter, Jr., is not a trustee of the Cotter Trust, and that he has no say in the voting of such Class B Stock. Under the Tentative Ruling, however, Mr. Cotter, Jr., would still succeed to the position of sole trustee of the voting sub-trust to be established under the Cotter Trust to hold the Class B Stock owned by the Cotter Trust (and it is anticipated, the Class B Stock currently held by the Cotter Estate), in the event of the death, disability or resignation of Margaret Cotter from such position. Under the governing California Rules of Court, the Tentative Statement of Decision does not constitute a judgment and is not binding on the Superior Court. The Superior Court remains free to modify or change its decision. It is uncertain as to when, if ever, the Tentative Ruling will become final, or the form in which it will ultimately be issued. Accordingly, the Company continues to show the stock held by the Cotter Trust as beneficially owned by each of Ellen M. Cotter, Margaret Cotter, and Mr. Cotter, Jr. The 696,080 shares of Class B Stock shown in the table as being beneficially owned by the Cotter Trust are reflected on the Company's stock register as being held by the Cotter Trust and not by the Reading Voting Trust. The information in the table reflects direct ownership of the 696,080 shares of Class B Stock by the Cotter Trust in accordance with the Company's stock register.

- (14) Based on Mr. Cuban's Form 5 filed with the SEC on February 19, 2016 and Schedule 13D/A filed on February 22, 2016

- (15) Based on the PICO Holdings, Inc and PICO Deferred Holdings, LLC Schedule 13G filed with the SEC on January 14, 2009
- (16) The Class A Stock shown includes 28,639 shares subject to options not currently exercisable

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 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 Form 4's for transactions that occurred in 2016 were not filed or filed later than is required under Section 16(a) of the Securities Exchange Act of 1934:

Filer	Form	Transaction Date	Date of Filing
James J. Cotter Jr.	4	March 10, 2016	March 15, 2016
Judy Coddington	4	March 10, 2016	March 15, 2016

In addition to the above, the following Forms 5 for transactions that occurred 2015 or 2016 were filed later than is required under Section 16(a) of the Securities Exchange Act of 1934.

Filer	Form	Transaction Date	Date of Filing
Andrzej J. Matyczynski	5	December 31, 2016	February 24, 2017

Insofar as we are aware, all required filings have now been made.

EXECUTIVE OFFICERS

The following table sets forth information regarding our current executive officers, other than Ellen M. Cotter and Margaret Cotter, whose information is set forth above under "Directors."

Name	Age	Title
Dev Ghose	64	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
Robert F. Smerling	82	President - Domestic Cinemas
Wayne D. Smith	59	Managing Director – Australia and New Zealand
Andrzej J. Matyczynski	65	Executive Vice President – Global Operations

Devasis ("Dev") Ghose. Dev Ghose was appointed Chief Financial Officer and Treasurer on May 11, 2015, Executive Vice President on March 10, 2016 and Corporate Secretary on April 28, 2016. Over the past 25 years, Mr. Ghose served as Executive Vice President and Chief Financial Officer in a number of senior finance roles with three NYSE-listed companies: Skilled Healthcare Group (a health services company, now part of Genesis HealthCare) from 2008 to 2013, 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) from 2004 to 2006, and HCP, Inc., (which invests primarily in real estate serving the healthcare industry) from 1986 to 2003, 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) from 2006 to 2007. Prior thereto, Mr. Ghose worked for PricewaterhouseCoopers in the U.S. and KPMG in the UK from 1975 to 1985. 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.

Robert F. Smerling. Robert F. Smerling has served as President of our domestic cinema operations since 1994. He has been involved in the acquisition and/or development of all of our existing cinemas. Prior to joining our Company, Mr. Smerling was the President of Loews Theaters, at that time a wholly owned subsidiary of Sony. While at Loews, Mr. Smerling oversaw operations at some 600 cinemas employing some 6,000 individuals and the development of more than 25 new multiplex cinemas. Among Mr. Smerling's accomplishments at Loews was the development of the Lincoln Square Cinema Complex with IMAX in New York City, which continues today to be one of the top five grossing cinemas in the United States. Prior to Mr. Smerling's employment at Loews, he was Vice Chairman of USA Cinemas in Boston, and President of Cinemanational Theatres. Mr. Smerling, a recognized leader in our industry, has been a director of the National Association of Theater Owners, the principal trade group representing the cinema exhibition industry.

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.

Andrzej J. Matyczynski. On March 10, 2016, Mr. Matyczynski was appointed as our Executive Vice President—Global Operations. From May 11, 2015 until March 10, 2016, Mr. Matyczynski acted as the Strategic Corporate Advisor to the Company, and served as our Chief Financial Officer and Treasurer from November 1999 until May 11, 2015 and as Corporate Secretary from May 10, 2011 to October 20, 2014. Prior to joining our Company, he spent 20 years in various senior roles throughout the world at Beckman Coulter Inc., a U.S. based multinational. Mr. Matyczynski earned a Master's Degree in Business Administration from the University of Southern California.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Role and Authority of the Compensation Committee Background

As a controlled company, we are exempt from the NASDAQ Listing Rules regarding the determination of executive compensation solely by independent directors. Notwithstanding such exemption, we have established a standing Compensation Committee consisting of three of our independent Directors. Our Compensation Committee charter requires our Compensation Committee members to meet the independence rules and regulations of the Securities Exchange Commission and the NASDAQ Stock Market.

In early 2016, our Compensation Committee conducted a thorough evaluation of our compensation policy for executive officers and outside directors to establish a plan that encompasses best corporate practices consistent with our Company's best interests. Our Compensation Committee reviewed, evaluated, and recommended to our Board of Directors the adoption of new compensation arrangements for our executive and management officers and outside directors. Our Compensation Committee retained the international compensation consulting firm of Willis Towers Watson as its advisor in this process, and the Committee also relied on the advice of our legal counsel, Greenberg Traurig, LLP.

Compensation Committee Charter

Our Compensation Committee Charter delegates the following responsibilities to our

Compensation Committee:

- in consultation with our senior management, to establish our compensation philosophy and objectives;
- to review and approve all compensation, including salary, bonus, incentive and equity compensation, for our Chief Executive Officer and our executive officers, provided that our Chief Executive Officer may not be present during voting or deliberations on his or her compensation;

- to approve all employment agreements, severance arrangements, change in control provisions and agreements and any special or supplemental benefits applicable to our Chief Executive Officer and other executive officers;
- to approve and adopt, on behalf of our Board, incentive compensation and equity-based compensation plans, or, in the case of plans requiring stockholder approval, to review and recommend such plan to the stockholders;
- to review and discuss with our management and our counsel and auditors, the disclosures made in the Compensation Discussion and Analysis and advise our Board whether, in the view of the Committee, the Compensation Discussion and Analysis is, in form and substance, satisfactory for inclusion in our annual report on Form 10-K and proxy statement for the annual meeting of stockholders;
- to prepare an annual compensation committee report for inclusion in our proxy statement for the annual meeting of stockholders in accordance with the applicable rules of the SEC;
- to periodically review and reassess the adequacy of the Compensation Committee Charter and recommend any proposed changes to the Board for approval;
- to administer our equity-based compensation plans, including the grant of stock options and other equity awards under such plans, the exercise of any discretion accorded to the administrator of all such plans and the interpretation of the provisions of such plans and the terms of any awards made under the plans; and
- to consider the results of the most recent stockholder advisory vote on executive compensation required by Section 14A of the Securities Exchange Act of 1934 when determining compensation policies and making decisions on executive compensation.

Under the Compensation Committee Charter, "executive officer" is defined to mean the chief executive officer, president, chief financial officer, chief operating officer, general counsel, principal accounting officer, any executive vice president of the Company and any Managing Director of Reading Entertainment Australia Pty Ltd and/or Reading New Zealand, Ltd.; provided that any compensation determinations pertaining to Ellen M. Cotter and Margaret Cotter are subject to review and approval by our Board.

The Compensation Committee Charter is available on our website at <http://www.readingrdi.com/Committee-Charters>.

Executive Compensation

In early 2016, our Compensation Committee, following consultation with Willis Towers Watson, our Chief Executive Officer, and our legal counsel, reviewed the Company's compensation levels, programs and practices. As part of its engagement, Willis Towers Watson recommended and the Compensation Committee adopted a new peer group that the Committee believed reflected our geographic operations since the peer group included companies based in the U.S. and Australia and the companies in the peer group were comparable to us based on revenue.

The peer group adopted by the Compensation Committee included the following 15 companies:¹

Arcadia Realty Trust	Inland Real Estate Corp.
Associated Estates Realty Corp.	Kite Realty Group Trust
Carmike Cinemas Inc.	Marcus Corporation
Cedar Realty Trust Inc.	Pennsylvania Real Estate Investment Trust
Charter Hall Group	Ramco-Gershenson Properties Trust
EPR Properties	Urstadt Biddle Properties Inc.

Vicinity Centres
IMAX Corporation

Village Roadshow Ltd.

The Compensation Committee used the peer group in reviewing compensation paid to executive and management officers by position, in light of each person's duties and responsibilities. In addition, Willis Towers Watson also compared our top executive and management positions to (i) executive compensation paid by a peer group and (ii) two surveys, the 2015 Willis Towers Watson Data Services Top Management Survey Report and the 2015 Mercer MBD Executive Compensation Survey, in each case, identified by office position and duties performed by the officer.

Willis Towers Watson prepared a summary for the Compensation Committee that measured our executive and management compensation against compensation paid by peer group companies and the companies listed in the two surveys based on the 25th, 50th and 75th percentile of such peer group and surveyed companies. The 50th

¹ In early 2017, our Compensation Committee engaged Willis Towers Watson to review again the peer group. Based on the recommendations of Willis Towers Watson, the Compensation Committee approved a new peer group for 2017, which included the above companies, except for the following which were removed: Associated Estates Realty Corp., Carmike Cinemas, Inland Real Estate Corp, each of which were acquired, and EPR Properties and Vicinity Centres, which were believed to no longer be size comparable. In their place, the following companies were added: Global Eagle Entertainment, National CineMedia, Red Lion Hotels Corporation, Retail Opportunity Investments Corp. and Saul Centers, Inc.

percentile was the median compensation paid by such peer group and surveyed companies to executives performing similar responsibilities and duties. The summary included base salary, short term incentive (cash bonus) and long term incentive (equity awards) of the peer and surveyed companies to the base salary, short term incentive and long term incentive provided to our executives and management.

The summary concluded that, except in a few positions, we were generally competitive in base salary, however, we were not competitive when short-term incentives and long term incentives were included in the total compensation paid to our executives and management.

As a result of the foregoing factors, the Compensation Committee implemented commencing in 2016:

- A formal annual incentive program for all executives; and
- A regular annual grant program for long-term incentives.

Additionally, our Compensation Committee recommended, and our Board subsequently adopted, a compensation philosophy for our executive and management team members to:

- Attract and retain talented and dedicated management team members;
- Provide overall compensation that is competitive in its industry;
- Correlate annual cash incentives to the achievement of its business and financial objectives; and
- Provide management team members with appropriate long-term incentives aligned with stockholder value.

As part of the compensation philosophy, our compensation focus will be to (1) drive our strategic plan on growth, (2) align officer and management performance with the interests of our stockholders, and (3) encourage retention of our officers and management team members.

In furtherance of our compensation policy, our Compensation Committee adopted an executive and management officer compensation structure for 2016 consisting of:

- A base salary comparable with job description and industry standard;
- A short-term incentive plan based on a combination of factors including overall corporate and division performance as well as individual performance with a target bonus opportunity to be denominated as a percent of base salary with specific goals weightings and pay-out ranges; and
- A long-term incentive or equity awards in line with job description, performance, and industry standards.

Reflecting the new approach, our Compensation Committee established (i) 2016 annual base salaries at levels that it believed were generally competitive with executives in our peer group and in other comparable publicly-held companies as described in the executive pay summary assessment prepared by Willis Towers Watson, except for the base salary of our Chief Executive Officer, which remains below the 25th percentile, (ii) short term incentives in the form of discretionary annual cash bonuses based on the achievement of identified goals and benchmarks, and (iii) long-term incentives in the form of employee stock options and restricted stock units will be used as a retention tool and as a means to further align an executive's long-term interests with those of our stockholders, with the ultimate objective of affording our executives an appropriate incentive to help drive increases in stockholder value.

In the future, it is anticipated that our Compensation Committee will continue to evaluate both executive performance and compensation to maintain our ability to attract and retain highly-qualified executives in key positions and to assure that compensation provided to executives remains competitive when compared to the compensation paid to similarly situated

executives of companies with whom we compete for executive talent or that we consider comparable to our company.

Role of Chief Executive Officer in Compensation Decisions

At our Compensation Committee's direction, our Chief Executive Officer prepared an executive compensation review for 2016 for each executive officer (other than the Chief Executive Officer), as well as the full executive team, which included recommendations for:

- 2016 Base Salary;
- A proposed year-end short-term incentive in the form of a target cash bonus based on the achievement of certain objectives; and
- A long-term incentive in the form of stock options and restricted stock units for the year under review.

Our Compensation Committee performs an annual review of executive compensation, generally in the first quarter of the year following the year in review, with a presentation by our Chief Executive Officer regarding each element of the executive compensation arrangements. As part of the compensation review, our Chief Executive Officer may also recommend other changes to an executive's compensation arrangements such as to elect a change in the executive's responsibilities. Our Compensation Committee will evaluate the Chief Executive Officer's recommendations and, in its discretion, may accept or reject the recommendations, subject to the terms of any written employment agreements.

In the first quarter of 2017, our Compensation Committee met separately and with our Chief Executive Officer to review the performance goals of our various officers and to determine the extent to which the officer achieved such goals. Our Compensation Committee, in determining final incentive compensation for services rendered in 2016, also considered, among other things, the recommendations of our Chief Executive Officer, the overall operating results of our Company and the challenges met in achieving those operating results. The Committee noted the following with respect to 2016:

- We made significant strides in our investor relations program and our stock price hit record highs.
- Our total revenues in 2016 were the highest on record.
- Record operational performance was achieved across important metrics in each cinema division.
- A new theater was opened in Hawaii, our Company commenced the CAPEX program in the U.S. and completed the renovations of three Australia and New Zealand theaters.
- Gradual steps were taken in Australia and New Zealand to further expand the cinema portfolio while reviewing several opportunities in the U.S.
- Significant steps were taken through the year to progress our most important value creation projects: Union Square in the U.S., Newmarket Village in Australia and Courtenay Central in New Zealand.
- We acquired and substantially completed the renovation of our new corporate headquarters in Culver City, California.
- We completed three separate financing facilities and renegotiated two others.
- We took several important steps in significantly improving corporate governance.
- We overhauled our executive compensation structure and philosophy to better align compensation with the interest of stockholders.

Chief Executive Officer Compensation

On June 12, 2015, our Board appointed Ellen M. Cotter as our interim President and Chief Executive Officer. Initially, her base salary remained the same and she continued to receive the same base salary of \$402,000 that she received at the time of her appointment. In March of 2016, the Compensation Committee, with the assistance of Willis Towers Watson and Ms. Cotter, adopted new procedures regarding officer compensation.

For 2016, our Compensation Committee met in executive sessions without our Chief Executive Officer to consider the Chief Executive Officer's compensation, including base salary, cash bonus and equity award, if any. Prior to such executive sessions, our Compensation Committee interviewed our Chief Executive Officer to obtain a better understanding of factors contributing to the Chief Executive Officer's compensation. With the exception of these executive sessions of our Compensation Committee, as a rule, our Chief Executive Officer

participated in all deliberations of the Compensation Committee relating to executive compensation. However, our Compensation Committee also asked our Chief Executive Officer to be excused for certain deliberations with respect to the compensation recommended for Margaret Cotter, the sister of our Chief Executive Officer.

The Base Salary set for our Chief Executive Officer for 2016, or \$450,000, remains substantially below the market base salary median for our peer companies. By comparison, the Willis Towers Watson report showed that the 25th, 50th and 75th percentiles in the market peer group of Chief Executive Officer base salaries were \$505,000, \$565,000 and \$695,000, respectively. Because Ms. Cotter's potential short term incentive payment was based on a

percentage (95%) of her base salary, which was below the 25th percentile of market peers, Ms. Cotter's potential short term incentive payment was also set to be in a lower range than market peers.

In the first quarter of 2017, our Compensation Committee met separately and with our Chief Executive Officer to review the performance goals of our various officers and to determine the extent to which the officer achieved such goals. Our Compensation Committee, in determining final incentive compensation for services rendered in 2016, also considered, among other things, the recommendations of our Chief Executive Officer, the overall operating results of our Company and the challenges met in achieving those operating results.

2016 Base Salaries

Our Compensation Committee reviewed the executive pay summary prepared by Willis Towers Watson and other factors and engaged in extensive deliberation and then recommended the following 2016 base salaries for the following officers. For 2016 base salaries, our Board approved the recommendations of our Compensation Committee for 2016 base salaries for the President and Chief Executive Officer, Chief Financial Officer and our three most highly paid executive officers other than our Chief Executive Officer and the Chief Financial Officer, collectively referred to as our "named executive officers."

Name	Title	2016 Base Salary
Ellen Cotter ⁽¹⁾	President and Chief Executive Officer	\$ 450,000
Dev Ghose	EVP, Chief Financial Officer, Treasurer and Corporate Secretary	400,000
Andrzej J. Matyczynski ⁽²⁾	EVP-Global Operations	336,000
Robert F. Smerling	President, US Cinemas	375,000
Margaret Cotter ⁽³⁾	EVP-Real Estate Management and Development-NYC	350,000 ⁽³⁾

(1) Ellen M. Cotter was appointed President and Chief Executive Officer on January 8, 2016. From June 12, 2015 until January 8, 2016, Ms. Cotter was the Interim President and Chief Executive Officer.

(2) Andrzej J. Matyczynski was the Company's Chief Financial Officer and Treasurer until May 11, 2015 and thereafter he acted as Strategic Corporate Advisor to the Company. He was appointed EVP-Global Operations on March 10, 2016.

(3) Margaret Cotter was retained by the Company as a full time employee commencing March 10, 2016. Prior to that time, she provided services as an employee of OBI. A discussion of that arrangement and the amounts paid to OBI are set forth under the caption Related Party Transactions, below. The \$350,000 amount specified in the table was an annual compensation, of which \$285,343 was paid with respect to services performed in 2016.

2016 Short Term Incentives

The Short Term Incentives authorized by our Compensation Committee provide our executive officers and other management team members, who are selected to participate, with an opportunity to earn an annual cash bonus based upon the achievement of certain company financial goals, division goals and individual goals, established by our Chief Executive Officer and approved by our Compensation Committee. Because of the family relationship, the compensation payable to our Chief Executive Officer, Ellen Cotter, and Margaret Cotter must also be approved by our Board. Participants in the short-term incentive plan are advised of his or her annual potential target bonus expressed as a percentage of the participant's base salary and by dollar amount. The participant will be eligible for a short-term incentive bonus once the participant achieves goals identified at the beginning of the year for a threshold target, the potential target or potential maximum target bonus opportunity.

For 2016, the performance goals for our named executive officers included (i) a target for company-wide "Compensation Adjusted EBITDA" (a non-GAAP measure defined

below) of \$39,000,000; and (ii) Company-wide Property Development metrics. In addition, each of our named executive officers was given Compensation Committee approved individually tailored goals based on their respective areas of responsibility.

