

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

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

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

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

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

### 13 ALLEGATIONS COMMON TO ALL CLAIMS

#### 14 **General Background**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

#### 17 **Management Catalysts**

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

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

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

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

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

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

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

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

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

1 sustain improved working relationships.

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

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

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

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

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

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

#### 26 **MC’s Orpheum Theatre Debacle Puts Her In Jeopardy**

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

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

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

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

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

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

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

#### 26 **Kane Chooses Sides in a Family Dispute**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

23           117. On or about October 9, 2015, EC and MC caused the Trust to file a Schedule 13D.  
24 That Schedule 13D, like the 13D2, states that the Trust is a member of a group for the purposes of  
25 Schedule 13D with the Estate, MC and EC. In response to these late filings as well as others made  
26 by the Company, one RDI shareholder representative asked the Board, "Why does this board and  
27 management choose to continue to be serial abusers of the securities laws?"  
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1            118. Contrary to what the Schedule 13D filed for the Trust on or about October 9 and  
2 the 13D2 imply, EC and MC do not control the shares held in the name of the Trust for voting  
3 purposes, shared or otherwise. Plaintiff is informed and believes that such statements made in  
4 these two schedule 13Ds (and in the Company's Proxy Statement for the 2015 ASM) were  
5 intended by EC and MC (and by Kane, Adams and McEachern) to mislead other holders of RDI  
6 Class B voting stock in anticipation of and in connection with the 2015 ASM and the 2016 ASM.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 6 a. It states (at page 10) that, under Nevada law, EC and MC, as two of three  
7 trustees of the Trust, have the power to vote all of the RDI Class B voting stock  
8 held in the name of the Trust on the books and records of the Company;
- 9 b. It states (at page 10) that EC and MC together have the power to vote  
10 71.9% of a Class B voting stock entitled to vote for directors at the 2015 ASM;
- 11 c. It states (at pages 10 and 11) that the Company is a controlled company  
12 under NASDAQ listing rules;
- 13 d. It states (at page 11) that EC has been appointed as interim President and  
14 CEO and that the Board has established an Executive Search Committee comprised  
15 of EC, MC, Adams, Gould and McEachern which, it says, “will consider both  
16 internal and external candidates.” Plaintiff is informed and believes that the  
17 undisclosed plan is to make EC President and CEO after conducting a search the  
18 purpose of which is to create the misimpression of a bona fide process;
- 19 e. It states (on page 12) that the “Special Nominating Committee and the  
20 Board accordingly considered the views of (EC and MC) with respect to the 2015  
21 Director nominees,” when in fact the Special Nominating Committee and every  
22 member of the Board other than Plaintiff acted as each understood EC and MC  
23 desired;
- 24 f. It states (on page 12) that Plaintiff “vot[ed] against each of the  
25 recommended nominees (including himself),” which is inaccurate;
- 26 g. It describes (on page 15) historical business experience of defendant  
27 Adams, as if that experience is the reason he is a director and is nominated for  
28 reelection, but fails to disclose his close personal ties to the late JJC, Sr. and to EC

1 and MC, fails to disclose Adams' financial dependence on companies and deals  
2 controlled by EC and MC and misstates his recent professional activities;  
3 h. It describes (at page 15) professional experience of Judy Coddin in the  
4 field of education as if that were the reason she was made a director and is  
5 nominated for reelection, but fails to disclose her personal relationship with Mary  
6 Cotter, the mother of EC and MC, and misstates her recent professional activities;  
7 i. It describes (at pages 15-16) the role of MC with respect to the Company's  
8 live theatre operations, and says that she "heads up the re-development process  
9 with respect to these properties and our Cinemas 1, 2 & 3," but fails to disclose that  
10 MC successfully has ended the search by the Company for an experienced real  
11 estate executive to lead its real estate development efforts, in the United States,  
12 including for the NYC Properties. Among the reasons MC did so was to create a  
13 purported basis for seeking and securing employment with the Company;  
14 j. It describes (at page 16) certain professional experience of Kane, including  
15 experience from 1987 and 1988, but fails to disclose his historical and ongoing  
16 quasi-familial relationship with EC and MC;  
17 k. It describes (at page 16) certain professional experience of Wrotniak, as if  
18 that were the reason he was made a director and is nominated for reelection, but  
19 fails to disclose the close personal relationship he and his wife have with MC.  
20 136. On or about May 18, 2016, the Company issued its Proxy Statement for the 2016  
21 ASM scheduled for June 2, 2016. The Proxy Statement was materially misleading if not  
22 inaccurate in a number of respects, including the following:  
23 a. It implies (at page 7) that the Company is entitled to determine the identity  
24 of the trustees under the so-called Cotter Trust, the right of those trustees to vote  
25 under California law and/or that the books and records of the Company identify  
26 each of EC, MC and Plaintiff as trustees of the so-called Cotter Trust (the "Trust");  
27 b. It describes (at page 8) the supposed CEO search in a manner that implies  
28 that EC timely resigned from the CEO search committee, that that committee relied



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 153. The Compensation Committee also recommended and the RDI Board of Directors  
24 (meaning all of the individual director defendants) also approved so-called “additional special  
25 compensation” of \$50,000 to Adams. This after-the-fact payment in effect was a gift.  
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1 **The Non-Cotter Director Defendants Effectively Ignore a Third Party Cash Offer to Buy All**  
2 **of the Outstanding Stock of RDI at a Price in Excess of the Market Price**

3 154. On or about May 31, 2016, EC as Chairman, President and CEO of RDI and each  
4 director received an unsolicited offer from a third party to purchase, for all cash, all of the  
5 outstanding shares of RDI stock, meaning all Class A nonvoting shares and all Class B voting  
6 shares (the "Offer"). This Offer was sent to EC and the other board members shortly after an RDI  
7 employee reporting to EC reported to the third party that the Company was not for sale after such  
8 third party indicated an interest in buying the Company. The proposed cash purchase price was  
9 \$17 per share. That price represented an approximate thirty-three percent (33%) premium over the  
10 prices at which RDI stock was then trading in the open market.

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

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

20 157. The RDI Board of Directors did not reconvene with respect to the Offer until June  
21 23, 2016. No business plan and no materials relating to the value of the Company were provided  
22 to Board members in advance of or at the June 23, 2016 meeting. Nor were any other materials  
23 relevant to assessing the Offer provided. EC made an oral presentation concluding that RDI was  
24 worth a price dramatically in excess of the Offer price and recommended that RDI pursue its  
25 (supposed) long-term business plan. All of the individual director defendants agreed that an Offer  
26 of \$17 per share was inadequate. Plaintiff abstained in view of management's failure to provide  
27 information promised to be delivered before the meeting.

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

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

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

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

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

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## RDI and RDI Shareholders are Injured

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2           163. When the individual defendants' complained of conduct became publicly known  
3 and disseminated, the price at which RDI stock traded dropped, evidencing injury to RDI and  
4 resulting in monetary damages to RDI and to RDI stockholders. One or more directors or officers  
5 of RDI observed at or about the time that this had occurred. Those damages are estimated to be in  
6 the millions of dollars. When subsequent complained of actions of the individual defendants,  
7 including to stack the RDI Board, became publicly known, RDI stock prices dropped again.  
8 When the Offer described above was (belatedly) disclosed by the Company on or about July 18,  
9 2016, the price at which RDI stock traded increased, evidencing injury and damages resulting  
10 from the individual director defendants' complained of conduct.

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

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

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

1 Ferry.

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

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

20 **Demand Is Excused**

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



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

5 171. Additionally, as to each and all matters complained of herein, a majority if not all of  
6 the director defendants is and would be unable to exercise independent and disinterested business  
7 judgment responding to a demand because, among other things, doing so would entail assessing  
8 their own liability, including possibly to the Company. The same is true particularly with respect  
9 to the non-Cotter directors, who lack independence and lack disinterestedness, including for the  
10 reasons alleged herein, including but not limited to Adams' financial dependence on companies  
11 controlled by EC and MC, Kane's quasi-familial relationship with EC and MC, McEachern's and  
12 Gould's fiduciary breaches and Coddling and Wrotniak's personal relationships with Cotter family  
13 members.

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

25 **FIRST CAUSE OF ACTION**

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

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

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

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

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

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

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

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

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

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

7  
8 **SECOND CAUSE OF ACTION**

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

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

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

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

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

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

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

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

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

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

**THIRD CAUSE OF ACTION**

**(Breach of Fiduciary Duty—Against All Defendants)**

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

1 incorporates them here in by this reference as though set forth in full.  
2 188. Each of the defendants at times relevant hereto was a director of RDI. As such,  
3 each owed fiduciary duties to RDI and to its shareholders, including Plaintiff, including the duties  
4 of care, candor, disclosure, good faith and loyalty.

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

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

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

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

16 **FOURTH CAUSE OF ACTION**

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

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

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

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

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

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

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

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

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

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

#### 20 **Irreparable Harm**

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

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

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

4 **PRAYER FOR RELIEF**

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

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

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

12 3. For entry of an order that:

13 a. Finds that that EC, MC, and one or more of Kane, Adams and/or  
14 McEachern lacked the requisite disinterestedness and/or lacked independence  
15 and/or failed to act with the requisite disinterestedness and/or independence in  
16 voting (and purporting to act as) directors of RDI to remove Plaintiff as President  
17 and CEO of RDI, finds that actions to remove Plaintiff as President and CEO were  
18 void or voidable and declares such action voided and legally ineffectual, such that  
19 Plaintiff is restored to and EC is removed from the positions of President and CEO  
20 of RDI (unless and until such time as he resigns or is removed by way of proper  
21 and legally enforceable procedure);

22 b. Enjoins the individual defendants and each of them, and their agents, from  
23 any and all actions to circumvent, impair the function of or render ineffective RDI's  
24 full Board of Directors, including in particular but not limited to any and all actions  
25 to (i) delay the delivery of draft minutes of RDI Board of Directors meetings and/or  
26 cause minutes to be edited or revised to suit the litigation purposes of any or all of  
27 EC, MC, Kane, Adams and McEachern, (ii) cause the failure or untimely delivery  
28 of agendas and materials to be used at RDI Board of Directors meetings, (iii) cause

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

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

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

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

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

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

27 6. For costs of suit herein; and

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7. For such other and further relief as the Court may deem just and proper.  
DATED this 2nd day of September, 2016.

LEWIS ROCA ROTHGERBER CHRISTIE LLP

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

Attorneys for Plaintiff  
*James J. Cotter, Jr.*

3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5996  
**Lewis Roca**  
**ROTHGERBER CHRISTIE**

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

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

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

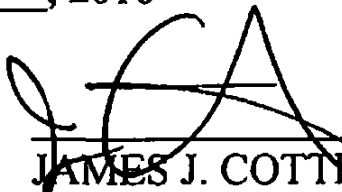
2. As a shareholder of Reading International, Inc. ("RDI"), I am plaintiff in the above-captioned action.

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

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

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

DATED this 31 day of August, 2016

  
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JAMES J. COTTER, JR.

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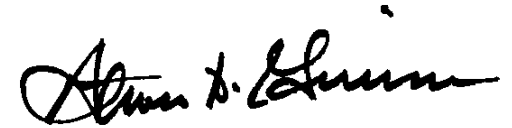
**CERTIFICATE OF SERVICE**

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

/s/ Judy Estrada  
An employee of Lewis Roca Rothgerber Christie LLP

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

**Lewis Roca**  
**ROTHGERBER CHRISTIE**



CLERK OF THE COURT

**COHEN|JOHNSON|PARKER|EDWARDS**

H. STAN JOHNSON, ESQ.

Nevada Bar No. 00265

sjohnson@cohenjohnson.com

255 East Warm Springs Road, Suite 100

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, 10<sup>th</sup> Floor

Los Angeles, CA 90017

Telephone: (213) 443-3000

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

**EIGHTH JUDICIAL DISTRICT COURT**

**CLARK COUNTY, NEVADA**

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

Plaintiffs,

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.

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

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

Related and Coordinated Cases

**BUSINESS COURT**

**INDIVIDUAL DEFENDANTS' MOTION  
FOR SUMMARY JUDGMENT (NO. 1)  
RE: PLAINTIFF'S TERMINATION AND  
REINSTATEMENT CLAIMS**

Judge: Hon. Elizabeth Gonzalez  
Date of Hearing: 10 / 25 / 16  
Time of Hearing: 8 : 30 AM

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

2 Pursuant to Nevada Rule of Civil Procedure 56, Defendants Margaret Cotter, Ellen  
3 Cotter, Guy Adams, Edward Kane, Douglas McEachern, Judy Coddling, and Michael Wrotniak  
4 (collectively, the “Individual Defendants”),<sup>1</sup> by and through their counsel of record,  
5 Cohen|Johnson|Parker|Edwards and Quinn Emanuel Urquhart & Sullivan, LLP, hereby submit  
6 this Motion for Summary Judgment (No. 1) as to the First, Second, Third, and Fourth Causes of  
7 Action in Plaintiff’s Second Amended Complaint, to the extent that they assert claims based on  
8 Plaintiff’s June 12, 2015 termination as CEO and President of Reading International, Inc. (“RDI”  
9 or “the Company”), and to the extent that Plaintiff seeks damages and/or an order (1) declaring  
10 that his termination was “legally ineffectual and is of no force and effect,” and (2) entering an  
11 injunction that reinstates him as the Company’s CEO and President.

12 This Motion is based upon the following Memorandum of Points and Authorities, the  
13 accompanying Declaration of Noah S. Helpern (“HD”) and exhibits thereto, the pleadings and  
14 papers on file, and any oral argument at the time of a hearing on this motion.

15 Dated: September 23, 2016

16 **COHEN|JOHNSON|PARKER|EDWARDS**

17  
18 By: /s/ H. Stan Johnson  
19 H. STAN JOHNSON, ESQ.  
20 Nevada Bar No. 00265  
21 sjohnson@cohenjohnson.com  
22 255 East Warm Springs Road, Suite 100  
23 Las Vegas, Nevada 89119

24 **QUINN EMANUEL URQUHART &  
25 SULLIVAN, LLP**  
26 CHRISTOPHER TAYBACK, ESQ.  
27 California Bar No. 145532, *pro hac vice*  
28 christayback@quinnemanuel.com  
MARSHALL M. SEARCY, ESQ.  
California Bar No. 169269, *pro hac vice*  
marshallsearcy@quinnemanuel.com

---

26 <sup>1</sup> Individual Defendants Coddling and Wrotniak were not members of the RDI Board at the  
27 time of Plaintiff’s termination; they joined months after the fact and cannot be liable for any  
28 claims involving that decision. They join this motion out of an abundance of caution given  
Plaintiff’s failure to accurately parse the causes of action in his Second Amended Complaint.

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865 South Figueroa Street, 10<sup>th</sup> Floor  
Los Angeles, CA 90017

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

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**NOTICE OF MOTION**

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

PLEASE TAKE NOTICE that the above Motion will be heard the <sup>25</sup> day of Oct.,  
<sub>XI</sub>  
2016 at 8:30 AM in Department ~~XXVII~~ of the above designated Court or as soon  
thereafter as counsel can be heard.

Dated: September 23, 2016

**COHEN|JOHNSON|PARKER|EDWARDS**

By: /s/ H. Stan Johnson  
H. STAN JOHNSON, ESQ.  
Nevada Bar No. 00265  
sjohnson@cohenjohnson.com  
255 East Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119

**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, 10<sup>th</sup> Floor  
Los Angeles, CA 90017

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

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24  
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27  
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**TABLE OF CONTENTS**

**Page**

I. INTRODUCTION .....1

II. FACTUAL BACKGROUND .....3

    A. Plaintiff Joins RDI at His Father’s Behest .....3

    B. Plaintiff Becomes CEO of RDI Following His Father’s Death .....4

    C. Significant Problems With Plaintiff’s Managerial Skills Become Obvious .....5

        1. Plaintiff Could Not Work With, and Instead Undermined, Key Executives .....6

        2. Plaintiff Acted in a Violent, Abusive Manner to Both Employees and Fellow Board Members .....7

        3. Plaintiff Lacked an Understanding of Key Components of RDI’s Business .....7

    D. The RDI Board Attempts to Address Plaintiff’s Deficiencies .....8

        1. The Reasoned Review Process Begins at the May 21, 2015 Board Meeting, as Plaintiff Threatens Each Director With a Lawsuit .....9

        2. Continued Discussion at the May 29, 2015 Board Meeting .....10

        3. Plaintiff Is Terminated at the June 12, 2015 Board Meeting .....11

    E. No Shareholder Support Exists for Plaintiff’s Reinstatement .....12

III. LEGAL STANDARD .....13

IV. ARGUMENT .....14

    A. Plaintiff’s Termination Cannot Support a Breach of Fiduciary Duty Claim .....14

        1. RDI’s Board Had the Undisputed Right to Remove Plaintiff at Any Time, With or Without Cause .....15

        2. The RDI Board’s Termination of Plaintiff Fell Well Within the Protection of the Business Judgment Rule .....17

        3. RDI Was Not Damaged by Plaintiff’s Termination .....22

    B. Plaintiff Cannot Maintain This Derivative Action to Assert Fiduciary Duty Claims Relating to His Termination .....23

    C. Plaintiff’s Reinstatement Demand Is Unsupportable and Untenable .....28

V. CONCLUSION .....30



**TABLE OF AUTHORITIES**

|                     | <b><u>Page</u></b> |
|---------------------|--------------------|
| <b><u>Cases</u></b> |                    |
| 1                   |                    |
| 2                   |                    |
| 3                   |                    |
| 4                   |                    |
| 5                   |                    |
| 6                   |                    |
| 7                   |                    |
| 8                   |                    |
| 9                   |                    |
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|   |            |
|---|------------|
| <i>AMERCO v. Shoen</i> ,<br>907 P.2d 536 (Ariz. App. 1995).....   | 22         |
| <i>In re Acterna Corp. Sec. Litig.</i> ,<br>378 F. Supp. 2d 561 (D. Md. 2005).....  | 23         |
| <i>Anderson v. Liberty Lobby, Inc.</i> ,<br>477 U.S. 242 (1986).....  | 13         |
| <i>Aztec Oil &amp; Gas, Inc. v. Fisher</i> ,<br>152 F. Supp. 3d 832 (S.D. Tex. 2016).....   | 28         |
| <i>Bd. of Managers at Wash. Park Condo v. Foundry Dev. Co.</i> ,<br>975 N.Y.S.2d 707 (N.Y. Sup. Ct. 2013).....  | 23         |
| <i>Blum v. Witco Chem. Corp.</i> ,<br>829 F.2d 367 (3d Cir. 1987).....  | 30         |
| <i>Brooks v. Woodline Motor Freight, Inc.</i> ,<br>852 F.2d 1061 (8th Cir. 1988).....   | 30         |
| <i>Brown v. Kinross Gold U.S.A., Inc.</i> ,<br>531 F. Supp. 2d 1234 (D. Nev. 2008).....   | 14         |
| <i>Byington v. Vega Biotech., Inc.</i> ,<br>869 F. Supp. 338 (D. Md. 1994).....   | 14         |
| <i>Carlson v. Hallinan</i> ,<br>925 A.2d 506 (Del. Ch. 2006).....   | 15, 19, 22 |
| <i>CCWIPP v. Alden</i> ,<br>No. Civ. A. 1184, 2006 WL 456786 (Del. Ch. Feb. 22, 2006).....  | 28         |
| <i>Cedar Fair, L.P. v. Falfas</i> ,<br>19 N.E.3d 893 (Ohio 2014).....   | 29         |
| <i>Chesapeake Corp. v. Shore</i> ,<br>771 A.2d 293 (Del. Ch. 2000).....   | 30         |
| <i>Chimney Rock Pub. Power Dist. v. Tri-State Generation &amp; Transmission Ass’n, Inc.</i> ,<br>No. 10-cv-02349, 2014 WL 811566 (D. Colo. Mar. 3, 2014)..... | 22         |
| <i>Cooper v. Anderson-Stokes, Inc.</i> ,<br>571 A.2d 786, 1990 WL 17756 (Del. 1989).....  | 15         |
| <i>Datto Inc. v. Braband</i> ,<br>856 F. Supp. 2d 354 (D. Conn. 2012).....  | 15         |

|    |   |            |
|----|---|------------|
| 1  | <i>In re Dwight's Piano Co.</i> ,<br>424 B.R. 260 (S.D. Ohio 2009) .....  | 17         |
| 2  |   |            |
| 3  | <i>Energytec, Inc. v. Proctor</i> ,<br>Nos. 3:06-cv-0871 <i>et al.</i> , 2008 WL 4131257 (N.D. Tex. Aug. 29, 2008).....                               | 24, 25, 26 |
| 4  | <i>Franklin v. Tex. Int'l Petroleum Corp.</i> ,<br>324 F. Supp. 808 (W.D. La. 1971).....  | 17, 18, 19 |
| 5  |   |            |
| 6  | <i>Hackett v. Marquardt &amp; Roche/Meditz &amp; Hackett, Inc.</i> ,<br>Civ. No. 02-990166881S, 2002 WL 31304216 (Conn. Sup. Ct. Sept. 17, 2002)..... | 14         |
| 7  | <i>Holcomb v. Ga. Pac., LLC</i> ,<br>289 P.3d 188 (Nev. 2012).....  | 13         |
| 8  |   |            |
| 9  | <i>Horwitz v. SW. Forest Indus., Inc.</i> ,<br>604 F. Supp. 1130 (D. Nev. 1985).....  | 17, 18, 20 |
| 10 | <i>Ingle v. Glamore Motor Sales, Inc.</i> ,<br>73 N.Y.2d 183 (1989).....  | 14         |
| 11 |   |            |
| 12 | <i>Katz v. Chevron Corp.</i> ,<br>22 Cal. App. 4th 1352 (1994) .....  | 20         |
| 13 | <i>Khanna v. McMinn</i> ,<br>No. Civ. A. 20545-NC, 2006 WL 1388744 (Del. Ch. May 9, 2006) .....   | 25, 26, 27 |
| 14 |   |            |
| 15 | <i>Klaassen v. Allegro Dev. Corp.</i> ,<br>C.A. Case No. 8262-VCL, 2013 WL 5967028 (Del. Ch. Nov. 7, 2013).....                                       | 16, 21     |
| 16 | <i>LaMantia v. Redisi</i> ,<br>118 Nev. 27 (2002) .....   | 13, 14     |
| 17 |   |            |
| 18 | <i>Love v. Wilson</i> ,<br>No. CV 06-06148, 2007 WL 4928035 (C.D. Cal. Nov. 15, 2007).....  | 27, 28     |
| 19 | <i>Lujan v. Defenders of Wildlife</i> ,<br>504 U.S. 555 (1992).....   | 24         |
| 20 |   |            |
| 21 | <i>Mannix v. Butte Water Co.</i> ,<br>854 P.2d 834 (Mont. 1993).....  | 16, 18     |
| 22 | <i>Morgan v. AXT, Inc.</i> ,<br>No. C 04-4362, 2005 WL 2347125 (N.D. Cal. Sept. 23, 2005) .....   | 23         |
| 23 |   |            |
| 24 | <i>Nance v. City of Newark</i> ,<br>Civ. No. 97-6184, 2010 WL 4193057 (D.N.J. Oct. 19, 2010).....   | 30         |
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| 26 |   |            |
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121 Nev. 724 (2005) .....13, 14

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9 **Statutes**

10 Nev. R. Civ. P. 23.1 .....24

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1 MEMORANDUM OF POINTS AND AUTHORITIES

2 **I. INTRODUCTION**

3 To the extent that Plaintiff asserts claims challenging his termination as CEO and  
4 President of Reading International, Inc. (“RDI” or “the Company”) and seeks reinstatement in  
5 those positions, he is attempting to accomplish derivatively what he cannot individually. RDI’s  
6 Bylaws provide that its officers “hold office at the pleasure of the Board of Directors,” and “may  
7 be removed at any time, with or without cause” should a majority of the Board vote accordingly.  
8 Plaintiff’s Employment Contract contemplates that Plaintiff could be fired with or without cause,  
9 and strictly limits his relief following a termination to monetary compensation. Unhappy with  
10 the RDI Board of Directors’ (“the Board”) conclusion that his brief and divisive tenure should  
11 come to an end, Plaintiff now claims that the Board’s decision to remove him—after months of  
12 internal debate and numerous attempts to address and rectify his deficiencies—was somehow a  
13 violation of its fiduciary duties that injured RDI. It was not, and summary judgment is warranted  
14 because Plaintiff has not met (and cannot meet) *any* of the elements required to reach trial on his  
15 termination and reinstatement claims.

16 First, the Board’s termination of Plaintiff cannot support a breach of fiduciary claim as a  
17 matter of law. Courts regularly reject attempts by former officers to utilize fiduciary duty law  
18 when challenging the propriety of their removals, especially where (as here) a bylaw authorized  
19 their firing without cause. These courts have restricted their jurisdiction for good reason; actions  
20 such as Plaintiff’s threaten to transform every officer termination into a derivative attack on a  
21 board’s exercise of its duties, thereby requiring Nevada courts to become arbiters months (or  
22 years) after the fact of the unique judgments a board must make regarding officer performance.  
23 Plaintiff’s attempted expansion of fiduciary duty law to cover purely managerial decisions by a  
24 board is bad policy and contrary to well-reasoned precedent.

25 Second, even on the merits, the Board’s decision to terminate Plaintiff and the process it  
26 utilized leading up to that outcome were entirely appropriate and unquestionably protected by the  
27 “business judgment” rule. As the evidence shows, the Board was faced with a young,  
28 inexperienced CEO who could not work well with certain key executives (and attempted to

1 undermine central figures within the Company rather than address pending issues); acted in a  
2 manner that was violent and abusive to fellow employees and Board members; and demonstrated  
3 a lack of understanding with respect to metrics of RDI's businesses. The Board's vote to  
4 terminate Plaintiff, even in the face of repeated legal threats by Plaintiff to "ruin them  
5 financially" if they were to remove him, was (applying the standard articulated by the Supreme  
6 Court of Nevada in *Shoen v. SAC Holding Corp.*, 122 Nev. 621, 632, 639-40 (2006)) at a  
7 minimum taken for the benefit of the Company and therefore immune from Plaintiff's fiduciary  
8 challenge. Similarly, while the Board was in no way required to provide Plaintiff with notice or  
9 undertake a particular process, it repeatedly made Plaintiff aware of his deficiencies, attempted  
10 to correct them, gave him a platform to defend himself, and debated his removal informally and  
11 formally over several months. This was exactly how a board was supposed to act under both  
12 Nevada law and RDI's Bylaws. Plaintiff's fiduciary challenge fails.

13 Third, Plaintiff's fiduciary duty claims also fail on the merits because there is no  
14 evidence RDI suffered any injury from Plaintiff's termination, or that the purported breaches  
15 identified by Plaintiff proximately caused damages. To sustain a breach of fiduciary claim,  
16 Plaintiff must produce evidence of "economic harm suffered." He cannot. The Company's  
17 share price has traded at or above the value it held as of Plaintiff's firing for the majority of the  
18 ensuing period, and uncontroverted evidence reveals that insiders within RDI as well as its major  
19 investors, unaffiliated with the parties, are unanimous in their conclusion that Plaintiff's  
20 termination made no difference to the Company's performance or business plan. Absent any  
21 harm or causation, Plaintiff's fiduciary duty claims are unsupported.

22 Fourth, now that the evidence is in, it is plain that Plaintiff, to the extent that he is  
23 complaining of his termination and seeks reinstatement, lacks standing to serve as a derivative  
24 plaintiff. Clear economic antagonisms exist between Plaintiff and other stockholders. The  
25 remedy sought by Plaintiff is also entirely personal; RDI's stockholders do not share Plaintiff's  
26 interest in regaining his positions. Other litigation is pending regarding Plaintiff's firing and  
27 ultimate control of the Company, and Plaintiff's conduct—both before and after the filing of this  
28 suit—indicates that he is simply using his purported derivative claims as leverage to obtain a

1 favorable global settlement. The evidence further shows that Plaintiff's action is driven by  
2 vindictiveness, both as to certain Board members and to his sisters. And outside shareholders  
3 unrelated to the Cotters have stated that they would not "reinstate" Plaintiff and that he is not  
4 "the best adequate representative." In their totality, these factors fatally undermine Plaintiff's  
5 attempted assertion of derivative claims regarding his termination and reinstatement.

6 Fifth, in addition to these flaws, the relief demanded by Plaintiff—reinstatement—is  
7 untenable and unsupportable. Equity jurisdiction does not lie where an officer was removable  
8 without cause (like Plaintiff). Nor is specific performance available where, as here, the contract  
9 damages provided to Plaintiff are plainly an adequate remedy. Further, there are strong policy  
10 reasons against compelling the Board to reinstate Plaintiff against its wishes, including the  
11 difficulty of supervision and the fact that Plaintiff's reinstatement would perpetuate a divided  
12 company. Plaintiff had no vested right to remain President and CEO and, even if reinstated,  
13 could simply be terminated again immediately by the Board—another factor cutting against  
14 reinstatement since equity does not require the taking of futile actions. More time has elapsed  
15 since Plaintiff's termination than he served as CEO, and the Company has moved on, which also  
16 counsels against reinstatement. Finally, in light of the "irreparable animosity" between Plaintiff  
17 and other directors, reinstatement would do nothing more than harm RDI's business.

## 18 **II. FACTUAL BACKGROUND**

### 19 **A. Plaintiff Joins RDI at His Father's Behest**

20 RDI is an internationally diversified company, incorporated in Nevada, principally  
21 focused on the development, ownership, and operation of cinema exhibition and real property  
22 assets in the United States, Australia, and New Zealand. (HD ¶ 22.)<sup>2</sup> James J. Cotter, Sr.  
23 became the CEO and Chairman of RDI's Board in December 2000. (*Id.* ¶¶ 22-23.) Plaintiff, the  
24 son of James J. Cotter, Sr., claims to be both a holder of non-voting shares of RDI stock and a  
25 co-trustee of a trust which owns a large number of the Company's voting and non-voting shares.

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26  
27 <sup>2</sup> The documentary and testimonial evidence supporting this Motion is attached to the  
28 Declaration of Noah S. Helpert. The citations to the "HD" refer to the paragraphs of that  
Declaration that authenticate and correspond to the relevant supporting evidence.

1 (Second Am. Compl. (“SAC”) ¶ 17.) Plaintiff was added to the Board in March 2002 at his  
2 father’s behest, despite the fact that he had never previously served on the board of a public  
3 company. (HD ¶ 11(c).) He was appointed Vice Chairman of the Company in September 2007,  
4 and then President in June 2013. (*Id.* ¶ 11(b).) The position of President of RDI, while provided  
5 for in the Bylaws, was reactivated specifically for Plaintiff, as there had been no President for  
6 some time and he did not succeed anyone in that position. (*Id.* ¶ 11(e).)

7 Following his appointment as President, Plaintiff and RDI executed an agreement dated  
8 June 3, 2013 (the “Employment Agreement”), which governed Plaintiff’s service “in the capacity  
9 of President.” (*Id.* ¶¶ 21(a)-(b).) The Employment Agreement provided that Plaintiff would not  
10 receive any damages in the event of a “for cause” termination. (*Id.* ¶ 21(c).) In the event that  
11 Plaintiff was terminated without cause, he was entitled to receive 12 months of compensation  
12 and benefits following notice of his termination; however, the Employment Agreement provided  
13 no relief other than monetary damages, and contained no provision allowing for Plaintiff’s  
14 reinstatement or any other form of specific performance by RDI. (*Id.*)

15 **B. Plaintiff Becomes CEO of RDI Following His Father’s Death**

16 James J. Cotter, Sr. was compelled to resign from his positions with RDI on August 7,  
17 2014 for health-related reasons, and subsequently passed away on September 13, 2014. (*Id.*  
18 ¶¶ 24, 28.) Faced with an emergency vacancy on no notice, the Board unanimously appointed  
19 Plaintiff as CEO at a meeting held on August 7, 2014. (*Id.* ¶ 28.) Plaintiff was elected as CEO  
20 pursuant to the Company’s Amended and Restated Bylaws, which provide: “Any person may  
21 hold one or more offices and each officer shall hold office until his successor has been duly  
22 elected and qualified or until his death or until he shall resign or is removed in the manner as  
23 hereinafter provided for such term as may be prescribed by the Board of Directors from time to  
24 time.” (*Id.* ¶ 20(a).) The Amended and Restated Bylaws of RDI further provide: “The officers  
25 of the Corporation shall hold office at the pleasure of the Board of Directors. Any officer elected  
26 or appointed by the Board of Directors . . . may be removed at any time, with or without cause,  
27 by the Board of Directors by a vote of not less than a majority of the entire Board at any meeting  
28



1 thereof . . . .” (*Id.* ¶ 20(b).) As Plaintiff has agreed, RDI’s Board always had the prerogative to  
2 hire and fire the Company’s officers, subject to whatever contracts might exist. (*Id.* ¶ 13(c).)

3 Besides Plaintiff, the seven remaining members of the Board at the time of Plaintiff’s  
4 appointment as CEO were: (1) Margaret Cotter, Plaintiff’s sister, who had served as a director  
5 since 2002 and Vice-Chairman of the Board since 2014, runs RDI’s live theater division,  
6 manages certain live theater real estate, and has been responsible for re-development work on  
7 RDI’s Manhattan theater properties; (2) Ellen Cotter, Plaintiff’s sister, who had served as a  
8 director since March 2013 and Chairman of the Board since 2014, been an RDI employee since  
9 1998, and ran the day-to-day operations of the Company’s domestic cinema operations;  
10 (3) Edward Kane, who had served as a director since October 2004 (and before that from 1985-  
11 1998) and served as Chair of the Tax Oversight and the Compensation and Stock Option  
12 Committees; (4) Guy Adams, who had served as a director since January 2014 and is a registered  
13 investment advisor and experienced independent director on public company boards; (5) Douglas  
14 McEachern, who had served as a director since May 2012 and was an audit partner at Deloitte &  
15 Touche from 1985-2009; (6) Timothy Storey, who had served as a director since December  
16 2011; and (7) William Gould, who had served as a director since October 2004. (*Id.* ¶¶ 22, 28.)

17 **C. Significant Problems With Plaintiff’s Managerial Skills Become Obvious**

18 While it was hoped that he would develop on the job, Plaintiff—at the time of his  
19 election as CEO—lacked experience in virtually all of the business areas relevant to RDI’s  
20 operations, including, but not limited to, non-agricultural commercial real estate operation and  
21 development, live theater, cinema, international business, and management. (*Id.* ¶¶ 8(a), (k), (p),  
22 (v); 3(b); 4(h)-(i); 11(d).) The non-Cotter members of the Board soon grew concerned that  
23 Plaintiff needed help both in running the company and building bridges with Ellen and Margaret  
24 Cotter; accordingly, the Board began discussing getting Plaintiff a management coach. (*Id.*  
25 ¶¶ 4(j); 33(a).) Plaintiff’s management style was perceived by the Board as “closed door” and  
26 unengaged with RDI’s employees, and some Board members saw Plaintiff as “very reluctant and  
27 very slow to make decisions,” and understood that his “office is a place where documents go to  
28 get lost.” (*Id.* ¶¶ 4(f)-(g); 8(d), (o); 12(f).) Members of the RDI Board soon questioned the

1 value that Plaintiff added as the Company's CEO based on obvious defects. (*Id.* ¶¶ 3(d), (f)-  
2 (g); 8(r), (u).)

3 **1. Plaintiff Could Not Work With, and Instead Undermined, Key**  
4 **Executives**

5 Members of the Board were concerned with Plaintiff's inability to communicate, create  
6 trust, and work cooperatively with fellow executives of the Company. (*Id.* ¶¶ 8(t), (w); 33(b).)  
7 For instance, Plaintiff decided to conduct an examination of RDI's cinema operations in the fall  
8 of 2014, but went around Ellen Cotter to do so—which engendered criticism from the Board  
9 both for Plaintiff's duplicity and for spending his time on a pursuit better left to an independent  
10 consultant. (*Id.* ¶ 8(b).) Contrary to the advice of various Board members, Plaintiff continued  
11 his review of RDI's individual cinemas, and even traveled to various cinemas in Hawaii without  
12 identifying himself or visiting management in a surreptitious effort to take pictures of the  
13 theaters there and ultimately embarrass Ellen Cotter over the perceived need for renovations.  
14 (*Id.* ¶¶ 5(c); 8(c), (n); 12(d).) Similarly, several members of the Board were alarmed by  
15 Plaintiff's unilateral effort to hire a food and beverage manager without involving Ellen Cotter,  
16 despite the fact that such operations fell within her purview. (*Id.* ¶¶ 8(y); 36(c).)

17 As with Ellen Cotter, members of the Board believed that Plaintiff needlessly  
18 exacerbated discord with Margaret Cotter when, after months of failing to resolve her  
19 employment status with the Company, he circulated a short employment contract for her with a  
20 cover email outlining approximately 20 reasons why she should not be given an employment  
21 contract with RDI. (*Id.* ¶¶ 8(q); 10(a).) In addition, following threats by the producers of  
22 STOMP to vacate RDI's Orpheum Theater, various directors became alarmed when Plaintiff,  
23 rather than working productively with Margaret Cotter to address the issue, attempted to use the  
24 ensuing dispute to embarrass her before the Board. (*Id.* ¶¶ 5(d); 10(b).) Ultimately, the STOMP  
25 dispute resulted in an arbitration in which it was determined that Margaret Cotter had done  
26 everything required, the STOMP producers had an agenda to leave because they thought the  
27 show could make more money elsewhere, and RDI was awarded more than \$2.2 million in  
28 attorney's fees. (*Id.* ¶¶ 5(d); 15(g).)

1 Tensions between Plaintiff and Ellen and Margaret Cotter were further aggravated by  
2 trust and estate litigation initiated in February 2015, after the death of Jim J. Cotter, Sr., which  
3 involved the issue of whether Margaret Cotter, separately or together with Plaintiff, controlled  
4 the RDI stock previously held by their father. (*Id.* ¶¶ 6(a); 12(b); 25; 27; 34.) As a result, the  
5 non-Cotter directors were forced to spend “an inordinate amount of time” trying to ameliorate  
6 the interactions between Plaintiff and his sisters. (*Id.* ¶ 6(a).)

7 **2. Plaintiff Acted in a Violent, Abusive Manner to Both Employees and**  
8 **Fellow Board Members**

9 In addition to his problems with certain key executives, the RDI Board of Directors was  
10 made aware of allegations that Plaintiff, as CEO, had acted in an abusive, physically threatening  
11 manner toward several employees and/or outside workers, including Linda Pham, Debbie  
12 Watson, and Ellen Cotter, by yelling, behaving very critically, and going through their files  
13 behind closed doors. (*Id.* ¶¶ 4(a); 5(a)-(b); 8(g); 12(e); 16.) Certain female employees stated  
14 that they were “physically afraid” of Plaintiff and concerned for their “actual physical safety”  
15 around him; one resorted to “carrying mace to the office” due to Plaintiff’s perceived “violent  
16 temper” and “anger management problem[s].” (*Id.*) Plaintiff’s violent outbursts even extended  
17 to his relations with fellow members of the Board, such as Guy Adams. (*Id.* ¶¶ 4(e); 12(g).) As  
18 a result of these incidents, the non-Cotter Board members had multiple conversations regarding  
19 Plaintiff’s weak interpersonal skills in which they contemplated sending Plaintiff to anger  
20 management classes in early 2015. (*Id.* ¶¶ 4(b)-(c); 7(a); 36(c).)

21 **3. Plaintiff Lacked an Understanding of Key Components of RDI’s**  
22 **Business**

23 During Plaintiff’s tenure as CEO, the Board also identified significant problems with his  
24 understanding of costs and margins pertinent to RDI’s cinema business, including his failure to  
25 adjust his analysis to account for lower film rentals in Australia/New Zealand when comparing  
26 margins there with U.S. theatres, and his lack of comprehension with respect to the different  
27 labor cost allocations utilized by the Company in each region. (*Id.* ¶ 3(e).) Moreover, during the  
28 11 months that he served as CEO, Plaintiff never presented—or even drafted—a business plan.  
(*Id.* ¶¶ 11(f)-(h).) And various directors were troubled by the fact that Plaintiff, upon becoming

1 CEO, failed to visit RDI's operations in Australia and New Zealand for the first six months of his  
2 tenure, despite their outsized importance to the company's financial health. (*Id.* ¶ 8(s).)

3 **D. The RDI Board Attempts to Address Plaintiff's Deficiencies**

4 Due to the need to help Plaintiff develop in the role as CEO and to lessen intra-family  
5 tensions, the non-Cotter directors appointed director Storey as an "ombudsman" in March 2015  
6 to work with and coach Plaintiff, and mediate any disputes between him and other executives.  
7 (*Id.* ¶¶ 3(a); 5(e); 15(c); 29; 33(b) 35; 36(a).) Around this time, several non-Cotter directors also  
8 considered engaging an outside consultant to perform an assessment of RDI and provide  
9 recommendations regarding improvements in the Company's management. (*Id.* ¶ 12(c).) The  
10 non-Cotter directors, concerned with their duty "to all the shareholders and not just to the Cotter  
11 family," were attempting to address what they perceived to be "a dysfunctional management  
12 team," with "'thermonuclear' hostility currently existing" between Plaintiff and his sisters. (*Id.*  
13 ¶ 36(b).) Plaintiff did not disagree; as he testified, the tensions between Plaintiff and his sisters  
14 had become so intense that RDI was unable to function, such that drastic reform in behavior or  
15 potential termination(s) were required to get beyond the current paralysis. (*Id.* ¶¶ 13(a)-(b).)

16 In taking these steps in March 2015, the Board was specifically focused on "getting to a  
17 position where the company is operating more harmoniously and with a clear direction," with the  
18 idea that "if certain people were chronic offenders," the Board would "have to consider  
19 terminating them" in the event that "the situation did not correct itself within a reasonable period  
20 of time." (*Id.* ¶¶ 15(f); 38(a).) Some non-Cotter directors anticipated that an assessment would  
21 be made at the June 2015 Board meeting regarding the progress of the Company and  
22 management situation under Plaintiff; absent sufficient improvement, the non-Cotter directors  
23 expected to take whatever actions they deemed appropriate. (*Id.* ¶¶ 15(e); 36(c); 37.)

24 Initially, Plaintiff was not supportive of the idea of utilizing an ombudsman, but  
25 ultimately came to believe that it would be efficacious to have "an adult in the room" to assist  
26 him as CEO and "let[] this play out until the end of June or whatever date agreed to and revisit."  
27 (*Id.* ¶¶ 12(a); 39.) By mid-April 2015, however, director Storey concluded that Plaintiff "needs  
28 to make progress in the business and with Ellen and Margaret [Cotter] quickly, or the board will

1 need to look to alternatives to protect the interests of the company.” (*Id.* ¶ 38(a)-(b).) The  
2 hoped-for progress did not occur. By May 2015, multiple members of RDI’s Board had  
3 concluded that Plaintiff was not correcting his deficiencies or ameliorating his inexperience, and  
4 that his behavior as CEO was hindering the company. (*Id.* ¶¶ 3(c); 8(e), (h), (x).)

5 **1. The Reasoned Review Process Begins at the May 21, 2015 Board**  
6 **Meeting, as Plaintiff Threatens Each Director With a Lawsuit**

7 Despite months-long efforts to address and alleviate ongoing conflicts and concerns  
8 regarding Plaintiff’s performance, no resolution was in sight; as such, Plaintiff’s continuing role  
9 as President and CEO was put on the agenda for the Board’s May 21, 2015 meeting as an item  
10 for discussion. (*Id.* ¶ 40.) At the outset of the May 21, 2015 meeting, Plaintiff—through his  
11 personal attorney—threatened to file a lawsuit based on purported breaches of the fiduciary  
12 duties of care and loyalty against each Board member in the event that they decided to terminate  
13 his employment. (*Id.* ¶ 30(b).) In addition to this threat of litigation made during the May 21,  
14 2015 board meeting itself, Plaintiff separately threatened various Board members personally,  
15 stating that they could “not fire him as C.E.O.” and intimidating them by claiming that if they  
16 were “to vote to fire him, he would sue [them] and ruin them financially.” (*Id.* ¶¶ 4(d); 8(f).)

17 Once the May 21, 2015 meeting began, both RDI’s full Board as well as a session of the  
18 non-Cotter directors discussed Plaintiff’s performance as CEO and the possibility of his  
19 termination for nearly five hours, during which Plaintiff was permitted to speak at length  
20 regarding his tenure. (*Id.* ¶¶ 30(a); 43(a).) Plaintiff was specifically asked to present his  
21 Business Plan (the presentation of which had been added to the agenda for the meeting at  
22 Plaintiff’s request), but declined. (*Id.* ¶ 30(a).) Outside counsel retained by the Company also  
23 attended the May 21, 2015 Board meeting to provide corporate law advice, where appropriate.  
24 (*Id.* ¶¶ 14; 30(a).) While various directors, including Adams, Kane, Margaret Cotter, and Ellen  
25 Cotter, reviewed their assessment of observed “deficiencies” in Plaintiff’s “leadership,  
26 understanding of the Company’s business, temperament, managerial skills, decision-making and  
27 other attributes in the role of Chief Executive Officer,” ultimately the Board chose to take no  
28 action with respect to Plaintiff’s position at the May 21, 2015 meeting, determining instead to

1 take additional time to consider what had been said and “reconvene the meeting on May 29,  
2 2015 to continue its deliberations.” (*Id.* ¶ 30(c).)

3 **2. Continued Discussion at the May 29, 2015 Board Meeting**

4 As anticipated, the Board again discussed the possibility of Plaintiff’s termination at a  
5 Board meeting held on May 29, 2015. (*Id.* ¶¶ 31(a); 43(b).) Once again, the Board was  
6 informed at the outset of its meeting by outside counsel, separately retained by the non-Cotter  
7 directors, that Plaintiff planned to serve them with a lawsuit in the event that they voted to  
8 terminate his positions as President and CEO of RDI. (*Id.* ¶ 31(a).) Once the May 29, 2015  
9 meeting began, Plaintiff explicitly rejected a suggestion, made at the previous meeting, that, in  
10 order for him to have more time to develop, he continue as President of RDI under a new CEO,  
11 for whom a search would commence. (*Id.* ¶¶ 10(c); 30(d); 31(b).) Director Adams made a  
12 formal motion, seconded by director McEachern, to remove Plaintiff from his position as  
13 President and CEO, “principally based on Plaintiff’s lack of leadership skills, understanding of  
14 the Company’s business, temperament, managerial skills, decision-making and other attributes”;  
15 although Adams “believe[d] we may have cause in this situation” to terminate for cause, his  
16 motion sought termination “‘without cause’ under the terms” of Plaintiff’s Employment Contract  
17 in order to “provide him with the benefit of the contractual severance pay.” (*Id.* ¶ 31(c).)

18 After the interested positions of Plaintiff and Ellen and Margaret Cotter were noted for  
19 the record, the Board engaged in extensive discussions about Plaintiff’s performance as CEO and  
20 President of RDI, both in and outside of the presence of Plaintiff and the Cotter sisters. (*Id.*  
21 ¶ 31(d).) During a break at the May 29, 2015 meeting, Ellen and Margaret Cotter reached a  
22 tentative “agreement-in-principle” with Plaintiff regarding various litigation matters existing  
23 between the three Cotters individually and related trusts and estates. (*Id.* ¶ 31(e).) This  
24 “agreement-in-principle,” which was subject to review by counsel, documentation to the Cotters’  
25 mutual satisfaction, and approval by the Board as to certain issues, had the potential to resolve  
26 some of the underlying issues affecting the Company and Plaintiff’s performance as CEO. (*Id.*  
27 ¶¶ 31(e); 41.) In particular, the “agreement-in-principle” provided for a new executive structure  
28 at RDI—Plaintiff would remain as CEO, but his decisions would be subject to oversight by an

1 Executive Committee composed of Ellen Cotter, Margaret Cotter, and Guy Adams. (*Id.* ¶ 41.)  
2 Encouraged by the prospect of the Cotter siblings coming to a cooperative resolution, the Board  
3 agreed to adjourn the May 29, 2015 meeting without resolving the pending motion to terminate  
4 Plaintiff in order to see if the issues could be finally resolved in a manner acceptable to the non-  
5 Cotter directors and to have additional data from which the Board could evaluate the  
6 continuation of Plaintiff as CEO and President of RDI. (*Id.* ¶ 31(f).)

7 **3. Plaintiff Is Terminated at the June 12, 2015 Board Meeting**

8 The “agreement-in-principle,” struck between the three Cotters on May 29, 2015,  
9 ultimately broke down by early June 2015 when the sides attempted to paper the final form of  
10 the agreement. (*Id.* ¶¶ 9; 10(d).) In view of the failed break-through, Plaintiff’s continuing role  
11 as President and CEO of RDI was placed back on the agenda as an item for discussion at the  
12 Board of Directors’ June 12, 2015 meeting. (*Id.* ¶ 42.)

13 RDI’s Board discussed the possibility of Plaintiff’s termination for the final time on  
14 June 12, 2015. (*Id.* ¶¶ 32(a); 43(c).) As the meeting began, Plaintiff asked to defer a vote on his  
15 status until the next scheduled Board meeting (to be held on June 15, 2015), but there was little  
16 support for his proposal, and no motion with respect to such a continuance was made. (*Id.*  
17 ¶ 32(b).) The Company’s directors proceeded to discuss Plaintiff’s management skills and  
18 experience, following which directors Adams, Kane, and McEachern, as well as Ellen and  
19 Margaret Cotter, voted in favor of the pending motion to remove Plaintiff as the Company’s  
20 CEO and President; directors Gould and Storey voted against the removal motion, while Plaintiff  
21 abstained. (*Id.* ¶ 32(a).) Director Storey voted against Plaintiff’s termination on June 12, 2015  
22 because he wanted to wait until the latter part of June to make a final assessment, while director  
23 Gould thought that the Board should delay until all of the pending litigation between the Cotters  
24 was resolved. (*Id.* ¶¶ 2(a); 6(b); 8(i), (m).) The majority of the non-Cotter directors, however,  
25 concluded that further delay was not “in the best interests of the shareholders” because, due to  
26 Plaintiff, “the company was not moving forward,” “[t]here was polarization in the office,” and  
27 the issue “had to be resolved one way or another.” (*Id.*) None of the directors—including Storey  
28 and Gould—believed that Plaintiff’s failure to settle the trust and estate litigation between him

1 and Ellen and Margaret Cotter caused his termination as CEO and President of the Company.  
2 (*Id.* ¶¶ 2(b)-(c); 15(b), (d).)

3 Plaintiff was therefore terminated as CEO and President of the Company based on a  
4 majority vote of the full Board and by a majority vote of the non-Cotter directors. (*Id.* ¶¶ 15(a);  
5 32(a).) After Plaintiff's termination, Ellen Cotter was appointed interim CEO and President of  
6 RDI. (*Id.* ¶ 26(a).) Plaintiff subsequently filed the above-captioned derivative action against the  
7 other members of the Company's Board of Directors on June 12, 2015. (*Id.* ¶ 26(b).)

8 **E. No Shareholder Support Exists for Plaintiff's Reinstatement**

9 As part of Plaintiff's attempted derivative action, he seeks "a determination that the  
10 purported termination of Plaintiff as President and CEO of RDI was legally ineffectual and is of  
11 no force and effect," and—despite the passage of over fifteen months since his termination—  
12 demands reinstatement in his former positions with the Company. (SAC at 53 ("Relief").) But  
13 support for Plaintiff's requested relief is nonexistent among his fellow shareholders.

14 Jonathan Glaser, the managing member of both JMG Capital Management, LLC and  
15 Pacific Capital Management, LLC (owners of approximately 526,000 shares of Class A RDI  
16 stock and approximately 1,000 Class B shares), has testified that he would not seek the  
17 reinstatement of Plaintiff, that "it's just not a high priority to put [Plaintiff] back," that he is  
18 "personally comfortable with Ellen Cotter as CEO," and he did not "think it would make much  
19 difference" to the "shareholders of Reading" if Plaintiff was CEO. (*Id.* ¶¶ 18(a)-(b), (e); 44(b).)  
20 Glaser also has emphasized his view that a CEO could properly be terminated for not getting  
21 along with the employees and other executives within a company. (*Id.* ¶ 18(d).) Whitney Tilson,  
22 hedge fund manager of T2 Partners Management, L.P., which controls various funds owning  
23 approximately 519,242 shares of Class A RDI stock and 901 Class B shares, has similarly  
24 confirmed that he would not reinstate Plaintiff if he had the opportunity because "the well has  
25 been poisoned" following Plaintiff's conflicts with Ellen and Margaret Cotter, his reinstatement  
26 would merely perpetuate a "divided company," there is a "reasonable likelihood" that Plaintiff is  
27 not "the single best qualified person to run" RDI, and Tilson's general concern that Plaintiff's  
28 advancement within RDI was purely the product of "nepotism." (*Id.* ¶¶ 17(a)-(c); 44(b).) And



1 Andrew Shapiro, the president of Lawndale Capital Management, which owns approximately  
2 \$13 million in RDI's Class A stock and \$30,000 in Class B stock, likewise has testified that he  
3 "was not necessarily in pursuit of, of any and all of those remedies" sought by Plaintiff, he  
4 "wasn't committed one way or the other than [Plaintiff] should be reinstated," and he did not  
5 "think necessarily [Plaintiff] is the best adequate representative of mine or other shareholder  
6 interests." (*Id.* ¶¶ 19(d), (f)-(g).)

7 Moreover, when questioned, these key investors in RDI could not predict whether  
8 reinstating Plaintiff would affect the Company's share price, as many believed that the overall  
9 performance of the Company, along with its business plan, have remained entirely consistent and  
10 appropriate since Plaintiff's termination. (*Id.* ¶¶ 17(a), (d); 18(c), (f)-(g); 19(a)-(c), (e).)

### 11 **III. LEGAL STANDARD**

12 Summary judgment is warranted under Nevada Rule of Civil Procedure 56 whenever the  
13 "pleadings, depositions, answers to interrogatories, admissions, and affidavits, if any, that are  
14 properly before the court demonstrate that no genuine issue of material fact exists, and the  
15 moving party is entitled to judgment as a matter of law." *Wood v. Safeway, Inc.*, 121 Nev. 724,  
16 731 (2005). "The substantive law controls which factual disputes are material and will preclude  
17 summary judgment; other factual disputes are irrelevant." *Id.*; *see also Anderson v. Liberty*  
18 *Lobby, Inc.*, 477 U.S. 242, 248 (1986) ("Factual disputes that are irrelevant or unnecessary will  
19 not be counted."). A factual dispute is "genuine" only "when the evidence is such that a rational  
20 trier of fact could return a verdict for the nonmoving party." *Holcomb v. Ga. Pac., LLC*, 289  
21 P.3d 188, 192 (Nev. 2012) (citation omitted).

22 While the pleadings and other proof are "construed in the light most favorable to the  
23 nonmoving party," *LaMantia v. Redisi*, 118 Nev. 27, 29 (2002), that party "bears the burden to  
24 more than simply show that there is some metaphysical doubt as to the operative facts in order to  
25 avoid summary judgment." *Wood*, 121 Nev. at 732 (citation and internal quotation marks  
26 omitted) (rejecting the "slightest doubt" standard). The nonmoving party "is not entitled to build  
27 a case on the gossamer threads of whimsy, speculation, and conjecture," *id.* (citation omitted),  
28 but instead must identify "admissible evidence" showing "a genuine issue for trial." *Posadas v.*

1 *City of Reno*, 109 Nev. 448, 452 (1993); *Shuck v. Signature Flight Support of Nev., Inc.*, 126  
2 Nev. 434, 436 (2010) (“bald allegations without supporting facts” are insufficient); *LaMantia*,  
3 118 Nev. at 29 (nonmovant must “show specific facts, rather than general allegations and  
4 conclusions”). A nonmoving party that fails to make this showing will “have summary judgment  
5 entered against him.” *Wood*, 121 Nev. at 732 (citation omitted).

6 **IV. ARGUMENT**

7 **A. Plaintiff’s Termination Cannot Support a Breach of Fiduciary Duty Claim**

8 It is well-settled that the only fiduciary duties owed by directors are “to the corporation  
9 itself,” not to its employees. *Byington v. Vega Biotech., Inc.*, 869 F. Supp. 338, 345 (D. Md.  
10 1994). Traditionally, courts have been wary of plaintiffs’ attempts to use “an appeal to general  
11 fiduciary law” to transform cases involving the dismissal of an employee or officer into claims  
12 that a company’s directors “breached a fiduciary duty as corporate officers” when effecting a  
13 termination. *Ingle v. Glamore Motor Sales, Inc.*, 73 N.Y.2d 183, 190 (1989) (rejecting effort by  
14 operating manager and minority shareholder, upon his firing, to assert fiduciary duty violations);  
15 *Hackett v. Marquardt & Roche/Meditz & Hackett, Inc.*, Civ. No. 02-990166881S, 2002 WL  
16 31304216, at \*2 (Conn. Sup. Ct. Sept. 17, 2002) (rejecting breach of fiduciary duty claim, and  
17 holding that “the law of employment relations seems to provide sufficient protection for any civil  
18 wrongs” in the event of a purportedly unlawful termination). To thread the narrow needle  
19 necessary to avoid summary judgment on his termination and reinstatement claims, Plaintiff  
20 must produce cognizable evidence showing (1) “the existence of a fiduciary duty”; (2) the  
21 decision by the RDI Board of Directors to terminate him as CEO and President of the Company  
22 represented a “breach of that duty” to RDI itself as a matter of law; and (3) “that the breach  
23 proximately caused the damages” to the Company alleged. *Brown v. Kinross Gold U.S.A., Inc.*,  
24 531 F. Supp. 2d 1234, 1245 (D. Nev. 2008). Under NRS 78.138(7), in order for the Individual  
25 Defendants to be liable, Plaintiff must prove that the fiduciary breach “involved intentional  
26 misconduct, fraud or a knowing violation of the law.” Plaintiff cannot meet *any*—let alone all—  
27 of these requirements.  
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1. **RDI’s Board Had the Undisputed Right to Remove Plaintiff at Any Time, With or Without Cause**

“Ordinarily, under Nevada’s corporations laws, a corporation’s board of directors has full control over the affairs of the corporation.” *Shoen*, 122 Nev. at 632 (citation and internal quotation marks omitted); NRS 78.120(1) (“Subject only to such limitations as may be provided by this chapter, or the articles of the corporation, the board of directors has full control over the affairs of the corporation.”). All officers “hold their offices for such terms and have such powers and duties as may be prescribed by the bylaws or determined by the board of directors,” and may remain in office until the “expiration of his or her term” or “until the officer’s resignation or removal before the expiration of his or her term.” NRS 78.130(3)-(4). “[T]here is no vested right to retain one’s office in the face of a properly executed removal.” *Cooper v. Anderson-Stokes, Inc.*, 571 A.2d 786, 1990 WL 17756, at \*2 (Del. 1989) (table); *see also Roven v. Cotter*, 547 A.2d 603, 609 (Del. Ch. 1988) (director had “no vested vest right to hold office in defiance of a properly expressed will of the majority”).

RDI’s Amended and Restated Bylaws mirror NRS 78.130, and provide that Plaintiff, upon his election as CEO on August 7, 2014, could hold office only until the appointment of his successor, his death, or “until he shall resign or is removed in the manner as hereinafter provided for such term as may be prescribed by the Board of Directors.” (HD ¶ 20(a).) The Company’s Bylaws further emphasize that Plaintiff served solely “at the pleasure of the Board of Directors,” and that he could “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.” (*Id.* ¶ 20(b).)

In light of Board’s unrestricted right to terminate Plaintiff at any time, for any reason, Plaintiff’s attempt to utilize fiduciary duty law—via this derivative action—to challenge the propriety of his termination is untenable. Courts have rejected similar attempts by other terminated officers to assert fiduciary duty claims as a “novel argument,” finding that there was “no case in support.” *Carlson v. Hallinan*, 925 A.2d 506, 540 (Del. Ch. 2006) (plaintiff could not “articulate a theory as to how Carlson’s removal as President . . . could be a breach of fiduciary duty”); *see also Datto Inc. v. Braband*, 856 F. Supp. 2d 354, 384 (D. Conn. 2012)

1 (plaintiff's allegations of "breach of fiduciary duty" based "on her allegedly wrongful  
2 termination . . . fail to state a claim"). Instead, it typically has been the case that "[q]uestions of  
3 policy or management . . . are left solely to the honest decision of the directors, if their powers  
4 are without limitation and free from restraint." *Treadway Cos., Inc. v. Care Corp.*, 638 F.2d 357,  
5 381 (2d Cir. 1980) (citation omitted); 2 Fletcher Cyc. Corp. § 363 (2015) ("Thus, where a bylaw  
6 provided that any officer might be removed by a majority vote of the entire board whenever the  
7 best interests of the company require it, it was for the directors to determine what was in the best  
8 interests of the company; the courts will not interfere unless for fraud or illegality.").

9 The leading treatise on the subject emphasizes that "a court has no right or jurisdiction to  
10 review the discretionary action of the board in removing an officer, unless the contract rights of  
11 the person removed are involved," 2 Fletcher Cyc. Corp. § 360 (2015),<sup>3</sup> and numerous other  
12 decisions have stressed that, if the removal power within a corporation's bylaws allowed the  
13 termination, "[t]he motives for the acts of a board of directors, when lawful, are not properly the  
14 subject of judicial inquiry." *Zannis v. Lake Shore Radiologists, Ltd.*, 432 N.E.2d 1108, 1110 (Ill.  
15 Ct. App. 1982); *see also Mannix v. Butte Water Co.*, 854 P.2d 834, 842 (Mont. 1993) ("the  
16 determination to terminate an officer is a *subjective* one for the *board of directors* to make," not  
17 the court) (emphasis in original); *New Founded Indus. Missionary Baptist Ass'n v. Anderson*, 49  
18 So.2d 342, 344 (La. Ct. App. 1950) (holding, where plaintiff sought a review of the merits of his  
19 removal as president, "a court has no right or jurisdiction to review the discretionary action of  
20 the board in removing an officer, unless the contract rights of the person removed are involved").

21 The reason for this deferential approach to boards in the context of their decision to  
22 terminate an officer is clear: "Often it is said that a board's most important task is to hire,  
23 monitor, and fire the CEO." *Klaassen v. Allegro Dev. Corp.*, C.A. Case No. 8262-VCL, 2013  
24 WL 5967028, at \*15 (Del. Ch. Nov. 7, 2013). It is the board, rather than a court, that is  
25 "optimally suited . . . to selecting, monitoring, and removing members of the chief executive's  
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27 <sup>3</sup> The contract rights of Plaintiff under the Employment Contract are, of course, being  
28 adjudicated in an arbitration concurrent with this action.

1 office” so that it may “replace an underperformer in a timely fashion.” *Id.* at \*15 n.8 (citations  
2 omitted). The kind of action attempted by Plaintiff threatens to transform *every* termination of  
3 an executive from a personal dispute into a derivative attack on a board’s exercise of its fiduciary  
4 duties, and would force Nevada courts to become frequent arbiters months (or, in this case,  
5 years) after the fact of the unique judgments a board must make regarding the effectiveness of its  
6 officers. Given that Plaintiff could be fired “at any time, with or without cause,” under RDI’s  
7 Bylaws, and both a majority of the entire Board *and* a majority of the non-Cotter directors voted  
8 to remove Plaintiff, the Court need not even engage in the business judgment analysis: Plaintiff’s  
9 fiduciary duty claim arising from his termination is unsupportable.

10 **2. The RDI Board’s Termination of Plaintiff Fell Well Within the**  
11 **Protection of the Business Judgment Rule**

12 Even reviewed on the merits, the RDI Board’s decision to terminate Plaintiff as CEO and  
13 President of the Company was entirely appropriate. Under Nevada law, “[w]here a director is  
14 charged with breach of his fiduciary obligation, the ‘business judgment rule’ applies.” *Horwitz*  
15 *v. SW. Forest Indus., Inc.*, 604 F. Supp. 1130, 1134 (D. Nev. 1985). The business judgment rule  
16 is a “presumption that in making a business decision the directors of a corporation acted on an  
17 informed basis, in good faith and in the honest belief that the action taken was in the best  
18 interests of the company.” *Shoen*, 122 Nev. at 632 (citation omitted); *see also* NRS 78.138(3)  
19 (codifying the rule under Nevada law). “The business judgment rule postulates that if directors’  
20 actions can arguably be taken to have been done for the benefit of the corporation, then the  
21 directors are presumed to have been exercising their sound business judgment rather than to have  
22 been responding to self-interest motivation.” *Horwitz*, 604 F. Supp. at 1135.

23 “[T]he business judgment rule applies” to the “decision to remove an officer” absent  
24 “gross negligence” or “proof that the action was not taken in an honest attempt to foster the  
25 corporation’s welfare,” *In re Dwight’s Piano Co.*, 424 B.R. 260, 284 (S.D. Ohio 2009), and  
26 “[c]ourts are reluctant to second-guess such business judgments absent demonstrable bad faith on  
27 the part of the Board.” *Franklin v. Tex. Int’l Petroleum Corp.*, 324 F. Supp. 808, 813 (W.D. La.  
28 1971). “[E]ven a bad decision is generally protected by the business judgment rule,” *Shoen*, 122

1 Nev. at 636, and the “burden of showing bad faith or abuse of discretion rests upon the plaintiff.”  
2 *Horwitz*, 604 F. Supp. at 1135. Nevada is particularly strict with respect to plaintiffs who  
3 attempt to circumvent the business judgment rule: in the event that a director’s action (or failure  
4 to act) is ultimately held to “constitute[] a breach of his or her fiduciary duties,” the director  
5 faces individual liability only if “[t]he breach of those duties involved intentional misconduct,  
6 fraud or a knowing violation of the law.” NRS 78.138(7)(a)-(b).

7 In light of the broad protections afforded under Nevada law to RDI’s directors, Plaintiff  
8 cannot meet the showing required to avoid summary judgment for two reasons.

9 (a) **Plaintiffs’ Termination Was Justified on the Merits and a**  
10 **Proper Exercise of Business Judgment**

11 First, the RDI Board’s decision to terminate Plaintiff was justified on the merits and was  
12 an appropriate exercise of their business judgment—there was a “legitimate business reason” for  
13 Plaintiff’s firing, the decision was “neither false, whimsical, arbitrary or capricious,” and it had  
14 “some logical connection to the needs of the business.” *Mannix*, 854 P.2d at 846; NRS  
15 78.138(1) (directors are to “exercise their powers in good faith and with a view to the interests of  
16 the corporation”). Plaintiff’s bald allegation that personal motivations may have influenced  
17 some directors is not sufficient to justify a trial on the merits of the Board’s final decision.  
18 Nevada requires “intentional misconduct, fraud or a knowing violation of the law” to maintain an  
19 actionable fiduciary duty claim—not just the potential that personal animus or self-interested  
20 considerations played a role in a board’s decision. NRS 78.138(7); *see also Franklin*, 324 F.  
21 Supp. at 813 (“intra- and intercorporate maneuvering” affecting termination decision did not  
22 disturb board’s business judgment where other legitimate reasons justified firing). Purported  
23 “self-interest” will not forestall application of the business judgment rule unless “that motive is  
24 the sole or predominant reason” for a decision. *Horwitz*, 604 F. Supp. at 1135. It was not here.

25 With respect to Plaintiff, the RDI Board faced a CEO that was “young,” chosen on “short  
26 notice,” and lacked significant hands-on experience in numerous, highly relevant business areas.  
27 RDI’s Board and shareholders recognized that “nepotism” may have benefitted Plaintiff in his  
28 selection as CEO, but all hoped that he could grow into the role and develop on the job. Within

1 two to three months of his election, the Board saw that Plaintiff needed help, which it attempted  
2 to provide—including via director Storey’s formal participation as an “ombudsman.” But  
3 Plaintiff had significant weaknesses: he could not work well with certain key executives, and  
4 some Board members came to believe that he was more interested in undermining central figures  
5 within the Company rather than in addressing pending issues; he acted—or was perceived to  
6 act—in a manner that was violent and abusive to employees and fellow Board members; and he  
7 demonstrated a lack of understanding with respect to metrics critical to evaluating RDI’s  
8 businesses. Moreover, outside litigation involving Plaintiff and his sisters, who were key  
9 executives in the Company and also sat on the Board, had led to a “dysfunctional management  
10 team” torn apart by “‘thermonuclear’ hostility” that was clearly affecting the Company and  
11 stockholder value. (See Factual Background, *supra* at 5-9.)

12 After months of contemplating anger management courses, hiring outside consultants, or  
13 other changes to ameliorate Plaintiff’s deficiencies, a majority of RDI’s Board saw a lack of  
14 progress. Absent evidence that Plaintiff’s tenure as CEO was creating any value or “leading us  
15 forward,” the Board chose to terminate his divisive reign after several weeks of open  
16 contemplation in which it debated Plaintiff’s performance “at length,” gave Plaintiff multiple  
17 opportunities to make presentations defending himself, utilized the services of outside counsel,  
18 attempted to find negotiated alternatives to Plaintiff’s termination, and took its role seriously in  
19 the face of Plaintiff’s repeated threats to sue each of them and “ruin them financially” if the  
20 Board dared to remove him. Even the directors that voted not to terminate Plaintiff on June 12,  
21 2015 recognized significant problems with his performance, and objected more to the timing of  
22 his removal than to the underlying basis. (See Factual Background, *supra* at 8-12.) This was  
23 exactly how a board was supposed to act under both Nevada law and RDI’s Bylaws.