Management and the Compensation Committee use “Earnings before Interest, Taxes, Depreciation and Amortization, or “EBITDA,” a non-GAAP financial measure, for a number of purposes in assessing the performance of the Company. See our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, Item 6 – Selected Financial Data, a copy of which accompanies this Proxy Statement for a discussion and reconciliation of EBITDA. “Compensation Adjusted EBITDA” is one of the two principal Company-wide performance metrics used by the Compensation Committee and for assessing the performance of executives of the Company. Compensation Adjusted EBITDA is not otherwise used by management and is calculated in a manner intended to adjust out of EBITDA those elements not generally within the control of our executives, taking into account the precision of the annual operating and capital expenditure budgets and the circumstances during the year. The Compensation Adjusted EBITDA approved by our Compensation Committee for determining short-term incentives includes the following adjustments to EBITDA, with the amount of adjustments in 2016 as indicated:

	(\$ in thousands)
Net Income (Comparable GAAP financial measure)	9,403
EBITDA (Non-GAAP measure, see Item 6 – Selected Financial Data for reconciliation to net income)	\$ 35,894
Compensation Committee adjustments to EBITDA:	
(i) Adjustment for litigation expenses	3,651
(ii) Elimination of gains and losses from disposition of assets	(393)
(iii) Elimination of unusual or non-recurring events not included in the Company’s budget for the performance period, such as the sale of a cinema(s) or the cessation of a cinema operation as a result of a natural disaster	1,421
(iv) Elimination of unbudgeted impairment charges or gains	–
(v) Elimination of non-cash deferred compensation	799
(vi) Elimination of exchange rate adjustments	359
(vii) Box office/attendance industry adjustments to account for industry	–
Compensation Adjusted EBITDA	\$ 41,731

Ms. Ellen M. Cotter is our President and Chief Executive Officer. Her target bonus opportunity of 95% of Base Salary was dependent on Ms. Cotter’s achievement of her performance goals and achievement of corporate goals discussed above. Of that potential target bonus opportunity, her threshold bonus was achievable based upon meeting or exceeding the above referenced Company-wide goals (50%) and upon Ms. Cotter’s meeting or achieving certain individual goals (50%). Her individual goals included development of certain strategies and vision for our Company, working on development of 2017’s corporate budget, developing a stronger human resources function, working with our finance and tax groups to establish stronger procedures and controls and strategically evaluating certain of our real estate assets for value creation. Based on our Compensation Committee’s review, Ms. Cotter was awarded a bonus of \$363,375. Ms. Cotter’s bonus was also approved by our Board.

Dev Ghose is our EVP, Chief Financial Officer, Treasurer and Corporate Secretary. His potential target bonus opportunity of 50% of Base Salary was achievable based upon meeting or exceeding the above referenced Company-wide goals (50%) and on Mr. Ghose’s meeting or achieving certain individual goals (50%) related to his areas of responsibility, including internal audit, global financing costs, project financing, investor relations and return of stockholder capital. Based on our Compensation Committee’s review, Mr. Ghose was awarded a bonus of \$170,000. Mr. Andrzej J. Matyczynski is our EVP - Global Operations. His target bonus opportunity of 50% of Base Salary was achievable based upon meeting or exceeding the above referenced Company-wide goals (40%), meeting or exceeding division performance goals (30%), and on Mr. Matyczynski’s meeting or exceeding certain individual goals (30%) related to his areas of responsibility, including certain corporate growth and cinema division goals. Based on our Compensation Committee’s review, Mr. Matyczynski was awarded a bonus of \$50,000. Mr. Robert Smerling is President, US Cinemas. His target bonus opportunity of 30% of Base Salary was achievable based upon meeting or exceeding the

above referenced Company-wide goals (40%), achievement of division performance goals (30%), and on Mr. Smerling's meeting or exceeding certain individual goals (30%) related to his areas of responsibility, including certain US cinemas/film buying, US circuit growth and US real estate/US circuit growth. Based on our Compensation Committee's review, Mr. Smerling was awarded a bonus of \$72,068. Ms. Margaret Cotter is our EVP – Real Estate Management and Development-NYC. Her target bonus opportunity of 30% of Base Salary was achievable based upon meeting or exceeding the above referenced Company-wide goals (40%), meeting or exceeding division performance goals (30%), and on Ms. Cotter's meeting or exceeding certain individual goals (30%) related to her areas of responsibility, including certain New York City real estate and live theater matters. Based on our Compensation Committee's review, Ms. Cotter was awarded a bonus of \$95,000. Ms.

Cotter's bonus was also approved by our Board.

The positions of other management team members had target bonus opportunities ranging from 20% to 30% of Base Salary based on achievement certain goals. The highest level of achievement, participants were eligible to receive up to a maximum of 150% of his or her target bonus amount. While Company-wide goals were objectively measurable, many of the individual goals had both objective and subjective elements, so the Compensation Committee used discretion in making its final decisions.

Long-Term Incentives

Long-Term incentives utilize the equity-based plan under our 2010 Stock Incentive Plan, as amended (the "2010 Plan"). For 2016, executive and management team participants received awards in the following forms: 50% time-based restricted stock units and 50% non-statutory stock options. The grants of restricted stock units and options will vest ratably over a four (4) year period with 1/4th vesting on each anniversary date of the grant date.

The following grants were made for 2016 on March 10, 2016:

2016			
Name	Title	Dollar Amount of Restricted Stock Units	Dollar Amount of Non-Statutory Stock Options (1)
Ellen M. Cotter	President and Chief Executive Officer	\$ 150,000	\$ 150,000
Devasis Ghose ⁽²⁾	EVP, Chief Financial Officer, Treasurer and Corporate Secretary	0	0
Robert F. Smerling	President, US Cinemas	50,000	50,000
Andrzej J. Matyczynski	EVP-Global Operations	37,500	37,500
Margaret Cotter	EVP-Real Estate Management and Development-NYC	50,000	50,000

(1) The number of shares of stock to be issued will be calculated using the Black Scholes pricing model as of the date of grant of the award

(2) Mr. Dev Ghose was awarded 100,000 non-statutory stock options vesting over a 4-year period commencing on Mr. Ghose's first day of employment on May 11, 2015

All long-term incentive awards are subject to other terms and conditions set forth in the 2010 Stock Incentive Plan and award grant. In addition, individual grants include certain accelerated vesting provisions. In the case of employees, the accelerated vesting will be triggered upon (i) the award recipient's death or disability, (ii) certain corporate transactions in which the awards are not replaced with substantially equivalent awards, or (iii) upon termination without cause or resignation for "good reason" within twenty-four months of a change of control, or a corporate transaction where equivalent awards have been substituted. In the case of awards to non-executive directors, the accelerated vesting will be triggered upon a change of control or certain corporate transactions in which awards are not replaced with substantially equivalent awards.

Our Compensation Committee has generally discussed, but has not yet seriously evaluated, future consideration of adding a performance condition to the long-term incentive awards.

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 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.

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. The DCP allowed Mr. Matyczynski to defer part of the cash portion of his compensation, subject to annual limits set forth in the DCP. The funds held pursuant to the DCP are not segregated and do not accrue interest or other earnings. 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. Please see the “*Nonqualified Deferred Compensation*” table for additional information. In addition, Mr. Matyczynski is entitled to a lump-sum severance payment of \$50,000, provided there has been no termination for cause and subject to certain offsets, upon his retirement.

Upon the termination of Mr. Matyczynski’s employment, he will also be 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 for reasons other than his death or termination for cause. The DCP was to vest over seven years and with full vesting to occur in 2019 at \$1,000,000 in deferred compensation. However, in connection with his changed employment to EVP - Global Operations, the Company and Mr. Matyczynski agreed that the Company would cease making contributions to the DCP on April 15, 2016 and that the final contributions by the Company to the DCP would be \$150,000 for 2015, and \$21,875 for 2016, satisfying the Company’s total contribution obligations under the DCP at an amount of \$621,875.

The DCP is an unfunded contractual obligation of the Company. DCP benefits are paid from the general assets of the Company. However, the Company reserves the right to establish a grantor trust from which DCP benefits may be paid.

In March 2016, the Compensation Committee approved a one-time retirement benefit for Robert Smerling, President, Cinema Operations, due to his significant long term service to the Company. The retirement benefit is a single year benefit in an amount equal to the average of the two highest total cash compensation (base salary plus cash bonus) years paid to Mr. Smerling in the then most recently completed five-year period.

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

Key Person Insurance

We maintain life insurance on certain individuals who we believe to be key to our management, including certain named executive officers. If such individual ceases to be our employee or independent contractor, 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 we are the beneficiary and the insurance as to which our employee is the beneficiary, is paid by us. In the case of named executive officers, the premium paid by us 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. Historically, certain of our other named executive officers also received an automobile allowance. The table below shows car allowances granted to our named executive officers under their employment agreements or

arrangements. Beginning in 2017, our Compensation Committee recommended and management has agreed to eliminate car allowances. From time to time, we may provide other perquisites to one or more of our other named executive officers.

Officer	Annual Allowance (\$)
Ellen M. Cotter	13,800
Devasis Ghose	12,000
Robert F. Smerling	18,000
Andrzej J. Matyczynski	12,000

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. Our 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.

Nonqualified Deferred Compensation

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

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently composed of Mr. Kane, who serves as Chair, Mr. McEachern and Dr. Coddling. Mr. Adams served on our Compensation Committee until May 2016. None of the members of the Compensation Committee was an officer or employee of the Company at any time during 2015. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has or had one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

REPORT OF THE COMPENSATION COMMITTEE

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 Proxy Statement.

Respectfully submitted,

Edward L. Kane, Chair
Judy Coddling
Douglas McEachern

Executive Compensation

This section discusses the material components of the compensation program for our executive officers named in the Summary Compensation Table below. In 2016, our named executive officers and their positions were as follows:

- Ellen M. Cotter, Chairperson of the Board, President and Chief Executive Officer, interim President and Chief Executive Officer, Chief Operating Officer – Domestic Cinemas and Chief Executive Officer of Consolidated Entertainment, LLC
- Dev Ghose, EVP, Chief Financial Officer and Treasurer
- Andrzej J. Matyczynski, EVP-Global Operations
- Margaret Cotter, EVP, Real Estate Management and Development-NYC; and

· Robert F. Smerling, President – Domestic Cinema Operations.

Summary Compensation Table

The following table shows the compensation paid or accrued during the last three fiscal years ended December 31, 2016 to (i) Ellen M. Cotter, who served as our interim principal executive officer from June 12, 2015 through January 8, 2016 and who since that date has served as our principal executive officer, (ii) Mr. Dev Ghose, who served as our Chief Financial Officer starting May 11, 2015, and (iii) the other three most highly compensated persons who served as executive officers in 2016.

The following executives are herein referred to as our “named executive officers”:

	Year	Salary (\$)	Bonus (\$)	Restricted Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earning (\$)		Other Compensation (\$)	Total (\$)
Ellen M. Cotter ⁽³⁾	2016	450,000	—	150,000	150,000	363,375	—	—	25,550 ⁽⁴⁾	1,138,925
President and	2015	402,000	250,000	—	—	—	—	—	25,465 ⁽⁴⁾	677,465
Chief Executive	2014	335,000	—	—	—	—	—	—	75,190 ⁽⁴⁾⁽⁵⁾	410,190
Officer										
Devasis Ghose ⁽⁶⁾	2016	400,000	—	—	—	170,000	—	—	27,140 ⁽⁴⁾	597,140
EVP, Chief Financial	2015	257,692	75,000	—	382,334	—	—	—	15,730 ⁽⁴⁾	730,756
Officer, Treasurer	2014	—	—	—	—	—	—	—	—	—
and										
Corporate Secretary										
Robert F. Smerling	2016	375,000	—	50,000	50,000	72,068	—	—	23,434 ⁽⁴⁾	570,502
President – Domestic	2015	350,000	75,000	—	—	—	—	—	22,899 ⁽⁴⁾	447,899
Cinema Operations	2014	350,000	65,000	—	—	—	—	—	22,421 ⁽⁴⁾	437,421
Andrzej J.										
Matyczynski ⁽⁷⁾	2016	336,000	—	37,500	37,500	50,000	21,875 ⁽⁸⁾	—	27,805 ⁽⁴⁾	510,680
EVP-Global										
Operations	2015	324,000	—	—	33,010	—	150,000 ⁽⁸⁾	—	27,140 ⁽⁴⁾	534,150
	2014	308,640	—	—	33,010	—	150,000 ⁽⁸⁾	—	26,380 ⁽⁴⁾	518,030
Margaret Cotter ⁽⁹⁾	2016	285,343	—	50,000	50,000	95,000	—	—	11,665 ⁽⁴⁾	492,008
EVP-Real Estate	2015	10,990	—	—	—	—	—	—	—	10,990
Management and	2014	4,375	—	—	—	—	—	—	—	4,375
Development-NYC										

- (1) Stock awards granted as a component of the 2016, 2015 and 2014 annual incentive awards are reported in this column as 2016, 2015 and 2014 compensation, respectively, to reflect the applicable service period for such awards, however, these stock grants were approved by the Compensation Committee during the first quarter of the following calendar year. 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.
- (2) For the year ended December 31, 2016, the Compensation Committee approved the payment of a short-term incentives cash bonus. For a discussion regarding the 2016 short term incentive, see “Compensation Discussion and Analysis – 2016 Short Term Incentives.”
- (3) Ms. Ellen M. Cotter was appointed our interim President and Chief Executive Officer on June 12, 2015.
- (4) Includes our matching employer contributions under our 401(k) plan, the imputed tax of key person insurance, and any automobile allowances. Aside from the car allowances only the employer contributions for the 401(k) plan exceeded \$10,000, see table below. See the table in the section entitled Employee Benefits and Perquisites for the amount of each individual’s car allowance.

Name	2016	2015	2014
Ellen M. Cotter	\$ 10,600	\$ 10,600	\$ 10,400
Devasis Ghose	10,600	4,000	0
Andrzej J. Matyczynski	10,600	10,600	10,400
Margaret Cotter	10,600	0	0
Robert F. Smerling	0	0	0

- (5) Includes a \$50,000 tax gross-up for taxes incurred as a result of the exercise of nonqualified stock options that were intended to be issued as incentive stock options.
- (6) Mr. Ghose became Chief Financial Officer and Treasurer on May 11, 2015, as such; he was paid a prorated amount of his \$400,000 salary for 2015.

- (7) Mr Matyczynski resigned as our Chief Financial Officer and Treasurer on May 11, 2015, and acted as our Strategic Corporate Advisor until March 10, 2016, then took on the role of EVP-Global Operations
- (8) 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
- (9) Margaret Cotter was retained by the Company as a full time employee commencing March 10, 2016 As such, she was paid a prorated amount of her \$350,000 base salary for 2016 Prior to that time, she provided services as an employee of OBI A discussion of that arrangement and the amounts paid to OBI are set forth under the caption Certain Relationships and Related Party Transactions, below

Grants of Plan-Based Awards

The following table contains information concerning (i) potential payments under the Company's compensatory arrangements when performance criteria under such arrangements were established by the Compensation Committee in the first quarter of 2016 (actual payouts are reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation table) and (ii) stock awards and options granted to our named executive officers for the year ended December 31, 2016:

Name	Award Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Awards: Number of Securities Underlying Option	Exercise or Base Price of Option	Grant Date Fair Value of Stock and Option
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Ellen M Cotter	Short-term Incentive(1)		213,750	427,500	641,250	—	—	—			11 95	300,000
	Stock Options	3/10/2016								59,763		
	RSU	3/10/2016							12,552			
Devasis Ghose	Short-term Incentive(1)		100,000	200,000	300,000	—	—	—	—	—	—	—
	Stock Options											
	RSU											
Robert F Smerling	Short-term Incentive(1)		56,250	112,500	168,750	—	—	—			11 95	100,000
	Stock Options	3/10/2016								19,921		
	RSU	3/10/2016							4,184			
Andrzej J Matyczynski	Short-term Incentive(1)		84,000	168,000	252,000	—	—	—			11 95	75,000
	Stock Options	3/10/2016								14,941		
	RSU	3/10/2016							3,138			
Margaret Cotter	Short-term Incentive(1)		52,500	105,000	157,500	—	—	—			11 95	100,000
	Stock Options	3/10/2016								19,921		
	RSU	3/10/2016							4,184			

(1) Represents the short-term (or annual) incentive for fiscal year 2016. The award amount is based upon the achievement of certain company financial goals measured by our EBITDA and development metrics, division goals and individual goals, as approved by the Compensation Committee. For a discussion regarding the 2016 short term incentive, see "Compensation Discussion and Analysis – 2016 Short Term Incentives."

(2) Represents stock options granted under our Stock Incentive Plan. The stock options granted to the Named Executive Officers in 2016 have a 5-year term and vests to 25% of the shares of our common stock underlying the option grant per year on the first day of each successive 12-month period commencing one year from the date of the grant. Options are granted with an exercise price equal to the closing price per share on the date of grant.

(3) Represents the aggregate ASC 718 value of awards made in 2016.

Nonqualified Deferred Compensation

Name	Executive contributions in 2016 (\$)	Registrant contributions in 2016 (\$)	Aggregate earnings in 2016 (\$)	Aggregate withdrawals/distributions (\$)	Number of years of credited service	Aggregate balance at December 31, 2016 (\$)
Andrzej J Matyczynski ⁽¹⁾	0	21,875	0	0	7	621,875

(1) Mr. Matyczynski is the only executive who has a Nonqualified Deferred Compensation.

2010 Equity Incentive Plan

On May 13, 2010, our stockholders approved the 2010 Stock Incentive Plan at the annual meeting of stockholders in accordance with the recommendation of our Board. The Plan provides for awards of stock options, restricted stock, bonus stock, and stock appreciation rights to eligible employees, Directors, and consultants. On March 10, 2016 our Board approved a First Amendment to the Plan to permit the award of restricted stock units. On March 2, 2017 and on April 26, 2017, our Board approved a further amendment to the Plan (the Second Amendment to the Plan) to allow net exercises of stock options to be made at the Participant's election; to incorporate the substance of the resolutions of the Compensation Committee on May 16, 2013 authorizing certain cashless transactions automatic exercise of expiring in the money options; and to broaden the permissible tax withholding by surrender of shares and to change the definition of Fair Market Value for purposes of the calculation of share value for purposes of net exercises and cashless exercises from the closing price to the average of the price of the highest sale price and the lowest sale price on the applicable measured day. The Plan permits issuance of a maximum of 1,250,000 shares of Class A Stock of which, 645,143 has been used to date. The Plan expires automatically on March 11, 2020.

Equity awards under our Plan are intended by us as a means to attract and retain qualified management, directors and consultants, to bind the interests of eligible recipients more closely to our own interests by offering them opportunities to acquire our common stock and/or cash and to afford eligible recipients stock-based compensation opportunities that are competitive with those afforded by similar businesses. Equity awards may include stock options, restricted stock, restricted stock units, bonus stock, or stock appreciation rights.

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 Stock 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.

Policy on Stock Ownership

At its meeting held March 23, 2017, our Board determined that, as a matter of policy, directors should hold shares of the Company's common stock having a fair market value equal to not less than three times (3X) their annual cash retainer, that the chief executive officer should hold shares of the Company's common stock having a fair market value equal to not less than six times (6X) her base salary, and that all other executive officers (as defined in the Compensation Committee Charter) should hold shares of the Company's common stock having a fair market value equal to not less than one times (1X) their respective base salaries. In each case, fair market value would be determined by reference to the trading price of such securities on the NASDAQ, as measured at the end of each calendar year. The Board further determined that for purposes of determining requisite stock ownership, there should be included all shares owned of record or beneficially, all vested and unvested stock options and all vested and unvested restricted stock units held by such individual and that the individuals covered by the policy should have a period of five years in which to achieve such levels of ownership.

Outstanding Equity Awards

The following table sets forth outstanding equity awards held by our named executive officers as of December 31, 2016 under the Plan:

Outstanding Equity Awards at Year Ended December 31, 2016

Name	Class	Option Awards				Restricted Stock Awards				
		Number of Shares Underlying Unexercised Options	Number of Shares Underlying Unexercised Options	Equity Incentive Plan Awards: No. of Common Shares Underlying Unexercised Options	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 (\$)	Equity Incentive Plan Awards: No. of Common Shares That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested
Ellen M	A	20,000	—	—	5.55	3/6/2018	—	—	—	—
Cotter	A	14,941	44,822 ⁽²⁾	—	11.95	3/9/2021	—	—	—	—
	A	—	—	—	—	—	9,414 ⁽³⁾	\$ 156,272	—	—
Devasis Ghose	A	17,500	75,000 ⁽⁴⁾	—	13.42	5/10/2020	—	—	—	—
Andrzej J	A	25,000	—	—	6.02	8/22/2022	—	—	—	—
Matyczynski	A	3,735	11,206 ⁽⁵⁾	—	11.95	3/9/2021	—	—	—	—
	A	—	—	—	—	—	2,354 ⁽⁶⁾	\$ 39,076	—	—
Robert F	A	43,750	—	—	10.24	5/8/2017	—	—	—	—
Smerling	A	4,980	14,941 ⁽⁷⁾	—	11.95	3/9/2021	—	—	—	—
	A	—	—	—	—	—	3,138 ⁽⁸⁾	\$ 52,091	—	—
Margaret	A	5,000	—	—	6.11	6/20/2018	—	—	—	—
Cotter	A	2,000	—	—	12.34	1/14/2020	—	—	—	—
	A	4,980	14,941 ⁽⁹⁾	—	11.95	3/9/2021	—	—	—	—
	A	—	—	—	—	—	3,138 ⁽¹⁰⁾	\$ 52,091	—	—

(1) Reflects the amount calculated by multiplying the number of unvested restricted shares by the closing price of our Common Stock as of December 31, 2016 or \$16.60

(2) 14,941 options will vest on each of March 10, 2018 and March 10, 2019 and 14,940 will vest on March 10, 2020

(3) 3,138 units will vest on each of March 10, 2018, March 10, 2019 and March 10, 2020

(4) 25,000 options will vest on each of May 10, 2017, May 10, 2018 and May 10, 2019

(5) 3,735 options will vest on each of March 10, 2018 and March 10, 2019, and 3,736 options will vest on March 10, 2020

(6) 785 units will vest on March 10, 2018, and 784 units will vest on each of March 10, 2019 and March 10, 2020

(7) 4,980 options will vest on each of March 10, 2018 and March 10, 2019, and 4,981 options will vest on March 10, 2020

(8) 1,046 units will vest on each of March 10, 2018, March 10, 2019 and March 10, 2020

(9) 4,980 options will vest on each of March 10, 2018 and March 10, 2019, and 4,981 options will vest on March 10, 2020

(10) 1,046 units will vest on each of March 10, 2018, March 10, 2019 and March 10, 2020

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, 2016:

Name	Class	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
Ellen M. Cotter	—	—	—	—	—
Devasis Ghose	A	7,500	102,900	—	—
Andrzej J. Matyczynski	—	—	—	—	—
Robert F. Smerling	—	—	—	—	—
Margaret Cotter	—	—	—	—	—

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2016, a summary of certain information related to our equity incentive plans under which our equity securities are authorized for issuance:

Equity compensation plans approved by security holders ⁽¹⁾	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Stock Options	535,077 ⁽²⁾	\$ 9.84	
Restricted Stock Units	68,153 ⁽²⁾	11.96	
Total	603,230		604,857

(1) These plans are the Company's 1999 Stock Option Plan and 2010 Stock Incentive Plan

(2) Represents outstanding stock awards only

Potential Payments upon Termination of Employment or Change in Control

The following paragraphs provide information regarding potential payments to each of our named executive officers in connection with certain termination events, including a termination related to a change of control of the Company, as of December 31, 2016:

Mr. Dev Ghose – Termination without Cause. Under his employment agreement, we may terminate Mr. Ghose's employment with or without cause (as defined) at any time. If we terminate his employment without cause or fail to renew his employment agreement upon expiration without cause, Mr. Ghose will be entitled to receive severance in an amount equal to the salary and benefits he was receiving for a period of 12 months following such termination or non-renewal. If the termination is in connection with a "change of control" (as defined), Mr. Ghose would be entitled to severance in an amount equal to the compensation he would have received for a period two years from such termination.

Mr. Andrzej J. Matyczynski – Deferred Compensation Benefits. During 2012, Mr. Matyczynski was granted an unfunded, nonqualified 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. Please see the "Nonqualified Deferred Compensation" table for additional information.

Upon the termination of Mr. Matyczynski's employment, he will be 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 for reasons other than his death or termination for cause. The DCP was to vest over 7 years and with full vesting to occur in 2019 at \$1,000,000 in deferred compensation. However, in connection with his employment as EVP Global Operations, the Company and Mr. Matyczynski agreed that the Company would cease making contributions to the DCP on April 15, 2016 and that the final contributions by the Company to the DCP would be \$150,000 for 2015 and \$21,875 for 2016, satisfying the Company's obligations under the DCP. Mr. Matyczynski's agreement contains nonsolicitation provisions that extend for one year after his retirement.

Under Mr. Matyczynski's agreement, on his retirement date and provided there has not been a termination for cause, Mr. Matyczynski will be entitled to a lump sum severance payment in an amount equal to \$50,000, less certain offsets.

Robert F. Smerling – Retirement Benefit. In March 2016, the Compensation Committee approved a one-time retirement benefit for Robert Smerling, President, Cinema Operations, due to his significant long-term service to the Company. The retirement benefit is a single year payment based on the average of the two highest total cash compensation (base salary plus cash bonus) years paid to Mr. Smerling in the then most recently completed five-year period.

Option and RSU Grants. All long-term incentive awards are subject to other terms and conditions set forth in the 2010 Plan and award grant. In addition, beginning in 2017, individual grants include certain accelerated vesting provisions. In the case of employees, the accelerated vesting will be triggered upon (i) the award recipient's death or disability, (ii) certain corporate transactions in which the awards are not replaced with substantially equivalent awards, or (iii) upon termination without cause or resignation for "good reason" within twenty-four months of a change of control, or a corporate transaction where equivalent awards have been substituted. Options granted prior to that date typically provide for acceleration upon a "Corporate Transaction" defined to mean (i) a sale, lease or other disposition of all or substantially all of the capital stock or assets of our Company, (ii) a merger or consolidation of our Company, or (iii) a reverse merger in which our Company is the surviving corporation but the shares or Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise. If not so provided for in the applicable grant, then the acquiring entity has the right to substitute similar grants and if no such grants are substituted, then the outstanding then the applicable stock award terminates if not exercised on or prior to the date of such Corporate Transaction. RSU's granted prior to that date did not provide for acceleration upon a change of control.

Except as described above, no other named executive officers currently have employment agreements or other arrangements providing benefits upon termination or a change of control. The table below shows the maximum benefits that would be payable to each person listed above in the event of such person's termination without cause or termination in connection with a change in control, if such events occurred on December 31, 2016, assuming the transaction took place on December 31, 2016 at price equal to the closing price of the Class A stock, which was of \$16.60.

Payable on upon Termination without Cause (\$)				Payable on upon Termination in Connection with a Change in Control (\$)			Payable upon Retirement (\$)
	<i>Value of Vested Stock</i>	<i>Value of Vested Option Awards(1)</i>	<i>Value of Health Benefits</i>		<i>Value of Vested Stock</i>	<i>Value of Vested Stock Options (1)</i>	<i>Benefits Payable under Retirement Plans or the DCP</i>
<i>Severance Payments</i>	<i>Awards</i>	<i>Awards(1)</i>	<i>Benefits</i>	<i>Severance Payments</i>	<i>Awards</i>	<i>Options (1)</i>	

Ellen M. Cotter	–	–	290,476	–	–	–	498,898	–
Devasis Ghose	400,000	–	55,650	23,040	800,000	–	294,150	–
Andrzej J. Matczynski	–	–	281,868	–	–	–	333,976	621,875 ⁽²⁾
Margaret Cotter	–	–	84,127	–	–	–	153,603	–
Robert F. Smerling	–	–	301,407	–	–	–	307,883	459,200 ⁽³⁾

- (1) Reflects the amount calculated by multiplying the number of unvested restricted shares by the closing price of our Common Stock as of December 30, 2016 or \$16.60. In the event of a change in control all unvested options vest the day before the change in control. In the event of death or disability, all restricted stock awards vest.
- (2) Represents vested benefit under his DCP and the payment will be made in accordance with the terms of the DCP. For a discussion regarding the Mr. Matczynski's DCP, see "Compensation Discussion and Analysis – Other Elements of Compensation – Other Retirement Plans."

- (3) Mr. Smerling's one-time retirement benefit is a single year payment based on the average of the two highest total cash compensation (base salary plus cash bonus) years paid to Mr. Smerling in the most recently completed five-year period. The figure quoted in the table represents the average of total compensation paid for years 2016 and 2015.

Employment Agreements

As of December 31, 2016, our named executive officers had the following employment agreements in place.

Dev Ghose. On April 20, 2015, we entered into an employment agreement with Mr. Dev Ghose, pursuant to which he agreed to serve as our Chief Financial Officer for a one-year term, renewable annually, commencing on May 11, 2015. The employment agreement provides that Mr. Ghose is to receive an annual base salary of \$400,000, with an annual target bonus of \$200,000, and employee benefits in line with those received by our other senior executives. Mr. Ghose was also granted stock options to purchase 100,000 shares of Class A Stock at an exercise price equal to the closing price of our Class A Stock 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. Ghose's employment with or without cause (as defined) at any time. If we terminate his employment without cause or fail to renew his employment agreement upon expiration without cause, Mr. Ghose will be entitled to receive severance in an amount equal to the salary and benefits he was receiving for a period of 12 months following such termination or non-renewal. If the termination is in connection with a "change of control" (as defined), Mr. Ghose would be entitled to severance in an amount equal to the compensation he would have received for a period two years from such termination.

Andrzej J. Matyczynski. Mr. Matyczynski, our former Chief Financial Officer, Treasurer and Corporate Secretary, has a written agreement with our Company that provides for a lump-sum severance payment of \$50,000, provided there has been no termination for cause and subject to certain offsets, and to the payment of his vested benefit under his deferred compensation plan discussed below in the section entitled "Other Elements of Compensation." Mr. Matyczynski resigned as our Corporate Secretary on October 20, 2014 and as our Chief Financial Officer and Treasurer effective May 11, 2015, but continued as an employee in order to assist in the transition of our new Chief Financial Officer. He was appointed EVP-Global Operations in March 2016.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The members of our Audit Committee are Douglas McEachern, who serves as Chair, Edward Kane and Michael Wrotniak. Management presents all potential related party transactions to the Audit Committee for review. Our Audit 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. See the discussion entitled “*Review, Approval or Ratification of Transactions with Related Persons*” for additional information regarding the review process.

Sutton Hill Capital

In 2001, we entered into a transaction with Sutton Hill Capital, LLC (“SHC”) regarding the master 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 (i) 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 (ii) to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by the Cotter Estate or the Cotter Trust and a third party.

As previously reported, over the years, two of the cinemas subject to the master leasing agreement have been redeveloped and one (the Cinemas 1, 2, 3 discussed below) has been acquired. The Village East is the only cinema that remains subject to this master lease. We paid an annual rent of \$590,000 for this cinema to SHC in each of 2016, 2015, and 2014. During this same period, we received management fees from the 86th Street Cinema of \$150,000, \$151,000, \$123,000, respectively.

In 2005, we acquired (i) from a third party the fee interest underlying the Cinemas 1, 2, 3 and (ii) from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1, 2, 3. The ground lease estate and the improvements acquired from SHC were originally a part of the master lease transaction, discussed above. In connection with that transaction, we granted to SHC an option to acquire at cost a 25% interest in the special purpose entity (Sutton Hill Properties, LLC (“SHP”) formed to acquire these fee, leasehold and improvements interests. On June 28, 2007, SHC exercised this option, paying \$3.0 million and assuming a proportionate share of SHP’s liabilities. At the time of the option exercise and the closing of the acquisition of the 25% interest, SHP had debt of \$26.9 million, including a \$2.9 million, non-interest bearing intercompany loan from the Company. As of December 31, 2015, SHP had debt of \$19.4 million (again, including the intercompany loan). Since the acquisition by SHC of its 25% interest, SHP has covered its operating costs and debt service through cash flow from the Cinemas 1, 2, 3, (ii) borrowings from third parties, and (iii) pro-rata contributions from the members. We receive an annual management fee equal to 5% of SHP’s gross income for managing the cinema and the property, amounting to \$177,000, \$153,000 and \$118,000 in 2015, 2014 and 2013 respectively. This management fee was modified in 2015, as discussed below, retroactive to December 1, 2014.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema by 10 years, with a new termination date of June 30, 2020. This amendment was reviewed and approved by our Audit Committee. 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 Reading 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. We recorded the Village East Cinema building as a property asset of \$4.7 million on our balance sheet based on the cost carry-over basis from an

entity under common control with a corresponding capital lease liability of \$5.9 million presented under other liabilities (see our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, Item 8. Financial Statements and Supplementary Data, Notes to Consolidated Financial Statements, Note 11 – *Pension and Other Liabilities*, a copy of which accompanies this Proxy Statement).

In February 2015, SHP and we entered into an amendment to the management agreement dated as of June 27, 2007 between SHP and us. 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 1, 2, 3 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 (the “Improvements 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. In 2016 and 2015, we received no Improvements Fee. This amendment was approved by SHC and by our Audit Committee.

On August 31, 2016, SHP secured a new three-year mortgage loan (\$20.0 million) with Valley National Bank, the proceeds of which were used to repay the mortgage on the property with the Bank of Santander (\$15.0 million), to repay our Company for its \$2.9 million loan to SHP), and for working capital purposes.

OBI Management Agreement

Pursuant to a Theater Management Agreement (the “Management Agreement”), our live theater operations were, until this year, managed by Off-Broadway Investments, LLC (“OBI Management”), which is wholly owned by Ms. Margaret Cotter who is the daughter of the late Mr. James J. Cotter, Sr., the sister of Ellen Cotter and James Cotter, Jr., and a member of our Board of Directors. That Management Agreement was terminated effective March 10, 2016 in connection with the retention by our Company of Margaret Cotter as a full time employee.

The Theater Management Agreement generally provided for the payment of a combination of fixed and incentive fees for the management of our four live theaters. Historically, these fees have equated to approximately 21% of the net cash flow generated by these properties. The fees to be paid to OBI for 2016, 2015 and 2014 were \$79,000, \$589,000 and \$397,000, respectively. We also reimbursed OBI for certain travel expenses, shared the cost of an administrative assistant and provided office space at our New York offices. The increase in the payment to OBI for 2015 was attributable to work done by Margaret Cotter, working through OBI, with respect to the development of our Union Square and Cinemas 1, 2, 3 properties.

OBI Management historically conducted its operations from our office facilities on a rent-free basis, and we shared the cost of one administrative employee of OBI Management. 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. Other than these expenses, OBI Management was responsible for all of its costs and expenses related to the performance of its management functions. The Management Agreement renewed 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 could terminate the Management Agreement at any time for cause.

Effective March 10, 2016, Margaret Cotter became a full time employee of the Company and the Management Agreement was terminated. As Executive Vice-President Real Estate Management and Development - NYC, Ms. Cotter continues to be responsible for the management of our live theater assets, continues her role heading up the pre-redevelopment of our New York properties and is our senior executive responsible for the redevelopment of our

New York properties. Pursuant to the termination agreement, Ms. Cotter gave up any right she might otherwise have, through OBI, to income from STOMP.

Ms. Cotter's compensation as Executive Vice-President was recommended by the Compensation Committee as part of an extensive review of our Company's overall executive compensation and approved by the Board. For 2016, Ms. Cotter's base salary was \$350,000 (\$285,343 being paid in 2016, reflecting her March 10, 2016 start date), and bonus was \$95,000, she was granted a long term incentive of a stock option for 19,921 shares of Class A common stock and 4,184 restricted stock units under the Company's 2010 Stock Incentive Plan, as amended, which long term incentives vest over a four-year period.

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 been playing in our Orpheum Theatre since prior to the time we acquired the theater in 2001. The Cotter Estate or the Cotter Trust and Mr. Michael Forman own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater. Refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, Item 3 – *Legal Proceedings*, a copy of which accompanies this Proxy Statement, for more information about the show STOMP.

Shadow View Land and Farming, LLC

Director Guy Adams performed consulting services for James J. Cotter, Sr., with respect to certain holdings that are now controlled by the Cotter Estate and/or the Cotter Trust (collectively the “Cotter Interests”). These holdings include a 50% non-controlling membership interest in Shadow View Land and Farming, LLC (the “Shadow View Investment” and “Shadow View” respectively), certain agricultural interests in Northern California (the “Cotter Farms”) and certain land interests in Texas (the “Texas Properties”). In addition, Mr. Adams is the CFO of certain captive insurance entities, owned by trusts for the benefit of Ellen M. Cotter, James J. Cotter, Jr. and Margaret Cotter (the “captive insurance entities”).

Shadow View is a consolidated subsidiary of the Company. The Company has from time to time made capital contributions to Shadow View. The Company has also, from time to time, as the managing member, funded on an interim basis certain costs incurred by Shadow View, ultimately billing such costs through to the two members. The Company has never paid any remuneration to Shadow View. Mr. Adams’ consulting fees with respect to the Shadow View Interest were to have been measured by the profit, if any, derived by the Cotter Interests from the Shadow View Investment. He has no beneficial interest in Shadow View or the Shadow View Investment. His consulting fees with respect to Shadow View were equal to 5% of the profit, if any, derived by the Cotter Interests from the Shadow View Investment after recoupment of its investment plus a return of 100%. To date, no profits have been generated by Shadow View and Mr. Adams has never received any compensation with respect to these consulting services. His consulting fee would have been calculated only after the Cotter Interests had received back their costs and expenses and two times their investment in Shadow View. Mr. Adams’ consulting fees would have been 2.5% of the then-profit, if any, recognized by Shadow View, considered as a whole.

The Company and its subsidiaries (i) do not have any interest in, (ii) have never conducted any business with, and (iii) have not made any payments to, the Cotter Family Farms, the Texas Properties and/or the captive insurance entities.

Director Independence

Our Company common stock is traded on NASDAQ, and we comply with applicable listing rules of the NASDAQ Stock Market (the “NASDAQ Listing Rules”). In determining who is an “independent director”, we follow the definition in section 5605(a)(2) of the NASDAQ Listing Rules.

Under such rules, we consider the following directors to be independent: Guy Adams, Dr. Judy Coddington, William Gould, Edward Kane, Douglas McEachern and Michael Wrotniak.

We are not aware of any applicable transactions, relationships or arrangements not disclosed above that were considered by our Board of Directors under the applicable independence definitions in determining that any of our directors is independent.

Because we are a “controlled company” under NASDAQ rules, we are not required to and do not maintain a standing Nominating Committee. Our Board, consisting of a majority of Independent Directors, approved the Board nominees for our 2017 Annual Meeting.

Under the independent director definition under section 5605(a)(2) of the NASDAQ Listing Rules, we do not currently consider the following directors to be independent: Ellen Cotter, Margaret Cotter and James Cotter, Jr.

Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee has adopted a written charter, which includes responsibility for approval of “Related Party Transactions.” Under its charter, the Audit Committee performs the functions of the “Conflicts Committee” of the Board and is delegated responsibility and authority by the Board to review, consider and negotiate, and to approve or disapprove on behalf of the Company the terms and conditions of any and all Related Party Transactions (defined below) with the same effect as though such actions had been taken by the full Board. Any such matter requires no further action by the Board in order to be binding upon the Company, except in the case of matters that, under applicable Nevada law, cannot be delegated to a committee of the Board and must be determined by the full Board. In those cases where the authority of the Board cannot be delegated, the Audit Committee nevertheless provides its recommendation to the full Board.

As used in the Audit Committee’s Charter, the term “Related Party Transaction” means any transaction or arrangement between the Company on one hand, and on the other hand (i) any one or more directors, executive officers or stockholders holding more than 10% of the voting power of the Company (or any spouse, parent, sibling or heir of any such individual), or (ii) any one or more entities under common control with any one of such persons, or (iii) any entity in which one or more such persons holds more than a 10% interest. Related Party Transactions do not include matters related to employment or employee compensation related issues.

The charter provides that the Audit Committee reviews transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the Audit Committee takes into account, among other factors it deems appropriate:

- the approximate dollar value of the amount involved in the transaction and whether the transaction is material to us;
- whether the terms are fair to us, have resulted from arm’s length negotiations and are on terms at least as favorable as would apply if the transaction did not involve a Related Person;
- the purpose of, and the potential benefits to us of, the transaction;
- whether the transaction was undertaken in our ordinary course of business;
- the Related Person’s interest in the transaction, including the approximate dollar value of the amount of the Related Person’s interest in the transaction without regard to the amount of any profit or loss;
- required public disclosure, if any; and
- any other information regarding the transaction or the Related Person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

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, 2016, 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 Form 10-K and Form 10-Q provided by Grant Thornton LLP for 2016 was approximately \$776,500.

Audit-Related Fees

Grant Thornton LLP did not provide us any audit related services for 2016.

Tax Fees

Grant Thornton LLP did not provide us any products or any services for tax compliance, tax advice, or tax planning for 2016.

All Other Fees

Grant Thornton LLP did not provide us any services for 2016, 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 2016 and 2015.

STOCKHOLDER COMMUNICATIONS

Annual Report

A copy of our Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended December 31, 2016 is being provided with this Proxy Statement.

Stockholder Communications with Directors

It is the policy of our Board that any communications sent to the attention of any one or more of our Directors in care of our executive offices will be promptly forwarded to such Directors. Such communications will not be opened or reviewed by any of our officers or employees, or by any other Director, unless they are requested to do so by the addressee of any such communication. Likewise, the content of any telephone messages left for any one or more of our Directors (including call-back number, if any) will be promptly forwarded to that Director.

Stockholder Proposals and Director Nominations

Any stockholder who, in accordance with and subject to the provisions of the proxy rules of the SEC, wishes to submit a proposal for inclusion in our Proxy Statement for our 2018 Annual Meeting of Stockholders, must deliver such proposal in writing to the Annual Meeting Secretary at the address of our Company's principal executive offices at 5995 Sepulveda Boulevard, Suite 300, Culver City, CA 90230. Unless we change the date of our 2018 annual meeting by more than 30 days from the anniversary of the prior year's meeting, such written proposal must be delivered to us no later than June 22, 2018 to be considered timely. If our 2018 Annual Meeting is not held within 30 days of the anniversary of our 2017 Annual Meeting, to be considered timely, stockholder proposals must be received no later than ten days after the earlier of (a) the date on which notice of the 2018 Annual Meeting is mailed, or (b) the date on which the Company publicly discloses the date of the 2018 Annual Meeting, including disclosure in an SEC filing or through a press release. If we do not receive notice of a stockholder proposal, the proxies that we hold may confer discretionary authority to vote against such stockholder proposal, even though such proposal is not discussed in our Proxy Statement for that meeting.

Our Boards will consider written nominations for Directors from stockholders. To be considered by our Board, nominations for the election of Directors made by our stockholders must be made by written notice delivered to our Secretary at our principal executive offices not less than 120 days prior to the first anniversary of the date that this Proxy Statement is first sent to stockholders. Such written notice must set forth the name, age, address, and principal occupation or employment of such nominee, the number of shares of our Company's common stock that is beneficially owned by such nominee and such other information required by the proxy rules of the SEC with respect to a nominee of the Board.

We currently anticipate that our 2018 Annual Meeting will be held in June of next year. Accordingly, stockholders wishing to make nominations should anticipate making such nominations by the end of January 2018.

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

OTHER MATTERS

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

DELIVERY OF PROXY MATERIALS TO HOUSEHOLDS

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

We will promptly deliver without charge, upon oral or written request, a separate copy of the proxy materials to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies should be directed to our Corporate Secretary by telephone at (213) 235-2240 or by mail to Corporate Secretary, Reading International, Inc., 5995 Sepulveda Boulevard, Suite 300, Culver City, CA 90230.

Stockholders residing at the same address and currently receiving only one copy of the proxy materials may contact the Corporate Secretary as described above to request multiple copies of the proxy materials in the future.

By Order of the Board of Directors,



Ellen M. Cotter
Chair of the Board

October 13, 2017

PROXY VOTING INSTRUCTIONS

YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY.

We encourage you to take advantage of Internet or telephone voting.

Both are available 24 hours a day, 7 days a week.

Internet and telephone voting is available through 11:59 p.m., PT, on November 6, 2017.

VOTE BY INTERNET

WWW.FCRVOTE.COM/RDI

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m., PT, on November 6, 2017. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

OR

VOTE BY TELEPHONE

1-866-859-2524

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m., PT, on November 6, 2017. Have your proxy card in hand when you call and then follow the instructions.

OR

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided to: First Coast Results, Inc., P.O. Box 3672, Ponte Vedra Beach, FL 32004-9911.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card. Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

CONTROL NUMBER

⏏

If submitting a proxy by mail, please sign and date the card below and fold and detach card at perforation before mailing.

⏏

READING INTERNATIONAL, INC. ANNUAL MEETING PROXY CARD

Proposal 1. Election of BOARD OF DIRECTORS

The Board of Directors recommends a vote FOR all nominees listed.

(01) Ellen M. Cotter (02) Guy W. Adams (03) Judy Coddling (04) Margaret Cotter

(05) William D. Gould (06) Edward L. Kane (07) Douglas J. McEachern (08) Michael Wrotniak

FOR ALL ☐ WITHHOLD ALL ☐ FOR ALL EXCEPT ☐

To withhold your vote for any individual nominee(s), mark "For All Except" box and write the number(s) of the nominee(s) you want to withhold your vote for on the line below.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL 2:

Proposal 2. Advisory Vote on Executive Officer Compensation - To approve, on a non-binding, advisory basis, the executive compensation of our named executive officers

FOR ☐ AGAINST ☐ ABSTAIN ☐

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "ONE YEAR" ON PROPOSAL 3:

Proposal 3. Advisory Vote on the Frequency of the Advisory Vote on Executive Compensation - To recommend, by non-binding, advisory vote, the frequency of votes on executive compensation

1 Year ☐ 2 Years ☐ 3 Years ☐ Abstain ☐

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" ON PROPOSAL 4:

Proposal 4. Approval of Amendment to Company's 2010 Stock Incentive Plan - To approve an amendment to increase the number of shares of common stock issuable under our 2010 Stock Incentive Plan from 302,540 shares back up to its original reserve of 1,250,000 shares

FOR ☐ AGAINST ☐ ABSTAIN ☐

Proposal 5. Other Business - To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

Signature

Signature (Capacity)

Date

NOTE: Please sign exactly as your name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If stockholder is a corporation, please sign full corporate name by authorized officers, giving full title as such. If a partnership, please sign in partnership name by authorized person, giving full title as such.



**SIGN, DATE AND MAIL YOUR PROXY TODAY,
UNLESS YOU HAVE VOTED BY INTERNET OR TELEPHONE.**

**IF YOU HAVE NOT VOTED BY INTERNET OR TELEPHONE, PLEASE DATE, MARK, SIGN AND RETURN
THIS PROXY PROMPTLY. YOUR VOTE, WHETHER BY INTERNET, TELEPHONE OR MAIL, MUST BE
RECEIVED NO LATER THAN 11:59 P.M. PACIFIC TIME, NOVEMBER 6, 2017,
TO BE INCLUDED IN THE VOTING RESULTS. ALL VALID PROXIES RECEIVED PRIOR TO 11:59 P.M.
PACIFIC TIME, NOVEMBER 6, 2017 WILL BE VOTED.**

SEE REVERSE SIDE

If submitting a proxy by mail, please sign and date the card on reverse and fold and detach card at perforation before mailing.



ANNUAL MEETING OF STOCKHOLDERS

November 7, 2017, 11:00 a.m.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints S. Craig Tompkins and William D. Gould, and each of them, the attorneys, agents, and proxies of the undersigned, with full powers of substitution to each, to attend and act as proxy or proxies of the undersigned at the Annual Meeting of Stockholders of Reading International, Inc. to be held at the Courtyard by Marriott Los Angeles Westside, located at 6333 Bristol Parkway, Culver City, California 90230 on Thursday, November 7, 2017 at 11:00 a.m., local time, and at and with respect to any and all adjournments or postponements thereof, and to vote as specified herein the number of shares which the undersigned, if personally present, would be entitled to vote.

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

THE PROXY, WHEN PROPERLY EXECUTED AND RETURNED PRIOR TO THE ANNUAL MEETING, WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS GIVEN, IT WILL BE VOTED "FOR" PROPOSAL 1, 2 AND 4, AND "ONE YEAR" ON PROPOSAL 3 AND IN THE PROXY HOLDERS' DISCRETION AS TO ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF.

SEE REVERSE SIDE



RIS
COHEN|JOHNSON|PARKER|EDWARDS

H. STAN JOHNSON, ESQ.
Nevada Bar No. 00265
sjohnson@cohenjohnson.com
375 E. Warm Springs Rd., Suite 104
Las Vegas, Nevada 89119
Telephone: (702) 823-3500
Facsimile: (702) 823-3400

QUINN EMANUEL URQUHART & SULLIVAN, LLP
CHRISTOPHER TAYBACK, ESQ.

California Bar No. 145532, *pro hac vice*
christayback@quinnemanuel.com
MARSHALL M. SEARCY, ESQ.
California Bar No. 169269, *pro hac vice*
marshallsearcy@quinnemanuel.com
865 South Figueroa Street, 10th Floor
Los Angeles, CA 90017
Telephone: (213) 443-3000

Attorneys for Defendants Margaret Cotter,
Ellen Cotter, Douglas McEachern, Guy Adams, Edward Kane
Judy Codding, and Michael Wrotniak

EIGHTH JUDICIAL DISTRICT COURT

CLARK COUNTY, NEVADA

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

Plaintiffs,

v.

MARGARET COTTER, *et al.*,
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

Related and Coordinated Cases

BUSINESS COURT

**REPLY IN SUPPORT OF THE
INDIVIDUAL DEFENDANTS' RENEWED
MOTIONS FOR PARTIAL SUMMARY
JUDGMENT NOS. 1 AND 2**

Judge: Hon. Elizabeth Gonzalez
Date of Hearing: December 11, 2017
Time of Hearing: 8:30 a.m.

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INTRODUCTION

As confirmed by the end of fact discovery and recent clarifications to Nevada's business judgment rule by the Nevada Legislature and Nevada Supreme Court, Plaintiff James J. Cotter, Jr.'s breach of fiduciary duty claim stemming from the RDI Board's June 12, 2015 decision to terminate him as President and CEO is legally meritless and factually unsupportable. Plaintiff's Supplemental Opposition brief, which relies upon little more than bluster, baseless assertions of fact, and the importation of an inapplicable foreign legal framework, does nothing to allay these defects. Summary judgment in favor of the Individual Defendants, who include members of the RDI Board that voted in favor of removing a poorly-performing employee, is warranted.

First, as the Nevada Supreme Court recently emphasized in *Wynn*, Nevada law establishes a policy of judicial noninterference with business decisions and rejects a substantive evaluation of director conduct. Indeed, the plain text of Nevada's corporate law statutes make clear that the business judgment rule is not to be overridden in context of everyday, purely-operational decisions, like the removal of an officer, since such decisions do not implicate a board's fiduciary duties to shareholders. In order to proceed with his "sour grapes" termination claim, Plaintiff tries to import Delaware's "entire fairness" test to the employment context. Not only is this attempt to "supplant" or "modify" Nevada's laws clearly contrary to the Nevada Legislature's recent declaration of intent in NRS SB 203, § 2, not even Delaware law recognizes an "entire fairness" test in the context of employee termination claims.

Second, Plaintiff's preferred legal framework, in which the "independence" of directors is somehow relevant to Nevada's business judgment presumption in the context of his termination, is contrary to explicit Nevada law. Instead, under applicable Nevada law, "independence" is an issue only where the business judgment is being made in those limited circumstances where a director stands on *both* sides of a transaction or resists a change of control—neither of which were present in the termination decision. *See* NRS 78.139; 78.140.

Even if "independence" were relevant to the application of Nevada's business judgment rule when a board considers whether to continue an officer's employment (which it is not), a majority of the RDI Board members who voted to remove Plaintiff from his position as President

1 and CEO were “independent” as a matter of law, thereby securing the application of the business
2 judgment rule even under Plaintiff’s distorted view of the law. Plaintiff attempts to confuse the
3 issues in his Supplemental Opposition (i) by attacking the independence of individuals who were
4 either not on the RDI Board at the time of his termination and did not participate in that decision
5 (Dr. Coddington and Mr. Wrotniak) or who voted against his termination (Mr. Gould), and (ii) by
6 asserting that subsequent board decisions with which he disagreed are somehow relevant to his
7 would-be independence inquiry, even though they occurred after his termination. They are not.
8 The record establishes that each of the non-Cotter directors that voted in favor of terminating
9 Plaintiff’s employment were independent. Plaintiff admitted during his deposition that Director
10 Douglas McEachern was independent. The undisputed facts show that Director Ed Kane had no
11 personal relationship specific to Ellen and Margaret Cotter, but not Plaintiff, that would have
12 affected his independence, nor do any of his actions indicate bias on his part when evaluating
13 Plaintiff’s employment. And while Director Guy Adams does have some financial ties to the
14 Estate of James J. Cotter, Sr. (not Ellen or Margaret Cotter directly), those ties are set by contract
15 and pre-date his joining the RDI Board. To the extent that Plaintiff claims that Mr. Adams
16 cannot possibly be “independent” because a portion of his current income comes from his RDI
17 Board service or preexisting financial deals, that compensation is not material to his overall
18 finances and the caselaw rejects Plaintiff’s notion that only millionaires can be board members.

19 Third, even adopting Plaintiff’s Delaware law standard for evaluating merger and
20 acquisition transactions, not only was the RDI Board’s decision to terminate Plaintiff “entirely
21 fair” given major failings in his leadership, lack of practical corporate knowledge, and inability
22 to work with key executives, as the Individual Defendants have established in prior briefing,
23 Plaintiff once more ignores that he has presented no evidence that any breach involving his
24 termination involved “intentional misconduct, fraud, or a knowing violation of the law”—an
25 essential element of his fiduciary duty claim, as reaffirmed by the Nevada Legislature when it
26 recently amended NRS 78.138(7). The Individual Defendants pointed out this failing again in
27 their Supplemental Motion, and Plaintiff’s Supplemental Opposition avoids the issue entirely.
28 This alone is sufficient to warrant judgment in the Individual Defendants’ favor.

1 With no legal or factual support for Plaintiff's termination claim, the Individual
2 Defendants are entitled to summary judgment.

3 **ARGUMENT**

4 **I. RECENT SUPPLEMENTAL AUTHORITY CONFIRMS THAT PLAINTIFF**
5 **CANNOT STATE AN ACTIONABLE BREACH OF FIDUCIARY DUTY CLAIM**
6 **RELATING TO HIS TERMINATION UNDER NEVADA LAW**

7 As Individual Defendants noted in their Supplemental Motion, a "recent clarification to
8 Nevada law," which includes (i) the legislative declaration set forth in NRS SB 203, § 2, and
9 resulting amendments to NRS 78.138 and NRS 78.139, as well as (ii) the Nevada Supreme
10 Court's recent decision in *Wynn Resorts, Ltd. v. Eighth Jud. Dist. Ct. In & For Cnty. of Clark*,
11 399 P.3d 334 (Nev. 2017), is relevant to the business judgment analysis in this case and further
12 undermines the legal merits of Plaintiff's breach of duty claim relating to his termination. (*See*
13 *Ind. Defs.' Supp. Mot.* at 3-4, 10-11.) Plaintiff, in response, argues unconvincingly that this
14 intervening authority is of no moment. (*Pl.'s Supp. Opp'n to MSJ Nos. 1 & 2* at 3-4.) Plaintiff
15 is wrong, and he fundamentally misapprehends Nevada law.

16 Plaintiff's entire termination argument rests upon his unsupported assumption not only
17 that "independence" is somehow a condition to the applicability of Nevada's business judgment
18 presumption but, moreover, that if any of the directors voting for his removal were not
19 "independent" with respect to the RDI Board's decision to end his employment, then all
20 Individual Defendants automatically lose the presumptive application of the business judgment
21 rule. (*See id.* at 12.) According to Plaintiff, in that event, *Delaware's* "entire fairness test"—
22 rather than Nevada law—should be applied when evaluating any alleged breach of fiduciary duty
23 relating to his termination. (*See id.*) The Individual Defendants have said all along that
24 Plaintiff's legal framework is incorrect, and the recent clarifications by the Nevada Legislature
25 and Nevada Supreme Court further support the Individual Defendants' position. (*See, e.g., Ind.*
26 *Defs.' 10/13/16 Opp'n to Pl.'s Partial MSJ* at 20-22; *Ind. Defs.' 10/21/16 Reply in Supp. of MSJ*
27 *No. 1* at 7-8.)

28 First, *Nevada law*—not Delaware law—governs Plaintiff's termination claim. Nevada's
business judgment rule, codified by statute, provides that "[d]irectors and officers, in deciding

1 upon *matters of business*, are presumed to act in good faith, on an informed basis and with a
2 view to the interests of the corporation.” NRS 78.138(3) (emphasis added). To the extent that
3 other states (such as Delaware) have a different business judgment rule, the Nevada Legislature
4 has now made clear that such foreign law must not be allowed to “supplant” or “modify”
5 Nevada’s home statute, and failure of a Nevada director to “consider” or “conform the exercise
6 of his or her powers” to such foreign law “does not constitute or indicate a breach of a fiduciary
7 duty.” NRS SB 203, §§ 2(3)-(4). Irrespective of whatever foreign law may be, Nevada’s
8 corporate law identifies only two situations where the business judgment presumption may be
9 disturbed: (1) where directors take certain actions to resist “a change or potential change in
10 control of the corporation,” NRS 78.139(1)(b), 2-4; and (2) in an “interested director transaction”
11 which involves “self-dealing” between a director and a corporation, NRS 78.140. Plaintiff has
12 conceded that “[b]y their terms, on their face, those two statutory provisions do not speak to
13 circumstances other than those described” and are therefore not relevant to his termination
14 claims. (Pl.’s 10/13/16 Opp’n to Ind. Defs.’ MSJ No. 1 at 15 n.4.) But Plaintiff has not
15 identified any Nevada statute or legal decision that has disturbed the application of the business
16 judgment rule outside of these two situations. Nor have the Individual Defendants been able to
17 locate one.¹

18 The conclusion is simple: the RDI Board’s business decision to remove a CEO was a
19 purely operational decision that is one of those “matters of business” always entitled to the
20 Nevada statutory presumption of reasonable business judgment under NRS 78.138(3). In
21 Nevada, there is a marked contrast between “operational decisions,” such as removing an officer
22 or changing a marketing strategy, and “transactional decisions,” where a director is on both sides
23 of a particular transaction. The latter may be subject to closer scrutiny, including a “fairness”
24 test (which looks at whether a deal was fair to the company), while the former retain the business
25 judgment presumption *at all times*.