24 As with Plaintiff, an officer’s “inability to perform adequately” and lack of “experience,  
25 expertise, and proper degree of affability” are protected reasons under the business judgment rule  
26 for his or her termination. *Franklin*, 324 F. Supp. at 813; *see also Carlson*, 925 A.2d at 540  
27 n.232 (where “the evidence indicated that Carlson was not effective in the role of President of  
28 CR and that he had important managerial shortcomings,” “firing him could have fostered CR’s

1 welfare” and was thus protected by the business judgment rule). Plaintiff’s insinuation that his  
2 termination was somehow “improper” because he was fired after he ultimately declined to settle  
3 the Cotter trust litigation (SAC ¶¶ 78-94) is baseless. The “agreement-in-principle” between  
4 Plaintiff and his sisters, if finalized, would have circumscribed Plaintiff’s management authority  
5 and placed him under the auspices of an Executive Committee. (HD ¶ 41.) The Board’s  
6 consideration of that potential deal made sense, as a finalized agreement could have reduced the  
7 admitted dysfunction hampering RDI and rectified some of the otherwise-terminal problems in  
8 Plaintiff’s CEO tenure, while also providing him a structure within which to grow and gain  
9 experience; once that agreement fell through, the Board was left with the same intractable  
10 problems as before. The fact that a company’s CEO cannot “work well” with its directors or  
11 executives, and requires “close and constant supervision,” as was the case with Plaintiff, is a  
12 valid basis for terminating the officer, and is a decision protected by the business judgment rule.  
13 *In re Walt Disney Co. Deriv. Litig.*, 906 A.2d 27, 72-73 (Del. 2006). Even RDI’s unaffiliated  
14 investors see this as a valid reason for Plaintiff’s termination. (HD ¶ 18(d).)<sup>4</sup>

15 Because the RDI Board’s termination of Plaintiff can “arguably be taken to have been  
16 done for the benefit of the corporation,” that merits-based decision is fully protected by the  
17 business judgment rule and immune from Plaintiff’s challenge. *Horwitz*, 604 F. Supp. at 1135;  
18 *see also Katz v. Chevron Corp.*, 22 Cal.App.4th 1352, 1366 (1994) (rule protects corporate  
19 management decisions whenever they can be “attributed to any rational business purpose”).<sup>5</sup>

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21 <sup>4</sup> The fact that the RDI Board utilized both the Company’s outside counsel and its own  
22 counsel, separately retained, when evaluating Plaintiff’s performance and its duties is further  
23 evidence of the exercise of protected business judgment. *See In re Walt Disney Co. Deriv. Litig.*,  
24 906 A.2d at 72-73 (“business judgment” properly exercised where officer “weighed the  
alternatives” and “received advice from counsel”); *Horwitz*, 604 F. Supp. at 1134-35 (directors  
use of advice from “law firms” was evidence of business judgment exercise).

25 <sup>5</sup> As noted in the Individual Defendants’ contemporaneous Motion for Summary Judgment  
26 on Director Independence (No. 2), each non-Cotter Board member was independent with respect  
27 to the decision to terminate Plaintiff. Even if they were not, the “business judgment rule” would  
28 still apply because, under Nevada law, an “entire fairness” review can be triggered only  
(1) where there is a “change or potential change” in stockholder “control of [the] corporation,”  
NRS 78.139, not present here; or (2) where a board “authorizes, approves, or ratifies a contract  
or transaction” involving an “interested director,” a scenario also not present where there was a



1 (b) Plaintiffs' Procedural Complaints Are Unsupportable

2 Second, Plaintiff's remaining complaints regarding the "process" surrounding his  
3 termination are equally invalid. (See SAC ¶¶ 72-74, 76.) It is "well settled that corporate bodies,  
4 in proceedings taken for the removal of a corporate director or an officer, are not bound to act  
5 with the strict regularity required in judicial proceedings." 2 Fletcher Cyc. Corp. § 360.  
6 Directors need not give a CEO advance notice of a plan to remove him at a regular board  
7 meeting, and RDI's Bylaws contain no notice requirement. *Klaassen v. Allegro Dev. Corp.*, 106  
8 A.3d 1035, 1043-44 (Del. 2014) (rejecting claim that CEO's termination was improper because  
9 of lack of agenda item giving advance notice that his performance was at issue); *OptimisCorp. v.*  
10 *Waite*, C.A. No. 8773-VCP, 2015 WL 5147038, at \*66-67 (Del. Ch. Aug. 26, 2015) (rejecting  
11 argument that directors "breached their duty of loyalty by not advising [CEO] in advance of his  
12 potential termination"); 2 Fletcher Cyc. Corp. § 357.20 (2015) (a board's failure to give CEO  
13 advance notice of a plan to remove him as CEO does "not invalidate his termination").

14 Even so, here Plaintiff's performance was listed as an agenda item in advance of all three  
15 Board meetings in which his potential termination was discussed, and he was repeatedly given a  
16 platform before the Board to defend his tenure and present a business plan (which he declined  
17 when it became apparent that no such plan existed). (See Factual Background, *supra* at 9-11.)  
18 While Plaintiff may have wished to continue through June 2015 before any vote was held on his  
19 performance, his removal was permissible under RDI's Bylaws "at any time" (HD ¶ 20(b)),  
20 RDI's Board had "an individual who we're very concerned about" such that its "process or  
21 evaluation is constantly going on" (*id.* ¶ 8(1)), and the Board had an affirmative fiduciary duty to  
22 shareholders to remove Plaintiff whenever it felt that his performance was hindering the value of  
23 the Company—it could not simply hold off on a final decision based on Plaintiff's preferred  
24 timetable. (See *also id.* ¶ 7(b) (noting that the Board "had never set a date of June 30 for our  
25 intervention" and "there was no reason for us to wait until June 30").) RDI's Board of Directors  
26 in no way "ambushed" Plaintiff. *OptimisCorp*, 2015 WL 5147038, at \*67. Plaintiff "knew that  
27 termination of an officer. NRS 78.140. And, even if an "entire fairness" review could apply,  
28 Plaintiff's firing was unquestionably a "fair" decision by the Board in light of the above-issues.

1 his position as C.E.O. was in jeopardy for a longer period of time than just May 21” (HD ¶ 8(j)),  
2 and RDI’s Board gave him far more notice and opportunity to defend his performance than  
3 required by law. (*See also* HD ¶ 12(j) (per Plaintiff, RDI’s Board discussed “the possibility of  
4 getting an interim CEO . . . as early as October 2014”).) Plaintiff’s process claims, as with his  
5 attack on the underlying merits of his termination, are baseless as a matter of fact and precluded  
6 as a matter of law by the business judgment rule.

7 **3. RDI Was Not Damaged by Plaintiff’s Termination**

8 Plaintiff’s fiduciary duty claim relating to his termination also fails because he cannot  
9 prove that any “breach proximately caused . . . damages” to RDI itself. *Olvera v. Shafer*, No.  
10 2:14-cv-01298, 2015 WL 7566682, at \*2 (D. Nev. Nov. 24, 2015) (applying Nevada law and  
11 dismissing fiduciary duty claim); *see also Carlson*, 925 A.2d at 540 (dismissing claim because  
12 plaintiff could not “articulate” or “prove that any damages flowed proximately” to company  
13 from his firing). To sustain a fiduciary duty claim, there must be cognizable evidence of  
14 “economic harm suffered” by the Company actually resulting from the Board’s alleged “breach  
15 of duties owed in a fiduciary relationship.” *Chimney Rock Pub. Power Dist. v. Tri-State*  
16 *Generation & Transmission Ass’n, Inc.*, No. 10-cv-02349, 2014 WL 811566, at \*4 (D. Colo.  
17 Mar. 3, 2014). Nominal damages are insufficient. *See AMERCO v. Shoen*, 907 P.2d 536, 542  
18 (Ariz. App. 1995) (in evaluating breach of fiduciary duty claim, finding “[w]e have no basis for  
19 concluding that, in the absence of actual damage or unjust enrichment, Nevada would encourage  
20 internecine corporate litigation by permitting a nominal damage claim”). Nor will mere  
21 “speculative” damages suffice. *Chimney Rock*, 2014 WL 811566, at \*4.

22 Plaintiff cannot meet the damages showing required to avoid summary judgment.  
23 Uncontroverted testimony and documentary evidence from within RDI indicates that Plaintiff  
24 “was very weak as a C.E.O. or as a manager,” that he “wasn’t really leading the business and he  
25 wasn’t leading us forward,” “wasn’t progressing fast,” lacked a “vision of where we’re going,”  
26 and did not do “one thing . . . that created value for the company.” (HD ¶¶ 3(d), (f)-(g); 8(r),  
27 (u).) RDI’s unaffiliated major investors were also unanimous that it would not “make much  
28 difference” to shareholders if Plaintiff was CEO, and that the overall performance of the RDI,

1 along with its business plan, have remained entirely consistent and appropriate since Plaintiff's  
2 termination. (See Factual Background, *supra* at 12-13.) And while Plaintiff's expert Tiago  
3 Duarte-Silva asserts that RDI performed differently when Plaintiff was CEO as compared to  
4 Ellen Cotter, he offers no evidence or analysis connecting the purported changes in performance  
5 to anything Plaintiff or Ellen Cotter did or did not do as CEO, completely avoids actual or  
6 proximate causation, and does not address the essentially unchanged performance of RDI's stock  
7 price. (See HD ¶ 46.)<sup>6</sup>

8 Because Plaintiff does not have evidence of any "economic harm" flowing to RDI  
9 following his termination, let alone evidence that his firing was the "proximate cause" of such  
10 harm, he cannot establish an actionable breach of fiduciary claim. See *Bd. of Managers at Wash.*  
11 *Park Condo v. Foundry Dev. Co.*, 975 N.Y.S.2d 707, at \*2-3 (N.Y. Sup. Ct. 2013) (table)  
12 (rejecting fiduciary duty claim where there was no connection of harm to nominal plaintiff);  
13 *Stafford v. Reiner*, 804 N.Y.S.2d 114, 114-15 (N.Y. App. Div. 2005) (rejecting fiduciary duty  
14 claim because "proximate cause" evidence was absent, and claim was "entirely speculative" with  
15 "no support in the record"). Indeed, given that he cannot satisfy *any* of the elements required to  
16 sustain his fiduciary duty claim relating to his termination, each of Plaintiff's causes of action  
17 should be dismissed to the extent that they relate to his removal.

18 **B. Plaintiff Cannot Maintain This Derivative Action to Assert Fiduciary Duty**  
19 **Claims Relating to His Termination**

20 This Court, at the pleading stage (accepting all allegations as true), determined that  
21 Plaintiff had standing to assert a derivative action on behalf of RDI itself and its shareholders

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22  
23 <sup>6</sup> Indeed, since Plaintiff's termination, RDI's stock has frequently traded at or above the  
24 value it held on June 12, 2015. (See HD ¶ 45.) Where the market data regarding the share price  
25 shows that prices have risen following disclosures, the "proximate causation" required for a  
26 breach of fiduciary duty claim is entirely lacking. See *In re Acterna Corp. Sec. Litig.*, 378 F.  
27 Supp. 2d 561, 588 (D. Md. 2005). Even if it had not, a mere drop in share price is insufficient to  
28 satisfy the required causation. See *Morgan v. AXT, Inc.*, No. C 04-4362, 2005 WL 2347125,  
at \*16 (N.D. Cal. Sept. 23, 2005) (allegation that share price dropped after disclosure revealed  
prior misrepresentations insufficient to constitute causation). And, of course, a "decline" in  
"stock price is not even a derivative injury" and cannot support the required causation in the  
context of Plaintiff's purported derivative action. *South v. Baker*, 62 A.3d 1, 25 (Del. Ch. 2012).

1 with respect to a variety of fiduciary claims, including as they related to his termination.  
2 However, the elements of standing are not merely pleading requirements but, rather, are an  
3 “indispensable part of the plaintiff’s case,” and “each element must be supported in the same  
4 way as any other matter on which the plaintiff bears the burden of proof, *i.e.*, with the manner  
5 and degree of evidence required at the successive stages of the litigation.” *Lujan v. Defenders of*  
6 *Wildlife*, 504 U.S. 555, 561 (1992); *see also Parfi Holding AB v. Mirror Image Internet, Inc.*,  
7 954 A.2d 911, 934-42 (Del. Ch. 2008) (finding, based on “evidence that arose during discovery  
8 and other developments,” that plaintiffs “now lack standing to serve as derivative plaintiffs”). It  
9 is now obvious, following discovery, that Plaintiff “does not fairly and adequately represent the  
10 interests of the shareholders or members similarly situated in enforcing the right of the  
11 corporation or association,” Nev. R. Civ. P. 23.1, in bringing fiduciary duty claims relating to his  
12 termination and to the extent that he seeks reinstatement as CEO and President of the RDI. Any  
13 suggestion by the Plaintiff otherwise is tilting at windmills. Thus, even if Plaintiff’s termination  
14 and reinstatement claims were not entirely barred by the business judgment rule (which they  
15 are), Plaintiff could not maintain a derivative action regarding such claims.

16 In pursuing a derivative action, Plaintiff “must not have ulterior motives and must not be  
17 pursuing an external personal agenda.” *Energytec, Inc. v. Proctor*, Nos. 3:06-cv-0871 *et al.*,  
18 2008 WL 4131257, at \*6 (N.D. Tex. Aug. 29, 2008) (citation omitted) (applying Nevada law).  
19 “Because of the fear that shareholder derivative suits could subvert the basic principle of  
20 management control over corporation operations, courts have generally characterized  
21 shareholder derivative suits as a remedy of last resort.” *Quinn v. Anvil Corp.*, 620 F.3d 1005,  
22 1012 (9th Cir. 2010) (citation omitted).

23 In light of “the extraordinary nature of a shareholder derivative suit,” a purported  
24 derivative plaintiff must satisfy several “stringent conditions” in order to bring such a suit. *Id.*  
25 Courts carefully weigh several factors under Rule 23.1 when deciding whether a shareholder is  
26 an adequate representative, such as: (1) economic antagonisms between the purported  
27 representative and class; (2) the remedy sought by the plaintiff in the derivative action, including  
28 the magnitude of the plaintiff’s personal interests as compared to his interest in the derivative

1 action itself; (3) other litigation pending between the plaintiff and defendants; (4) the plaintiff's  
2 vindictiveness toward the defendants; and (5) the degree of support the plaintiff is receiving from  
3 the shareholders he purports to represent. *Energytec*, 2008 WL 4131257, at \*7 (citation  
4 omitted). "It is possible that the inadequacy of a plaintiff may be concluded from a strong  
5 showing of only one factor," especially if that factor involves "some conflict of interest between  
6 the derivative plaintiff and the class." *Khanna v. McMinn*, No. Civ. A. 20545-NC, 2006 WL  
7 1388744, at \*41 (Del. Ch. May 9, 2006). Following discovery, it is clear that the vast majority  
8 of these factors negate Plaintiff's attempted derivative standing with respect to his termination  
9 and reinstatement claims, as there are irreconcilable conflicts of interest between Plaintiff, other  
10 RDI shareholders, and the Company itself.<sup>7</sup>

11 Economic Antagonism Exists: "[E]conomic antagonism between . . . plaintiff and other  
12 shareholders is typically fatal to a shareholder derivative suit." *Pacemaker Plastics Co., Inc. v.*  
13 *AFM Corp.*, 139 F. Supp. 2d 851, 855 (N.D. Ohio 2001). As the former CEO and President of  
14 RDI, Plaintiff "has a personal economic interest in reversing the events leading to his removal,"  
15 but RDI's "shareholders do not share this interest, as they do not stand to regain past  
16 employment or company influence." *Energytec*, 2008 WL 4131257, at \*7 (rejecting derivative  
17 standing by former CEO of company). Not only do Ellen and Margaret Cotter, who control the  
18 majority of the voting Class B shares in RDI, oppose Plaintiff's termination and reinstatement  
19 claims, significant unaffiliated shareholders in the Company have testified that they see no  
20 economic benefit in pursuing Plaintiff's termination claim or in seeking his reinstatement. (*See*  
21 *Factual Background, supra* at 12-13.) These outside shareholders had "no opinion" as to  
22 whether Plaintiff's termination and requested reinstatement would affect RDI's share price, saw  
23 no evidence that the Company's "business operations" have been affected by his termination or  
24 would be benefitted by his reinstatement, and do not see "a high priority" to returning Plaintiff to  
25 office. (*Id.*) Thus, there is clear economic antagonism—what is economically beneficial to  
26

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27 <sup>7</sup> Other traditional factors, such as "indications that the named plaintiff was not the driving  
28 force behind the litigation" and "plaintiff's unfamiliarity with the litigation," *Energytec*, 2008  
WL 4131257, at \*7, are not at issue here and need not be discussed.

1 Plaintiff himself is not viewed by the Company or its investors as economically advantageous.

2       The Remedy Sought Is Personal: Even prior to his firing, Plaintiff repeatedly threatened  
3 RDI's Board of Directors with a derivative action to entrench his position as the Company's  
4 CEO and President. (See Factual Background, *supra* 9-10.) Other courts have found identical  
5 conduct to be "personal," and contrary to the type of remedy sought by truly representative  
6 plaintiffs in a derivative action. For instance, in *Khanna*, the court found that a suspended  
7 general counsel could not maintain a derivative action because of similar threats, which  
8 "demonstrate[d] a self-interested motivation that is not consistent with the continued pursuit of a  
9 derivative and class action by the plaintiff." 2006 WL 1388744, at \*43. As that court noted, the  
10 derivative litigation was really "to provide leverage in his attempt to regain (and enhance) his  
11 position" after his removal—a result whose "benefit is directed almost exclusively, if not solely,  
12 to [plaintiff]." *Id.* Similarly, in *Energytec*, the court concluded that the former CEO's "interest  
13 in obtaining the requested relief" of reinstatement "far outweighs that of other shareholders,"  
14 who did not "share" an interest in his "regain[ing] control" of the company. 2008 WL 4131257,  
15 at \*7; see also *Tankersley v. Albright*, 80 F.R.D. 441, 444 (N.D. Ill. 1978) ("[W]here it appears  
16 that the injury is directly suffered by an individual shareholder or relates directly to an  
17 individual's stock ownership, the action is personal."). Here, Plaintiff's personal dispute relating  
18 to his termination is not a harm suffered by RDI itself or any of its other shareholders, and is not  
19 a proper vehicle for a derivative action.

20       Other Litigation Is Pending: In addition to this case, currently there is a California trust  
21 litigation, a Nevada trust and estates litigation, and a private arbitration proceeding, all of which  
22 relate to the contested control of RDI and purported misdeeds related to Plaintiff's firing.  
23 "Ordinarily, other litigation, in and of itself, may warrant disqualification of a plaintiff from  
24 bringing a derivative suit where it appears that the derivative plaintiff instituted the derivative  
25 suit only as 'leverage' to further his individual claims." *Scopas Tech. Co. v. Lord*, No. 7559,  
26 1984 WL 8266, at \*2 (Del. Ch. Nov. 20, 1984). Here, Plaintiff is clearly using this "derivative  
27 action as leverage to obtain a favorable settlement" in these "other actions" currently pending,  
28 *Recchion on Behalf of Westinghouse Elec. Corp. v. Kirby*, 637 F. Supp. 1309, 1315 (W.D.Pa.

1 1986), as he is asserting the same arguments in those cases as in this one. For instance, Plaintiff  
2 in the trust litigation has claimed—as in this action—that he was wrongfully terminated in “a  
3 boardroom coup,” that “Ellen [Cotter] deliberately interfered with and corrupted a search process  
4 set in motion by the RDI Board,” that Margaret Cotter was promoted to a position to which she  
5 is also wholly unqualified,” and that the Board improperly increased his sisters’ compensation.  
6 (See HD ¶ 47.) “In such circumstances,” where the overlap between suits is obvious, “there is  
7 substantial likelihood that the derivative action will be used as a weapon in the plaintiff  
8 shareholder’s arsenal, and not as a device for the protection of all shareholders,” and “other  
9 courts have properly refused to permit the derivative action to proceed.” *Owen v. Diversified*  
10 *Industries, Inc.*, 643 F.2d 441, 443 (6th Cir. 1981) (citations omitted).

11 Plaintiff Is Clearly Driven by Vindictiveness: In addition to his pre-litigation threat to  
12 use a derivative suit to “ruin . . . financially” any director that challenged his position, Plaintiff’s  
13 own allegations demonstrate a strong personal animus at the heart of his action. See, e.g., SAC  
14 ¶ 20 (accusing Kane of threatening “Corleone (‘Godfather’) style family justice”), ¶ 33  
15 (admitting that Plaintiff “alienated his sisters”), ¶ 35 (labeling Margaret Cotter’s handling of the  
16 STOMP matter, which resulted in a \$2.2 million judgment for the Company, a “debacle”), ¶ 70  
17 (insinuating that Adams was not forthcoming in his divorce proceedings); see also First Am.  
18 Compl. ¶ 75 (alleging that Kane, with Margaret and Ellen Cotter, “launched [a] scheme to extort  
19 [Plaintiff]”), ¶ 78 (accusing Adams of consistently engaging in a “search for the next public  
20 company victim”). Courts have determined that similar “unmistakable personal” allegations and  
21 comparable “vituperative epithets, pugilistic metaphors, and [extreme] descriptions” are  
22 indicative of an “emotionally charged feud” that is not the proper subject of a shareholder  
23 derivative action. *Smith v. Ayres*, 977 F.2d 946, 949 (5th Cir. 1992); see also *Love v. Wilson*,  
24 No. CV 06-06148, 2007 WL 4928035, at \*7-8 (C.D. Cal. Nov. 15, 2007) (complaint filled with  
25 “gratuitous language” was indicative of well-known “vindictiveness and animosity” between  
26 founders of The Beach Boys, and indication that one cousin could not maintain derivative action  
27 against others); *Khanna*, 2006 WL 1388744, at \*44 (“the tangential and acrimonious  
28 employment dispute” between plaintiff “and his former employer” precluded derivative action).

1            Plaintiff Has No Shareholder Support: Even setting aside the fact that the individuals  
2 who control a majority of RDI’s voting shares do not support Plaintiff’s derivative action or his  
3 requested reinstatement, it is clear that Plaintiff has no evidence of shareholder support from  
4 significant unaffiliated shareholders in RDI. Andrew Shapiro, which owns approximately \$13  
5 million in RDI’s Class A stock and \$30,000 in Class B stock, has testified that he “wasn’t  
6 committed one way or the other than [Plaintiff] should be reinstated,” and he did not “think  
7 necessarily [Plaintiff] is the best adequate representative of mine or other shareholder interests.”  
8 (HD ¶ 19(f)-(g).) Both Whitney Tilson and Jonathan Glaser, who together control over 1 million  
9 shares of the Company’s Class A stock and over a thousand Class B shares, have explicitly  
10 rejected the idea of reinstating Plaintiff. (See Factual Background, *supra* at 12-13.) Indeed,  
11 Tilson has specifically noted that “the well has been poisoned” with respect to Plaintiff as CEO,  
12 and his reinstatement would merely perpetuate a “divided company.” (HD ¶ 17(a).) Tilson has  
13 further stressed that Plaintiff is not “the single best qualified person to run” RDI, and emphasized  
14 his belief that Plaintiff’s advancement within RDI was likely the product of “nepotism.” (*Id.*)  
15 This “lack of support” for Plaintiff’s termination and reinstatement claims by relevant “non-  
16 defendant shareholders” is strong evidence that Plaintiff does not have standing to maintain his  
17 derivative challenge. *Love*, 2007 WL 4928035, at \*6; *see also Smith*, 977 F.2d at 948 (lack of  
18 “cooperation” or support from other shareholders undermined attempted derivative action).

19            In their totality, the relevant factors reveal that Plaintiff is an inadequate derivative  
20 plaintiff, and that he should not be allowed to maintain a derivative action for his highly personal  
21 termination and reinstatement claims. *See Aztec Oil & Gas, Inc. v. Fisher*, 152 F. Supp. 3d 832,  
22 859 (S.D. Tex. 2016) (finding similar employment dispute was not a proper derivative action);  
23 *cf. CCWIPP v. Alden*, No. Civ. A. 1184, 2006 WL 456786, at \*10 (Del. Ch. Feb. 22, 2006)  
24 (“discovery” and “[f]urther development of the facts” may prove a plaintiff is “an inadequate  
25 derivative plaintiff”). Because Plaintiff lacks standing to pursue a derivative action seeking  
26 relief on his termination and reinstatement claims, summary judgment is fully warranted.

27            **C.    Plaintiff’s Reinstatement Demand Is Unsupportable and Untenable**

28            Plaintiff’s Employment Contract with RDI, which relates to his duties as President and



1 which—according to Plaintiff—continued to apply when he became CEO (HD ¶ 11(a)), provides  
2 that Plaintiff will receive twelve months of “compensation and benefits” following a termination  
3 “without cause,” and nothing if he was terminated for “cause.” (*Id.* ¶ 21(c).) Nowhere does the  
4 Employment Contract give Plaintiff the right of reinstatement or any other right of specific  
5 performance against the Company. (*Id.* ¶ 21.) “It is hardly controversial to recognize that an  
6 order of specific performance is rarely an appropriate remedy for breach of an employment  
7 agreement.” *Cedar Fair, L.P. v. Falfas*, 19 N.E.3d 893, 897 (Ohio 2014). The result should not  
8 be different here: Plaintiff’s attempt to achieve, via this derivative action, a reinstatement  
9 remedy beyond what is available under his Employment Contract is unsupported for six  
10 reasons. Accordingly, summary judgment as to the relief sought by Plaintiff is warranted.

11 First, “generally, equity will not assume jurisdiction for the purpose of reinstating a  
12 removed officer.” 2 Fletcher Cyc. Corp. § 363. “An equitable action does not lie where the  
13 officer was removable without cause,” *id.*, as Plaintiff was pursuant to RDI’s Bylaws, which  
14 provided that he “may be removed at any time, with or without cause.” (HD ¶ 20(b).)

15 Second, specific performance is available under Nevada law only if “the remedy at law is  
16 inadequate.” *Serpa v. Darling*, 107 Nev. 299, 305 (1991); *see also* 2 Fletcher Cyc. Corp. § 363  
17 (“equity has no power to reinstate a removed officer . . . where they have an adequate remedy at  
18 law”). Here, Plaintiff’s Employment Contract sets forth the relief owed following a termination,  
19 Plaintiff is participating in a simultaneous arbitration regarding his removal, and the Company  
20 itself has suffered no damages as a result of his firing. As such, a remedy at law is clearly  
21 sufficient to resolve Plaintiff’s wrongful termination claims.

22 Third, “there are strong policy reasons” for the “general rule against compelling an  
23 employer to retain an employee,” especially if such reinstatement—as here—is “against [the  
24 employer’s] wishes.” *Zannis v. Lake Shore Radiologists, Ltd.*, 392 N.E.2d 126, 129 (Ill. Ct. App.  
25 1979). Plaintiff’s reinstatement “would involve difficulty of supervision,” *Cedar Fair*, 19  
26 N.E.3d at 898, and there are significant questions counseling against reinstatement as to how “a  
27 large business entity” like RDI could “properly function” if it was “force[d]” to “reemploy an  
28 unwanted senior officer” like Plaintiff “after it had obviously moved on.” *Id.*

1 Fourth, officers have no “vested right to serve out the remainder of their terms.”  
2 *Chesapeake Corp. v. Shore*, 771 A.2d 293, 345-46 (Del. Ch. 2000). Plaintiff has “no property  
3 right” in his position as CEO and, given RDI’s Bylaws, if reinstated he “could immediately be  
4 fired for no reason or for any other permissible reason.” *Rosario-Torres v. Hernandez-Colon*,  
5 889 F.2d 314, 323 (1st Cir. 1989). This fact alone may “support a denial of reinstatement.” *Id.*

6 Fifth, the “long period of time” that has elapsed since Plaintiff’s termination, over 15  
7 months at the moment (far longer than his 10 months as CEO), counsels against Plaintiff’s  
8 reinstatement. *Id.* at 324 (recognizing that “a long period of time” between “discharge” and  
9 “entry of judgment” weighs against reinstatement); *Nance v. City of Newark*, Civ. No. 97-6184,  
10 2010 WL 4193057, at \*2 (D.N.J. Oct. 19, 2010) (same). This is especially true given that the  
11 Company has moved on from the issues encountered during Plaintiff’s tenure, now has several  
12 new directors serving on the Board, and its own uninterested investors recognize that Plaintiff’s  
13 reinstatement would merely perpetuate a “divided company.”

14 Sixth, and finally, reinstatement is not proper where—as here—there is “irreparable  
15 animosity between the parties.” *Blum v. Witco Chem. Corp.*, 829 F.2d 367, 373-74 (3d Cir.  
16 1987); *Robinson v. SEPTA*, 982 F.2d 892, 899 (3d Cir. 1993) (same). It is beyond dispute that  
17 there is “substantial animosity between the parties,” including, in particular, between Plaintiff  
18 and his sisters; “the parties’ relationship [is] not likely to improve”; and “the nature of [RDI’s]  
19 business require[s] a high degree of mutual trust and confidence,” which is “noticeably lacking.”  
20 *Brooks v. Woodline Motor Freight, Inc.*, 852 F.2d 1061, 1066 (8th Cir. 1988). Plaintiff’s  
21 requested reinstatement relief is therefore untenable and should be denied.

22 **V. CONCLUSION**

23 For the foregoing reasons, the Individual Defendants respectfully request that the Court  
24 grant them summary judgment as to the First, Second, Third, and Fourth Causes of Action set  
25 forth in Plaintiff’s SAC, to the extent that they assert claims based on Plaintiff’s June 12, 2015  
26 termination as CEO and President of RDI, and to the extent that Plaintiff seeks damages and/or  
27 an order both declaring that his termination was “legally ineffectual and is of no force and effect”  
28 and an injunction reinstating him as the Company’s CEO and Chairman.

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Dated: September 23, 2016

**COHEN|JOHNSON|PARKER|EDWARDS**

By: /s/ H. Stan Johnson  
H. STAN JOHNSON, ESQ.  
Nevada Bar No. 00265  
sjohnson@cohenjohnson.com  
255 East Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119

**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, 10<sup>th</sup> Floor  
Los Angeles, CA 90017

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

1                                    **DECLARATION OF COUNSEL NOAH S. HELPERN IN SUPPORT OF**  
2                                    **THE INDIVIDUAL DEFENDANTS’ MOTION FOR SUMMARY JUDGMENT (NO. 1)**  
3                                    **ON PLAINTIFF’S TERMINATION AND REINSTATEMENT CLAIMS**

4                                    I, Noah Helpern, state and declare as follows:

5                                    1.        I am a member of the Bar of the State of California, and am an attorney with the  
6                                    law firm of Quinn Emanuel Urquhart & Sullivan, LLP (“Quinn Emanuel”), attorneys for the  
7                                    Individual Defendants. I make this declaration based upon personal, firsthand knowledge,  
8                                    except where stated to be on information and belief, and as to that information, I believe it to be  
9                                    true. If called upon to testify as to the contents of this Declaration, I am legally competent to  
10                                    testify to its contents in a court of law.

11                                    2.        Attached hereto as Exhibit 1 is a true and correct copy of transcript excerpts from  
12                                    the deposition of Timothy Storey, taken on February 12, 2016, in which the following pages are  
13                                    relevant:

- 14                                    a.) 119:25-120:12 (Storey testifying that McEachern believed “the current  
15                                    disharmony within the business was untenable going forward and needed to  
16                                    be dealt with”);  
17                                    b.) 154:2-4 (“I think the comment was simply . . . that things should be dealt with  
18                                    now. They had come to a head and there was no point in delaying. . . .  
19                                    That’s my perception, that there was – the view was there was disharmony,  
20                                    and therefore it needed to be dealt with. It was clearly a view around the  
21                                    board table by a number of people that the matter needed to be dealt with  
22                                    expeditiously and rightly.”); and  
23                                    c.) 226:21-227:11 (Storey testifying that it “was not my opinion” that Plaintiff  
24                                    was terminated as CEO as a result of “the trust and estate litigation”).

25                                    3.        Attached hereto as Exhibit 2 is a true and correct copy of transcript excerpts from  
26                                    the deposition of Guy Adams, taken on April 28, 2016, in which the following pages are  
27                                    relevant:  
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- a.) 77:6-24 (“Tim Storey was coaching” Plaintiff and acting as “ombudsman” to address Plaintiff’s “performance and there being certain issues”);
- b.) 78:13-20 (according to Adams, Storey noted that “the only reason” Plaintiff received the CEO “job is because his last name is Cotter,” while Adams was aware of Plaintiff’s “shortcomings” upon his election);
- c.) 78:18-21 (while Adams had hoped that Plaintiff could “learn on the job and get up to speed quickly . . . by April, [Adams] was of the opinion that wasn’t working out”);
- d.) 83:23-87:23 (“I questioned [Plaintiff’s] knowledge about the business he’s managing and his management style . . . I was forming the opinion or had formed the opinion that he wasn’t really leading the business and he wasn’t leading us forward . . . I said, We’ve been working with [Plaintiff] all these months and I don’t see progress.”);
- e.) 84:20-87:23 (Adams testifying that, properly adjusting for lease rentals, the margins for film rental in the United States as compared to Australia and New Zealand revealed a 2% gap, not a 16-18% gap as Plaintiff claimed. Similarly, as RDI’s ex-CFO clarified, “[i]n the USA they allocate the G and A down to the theatre level so the theatre level labor cost looks high, and in Australia and New Zealand, they allocate a lot of the labor costs up to G and A so the labor cost looks really low.”);
- f.) 88:24-89:22 (“But the vision of where we’re going, how we’re going to lead – where is our CEO leading our company, I said, We haven’t heard a whiff of this . . . . Nobody saw it; nobody heard it.”); and
- g.) 89:23-90:10 (Gould “agreed” with Adams that Plaintiff “wasn’t progressing fast.”).

4. Attached hereto as Exhibit 3 is a true and correct copy of transcript excerpts from the deposition of Guy Adams, taken on April 29, 2016, in which the following pages are relevant:

- 1 a.) 419:17-421:23 (Adams recalling occasions on which he was informed, within  
2 “two days” after the events, of outbursts by Plaintiff in which he “lost his  
3 temper” when dealing with Linda Pham, Debbie Watson, and Ellen Cotter);
- 4 b.) 419:11-16 (“There’s been more than one conversation by the non-Cotter board  
5 members about [Plaintiff’s] interpersonal skills and anger management  
6 issues.”);
- 7 c.) 422:1-18 (“Late 2014, early 2015, . . . there was a discussion . . . among the  
8 board – non-Cotter board members about potentially [Plaintiff] being coaxed  
9 or demanded to attend anger management classes.”);
- 10 d.) 426:19-427:9 (Adams testifying that “[c]alling up the chairman of the board  
11 and saying he’s prepared to file a derivative suit” against the Company was an  
12 unjustifiable attempt to pressure the Board and itself “cause to remove”  
13 Plaintiff);
- 14 e.) 431:2-432:19 (When Adams was discussing estate planning with Plaintiff in  
15 June 2014, Plaintiff “jumped up from his desk and turned beet red and was  
16 screaming at the top of his lungs at [Adams],” and then “marched up and  
17 down, paced, and was yelling at [Adams]” before “apologiz[ing]” for his  
18 outburst.);
- 19 f.) 451:25-452:16 (Plaintiff’s “door was shut a considerable amount of time. I’m  
20 not sure exactly what was going [on] during the time the door was shut.”);
- 21 g.) 451:25-454:25 (further noting that Plaintiff “seemed very slow, very hard to  
22 make decisions”);
- 23 h.) 460:12-24 (“Tim Storey voiced the opinion that if his last name wasn’t Cotter,  
24 he wouldn’t be CEO.”);
- 25 i.) 462:14-25 (Adams believed that, at the time of Plaintiff’s election, he “was  
26 young” and “didn’t have that much experience”); and
- 27 j.) 463:9-464:7 (Storey “appointed himself” coach for Plaintiff because, “within  
28 two or three months, it became clear to the board that [Plaintiff] needed help

1 in his role, not only as CEO in running the company but trying to make  
2 amends or find bridges that he could work with his sisters.”).