26
27 ¹ Indeed, the business judgment rule as codified in Nevada does not include an
28 “independence” prerequisite or condition, nor is the lack of “independence” listed as one of the
items that would invalidate the application of that rule. *See* NRS 78.138; NRS 78.139.

1 This is fully consistent with the wide discretion afforded to corporate boards under
2 Nevada law on matters that determine the course of the company, *see* NRS 78.120, 78.135,
3 78.138; whether or not to sell the company, *see* NRS 78.139; and the limitations on liability, *see*
4 NRS 78.037, 78.751, 78.7502. And it is fully consistent with the parameters outlined by Nevada
5 Supreme Court in its recent *Wynn* decision, in which it emphasized that Nevada’s business
6 judgment rule regime “expresses a sensible policy of judicial noninterference with *business*
7 *decisions*” and “legislative rejection of a substantive evaluation of director conduct.” 399 P.3d
8 at 342-43 (citations omitted). As Nevada corporate policy, these statutes are designed to vest
9 decision-making in the board, and to protect directors who are called upon to make these
10 decisions (usually working on a part-time basis, sometimes with less-than-perfect knowledge,
11 and typically for not much money). *See also* NRS 78.138(7) (providing additional legal
12 protections to directors with respect to potential personal liability). Plaintiff’s suggestion that
13 Nevada courts should involve themselves in the minutiae of corporate decision-making with
14 respect to the termination of employees is directly contrary to the strict “policy of judicial
15 noninterference” emphasized in *Wynn*; not only would it lead to an explosion of litigation in
16 Nevada, in which plaintiffs would use hindsight and manufactured independence issues to
17 second-guess any termination decision by a corporate board, it “would accomplish by the back
18 door that which is forbidden by the front”—a substantive evaluation of directorial judgment on
19 the most intimate of corporate concerns, officer performance. *Wynn*, 399 P.3d at 343.

20 Second, Plaintiff, in his Supplemental Opposition, continues to avoid the fact that there is
21 not *a single case* in which *any court* (let alone a Nevada court) has subjected a board’s decision
22 to terminate an officer to Delaware’s “entire fairness” test or even a “fairness” test. In essence,
23 Plaintiff is trying to import “due process” concepts used in wrongful termination cases, even
24 though *this is a derivative case*; in a derivative action, fairness—to the extent that it is at issue—
25 must be determined from the point of view of fairness to the company, not the terminated
26 employee. Indeed, when evaluating derivative claims, Delaware itself has applied its “entire
27 fairness” test only in inapposite situations, such as where a board is alleged to have breached its
28 duties when faced with a corporate merger or sale, or where there is an accusation that corporate

1 assets have been misused—noticeably absent is any case law in which the employment of an
2 officer is at issue. *See, e.g., McMullin v. Beran*, 765 A.2d 910, 917 (Del. 2000) (proposed sale of
3 corporation); *Cinerama, Inc. v. Technicolor, Inc.*, 663 A.2d 1156, 1163 (Del. 1995) (two-stage
4 tender offer/merger transaction); *Paramount Commc'ns Inc. v. QVC Network Inc.*, 637 A.2d 34,
5 42 (Del. 1994) (merger); *Venhill Ltd. P'ship v. Hillman*, C.A. No. 1866-VCS, 2008 WL
6 2270488, at *22 (Del. Ch. June 3, 2008) (partner accused of improper investments and misuse of
7 trust assets). Even former Justice Myron Steele, Plaintiff's Delaware law expert, has been
8 unable to find a single on-point decision that supports Plaintiff's assumed legal framework.

9 Other jurisdictions have recognized that it makes no sense to apply Delaware's "entire
10 fairness" test to an employee termination, which is not an extraordinary transaction or a
11 "transaction" in which one or more directors sit on the other side of the deal. *See Nahass v.*
12 *Harrison*, 207 F. Supp. 3d 96, 104 (D. Mass. Sept. 13, 2016) (questioning how the "entire
13 fairness" doctrine ever "would apply to employment decisions," and rejecting fiduciary duty
14 claim by officer terminated by company's directors).² Indeed, as Plaintiff concedes (*see Pl.'s*
15 *Supp. Opp'n to MSJ Nos. 1 & 2 at 12-13*), Delaware's "entire fairness" test is concerned with
16 whether "the transaction was the product of both fair dealing and fair price." *Cinerama*, 663
17 A.2d at 1163; *Gesoff v. IIC Indus., Inc.*, 902 A.2d 1130, 1145 (Del. Ch. 2006) (describing the
18 "fair dealing" standard as "simulating arm's length-bargaining"). But it is difficult to image how
19

20 ² *See also Kasper v. LinuxMall.com, Inc.*, No. Civ. A. 00-2019 ADM/SR, 2001 WL
21 230494, at *3 (D. Minn. Feb. 23, 2001) ("[T]here can be no breach of fiduciary duty stemming
22 from the termination of [an officer's] employment."); *Carlson v. Hallinan*, 925 A.2d 506, 540
23 (Del. Ch. 2006) (holding that plaintiff could not "articulate a theory as to how Carlson's removal
24 as President . . . could be a breach of fiduciary duty"); *Riblet Prods. Corp. v. Nagy*, 683 A.2d 37,
25 39-40 (Del. 1996) (no breach of fiduciary duty where stockholder was "an employee of the
26 corporation under an employment contract with respect to issues involving that employment");
27 *Ingle v. Glamore Motor Sales, Inc.*, 73 N.Y.2d 183, 190 (1989) (denying fiduciary duty claims
28 asserted by operating manager and minority shareholder upon his firing); *Hackett v. Marquardt
& Roche/Meditz & Hackett, Inc.*, No. X02CV990166881S, 2002 WL 31304216, at *2 (Conn.
Sup. Ct. Sept. 17, 2002) (rejecting breach of fiduciary duty claim, and holding that "the law of
employment relations seems to provide sufficient protection for any civil wrongs" in the event of
a purportedly unlawful termination); *Datto Inc. v. Braband*, 856 F. Supp. 2d 354, 384 (D. Conn.
2012) (plaintiff's allegations of "breach of fiduciary duty" based "on her allegedly wrongful
termination . . . fail to state a claim").

1 an “arms length-bargaining” standard would apply to a termination case (*i.e.*, whether it would
2 extend to all employees, or just executive officers), and fairness of the price is not a relevant
3 consideration in the removal of an officer—there is no price to review other than the price that
4 was negotiated at the time of the executive’s hiring (*i.e.*, severance benefits).

5 Delaware’s “entire fairness” test is also not consistent with Nevada law, and therefore—
6 as the Nevada Legislature has directed—it must be disregarded. *See* NRS SB 203, § 2(3). For
7 instance, the Delaware test is an objective standard, *see In re Orchard Enters., Inc. S’holder*
8 *Litig.*, 88 A.3d 1, 30 (Del. Ch. 2014) (outlining contours of the “entire fairness” test), while
9 under Nevada law a director is bound only to exercise his or her duties in subjective good faith.
10 *See* NRS 78.138; NRS 78.140. Moreover, the only “fairness” test recognized under Nevada’s
11 corporate law occurs in the context of an interested director transaction (where the director is in
12 fact on both sides of the specific transaction being reviewed), and that “fairness” test evaluates
13 whether “[t]he contract is fair as to the corporation at the time it is authorized or approved.”
14 NRS 78.140(2)(d). It would defy logic and run contrary to the recent instructions of the Nevada
15 Legislature to imply a more stringent standard for operational decisions like the termination of an
16 executive (*i.e.*, Delaware’s “entire fairness” test) than there is under existing Nevada statute
17 where a director sits on both sides of a specific transaction (*i.e.*, the NRS 78.140 “fair as to the
18 corporation” analysis).

19 *Shoen v. SAC Holding Corp.*, 122 Nev. 621, 137 P.3d 1171 (2006), is not to the contrary.
20 *Shoen* was confined to the NRS 78.140 context. It involved allegations by stockholders that
21 various directors of AMERCO failed to properly supervise or willfully disregarded their duties
22 with respect to unfair transactions between the corporation and entities owned by executive
23 officers of the company. *See* 122 Nev. at 626-631, 137 P.3d at 1174-1179. Indeed, in *Shoen*, the
24 Nevada Supreme Court specifically emphasized that it was addressing “when an interested
25 fiduciary’s transactions with the corporation are challenged,” and that it was doing so “[w]hen
26 evaluating demand futility.” *Id.* at 640, 137 P.3d at 1184 n.61. Neither situation is present here,
27 where the merits of Plaintiff’s attempted termination claim are at issue. *Shoen* does not apply
28 outside of “interested director” transactions (as recognized by NRS 78.140), or to situations other

1 than demand and demand futility, which applies to a procedural step and provides no basis for
2 finding ultimate liability. Furthermore, demand futility does not look to a “business decision,”
3 and accordingly is outside of the business judgment presumption. In short, *Shoen* does not upset
4 the statutory business judgment presumption on regular “matters of business” (such as the firing
5 of an officer), and it in no way adopts Delaware’s “entire fairness” in any situation.³

6 Because the business judgment rule would automatically apply under Nevada law in the
7 event that an officer’s termination is contested, and no more stringent test exists under Nevada
8 law to evaluate the removal of an officer by a board of directors, Plaintiff cannot show that a
9 triable issue of fact remains with respect to his termination claim, which is unsustainable as a
10 matter of law. Summary judgment is therefore appropriate.

11 **II. PLAINTIFF CANNOT DEMONSTRATE THAT A TRIABLE ISSUE OF FACT**
12 **EXISTS REGARDING THE INDEPENDENCE OF A MAJORITY OF THE**
13 **DIRECTORS WHO VOTED TO TERMINATE HIM**

14 Even adopting Plaintiff’s incorrect legal framework and assuming *arguendo* that (i) a
15 former employee, such as Plaintiff, could ever state an actionable claim for breach of a fiduciary
16 duty stemming from his termination *and* (ii) the business judgment presumption could
17 potentially be overcome in such a situation, Plaintiff’s termination claim would still fail as a
18 matter of law. Discovery has confirmed that a majority of the RDI Board members who voted in
19 favor of his termination on June 12, 2015 were independent, and no triable issue of fact exists
20 otherwise.

21 **A. Contrary to the Court’s Directive, Plaintiff Did Not Address Independence**
22 **on an Action-by-Action Basis**

23 At the October 7, 2016 hearing, the Court made plain that it expected “the independence
24 issue . . . to be evaluated on a transaction or action-by-action basis, because you have to
25 separately evaluate the independence as related to each.” (Helpert Decl. Ex. A (10/27/16 Tr.)
at 84:21-85:3.) In doing so, the Court warned counsel for Plaintiff that he would need “to give

26 ³ The same is true of the Nevada Supreme Court’s similar decision in *In re DISH*
27 *Network Deriv. Litig.*, 401 P.3d 1081, 1087-1092 (Nev. 2017), in which the independence of a
28 special litigation committee was considered in deciding whether its decision to terminate a
derivative complaint was appropriate.

1 me more information like I’ve asked for . . . following the completion of [discovery].” (*Id.*) The
2 Court explicitly reemphasized this requirement in its subsequent December 20, 2016 order
3 “continuing” the Individual Defendants’ Motion for Partial Summary Judgment (No. 2) re: the
4 Issue of Director Independence. (Helpern Decl. Ex. D (12/20/16 Order) at 3.) However, in his
5 Supplemental Opposition to Motion for Summary Judgment Nos. 1 and 2, Plaintiff clearly fails
6 to meet the standard set by the Court.

7 Rather than attempting to establish lack of independence on “a transaction or action-by-
8 action basis” with respect to his termination claim, Plaintiff muddies the waters. For instance, he
9 includes an attack on the independence of Directors Judy Coddington and Michael Wrotniak (Pl.’s
10 Supp. Opp’n to MSJ Nos. 1 & 2 at 10-11) despite the fact that Dr. Coddington joined the RDI Board
11 on October 5, 2015 and Mr. Wrotniak joined on October 12, 2015—months *after* the Board
12 terminated Plaintiff on June 12, 2015. Obviously, given that Dr. Coddington and Mr. Wrotniak
13 were not members of the RDI Board at the time of his termination, they cannot be liable for
14 claims involving that decision and their independence is entirely irrelevant to that claim.
15 Similarly, Plaintiff includes an extended attack on the independence of Director William Gould
16 (*see id.* at 9-10) despite the fact that Gould voted against the termination of Plaintiff on June 12,
17 2015 due to his belief that the Board should hold off firing Plaintiff until all of the pending
18 litigation between the Cotters was resolved. Given that Director Gould voted against the
19 challenged decision, the question of his independence is entirely irrelevant as to whether the
20 majority’s decision to terminate Plaintiff fell within its business judgment (or, in the alternative,
21 was entirely fair). *See In re Tri-Star Pictures, Inc. Litig.*, No. Civ. A. 9477, 1995 WL 106520,
22 at *2 (Del. Ch. Mar. 9, 1995) (“[A] director who plays no role in the process of deciding whether
23 to approve a challenged action cannot be held liable on a claim that the board’s decision to
24 approve that transaction was wrongful.”); *In re Wheelabrator Tech., Inc. S’holder Litig.*, No.
25 Civ. A. 11495, 1992 WL 212595, at *10 (Del. Ch. Sept. 1, 1992) (similar).

26 With respect to the non-Cotter directors that were actually members of the RDI Board
27 during the relevant time and voted in favor of Plaintiff’s termination (Directors McEachern,
28 Kane, and Adams), Plaintiff in his Supplemental Opposition attacks the independence as to each

1 by citing corporate decisions he disagrees with made months—if not years—*after* the
2 termination of Plaintiff’s employment. (Pl.’s Supp. Opp’n to MSJ Nos. 1 & 2 at 5-6.) For
3 instance, Plaintiffs identifies actions taken by one or each of these directors on September 21,
4 2015 (authorization of a 100,000 share option), December 29, 2015 (selection of Ellen Cotter as
5 permanent CEO), March 10, 2016 (hiring of Margaret Cotter as an employee), June 24, 2016
6 (first rejection of Patton Vision’s below-market indication of interest), and December 19, 2016
7 (second rejection of Patton Vision’s inadequate indication of interest) as somehow bearing on
8 their independence with respect to Plaintiff’s June 12, 2015 termination. (*Id.*)

9 But it is well settled that conduct or events post-dating a contested board decision are *per*
10 *se* irrelevant to the merits of that decision; a director’s independence is determined by reference
11 to the facts at the time of the relevant action, not after. *See, e.g., Kahn v. M & F Worldwide*, 88
12 A.2d 635, 648 (Del. 2014) (claimed activity showing lack of independence “occurred months
13 after the Merger was approved and did not raise a triable issue of fact concerning Dinh’s
14 independence from Perelman”); *Rales v. Blasband*, 634 A.2d 927, 937 (Del. 1993) (“ability of a
15 majority of the Board to exercise its business judgment decision in a decision on a demand”
16 determined “at the time this action was filed”); *Beam ex rel. Martha Stewart Living Omnimedia,*
17 *Inc. v. Stewart*, 845 A.2d 1040, 1051 (Del. 2004) (in independence inquiry, court may consider
18 “evidence that in the past the relationship caused the director to act non-independently”).
19 Plaintiff’s citation of subsequent events to try to camouflage the lack of evidence supporting the
20 non-independence of the challenged directors at the time of his termination cannot save his
21 failing case. As explained below, Directors McEachern, Kane, and Adams were clearly
22 independent as a matter of law at the time of Plaintiff’s termination.

23 **B. Plaintiff’s Supplemental Opposition Confirms That Directors McEachern,**
24 **Kane, and Adams Were Independent With Respect to the Decision to**
Terminate Plaintiff

25 Plaintiff concedes that, even under his theory of the law, he must establish that Directors
26 McEachern, Kane, and Adams were not independent with respect to his termination to overcome
27 Nevada’s strong business judgment presumption and have the jury consider his termination.
28 (Pl.’s Supp. Opp’n to MSJ Nos. 1 & 2 at 12.) This is a difficult task (*see* Ind. Defs.’ Supp. MSJ

Nos. 1 & 2 at 8 (collecting cases)), especially in light of the “presumption that directors are independent.” *In re MFW S’holders Litig.*, 67 A.3d 496, 509 (Del. Ch. 2013).⁴ None of these three directors were “interested” in Plaintiff’s termination; by definition, “[n]o issue of self-interest exists where directors did not stand on both sides of the transaction or receive any personal financial benefit.” *La. Mun. Police Emps.’ Ret. Sys. v. Wynn*, No. 2:12-cv-509 JCM, 2014 WL 994616, at *4 (D. Nev. Mar. 13, 2014) (applying Nevada law); NRS 78.140(1)(a) (defining “interested director”).

Absent directorial interest in the transaction itself, Plaintiff must under the Delaware law standard still prove that Directors McEachern, Kane, and Adams were “beholden” to Ellen and Margaret Cotter “or so under their influence that their discretion would be sterilized” when deciding upon his removal as President and CEO. *Rales*, 634 A.2d at 936 (Del. 1993); *Shoen v. SAC Holding Corp.*, 122 Nev. 621, 639 (2006) (independence in the context of demand futility, not application of the business judgment presumption). As Plaintiff’s Supplemental Opposition makes evident, Plaintiff cannot make the required showing. Summary judgment based on the application of Nevada’s business judgment rule is therefore warranted.⁵

⁴ In addition, as the Individual Defendants have emphasized in previous briefing, RDI’s corporate Bylaws do not require “independence” by board members when deciding to terminate the company’s officers. Rather, the Bylaws provide that officers such as Plaintiff serve solely “at the pleasure of the Board of Directors,” and 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.” (Ind. Defs.’ 9/23/16 MSJ No. 1 at 15 (quoting HD Ex. 19 (Am. & Restated Bylaws of RDI, dated Dec. 28, 2011), Art. IV, § 10).)

⁵ Putting aside that Nevada law applies here, the Delaware Supreme Court has noted that “Delaware courts have often decided director independence as a matter of law at the summary judgment stage.” *Kahn v. M & F Worldwide Corp.*, 88 A.3d 635, 649 (Del. 2014) (citing *In re Transkaryotic Therapies, Inc.*, 954 A.2d 346, 369-70 (Del. Ch. 2008) and *In re Gaylord Container Corp. S’holders Litig.*, 753 A.2d 462, 465 (Del. Ch. 2000)); see also *SEPTA v. Volgenau*, C.A. No. 6354-VCN, 2013 WL 4009193, at *12-21 (Del. Ch. Aug. 5, 2013) (holding, on summary judgment, that directors on the special committee were disinterested and independent).

1 1. Director Douglas McEachern

2 In his Supplemental Opposition, Plaintiff identifies a number of board decisions
3 supported by Director Douglas McEachern with which he disagrees as evidence of McEachern's
4 purported lack of independence. (Pl.'s Supp. Opp'n to MSJ Nos. 1 & 2 at 7-8.) Plaintiff's
5 belated challenge to Director McEachern's independence cannot withstand scrutiny. As the
6 Individual Defendants have repeatedly noted, but Plaintiff avoids (*see* Ind. Defs.' 9/23/16 MSJ
7 No. 2 at 5, 15, 23; Ind. Defs.' 10/21/16 Reply in Supp. of MSJ No. 2 at 4), Plaintiff has already
8 admitted that Director McEachern was *independent*. When asked at his deposition, "Mr.
9 McEachern, is he independent, in your view?" Plaintiff answered: "Yes. I mean, he's – I mean,
10 again, he's independent. He's got no relationship with Ellen and Margaret or, you know, no
11 business relationship with Ellen and Margaret." (HD#2⁶ Ex. 7 (5/16/16 Cotter, Jr. Dep.)
12 at 84:21-85:1.) When pressed as to whether, "in your view, Mr. McEachern is independent and
13 has always been independent," Plaintiff responded "Okay. Yes." (*Id.* at 85:6-86:4.)