3 5. Attached hereto as Exhibit 4 is a true and correct copy of transcript excerpts from  
4 the deposition of Edward Kane, taken on May 2, 2016, in which the following pages are  
5 relevant:

6 a.) 134:1-135:22 (Kane believed that there was a “toxic office and polarization”  
7 in RDI because of, in part, incidents between Plaintiff and various employees,  
8 which led Linda Pham to contact McEachern regarding “her concern for her  
9 actual physical safety” and Debbie Watson to “carry[] mace to the office”);

10 b.) 137:12-140:15 (Linda Pham filed two complaints that were turned over the  
11 McEachern and Storey because she was “physically afraid” of Plaintiff,  
12 especially “when she was there after-hours.”);

13 c.) 159:10-160:12 (Plaintiff insisted on showing the board pictures of theatres in  
14 Hawaii that Plaintiff believed were in disrepair to the Board, without first  
15 raising the issue with Ellen Cotter, in an attempt to make Ellen “the fall  
16 person for this,” even though “[s]he had nothing to do with the issues, if there  
17 were any.”);

18 d.) 161:4-162:11 (Rather than ask, “Margaret, how can I help in solving this  
19 issue?,” Plaintiff “attack[ed] his sister” and “used [the STOMP dispute] as a  
20 tool to embarrass her in front of the board,” which is “not what a C.E.O.  
21 would do when you have two experienced executives,” and “[t]he net result”  
22 of the STOMP dispute “is that Margaret by herself handled this arbitration  
23 with her lawyers and we just got an award for more than \$2.2 million.”); and

24 e.) 164:3-21 (Storey was acting “as the ombudsman” to try to get Plaintiff “to  
25 work together” with Ellen and Margaret Cotter).

26 6. Attached hereto as Exhibit 5 is a true and correct copy of transcript excerpts from  
27 the deposition of Edward Kane, taken on May 3, 2016, in which the following pages are  
28 relevant:

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- a.) 251:13-253:6 (“The independent committee . . . spent an inordinate amount of time trying to come up with ways of ameliorating the . . . way . . . the Cotters interacted with each other.”); and
- b.) 331:11-332:17 (Kane explaining opinion of majority of non-Cotter directors as to why further delay on vote to terminate Plaintiff at the June 12, 2015 Board meeting would have been problematic and suboptimal for the Company’s shareholders).

7. Attached hereto as Exhibit 6 is a true and correct copy of transcript excerpts from the deposition of Edward Kane, taken on June 9, 2016, in which the following pages are relevant:

- a.) 529:22-530:2 (Kane noting that Gould and Storey saw “a psychologist or psychiatrist and wanted us to mandate that [Plaintiff] visit this psychologist or psychiatrist.”); and
- b.) 532:12-534 (testifying that the Board “had never set a date of June 30 for our intervention” and “there was no reason for us to wait until June 30”).

8. Attached hereto as Exhibit 7 is a true and correct copy of transcript excerpts from the deposition of Douglas McEachern, taken on May 6, 2016, in which the following pages are relevant:

- a.) 49:25-50:7 (Plaintiff “had no real estate experience, no international experience, no management experience, no cinema experience and no live theater experience”);
- b.) 50:19-51:12 (Storey and McEachern cautioned Plaintiff for “going around Ellen’s back” and wasting “valuable” time “doing financial analysis of individual cinemas” where a “consultant [could] do this”);
- c.) 51:13-52:1 (Plaintiff visited RDI cinemas in Hawaii and “didn’t talk to anybody, just went and took pictures” so that he could “undercut” Ellen Cotter);



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- d.) 52:2-5 (Plaintiff “had a habit of coming into the office, sitting in his office and shutting the door, by himself and being there all day.”);
- e.) 71:2-18 (identifying “sometime in mid to late May of 2015” when McEachern decided to support the termination of Plaintiff as CEO);
- f.) 78:14-79:2 (McEachern testifying as to a personal meeting with Plaintiff in May, in which he threatened to go “after everybody”);
- g.) 112:18-113:24, 114:6-15 (Linda Pham “felt that [Plaintiff] was being abusive in his behavior towards her,” and Debbie Watson’s “comments were supportive of Linda Pham’s concerns.”);
- h.) 163:20-164:5 (“I was not comfortable with [Plaintiff] having the authority and responsibilities on his own as C.E.O. of Reading”);
- i.) 167:4-25 (explaining why Gould’s proposal, which involved delay of potentially “two years” on decision regarding Plaintiff as CEO, was not “in the best interest of shareholders”);
- j.) 176:1-9 (Plaintiff “knew that his position as C.E.O. was in jeopardy for a longer period of time than just May 21”);
- k.) 177:5-11 (recalling emails from Storey regarding “the holes in” Plaintiff’s “expertise or ability to function as C.E.O. and where he needed further handling”);
- l.) 219:2-24 (noting that the Board had “an individual who we’re very concerned about” such that its “process or evaluation is constantly going on”);
- m.) 229:4-6 (McEachern explaining Storey’s preference at the June 12, 2015 Board meeting to conclude the process relating to the evaluation of Plaintiff as CEO “at the end of June time frame or 90-day time frame when he started”);
- n.) 285:5-8 (noting Plaintiff’s plan “to make some sort of presentation about the ugliness of the theaters which hadn’t had any capital put into them for quite a while”);

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- o.) 285:23-286:11 (after complaints from McEachern over the course of “a month or two” that his “closed door” policy was sending the message that he was “not being engaged with the employees of the company,” Plaintiff “open[ed] the door to his office one inch,” which “really caused some great angst”);
- p.) 287:21-24 (Plaintiff “traveled around with his dad looking at things in Australia and possibly New Zealand, but in terms of any real operational effect or activities, nothing”);
- q.) 288:19-289:8 (likening Plaintiff’s response to “throw[ing] hand grenades in something that you’re trying to do on a positive basis”);
- r.) 292:2-5 (“The company from August of 2014 until Jim’s termination, I cannot tell you one thing that we did that created value for the company, one thing that Jim Cotter, Jr., managed to do. Nothing.”);
- s.) 292:6-24 (Following Plaintiff’s election as CEO, “August, September, October, November, December, January, February – six months goes on and he hasn’t gone to visit anybody who has – connected our big activities that are taking place, which are doing exceedingly in Australia and New Zealand.”);
- t.) 292:25-293:9 (identifying Plaintiffs’ “[i]nability to work with executives” of RDI);
- u.) 293:4-9 (recalling emails in which Storey “alluded to” the fact that Plaintiff “was very weak as a C.E.O. or as a manager”);
- v.) 293:10-13 (noting Plaintiff’s idea “to go to U.C.L.A. to learn how to manage” and “get an M.B.A.”);
- w.) 293:23-294:8 (Plaintiff had “an inability to operate as a manager, an inability to create trust, an inability to communicate with people.”);
- x.) 294:3-15 (“That lack of experience that [Plaintiff] had all painted a picture that we’re not making progress that our shareholders expect us to make in this organization, and we got to get somebody in here who can help us move the company forward.”); and

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y.) 302:21-303:13 (McEachern emphasizing his belief that Ellen Cotter “should be in charge of going and figuring out where to go” with respect to food and beverage changes, “not the C.E.O. going and undercutting an individual running that operation”).

9. Attached hereto as Exhibit 8 is a true and correct copy of transcript excerpts from the deposition of Margaret Cotter, taken on May 12, 2016, in which the following pages are relevant:

a.) 275:14-278:12 (discussing factors leading to the dissolution of the “agreement-in-principle” as it was revised and lawyers for each side attempted to put it into final form).

10. Attached hereto as Exhibit 9 is a true and correct copy of transcript excerpts from the deposition of Margaret Cotter, taken on May 13, 2016, in which the following pages are relevant:

a.) 301:17-302:6 (“I believe that the email had 23 reasons why he shouldn’t be giving me this employment agreement. And the employment agreement was very restricted, where if I didn’t hand in a report at some particular time, I could be terminated.”);

b.) 304:5-23 (Plaintiff “just wanted to find all the fault in what I had done rather than deal with the situation in hand and getting this [preliminary injunction motion] filed to prevent the show from leaving the theater.”);

c.) 367:20-368:12 (Gould suggested that Plaintiff remain as President while stepping down as CEO at the May 21, 2015 meeting, following which Margaret Cotter recognized that Plaintiff “can get [his] training over the next five years and gain more experience and possibly [he] could become C.E.O. in another five years”); and

d.) 368:13-371:20 (describing negotiations regarding additional items and revisions during the attempted finalization of the agreement-in-principle).

1           11. Attached hereto as Exhibit 10 is a true and correct copy of transcript excerpts  
2 from the deposition of James J. Cotter, Jr. (“Plaintiff”), taken on May 16, 2016, in which the  
3 following pages are relevant:

- 4           a.) 30:25-37:9 (Plaintiff contends that his Employment Contract, which covered  
5 his duties as RDI President, continued to apply when he became CEO);
- 6           b.) 133:13-17 (Plaintiff testifies that he was appointed Vice Chairman of the  
7 Company in September 2007, and then President in June 2013);
- 8           c.) 133:18-134:11, 135:23-144:1 (Plaintiff states that he joined the RDI Board in  
9 March 2002 at his father’s behest, and had never previously served on the  
10 board of a public company);
- 11           d.) 152:13-153:21 (Plaintiff concedes that he no “experience at all in the cinema  
12 or theater business of any sort” outside of his tenure as an RDI director, no  
13 experience “with business in Australia or New Zealand” other than as an RDI  
14 director, and his exposure to real estate was confined to a few transactions “as  
15 a corporate lawyer” and one “cinema transaction with Reading as a lawyer.”);
- 16           e.) 163:19-165:1 (the position of President of RDI was reactivated specifically for  
17 Plaintiff; there had been no President for some time and he did not succeed  
18 anyone in that position);
- 19           f.) 198:19-21 (“I was on the verge of putting together budgets for the whole  
20 company with stretch goals.”);
- 21           g.) 205:19-206:6 (Plaintiff admits that he “did not have a draft” business plan  
22 prepared as he was “waiting” for the completion of the plans from various  
23 divisions); and
- 24           h.) 235:18-21 (Plaintiff concedes that he “never presented a plan to the board  
25 prior to being terminated, but that was one of the action items that I thought  
26 was important for the company.”).

27           12. Attached hereto as Exhibit 11 is a true and correct copy of transcript excerpts  
28 from the deposition of Plaintiff, taken on May 17, 2016., in which the following pages are

1 relevant:

- 2 a.) 315:22-317:16 (Plaintiff admits, “Initially, I was not supportive of the idea [of  
3 an ombudsman]. . . . I was protective of maintaining my authority as  
4 CEO[.]”);
- 5 b.) 344:24-345:12 (Plaintiff testifying that he “found it difficult working with [his  
6 sisters] because, by that point, the issues that I was having with them relating  
7 to the trust and estate matters had permeated the company”);
- 8 c.) 354:23-357:24 (Gould and Storey met with Bryant Crouse, an outside  
9 consultant, to discuss getting “involved in the company and perform[ing] an  
10 assessment and provid[ing] recommendations to the company, to the  
11 management team . . . on ways to improve the management and corporate  
12 governance”);
- 13 d.) 447:18-448:4 (Plaintiff testifying that he visited every theater on Oahu but did  
14 not identify himself to management there “[b]ecause I wanted to almost be a  
15 mystery shopper”);
- 16 e.) 481:24-483:5 (Plaintiff admitting that he “heard [] from the directors” that  
17 there was a “perception at Reading by employees” that he had “a volatile  
18 temper” and “an anger management problem,” and that he told the Board that  
19 they “should all investigate” the accusations);
- 20 f.) 509:10-15 (Plaintiff admitting that “someone communicated” to him that he  
21 needed to keep his door open when in the office);
- 22 g.) 517:2-17 (Plaintiff admits yelling at Adams “sometime in 2014”); and
- 23 h.) 528:9-529:20 (Plaintiff concedes that the Board discussed “the possibility of  
24 getting an interim CEO . . . as early as October 2014”).

25 13. Attached hereto as Exhibit 12 is a true and correct copy of transcript excerpts  
26 from the deposition of Plaintiff, taken on July 6, 2016, in which the following pages are relevant:

- 27 a.) 696:22-700:3 (Plaintiff describing his relationship with Margaret Cotter as  
28 “dysfunctional” and claiming that she “literally refused to report to me”);

- 1 b.) 704:7-22 (noting his understanding that the independent directors would  
2 utilize director Storey’s findings to “possibly take actions in response to those  
3 findings and recommendations”); and  
4 c.) 705:13-706:9 (Plaintiff agreeing that a board of a company always “has the  
5 power to hire and fire a CEO” “[s]ubject to agreements made, written  
6 contracts made,” “or possibly a resolution”).

7 14. Attached hereto as Exhibit 13 is a true and correct copy of transcript excerpts  
8 from the deposition of Ellen Cotter, taken on May 18, 2016, in which the following pages are  
9 relevant:

- 10 a.) 156:19-165:18 (testifying that she and Adams also spoke with outside counsel  
11 at Akin Gump prior to May 21, 2015).

12 15. Attached hereto as Exhibit 14 is a true and correct copy of transcript excerpts  
13 from the deposition of William Gould, taken on June 8, 2016, in which the following pages are  
14 relevant:

- 15 a.) 86:12-22 (at the June 12, 2015 Board meeting, “even without [Ellen and  
16 Margaret Cotter’s votes, . . . the parties moving for termination had sufficient  
17 votes . . . to accomplish what they wanted to do”);  
18 b.) 110:13-20 (“Guy, Doug and Ed Kane sa[id] they felt . . . that [Plaintiff’s]  
19 performance was such that he should be replaced.”);  
20 c.) 119:1-120:2 (“[A]ll the directors felt that [Storey’s appointment as  
21 ombudsman] was a reasonable approach to try.”);  
22 d.) 123:15-21 (At the June 12, 2015 Board meeting, the majority of the non-  
23 Cotter directors “made the statements . . . they felt that they were convinced  
24 [Plaintiff’s] performance was such that it had to be cut off at an earlier point;  
25 that the time had come to make decision, and we should not wait the extra  
26 month or so to get Tim Storey’s final report.”);  
27 e.) 133:17-134:5 (describing plan to “get a report from [Storey] and then make a  
28 final decision whether some or all of the Cotter family members would have

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to improve their performance or change . . . what they were doing”);  
f.) 134:6-24 (further emphasizing that the Board was prepared “to take drastic steps which might involve terminating one or more of the Cotters”); and  
g.) 210:25-211:4 (Margaret Cotter “later was vindicated when the Court ruled in Reading’s favor[.]”).

16. Attached hereto as Exhibit 15 is a true and correct copy of transcript excerpts from the deposition of William D. Ellis, taken on June 28, 2016, in which the following pages are relevant:

a.) 55:21-57:5 (testifying that he was aware that the Board had “some concerns about [Plaintiff’s] behavior,” including his “[t]emperament and what I think people characterized as anger issues,” and that he personally heard Plaintiff “yelling at times” because his office “shared a thin wall” with that of Plaintiff).

17. Attached hereto as Exhibit 16 is a true and correct copy of transcript excerpts from the deposition of Whitney Tilson, taken on May 25, 2016, in which the following pages are relevant:

a.) 150:6-154:23 (Tilson stating that he would not reinstate Plaintiff if he had the opportunity because “the well has been poisoned” following Plaintiff’s conflicts with Ellen and Margaret Cotter, his reinstatement would merely perpetuate a “divided company,” there is a “reasonable likelihood” that Plaintiff is not “the single best qualified person to run” RDI, he was concerned that Plaintiff’s advancement within RDI was purely the product of “nepotism,” “[t]here was nothing that was a real outlier, either positive or negative, in the couple quarters that [Plaintiff] was the CEO” and that “my general sense is that just because you happen to have the same genetic code of the person who founded and built the company doesn’t make you the best qualified CEO”);

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- b.) 155:16-156:9 (confirming that he would not seek “the reinstatement or rehiring of [Plaintiff] as CEO”);
- c.) 176:2-25 (“I personally, speaking only for myself, am not an advocate for returning [Plaintiff] to the CEO position.”); and
- d.) 182:14-183:3 (admitting that “[t]he business operations” of RDI have “remained pretty steady” since Plaintiff’s termination).

18. Attached hereto as Exhibit 17 is a true and correct copy of transcript excerpts from the deposition of Jonathan Glaser, taken on June 1, 2016, in which the following pages are relevant:

- a.) 155:13-157:6 (Glaser testifying that he would not seek the reinstatement of Plaintiff, “it’s just not a high priority to put [Plaintiff] back,” he is “personally comfortable with Ellen Cotter as CEO,” and he did not “think it would make much difference” to the “shareholders of Reading” if Plaintiff was CEO);
- b.) 154:13-19 (Glaser testifying, “I actually don’t really have a problem with Ellen as CEO.”);
- c.) 160:10-19 (testifying that he did not “have an opinion” on whether reinstatement would affect RDI’s share price, and that if Plaintiff “were reinstated, I have no idea if the market would react positively or not”);
- d.) 222:13-20 (confirming that “a CEO could properly be terminated for not getting along with the employees and other executives of the company,” and that failure to get along “would be a major factor”);
- e.) 243:14-244:18 (estimating current RDI stock ownership);
- f.) 242:9-243:2 (“I don’t really have a huge problem with the way the company is running day to day.”); and
- g.) 258:22-259:5 (Glaser noting that he does not “have any evidence that [Ellen Cotter] [is] not a good CEO” and that he “was not necessarily troubled by” her election as permanent CEO).



- 1           19.     Attached hereto as Exhibit 18 is a true and correct copy of transcript excerpts  
2 from the deposition of Andrew Shapiro, taken on June 6, 2016, in which the following pages are  
3 relevant:
- 4           a.) 40:8-17 (“I haven’t had a disagreement with their direction . . . with Senior,  
5           with [Plaintiff], or with what Ellen has been doing . . . . I think the business  
6           plan has been fairly consistent.”);
- 7           b.) 41:8-11 (“[W]ith the current assets that they have, [Plaintiff] was migrating  
8           the company towards building upon what the company had, and I feel Ellen  
9           and the new regime is similarly doing that.”);
- 10          c.) 42:18-43:2 (“So during both periods of time, the operating performance of the  
11          company has kind of chugged along. I don’t feel there’s any differences  
12          between the operational direction. I can’t tell of any difference between the  
13          operational direction that [Plaintiff] was leading the company and that Ellen is  
14          leading the company.”);
- 15          d.) 50:22-57:5 (outlining Shapiro’s position with Lawndale and ownership of  
16          RDI stock);
- 17          e.) 98:19-23 (“I don’t really have a bias between [Plaintiff’s] regime or Ellen’s  
18          regime, if that’s what you say. I think that she’s been advancing the company  
19          forward, similar to what I observed [Plaintiff] doing.”);
- 20          f.) 187:19-188:14 (discussing decision not to intervene because he “was not  
21          necessarily in pursuit of, of any and all of those remedies” sought by Plaintiff,  
22          he “wasn’t committed one way or the other than [Plaintiff] should be  
23          reinstated”); and
- 24          g.) 236:18-237:17 (criticizing representativeness of Plaintiff’s derivative action  
25          purportedly on behalf of RDI’s shareholders, including that Shapiro did not  
26          “think necessarily [Plaintiff] is the best adequate representative of mine or  
27          other shareholder interests”).
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1           20.     Attached hereto as Exhibit 19 is a true and correct copy of the Amended and  
2 Restated Bylaws of RDI, last revised December 28, 2011, in which the following provisions are  
3 relevant:

4           a.) Art. IV (“Officers”), § 1 (“Election”) (“Any person may hold one or more  
5 offices and each officer shall hold office until his successor has been duly  
6 elected and qualified or until his death or until he shall resign or is removed in  
7 the manner as hereinafter provided for such term as may be prescribed by the  
8 Board of Directors from time to time.”); and

9           b.) Art. IV (“Officers”), § 10 (“Removal; Resignation”) (“The officers of the  
10 Corporation shall hold office at the pleasure of the Board of Directors. Any  
11 officer elected or appointed by the Board of Directors, or any member of a  
12 committee, may be removed at any time, with or without cause, by the Board  
13 of Directors by a vote of not less than a majority of the entire Board at any  
14 meeting thereof or by written consent.”).

15           21.     Attached hereto as Exhibit 20 is a true and correct copy of the June 3, 2013  
16 Employment Agreement between Plaintiff and Reading International, Inc. (“RDI” or “the  
17 Company”), previously marked as Exhibit 178 during the Plaintiff’s deposition, in which the  
18 following provisions are relevant:

19           a.) § 1 (“Term of Employment”) (“Subject to the provisions of Section 10 below,  
20 the Company shall employ the Executive, and the Executive shall serve the  
21 Company in the capacity of President for a term commencing as of June 3,  
22 2013 . . . .”);

23           b.) § 2 (“Duties”) (“During the Term of Employment, the Executive will serve as  
24 the Company’s President and will report directly to the Chief Executive  
25 Officer.”); and

26           c.) § 10 (“Termination”) (“In the event of termination under this Section 10 or  
27 under Section 5 (except as provided therein), the Company’s unaccrued  
28 obligations under this Agreement shall cease and the Executive shall forfeit all

1 right to receive any unaccrued compensation or benefits hereunder but shall  
2 have the right to reimbursement of expenses already incurred. If the  
3 Company terminates Executive without Cause, the Executive shall be entitled  
4 to compensation and benefits which he was receiving for a period of twelve  
5 months from such notice of termination.”).

6 22. Attached hereto as Exhibit 21 is a true and correct copy of a Form 10-K filed by  
7 RDI on March 7, 2014, in which the following page is relevant:

8 a.) 3 (describing focus of RDI’s business and extent of its operations).

9 23. Attached hereto as Exhibit 22 is a true and correct copy of a Form DEF 14A filed  
10 by RDI on April 25, 2014, in which the following pages are relevant:

11 a.) 3-6 (providing biographies of member of the RDI Board of Directors as of  
12 April 2014 and a breakdown of their committee memberships, including with  
13 respect to James J. Cotter, Sr.).

14 24. Attached hereto as Exhibit 23 is a true and correct copy of an RDI press release  
15 dated September 15, 2014, in which the following page is relevant:

16 a.) 1 (announcing the death of James J. Cotter, Sr. on September 13, 2014).

17 25. Attached hereto as Exhibit 24 is a true and correct copy of a Form 8-K/A filed by  
18 RDI on February 18, 2015, previously marked as Exhibit 63 during Guy Adams’ deposition, in  
19 which the following page is relevant:

20 a.) -5591 (summarizing trust and estate litigation).

21 26. Attached hereto as Exhibit 25 is a true and correct copy of a Form 8-K filed by  
22 RDI on June 18, 2015, in which the following Items are relevant:

23 a.) Item 5.02 (announcing Plaintiff’s termination and appointment of Ellen Cotter  
24 as Interim CEO and President of RDI); and

25 b.) Item 8.01 (announcing the filing of Plaintiff’s derivative action).

26 27. Attached hereto as Exhibit 26 is a true and correct copy of a Schedule 14A filed  
27 by RDI on November 10, 2015, previously marked as Exhibit 392 during William Gould’s  
28 deposition, in which the following page of the included October 16, 2015 Proxy Statement is

1 relevant:

2 a.) 22 n.8 (further describing trust and estate litigation).

3 28. Attached hereto as Exhibit 27 is a true and correct copy of the Minutes of the  
4 Meeting of the RDI Board of Directors held on August 7, 2014, previously marked as  
5 Exhibit 179 during Plaintiff's deposition, in which the following page is relevant:

6 a.) 1 (reflecting the elections of Plaintiff, Ellen, and Margaret Cotter to new  
7 leadership positions on the Board of Directors, and the health-related  
8 resignation of James J. Cotter, Sr.).

9 29. Attached hereto as Exhibit 28 is a true and correct copy of the Minutes of the  
10 Meeting of the RDI Board of Directors held on March 19, 2015, previously marked as Exhibit 72  
11 during Guy Adams' deposition, in which the following page is relevant:

12 a.) -3830 (reflecting that Storey "will be assisting with planning and governance  
13 issues over the next three months").

14 30. Attached hereto as Exhibit 29 is a true and correct copy of the Minutes of the  
15 Meeting of the RDI Board of Directors held on May 21, 2015, previously marked as Exhibit 199  
16 during Plaintiff's deposition, in which the following pages are relevant:

17 a.) 1 (noting for the record the attendance of in-house counsel Bill Ellis and Craig  
18 Tompkins, and outside counsel from Akin Gump Strauss Hauer & Feld, LLP,  
19 on behalf of RDI; that Plaintiff "stated that he was not prepared to make a  
20 presentation on the Company's operations"; and that the Board "proceeded to  
21 discuss at length the performance of [Plaintiff] as Chief Executive Officer and  
22 President since he was appointed in August 7, 2014");

23 b.) 1-2 (reflecting that Plaintiff threatened a lawsuit and his attorney addressed  
24 the full Board);

25 c.) 3-4 (describing presentations before the Board by certain directors regarding  
26 observed "deficiencies" in Plaintiff's "leadership, understanding of the  
27 Company's business, temperament, managerial skills, decision-making and  
28 other attributes in the role of Chief Executive Officer," with the Board

1 ultimately deciding to “reconvene the meeting on May 29, 2015 to continue  
2 its deliberations”); and  
3 d.) 4 (Plaintiff requested time until the next Board meeting to “give further  
4 consideration to continuing in the role of President of the Company under the  
5 leadership of a new Chief Executive Officer”).

6 31. Attached hereto as Exhibit 30 is a true and correct copy of the Minutes of the  
7 Meeting of the RDI Board of Directors held on May 29, 2015, previously marked as Exhibit 200  
8 during Plaintiff’s deposition, in which the following pages are relevant:

- 9 a.) 1 (reflecting outside counsel’s discussion of a telephonic conversation with  
10 Plaintiff’s attorney on May 28, 2015 regarding authorization “to accept serve  
11 of process on behalf of the independent directors of the Company” with  
12 respect to Plaintiff’s threatened lawsuit and new discussion surrounding  
13 Plaintiff’s potential termination);
- 14 b.) 1-2 (Plaintiff “would not agree to remain employed as President of the  
15 Company under the leadership of a new Chief Executive Officer”);
- 16 c.) 2 (reflecting motion by Director Adams, seconded by director McEachern, to  
17 remove Plaintiff from his position as President and CEO);
- 18 d.) 2-3 (Board discusses Plaintiff’s performance as CEO and President of RDI,  
19 both in and outside of the presence of Plaintiff and the Cotter sisters);
- 20 e.) 3-4 (recounting progress and ultimate agreement-in-principle between the  
21 Cotter siblings during the course of the May 29, 2015 Board meeting, with a  
22 general description of the contours of the agreement reached); and
- 23 f.) 4 (noting adjournment of meeting, with “[n]o action . . . taken by the board  
24 with respect to the motion made earlier in the meeting,” to “permit the Cotters  
25 to move forward to document their settlement”).

26 32. Attached hereto as Exhibit 31 is a true and correct copy of draft Minutes of the  
27 Meeting of the RDI Board of Directors held on June 12, 2015, previously marked as Exhibit 346  
28 during William Ellis’ deposition, in which the following pages are relevant:

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- a.) 1-2 (reflecting Board discussion regarding Plaintiff’s performance and outcome of the ultimate vote on the pending termination motion); and
- b.) 2 (noting that Plaintiff asked to defer a vote on his status until the next scheduled Board meeting (to be held on June 15, 2015), but there was little support for his proposal, and no related motion was made).

33. Attached hereto as Exhibit 32 is a true and correct copy of an email sent by Timothy Storey to William Gould re: “Reading,” with attachment, dated February 5, 2015, previously marked as Exhibit 189 during Plaintiff’s deposition, in which the following pages are relevant:

- a.) 2 (Storey indicating his belief that Plaintiff “assumed CEO role on short notice with limited experience”); and
- b.) 3 (Storey noting that, under Plaintiff, “morale poor and needs to be improved” and Plaintiff “need[s] to establish teamwork etc,” and writing that “CEO inexperienced and needs help to lead/develop leadership role”).

34. Attached hereto as Exhibit 33 is a true and correct copy of an email sent by Edward Kane to William Gould and Timothy Storey re: “A follow up,” dated February 25, 2015, previously marked as Exhibit 100 during Edward Kane’s deposition, in which the following page is relevant:

- a.) -204 (Kane discussing a conversation in which Plaintiff mentioned that his “reply” to the trust and estate litigation would be “very upsetting,” leading Kane to fear that this “will exacerbate the dissension” between Plaintiff and Ellen and Margaret Cotter).

35. Attached hereto as Exhibit 34 is a true and correct copy of an email sent by Timothy Storey to William Gould re: “Reading- issues,” dated March 6, 2015, previously marked as Exhibit 6 during Timothy Storey’s deposition, in which the following page is relevant:

- a.) 1 (Storey noting that “we need to help [Plaintiff] learn and to manage the business”).

1           36. Attached hereto as Exhibit 35 is a true and correct copy of an email sent by  
2 William Gould to Guy Adams, Edward Kane, Douglas McEachern, and Timothy Storey re:  
3 “Confidential Memo – Reading International,” dated March 7, 2015, previously marked as  
4 Exhibit 11 during Timothy Storey’s deposition, in which the following pages are relevant:

- 5           a.) 2 (Gould outlining role for Storey to “act as an ombudsman (and mention to  
6 [Plaintiff]”);  
7           b.) 2-3 (Gould writes, “The Independent Directors cannot allow the hostility  
8 engendered by the Cotter litigation to affect the Company. As Ed Kane has  
9 often pointed out, our duty is to all the shareholders and not just to the Cotter  
10 family. We cannot accept a dysfunctional management team under any  
11 circumstances . . . . But we must ask ourselves, how can we insure that the  
12 three Cotters will work together given the ‘thermonuclear’ hostility currently  
13 existing?”); and  
14           c.) 3 (Gould indicating that Plaintiff “can’t go around Ellen and deal only with  
15 Bob Smerling or interview and hire a high level food and beverage executive  
16 in Ellen’s area of responsibility without consulting Ellen”; “the Independent  
17 Directors may require [Plaintiff] to take an anger management class”; and  
18 plan that, “[a]t the June Board meeting, we will make an assessment of how  
19 things are going and if there has not been sufficient improvement, we will take  
20 whatever actions we deem necessary or appropriate”).

21           37. Attached hereto as Exhibit 36 is a true and correct copy of a Summary Agenda for  
22 an RDI Conference Call, dated April 8, 2015, previously marked as Exhibit 14 during Timothy  
23 Storey’s deposition, in which the following page is relevant:

- 24           a.) -726 (agenda for conference call lists “Face-to-face meeting of Independent  
25 Directors in June before the Shareholders Meeting to assess status” of Plaintiff  
26 and “Possible options” as items for discussion).

27           38. Attached hereto as Exhibit 37 is a true and correct copy of an email sent by  
28 Timothy Storey to Plaintiff re: “draft email,” dated April 15, 2015, previously marked as

1 Exhibit 190 during Plaintiff's deposition, in which the following pages are relevant:

- 2 a.) 1 (Storey noting goal to operate "more harmoniously" and writing, "I have  
3 made it clear to Jim – and EC and MC – that things have to improve and that  
4 improvement has to be sustained, otherwise the board will need to look to  
5 other steps to protect the company's position"); and  
6 b.) 2 (Storey concluding that "it is difficult for someone to change 'character'  
7 overnight" and "back sliding is not acceptable").

8 39. Attached hereto as Exhibit 38 is a true and correct copy of an email sent by  
9 Edward Kane to Guy Adams re: "Fw: Update report – confidential," dated May 9, 2015,  
10 previously marked as Exhibit 76 during Guy Adams' deposition, in which the following page is  
11 relevant:

- 12 a.) -5484 (Plaintiff recognizes that "I need a grown-up (who knows how a public  
13 company should operate) in the room with me and my two sisters," "I am OK  
14 with an adult in the room periodically making sure we continue momentum,"  
15 and "I am ok letting this play out until the end of June or whatever date agreed  
16 to and revisit").

17 40. Attached hereto as Exhibit 39 is a true and correct copy of an email sent by Ellen  
18 Cotter to Plaintiff, Margaret Cotter, Edward Kane, Douglas McEachern, Timothy Storey, Guy  
19 Adams, William Gould, and William Ellis re: "Agenda – Board of Directors Meeting – May 21,  
20 2015," dated May 19, 2015, previously marked as Exhibit 124 during Douglas McEachern's  
21 deposition, in which the following page is relevant:

- 22 a.) -5340 (listing "Status of President and CEO" listed as the first subject to be  
23 discussed at the May 21, 2015 Board meeting).

24 41. Attached hereto as Exhibit 40 is a true and correct copy of a "Confidential  
25 Settlement Memo of Understanding" sent by Harry Susman, counsel for Ellen and Margaret  
26 Cotter, to Adam Streisand and Meg Lodise, dated May 27, 2015, previously marked as  
27 Exhibit 98 during Guy Adams' deposition, in which the following pages are relevant:  
28



1 a.) -7576–7579 (version of the tentative agreement-in-principle on certain Cotter-  
2 specific issues, providing that “JJC would continue to serve as CEO and  
3 President under the terms of his existing contract, but in the overall  
4 management structure and subject to the limitations set forth below,”  
5 including (1) an “Executive Committee” with “EMC, AMC, JJC, and Guy  
6 Adams (Chairman)” that had delegated authority extending to the  
7 hiring/firing/compensation of “all senior level consultants/employees,” review  
8 and approval/disapproval “of all contracts/commitments” in excess of \$1  
9 million, and review and approval of RDI’s “annual Budget and Business  
10 Plan”; and (2) investor relations would be handled henceforth “by CFO in  
11 consultation with the GC, not CEO”).

12 42. Attached hereto as Exhibit 41 is a true and correct copy of an email sent by  
13 Plaintiff to Ellen Cotter, Margaret Cotter, Edward Kane, Douglas McEachern, Timothy Storey,  
14 Guy Adams, William Gould, and William Ellis re: “Board Meeting – Tomorrow,” dated June 11,  
15 2015, previously marked as Exhibit 403 during Plaintiff’s deposition, in which the following  
16 pages are relevant:

17 a.) -5519–5520 (email from Ellen Cotter to the Board “reconvening the original  
18 May 21, 2015 meeting” and placing “Item 1 of this Agenda,” “Status of the  
19 President and CEO,” as the primary agenda item for the board meeting  
20 “tomorrow”).

21 43. Attached hereto as Exhibit 42 is a true and correct copy of Plaintiff’s Amended  
22 Responses to Edward Kane’s First Set of Requests for Admission, dated July 27, 2016, in which  
23 the following Responses are relevant:

24 a.) Resp. to RFA No. 15 (Plaintiff admitting that the possibility of his termination  
25 was discussed by the Board in his presence at the May 21, 2015 Board  
26 meeting);

27 b.) Resp. to RFA No. 16 (Plaintiff admitting that the Board again discussed the  
28 possibility of his termination at a Board meeting held on May 29, 2015); and

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c.) Resp. to RFA No. 17 (Plaintiff admitting that the Board discussed the possibility of his termination for the final time on June 12, 2015).

44. Attached hereto as Exhibit 43 is a true and correct copy of the Intervening Plaintiffs' Amended Responses to Margaret Cotter's First Set of Interrogatories, with Exhibits A and B thereto, dated May 16, 2015, previously marked as Exhibit 232 during the deposition of Jonathan Glaser, in which the following Responses are relevant:

- a.) Interrog. Resp. No. 20 & Ex. A thereto (listing relevant RDI stock ownership and trades made by the entities controlled by Tilson); and
- b.) Interrog. Resp. No. 20 & Ex. B thereto (listing relevant RDI stock ownership and trades made by entities controlled by Glaser).

45. Attached hereto as Exhibit 44 is a true and correct copy of the historical share price of RDI's Class A stock for the period from March 20, 2015 to September 21, 2016.