14 In addition to Plaintiff's critical admission, all but one of the board decisions identified
15 by Plaintiff post-dated his termination; as noted above, such after-the-fact decisions are
16 irrelevant with respect to Director McEachern's independence in making the termination
17 decision. The one action Director McEachern participated in pre-dating Plaintiff's removal,
18 which involved the RDI Board's delay of a final decision on Plaintiff's termination to consider a
19 possible settlement that would have resolved the Cotter trust litigation and reduced Plaintiff's
20 authority as CEO, was clearly proper based on the actual facts, as the Individual Defendants have
21 established and which Plaintiff's conclusory Supplemental Opposition, which cites no evidence,
22 does nothing to rebut. (*See, e.g.*, Ind. Defs.' 10/13/16 Opp'n to Pl.'s Partial MSJ at 11-14; Ind.
23 Defs.' 10/21/16 Reply in Supp. of MSJ No. 1 at 16; Pl.'s Supp. Opp'n to MSJ Nos. 1 & 2 at 7-8.)

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26 ⁶ "HD#2" refers to the Declaration of Noah Helpert filed in support of the Individual
27 Defendants' Motion for Partial Summary Judgment (No. 2) re: the Issue of Director
28 Independence on September 23, 2016. Rather than inundate the Court with further duplicative
paper, the Individual Defendants refer the Court to that previously-attached exhibit.

Moreover, the fact that Plaintiff disagrees with a decision supported by Director McEachern does nothing to alter the independence analysis. As the Nevada Legislature recently emphasized, the point of Nevada's strong business judgment rule is that its directors and officers may take corporate action "without fear of personal liability simply because of a disagreement over policy or after-the-fact second-guessing of decisions." Ex. K to the May 25, 2017 Minutes of the Meeting of the Assembly Committee on Judiciary, Senate Bill No. 203 Clarifying Nevada Corporate Law at 1.⁷ Notwithstanding the fact that he may periodically disagree with Director McEachern, Plaintiff has introduced no facts showing that, or reasons explaining how, Director McEachern was somehow "beholden" to Ellen and Margaret Cotter in a way that "sterilized" his discretion when deciding upon Plaintiff's employment as President and CEO of RDI. As such, Plaintiff has not met his burden of identifying "admissible evidence" showing "a genuine issue for trial" regarding McEachern's independence with respect to Plaintiff's termination. *Posadas v. City of Reno*, 109 Nev. 448, 452 (1993); *Shuck v. Signature Flight Support of Nev., Inc.*, 126 Nev. 434, 436 (2010) ("bald allegations without supporting facts" are insufficient). There is no evidence that McEachern was on both sides of any transaction to which RDI was a party.

2. Director Ed Kane

Plaintiff's Supplemental Opposition adds nothing to the record already developed as to the independence of Director Ed Kane; Plaintiff cites no new evidence and simply relies on brief, conclusory assertions. (*See* Pl.'s Supp. Opp'n to MSJ Nos. 1 & 2 at 8-9.) Outside of irrelevant RDI Board decisions supported by Kane that post-date Plaintiff's removal, Plaintiff asserts that Director Kane was not independent with respect to the termination decision because of (i) his "personal relationship" with James J. Cotter, Sr. (the father of Plaintiff, as well as Margaret and Ellen Cotter), and (ii) his view that Cotter, Sr. "intended" that Margaret Cotter "control the Voting Trust and his actions to make that happen." (*Id.*) Not only are Plaintiff's arguments

⁷ Available at <https://www.leg.state.nv.us/Session/79th2017/Exhibits/Assembly/JUD/AJUD1245K.pdf>.

1 factually unsupportable in light of the actual record, they are legally insufficient to call into
2 question Kane’s independence.

3 First, as previously established by the Individual Defendants, Director Kane’s has no
4 “personal relationship” relevant to his independence with respect to the termination decision.
5 (See Ind. Defs.’ 9/23/16 MSJ No. 2 at 16-17; Ind. Defs.’ 10/21/16 Reply in Supp. of MSJ No. 2
6 at 5.) As Plaintiff concedes, the friendship of which he complains was actually between Director
7 Kane and his father—not between Kane and Ellen or Margaret Cotter. (See Pl.’s Supp. Opp’n to
8 MSJ Nos. 1 & 2 at 8.) Plaintiff has never cited any evidence indicating that Kane’s friendship
9 with James J. Cotter, Sr. has resulted in him having a closer relationship with Cotter, Sr.’s
10 daughters than with his son. Indeed, while Ellen and Margaret Cotter have, at times, referred to
11 Director Kane as “Uncle Ed,” so has Plaintiff. (HD#2 Ex. 3 (5/2/16 Kane Dep.) at 29:4-35:6;
12 HD#2 Ex. 7 (5/16/16 Cotter, Jr. Dep.) at 83:6-12.) Plaintiff does not dispute that he has known
13 Director Kane all of his life and even visited Kane at his home as late as the spring of 2015, just
14 weeks before his termination, to personally implore Kane to help Plaintiff resolves his disputes
15 with his sisters and retain his position as CEO. (HD#2 Ex. 3 (5/2/16 Kane Dep.) at 35:10-22;
16 HD#2 Ex. 8 (7/26/16 Cotter, Jr. Dep.) at 753:9-754:8.) Even if Director Kane were Ellen and
17 Margaret’s actual “uncle” (and not Plaintiff’s), that is considered a “more remote family
18 relationship” that is “not disqualifying” to a director’s independence as a matter of law in
19 Nevada. *In re Amerco Deriv. Litig.*, 127 Nev. 196, 232-33 (2011).

20 Second, Plaintiff has never explained why Director Kane’s “understanding” that James J.
21 Cotter, Sr. intended for Margaret Cotter to control his personal estate would affect his
22 independence as an RDI Board member, especially with respect to the termination decision. (See
23 Ind. Defs.’ 10/21/16 Reply in Supp. of MSJ No. 1 at 5-7.) As the undisputed evidence
24 establishes, it was actually Plaintiff who involved Kane in the settlement discussions; Kane
25 supported such a settlement because, as Kane explained to Plaintiff at the time, he—like
26 Plaintiff—believed that a settlement would end all the “ill feelings,” “enhance the company,
27 benefit [Plaintiff] and [his] sisters and allow [the Cotters] to work together going forward.”
28 Further, it would give Plaintiff the time to prove “that [he] do[es] in fact have the leadership

1 skills to run this company.” (App., Ex. 4 (5/28/16 emails between Kane and Cotter, Jr.) at 32-
2 33.)⁸ All evidence shows that Director Kane engaged on exactly the terms *Plaintiff* requested
3 prior to his termination (*see* Ind. Defs.’ 10/21/16 Reply in Supp. of MSJ No. 1 at 5-7 (collecting
4 evidence)); none of it shows the kind of bias in favor of Ellen and Margaret Cotter (and against
5 Plaintiff) required by law to challenge Kane’s independence with respect to Plaintiff’s
6 termination. *See Beam*, 845 A.2d at 1050. There is no evidence that Kane was on both sides of
7 any transaction to which RDI was a party.

8 Given the clear insufficiency of these challenges, coupled with the fact that Plaintiff—
9 mere weeks before his termination—approved an SEC filing that identified Director Kane as
10 “independent” (HD#2 Ex. 11 (5/8/15 RDI From 10-K/A, Am. No. 1) at -5644 & -5665), Plaintiff
11 has not met his burden of showing a genuine issue for trial with respect to Kane’s independence
12 in making the termination decision.

13 3. Director Guy Adams

14 Plaintiff’s Supplemental Opposition offers no new evidence with respect to the
15 independence of Director Guy Adams. Indeed, the only evidence that Plaintiff cites at all is
16 testimony given by Adams on October 17, 2017 in which he confirmed the accuracy of financial
17 information already in the summary judgment record. (*See* Pl.’s Supp. Opp’n to MSJ Nos. 1 & 2
18 at 8.) While Plaintiff cites additional detail regarding Director Adams’ finances in his
19 Opposition to the Individual Defendants’ Motion *in Limine* to Exclude Evidence That Is More
20 Prejudicial Than Probative (*see* Pl.’s Opp’n to Ind. Defs.’ Prejudicial MIL at 6-8), that evidence
21 was also already in the summary judgment record. (*See* Ind. Defs.’ 9/23/16 MSJ No. 2 at 22-27
22 (citing evidence); Ind. Defs.’ 10/21/16 Reply in Supp. of MSJ No. 2 at 9-11 (same).)
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25 ⁸ “App.” refers to the Appendix of Exhibits filed by Plaintiff in support of his
26 Opposition to the Individual Defendants’ Motion for Partial Summary Judgment (No. 2) re: the
27 Issue of Director Independence, filed on October 13, 2016. As with the HD#2 citations, the
28 Individual Defendants refer the Court to that previously-attached exhibit to reduce confusion and
avoid duplication.

1 Even in his application of the Delaware standard, Plaintiff concedes that the only way
2 that Adams' independence can be subject to question is if his "material ties to the person whose
3 proposal or actions [he] is evaluating"—*i.e.*, Ellen and Margaret Cotter—"are sufficiently
4 substantial that [he] cannot objectively fulfill [his] fiduciary duties." *In re MFW S'holders Litig.*,
5 67 A.3d at 509. "[T]he simple fact that there are some financial ties between the interested party
6 and the director is not disqualifying." *Id.* Instead, the financial ties or benefit must be "material"
7 to Adams himself, meaning that they are "significant enough *in the context of the director's*
8 *economic circumstances* as to have made it improbable that the director could perform [his]
9 fiduciary duties to the . . . shareholders without being influenced by [his] overriding personal
10 interest." *Orman v. Cullman*, 794 A.2d 5, 23 (Del. Ch. 2002) (citation omitted) (emphasis in
11 original). Plaintiff cannot make this showing. In fact, his entire premise that Director Adams
12 lacks independence because he is "financially dependent" on Ellen and Margaret Cotter is based
13 on his gross mischaracterization of the actual record.

14 First, the undisputed evidence shows that, while Adams stands to receive additional
15 compensation from the James Cotter, Sr.'s Estate due to his small interest in certain real estate
16 ventures, Adams has the right to this compensation as part of a pre-existing contract that is
17 unaffected by whatever Cotter sibling maintains control of the Estate of James J. Cotter, Sr.
18 While Ellen and Margaret Cotter may currently distribute the funds as executors of the Estate,
19 they do not have any discretion to do otherwise. (*See* HD#2 Ex. 2 (4/28/16 Adams Dep.)
20 at 55:8-57:24.) Thus, this outside "business agreement" between a director and the James Cotter,
21 Sr.'s Estate "where both parties could benefit financially" once certain properties are developed
22 is not enough to show "with sufficient particularity that [Adams] could not form business
23 decisions independently" with respect to RDI and, in particular, the decision to terminate
24 Plaintiff. *La. Mun. Police Emps.' Ret. Sys.*, 2014 WL 994616, at *7.

25 Second, contrary to Plaintiff's claims, the fact that Director Adams receives an income of
26 [REDACTED] per year from the Cotter Family Farms (a Cotter business that is overseen by
27 Plaintiff, ironically) is not evidence of his financial dependence on Ellen and Margaret Cotter.
28 (*See* Pl.'s Opp'n to Ind. Defs.' Prejudicial MIL at 7.) Adams began earning this money in

1 2012—before he joined the RDI Board—as part of a services contract with James Cotter, Sr.,
2 and he continues to receive such payment from the Cotter Family Farms as he continues to
3 perform such services. (HD#2 Ex. 2 (4/28/16 Adams Dep.) at 16:4-17:16, 27:1-35:20.) Plaintiff
4 has not contested that Adams is performing such services or that he is entitled to such
5 compensation under that preexisting agreement. There is also no evidence that Ellen and
6 Margaret Cotter have ever actually threatened Adams’ position with the Cotter Family Farms.
7 Instead, the undisputed evidence is that Adams had not had any communications with the Cotter
8 sisters about continuing or not continuing his work for the Farms. (*Id.* at 29:3-7.) Nearly-
9 identical facts have been held to be sufficient to rebut an attack on a director’s independence.
10 *See Grobow v. Perot*, 539 A.2d 180, 188 (Del. 1988) (rejecting entrenchment attack because
11 there were no facts “tending to show that the [] directors’ positions were actually threatened”),
12 *overruled on other grounds by Brehm v. Eiser*, 746 A.2d 244 (Del. 2000). Plaintiff also does not
13 dispute that since the Estate’s assets ultimately pour over into the Trust, and control of the Trust
14 as between Plaintiff and his sisters is currently subject to dispute, there is no reason for Adams to
15 prefer Ellen and Margaret Cotter over Plaintiff.

16 Third, the fact that Director Adams receives the typical fees and stock options as
17 compensation for his service as an RDI Director (*see* Pl.’s Opp’n to Ind. Defs.’ Prejudicial MIL
18 at 7) is irrelevant as a matter of law to any independence inquiry. It is well-settled that “the mere
19 fact that a director receives compensation for [his] service as a board member adds little or
20 nothing” to the independence analysis. *Khanna v. McMinn*, No. Civ. A. 20545-NC, 2006 WL
21 1388744, at *16-17 (Del. Ch. May 9, 2006) (claim that a “director’s salary . . . might influence
22 his decision” was insufficient to disturb presumption of independence); *see also Grobow*, 539
23 A.2d at 188 (“allegation that all GM’s directors are paid for their service as directors . . . does not
24 establish any financial interest” and did not undermine independence).

25 Ultimately, Plaintiff’s entire attack on Director Adams’ independence boils down to his
26 assumption that a 66-year-old man of retirement age, who has served on at least four different
27 corporate boards over the last decade and has an uncontested net worth of approximately
28 [REDACTED], must be “beholden” to Ellen and Margaret Cotter and unable to properly

1 exercise his discretion in evaluating the decision to terminate Plaintiff because the bulk of his
2 current yearly income comes from his RDI Board service or the above-identified antecedent
3 business relationships with James J. Cotter, Sr., which now continue as contracts for the benefit
4 of either the Cotter Family Farms or the Estate of James J. Cotter, Sr. (*See* Pl.’s Opp’n to Ind.
5 Defs.’ Prejudicial MIL at 8 & n.1.)⁹ Notwithstanding what Plaintiff may determine to be
6 necessary to meet his lavish lifestyle needs, ██████████ is a significant fortune in this country.
7 *See, e.g.*, U.S. Census Bureau, Wealth, Asset Ownership, and Debt of Households – Detailed
8 Tables: 2013, *available at* [https://www.census.gov/data/tables/2013/demo/wealth/wealth-asset-](https://www.census.gov/data/tables/2013/demo/wealth/wealth-asset-ownership.html)
9 [ownership.html](https://www.census.gov/data/tables/2013/demo/wealth/wealth-asset-ownership.html) (showing that, as of 2013, the median U.S. household net worth was \$80,039,
10 and the median U.S. household net worth for households in the 65-69 year age bracket—like
11 Adams—was \$193,833).

12 Moreover, not everyone was fortunate enough to be born the son of a man worth
13 hundreds of millions of dollars, like Plaintiff. Recognizing this, courts have rejected attacks on
14 independence similar to that attempted by Plaintiff, and have instead held that the mere fact that
15 directors may receive “relatively substantial compensation provided by . . . board membership
16 compared to their outside salaries” does not alone “lead to a reasonable doubt as to the[ir]
17 independence.” *In re Walt Disney Co. Deriv. Litig.*, 731 A.2d 342, 359-60 (Del. Ch. 1998), *aff’d*
18 *in relevant part, rev’d in part and remanded sub non*, *Brehm v. Eisner*, 746 A.2d 244 (Del.
19 2000). Indeed, too much emphasis on the ratio of board-related compensation to total income
20 would “discourage the membership on corporate boards of people of less-than extraordinary
21 means” as well as “regular folks.” *Id.* (concluding the fact that board member’s “salary as a
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24 ⁹ Plaintiffs’ supposition that Director Adams, without the current RDI-related funds,
25 would “rapidly dissipate his remaining assets” is based upon his unsupported speculation that
26 Director Adams would not modify his 2013-level expenses without his present source of income,
27 would not find service on any other board, would not remarry, and will live another 20 years.
28 (Pl.’s Opp’n to Ind. Defs.’ Prejudicial MIL at 8 n.1.) Of course, Plaintiff also avoids any
consideration of Social Security benefits and any pension to which Director Adams may be
entitled. (*Id.*)

1 teacher is low compared to her director's fees and stock options" did not undermine presumption
2 of independence).

3 Here, given that Plaintiff admittedly never questioned Director Adams' independence
4 prior to the termination decision process, repeatedly certified him to be "independent" under the
5 NASDAQ listing standards for his service as an RDI Board member, and cannot show that it is
6 "improbable" that Adams can be independent due to financial circumstances (as required by
7 *Orman*), Plaintiff has not met his burden of showing a genuine issue for trial with respect to
8 Adams' independence in making the termination decision. (*See also* Ind. Defs.' 9/23/16 MSJ
9 No. 2 at 22-27; Ind. Defs.' 10/21/16 Reply in Supp. of MSJ No. 2 at 9-11.) Because the majority
10 of the RDI Board members voting in favor of Plaintiff's termination (McEachern, Kane, and
11 Adams) were therefore independent as a matter of law, even under Plaintiff's legal framework
12 the business judgment presumption attaches to the Board's decision to terminate Plaintiff and
13 renders his termination-based fiduciary duty claims untenable as a matter of law. Summary
14 judgment is therefore warranted.

15 **III. PLAINTIFF CANNOT DEMONSTRATE THAT A TRIABLE ISSUE OF FACT**
16 **EXISTS REGARDING WHETHER HIS TERMINATION WAS ENTIRELY FAIR**

17 While he mentions the standards for the Delaware "entire fairness" test in his
18 Supplemental Opposition, Plaintiff does not offer any new evidence as to the fairness of his
19 termination. (*See* Pl.'s Supp. Opp'n to MSJ Nos. 1 & 2 at 12-13.) As set forth in Plaintiff's
20 previous briefing, even assuming *arguendo* that (i) a former employee, such as Plaintiff, could
21 ever state an actionable claim for breach of a fiduciary duty stemming from his termination,
22 (ii) the business judgment presumption could potentially be overcome in such a situation, (iii) a
23 majority of the RDI Board was required to be "disinterested" in order to effectively remove
24 Plaintiff as President and CEO; and (iv) a majority of the RDI Board was not "disinterested"
25 with respect to decision to terminate Plaintiff as President and CEO, the decision to terminate
26 Plaintiff was fair on the merits to the Company, and thus not actionable.

27 After over two years of discovery, Plaintiff has not been able to meet the minimum proof
28 thresholds required to create a triable issue of fact as to whether his termination was fair on the

1 merits. Rather, it is beyond reasonable dispute that Plaintiff lacked significant experience in
2 areas critical to RDI, teamwork and morale was poor under his abusive leadership, Plaintiff
3 lacked an understanding of key components of RDI's business, and Plaintiff could not work with
4 key RDI executives. It is particularly ironic that Plaintiff also seeks to be reinstated on the basis
5 that Ellen Cotter did not satisfy the Korn Ferry job description, which he likewise fails to satisfy.
6 There is no evidence in the record that continuing Plaintiff as CEO and/or President would have
7 been in the best interests of RDI, or that he was terminated on terms that were "unfair" to RDI.
8 Nor is there any evidence in the record that returning him to office would be in the best interests
9 of the Company. (*See, e.g.*, Ind. Defs.' 9/23/16 MSJ No. 1 at 18-22; Ind. Defs.' 10/21/16 Reply
10 in Supp. of MSJ No. 1 at 13-17.) At the summary judgment stage, this is fatal to Plaintiff's
11 Delaware-based "entire fairness" challenge, as he cannot show that his removal was in any way
12 "unfair" to RDI—the actual derivative plaintiff in this action.

13 **IV. PLAINTIFF CANNOT DEMONSTRATE THAT A TRIABLE ISSUE OF FACT**
14 **EXISTS REGARDING ANY SUPPOSED INTENTIONAL MISCONDUCT,**
FRAUD, OR KNOWING VIOLATION OF THE LAW

15 Finally, as emphasized in the Individual Defendants' Supplemental Motion, Plaintiff has
16 not shown that a triable issue of fact exists as to whether the decision to terminate his
17 employment as President and CEO involved intentional misconduct, fraud, or a knowing
18 violation of the law. (*See* Ind. Defs.' Supp. Mot. at 11-12.) Recent amendments to Nevada law
19 have made clear that Plaintiff must make this showing to establish the liability of the Individual
20 Defendants stemming from his termination even if he has already successfully rebutted the
21 business judgment presumption *and*, if the Delaware test is applied, proven that his termination
22 was not entirely fair (and thus a breach of fiduciary duty). *See* NRS 78.138(7)(a)-(b) (eff. Oct. 1,
23 2017) (amending the text of subsection 7).

24 Despite the fact that the Individual Defendants explicitly raised this issue again in their
25 Supplemental Motion, Plaintiff failed to provide *any evidence* supporting intentional misconduct,
26 fraud, or a knowing violation of the law in his Supplemental Opposition. (*See generally* Pl.'s
27 Supp. Opp'n to MSJ Nos. 1 & 2.) This is not the first time that Plaintiff has failed to do so; as
28 the Individual Defendants pointed out in their Opposition to Plaintiff's Motion for Partial

1 Summary Judgment, “Plaintiff again completely avoids any mention—let alone discussion—of
2 NRS 78.138(7).” (Ind. Defs.’ 10/13/16 Opp’n to Pl.’s Partial MSJ at 28-29.) Failure to address
3 this essential statutory element is fatal to Plaintiff’s termination claim.

4 Moreover, as the Individual Defendants have argued, there can be no “knowing
5 violation” or “intentional misconduct” where the RDI Board weighed the propriety of Plaintiff’s
6 termination over several meetings, engaged outside counsel to assist it in exercising its fiduciary
7 duties, and articulated a wide variety of business-specific reasons for its removal decision. (*See*
8 *id.*) Even the directors that voted not to terminate Plaintiff on June 12, 2015 recognized
9 significant problems with his performance, and objected more to the timing of his removal than
10 to the underlying basis. (*See* Ind. Defs.’ 9/23/16 MSJ No. 1 at 8-12, 19.) This is not a case
11 where the Board is accused of making a multi-million dollar payment to make an executive go
12 away, and even where such payments are made, that is not sufficient to establish an actionable
13 claim. *See In re Walt Disney Co. Deriv. Litig.*, 906 A.2d at 72-73. Plaintiff has not identified a
14 single case anywhere in which directors have been held liable for breaching their fiduciary duties
15 in the context of an employee termination, let alone under the strict requirements set forth in
16 NRS 78.138(7). Because Plaintiff has not even attempted to (and cannot) meet the showing
17 required under NRS 78.138(7)(b)(2) to establish individual liability, no triable issue remains and
18 summary judgment on his termination claim is appropriate.

19 **CONCLUSION**

20 Delaware’s “entire fairness” test is not Nevada law. Under applicable Nevada law, the
21 Individual Defendants are entitled to the benefit of Nevada’s business judgment presumption in
22 making their business decision to terminate Plaintiff as President and CEO. Independence is not
23 required for the benefits of the Nevada business judgment presumption in the absence of a
24 transaction in which directors sit on both sides of the table. Moreover, RDI’s bylaws specifically
25 vest in the board the power, by majority vote, to terminate officers of the corporation, with or
26 without cause, and do not specify that such majority must consist of “independent directors.”
27 Plaintiff has presented no evidence rebutting the Nevada business judgment presumption or, to
28 the extent the Delaware standard is applied, demonstrating that the decision was “unfair” to RDI.

1 For the reasons set forth above, the Individual Defendants respectfully request that the
2 Court grant their Supplemental Motion for Summary Judgment No. 1 (and, to the extent
3 implicated, No. 2) and grant them summary judgment as to the First, Second, Third, and Fourth
4 Causes of Action set forth in Plaintiff's Second Amended Complaint, to the extent that they
5 assert claims, damages, and an injunction based on Plaintiff's June 12, 2015 termination as CEO
6 and President of RDI.

7
8 Dated: December 4, 2017

9 **COHEN|JOHNSON|PARKER|EDWARDS**

10 By: /s/ H. Stan Johnson

11 H. STAN JOHNSON, ESQ.
12 Nevada Bar No. 00265
13 sjohnson@cohenjohnson.com
14 255 East Warm Springs Road, Suite 100
15 Las Vegas, Nevada 89119
16 Telephone: (702) 823-3500
17 Facsimile: (702) 823-3400

18 **QUINN EMANUEL URQUHART &
19 SULLIVAN, LLP**

20 CHRISTOPHER TAYBACK, ESQ.
21 California Bar No. 145532, *pro hac vice*
22 christayback@quinnemanuel.com
23 MARSHALL M. SEARCY, ESQ.
24 California Bar No. 169269, *pro hac vice*
25 marshallsearcy@quinnemanuel.com
26 865 South Figueroa Street, 10th Floor
27 Los Angeles, CA 90017
28 Telephone: (213) 443-3000

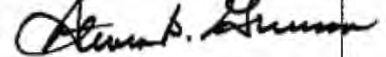
*Attorneys for Defendants Margaret Cotter, Ellen
Cotter, Douglas McEachern, Guy Adams, Edward
Kane, Judy Coddington, and Michael Wrotniak*

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CERTIFICATE OF SERVICE

I hereby certify that, on December 4, 2017, I caused a true and correct copy of the foregoing **REPLY IN SUPPORT OF THE INDIVIDUAL DEFENDANTS’ RENEWED MOTIONS FOR PARTIAL SUMMARY JUDGMENT NOS. 1 AND 2** to be served on all interested parties, as registered with the Court’s E-Filing and E-Service System.

/s/ Sarah Gondek
An employee of Cohen|Johnson|Parker|Edwards



1 **SUPP**

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

6 Ekwan E. Rhow (*admitted pro hac vice*)
7 eer@birdmarella.com
Shoshana E. Barnett (*admitted pro hac vice*)
8 sbarnett@birdmarella.com
BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
9 DROOKS, LINCENBERG & RHOW, P.C.
1875 Century Park East, 23rd Floor
10 Los Angeles, California 90067-2561
Telephone: (310) 201-2100
11 Facsimile: (310) 201-2110

12 Attorneys for Defendant William Gould

13
14 **EIGHTH JUDICIAL DISTRICT COURT**

15 **CLARK COUNTY, NEVADA**

16
17 JAMES J. COTTER, JR.,

18 Plaintiff,

19 vs.

20 MARGARET COTTER, et al.,

21 Defendant.

22 READING INTERNATIONAL, INC.,

23 Nominal Defendant.

CASE NO. A-15-719860-B

**DEFENDANT WILLIAM GOULD'S
SUPPLEMENTAL REPLY IN SUPPORT
OF MOTION FOR SUMMARY
JUDGMENT**

*[Filed concurrently with Declaration of
Shoshana E. Barnett]*

Hearing Date: December 11, 2017
Hearing Time: 10:30 A.M.

Assigned to Hon. Elizabeth Gonzalez,
Dept. XI

Trial Date: January 2, 2018

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1 MEMORANDUM OF POINTS AND AUTHORITIES

2 **I. INTRODUCTION**

3 Plaintiff James Cotter, Jr. filed four briefs, totaling 55 pages, which purport to summarize
4 the so-called “evidence” of breach of fiduciary duty against William Gould (and the other Reading
5 directors). But his briefs nowhere mention the critical fact most relevant to Mr. Gould—namely,
6 that, on the key vote on which this entire lawsuit hinges, Mr. Gould voted *against* Plaintiffs’
7 termination. This fact alone proves that Mr. Gould was not participating in some secret
8 conspiracy with Ellen and Margaret Cotter to terminate Plaintiff and should also contextualize all
9 of his future activities at the company—where he was forced to deal with the consequences of
10 a vote *that he did not agree with*.

11 Indeed, although Plaintiff half-heartedly argues that Mr. Gould is not independent because
12 at times he voted with Ellen and Margaret Cotter or did not do exactly what Plaintiff wanted
13 Mr. Gould to do, *Plaintiff’s own expert concluded that that there was insufficient evidence to*
14 *find that Mr. Gould lacked independence or disinterestedness. Justice Steele therefore opined*
15 *that Mr. Gould was entitled to protections of the business judgment rule.* Similarly, the
16 independent shareholders who were deposed in this case all testified that they viewed Mr. Gould
17 as independent and that they had no problem with him. Given that even Plaintiff’s own expert
18 believes Mr. Gould is entitled to the protections of the business judgment rule, the claims against
19 him must be summarily adjudicated in his favor on that basis alone.

20 Plaintiff’s claims fare no better on a merits examination. Because of the jumbled way that
21 Plaintiff briefed these issues and the fact that his claims have morphed over time, it is important to
22 first clarify which claims Plaintiff has brought against Mr. Gould (as opposed to the other
23 directors). Plaintiff identified six actions that he contends support independent claims for breach
24 of fiduciary duty (specifically breach of the duty of loyalty): (1) the threat to terminate Plaintiff;
25 (2) Plaintiff’s termination; (3) the 100,00 share option exercise; (4); the CEO search and
26 appointment of Ellen Cotter as CEO; (5) hiring Margaret Cotter as EVP New York Real Estate;
27 and (6) declining to pursue the Patton Vision offer. Plaintiff has informed Mr. Gould that he is not
28 a defendant on the claims regarding the threat to terminate Plaintiff and the 100,000 share option

1 because Mr. Gould was not involved in either of those actions. And while Plaintiff is still
2 pursuing an inane claim against Mr. Gould for Plaintiff's termination, it is again undisputed that
3 Mr. Gould voted *against* his termination. That leaves just three real claims against Mr. Gould—
4 his alleged breach of duty of loyalty relating to the CEO search, the hiring of Margaret Cotter's
5 position, and the declination of Patton Vision offer.

6 It is clear that Plaintiff cannot establish a breach of fiduciary duty on any of these matters.
7 Nevada law gives great deference to directors in making decisions that they believe will be in the
8 best interest of the company. There is simply no evidence that Mr. Gould ever made a decision for
9 any reason other than he thought it best for Reading. That is why he at times has sided with
10 Plaintiff and at times with the Cotter sisters. External parties such as the partner at the executive
11 search firm retained for the CEO search noted that Mr. Gould took his duties seriously and was
12 attempting to find the right person for the job. Independent shareholders describe him as having
13 had "a level head in this mess." As discussed previously and below in detail, at every turn
14 Mr. Gould took into account common and appropriate considerations, which were clearly
15 permitted under Nevada statutory law.

16 Simply put, Plaintiff's evidence against Mr. Gould consists of nothing more than his
17 contentions that he would have done things differently. As everyone - other than Plaintiff
18 himself—that has looked at Mr. Gould's actions sees Mr. Gould as independent, disinterested, and
19 acting in the best interest of the company, he is entitled to the full benefits of the business
20 judgment rule and the claims against him must be summarily adjudicated in his favor.

21 **II. ARGUMENT**

22 **A. Mr. Gould is independent and disinterested and entitled to the protection of** 23 **the business judgment rule.**

24 It is undisputed that under Nevada law a director who is both independent and disinterested
25 is entitled to the protection of the business judgment rule. *See* Suppl. Opp. 1 & 2 at 6-7. Plaintiff
26 does not contend that Mr. Gould is interested in any of the matters at issue.¹ Plaintiff does appear
27

28 ¹ Nor can he. A director is interested in a matter if he will receive a specific financial benefit

1 to contend that Mr. Gould is not independent. *Id.* at 9-10. But a director lacks independence only
2 if his decision resulted from him being controlled by another. *See Shoen v. SAC Holding Corp.*,
3 122 Nev. 621, 637-38 (2006); *Orman v. Cullman*, 794 A.2d 5, 24, 25 n.50 (Del. Ch. 2002).
4 Control is ordinarily shown by demonstrating that (1) a director is dominated by another party,
5 such as through a close personal or familial relationship; or (2) a director is beholden to another
6 party, such that the other party has the power to decide whether the director continues to receive a
7 benefit upon which the director is so dependent or is of such subjective material importance that
8 its threatened loss might create a reason to question whether the director is able to consider the
9 corporate merits of the challenged action objectively. *Telxon Corp. v. Meyerson*, 802 A.2d 257.

10 Plaintiff does not point to *any* facts that suggest that Mr. Gould was controlled by Ellen or
11 Margaret Cotter (or any of the other directors, for that matter). Plaintiff does not contend that
12 Mr. Gould has a close personal relationship with either Ellen or Margaret Cotter. Suppl. Opp 1 &
13 2 at 9-10. And Plaintiff does not contend that Mr. Gould has any financial relationship with Ellen
14 or Margaret Cotter. *Id.* As a result, Plaintiff cannot demonstrate that Mr. Gould lacks
15 independence.²

16 Plaintiff's own expert witness in this case agrees. Justice Steele, a former justice on the
17 Delaware Supreme Court, "***reached the conclusion that [he] could find insufficient facts to***
18 ***suggest to [him] there was a reasonable doubt about [Gould's] independence or***
19 ***disinterestedness.***" Ex. 1 at 149:1-5 (emphasis added). Based on this conclusion, when Justice
20 Steele defined the "defendants" he purposefully did not include Mr. Gould. *Id.* at 149:13-21. And
21 Justice Steele's other opinions regarding possible breaches of fiduciary duty "do not apply to
22 Mr. Gould", but only the other individual defendants. *Id.* at 149:22-150:1. Instead, because

23 from his action or lack of action on the matter. *See Shoen v. SAC Holding Corp.*, 122 Nev. 621,
24 637-38 (2006); *Orman v. Cullman*, 794 A.2d 5, 24, 25 n.50 (Del. Ch. 2002). Mr. Gould received
no specific financial benefit from any of the events at issue in this lawsuit.

25 ² The fact that Ellen and Margaret Cotter are controlling shareholders who could remove Gould
26 if unhappy does not show a lack of independence, otherwise every director who voted the same
27 way with a controlling shareholder would lack independence. As another Court put it, "a
28 stockholder's control of an organization does not indicate lack of independence without
particularized allegations of relationships between the directors and controlling stockholder
demonstrating that the directors are beholden to the stockholder." *Beam v. Stewart*, 845 A. 2d
1040, 1054 (Del. 2004).

1 Justice Steele saw no evidence to suggest that Mr. Gould lacked independence or
2 disinterestedness, *Justice Steele concluded that Mr. Gould was entitled to the benefit of the*
3 *business judgment rule and there was no need “to carry the analysis any farther than that.” Id.*
4 at 150:22-151:5.

5 Justice Steele’s expert opinion was reiterated by each of the independent shareholders who
6 were deposed in this matter. Jonathan Glaser testified that he believed Mr. Gould was
7 independent. Ex. 2 at 194:2-194:8 (Glaser Dep.). Similarly, Andrew Shapiro testified that
8 Mr. Gould was socially independent and that, unlike some of the other directors, Shapiro had no
9 problem with Mr. Gould. Ex. 3 at 292:14-292:18 (Shapiro Dep.). Likewise, Whitney Tilson
10 testified that he had positive feelings towards Gould and Gould was not one of the directors he
11 would seek to have removed from Reading’s Board of Directors. Ex. 4 at 160:11-161:4 (Tilson
12 Dep.).

13 Plaintiff cannot meet the legal standard and show that Mr. Gould had either a personal or
14 financial relationship with Ellen and Margaret Cotter. But he tries to get around this by arguing
15 that the Court should infer some sort of an improper bias toward Ellen and Margaret Cotter
16 anyway. Plaintiff’s argument is based solely on the fact that Mr. Gould sometimes voted the same
17 way the Cotter sisters voted, such as when he voted to “repopulate” the executive committee
18 (which this Court has already held cannot support an independent claim for breach of fiduciary
19 duty), or took other reasonable actions that the Plaintiff himself disapproves of, even though each
20 of those actions were similarly appropriate and within the scope of Mr. Gould’s fiduciary duties,
21 such as relying on company counsel to assess whether Mr. Adams had a financial conflict.

22 While all of Mr. Gould’s actions were perfectly reasonable, that is not the point at this
23 stage. Plaintiff’s analysis of independence is completely backwards. The Court does not
24 undertake a substantive evaluation of a director’s conduct to determine whether the director is
25 independent. Under the business judgment rule, the Court does not get into a substantive
26 evaluation of a director’s conduct *until* it is shown that the director is not independent and
27 disinterested. *See, e.g., Wynn Resorts Ltd v. Eighth Judicial District Court in and for the County*
28 *of Clark*, 399 P.3d 344, 342-43 (2017). Plaintiff has not cited to a single case in which the Court

1 looks at a defendant's actions as a director to determine whether the director is independent and
2 that is because there are none. That is why Plaintiff's own expert, who was aware of all of the
3 conduct that Plaintiff points to here, concluded that there was insufficient evidence to conclude
4 that Mr. Gould lacked independence or disinterestedness—and did not then go any further in his
5 analysis.

6 Given that every single person that has looked at the evidence in this case, including
7 Plaintiff's expert and the independent shareholders, believes that Gould is independent and
8 disinterested, Mr. Gould must be given the benefit of the business judgment rule and the case
9 against him must be summarily adjudicated in his favor.

10 **B. Under Nevada law, the burden to prove breach of fiduciary duty remains with**
11 **Plaintiff; the burden never shifts to Mr. Gould to prove the "entire fairness"**
12 **of his actions.**

13 Even if the Court were to reach the merits of Plaintiff's claims against Mr. Gould (and it
14 should not given that Mr. Gould is entitled to the business judgment rule), Plaintiff's claims
15 against Gould should fail because Plaintiff cannot meet his burden to demonstrate that Mr. Gould
16 (1) breached his fiduciary duty; and (2) did so with the requisite mindset of intentional
17 misconduct, fraud, or a knowing violation of law.

18 Citing Delaware law exclusively, Plaintiff argues that if he is able to demonstrate that the
19 business judgment rule does not apply, the burden shifts to Mr. Gould to prove the "entire
20 fairness" of his actions Suppl. Opp. 2 & 3 at p. 12. But the plain language of the governing
21 Nevada statute demonstrates that unlike Delaware, in Nevada the burden remains on Plaintiff.
22 Nev. Rev. Stat. § 78.138 states that:

23 [A] director or officer is not individually liable to the corporation or
24 its stockholders or creditors for any damages as a result of any act or
failure to act in his capacity as a director or officer unless:

25 (a) The trier of fact determines that the presumption
26 established by subsection 3 has been rebutted; and

27 (b) *It is proven that:*

28 (1) The director's or officer's act or failure to act
constituted a breach of his or her fiduciary duties as a director or

1 officer; and

2 (2) Such breach involved intentional misconduct,
3 fraud or a knowing violation of law.