46. Attached hereto as Exhibit 45 is a true and correct copy of the Expert Report of Tiago Duarte-Silva, Plaintiff's expert, dated August 25, 2016.

47. Attached hereto as Exhibit 46 is a true and correct copy of James J. Cotter, Jr.'s Petition for Immediate Suspension of Powers of Ann Margaret Cotter and Ellen Cotter as Co-Trustees and For Appointment of Temporary Trustee in the related trust litigation, dated March 24, 2014, in which the following pages are relevant:

- a.) 1-4 (Plaintiff arguing that he was wrongfully terminated in "a boardroom coup," that "Ellen [Cotter] deliberately interfered with and corrupted a search process set in motion by the RDI Board," that Margaret Cotter was promoted to a position to which she is also wholly unqualified," and that the Board improperly increased his sisters' compensation).

48. This declaration is made in good faith and not for the purpose of delay.

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

Executed on the 23rd day of September, 2016, in Los Angeles, California.

/s/ Noah Helpern  
Noah Helpern

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**CERTIFICATE OF SERVICE**

I hereby certify that, on September 23, 2016, I caused a true and correct copy of the foregoing **INDIVIDUAL DEFENDANTS’ MOTION FOR SUMMARY JUDGMENT (NO. 1) RE: PLAINTIFF’S REINSTATEMENT AND TERMINATION CLAIMS** to be served on all interested parties, as registered with the Court’s E-Filing and E-Service System.

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

# **EXHIBIT 1**

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DISTRICT COURT  
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., individually and  
 derivatively on behalf of Reading  
 International, Inc.,  
 Plaintiff,  
 vs.  
 MARGARET COTTER, ELLEN COTTER, GUY  
 ADAMS, EDWARD KANE, DOUGLAS McEACHERN,  
 TIMOTHY STOREY, WILLIAM GOULD, and  
 DOES 1 through 100, inclusive,  
 Defendants.  
 and

No. A-15-719860-B  
 Coordinated with:  
 P-14-082942-E

---

READING INTERNATIONAL, INC., a  
 Nevada corporation,  
 Nominal Defendant.

---

DEPOSITION OF TIMOTHY STOREY, a defendant herein,  
 noticed by LEWIS ROCA ROTHGERBER CHRISTIE LLP, at  
 1453 Third Street Promenade, Santa Monica,  
 California, at 9:28 a.m., on Friday, February 12,  
 2016, before Teckla T. Hollins, CSR 13125.

Job Number 291961

1 aware that he was doing -- Guy Adams was doing some work  
2 in relation to estate assets, but my understanding was  
3 pretty minimal, something to do with looking at assets  
4 in Texas.

5 MR. KRUM:

6 Q. Did you ever hear or learn or were you ever  
7 told that Mr. Adams had a carried interest in certain  
8 dealings or properties in which the Cotter family -- in  
9 which the Cotter family had an interest?

10 MR. SEARCY: Objection. Vague. Lacks foundation.

11 THE WITNESS: I heard nothing regarding that until  
12 this meeting.

13 MR. KRUM:

14 Q. Take a look at the next page bearing production  
15 number 1102 on Plaintiff's 17. Can you read for us the  
16 handwritten note on the top?

17 A. "Notes from Tim on performance."

18 Q. No, I'm sorry. The prior page.

19 A. Okay. "No harmony with girls and" --

20 THE REPORTER: I'm sorry?

21 THE WITNESS: "No harmony with girls and needed.  
22 Not showing ability to run company." Comments from Ed  
23 Kane.

24 MR. KRUM: Okay.

25 Q. And then further down on that same page,

1 there's the name -- handwritten name "Doug" and there's  
2 a line that follows that. What does that say?

3 A. "Current position untenable."

4 Q. And is that a comment Mr. McEachern made?

5 A. Yes.

6 Q. And do you recall with any greater specificity  
7 what he said? Or failing that, what you understood him  
8 to mean?

9 A. My recollection is that he made a very brief  
10 comment to the intent that the current disharmony within  
11 the business was untenable going forward and needed to  
12 be dealt with.

13 Q. Let's look at the last page of Plaintiff's 17.  
14 What do these notes reflect?

15 A. I think these are the notes I made for myself,  
16 should I give comments on the chief executive's  
17 performance.

18 Q. Okay.

19 Did you have occasion to do that?

20 A. I don't recollect I did.

21 Q. Okay. We're done with this, or at least for  
22 the time being.

23 I have a few documents that I'm going to try to  
24 cover fairly quickly. Mr. Storey, I'll ask you to look  
25 at it and tell me if you recognize the document and can



1 MR. SEARCY: Objection. Vague.

2 THE WITNESS: I think the comment was simply that  
3 they -- that things should be dealt with now. They had  
4 come to a head and there was no point in delaying.

5 MR. KRUM:

6 Q. Are you referring to your prior testimony about  
7 disharmony?

8 MR. SEARCY: Objection. Vague.

9 THE WITNESS: That's my perception, that there  
10 was -- the view was there was disharmony, and therefore  
11 it needed to be dealt with. It was clearly a view  
12 around the board table by a number of people that the  
13 matter needed to be dealt with expeditiously and  
14 rightly.

15 MR. KRUM:

16 Q. Did any of Ellen Cotter, Margaret Cotter, Guy  
17 Adams and/or Doug McEachern ever respond to comments by  
18 you and/or Bill Gould to the effect that the ombudsman  
19 process was supposed to continue into June?

20 MR. SEARCY: Objection. Vague. Lacks foundation.

21 THE WITNESS: I don't recollect -- Excuse me. I  
22 don't recollect any particular comment, other than it  
23 was necessary to get on with matters.

24 MR. KRUM:

25 Q. At the -- At the board meeting at which Ellen

1 Calls for speculation. Calls for improper opinion.

2 THE WITNESS: I don't think that we had yet got to  
3 that stage where the detailed work had to be done.

4 MR. ROBERTSON:

5 Q. And in your view, did that disharmony -- was  
6 that the driving factor in the termination of  
7 Mr. Cotter, Jr.?

8 MR. SEARCY: Objection. Lacks foundation. Calls  
9 for speculation. Calls for opinion.

10 MR. RHOW: I would add vague and ambiguous.

11 THE WITNESS: Well, I can only speak for myself.

12 MR. ROBERTSON:

13 Q. That's all I'm asking.

14 A. My view was that the disharmony wasn't at a  
15 position where it -- where it gave rise to me thinking  
16 that we should change the CEO. I think it all -- pretty  
17 close to that day, that time in May, we were making  
18 reasonable progress in getting plans and budgets put  
19 together, albeit process, but the executives largely  
20 were cooperating with each other.

21 Q. In your view, based on your experience on the  
22 board of directors, but for the existence of the trust  
23 and estate litigation, do you believe that  
24 Mr. Cotter, Jr. would have been terminated as CEO of  
25 Reading?

1 MR. SEARCY: Objection. Vague. Lacks foundation.  
2 Calls for opinion. Calls for speculation.

3 MR. RHOW: Join all of those.

4 MR. FERRARIO: Me too.

5 MR. RHOW: And I think it's vague and ambiguous  
6 also.

7 THE WITNESS: Well, as I just said, I don't -- that  
8 wasn't my opinion.

9 MR. ROBERTSON:

10 **Q. I'm sorry, that was or was not your opinion?**

11 A. That was not my opinion.

12 **Q. Okay.**

13 A. But, I mean, you know, there are different  
14 opinions that can be had.

15 **Q. Based upon your involvement, why was**  
16 **Mr. Cotter, Jr. terminated as the CEO?**

17 MR. RHOW: Same objections. I think it calls for  
18 speculation. You're asking what --

19 MR. ROBERTSON: What was his understanding of why  
20 Mr. Cotter, Jr. was terminated as CEO of Reading.

21 MR. RHOW: Same objections.

22 MR. SEARCY: Join.

23 THE WITNESS: As you have heard, we had a series of  
24 board meetings which dealt with the matter. I don't  
25 think we dealt with -- At those board meetings, we

# **EXHIBIT 2**

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EIGHTH JUDICIAL DISTRICT COURT

CLARK COUNTY, NEVADA

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

Case No.  
A-15-719860-B

vs. )

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

Case No.  
P-14-082942-E  
Related and  
Coordinated Cases

and )  

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READING INTERNATIONAL, INC., )  
a Nevada corporation, )  
Nominal Defendant. )

Complete caption, next page.

VIDEOTAPED DEPOSITION OF GUY ADAMS

LOS ANGELES, CALIFORNIA

THURSDAY, APRIL 28, 2016

VOLUME I

REPORTED BY: LORI RAYE, CSR NO. 7052

JOB NUMBER: 305144

1 EIGHTH JUDICIAL DISTRICT COURT  
2 CLARK COUNTY, NEVADA

3 JAMES J. COTTER, JR., )  
4 derivatively on behalf of )  
5 Reading International, Inc., )  
6 Plaintiff, ) Case No.  
7 vs. ) A-15-719860-B  
8 ) P-14-082942-E  
9 )  
10 MARGARET COTTER, ELLEN )  
11 COTTER, GUY ADAMS, EDWARD )  
12 KANE, DOUGLAS McEACHERN, )  
13 TIMOTHY STOREY, WILLIAM )  
14 GOULD, and DOES 1 through )  
15 100, inclusive, )  
16 Defendants. )  
17 and )  
18 READING INTERNATIONAL, INC., )  
19 a Nevada corporation, )  
20 Nominal Defendant. )  
21 T2 PARTNERS MANAGEMENT, LP, )  
22 a Delaware limited )  
23 partnership, doing business )  
24 as KASE CAPITAL MANAGEMENT, )  
25 et al., )  
26 Plaintiffs, )  
27 vs. )  
28 MARGARET COTTER, ELLEN )  
29 COTTER, GUY WILLIAMS, EDWARD )  
30 KANE, DOUGLAS McEACHERN, )  
31 WILLIAM GOULD, JUDY CODDING, )  
32 MICHAEL WROTNIAK, CRAIG )  
33 TOMPKINS, and DOES 1 through )  
34 100, inclusive, )  
35 Defendants, )  
36 and )  
37 READING INTERNATIONAL, INC., )  
38 a Nevada corporation, )  
39 Nominal Defendant. )

1 THE VIDEOGRAPHER: We are off the record --

2 MR. TAYBACK: I don't think that's what he  
3 said.

4 THE VIDEOGRAPHER: Sorry.

5 BY MR. KRUM:

6 Q. So how did that telephone conversation  
7 come about?

8 A. I called Ed or Ed called me. I don't  
9 remember.

10 Q. As best you can recall, what did he say  
11 and what did you say?

12 A. We were talking about Jim Junior's  
13 performance and there being certain issues. And  
14 Tim Storey was coaching him. I think we called him  
15 ombudsman, and we discussed that, how effective  
16 that was. And in the conversation, I said, I'm  
17 going to talk to Bill Gould, the lead director.

18 Q. You said certain issues.  
19 To what are you referring?

20 A. Tim Storey's coaching Jim Junior as CEO.

21 Q. Anything else?

22 A. Those issues and just in general, Jim  
23 Junior's abilities as CEO, what we saw there, what  
24 we felt.

25 Q. In particular, to what were you referring

1 **by his abilities, and likewise his performance?**

2 A. Well, for me, we -- I think Tim Storey  
3 had a check sheet of things he wanted done, one of  
4 which was some strategy for the company, a vision  
5 for the company, where we're going, once we get the  
6 budget, how do we get there. That comes from the  
7 CEO. We wanted to firm up contracts for -- my  
8 recollection is Craig Tompkins and Margaret Cotter.  
9 We wanted to get that done. I think -- I can't  
10 remember what -- the things Ed said. Ed had a list  
11 of things as well.

12 I had -- over the months, I -- we elected  
13 Jim Junior. We all wanted him to succeed. And Tim  
14 Storey said that the only reason he's getting the  
15 job is because his last name is Cotter. And I  
16 said, That might be true. What our job is as a  
17 board is to help him be the best CEO he can be.

18 And we talked as directors about  
19 shortcomings, and I felt he can learn on the job  
20 and get up to speed quickly. And by April, I was  
21 of the opinion that wasn't working out.

22 **Q. Now, during this telephone conversation**  
23 **with Mr. Kane, was there any discussion of the**  
24 **interpersonal dynamic between Jim Cotter Junior on**  
25 **the one hand and either or both Margaret and Ellen**



1 discussed with Mr. Kane the subject of you serving  
2 as interim CEO, did you say to him, in words or  
3 substance, Have we already concluded that Jim  
4 Cotter Junior will be terminated as CEO?

5 A. There was a notion that we would have a  
6 board meeting and the independent directors would  
7 discuss this and there would be a vote. And I  
8 wasn't -- I wasn't sure how the vote would come  
9 out. I didn't know. But there was a -- everyone  
10 had concerns. Ed and I had a concern about it,  
11 wanted to talk about it.

12 Q. When was the first time you had a  
13 conversation with someone other than Ed Kane about  
14 the subject of the termination or possible  
15 termination of Jim Cotter Junior as CEO?

16 A. Bill Gould.

17 Q. And --

18 A. First week or so of April.

19 Q. Was that in person or by phone?

20 A. In person.

21 Q. Was anyone else present?

22 A. No.

23 Q. Where did that occur?

24 A. I went to his office. We walked across  
25 the street and had lunch. I don't know the name of

1 the restaurant.

2 **Q. What did you say and what did he say?**

3 A. I told him, We've been down this process  
4 with Jim Junior as CEO. We all wanted him to  
5 succeed. We all wanted him to take the reins and  
6 lead the company forward but there were glaring  
7 deficits. And I recounted to him how we formed  
8 this committee, if you will, resolution committee  
9 or conflicts committee, of which Tim Storey and  
10 Doug McEachern were on for the Cotter siblings to  
11 meet and talk. And McEachern told me that was --  
12 didn't work that well.

13 Then we had Tim Storey acting as Jim  
14 Junior's coach. And later Tim Storey was promoted  
15 to ombudsman for this position and Tim got very  
16 involved in working with Jim Junior and coaching  
17 him. And Tim Storey was giving every month,  
18 glowing, glowing reports about how good things were  
19 going with Jim Junior.

20 And I disagreed with those reports and I  
21 told both Ed Kane on the phone and I told Bill  
22 Gould in person when I met him about that. And  
23 then I told Bill Gould two concerns that I had.  
24 The first concern was at some point, and I don't  
25 remember the exact date, it could have been

1 December, it could have been January, but Jim  
2 Junior had an analysis of movie theatres in  
3 Australia and New Zealand and their margins in  
4 Australia, and movie theatres in the USA, their  
5 margins, and there was a gap. I don't remember the  
6 precise gap but maybe it was -- the margin gap was  
7 maybe 16, 18 percent.

8           And Junior showed me one time in his  
9 office the spreadsheet and said, you know, Look at  
10 the gap, This is terrible. If the USA theatres  
11 operated there and had the same margins, think what  
12 the impact that would be on our earnings,  
13 et cetera, et cetera.

14           So there was a board meeting. I came in  
15 early for the board meeting and I went into  
16 Junior's office. In the board book, they laid out  
17 the margins for Australia and the USA. And if you  
18 adjusted the margins for the film rental in the USA  
19 compared to the film rental in Australia and New  
20 Zealand, two different markets, and you adjusted --  
21 made adjustments for the rental, the lease rentals,  
22 it wasn't a 16 or 18 percent gap. It was like a  
23 2 percent gap.

24           And Jim Junior says, Yeah, well, I don't  
25 care about that now. And this was something he was

1 really concerned about, I mean, for months. And  
2 then he said, Well, I'm not worried about that now.  
3 I'm concerned about the labor. The labor in  
4 Australia and New Zealand is a lot less than labor  
5 costs in the US. And I said, Well, I don't know  
6 anything about that. You're going to have to look  
7 into that.

8           So that was an hour before the board  
9 meeting. We went to the board meeting and Jim  
10 Junior brought up to the board this thing about the  
11 labor costs. USA theatre labor costs versus  
12 Australia and New Zealand labor costs.

13           And Ellen didn't really have an answer at  
14 the time. She -- she said she'd look into it,  
15 et cetera. And I thought, okay, we'll get to the  
16 bottom of it.

17           And later that week or the next week or  
18 the next week, I saw Andrzej Matyczynski, the  
19 ex-CFO of the company, and I said, What is this  
20 about the labor cost? Why is the labor cost so  
21 high for theaters in Australia and New Zealand --  
22 so low in Australia and New Zealand and so high  
23 here? And Andrzej says, Well, that's easy. In the  
24 USA they allocate the G and A down to the theatre  
25 level so the theatre level labor cost looks high,

1 and in Australia and New Zealand, they allocate a  
2 lot of the labor costs up to G and A so the labor  
3 cost looks really low.

4 And I said, Does Jim Junior know this?  
5 He says, Yes, I've told him this before. And I  
6 said, We're looking at this and the board's -- he's  
7 got the board concerned about this. And Andrzej  
8 says, Yeah, I wish you all would have called me in.  
9 I could explain that.

10 So I told Bill Gould that -- the  
11 following: I like Jim Junior, I want him to  
12 succeed as much as anyone, but it's clear, not  
13 understanding the theatre margins, I questioned his  
14 knowledge about the business he's managing and his  
15 management style of bringing to the board this  
16 problem about labor costs.

17 And he hadn't even, in my opinion,  
18 properly investigated that himself. I was forming  
19 the opinion or had formed the opinion that he  
20 wasn't really learning the business and he wasn't  
21 leading us forward. And I told Bill that. I said,  
22 We've been working with Jim Junior all these months  
23 and I don't see progress.

24 **Q. When did you tell Mr. Gould that?**

25 **A. At this lunch meeting.**

1 Q. The lunch meeting in April?

2 A. In April, yes.

3 Q. And this -- you told him in April about  
4 this --

5 A. These two examples.

6 Q. These two examples that were raised at  
7 the board meeting in December of '14 or January of  
8 '15?

9 A. Yeah.

10 Q. And let me be clear. What you just  
11 described, was that the two concerns you talked  
12 about when you prefaced your lengthy answer?

13 MR. TAYBACK: Object to the -- object to the  
14 form of the question to the extent it  
15 mischaracterizes his testimony.

16 You can answer.

17 BY MR. KRUM:

18 Q. Let me ask it this way --

19 A. That's all --

20 Q. -- you used the term "two concerns" that  
21 you described to Mr. Gould, or words to that  
22 effect.

23 A. Yes.

24 Q. Is there anything else that falls into  
25 the category of two concerns beyond what you just

1 **described?**

2 A. There may have been one more concern that  
3 I can recall was about the leadership of the  
4 company and working on the budget. And Jim Junior  
5 complained that Ellen and Margaret weren't getting  
6 their budget in on a timely basis and whatnot.

7 I explained to Bill Gould that for the  
8 CEO, getting the division's budget, that's income  
9 they expect to receive and expenses they expect to  
10 spend. But the vision of where we're going, how  
11 we're going to lead -- where is our CEO leading our  
12 company, I said, We haven't heard a whiff of this.  
13 And I discussed this with Jim Junior several times  
14 over the last three months prior to this, and he  
15 said he's working on it. Nobody saw it; nobody  
16 heard it.

17 And I told Bill Gould, you know, To be a  
18 CEO, you have to lead. And I thought this was  
19 another item that raised my concern. There may  
20 have been other items we discussed over lunch  
21 regarding this matter but I don't remember them at  
22 this time.

23 **Q. And what did Mr. Gould say at that lunch?**

24 A. He said -- he agreed with me that Junior  
25 wasn't progressing fast. He disagreed with me that

1 Tim Storey wasn't doing a good job. He thought Tim  
2 Storey was doing a great job. He disagreed with me  
3 that we should act. He told me let's wait. And I  
4 said, Why are we waiting? He said, Well, let the  
5 thing be adjudicated and we'll find out how it  
6 turns out. And I said, That could take years. I  
7 think we need to make a decision what's best for  
8 the company now. And he says he wanted to wait.  
9 And I said, Bill, you and I have a different  
10 opinion about this.

11 **Q. Did you ever tell Tim Storey you**  
12 **disagreed with his glowing reports about Jim**  
13 **Junior?**

14 A. Yes.

15 **Q. When?**

16 A. It was later on. Probably around March,  
17 I would say, at a March meeting that -- along that  
18 timeline. I don't remember a specific day. But  
19 the --

20 **Q. Was it at a board meeting?**

21 A. Yeah, after a board meeting, yes.

22 **Q. Okay. And what did you say and what did**  
23 **he say, generally?**

24 A. I said, Tim, I appreciate your efforts.  
25 I know you're doing this with the best of



# **EXHIBIT 3**

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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

|                                     |   |                   |
|-------------------------------------|---|-------------------|
| JAMES J. COTTER, JR.,               | ) |                   |
| derivatively on behalf of           | ) |                   |
| Reading International, Inc.,        | ) |                   |
|                                     | ) | Case No.          |
| Plaintiff,                          | ) | A-15-719860-B     |
|                                     | ) |                   |
| vs.                                 | ) |                   |
|                                     | ) |                   |
| MARGARET COTTER, ELLEN              | ) | Case No.          |
| COTTER, GUY ADAMS, EDWARD           | ) | P-14-082942-E     |
| KANE, DOUGLAS McEACHERN,            | ) |                   |
| TIMOTHY STOREY, WILLIAM             | ) | Related and       |
| GOULD, and DOES 1 through           | ) | Coordinated Cases |
| 100, inclusive,                     | ) |                   |
|                                     | ) |                   |
| Defendants,                         | ) |                   |
| and                                 | ) |                   |
|                                     | ) |                   |
| <u>READING INTERNATIONAL, INC.,</u> | ) |                   |
| a Nevada corporation,               | ) |                   |
|                                     | ) |                   |
| Nominal Defendant.                  | ) |                   |
|                                     | ) |                   |

Complete caption, next page.

VIDEOTAPED DEPOSITION OF GUY ADAMS  
LOS ANGELES, CALIFORNIA  
FRIDAY, APRIL 29, 2016  
VOLUME II

REPORTED BY: LORI RAYE, CSR NO. 7052  
JOB NUMBER 305149

1 EIGHTH JUDICIAL DISTRICT COURT

2 CLARK COUNTY, NEVADA

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

5 Plaintiff, )  
vs. )

) Case No.  
) A-15-719860-B  
) P-14-082942-E

6 )  
MARGARET COTTER, ELLEN )  
7 COTTER, GUY ADAMS, EDWARD )  
KANE, DOUGLAS McEACHERN, )  
8 TIMOTHY STOREY, WILLIAM )  
GOULD, and DOES 1 through )  
9 100, inclusive, )

10 Defendants. )  
and )

11 )  
READING INTERNATIONAL, INC., )  
12 a Nevada corporation, )

13 Nominal Defendant. )

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

17 Plaintiffs, )  
vs. )

18 )  
MARGARET COTTER, ELLEN )  
19 COTTER, GUY WILLIAMS, EDWARD )  
KANE, DOUGLAS McEACHERN, )  
20 WILLIAM GOULD, JUDY CODDING, )  
MICHAEL WROTNIAK, CRAIG )  
21 TOMPKINS, and DOES 1 through )  
100, inclusive, )

22 Defendants, )

23 and )

24 READING INTERNATIONAL, INC., )  
a Nevada corporation, )

25 Nominal Defendant. )

1 Q. Did you add any substantive comments to  
2 the document based on feedback from Frank Reddick?  
3 Don't tell me what they are, just yes or no.

4 A. No, not really.

5 Q. Now, directing your attention to Roman  
6 Numeral iii, you refer to apparent anger management  
7 issues and so forth.

8 Do you see that?

9 A. I didn't read Number i, ii and iii to the  
10 board.

11 Q. When you drafted this, to what were you  
12 referring when you used the balance of that  
13 sentence, starting with the word "apparent"?

14 A. There's been more than one conversation  
15 by the non-Cotter board members about Jim Junior's  
16 interpersonal skills and anger management issues.

17 Q. What anger management issues, is what I'm  
18 asking you.

19 A. There were claims in the office that some  
20 people claim he's lost his temper with them.

21 Q. Who?

22 A. I believe Linda Pham is one of them.

23 Q. Anyone else?

24 A. Debbie Watson.

25 Q. Debbie Watson? Who is Debbie Watson?

1           A.    She is an accountant for Jim Cotter's  
2    estate.

3           **Q.    She's in RDI's offices?**

4           A.    Sometimes, occasionally.  Yes, she has a  
5    desk there.

6           **Q.    She has no job at RDI?**

7           A.    No.

8           **Q.    To whom does she work when she renders  
9    services to the estate of James Cotter Senior?**

10          A.    The estate trustees.

11          **Q.    Ellen and Margaret?**

12          A.    Yes.

13          **Q.    Anybody else other than Linda Pham and  
14    Debbie Watson?**

15          A.    Ellen Cotter recited an incident about  
16    Jim Junior's anger.

17          **Q.    When?**

18          A.    Maybe 2014.

19          **Q.    She recited it then, it occurred then or  
20    both?**

21          A.    No, no, no.  She told me about it -- I  
22    don't know.  I don't know when she told me about it  
23    but she told me in past tense about the incident.

24          **Q.    So in 2014 is did you understood the  
25    incident to have occurred?**

1 A. I think it was 2014.

2 Q. Did she give you any context --

3 Here is the question: Did she give you  
4 any context about the incident?

5 A. Yes.

6 Q. Which was what?

7 A. She and Debbie Watson were working late  
8 and Jim Junior came in there and lost his temper to  
9 both of them, and they both told me independently  
10 of this incident.

11 Q. And the incident, you understood,  
12 occurred in 2014?

13 A. It could have been '15. It could have  
14 been '15. I'm not clear on when it happened. I'm  
15 just very not clear on that.

16 Q. And both Ellen and Debbie Watson told you  
17 about it after the fact?

18 A. After the fact, yes.

19 Q. Meaning some number of months after the  
20 fact; correct?

21 MR. SWANIS: Objection; form.

22 THE WITNESS: Debbie Watson told me about it  
23 two days later.

24 BY MR. KRUM:

25 Q. Okay. When was that?

1           A.    Late 2014, early 2015, I'm not sure.    And  
2    there was a discussion -- getting back to your  
3    question about anger management, there's been  
4    discussion among the board -- non-Cotter board  
5    members about potentially Jim Junior being coaxed  
6    or demanded to attend anger management classes.

7           **Q.    What was the conclusion reached by the**  
8    **non-Cotter board members about that?**

9           A.    Well, it was split, believe it or not.  
10   My recollection is that I think Bill Gould and Tim  
11   Storey may have had a position that that would have  
12   been a beneficial thing.

13                   Ed Kane and I thought that was not  
14   beneficial.  It was demeaning.  It could be  
15   productive.  And I remember -- I do remember at the  
16   independent directors meeting, Doug McEachern  
17   saying you can't teach interpersonal skills, so he  
18   was also not for it.

19           **Q.    Now, the precipitating events of the**  
20   **discussion you just described, what was the**  
21   **precipitating event?  Was it the Linda Pham report?**  
22   **The supposed Linda Pham incident?  I'm sorry.**

23           A.    I'm sorry.  You're referring to the  
24   board -- the independent directors meeting?

25           **Q.    Let me ask a complete question.**

1 MR. TAYBACK: I think you talked past each  
2 other.

3 MR. KRUM: I think we're talking past each  
4 other.

5 Q. Do you see in this paragraph, you say:  
6 "I personally believe we may have cause"?  
7 Do you see that? It's the fifth line of  
8 the eight lines?

9 A. The one under here?

10 Q. The left-hand margin begins, quote:  
11 While I personally believe we may have  
12 cause.

13 A. Yes.

14 Q. But to put it in context for us,  
15 Mr. Adams, you see in the prior line, you're  
16 talking about "removed without case," but I think  
17 that should be "cause"; right?

18 A. Yes.

19 Q. What was the basis for your personal  
20 belief that there may have been cause to remove  
21 Mr. Cotter Junior as president and CEO?

22 MR. TAYBACK: I'll only admonish you not to  
23 divulge communications with lawyers that you may  
24 have had that contributed to that, but you can give  
25 your opinion.



1 THE WITNESS: One is his inabilities to work  
2 with employees and contractors in the office, the  
3 name of those women I just named. Calling up the  
4 chairman of the board and saying he's prepared to  
5 file a derivative suit and conspire with hedge  
6 funds to take over the company. I thought those  
7 were potentially reasons. But you're right, the  
8 paragraph is -- reads "without cause."

9 BY MR. KRUM:

10 Q. So your view, Mr. Adams, was that the  
11 supposed incidents with Linda Pham and Debbie  
12 Watson were a basis upon --

13 A. And Ellen Cotter.

14 Q. -- and Ellen Cotter, were a basis upon  
15 which to terminate Jim Cotter Junior on or about  
16 May 20-something, 2015?

17 A. No, I didn't say that.

18 Q. Was it your view that the supposed  
19 incidents with Linda Pham, Debbie Watson and/or  
20 Ellen Cotter were a basis upon which -- well,  
21 strike that.

22 Did those factor into your  
23 decision-making?

24 A. Yes.

25 Q. How many conversations did you have with

1 your testimony about it.

2 Was anything else said about the supposed  
3 Linda Pham incident or the supposed Ellen Cotter  
4 and Deborah Watson incident beyond that  
5 conversation, other than what you've told me?

6 MR. SWANIS: Objection; form, and I'm going to  
7 lodge an objection to the "supposed" language  
8 there.

9 MR. TAYBACK: Join.

10 THE WITNESS: There was one other thing. A  
11 director made a comment that was anybody ever  
12 seeing or being witnesses to this. Everybody was  
13 dead silent.

14 I raised my hand and I said, Well, once I  
15 had an incident with Jim Junior and he jumped up  
16 from his desk and turned beet red and was screaming  
17 at the top of his lungs at me, and I sat down and  
18 he marched up and down, paced, and was yelling at  
19 me. And finally he sat down and collected himself  
20 and I asked him, you know, was there anything else  
21 he wanted me to do, and he said no and he  
22 apologized. He apologized.

23 But in that board meeting with the  
24 independent directors, when they were saying has  
25 anybody seen this, it happened to me.

1 BY MR. KRUM:

2 Q. But the answer is, nobody had seen or  
3 witnessed the supposed Linda Pham incident;  
4 correct?

5 A. Yes.

6 Q. And nobody had seen or witnessed the  
7 supposed Ellen Cotter or Debbie Watson incident;  
8 correct?

9 A. Yes.

10 Q. Hence, supposed.

11 When was your incident, as you described  
12 it?

13 A. Probably June 2014.

14 Q. And what was the subject matter?

15 A. We were talking about Mr. Cotter Senior's  
16 estate planning. And I didn't really realize how  
17 sick Mr. Cotter was, and Jim Junior was in -- was  
18 not pleased how long things were taking, and that  
19 was the subject matter of that discussion.

20 Q. Okay. You'll be pleased to know,  
21 Mr. Adams, I'm in the process of eliminating lots  
22 of other documents that I might have otherwise  
23 shown to you.

24 I'll ask the court reporter to mark as  
25 Exhibit 88, a multi-page document bearing

1 A. It was unanimous.

2 Q. Was that in August of 2014?

3 A. Yes, it was.

4 Q. And did you and James Cotter Junior work  
5 in the same office from then forward? Did he  
6 come in -- let me back up.

7 After James Cotter Junior became CEO, did  
8 he continue coming into the office at Reading where  
9 you were working three days a week?

10 A. Yes, Junior did, yes.

11 Q. And how much time did he spend in the  
12 office, to your perception?

13 A. From my perception, he worked long hours.  
14 I mean, I don't know what time he got there in the  
15 morning, but he seemed to work till 5:00, 6:00 at  
16 night.

17 Q. Is it fair to say or correct to say that  
18 James Cotter Junior would arrive before you did in  
19 the morning?

20 A. Certainly.

21 Q. And then would be there till 5:00 or 6:00  
22 at night?

23 A. From the times I was there, it appeared  
24 that he was there before me and he stayed after me.

25 Q. Is it an accurate statement -- I know

1 we've been at this for almost two days now and I  
2 don't want to summarize things too simply, but is  
3 it an accurate statement to say that James Cotter  
4 Junior had what you would consider a good work  
5 ethic?

6 A. Yes and no. I'm not trying to evade the  
7 question. There was -- he was in the office, so  
8 yes, he was there. So that's the yes part of the  
9 question. The no part of the question is, his door  
10 was shut a considerable amount of time. I'm not  
11 sure exactly what was going during the time the  
12 door was shut. And so I mean, it -- he seemed very  
13 slow, very hard to make decisions.

14 They were trying to encourage him that  
15 it's okay, he can make -- he's CEO. But he seemed  
16 very reluctant and very slow to make decisions.

17 Q. I'm focusing in on his work ethic, how  
18 hard he was laboring at the task.

19 Based upon that, did it seem that he was  
20 laboring at the task of being CEO?

21 MR. SWANIS: Objection; form.

22 MR. TAYBACK: Object to the form.

23 MR. NATION: I'll rephrase the question.

24 Q. Did it seem that James Cotter Junior was  
25 putting in the time and effort that you would

1 expect of someone in his position trying to take on  
2 the challenges of being CEO?

3 A. Initially, yes.

4 MR. TAYBACK: I'm going to object to that as  
5 vague.

6 You can answer.

7 THE WITNESS: Initially, yes.

8 BY MR. NATION:

9 Q. When you say "initially, yes," you mean  
10 August, September?

11 A. October, November.

12 Q. And on? What about December and January?

13 A. Well, the reason I said "initially" is  
14 because there was some point, and I don't remember  
15 precisely when it was, but three or four months  
16 into the job, where I went to his secretary with  
17 documents and said, Where are those documents I put  
18 on Jim's desk? And she said, Oh, my God, don't  
19 ever put documents on his desk. I said, Well, what  
20 do I do? And she said, Give them to me and I'll  
21 log them and hound him to get them signed and  
22 returned to you. I said, Sure. I just didn't want  
23 to bother you. And she said, Jim's office is a  
24 place where documents go to get lost.

25 Q. Which secretary was that?

1           A.    Antoinette.  I don't remember her last  
2   name.

3           **Q.    Sounds like my office.**

4           A.    And I wasn't sure of the time spent  
5   behind closed doors.  I wasn't sure what's going on  
6   during that time, what's happening there.

7                    He made all the -- I'll tell you this:  
8   To his credit, he made -- like all the management  
9   meetings I was aware of, he made all the management  
10  meetings, every week, two a week, he made them all,  
11  that I know of.

12          **Q.    With regard to the documents going into**  
13 **the office to disappear, as put by his assistant,**  
14 **did you take that to mean that James Cotter Junior**  
15 **did not let documents go without first processing**  
16 **them or did you take it some other way?**

17           MR. TAYBACK:  Objection; vague.

18           THE WITNESS:  I took it from the standpoint  
19  that he must bring them home and read them or he  
20  had a lot of documents in his office and they just  
21  got lost in there.  That's how I took it.

22   BY MR. NATION:

23          **Q.    Did you ever have a document that you**  
24 **provided get lost?**

25           A.    Yes.

1 He was gaining experience. So the vetting, as you  
2 referred to, there's some amount of vetting seeing  
3 the guy work as president. There's some vetting  
4 process we see, interacting and whatnot with him at  
5 that time.

6 So to the extent we would have a formal  
7 vetting process, no. We knew him and saw him -- I  
8 saw him a short period of time. The other  
9 directors saw him much longer. So there was some  
10 amount of vetting but it wasn't a vetting process.