4 Nev. Stat. Rev. § 78.138(4)(7) (emphasis added). Because even after the presumption that a
5 director acts in good faith is rebutted, the statute still requires that the plaintiff must *prove* both
6 a breach of fiduciary duty and that the breach involved intentional misconduct, fraud, or a
7 knowing violation of law, a Nevada director-defendant does not have to prove the “entire fairness”
8 of his actions.³

9 Here, as discussed below, it is clear that Plaintiff cannot meet this burden and show
10 a breach of fiduciary duty involving intentional misconduct, fraud, or a knowing violation of law
11 by Mr. Gould with respect to any of the four actions that Plaintiff claims support independent
12 breaches of fiduciary duty—the termination of Cotter, Jr., the CEO search, the appointment of
13 Margaret Cotter to the position of EVP New York real estate and/or the response to the Patton
14 Vision offer.

15 **C. There is no evidence to support a claim against Mr. Gould for breach of**
16 **fiduciary duty based on Plaintiff’s termination because Mr. Gould voted**
17 ***against* Plaintiff’s termination.**

18 Strangely, Plaintiff continues to contend that Mr. Gould is liable for breach of fiduciary
19 duty based on Plaintiff’s termination even though Mr. Gould voted *against* terminating Plaintiff.
20 Plaintiff’s claim is nonsensical. Plaintiff admits that Mr. Gould’s vote against his termination was
21 done with the best interests of Reading in mind. (Ex. 5 at 1017:14-24; 1026:21-1027:12 (Cotter,
22 Jr. Dep. Vol IV)). If Gould acted with the best interests of Reading in mind, then he did not
23 breach his fiduciary duty. And unsurprisingly, the law is clear that a director is not responsible for
24 an action he did not vote for. *See, e.g., In re Tri-Star Pictures, Inc., Litig.*, No. CIV. A. 9477,
25 1995 WL 106520, at *2 (Del. Ch. Mar. 9, 1995)) (refusing to hold director liable for board

26 ³ Plaintiff agrees that the law of another jurisdiction, such as Delaware, cannot supplant or
27 modify the law of Nevada. Suppl. Opp 1 & 2 at p. 4. Here because Delaware’s “entire fairness”
28 burden shifting would supplant Nevada’s statutory allocation of the burden of proof, the “entire
fairness” test is invalid in Nevada.

1 decision where director abstained from vote); *In Re Wheelabrator Technologies, Inc. Shareholders*
2 *Litigation*, C.A. No. 11495, 1992 WL 212595, at *10 (Del. Ch. Sept. 1, 1992) (same); *Citron v.*
3 *E.I. du Pont de Nemours & Co.*, 584 A.2d 490, 499 (Del.Ch. 1990) (same). Because he voted
4 against the termination, there is no basis whatsoever to hold Mr. Gould liable for an independent
5 claim of breach of fiduciary duty based on Plaintiff's termination. This claim must be summarily
6 adjudicated in Mr. Gould's favor.

7 **D. There is no evidence to support a separate claim against Mr. Gould relating to**
8 **the CEO search or the appointment of Ellen Cotter as permanent CEO.**

9 Next, Plaintiff contends that Mr. Gould breached his fiduciary duty by "aborting the CEO
10 search" and selecting Ellen Cotter (the interim CEO) as permanent CEO. Suppl. Opp 2 & 5.
11 Plaintiff once again goes through a lengthy, misleading recitation of the "facts" regarding the CEO
12 search. *Id.* at 2-9. Gould has already responded to Plaintiff's various mischaracterizations of the
13 record, in his original reply brief and incorporates that brief by reference.

14 *But even taking everything Plaintiff says as true*, all Plaintiff has demonstrated is that the
15 search could have been conducted differently and a different CEO could have been selected. And
16 of course that is the case. There are many ways to look for a CEO. For example, when Reading
17 hired the Plaintiff, they engaged in a much less thorough process than the search Plaintiff now
18 challenges. In particular, when Reading hired Plaintiff, the Board did not engage an executive
19 search committee. They did not come up with desired qualifications or interview any candidates
20 at all. The Board of Directors simply voted to appoint the Plaintiff based on their understanding
21 that Cotter, Sr., the controlling shareholder, wanted his son to succeed him as CEO. Motion for
22 Summary Judgment at 3.

23 Here by contrast, Reading engaged an executive search firm (Korn Ferry), established a
24 CEO search committee, which then met with Korn Ferry to put together a position specification.
25 The search committee interviewed all six of the candidates recommended by Korn Ferry,
26 interviewed Ellen Cotter after she decided to throw her hat in the ring, reassessed the validity of
27 the original position specification after interviewing candidates and receiving feedback from the
28 Plaintiff that it was too focused on real estate, discussed the relative merits of the external

1 candidates against Ellen Cotter and then selected Ellen Cotter based on her performance to date,
2 her personality, her knowledge of Reading, and the stability she offered, among other factors (with
3 Margaret Cotter abstaining from the vote). Mot. for Summary Judgment at 21, 23. Korn Ferry's
4 Bob Mayes testified that these are common considerations in selecting a CEO: internal candidates
5 are sometimes preferred because there is less disruption; cultural fit, motivation, personality traits
6 and style are all commonly considered; and a strength in one area can outweigh a weakness in the
7 other. Motion for Summary Judgment at 23.

8 Plaintiff contends that when the Directors (including Mr. Gould) selected Plaintiff because
9 the Plaintiff's father, *the controlling shareholder*, wanted his son to become CEO, that selection
10 was consistent with the Director's fiduciary duties. Mot. for Summary Judgment at 3. But he
11 argues that the more thorough process involving the search and the appointment of his sister *was a*
12 *breach of fiduciary duty because the directors took into account the wishes of the controlling*
13 *shareholders*. Suppl. Opp. 2 & 5 at 12. Clearly, it cannot be consistent with one's fiduciary duties
14 to take the wishes of the controlling shareholder into account when Cotter, Jr. is selected CEO, but
15 a violation of one's fiduciary duties to take the wishes of the controlling shareholder into account
16 when Cotter, Jr.'s rival is selected CEO.

17 Nevada's recent amendments to its statute governing director conduct make clear that
18 Nevada directors have broad powers to determine what is in the best interest of the corporation
19 and *are always permitted to take into account the interests of controlling shareholders*. Indeed,
20 the Legislature specifically added a provision stating that

21 [d]irectors and officers, in exercising their respective powers with a
22 view to the interests of the corporation may: (a) consider all relevant
23 facts, circumstances, contingencies or *constituencies*. . .[and] (b)
24 *Consider or assign weight to the interests of any particular person*
or group, or to any other relevant facts, circumstances,
contingencies or constituencies.

25 Nev. Rev. Stat. § 78.138(4) (emphasis added). By taking into account the wishes of the
26 controlling shareholders, Mr. Gould was doing nothing more than considering or assigning weight
27 to the interests of a particular group. Here, Mr. Gould appropriately took into account (as one
28 factor of many) the interest of the controlling shareholders in determining the interests of the

1 corporation, as he is entitled to do under Nevada law.

2 Finally, there is simply no evidence that Gould acted with intentional misconduct, fraud, or
3 a knowing violation of law when he recommended Ellen Cotter for the position of permanent
4 CEO. As Korn Ferry's Bob Mayes testified, Mr. Gould took the process seriously, attended all
5 search committee calls, and *Mr. Gould never said or did anything that made him think*
6 *Mr. Gould was doing anything other than trying to find the right person for the job.* Mot. for
7 Summary Judgment at 25. The fact that Ellen Cotter could be and was selected by someone trying
8 to find the right person for the job is reinforced by the fact that independent shareholders also
9 recognize that Ellen Cotter was a good choice for CEO. As shareholder Johnathan Glaser
10 testified, he was "not in the least surprised" that Ellen Cotter was selected permanent CEO, and he
11 was not troubled by that, because he

12 recognize[s], one the difficulty of finding anybody else, particularly
13 with the circus going on; and two, I think she knows the company
14 pretty well, has been there a long time, probably learned the
15 business from her dad. So I'm not convinced that there's some
knight in shining armor out there to come in and be, you know,
a great – you know, a much better CEO of this company. I'm okay
with Ellen.

16 See, e.g., Ex. 2 at 156:20-22; 258:22-259:18 (Glaser Dep.) (also testifying that "I'm personally
17 comfortable with Ellen as CEO."). Simply put, there is no evidence to suggest that Mr. Gould
18 breached his fiduciary duty, in selecting Ellen Cotter as CEO, a choice that other shareholders
19 agree with, let alone that he acted with intentional misconduct, fraud, or a knowing violation of
20 law.

21 **E. There is no evidence that Mr. Gould breached his fiduciary duties when he**
22 **voted to decline to pursue the Patton Vision Offer.**

23 Plaintiff contends that Mr. Gould also breached his fiduciary duties when he voted to
24 decline to pursue the Patton Vision offer. Plaintiff devotes more than 12 pages to spinning the
25 facts, but essentially his "evidence" boils down two items that he contends shows that it was a
26 breach of fiduciary duty to decline to pursue the Patton Vision offer. First, Mr. Gould asked Ellen
27 and Margaret Cotter for their views, as controlling shareholder. Second, the business plan that the
28 directors relied on was not a formal, written and approved business strategy. But despite

1 Plaintiff's use of negative buzz-words like "imaginary," everything that Mr. Gould did was
2 entirely consistent with Nevada law and his fiduciary duties in contemplating an offer.

3 First, as discussed above, Nevada law makes clear that directors are able to consider the
4 and assign weights to the interest of any particular person or group, which necessarily includes
5 controlling shareholders. Nev. Rev. Stat. § 78.138(4)(b). And that makes sense. Before deciding
6 whether to incur significant expenses on behalf of the company (and all shareholders) to hire
7 outside experts to evaluate the offer, one would obviously want to know if there is any possibility
8 of success. If the controlling shareholders are opposed and will not sell their stock, it could be a
9 complete waste of corporate assets to engage outside experts. Nevada law permitted Mr. Gould to
10 ask the controlling shareholders for their views and take those views into account and he
11 reasonably did so.

12 But Mr. Gould did not solely rely on the controlling shareholders views. As Plaintiff's
13 brief makes clear, the directors were provided with materials that summarized the company's
14 business strategy and the company's management team made a presentation regarding the
15 company's financial position. *See* Suppl. Opp. at 2-8. Plaintiff does not and cannot point to any
16 requirement that the Board rely on a formally adopted, written business strategy as opposed to
17 slideshows and other presentations. And while Plaintiff personally takes issue with various
18 aspects of the conclusions presented by management, that does not make it unreasonable for
19 Mr. Gould to rely on the information presented by the company's executives, including the
20 company's CFO. Indeed, Nevada law specifically contemplates that a director will rely on the
21 information presented by the company's executives. Nev. Rev. Stat. § 78.138(2)(a). And as it
22 turns out, those views were not and are not unreasonable. External analysts have issued reports
23 with a BUY rating and a target price of \$26/share. Ex. 6 (Osborne Rebuttal Report) at ¶ 44. And
24 the Company's stock is already up \$4/share since the initial offer, suggesting that the management
25 was correct when they concluded that Reading was undervalued.

26 Mr. Gould relied on appropriate considerations in making his decision to vote to decline to
27 pursue the Patton Vision offer and as a result, Plaintiff cannot show that Mr. Gould's vote was a
28 breach of fiduciary duty, much less that it involved intentional misconduct, fraud, or a knowing

1 violation of law.

2 **F. There is no evidence that Mr. Gould breached his fiduciary duties when he**
3 **approved the appointment of Margaret Cotter as EVP New York real estate.**

4 Plaintiff concedes that the fact that Mr. Gould (1) approved Ellen Cotter's compensation
5 package on the recommendation of executive compensation experts and the compensation
6 committee, (2) approved a one-time payment to Margaret Cotter on the recommendation of the
7 compensation committee and the audit committee based on the winding up of her separate
8 business; and (3) the approval of a one-time payment to Guy Adams to cover additional work he
9 did beyond his director duties, based on the recommendation of CEO Ellen Cotter, do not support
10 independent claims for breach of fiduciary duty. Suppl. Opp. 2 & 6 at 2, Suppl. Opp. 2& 3 at 1-2
11 (identifying claims that Plaintiff contends constitute independent breaches of fiduciary duty). And
12 that is correct. As discussed at length in Mr. Gould's Motion for Summary Judgment, approving
13 each of those payments on the recommendation of knowledgeable executives, experts and
14 committees was entirely consistent with Mr. Gould's fiduciary duties. Motion for Summary
15 Judgment at 25-27.⁴ And, as noted above, Mr. Gould was not involved in the \$100,000 share
16 option, and, necessarily, Plaintiff does not contend that Mr. Gould breached any fiduciary duties
17 with respect to that option.

18 Plaintiff contends only that Mr. Gould is liable for an independent breach of fiduciary duty
19 stemming from the appointment of Margaret Cotter as Executive Vice President (EVP) New York
20 real estate. Ellen Cotter appointed Margaret Cotter to the role of executive vice president with the
21 advice and consent of the Board of Directors. Ex. 7. The Board voted 6-0 in favor of the
22 appointment with Ellen and Margaret Cotter not participating and Plaintiff abstaining.⁵ *Id.*
23 Plaintiff contends that Mr. Gould breached his fiduciary duty by approving Ellen Cotter's choice
24 of an executive because in Plaintiff's opinion, Margaret Cotter was unqualified for the role. Gould

25
26 ⁴ Plaintiff claims here it was unusual to provide payments to directors in the range of \$50,000
27 dollars, but Mr. Gould pointed out in his opening brief that the company had provided additional
payments to directors ranging from \$25,000 - \$75,000. Motion for Summary Judgment at 27

28 ⁵ As Plaintiff testified, board cohesion and unanimity is in and of itself a consideration that
director may take into account when voting. Ex. 5 at 1055:6-14 (Cotter, Jr. Dep. Vol IV)

1 approved Ellen Cotter's recommendation because it is his view that a CEO should be able to build
2 his or her own team.⁶ Motion for Summary Judgment at p. 27 n. 17. If Ellen Cotter's choice of
3 Margaret Cotter was a poor one, the directors would hold Ellen Cotter accountable. This is a
4 reasonable position to take and is consistent with a director's fiduciary duties. *See* Ex. 6 at 23-24
5 (Expert rebuttal report of Dr. Alfred Osborne). *See also* Nev. Stat. Rev. § 78.138(4) (permitting
6 directors to take into account all relevant facts, circumstances, contingencies, or constituencies).

7 Margaret Cotter had ably handled the land-marking process and pre-development of the
8 New York properties, as well as supervised an arbitration win when a difficult tenant, Stomp,
9 vacated one of Reading's New York properties. As a result of these experiences, Ellen Cotter and
10 the other directors, were convinced that Margaret Cotter would put together the right team to
11 develop the New York real estate. *See, e.g.,* Ex. 8 at 55-60 (Ellen Cotter Dep.); Ex. 8 at 57; 72-73
12 (Kane Dep.); Ex. 10 at 262-63 (McEachern Dep.) That Margaret Cotter's brother, who she had
13 been warring with, had a different view, is not evidence that it was a breach of fiduciary duty to
14 approve the CEO's choice of an executive team, and it certainly does not show that Mr. Gould
15 acted with intentional misconduct, fraud, or a knowing violation of law.⁷

16 **III. CONCLUSION**


17 For the foregoing reasons, and the reasons stated in the Defendant William Gould's
18 Motion for Summary Judgment, the Reply Brief, and the Independent Directors MPSJ No. 3 and
19 Gould's Request for Hearing, all of Plaintiff's claims against Defendant Gould should be
20 summarily adjudicated in favor of Gould.

22 ⁶ Mr. Gould acted entirely consistently when Plaintiff was CEO and Plaintiff did not want to
23 appoint Margaret Cotter to be EVP New York real estate. Mr. Gould supported Plaintiff's
24 decision, then, because the CEO should get to build his or her own team. Declaration of James
Cotter, Jr., ¶ 36.

25 ⁷ Plaintiff contends that the \$200,000 payment to Margaret Cotter was improper because it was
26 in exchange for a position that she was previously willing to accept for free. Plaintiff cites nothing
27 more than his say so for this position. As discussed in Mr. Gould's Motion for Summary
28 Judgment, two separate committees, the Audit Committee and the Compensation Committee
approved this payment and found it was appropriate for Margaret Cotter's prior work and for
releases and waivers granted in winding up her company. Motion for Summary Judgment at 26.
It was reasonable and appropriate for Mr. Gould to rely on these two separate committees in
deciding to approve the payment. *Id.*

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2 December 4, 2017

3 BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
4 DROOKS, LINCENBERG & RHOW, P.C.

5 By 
6 Ekwon E. Rhow (*admitted pro hac vice*)
7 Shoshana E. Barnett (*admitted pro hac vice*)
8 1875 Century Park East, 23rd Floor
9 Los Angeles, California 90067-2561

10 MAUPIN, COX & LeGOY
11 Donald A. Lattin (SBN 693)
12 Carolyn K. Renner (SBN 9164)
13 4785 Caughlin Parkway
14 Reno, NV 89519
15 Telephone: (775) 827-2000
16 Facsimile: (775) 827-2185

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28 Attorneys for Defendant William Gould

CERTIFICATE OF SERVICE

Pursuant to Nev. R. Cir. 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 **DEFENDANT WILLIAM GOULD'S SUPPLEMENTAL REPLY IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT** to be filed and served via the Court's Wiznet E-Filing system. The date and time of the electronic proof of service is in place of the date and place of deposit in the mail.

DATED this 4th day of December, 2017.

Karim Aum
EMPLOYEE



DECL

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

Ekwan E. Rhow (*admitted pro hac vice*)
eer@birdmarella.com
Shoshana E. Bannett (*admitted pro hac vice*)
sbannett@birdmarella.com
BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
DROOKS, LINCENBERG & RHOW, P.C.
1875 Century Park East, 23rd Floor
Los Angeles, California 90067-2561
Telephone: (310) 201-2100
Facsimile: (310) 201-2110

Attorneys for Defendant William Gould

EIGHTH JUDICIAL DISTRICT COURT

CLARK COUNTY, NEVADA

JAMES J. COTTER, JR.,

Plaintiff,

vs.

MARGARET COTTER, et al.,

Defendant.

READING INTERNATIONAL, INC.,

Nominal Defendant.

CASE NO. A-15-719860-B

**DECLARATION OF SHOSHANA E.
BANNETT IN SUPPORT OF
DEFENDANT WILLIAM GOULD'S
SUPPLEMENTAL REPLY IN SUPPORT
OF MOTION FOR SUMMARY
JUDGMENT**

[Filed concurrently with Supplemental Reply]

Hearing Date: December 11, 2017

Hearing Time: 10:30 A.M.

Assigned to Hon. Elizabeth Gonzalez,
Dept. XI

Trial Date: January 2, 2018

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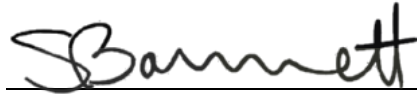
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1 I declare under penalty of perjury under the laws of the State of California that the
2 foregoing is true and correct, and that I executed this declaration on December 5, 2017, at
3 Los Angeles, California.

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6 Shoshana E. Barnett
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CERTIFICATE OF SERVICE

Pursuant to Nev. R. Cir. 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 **DECLARATION OF SHOSHANA E. BARNETT IN SUPPORT OF DEFENDANT WILLIAM GOULD'S SUPPLEMENTAL REPLY IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT** to be filed and served via the Court's Wiznet E-Filing system. The date and time of the electronic proof of service is in place of the date and place of deposit in the mail.

DATED this 5th day of December, 2017.

Baitlin Arum
EMPLOYEE