11 BY MR. NATION:

12 Q. Did you receive any input from the other  
13 directors about the appropriateness of electing  
14 James Cotter Junior to be CEO in August of 2014?

15 MR. SWANIS: Objection; form.

16 MR. TAYBACK: Join.

17 THE WITNESS: Yes. We had an independent  
18 directors meeting after this meeting or the meeting  
19 afterwards. I don't remember which one. And at  
20 that time, Tim Storey voiced the opinion that if  
21 his last name wasn't Cotter, he wouldn't be CEO.  
22 And I said, Yes, but he is and now our job is to  
23 support him and help him and help make him a great  
24 CEO.

25 ///



1 MR. TAYBACK: Object to the extent that calls  
2 for speculation as to what other board members may  
3 have thought or expected.

4 But you may answer.

5 THE WITNESS: If Jim Cotter Junior had  
6 expectations?

7 BY MR. NATION:

8 Q. I'm asking about -- let me rephrase the  
9 question.

10 A. Okay.

11 Q. It takes a little while to get warmed up  
12 sometimes in these things.

13 A. Okay.

14 Q. I'm focusing around the time that James  
15 Cotter Junior was elected as CEO.

16 Did you, as a member of the board, have  
17 expectations how he was going to perform as CEO  
18 going forward from there?

19 A. I had expectations. I don't know about  
20 the other members of the board, what theirs were.  
21 But my expectations were that he was young, he  
22 didn't have that much experience and that he would  
23 be improving as he went. And I was expecting  
24 improvement as the months and years flew by. I was  
25 very optimistic that he would be a really good CEO.

1 Q. Why?

2 A. He's smart. He has experience. He spent  
3 what, three years as president prior to this? It  
4 appeared from that first meeting, his sisters  
5 supported him. They voted for him. I imagine his  
6 father wanted him to progress and run the company  
7 and I figured he'd settle in and learn his way,  
8 feel his way and be CEO and improve as he went.

9 Q. Did it start -- at some point, Tim Storey  
10 began, as referred to in some other documents, as  
11 shadowing James Cotter Junior in his job as CEO in  
12 order to try and help him out.

13 A. Yes.

14 Q. And is that something that was initiated  
15 right at the beginning in August of 2014?

16 A. No.

17 Q. How long before that was it initiated?

18 A. I think -- my answer is as follows:

19 I think Tim, bless his heart, appointed  
20 himself that, maybe after three months, maybe after  
21 four, and then he started communicating to the  
22 board things he would find having spent time with  
23 Jim Junior. And then we -- we called it Tim  
24 coaching Jim Junior.

25 The point is, within two or three months,

1 it became clear to the board that Jim Junior needed  
2 help in his role, not only as CEO in running the  
3 company but trying to make amends or find bridges  
4 that he could work with his sisters. And that was,  
5 in part, Tim Storey's duties, to help him in the  
6 CEO function and find ways to make new bridges with  
7 his sisters.

8 Q. Was it your perception that the issue of  
9 improving at the CEO function and bridging the gap  
10 with his sisters were hand in hand as two sides of  
11 the same problem?

12 MR. SWANIS: Objection; form.

13 THE WITNESS: No. I didn't -- me personally,  
14 Guy Adams, I didn't see that as the same thing.

15 BY MR. NATION:

16 Q. So you saw it as two --

17 A. Yes.

18 Q. -- two discrete kind of issues, one is  
19 growing into the job and the other is getting along  
20 with the other players?

21 A. Yes.

22 MR. NATION: All right. Always good when you  
23 reach for a document and the one you expect comes  
24 up.

25 Okay. Exhibit 92.

# EXHIBIT 4

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DISTRICT COURT  
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., )  
individually and )  
derivatively on behalf of )  
Reading International, )  
Inc., )  
Plaintiff, )  
vs. )  
MARGARET COTTER, et al., )  
Defendants. )  
and )  
READING INTERNATIONAL, )  
INC., a Nevada )  
corporation, )  
Nominal Defendant )

Case No. A-15-719860-B  
Coordinated with:  
Case No. P-14-082942-E

DEPOSITION OF: EDWARD KANE

TAKEN ON: MAY 2, 2016

REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1                   **Was that the trust and estate disputes**  
2 **in litigation?**

3           A.    Not necessarily, no.

4           Q.    Well --

5           A.    I think I was referring to what was  
6 becoming a toxic office and polarization of the  
7 office.

8                   And I'm not laying -- I did not lay  
9 blame on either Mr. Cotter or his sisters, but it  
10 needed to be better.

11           Q.    You're referring to the second paragraph  
12 under the subsection that begins with,

13                   "The second issue is, of course" --

14           A.    Right.

15           Q.    -- "the atmosphere in the L.A.  
16 office which I'm told is toxic"?

17           A.    Right.

18           Q.    I'll get to that in a minute, sir.

19           A.    Okay.

20           Q.    Do you recall anything else to which you  
21 were referring in the first paragraph when you said  
22 "resolving current disputes"?

23                   MR. SEARCY:  Objection.  Asked and  
24 answered.

25                   THE WITNESS:  I can't recall what I had

1 in mind, but it wasn't -- I don't think it was the  
2 litigation.

3 BY MR. KRUM:

4 Q. Very well. So, going back to where we  
5 were a moment ago and the sentence that uses the  
6 word "toxic" --

7 A. Uh-huh.

8 Q. -- what was the source or what were the  
9 sources of your information that led you to say  
10 that?

11 A. I think the office was -- I was told was  
12 becoming polarized and there had been incidents  
13 between Jim, Jr., I think, prior to this and Bill  
14 Ellis's secretary, Linda Pham, and also with Debbie  
15 Watson and with Ellen.

16 And Linda Pham had contacted Doug  
17 McEachern, I think, and someone else about her  
18 concern for her actual physical safety. Debbie  
19 Watson was carrying mace to the office, and they  
20 were alleging Jimmy had yelled at them to the point  
21 that they were afraid physically. And Ellen  
22 reported the same thing. And --

23 Q. You think that's to what this is  
24 referring?

25 A. I think that the -- it may be. I don't

1 A. If I said it, yes.

2 Q. Okay. So, I'm referring to that  
3 testimony --

4 A. Okay.

5 Q. -- Mr. Kane. I'm not trying to put  
6 words in your mouth. So when you said --

7 A. I thought you were referring to  
8 something else.

9 MR. SEARCY: You have to let him finish  
10 his question. Okay?

11 BY MR. KRUM:

12 Q. When you -- when you said in words or  
13 substance something about employees taking sides, my  
14 question is, was Linda Pham one of the employees who  
15 had taken a side?

16 MR. SEARCY: Objection. Vague.

17 THE WITNESS: I think Linda Pham had  
18 filed a complaint against Jim. And whether that  
19 amounted to taking sides, it was more personal. She  
20 was physically afraid of him.

21 And that was turned over to  
22 Mr. McEachern and Storey.

23 BY MR. KRUM:

24 Q. Well, you don't know if she was  
25 physically afraid.



1                   **You just know she filed a complaint and**  
2                   **said whatever she said, correct?**

3                   A.    I believe --

4                   MR. SEARCY:  Objection.  
5                   Mischaracterizes his testimony.

6                   THE WITNESS:  I believe in her complaint  
7                   she talked about she was physically afraid.

8                   BY MR. KRUM:

9                   Q.    You understand that Linda Pham was  
10                  terminated, right?

11                  A.    Yes, I do.

12                  Q.    You understand that she was terminated  
13                  for taking confidential emails between Jim  
14                  Cotter, Jr., and Bill Ellis and forwarding them to  
15                  Margaret Cotter.

16                  Did you know that?

17                  MR. SEARCY:  Objection.  Lacks  
18                  foundation, calls for speculation.

19                  THE WITNESS:  That's not my  
20                  understanding.

21                  BY MR. KRUM:

22                  Q.    What's your understanding?

23                  A.    My understanding is that after her first  
24                  complaint, she issued a second complaint saying  
25                  nothing has been done and she was still afraid of

1 Mr. Cotter when she was there after-hours.

2 And then Tim Storey took it upon himself  
3 to fire her.

4 **Q. How do you come to have that**  
5 **understanding?**

6 A. Because he did fire her. And he  
7 certainly didn't run that by the so-called  
8 independent committee.

9 And I don't know what authority he had  
10 to do that, but he did it.

11 **Q. Why did he fire her?**

12 A. He never said why he fired her.

13 **Q. Did you ask?**

14 A. It was too late.

15 **Q. Did you ask?**

16 A. I think I knew -- well, she had already  
17 been fired and they had already settled on an amount  
18 to give her to leave.

19 **Q. Okay. Did you think --**

20 **You didn't ask Mr. Storey what happened,**  
21 **correct?**

22 A. All he said was he fired her.

23 **Q. What did you say?**

24 A. I didn't say anything. It had been  
25 done.

1                   And if he did fire her, I should have  
2 said -- I didn't say -- "who gave you the authority  
3 to do it?"

4                   But I didn't because she was already  
5 fired.

6                   **Q.    So, what further communications did you**  
7 **have with anyone with respect to the termination of**  
8 **Linda Pham, if any?**

9                   A.    I was told, and I don't know who told me  
10 this, that at that time she was working for Bill --  
11 Bill Ellis as his secretary.  And she was -- the  
12 termination was such that he ended up crying in his  
13 office, he was so upset.

14                  **Q.    Who told you that?**

15                  A.    I don't remember.

16                  **Q.    Did you ever hear or learn or were you**  
17 **ever told that Bill Ellis was with Mr. Storey when**  
18 **Ms. Pham was terminated?**

19                               MR. SEARCY:  Objection.  Vague.

20                               THE WITNESS:  I don't remember.

21 BY MR. KRUM:

22                  **Q.    Did you ever speak to Bill Ellis about**  
23 **the termination of Linda Pham?**

24                  A.    No.

25                  **Q.    Did you ever speak to anyone other than**

1 THE WITNESS: I can't -- I just can't  
2 remember.

3 BY MR. KRUM:

4 Q. When was the first time you told anyone,  
5 whether Ellen or Margaret or Guy Adams, that you  
6 would support the removal of Jim Cotter, Jr., as  
7 president, C.E.O. or both?

8 A. I just can't remember what that time  
9 line was.

10 Q. Do you recall a circumstance? Can you  
11 put it in context between events?

12 A. There were a number of events that  
13 evolved over a period of time based upon his  
14 actions.

15 Q. What actions are you referencing?

16 A. The first issue I had was when he went  
17 to Hawaii on vacation and -- it was near Christmas  
18 of 2014. And he -- he sent me some email pictures  
19 of a few of the theaters that he thought were in  
20 disrepair. And he was going to show them to the  
21 board.

22 I said to him, "Don't show them to the  
23 board. If she wasn't your sister, would you be  
24 sending them to the board?"

25 And he said "no," he acknowledged that

1 he wouldn't. But later on he did.

2 Then I suggested to him before he did  
3 that, "Why don't you say to Ellen, 'Come with me, I  
4 want -- I have some issues with the Hawaiian  
5 theaters, and just go with me and I'll point out my  
6 concerns and see how we can rectify them.'"

7 He didn't do that.

8 And in fact I started thinking Ellen was  
9 the fall person for this. She had nothing to do  
10 with the issues, if there were any, in those  
11 theaters, and there were reasons for that why she  
12 didn't.

13 Then there were -- there was other  
14 issues. We went to a board meeting, and he demanded  
15 that he have the authority to spend \$10 million on  
16 any project without the approval of the board. And  
17 he said "My father had it."

18 Well, he was not then nor now is he his  
19 father.

20 And he actually said he should get more  
21 authority to spend that kind of money because  
22 inflation had occurred and his father had that  
23 \$10 million right, which his father I don't believe  
24 ever exercised.

25 It didn't make any sense to me. But I

1 voted for it, although Tim Storey was opposed to it,  
2 because I knew he would never pull the trigger, he  
3 couldn't pull the trigger on anything.

4 Then there was the issue of the Stomp  
5 situation where Stomp sent a letter that they were  
6 going to leave the Orpheum Theatre, and that was a  
7 big money-maker for the company.

8 What he should have done is to get on a  
9 plane and go back and sit with Margaret and say,  
10 "Margaret, How can I help in solving this issue?"

11 Instead he used it as a tool to  
12 embarrass her in front of the board. That was a big  
13 problem for me, because that's not what a C.E.O.  
14 would do when you have two experienced executives.  
15 You work with them. And if it comes to the point  
16 you need to get rid of them, then that's another  
17 situation.

18 But he did not handle it appropriately  
19 at all.

20 And actually as a side, he -- it's in  
21 his Complaint against me and others about the Stomp  
22 and how bad she did.

23 Well, we had an arbitration, and the  
24 arbitrator said that Margaret had done everything  
25 required and more than everything required, and that

1 Stomp had an agenda to leave because they thought  
2 they could make more money in another theater.

3 The net result is that Margaret by  
4 herself handled this arbitration with her lawyers,  
5 and we just got an award for more than \$2.2 million.

6 So, instead of attacking his sister, he  
7 should have supported her at least to a point.

8 I think he was not treating his sisters  
9 as executives. This was my thought at the time. He  
10 was treating them as the opposition, which was  
11 inappropriate.

12 There were other issues. I can't recall  
13 all of them right now. But he was not acting like a  
14 C.E.O. would act.

15 Q. So was it your view, Mr. Kane, that Jim  
16 Cotter, Jr., needed to act as a C.E.O. but Margaret  
17 Cotter, Jr., could act as an adversary on account of  
18 the disputes the two of them had both at RDI and in  
19 the trust and estate case?

20 MR. SEARCY: Objection. Argumentative,  
21 mischaracterizes testimony, lacks foundation.

22 THE WITNESS: Absolutely not.

23 I don't --

24 BY MR. KRUM:

25 Q. What did you do, if anything, to

1 board that was mediating and -- or supposedly, Tim  
2 Storey.

3 BY MR. KRUM:

4 Q. When was Mr. Storey charged with  
5 mediating between Jim Cotter, Jr., on the one hand  
6 and Ellen -- either or both Ellen and Margaret  
7 Cotter on the other hand?

8 A. When Bill Gould thought we should have  
9 this non-Cotter committee, he -- I think  
10 Mr. McEachern and Mr. Storey I believe met with  
11 Ellen and Margaret and Jimmy to try to create an  
12 office relationship that was -- that would move the  
13 company forward.

14 Then later Mr. Storey was, in my  
15 judgment -- or at least my understanding, he was  
16 there to get them to work together. So, that was an  
17 ongoing thing.

18 Q. Was Mr. Storey when he was doing this as  
19 a committee of one, in effect, referred to as the  
20 ombudsman?

21 A. Yes.

22 Q. Do you recall ever being present where  
23 one or the other or both of Ellen and Margaret  
24 Cotter called Jim Cotter, Jr., a liar?

25 A. I don't remember being present.



# **EXHIBIT 5**

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DISTRICT COURT  
CLARK COUNTY, NEVADA

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

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READING INTERNATIONAL, )  
INC., a Nevada )  
corporation, )  
Nominal Defendant )

VIDEOTAPED DEPOSITION OF EDWARD KANE  
TAKEN ON MAY 3, 2016  
VOLUME 2

Job no. 305191  
REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1 Q. Directing your attention to the end of  
2 your March 27, 2015 email to Jim Cotter, Jr. --

3 A. Uh-huh.

4 Q. -- as part of Exhibit 110, I  
5 particularly direct your attention to the text six  
6 lines from the bottom that begins you will -- quote,  
7 "You will go a long way toward  
8 obviating a need for Tim's  
9 intrusion," and so forth.

10 A. Yes.

11 Q. You see that?

12 A. Yes, I do.

13 Q. Were each of the non-Cotter members and  
14 the RDI board of directors, including Tim Storey in  
15 particular, spending extra time dealing with the  
16 issues raised by the disputes among the Cotters,  
17 meaning Ellen and Margaret Cotter on one hand and  
18 Jim Cotter, Jr., on the other?

19 MR. SEARCY: Objection. Vague.

20 THE WITNESS: The independent committee  
21 or so-called independent committee, non-Cotter  
22 committee, spent an inordinate amount of time trying  
23 to come up with ways of ameliorating the -- the way  
24 the company -- the Cotters interacted with each  
25 other.

1 BY MR. KRUM:

2 Q. Directing your attention, Mr. Kane, to  
3 the last two lines of your May 27 email to Jim  
4 Cotter, Jr., as part of Exhibit 110.

5 A. Yes.

6 Q. They read, quote,

7 "There is no downside to this.  
8 There is potential downside to  
9 letting things fester. Think about  
10 it," period.

11 What were you communicating or  
12 attempting to communicate to him when you said  
13 there's potential downside to letting things fester.

14 A. I think -- and I can't be specific, but  
15 I think there was a feeling among most, if not all  
16 of the non-Cotter directors that if things didn't  
17 improve, we might have to terminate one or more of  
18 them.

19 Q. Well, that would be effective only if  
20 the person or persons terminated did not control the  
21 RDI/Cotter-related class B voting stock, right?

22 MR. SEARCY: Objection. Argumentative,  
23 lacks foundation.

24 THE WITNESS: It might. But it would  
25 send a message to everyone that there was an

1 alternative that -- I'll point out -- you didn't ask  
2 me, but you'll will find out later that  
3 Mr. McEachern actually sent around saying all of the  
4 directors should resign, all the non-Cotter  
5 directors. That was an alternative; either we fire  
6 one of them or we all resign.

7 Q. And you understood the point of  
8 Mr. McEachern's comment about everyone resigning to  
9 acknowledge that some or all of -- well, either  
10 Margaret or Margaret and Jim ultimately -- Jim, Jr.,  
11 ultimately were going to control the voting stock  
12 and be able to elect the board, right?

13 A. Yes.

14 MR. SEARCY: Objection. Lacks  
15 foundation.

16 THE WITNESS: Yes.

17 BY MR. KRUM:

18 Q. Take a look back at Exhibit 110.

19 On the second page do you see that it  
20 reflects that on March 30 you forwarded to someone,  
21 but it doesn't indicate, your March 27 email to Jim  
22 Cotter, Jr.?

23 I'm referring, Mr. Kane, to just past  
24 halfway down on the second page. It reads on --

25 "On Mar 30, 2015, at 4:39 P.M."

1 Q. Who is the "us" to which you just  
2 referred?

3 A. I think that all of the so-called  
4 independent directors saw that.

5 Q. When did that become clear to you?

6 A. I can't remember exactly.

7 Q. Can you approximate when that became  
8 clear to you whether by a date or by reference to  
9 some other event or events?

10 A. I can't.

11 Q. What did any of the other non-Cotter  
12 directors say to you or communicate to you that led  
13 you to the conclusion that you just articulated to  
14 the effect that they had concluded that a resolution  
15 of the disputes between the Cotters could not be  
16 reached?

17 A. I think all five of us knew that there  
18 was no resolution at that point.

19 Q. Isn't it the case that Mr. Gould  
20 articulated a position to the effect that the  
21 disputes between the Cotters should be resolved in  
22 the pending litigation?

23 MR. SEARCY: Objection. Vague, assumes  
24 facts.

25 THE WITNESS: I think -- and I'm not

1 entirely clear, I think he wanted to wait until that  
2 litigation was concluded. That was his position.

3 BY MR. KRUM:

4 Q. Did you ever tell him that you disagreed  
5 other than when you chose to vote to terminate Jim  
6 Cotter, Jr.?

7 A. If -- if we had a discussion, I would  
8 have told him that -- and I don't know if I did --  
9 that we could not wait that long. We had to come to  
10 some resolution. If the Cotter -- Cotters couldn't  
11 come to one among themselves, we would have to.

12 Q. Why was that?

13 A. Because, as I just said, the company was  
14 not moving forward. There was a polarization in the  
15 office among the employees, and it had to be  
16 resolved one way or another.

17 That was my opinion.

18 Q. So as of the date of -- excuse me.

19 As of the date and time of Exhibit 80,  
20 you had determined that, if necessary to carry the  
21 vote, you would vote in favor of the termination of  
22 Jim Cotter, Jr., as president and C.E.O., correct?

23 A. I don't know if at that time I had that  
24 decision. As I said before, I wouldn't have invited  
25 him to come to my house if I had had a firm decision

# **EXHIBIT 6**



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DISTRICT COURT  
CLARK COUNTY, NEVADA

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

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READING INTERNATIONAL, )  
INC., a Nevada )  
corporation, )  
Nominal Defendant )

VIDEOTAPED DEPOSITION OF EDWARD KANE  
TAKEN ON JUNE 9, 2016  
VOLUME 3

Job No.: 315759  
REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1                   And you sent it to him on May 9, 2015,  
2   right?

3           A.    Uh-huh, yes.

4           Q.    And your email reads as follows, quote,  
5                   "I've had it with Bill Gould and  
6                   Tim Storey. I am seriously  
7                   considering getting off the  
8                   so-called independent committee.  
9                   Your thoughts," question mark.

10                   What prompted you to send this email?

11           A.    I thought that -- again, that Tim Storey  
12   had moved from his role as mediator between the  
13   Cotter family to placing himself in management. And  
14   I had had complaints throughout the time both from  
15   Jim Cotter, Jr., Ellen and Margaret in that regard.  
16   And he certainly didn't have experience in cinema or  
17   live theaters, as far as I know.

18                   And the committee wasn't working. Bill  
19   Gould and Tim Storey were doing things without the  
20   input or permission of the rest of us. And I didn't  
21   see any need to continue on it.

22           Q.    What were they doing without the  
23   permission of the rest of you?

24           A.    Well, for one thing they did is go out  
25   and see a psychologist or psychiatrist and wanted us

1 to mandate that Jim Cotter, Jr., visit this  
2 psychologist or psychiatrist.

3 Q. That was Bill Gould's second go-around  
4 with the psychologist as a -- as a proposed advisor  
5 to RDI, wasn't it?

6 MR. SEARCY: Objection.

7 THE WITNESS: This had to do -- this is  
8 the only one I know of, and it had to do with Jim  
9 Cotter, Jr.

10 BY MR. KRUM:

11 Q. What else, if anything?

12 A. What else -- pardon?

13 Q. What else, if anything, referring to  
14 your answer -- go ahead.

15 A. I think they had -- they seemed to have  
16 an agenda, and I didn't feel I was part of that  
17 agenda.

18 Q. Why do you say that?

19 A. Because they said, for example, that  
20 we'll make a decision on Jim Cotter, Jr., on  
21 June 30.

22 I never agreed to that. They said we  
23 had agreed to it. Guy never remembered that.

24 They were -- I had the feeling they were  
25 excluding us from their discussions and they had

1 hostile at the time.

2 Q. "At the time" being when?

3 A. When we had the meetings.

4 Q. Which meetings were hostile? Were they  
5 in 2014? 2015?

6 A. Around this time and going forward.

7 Q. May 9th and going forward?

8 A. Yes, yes.

9 Q. So we're clear on the record, May 9th,  
10 and going forward?

11 A. Yes, yes.

12 Q. What happened about that time that  
13 created, in your view, what you viewed as hostility?

14 A. Well, when we -- when I said -- and I  
15 don't know if others said it, but we had never set a  
16 date of June 30 for our intervention -- so-called  
17 intervention of it -- and Jim Cotter, Jr., 's  
18 situation, the tenure. They -- they were upset that  
19 I said that, but it happened to be the case.

20 And then it turned out that there was no  
21 reason for us to wait until June 30. Our -- our  
22 counsel told us --

23 MR. SEARCY: Hold on.

24 THE WITNESS: All right. There was no  
25 reason. And we had never agreed to it.

1                   So I thought that Bill Gould and -- and  
2 Tim Storey were not including the three of us in  
3 their discussions and their agenda, so to speak.

4 BY MR. KRUM:

5                   **Q. Did some -- were there some exigent**  
6 **circumstances that arose in or about May of 2015**  
7 **that required a decision to be made regarding Jim**  
8 **Cotter, Jr.'s remaining C.E.O. or not remaining**  
9 **C.E.O.?**

10                   MR. SEARCY: Objection. Vague.

11                   MR. VERA: Join.

12                   THE WITNESS: There were issues. I  
13 can't recall -- recall the time line. But there  
14 were various issues with regard to Jim Cotter, Jr.,  
15 and his remaining as C.E.O.

16 BY MR. KRUM:

17                   **Q. Did any of those issues arise in or**  
18 **after April 2015?**

19                   A. I can't remember the date. I can  
20 remember some of the issues, but I can't remember  
21 the date.

22                   **Q. Okay. I'm not going to ask you to**  
23 **repeat testimony from your prior sessions. So,**  
24 **subject to that, if you would, please, just identify**  
25 **the issues to which you were referring.**

1           A.    Okay.  One issue was Jim Cotter, Jr.,  
2 going to Hawaii, taking pictures of the theaters and  
3 trying to use them to show that Ellen was not doing  
4 a proper job.

5           Q.    That occurred in about December of 2014,  
6 correct?

7           A.    I don't remember when it occurred.

8           Q.    Okay.  And what other issues were there?

9           A.    I didn't like the way Jim Cotter, Jr.,  
10 was handling the Stomp.  It appeared -- issue.  It  
11 appeared to me that he was focusing on Ellen --  
12 excuse me -- Margaret in front of the board.  I  
13 thought that was inappropriate.

14          Q.    And by that you're referring to the  
15 purported notice of termination by the Stomp  
16 producers at the board meeting about which you  
17 testified earlier today?

18          A.    Yes.

19          Q.    Okay.  What other issues?

20          A.    Then there were issues of -- try to best  
21 describe it.  What three female employees called  
22 harassment by Jim Cotter, Jr.

23          Q.    Those were the -- and you're referring  
24 to Linda Pham, non-employee Deborah Watson and Ellen  
25 Cotter; is that correct?

# **EXHIBIT 7**

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DISTRICT COURT  
CLARK COUNTY, NEVADA

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

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READING INTERNATIONAL, )  
INC., a Nevada )  
corporation, )  
Nominal Defendant )

VIDEOTAPED DEPOSITION OF DOUGLAS McEACHERN  
TAKEN ON MAY 6, 2016

REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400



1 I didn't think they went anywhere, and I  
2 was getting sick and tired of the whole lot of  
3 everybody in this whole deal, quite frankly.

4 At some point -- I don't know -- in  
5 February or March, sometime in that time frame, I  
6 was ready to quit the board and just get out of  
7 Dodge and say I'm done with all this, and concluded  
8 at some point, Mr. Krum -- and I can't tell you  
9 when -- in my mind I thought we had to do something.

10 I thought that either we -- we had to do  
11 nothing about the situation, we had to terminate  
12 Jim, we had to terminate Ellen and Margaret, or fire  
13 all three of them and move forward with the company  
14 in the best interest of the shareholders, because we  
15 weren't getting anywhere.

16 And so when you say -- and by the way, I  
17 vocalized that view of the world.

18 And things continued to evolve in my own  
19 mind. Started to have further discussions with Jim  
20 over his performance as a C.E.O.

21 Mr. Storey was appointed by Mr. Gould,  
22 the best I can tell -- I don't think the board ever  
23 did this -- to work with Jim to try to help make him  
24 a C.E.O.

25 Bear in mind we made -- hope this

1 doesn't get anybody mad -- we made a mistake making  
2 Jim Cotter C.E.O. in August of 2014. We made an  
3 individual who had no real estate experience, no  
4 international experience, no management experience,  
5 no cinema experience and no live theater experience.  
6 Other than that, in retrospect he was very  
7 qualified.

8 (Whereupon Mr. Swanis entered the  
9 deposition proceedings at this  
10 time.)

11 THE WITNESS: When we met with Jim in  
12 the fall it became very, very clear after hearing  
13 from some of the executives in the company that Jim  
14 was doing an analysis of the cinema operation. That  
15 sounded like a pretty good thing to go do.

16 BY MR. KRUM:

17 Q. I'm sorry. I'm sorry. Wait a minute.  
18 Where are you in time?

19 A. In the fall of 2014.

20 Jim was doing an examination of the  
21 cinema operations. He was going around Ellen Cotter  
22 to get information from our then C.F.O. Andrzej  
23 Matyczynski and Robert Smerling and others about  
24 financial performance of the cinemas.

25 Tim and I found out about this and said,

1 "Jim, we understand you're doing this analysis of  
2 the cinemas. Jim, but you're going around Ellen's  
3 back. This is not what a C.E.O. should be doing. A  
4 C.E.O.'s time is too valuable than to be spending it  
5 doing financial analysis of individual cinemas. Go  
6 hire a consultant to do this. And by the way, if  
7 you continue down the same path you're on, you're  
8 going to get perceived as only doing this to try to  
9 nail your sister."

10 And by the way, put those words down and  
11 attribute it to me, because I think I did say that  
12 to him.

13 He continued on doing this and in fact  
14 in December went to Hawaii with his family and did a  
15 similar review of something -- some of the theaters  
16 in Hawaii.

17 The only reason I know about that is I  
18 approve his expenses, and the expense came through.

19 But during that time he went and visited  
20 cinemas; didn't talk to anybody, just went and took  
21 pictures of the cinemas.

22 Now, the comments and the counsel to Jim  
23 were, "Jim, it's could quite conceivably be that our  
24 cinemas need to be enhanced and operations improved,  
25 but we're not going to get there with you going and

1 trying to undercut the person who's doing it."

2 That then translated into other comments  
3 to Jim. Jim had a habit of coming into the office,  
4 sitting in his office and shutting the door, by  
5 himself and being there all day.

6 Q. How do you know that?

7 A. Because I saw it. And I counseled with  
8 him and I talked to him about it.

9 Q. How many times did you see that?

10 A. Every time I went to the office.

11 Q. How often was that?

12 A. I couldn't tell you. I didn't keep  
13 track. I don't have a calendar that would tell you  
14 when.

15 But I also heard from executives in the  
16 company that he was doing that.

17 Q. Let me ask the questions, though.

18 So, you reside a Rancho Santa Fe,  
19 correct?

20 A. I didn't at the time.

21 Q. Where did you reside?

22 A. Arcadia.

23 Q. I lived in Los Angeles for 20 years and  
24 I'm sorry, sir, I don't know where that is.

25 Where is Arcadia?

1 ground.

2 Q. When did you first decide,  
3 Mr. McEachern, that you would seek or support the  
4 termination of Jim Cotter, Jr., as C.E.O.?

5 A. Could you read that question to me  
6 again. I'm sorry.

7 MR. KRUM: Sure. I'll have the court  
8 reporter read it back.

9 (Whereupon the question was read  
10 as follows:

11 "Question: When did you first  
12 decide, Mr. McEachern, that you  
13 would seek or support the  
14 termination of Jim Cotter, Jr., as  
15 C.E.O.?"

16 THE WITNESS: I do not have a specific  
17 date to give you, Mr. Krum, but it was sometime in  
18 mid to late May of 2015.

19 BY MR. KRUM:

20 Q. Can you place it in time relative to an  
21 event, conversation or anything else?

22 A. No, I can't.

23 Q. When was the first time you communicated  
24 to anyone that you were prepared to support or seek  
25 the termination of Jim Cotter, Jr., as C.E.O.?

1 **technique or something in between?**

2 A. I'm trying to think of how I do --  
3 sometimes I try to do the normal typing. That's --  
4 that may be about 50 percent of the time. And then  
5 the other 50 I have to go and find out where the  
6 letters are or the numbers.

7 Q. Well, as I said, I'm old enough to ask  
8 that question.

9 Did you ever communicate to Jim Cotter,  
10 Jr., that you were assessing whether he should  
11 remain C.E.O. of RDI?

12 MR. SEARCY: Objection. Vague, vague as  
13 to time.

14 THE WITNESS: Sometime in May Jim  
15 Cotter, Jr., and I had a discussion about replacing  
16 him as C.E.O. And I remember the discussion, I  
17 think it was in his office, and he told me that I  
18 could not fire him as C.E.O. And he told me that if  
19 I were to vote to fire him, he would sue me and ruin  
20 me financially, to which my response was "Jim, we  
21 have D and O insurance."

22 His response was "I don't think it  
23 covers this."

24 "Well, Jim, we have an indemnification  
25 from the company."

1 "It's not any good. I'm going after  
2 everybody."

3 And that -- because of that discussion,  
4 we did talk about it and I remember it. I can't  
5 tell you when it happened.

6 BY MR. KRUM:

7 Q. Was it after the first supposed RDI  
8 board of directors meeting at which the subject of  
9 his termination was raised?

10 MR. SWANIS: Objection. Form.

11 MR. SEARCY: Join.

12 THE WITNESS: I'm sorry. What?

13 MR. SEARCY: He objected to form.

14 THE WITNESS: Oh. I do not know if it  
15 was before or after.

16 BY MR. KRUM:

17 Q. So you believe that you may have spoken  
18 to Jim Cotter, Jr., and indicated to him that you  
19 were prepared to vote to terminate him prior to the  
20 subject being raised at an RDI board of directors  
21 meeting?

22 MR. SWANIS: Objection. Form.

23 MR. SEARCY: Join. Object that it's  
24 vague.

25 THE WITNESS: I don't know that I had

1 THE WITNESS: I don't -- I don't know  
2 how to answer the question.

3 BY MR. KRUM:

4 Q. What is --

5 A. You're referring --

6 Q. What is it you investigated -- strike  
7 that.

8 What is it that you found troublesome?

9 A. Linda Pham made, I think it was, a phone  
10 call to the employee hotline about concerns and  
11 issues about what was going on or it was treated as  
12 a call to a hotline reporting a trouble.

13 I do recall speaking with Bill Gould  
14 about the situation and telling him that I thought  
15 that I should meet with Linda Pham and understand  
16 what her concerns were, and I did.

17 Q. When?

18 A. That's why I say it's October, November  
19 2014.

20 I went to the office. She and I -- she  
21 felt very, very uncomfortable. I had not met her  
22 before. And we went to the Starbucks across the  
23 street and spent an hour or two hours listening to  
24 what her concerns were about Jim Cotter, Jr.

25 She asked me to speak with Debbie Watson



1 and a Rick Bruce, who were in the office, about her  
2 concerns to validate what she was telling me.

3 A month or so later I had not spoken  
4 with Debbie -- two or three weeks later or Rick  
5 Bruce, and she chastised me for not following up.

6 I subsequently had a discussion with  
7 Debbie Watson and with Rick Bruce. Rick had nothing  
8 to add. He said he was not there at the time --  
9 period of time.

10 But Debbie Watson, as I recall, her  
11 comments were supportive of Linda Pham's concerns.

12 **Q. When did you speak to Ms. Watson?**

13 A. It was an afternoon of a Tuesday or  
14 Thursday on my way to a class at Claremont McKenna,  
15 and it was by phone. I want to say sometime late  
16 November, early December.

17 **Q. What was the resolution of the situation**  
18 **with Linda Pham?**

19 A. To the best of my knowledge, we did  
20 nothing.

21 **Q. Well, what did you do after you -- if**  
22 **anything, after you did what you just described?**

23 A. I reported it back to Bill Gould, the  
24 lead director.

25 **Q. And in the course of your conversations**

1 with Linda Pham, what discussions, if any, did you  
2 have concerning her relationship with either Ellen  
3 or Margaret Cotter?

4 A. I do not recall.

5 Q. And what was her complaint?

6 A. What was her complaint?

7 She felt that Jim was being abusive in  
8 his behavior towards her and going through -- as I  
9 recall, he was going through her files -- I had  
10 difficulty understanding this, but she -- she felt  
11 he was going through her files and/or doing things  
12 secretively behind his closed doors.

13 She was very, very -- her office was  
14 right next to Jim's, and she was very critical of  
15 his behavior in the office.

16 Q. Did she say anything substantive to  
17 substantiate the claim that he was abusive to her?

18 MR. SEARCY: Objection. Vague.

19 THE WITNESS: I cannot recall.

20 BY MR. KRUM:

21 Q. And your best recollection is that you  
22 concluded your -- that you spoke to -- strike that.

23 So your recollection is you spoke to  
24 Linda Phan herself --

25 A. Pham, P-h-a-m.

1 president and he didn't have the C.E.O. position, I  
2 was fine with that.

3 I recall Margaret at one of these  
4 meetings when we -- and this is where it gets  
5 muddled. I don't remember what happened at what  
6 meeting -- said there would be a position where we  
7 hired a C.E.O., bring him in, Jim would be in some  
8 role.

9 And Margaret said, "Jim, let's go along  
10 with this and in five years maybe figure out how to  
11 be a C.E.O., and you can take over as C.E.O. of the  
12 company?"

13 Q. Do you recall what -- anybody saying in  
14 words or substance during the early evening call on  
15 the Friday that we've been discussing that Jim  
16 Cotter, Jr., could or would remain as C.E.O., but  
17 that in practice or reality he would simply be one  
18 member of an executive committee?

19 MR. SEARCY: Objection. Vague.

20 THE WITNESS: I remember discussions  
21 about how to not embarrass Jim Cotter, Jr., how to  
22 get something transitioned, something that would be  
23 palatable, something that we could move forward  
24 with.

25 But I do recall some group of people

1 that Jim would be participating in something. I was  
2 comfortable with that.

3 I was not comfortable with him having  
4 the authority and responsibilities on his own as  
5 C.E.O. of Reading.

6 BY MR. KRUM:

7 Q. Do you recall who the group of people  
8 was?

9 A. Well, I know I wasn't part of whatever  
10 that group was going to be. I suspect it was  
11 Margaret and Ellen and potentially Ed or -- or Guy  
12 Adams.

13 Q. Let me prompt your -- attempt to prompt  
14 your memory.

15 Do you recall that it was Guy Adams  
16 along with Margaret, Ellen and Jim, Jr., and that  
17 Guy Adams was to be the chair or chairman of this  
18 committee?

19 A. I get confused as to who was doing what  
20 and what executive committee when. Because we  
21 formed a subsequent executive committee after Jim  
22 was terminated.

23 That Guy would be on the committee I'm  
24 not surprised about. That Guy would share it I'm  
25 not surprised about.

1 answered.

2 THE WITNESS: No.

3 BY MR. KRUM:

4 Q. What else, if anything, do you recall  
5 from your conversation or conversations with  
6 Mr. Adams regarding the termination of Jim Cotter,  
7 Jr., prior to the vote to do so, if anything?

8 A. I believe I discussed with him my  
9 conversations about voting to terminate Jim Cotter,  
10 Jr., with Bill Gould, which I found a little  
11 perplexing.

12 As I said, we had four choices: Do  
13 nothing, fire Jim, fire the girls, fire all three of  
14 the Cotters.

15 And in my discussions with Bill Gould,  
16 Bill stated he wanted to do nothing. Bill wanted to  
17 sit with the situation as it was, which I found very  
18 frustrating, for upwards of two years until some  
19 court decided who voted the voting stock.

20 I told Bill that that was not our job to  
21 figure out who voted the stock; our responsibility  
22 was to the shareholders of this corporation and to  
23 do what was in the best interest of the shareholders  
24 and that I did not believe waiting two years with  
25 the situation we had was -- was possible.

1 THE WITNESS: I think Jim, Jr., knew  
2 that his position as C.E.O. was in jeopardy for a  
3 longer period of time than just May 21st.

4 BY MR. KRUM:

5 Q. Well, do you base conclusion that on any  
6 conversation you had with him?

7 A. Based upon assigning Tim Storey to work  
8 with him because of his C.E.O. skills, one would  
9 think that he would have figured that out.

10 Q. That's your understanding of what  
11 Mr. Storey's role was?

12 A. Yes.

13 Q. And the basis of that understanding is  
14 what?

15 A. Discussions with Bill Gould.

16 Q. Do you recall a meeting of the five  
17 non-Cotter directors at which Mr. Storey was charged  
18 with a function that came to be referred to as  
19 ombudsman?

20 A. No, I do not.

21 Q. Do you recall a meeting of five  
22 non-Cotter directors of which Mr. Storey was charged  
23 with working with Jim Cotter, Jr., as C.E.O. and, in  
24 particular, working with him and the Cotter sisters  
25 to attempt to enable them to work together as

1 **professionals instead of siblings with fights?**

2 MR. SEARCY: Objection. Vague,  
3 compound, argumentative.

4 MR. SWANIS: Object to form.

5 THE WITNESS: He was to figure out how  
6 to do things that were in the best interest of the  
7 shareholders. And I recall emails from -- email or  
8 emails from Tim about the holes in -- and that's my  
9 phrase, not Tim's -- in Jim's expertise or ability  
10 to function as a C.E.O. and where he needed further  
11 handling.

12 BY MR. KRUM:

13 Q. When was this?

14 A. Sometime after he started working with  
15 him.

16 Q. When was that?

17 A. Sometime after the -- I think the end of  
18 March.

19 Q. Did you ever hear or learn or were you  
20 ever told that the role of Mr. Storey commencing in  
21 or after March, whatever it was, was to -- was to  
22 continue into June 2015?

23 MR. SWANIS: Objection. Form.

24 THE SEARCY: Join. Also lacks  
25 foundation.

1 BY MR. KRUM:

2 Q. Well, we were talking about evaluating  
3 the C.E.O. That was my first question. So let me  
4 go back to that.

5 What process had been put in place at  
6 any time prior to Exhibit 124 to assess or evaluate  
7 the performance of the C.E.O. of RDI?

8 MR. SWANIS: Objection. Form.

9 MR. SEARCY: Objection. Also assumes  
10 facts.

11 THE WITNESS: The evaluation of  
12 performance by executives in a company is an ongoing  
13 activity. This is no different than any of the  
14 other companies I've been associated with.

15 Typically at the end of the year there  
16 is an evaluation done, a process to evaluate the  
17 performance, look at compensation and decide how to  
18 reward somebody for bonus or not for performance.

19 Here when you've got an individual who  
20 we're very concerned about, process or evaluation is  
21 constantly going on.

22 BY MR. KRUM:

23 Q. Who was doing that?

24 A. I think the entire board.

25 Q. Well, what was Mr. Kane doing?



1 Q. But you never had any communications  
2 with either of them about the subject or the notion  
3 that the C.E.O. position was to be reviewed in June?

4 A. I recall some discussion with Tim about  
5 an end of June time frame or 90-day time frame when  
6 he started, yes.

7 Q. What do you recall about --

8 A. Just that.

9 Q. Nothing else?

10 A. No.

11 Q. That was a bad question and an unclear  
12 answer because of the question.

13 Other than what you just said, do you  
14 recall anything from your discussion with Tim Storey  
15 about an end of June or 90 daytime frame?

16 A. No.

17 Q. Now, there came a point in time,  
18 Mr. McEachern, when you became a member of a  
19 so-called special nominating committee; is that  
20 correct?

21 A. Yes.

22 Q. How did that happen?

23 A. Are we talking about the nominating  
24 committee for a member of the board of directors?

25 Q. Well, let me ask the first -- another

1 went around to the theaters, didn't introduce  
2 himself to any of the theaters, taking pictures of  
3 the state of our theaters in Hawaii where we have a  
4 fairly big footprint.

5 I think he was coming back, planning to  
6 make some sort of presentation about the ugliness of  
7 the theaters which hadn't had any capital put into  
8 them for quite a while. That never happened.

9 But as Ed Kane tells me, he had  
10 discussions with Jim who showed Ed these pictures,  
11 said, "Jim, what are you doing with this? Are you  
12 trying to undercut your sister with the board of  
13 directors? Why don't you sit down and go to Hawaii  
14 with your sister, look at the operations and what  
15 can be done to enhance them."

16 At the same time in the fall, hearing  
17 that Jim is operating behind closed doors, but,  
18 really, how can that possibly be and how do you  
19 create trust? And I mentioned that earlier.

20 Jim, as would be reported, would come to  
21 the office, go into his office and shut the door and  
22 spend all day behind closed doors.

23 The message that he was told by me that  
24 he was sending was one of not being engaged with the  
25 employees of the company.

1 I said, "Jim, you got to open the door  
2 to the office."

3 This went on for a month or two.  
4 Finally Jim opens the door to his office, he opens  
5 the door to his office one inch. And nominally can  
6 you report that the door is open? Yes. In form it  
7 is. In substance is it? Not.

8 That really caused some great angst.  
9 You go back and start evaluating and you say, "Well  
10 we made this guy the C.E.O., and you reflect upon  
11 what he had done.

12 Now, my exposure to Jim -- I hope I'm  
13 not going on too much.

14 **Q. I want a complete list.**

15 A. My exposure to Jim -- I joined the board  
16 in June of 2012 -- had been exposure to him for a  
17 couple of years in meetings. He sat in the board  
18 meetings. I recall nothing that Jim Cotter, Jr.,  
19 ever had to say in any board meeting at all.

20 And when his dad died in early September  
21 of 2014, I went to Jim and said, "Listen, Jim, my  
22 relationship was with your dad. I knew him for a  
23 long period of time. I don't know your three kids,  
24 who now seem to be the ones who are running the  
25 company. I'll be happy to resign from the board if

1 you want."

2 And he said, "No. Stay on the board.  
3 We need you," and some other stuff. So I stayed on  
4 the board.

5 But we had these interactions in  
6 meetings, and you try to mentor and help somebody  
7 move their self along. From that point -- and this  
8 is now moving into January, February of 2015,  
9 getting to a point where this is just -- I'm pulling  
10 my hair out, and I think the other directors were  
11 too, a point where it's like why don't we just all  
12 resign and call it a day and move on. We're not  
13 getting any progress, we're not helping the  
14 shareholders of this organization, we're not causing  
15 value to be created.

16 And upon reflection, we put a C.E.O. in  
17 place who had, as I said earlier, no real estate  
18 experience, no management experience, no live  
19 theater experience, no cinema experience and no  
20 international experience.

21 Yeah, he traveled around with his dad  
22 looking at things in Australia and possibly New  
23 Zealand, but in terms of any real operational effect  
24 or activities impact, nothing.

25 And then we moved into this Stomp

1 situation. The Stomp situation, Jim initially  
2 wanted to use that, in my judgment, to case Margaret  
3 Cotter in a very negative light with the board. At  
4 the same time she was looking to try to get hired by  
5 the company and get an employment contract and move  
6 from her contractor or outside contractor status to  
7 an employee of reading.

8           Talked about what she wanted to do, but  
9 that's what she wanted to have happen. That I  
10 recall from the fall of 2014.

11           And Ellen wanted to have a similar  
12 contract.

13           Jim's comments constantly were to me "I  
14 know what my dad wants. I know what my dad wants."  
15 It's like the specter of Jim Cotter, Sr., is hanging  
16 over all this. I don't know. He never told me what  
17 his dad wants. But he would say it on a regular  
18 basis.

19           It got to the point where now Ellen and  
20 Margaret are trying to get their employment status  
21 squared away. And sometime in maybe -- I don't  
22 know -- March or April Jim finally sends a contract  
23 to Margaret, an employment contract, a draft. And  
24 it wasn't long, it was three or four pages as I  
25 recall.

1 But as a preamble to it was a cover memo  
2 that -- an email that had 23 or 4 or 17 or 20  
3 reasons why Margaret should not get an employment  
4 contract with the company.

5 And it was like, "Jim, if you're trying  
6 to get -- mend fences and move forward. You don't  
7 sit there and throw hand grenades in something that  
8 you're trying to do on a positive basis."

9 But I know Jim had to do that. And then  
10 Stomp happened. And I think that the employment  
11 contract business happened before Stomp.

12 And Stomp came to his attention at some  
13 point in April, May, and we ended up with a lot of  
14 consternation about what went on. People were  
15 jumping to conclusions before they had any facts,  
16 which Bill Gould, bless his heart, he -- he had us  
17 meet -- I don't know if it was the entire board, but  
18 we met around the board room.

19 I had a granddaughter did that to me.  
20 Scared me.

21 (Whereupon Mr. Rhov left the  
22 deposition proceedings at this  
23 time.)

24 THE WITNESS: He met around the board  
25 room and had a discussion with Margaret on the phone

1 discussions that he had had.

2 The company from August of 2014 until  
3 Jim's termination, I cannot tell you one thing that  
4 we did that created value for the company, one thing  
5 that Jim Cotter, Jr., managed to do. Nothing.

6 He ended up going to Australia and New  
7 Zealand sometime in maybe February, but Ed Kane was  
8 the one banging on the table saying "You know, you  
9 got to get out of the office. We got to get this --  
10 this toxic environment where everyone's just at  
11 wit's end out of here. And he had numerous  
12 discussions telling Jim, "Go to Australia and New  
13 Zealand and get out of here."

14 And so now -- Australia and New Zealand  
15 was 50 percent of our activities, maybe. Maybe 60.  
16 I'm not sure what the percentage is. It's in the  
17 10-K.

18 But we had him in place in August.  
19 August, September, October, November, December,  
20 January, February -- six months goes on and he  
21 hasn't gone to visit anybody who has -- connected  
22 our big activities that are taking place, which are  
23 doing exceedingly in Australia and New Zealand. And  
24 we had a lot of great opportunities.

25 All of those things. No -- making no

1 progress. Inability to work with executives.

2 Does that include Ellen and Margaret?

3 Absolutely it includes Ellen and Margaret, but as  
4 executives. And I had concluded, Rob, that I did  
5 not think that in my judgment Jim Cotter, Jr., was  
6 C.E.O. capable. Some of the emails I recall  
7 receiving from Tim Storey alluded to that, that we  
8 have somebody who was very weak as a C.E.O. or as a  
9 manager.

10 Tim at one point said that Jim wants to  
11 go to U.C.L.A. to learn how to manage -- get an  
12 M.B.A. -- I think it was U.C.R. Get an M.B.A. and  
13 learn how to manage people.

14 The comet was waiting. You're 45 or 46  
15 years old and you're going to go to school to learn  
16 how to manage people?

17 You're not going to change somebody at  
18 that point in time. Maybe people are going to alter  
19 their behavior five or ten percent, but you're not  
20 going to have an entire mind meld to try and get  
21 somebody to change their basic DNA in how they  
22 relate to people.

23 And you add all these things up -- the  
24 Linda Pham, as I said earlier, that was maybe five  
25 percent. It wasn't a major component. But it was



1 an inability to operate as a manager, an inability  
2 to create trust, an inability to communicate with  
3 people. That lack of experience that he had all  
4 painted a picture that we're not making progress  
5 that our shareholders expect us to make in this  
6 organization, and we got to get somebody in here who  
7 can help us move the company forward. And I voted  
8 to terminate him. So --

9 **Q. Just to put this one on a time line, the**  
10 **point in time by which you had reached your**  
11 **conclusion based upon the factors you just described**  
12 **was sometime in late April or May of 2015; is that**  
13 **right?**

14 **A.** I'd say it's probably mostly in the May  
15 time frame, I think.

16 I mean I had discussions with -- as I  
17 said, with Bill Gould about our options that we had  
18 to do something. I discounted one that Bill wanted  
19 to pursue as just -- the whole company would have  
20 imploded if we had gone down that past.

21 **Q. Okay.**

22 **MR. SEARCY:** Let me just -- before you  
23 ask another question, Robert, I just want to put on  
24 the record that Mr. Rhow left, and when he left it  
25 caused the door to make that startling sound that we

1 THE WITNESS: Analyzing the theater  
2 operations, absolutely nothing was wrong with doing  
3 that. Nothing.

4 I didn't believe -- I thought it was  
5 inappropriate that Jim was wasting -- inappropriate  
6 in that Jim was wasting his individual C.E.O. time  
7 doing it and that his time was better spent in other  
8 activities to move the company forward.

9 I felt we could hire a consultant to go  
10 do that, to work with Ellen to figure out how do we  
11 make it better.

12 BY MR. NATION:

13 Q. And also on that topic, I believe you  
14 also mentioned going to Bob -- directly to Bob  
15 Smer- -- Smerling rather than going to Ellen, right?

16 A. Yes. And to Andrzej Matyczynski.

17 Q. All right. So, I realize I haven't  
18 summarized this, but in the time that we've been  
19 asking and discussing this, is there anything else  
20 that you would add to the list?

21 A. One thing that came to mind, Jim felt  
22 that we should change the food and beverage  
23 activities going on at the cinemas.

24 I don't know if you've been to the  
25 cinema lately. Popcorn seems to be -- and a Coke

1 seems to be the old passe thing. Now it's gourmet  
2 hot dogs and beer and wine and alcohol and all kinds  
3 of other things being served, which I think was an  
4 appropriate thing.

5 He wanted and was endeavoring to go hire  
6 a food and beverage manager around Ellen Cotter,  
7 who's in charge of the operations.

8 It's like, well, now, wait a minute. We  
9 decide we need to go do this, the individual running  
10 that operation is the person that we -- should be in  
11 charge of going and figuring out where to go; not  
12 the C.E.O. going and undercutting an individual  
13 running that operation.

14 **Q. Anything else you can think of?**

15 A. Probably as I leave tonight a couple  
16 things will hit me.

17 **Q. We've hit the high spots, I take it.**

18 A. I think so.

19 **Q. Did you become aware from any source**  
20 **that Tim Storey disagreed with that assessment? In**  
21 **other words, that Tim Storey was giving reports,**  
22 **portraying James Cotter, Jr.'s, performance in a**  
23 **more favorable light?**

24 MR. SEARCY: Objection. Assumes facts,  
25 lacks foundation, it's vague.

# **EXHIBIT 8**

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DISTRICT COURT  
CLARK COUNTY, NEVADA

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

VIDEOTAPED DEPOSITION OF MARGARET COTTER  
TAKEN ON MAY 12, 2016  
VOLUME I

REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1 MR. SEARCY: So, Mark, if you're close  
2 to finishing, it's about 6:22 right now.

3 MR. KRUM: Yeah. We should finish up by  
4 6:30 if not before.

5 BY MR. KRUM:

6 Q. Ms. Cotter, directing your attention to  
7 your testimony of a moment ago to the effect that  
8 your brother already had been told by the board that  
9 he would be terminated, do you have that in mind?

10 A. Do I have my statement in mind?

11 Q. Yeah. I just want to direct your  
12 attention to that.

13 A. Yes.

14 Q. And what was it you understood your  
15 brother needed to do, if anything, as of June 4,  
16 2015, to avoid being terminated?

17 A. I believe at that point there was a --  
18 we had collectively agreed that we would resolve  
19 this dispute and the lawyers put together a  
20 settlement.

21 We told the board that we resolved it  
22 and that we're going to put it in the hands of the  
23 lawyers. And we revised the settlement.

24 I don't know if it was -- I don't know  
25 if we revised it because my brother asked for

1 additional things or if we just decided to throw in,  
2 you know, additional elements of the settlement, but  
3 that's where we were on June 4th.

4 Q. When you refer to "this dispute," you're  
5 referring to the trust disputes?

6 MR. SEARCY: Objection. Vague.

7 BY MR. KRUM:

8 Q. Well, let me ask an open-ended question.

9 In your last response you referred to  
10 resolving this dispute.

11 To what were you referring when you said  
12 "this dispute"?

13 A. There were elements of the trust dispute  
14 and there were also some terms regarding going  
15 forward in the company in the settlement.

16 Q. So what had transpired is that at a  
17 reconvened -- a supposed reconvened telephonic board  
18 meeting, Ellen reported that you and Ellen had  
19 reached a resolution with your brother and that the  
20 lawyers were going to prepare the paperwork; is that  
21 correct?

22 MR. SEARCY: Objection. Vague.

23 THE WITNESS: Which -- when are you  
24 referring to?

25 ///

1 BY MR. KRUM:

2 Q. Okay. Do you recall that there was a  
3 Friday where there was a board meeting that convened  
4 in the morning or early afternoon and that that  
5 supposed board meeting adjourned and supposedly  
6 reconvened in a telephonic meeting at about  
7 6 o'clock in the evening?

8 A. That's correct.

9 Q. And do you recall that on the  
10 telephonic -- or on the telephone call, Ellen  
11 reported that a tentative agreement had been struck  
12 by you and her on one hand and by your brother on  
13 the other?

14 A. I don't know if she said "tentative."

15 Q. Okay. Do you recall that she reported  
16 that an agreement had been reached?

17 A. Yes.

18 Q. And the agreement was between you and  
19 her on one hand and your brother on the other hand?

20 A. Yes.

21 Q. And that in Exhibit 156, when you asked  
22 your brother, quote, "What is the status of the  
23 paperwork we sent you yesterday," close quote,  
24 you're referring to the paperwork that Sussman sent  
25 to Streisand about the agreement that Ellen had



1 reported during the 6:00 P.M. telephone call we just  
2 discussed, right?

3 MR. SEARCY: Objection. Vague, lacks  
4 foundation.

5 THE WITNESS: No.

6 BY MR. KRUM:

7 Q. Okay. To what are you referring, then?

8 A. This is the revised settlement. This  
9 was not -- this settlement offer that I'm referring  
10 to in this email was not the settlement that my  
11 sister was referring to on that telephonic board  
12 meeting.

13 Q. Okay.

14 MR. SEARCY: So, Mr. Krum, I can tell by  
15 the way my witness is slouching in her seat that  
16 we're reaching the end here.

17 MR. KRUM: We'll be there in a minute.

18 BY MR. KRUM:

19 Q. So, that settlement -- that  
20 documentation was not accepted by your brother,  
21 correct?

22 MR. SEARCY: Objection. Vague.

23 MR. FERRARIO: Obviously. We're here.

24 THE WITNESS: That's correct.

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# **EXHIBIT 9**

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DISTRICT COURT  
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., )  
individually and )  
derivatively on behalf of )  
Reading International, )  
Inc., )  
Plaintiff, )  
vs. )  
MARGARET COTTER, et al., )  
Defendants. )  
and )  
READING INTERNATIONAL, )  
INC., a Nevada )  
corporation, )  
Nominal Defendant )

Case No. A-15-719860-B  
Coordinated with:  
Case No. P-14-082942-E

VIDEOTAPED DEPOSITION OF MARGARET COTTER  
TAKEN ON MAY 13, 2016  
VOLUME II

REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1 as follows:

2 "Question: Well, independent of  
3 what you meant on that particular  
4 day, in or about the end of March  
5 2015 or early April, 2015, did you  
6 have a view or an opinion that  
7 your brother had some strategy or  
8 some particular purpose that was  
9 why he had not then acted to make  
10 you an employee of RDI?")

11 BY MR. KRUM:

12 Q. Can you answer that?

13 A. I can speculate as to what I meant on  
14 this day. I mean I just felt from the start that my  
15 brother was trying to push me off to the side and  
16 not be part of this company.

17 Q. Well, there came a time in May of 2015  
18 when he sent you a draft of an employment agreement,  
19 right?

20 A. I -- I don't know if that was the date,  
21 but he sent me a draft, yes.

22 Q. Okay. Did that change your view of  
23 whether he was willing to make you an employee of  
24 RDI?

25 A. No.

1 Q. Why not?

2 A. I believe that the email had 23 reasons  
3 why he shouldn't be giving me this employment  
4 agreement. And the employment agreement was very  
5 restricted, where if I didn't hand in a report at  
6 some particular time, I could be terminated.

7 Q. At any point in time from the time in  
8 August of 2014 when your brother became C.E.O. until  
9 he was terminated on June 12, 2015, did you develop  
10 a view that he wanted or was looking for excuses or  
11 reasons to terminate your consulting arrangement?

12 A. You're asking me if I knew of reasons?

13 Q. No. I'm asking you if you had that  
14 thought in that time frame.

15 So let me ask the court reporter to read  
16 the question back.

17 (Whereupon the question was read  
18 as follows:

19 "Question: At any point in time  
20 from the time in August of 2014  
21 when your brother became C.E.O.  
22 until he was terminated on  
23 June 12, 2015, did you develop a  
24 view that he wanted or was looking  
25 for excuses or reasons to

1 you talking about when you received the Stomp  
2 producer's letter purporting to terminate the  
3 agreement and then sent that along to your brother?

4 A. That's correct.

5 Q. What is it you recall happened  
6 between -- if anything that happened between when  
7 you sent that letter to your brother and the board  
8 meeting with respect to the Stomp matter?

9 A. Just my brother would call, and he  
10 wanted all these particulars about this February  
11 letter.

12 And at that point we were putting  
13 together a preliminary injunction motion to go into  
14 the Supreme Court. And he wasn't listening to  
15 the -- to me on this injunction saying that we have  
16 to get this filed. He was more concerned about why  
17 he wasn't notified back in February.

18 And I told him, "Jim, you're missing the  
19 point."

20 And he just wanted to find all the fault  
21 in what I had done rather than deal with the  
22 situation at hand and getting this motion filed to  
23 prevent the show from leaving the theater.

24 Q. Ms. Cotter, when you say he wanted to  
25 find fault, why do you say that?

1 A. I don't recall.

2 Q. Did you ever have a communication with  
3 Guy Adams about him serving as interim C.E.O. of  
4 RDI?

5 A. I don't recall that.

6 Q. Did you ever have a conversation with  
7 any non-Cotter director about an interim C.E.O. of  
8 RDI?

9 A. Prior to June 16th --

10 Q. Prior to June --

11 A. Or 12th?

12 Q. Prior to June 12, 2015, yes.

13 A. I don't recall.

14 Q. What's your best recollection as to how  
15 many board meetings, which I'll call supposed board  
16 meetings, occurred at which a subject or the subject  
17 was the possible termination of your brother as  
18 president and C.E.O.?

19 A. I recall three.

20 Q. And if you would, please, whether by  
21 date or such other reference as you see fit,  
22 describe or identify each of the three.

23 A. There was the first one at some point in  
24 May that termination of my brother was discussed.  
25 And I believe at that board meeting there was a

1 suggestion by one of the directors, Bill Gould might  
2 have said, "Jim, how about we keep you as president  
3 and we get a new C.E.O.?"

4 And I then said, "Jim, and then you can  
5 get your training over the next five years and gain  
6 more experience and possibly you become C.E.O. in  
7 another five years."

8 And I remember my brother thanked  
9 everyone and said he'll think about it.

10 Q. That's your recollection as to how that  
11 meeting ended?

12 A. Yes.

13 Q. And then the next meeting occurred how  
14 much later?

15 A. I don't recall the date or how far it  
16 was. But I believe at that meeting that there was  
17 more discussion on his termination and the reasons  
18 why.

19 And there came a time when there was  
20 a -- a discussion about possibly ending it all,  
21 meaning we would end the trust litigation, we would  
22 end, you know, our disputes within the company.

23 And we dismissed the non-Cotters at some  
24 point, and my brother, I and my sister sat in a room  
25 and we talked about the company, working together.



1 We talked about the -- the trust dispute that we  
2 had.

3 And we -- I mean I think this was going  
4 on for like three or four hours.

5 And we reached a settlement that we all  
6 agreed upon. We called the board back -- or the  
7 board told us that we would reconvene at 6:00. And  
8 at 6 o'clock we told the board that we all reached  
9 an agreement.

10 And the board congratulated us and said  
11 let's move forward.

12 **Q. And then what happened?**

13 A. I think that our -- my lawyer, my  
14 sister's lawyer and I -- mine, our trust attorney  
15 put together a settlement offer that -- that we had  
16 given him in writing saying this is what we all  
17 decided.

18 He put it -- he put together an  
19 agreement, and he forwarded it over to my brother's  
20 attorney, to his trust attorney.

21 **Q. Sussman to Streisand, yours to his?**

22 A. Sussman to Streisand, correct.

23 **Q. I'm sorry. Please continue.**

24 A. And I don't -- I don't know what  
25 happened with that settlement, but then there was a

1 revised settlement where we, meaning my sister and  
2 I, provided things to my brother, additional  
3 benefits for my brother. I think we forgave --  
4 agreed to forgive a \$1.5 million note, and we  
5 allowed him to continue receiving his \$200,000 a  
6 year director's fee from Cecelia in that settlement.

7 **Q. Then what happened?**

8 A. And then I don't know if I had a  
9 conversation with my brother, and he said, "Let's  
10 mediate."

11 **Q. You think that was a conversation?**

12 A. It might have been a conversation, yeah.

13 **Q. What was your response?**

14 A. "Jim, we've given you everything we can.  
15 Take this. We've done mediation."

16 **Q. Who else said what, if anything, during  
17 that conversation?**

18 A. I don't recall anything else.

19 **Q. So, what happened next?**

20 A. I just -- I remember my sister being in  
21 New York with me. And there was a board meeting  
22 that was -- that was put on the calendar.

23 **Q. An RDI board meeting?**

24 A. Yes.

25 **Q. Then what happened?**

1           A.    And at that board meeting all the  
2 directors spoke, and my brother was terminated.

3           Q.    So how did it come to pass that the --  
4 that supposed board meeting was put on the calendar?

5           A.    I don't recall.

6           Q.    Who put it on the calendar?

7           A.    My sister as chairman.

8           Q.    Was the purpose of calling that meeting  
9 to vote on the termination of your brother?

10          A.    That's correct.

11          Q.    What's your understanding as to why your  
12 sister put that on the calendar at that time?

13          A.    I don't think that the settlement was  
14 agreed to after we had all agreed.

15          Q.    In other words, your brother didn't  
16 agree to the settlement proposal that -- the revised  
17 settlement proposal that you had had your lawyer  
18 Sussman provide to Streisand? Is that what you're  
19 saying?

20          A.    That's correct.

21          Q.    Directing your attention, Ms. Cotter,  
22 back to what you've described as the second meeting,  
23 do you have in mind your testimony about you and  
24 Ellen spending three or four hours with Jim talking  
25 about the trust and estate disputes and the disputes

# **EXHIBIT 10**

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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

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

vs.

Case No.

MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY,  
WILLIAM GOULD, JUDY CODDING,  
MICHAEL WROTONIAK, and DOES 1  
through 100, inclusive,  
Defendants.

A-15-719860-B

and

READING INTERNATIONAL, INC.,  
a Nevada corporation,  
Nominal Defendant.

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(CAPTION CONTINUED ON NEXT PAGE.)  
VIDEOTAPED DEPOSITION OF JAMES COTTER, JR.  
Los Angeles, California  
Monday, May 16, 2016  
Volume I

Reported by:  
JANICE SCHUTZMAN, CSR No. 9509  
Job No. 2312188  
Pages 1 - 297

1 T2 PARTNERS MANAGEMENT, LP, a  
2 Delaware limited partnership,  
3 doing business as KASE CAPITAL  
4 MANAGEMENT, et al.,  
5 Plaintiffs,  
6 vs.  
7 MARGARET COTTER, ELLEN COTTER,  
8 GUY ADAMS, EDWARD KANE, DOUGLAS  
9 McEACHERN, WILLIAM GOULD, JUDY  
10 CODDING, MICHAEL WROTNIAK, CRAIG  
11 TOMPKINS, and DOES 1 through 100,  
12 inclusive,  
13 Defendants.  
14 and  
15 READING INTERNATIONAL, INC., a  
16 Nevada corporation,  
17 Nominal Defendant.

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Videotaped Deposition of JAMES COTTER, JR.,  
Volume I, taken at 865 South Figueroa Street,  
10th Floor, Los Angeles, California, commencing  
at 10:09 a.m. and ending at 5:40 p.m., Monday,  
May 16, 2016, before Janice Schutzman, CSR No. 9509.

PAGES 1 - 297

1 Q. Is that fair to say?

2 MR. KRUM: Same objections.

3 Go ahead.

4 THE WITNESS: Yes.

5 BY MR. TAYBACK: 10:30:57

6 Q. Any other form of redress that you are  
7 seeking related to your termination --

8 MR. KRUM: Same objections.

9 BY MR. TAYBACK:

10 Q. -- through this lawsuit? 10:31:04

11 MR. KRUM: Sorry.

12 MR. TAYBACK: That's all right.

13 MR. KRUM: Same objections, same  
14 admonition.

15 Go ahead. 10:31:09

16 THE WITNESS: At this point in time, I do  
17 not recall any, no.

18 BY MR. TAYBACK:

19 Q. When you were CEO, it was pursuant to a  
20 written contract? 10:31:20

21 A. No.

22 Q. So you had no written employment contract  
23 with respect to your position as CEO?

24 A. That's a legal question, Mr. Tayback.

25 I had an employment agreement as president 10:31:35

1 that was signed on June -- in June of 2014. I was  
2 promoted to president -- to CEO on August 7th, 2014.  
3 And whether my position as CEO was subsumed in the  
4 employment agreement, I can't tell you.

5 Q. What was your understanding -- when you 10:31:59  
6 became CEO, what was your understanding of the terms  
7 that governed your employment?

8 A. That governed my employment as CEO?

9 Q. Yes.

10 A. Well, at a minimum, the terms of my 10:32:15  
11 employment agreement would continue, and there was  
12 an expectation that it might be -- the terms might  
13 be amended to reflect the new status as CEO. The  
14 terms and compensation might be amended to reflect  
15 the status of CEO as well. But that had never been 10:32:34  
16 done.

17 Q. So that never did get done; correct?

18 A. That's right.

19 Q. So your compensation as CEO was the same as  
20 that which is laid out -- was laid out in the 10:32:46  
21 written agreement with respect to you being  
22 president; correct?

23 A. Correct.

24 Q. And the other terms that are set forth in  
25 that written agreement that governed your position 10:33:00



1 as president so, you believe, stayed in effect while  
2 you were CEO; correct?

3 MR. KRUM: Objection, calls for a legal  
4 conclusion.

5 THE WITNESS: Could you repeat the 10:33:11  
6 question.

7 BY MR. TAYBACK:

8 Q. Sure.

9 The written agreement that you had as  
10 president, you believe that that stayed in effect 10:33:16  
11 while you were CEO?

12 MR. KRUM: Same objection.

13 THE WITNESS: Yes.

14 BY MR. TAYBACK:

15 Q. And you didn't have some separate written 10:33:22  
16 agreement with respect to being CEO?

17 A. No, I did not.

18 Q. And your understanding is that as CEO, you  
19 reported to the board; correct?

20 A. Correct. 10:33:33

21 Q. And you had no written guarantee of a  
22 specific minimum term for which you would be CEO; is  
23 that correct?

24 MR. KRUM: Same objection.

25 THE WITNESS: Well, the expectation that I 10:33:51

1 had was that the employment agreement would at least  
2 provide me a certain term as CEO and president.

3 BY MR. TAYBACK:

4 Q. So you believed that the written agreement  
5 did govern your term as CEO? 10:34:07

6 MR. KRUM: Same objection.

7 THE WITNESS: I don't know if I can say  
8 that I specifically thought that at the time.

9 BY MR. TAYBACK:

10 Q. You know what an employment -- employment 10:34:20  
11 at will is?

12 A. I do.

13 Q. And what's your understanding of that?

14 A. A company can terminate an executive at any  
15 point in time. 10:34:35

16 Q. Did you believe that you were an employee  
17 at will as CEO?

18 MR. KRUM: Same objection.

19 THE WITNESS: Again, I thought that at  
20 least my employment agreement as president would 10:34:47  
21 cover -- would be subsumed and would deal with my  
22 new title as CEO at a minimum.

23 Now, when you discuss being an employee at  
24 will, I never thought that the board -- I always  
25 assumed that if I was going to be terminated, even 10:35:05

1 if I were an employee at will, that the board would  
2 engage in some modicum of process before making a  
3 decision to terminate the CEO of a company.

4 BY MR. TAYBACK:

5 Q. Put aside the process -- 10:35:19

6 A. Okay.

7 Q. -- for a minute. I want to understand what  
8 your basis is for whether you believed that you  
9 could be terminated at will or whether you couldn't  
10 be terminated at will. 10:35:29

11 Did you believe you could be?

12 A. I believed that, at a minimum, the company  
13 would provide me notice, 12 months' notice under my  
14 employment agreement, before terminating me as  
15 president and CEO. 10:35:42

16 Q. So you believe the notice provision and the  
17 12 months -- the 12-month notice provision --  
18 withdraw that.

19 So you believe that certain aspects, at  
20 least, of that written agreement also governed your 10:35:59  
21 relationship with the company as CEO; is that  
22 correct?

23 MR. KRUM: Objection, calls for a legal  
24 conclusion, the document speaks for itself.

25 You can answer. 10:36:10

1 THE WITNESS: Could you repeat the  
2 question?

3 BY MR. TAYBACK:

4 Q. I'll just ask a different question.

5 It's your understanding that as CEO, if you 10:36:19  
6 were terminated for any reason, that you would be  
7 entitled to -- withdraw that.

8 It was your understanding as CEO that if  
9 you were terminated without cause, that you would be  
10 entitled to some compensation, 12 months? 10:36:34

11 MR. KRUM: Same objections.

12 THE WITNESS: With respect to my employment  
13 agreement, I expected that, at a minimum, the  
14 company would provide me 12 months' notice -- if  
15 they wanted to end the relationship, that they would 10:36:55  
16 give me 12 months and my status as president and CEO  
17 would continue. But that's simply my understanding  
18 under the employment agreement.

19 BY MR. TAYBACK:

20 Q. And you believe that that employment 10:37:08  
21 agreement governed your tenure as CEO, that written  
22 employment agreement?

23 MR. KRUM: Same objections.

24 THE WITNESS: Did I believe my employment  
25 agreement governed my status as CEO? 10:37:24

1 BY MR. TAYBACK:

2 Q. Yes.

3 MR. KRUM: Same objections.

4 THE WITNESS: At a minimum, I agree that if  
5 I were terminated as president and as CEO, that I 10:37:37  
6 would have relief under that employment agreement.

7 BY MR. TAYBACK:

8 Q. And I guess you can't answer the question  
9 yes or no as to whether or not you believe that the  
10 employment agreement that you had as president 10:37:52  
11 governed your relationship with the company as CEO?

12 A. You know --

13 MR. KRUM: Wait.

14 THE WITNESS: -- I'm --

15 MR. KRUM: Wait. Let me interpose my 10:37:57  
16 objections.

17 Objection, vague and ambiguous, calls for a  
18 legal conclusion.

19 You can answer.

20 THE WITNESS: I'm not a lawyer. I'm not a 10:38:03  
21 practicing lawyer.

22 BY MR. TAYBACK:

23 Q. You are a lawyer; correct?

24 A. I am a lawyer. I'm not a practicing  
25 lawyer. I'm not qualified in California. 10:38:10

1 I had an employment agreement as president.  
2 I became CEO. The employment agreement was not  
3 amended to reflect my new status as president and  
4 CEO.

5 So did the employment agreement govern now 10:38:24  
6 my status as CEO? I don't know. I mean, I can't  
7 tell you that as a nonpracticing lawyer. I mean,  
8 that's a legal conclusion.

9 Q. So when you became CEO, your compensation  
10 stayed the same as it was when you were president? 10:38:43

11 A. It did.

12 Q. And did you do anything to seek to amend  
13 your written employment agreement? Did you do  
14 anything to do that?

15 A. At the time that I became CEO, in August of 10:38:57  
16 2014, there were a lot of more pressing matters  
17 confronting the company and confronting myself with  
18 my father's death that I was addressing and thought  
19 that these items were more important.

20 And so in the fullness of time, I'm sure 10:39:20  
21 that would have been addressed, but it wasn't a  
22 priority for me at that point in my life and with  
23 the matters confronting the company.

24 Q. So the answer to my question is no?

25 A. Okay. 10:39:34

1 moved to California and started becoming involved in  
2 attending certain meetings, and 2000 --  
3 September 2007 when you became vice chairman --

4 A. Right.

5 Q. -- between 2005 and 2007, did you actually 12:56:47  
6 have a position with Reading?

7 A. No. No. Not to my knowledge.

8 Q. You would occasionally attend meetings on a  
9 periodic basis.

10 Were they always with your father? 12:56:57

11 A. I mean, it was a long time ago.

12 I can't say definitively. Probably.

13 Q. And did you have actual responsibilities at  
14 any of these meetings?

15 A. From 2005 until I was appointed vice 12:57:10  
16 chairman in September of 2007, no, I don't believe I  
17 did.

18 Q. So you weren't -- actually, you weren't on  
19 the board and you weren't on a particular executive  
20 committee? 12:57:24

21 A. Oh, no, I was on the board. I was on the  
22 board of directors of Reading since March of 2002.

23 Q. Okay. So your first position at Reading  
24 was being on the board?

25 A. Yes. 12:57:36

1 Q. And back in 2002, you were living in  
2 New York?

3 A. Yes.

4 Q. Did you attend meetings?

5 A. Of course. 12:57:41

6 Q. Had you ever been on the board of a public  
7 company prior to being on the board at Reading?

8 A. No.

9 Q. Was -- in 2002, was Reading a public  
10 company at that point in time? 12:58:01

11 A. Yes.

12 Q. And the board -- who else was on the board  
13 in 2002 when you first joined?

14 A. My father, I believe Bill Gould, Ed Kane,  
15 possibly Al Villasenor. Those are the only names 12:58:38  
16 that I can recall.

17 Q. Do you recall how big the board was? That  
18 is to say, do you recall whether there were more  
19 people but you're not remembering their names or  
20 whether that might have been all of them? 12:58:54

21 A. There were certainly more people.

22 Q. Did you attend the board meetings in  
23 person?

24 A. Some of them.

25 Q. And did you attend some by telephone? 12:59:00



1 A. Yes.

2 Q. Okay. And did you also miss some board  
3 meetings in the early days of being on the board?

4 A. I don't recall why I would have missed  
5 meetings. 12:59:13

6 Q. And did you get materials in advance for  
7 consideration?

8 A. Absolutely.

9 Q. When would you get them in New York?

10 A. In 2002? 12:59:22

11 Q. Yeah.

12 A. That's a long time. I don't --

13 Q. You don't remember?

14 A. I don't remember.

15 Q. Okay. Did -- do you know -- do you have  
16 a -- 12:59:28

17 Do you remember having a routine where you  
18 would get, in advance of a board meeting, an agenda  
19 and what you'd have to understand you would be  
20 voting on? 12:59:37

21 A. Again, it's been a long time. I would be  
22 surprised if we didn't.

23 Q. Okay. This was your first time being on a  
24 board of a public company; correct?

25 A. Yes. 12:59:47

1 Q. And what did you do to understand what your  
2 responsibilities were?

3 A. Well, I was also a corporate lawyer at the  
4 time, so I had familiarity with the responsibilities  
5 of directors of public companies. 12:59:59

6 Q. Okay. So you had kind of your own  
7 understanding. You didn't need to do anything in  
8 particular to learn what you should -- what your  
9 obligations would be as a board member for Reading?

10 A. I mean, I would often, you know, read 01:00:16  
11 articles and cases, and aside from that and learning  
12 as a corporate lawyer, I don't recall.

13 Q. Do you believe you were qualified to be on  
14 the board of Reading at the time you were appointed?

15 A. Yes. 01:00:35

16 Q. Okay. Why? What made you qualified?

17 A. Well, I had stock in the company, I  
18 believe, at the time. And I had an interest as a  
19 large or potentially a very large stockholder with  
20 my dad's interest. So I thought that it was 01:01:07  
21 appropriate that I be on the board.

22 Q. How much stock did you own at the time?

23 A. I might not have owned a lot at the time,  
24 but I'm -- the expectation was that the stock that  
25 my dad owned would ultimately, you know -- or some 01:01:24

1 of the stock would be owned by his three children.

2 Q. And were your -- either of your sisters on  
3 the board at the same time?

4 A. I don't believe my sisters were on the  
5 board at that time. I think possibly Margaret might 01:01:37  
6 have joined afterwards, and I don't think Ellen  
7 joined until 2013.

8 Q. And do you agree that at the time they  
9 joined, respectively, that they were both equally  
10 qualified to be board members of Reading? 01:01:50

11 A. For the same reasons that I listed for  
12 myself, as far as having an ownership interest or a  
13 potential ownership interest in the company, that --

14 Q. At least for those reasons.

15 A. Yeah, at least for those reasons that it 01:02:04  
16 would be appropriate that they be -- that they have  
17 a seat on the board, yes.

18 Q. And did you have -- what was the  
19 business --

20 How would you describe the business of 01:02:15  
21 Reading in 2002 at the time you became on the board?

22 A. I mean, it's -- this goes back.

23 Q. Generally.

24 A. It owned real estate at the time. This was  
25 before it had acquired an interest in U.S. cinemas, 01:02:48

1 I believe. But again, this goes back 14 years, so I  
2 can't tell you.

3 Q. Had you had any professional experience in  
4 real estate acquisition development prior to 2002?

5 A. I certainly had done real estate and other 01:03:14  
6 acquisitions and financings as a corporate lawyer at  
7 Whitman Breed prior to 2002.

8 Q. Other -- so as the corporate lawyer  
9 documenting a real estate transaction --

10 A. Right. 01:03:40

11 Q. -- have you made any -- had you been  
12 engaged in any business where the business decisions  
13 were acquisitions, real estate development, things  
14 like that?

15 A. Prior to 2002, no. 01:03:52

16 Q. Correct.

17 Did you feel that was an impediment to your  
18 being an effective board member of Reading when you  
19 first joined the board?

20 A. Well, it certainly wasn't preferred. But I 01:04:05

21 felt that while I didn't have the real estate  
22 experience that would have been preferred for the  
23 board and I didn't have the public company  
24 experience that would have been preferred for the  
25 board, that my interest as a possibly very large 01:04:19

1 stockholder of Reading outweighed not having the  
2 real estate experience and not having the public  
3 company experience. So I thought on balance, it was  
4 appropriate.

5 Q. So you would agree that in, at least in 01:04:37  
6 that instance, the Reading board could properly  
7 weigh certain factors against other factors and make  
8 a business decision that would -- came -- that  
9 concluded that you were suitable for the board even  
10 if you didn't have all of the preferred 01:04:54  
11 characteristics of a board member; correct?

12 MR. KRUM: Objection, vague and ambiguous.

13 THE WITNESS: Okay.

14 BY MR. TAYBACK:

15 Q. Yes? 01:05:09

16 A. Yes.

17 Q. Once you came on the board, did you  
18 participate in the meetings? That is to say, were  
19 you an active participant in the meetings?

20 A. Early on? 01:05:20

21 Q. Yes.

22 A. Again, this takes me back many years.

23 Initially, without having the experience, I might  
24 not have been as active as I had come to be over the  
25 years. 01:05:42

1 Q. And did you feel like you learned on the  
2 job as a board member of Reading?

3 A. As a director?

4 Q. As a director.

5 A. Of course. 01:05:53

6 Q. What's the first big decision that you can  
7 remember participating in as a director?

8 A. I don't recall.

9 Q. As -- up to present, are there any other  
10 publicly -- public company boards that you've served 01:06:33  
11 on?

12 A. I served on Gish Biomedical at one point.

13 Q. Any others?

14 A. Not that I recall.

15 Q. How long -- what time period were you on 01:07:03  
16 the board of Gish Biomedical?

17 A. I really can't pinpoint how long I served  
18 on the board of Gish.

19 Q. Give me an estimate of what years, roughly,  
20 it covered? 01:07:28

21 A. 2004/2005.

22 Q. So approximately a year or two?

23 A. Possibly.

24 Q. How did you come to be on the board of Gish  
25 Biomedical? 01:07:47

1           A.    I think I was appointed by the Reading  
2 board because Reading had an interest in that  
3 entity.

4           Q.    What was the business of Gish Biomedical?

5           A.    Biomedical. 01:07:59

6           Q.    Was there some specific field, some  
7 specific subspecialty or device that it was involved  
8 in?

9           A.    I can't recall. I mean, it's been many  
10 years. But it was in medical products. 01:08:12

11          Q.    And did you attend board meetings for Gish  
12 Biomedical?

13          A.    I did.

14          Q.    Can you remember any of the other board  
15 members? 01:08:22

16          A.    I can't.

17          Q.    And did you attend those meetings in  
18 person?

19          A.    Some of them.

20          Q.    And some by telephone? 01:08:29

21          A.    Perhaps, yes.

22          Q.    Did you miss any?

23          A.    I don't recall. I don't see why I would  
24 have.

25          Q.    Can you describe for me any major decisions 01:08:37

1 that were made while you were on the board of Gish  
2 Biomedical?

3 MR. KRUM: Objection, vague.

4 THE WITNESS: Again, it was so many years  
5 ago, I can't recall. 01:08:56

6 BY MR. TAYBACK:

7 Q. Did you have any experience in the  
8 biomedical industry at the time that you served on  
9 the Gish Biomedical board?

10 A. No. 01:09:04

11 Q. What were you -- what were your  
12 qualifications for serving on that board?

13 A. I guess my sole qualification was that the  
14 board of Reading appointed me, if I remember  
15 correctly. 01:09:18

16 Q. Did you believe that that was an adequate  
17 basis for you to undertake your fiduciary duties as  
18 a board member of Gish Biomedical?

19 MR. KRUM: Objection insofar as it calls  
20 for a legal conclusion. 01:09:30

21 THE WITNESS: Could you repeat the  
22 question?

23 BY MR. TAYBACK:

24 Q. Sure.  
25 Did you feel at the time that you were 01:09:36



1 appointed to that board that you were qualified to  
2 discharge your fiduciary duties as a board member of  
3 Gish Biomedical?

4 MR. KRUM: Same objection.

5 THE WITNESS: It's been so many years. I 01:09:47  
6 can't recall whether I thought that at the time.

7 BY MR. TAYBACK:

8 Q. Well, as you sit here now, do you remember  
9 thinking, wow, I'm on a board and I can't do my  
10 fiduciary -- I can't live up to my fiduciary duties? 01:09:58  
11 You probably would remember that, I think?

12 A. I mean, look- --

13 MR. KRUM: Same objection.

14 THE WITNESS: Looking back on it, I might  
15 not have been the best candidate. 01:10:09

16 BY MR. TAYBACK:

17 Q. And did you say anything to anybody about  
18 that?

19 A. Not that I recall, no.

20 Q. But that's a view that you look -- that you 01:10:16  
21 have now, looking back on it.

22 You can't recall that you actually had that  
23 view at the time?

24 MR. KRUM: Asked and answered.

25 THE WITNESS: I can't recall the view that 01:10:24

1 I had at that time.

2 MR. KRUM: Chris, it's 1:10, so whenever  
3 it's convenient, why don't we break for lunch.

4 MR. TAYBACK: Now's good.

5 MR. KRUM: Now's good?

6 MR. TAYBACK: That's fine, yeah.

7 MR. KRUM: Okay.

8 THE VIDEOGRAPHER: This marks the end of  
9 media No. 2. Going off the record at 1:10 p.m.

10 (The luncheon recess was taken  
11 at 1:10 p.m.)

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1           A.    In 2007, the position really was to support  
2           my father as chairman.  And in 2007, I commenced  
3           holding executive management meetings with the  
4           executives in Australia and New Zealand, both for  
5           the property and cinema operations there, and also       02:11:31  
6           executive management meetings at -- with the U.S.  
7           cinema team.

8                     Met with them twice a week, put together  
9           agendas for both meetings.  Spoke with executives to  
10          figure out what should be put on the agenda in order     02:11:55  
11          to move the company forward under the direction of  
12          the chairman and CEO of the company.

13          Q.    And had you had any experience at all in  
14          the cinema or theater business of any sort?

15          A.    Well, I had been a director of Reading           02:12:27  
16          since 2002.

17          Q.    Other than your tenure as a director of  
18          Reading, had you had any experience with the --

19          A.    No.

20          Q.    -- business?                                       02:12:35

21                     Is that also true with respect to your  
22          experience at that point in time in -- with respect  
23          to real estate, your time as a lawyer and then also  
24          your time on the board of Reading?  Is that your  
25          only experience in the real estate business?           02:12:50



1 my activity at those entities because of my  
2 appointment as president of RDI.

3 And so while -- and so at the point of  
4 becoming president, my father and I had an agreement  
5 that I would transition my role as president whereas 02:25:48  
6 CEO of Cecelia and the agricultural entities into  
7 one as a director, and my activity would be  
8 curtailed to reflect the role as a director.

9 Q. And in fact, is that what happened?

10 A. Yes. 02:26:15

11 Q. So when you took on the title of president  
12 of Reading, what were the additional  
13 responsibilities, job responsibilities as president  
14 that you accepted?

15 A. Well, all of the responsibilities that a 02:26:25  
16 president would normally accept, and spending, you  
17 know, all of -- almost all of my time focused on  
18 Reading, beginning, you know, in June of 2013.

19 Q. Okay. But if you could just elaborate for  
20 me, what were the -- what were those 02:26:54  
21 responsibilities, those typical responsibilities of  
22 a president?

23 A. To -- I was reporting to the CEO, so I was  
24 helping the CEO implement his short-term and  
25 long-term vision. But I was also the primary 02:27:07

1 executive responsible for all of the day-to-day  
2 decisions. The executives reported to the  
3 president, and I ultimately reported to the CEO.

4 So it was more of an executive role with  
5 executive responsibilities because at that time, our 02:27:34  
6 chief operating officer had resigned, and I had  
7 really stepped into an operating role to fill the  
8 void that he left with his resignation.

9 Q. Who was that COO?

10 A. John Hunter. 02:27:53

11 Q. And was he replaced?

12 A. He was not replaced. But I became  
13 president either at the same time, shortly after, or  
14 before his resignation as chief operating officer.

15 Q. Was there a president before you took the 02:28:07  
16 position?

17 A. No.

18 Q. So the position was -- the title, at least,  
19 was created for you. That was, you were the first  
20 president, there was no prior president? 02:28:17

21 A. I don't know if that's the case. There may  
22 have been.

23 Q. But you didn't -- you didn't succeed  
24 anybody in that position?

25 A. There wasn't a president at the company at 02:28:29

1 the time I became president.

2 Q. Who were the executives that reported to  
3 you when you initially became president of Reading?

4 A. CFO. I don't know if there was a general  
5 counsel, but the principal senior executives would 02:28:52  
6 have reported to me.

7 Q. But I'm -- guess that's what I'm asking.  
8 Who were the principal senior executives?  
9 You mentioned the CFO. I'm wondering who  
10 else it was. 02:29:04

11 A. Yeah, I mean, technically, all of the  
12 principal -- Wayne Smith, Matthew Bourke, Bob  
13 Smerling. I mean, I think that's it.

14 Q. What were their job titles?

15 A. Wayne Smith was the managing director of 02:29:23  
16 our Australia and New Zealand operation. Andrzej  
17 Matyczynski was our chief financial officer. I  
18 mean, Craig Tompkins was an outside legal  
19 consultant. Bob Smerling was the president of the  
20 U.S. cinemas division. And my sister Margaret, 02:29:53  
21 technically, who was a consultant in charge of the  
22 live theater operation.

23 Q. So and when you say the major company  
24 executives reported to you, you're including among  
25 those people people who weren't, strictly speaking, 02:30:15

1 significant experience serving as a CFO of a large  
2 public REIT.

3 At the time my father wanted to hire a new  
4 general counsel, so I hired Bill Ellis, who's a real  
5 estate partner at a large law firm here in 03:11:06  
6 Los Angeles with a lot of real estate experience.

7 I was in the process of hiring a director  
8 of real estate and on the verge of bringing on board  
9 an executive who had 25 to 30 years of real estate  
10 development experience to preside over our domestic 03:11:28  
11 real estate.

12 I -- whether it was as president or as CEO,  
13 I was instrumental in the company selling off some  
14 of our nonincome-producing properties in Australia  
15 and New Zealand. And at that time, I was putting 03:11:59  
16 together a business plan for the company and getting  
17 management reports from all of the heads of the  
18 seven divisions of Reading.

19 Putting to- -- I was on the verge of  
20 putting together budgets for the whole company with 03:12:34  
21 stretch goals.

22 I had hired a director of real estate --  
23 this might have been as president -- a director of  
24 real estate for our Australia and New Zealand real  
25 estate, who's been very successful in moving all of 03:12:49



1 what the capital needs and what the business plans  
2 that each of the divisions had and that that would  
3 roll up into a plan for the entire company.

4 Q. So -- and you were -- did you have those  
5 bottom-up business plans or not yet by the time you 03:22:15  
6 were terminated?

7 A. I don't know exactly when. At some point,  
8 maybe it was February, maybe it was March, we  
9 completed the business plan for the U.S. cinemas,  
10 which was a significant division of the entire 03:22:28  
11 company. My sister Margaret was continuing to work  
12 on a business plan for the live theaters.

13 But we were almost there in terms of now  
14 having each of the divisions preparing business  
15 plans and rolling them up into one unified plan for 03:22:44  
16 the entire company as well as a unified budget,  
17 which Dev had really been tasked with moving forward  
18 as well.

19 Q. And did you have a -- I guess my question  
20 is, at the time you were terminated, did you have a 03:23:01  
21 draft --

22 A. No.

23 Q. -- you had started?

24 A. I did not have a draft.

25 Q. So in terms of putting pen to paper or 03:23:07

1 typewriter keys to the electronic page, you hadn't  
2 started writing what would be the business plan that  
3 you were contemplating?

4 A. As I said, I was waiting for the completion  
5 of all the business plans from the seven divisions 03:23:21  
6 of the company.

7 Now, there was some delay in getting those,  
8 and I was putting, you know, thought to the overall  
9 business plan. But it had not been finalized in a  
10 form to be presented to the board. 03:23:36

11 Q. And I understand it hadn't been finalized.  
12 My question's a little different. I just want to  
13 make sure that I -- that there's not a document out  
14 there that I don't recognize, that this is no --

15 A. No. 03:23:45

16 Q. -- draft?

17 A. No, no. No.

18 Q. Okay. In terms of the budget for the -- by  
19 the way, was there a date -- had you set an internal  
20 deadline for creation of the business plan for the 03:24:00  
21 company?

22 A. Did I set a date?

23 Q. Yeah, an internal date.

24 A. No.

25 Q. No? 03:24:10

1 goals as a CEO?

2 A. I do.

3 Q. When you say "Update board to focus on  
4 strategy," what did you mean?

5 A. I meant that the board should get involved 04:23:30  
6 with creating a strategy and be involved in the  
7 process and that the company should operate  
8 according to a business plan and that the board  
9 should be involved in that process.

10 Q. And was that something that you -- in fact, 04:23:46  
11 did you present to the board in a time while you  
12 were CEO a business plan with strategy,  
13 understanding that you earlier said you didn't write  
14 the business plan?

15 A. Right. That was -- I never presented -- 04:24:01

16 MR. KRUM: Object to the characterization  
17 of the testimony.

18 THE WITNESS: I never presented a plan to  
19 the board prior to being terminated, but that was  
20 one of the action items that I thought was important 04:24:10  
21 for the company.

22 BY MR. TAYBACK:

23 Q. One of the -- the second one there says,  
24 "develop better lines of communication with  
25 shareholders." 04:24:20

# **EXHIBIT 11**

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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

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

vs.

Case No.

MARGARET COTTER, ELLEN COTTER,  
Guy Adams, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY,  
WILLIAM GOULD, JUDY CODDING,  
MICHAEL WROTONIAK, and DOES 1  
through 100, inclusive,  
Defendants.

A-15-719860-B

and

READING INTERNATIONAL, INC.,  
a Nevada corporation,  
Nominal Defendant.

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(CAPTION CONTINUED ON NEXT PAGE.)

VIDEOTAPED DEPOSITION OF JAMES COTTER, JR.  
Los Angeles, California  
Tuesday, May 17, 2016  
Volume II

Reported by:  
JANICE SCHUTZMAN, CSR No. 9509  
Job No. 2312191  
Pages 298 - 567

1 T2 PARTNERS MANAGEMENT, LP, a  
2 Delaware limited partnership,  
3 doing business as KASE CAPITAL  
4 MANAGEMENT, et al.,  
5 Plaintiffs,  
6 vs.  
7 MARGARET COTTER, ELLEN COTTER,  
8 Guy Adams, EDWARD KANE, DOUGLAS  
9 McEACHERN, WILLIAM GOULD, JUDY  
10 CODDING, MICHAEL WROTNIAK, CRAIG  
11 TOMPKINS, and DOES 1 through 100,  
12 inclusive,  
13 Defendants.  
14 and  
15 READING INTERNATIONAL, INC., a  
16 Nevada corporation,  
17 Nominal Defendant.

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Videotaped Deposition of JAMES COTTER, JR.,  
Volume II, taken at 865 South Figueroa Street,  
10th Floor, Los Angeles, California, commencing  
at 9:38 a.m. and ending at 4:37 p.m., Tuesday,  
May 17, 2016, before Janice Schutzman, CSR No. 9509.

PAGES 298 - 567

1 THE WITNESS: I thought it was unusual, but  
2 I also found Ellen and Margaret basically refusing  
3 to report to me unusual. And routine business  
4 matters that ordinarily arose in the company were  
5 being converted into issues of personal dispute 09:43AM  
6 between my sisters and me and issues about control.  
7 And someone recommended that this could be helpful  
8 to move the company forward and deal with those  
9 issues.

10 BY MR. TAYBACK: 09:43AM

11 Q. And was the discussion forum disbanded at  
12 some point in time?

13 MR. KRUM: Objection, vague and ambiguous,  
14 foundation.

15 THE WITNESS: I don't know if it was ever 09:44AM  
16 officially disbanded. I think it more kind of  
17 sputtered out.

18 BY MR. TAYBACK:

19 Q. Approximately when did you last -- was the  
20 last discussion forum meeting that you recall? 09:44AM

21 A. There could have been one in December.

22 Q. The -- at some point, Mr. Storey took on --  
23 Tim Storey took on a position of ombudsman. We  
24 discussed that a little bit yesterday.

25 You recall that? 09:45AM

1 A. I do.

2 Q. Do you recall whose suggestion that was?

3 MR. KRUM: Objection, foundation.

4 THE WITNESS: My recollection is that it

5 was recommended by the so-called independent 09:45AM

6 directors.

7 BY MR. TAYBACK:

8 Q. And did you concur in that recommendation?

9 A. Initially, I was not supportive of the  
10 idea. 09:45AM

11 Q. Why not?

12 A. Because I didn't think it was necessary.

13 Q. How was it explained to you? How was the  
14 proposal explained to you initially?

15 A. The proposal that was explained to me where 09:46AM

16 Tim took on this official role as ombudsman was on,  
17 I believe, March 13th, where Bill Gould asked me and  
18 my two sisters to his office in Century City and  
19 independently described to me with Tim Storey

20 present that the so-called independent directors had 09:46AM

21 decided that Tim Storey would become involved as an  
22 ombudsman. There had been complaints raised against  
23 me by my two sisters. I had reported complaints  
24 against my two sisters.

25 And the board was at a high level and 09:47AM



1 really wasn't in a position to understand the  
2 disputes that were ongoing between me and my two  
3 sisters and felt that Tim, who had a lot of  
4 experience with corporate governance, could become  
5 involved and he would be temporarily given authority 09:47AM  
6 to interact with the three of us to investigate what  
7 was going on between me and my two sisters and also  
8 to help move the business forward.

9 And I understand that that same message was  
10 communicated after my meeting with Tim and Bill to 09:47AM  
11 my two sisters and that Bill had said that Tim would  
12 serve this function at the bequest of the so-called  
13 independent directors until sometime in June and  
14 would report his findings to either Bill Gould or to  
15 the independent committee, and that would be 09:48AM  
16 sometime at the end of June.

17 Q. And you said that you initially were not  
18 supportive of this.

19 Did you say that to somebody in words or  
20 substance, "Hey, this is unnecessary. I don't 09:48AM  
21 support this"?

22 A. I don't recall a specific conversation. I  
23 felt that.

24 Q. So you felt it, but you can't say that you  
25 communicated it? 09:48AM



1 working at Reading; correct?

2 MR. KRUM: Objection, vague and ambiguous,  
3 assumes facts not in evidence.

4 THE WITNESS: I found it difficult working  
5 with them because, by that point, the issues that I 10:25AM  
6 was having with them relating to the trust and  
7 estate matters had permeated the company, spread to  
8 employees like Linda Pham and ultimately to the  
9 board, and it was difficult because they wanted to  
10 run Reading like a family-owned business and really 10:25AM  
11 didn't want to be accountable to anyone. And so I  
12 found that difficult running the company.

13 BY MR. TAYBACK:

14 Q. And did you trust Mr. Storey's judgment?

15 MR. KRUM: Objection, vague. 10:26AM

16 THE WITNESS: At that point in time?

17 BY MR. TAYBACK:

18 Q. Yes.

19 A. I mean, selectively, I thought he had a lot  
20 of experience. I trusted some of the things he said 10:26AM  
21 but not everything.

22 Q. You said --

23 (Off the record.)

24 BY MR. TAYBACK:

25 Q. You say at that point in time when I asked 10:26AM

1 Q. Okay. You say in the top part of that  
2 email, page 5483, the page ending in that Bates  
3 number, the last -- or you say:

4 "Last thing I would want is a  
5 board member playing COO." 10:37AM

6 Why is that?

7 A. Because there -- I felt that there was a  
8 distinction between the responsibilities of boards  
9 and the responsibilities of management.

10 Q. What -- what's the distinction in your 10:38AM  
11 mind? What was the distinction at this point in  
12 time?

13 A. Well, the board should -- the boards  
14 should -- again, I mean, this was also more of a  
15 reflection of I wanted to preserve my authority as 10:38AM  
16 CEO because I felt that my sisters wanted to hollow  
17 out my authority and put limitations and create  
18 executive committees that they were reporting to,  
19 limit my authorities on approving certain items.

20 And so I wanted to maintain that authority 10:39AM  
21 and not have board members playing the role of a  
22 chief operating officer.

23 Q. Were you -- do you know of a person named  
24 Bryant Crouse, C-R-O-U-S-E?

25 A. I do recall the name. 10:39AM

1 Q. What do you recall?

2 A. I recall that a few years ago, one of the  
3 directors -- I believe it was Al Villasenor -- had a  
4 conversation with Bill Gould about this Bryant  
5 Crouse, and they had recommended that he become 10:40AM  
6 involved with the company and perform an assessment  
7 of our corporate governance or management structure.

8 And this was the time that my dad was  
9 chairman and CEO of the company, before I became  
10 president. And they were both recommending that 10:40AM  
11 this individual get involved in the company and  
12 perform an assessment and provide recommendations to  
13 the company, to the board, to the management team,  
14 to my father, on ways to improve the management and  
15 corporate governance -- management, I believe, of 10:40AM  
16 Reading.

17 Q. Were you aware that Mr. Gould and  
18 Mr. Storey met with Mr. Crouse about acting as a  
19 management consultant for the counsel senior  
20 management in the company? 10:41AM

21 A. I recall that there was a discussion, or I  
22 learned about it at some point.

23 Q. Do you recall how you learned about it, who  
24 told you?

25 A. It may have been Bill Gould. 10:41AM

1 Q. And was it your understanding that they --  
2 that Mr. Crouse had proposed that he could provide  
3 30 hours of time meeting with you and bringing his  
4 expertise to bear on successful management  
5 development for \$15,000? 10:41AM

6 MR. KRUM: Objection, assumes facts not in  
7 evidence, foundation.

8 THE WITNESS: I think it was the same type  
9 of proposal that they were looking to implement that  
10 they had implemented with my father some years back. 10:41AM  
11 And given the issues that had arisen with my two  
12 sisters, this proposal had arisen again.

13 BY MR. TAYBACK:

14 Q. And the proposal was to meet -- for him to  
15 meet with you for a period of time to explore ways 10:42AM  
16 that he could assist in the company's continued  
17 successful management development, outstanding  
18 leadership, and continued implementation of  
19 organizationally sound management structures? Was  
20 that your understanding as to what he was being -- 10:42AM

21 A. What --

22 MR. KRUM: Let me interpose the objections.

23 Objection, foundation, the document, which  
24 the witness does not have, it speaks for itself.

25 BY MR. TAYBACK: 10:42AM

1 Q. Was that your understanding as to what he  
2 was being asked to do by Mr. Gould and Mr. Storey in  
3 April of 2015?

4 MR. KRUM: Objection, assumes facts not in  
5 evidence, the document speaks for itself, and 10:42AM  
6 foundation.

7 THE WITNESS: Again, I had learned that  
8 there was a proposal or that there had been  
9 discussions with this gentleman that were similar to  
10 the proposals that had been made years ago. 10:43AM

11 I don't recall what came of it.

12 THE REPORTER: 185.

13 (Deposition Exhibit 185 was marked for  
14 identification.)

15 BY MR. TAYBACK: 10:43AM

16 Q. I'm just going to ask you whether you've  
17 ever seen the written proposal that's reflected here  
18 at Exhibit 185.

19 A. I can't recall having seen this document.

20 Q. But is it fair to say that in April, or 10:43AM  
21 between the time of April 15th, 2015, and the time  
22 you were terminated as CEO, you never actually sat  
23 down and met with Mr. Crouse?

24 A. No.

25 Q. I'm not going to have any more questions. 10:43AM

1 Q. And are they all in Honolulu?

2 A. They're all on the island of Oahu.

3 Q. Did you visit them all?

4 A. Pretty much. I believe I did.

5 Q. Okay.

6 A. I believe I visited every one of them, yes.

7 Q. Okay. And did you go with anybody.

8 A. On some occasions, I brought my family.

9 On -- for a lot of the theaters, I went alone.

10 Q. When you went with your family, did you 01:55PM  
11 actually view a movie, or did you just go and  
12 inspect the property?

13 A. We watched a movie.

14 Q. How many did you go with your family to  
15 watch a movie? One or two? 01:55PM

16 A. I can't recall. I don't think it was any  
17 more than two. I mean, at most.

18 Q. Did -- when you went to the Reading  
19 theaters in Hawaii, did you identify yourself to any  
20 of the management there as someone who was the CEO 01:55PM  
21 of Reading?

22 A. No, I didn't.

23 Q. Okay. Why not?

24 A. Because I wanted to almost be a mystery  
25 shopper. I wanted to experience the theater and the 01:56PM



1 theater experience as a normal customer would and as  
2 a normal family would. And I did not want any  
3 special treatment. I wanted to see how others  
4 experienced the theater.

5 Q. And was the trip a business expense? 01:56PM

6 A. The hot- -- one of the hotel rooms that I  
7 had during the seven nights, I expensed. I don't  
8 believe I expensed any of the dinners or the  
9 airfare.

10 Q. Did you write down notes, do a report of 01:56PM  
11 what your observations were?

12 A. I did.

13 Q. And whose -- for whose benefit was that?

14 A. It was for my sister's benefit to prompt  
15 her to see some of the issues that I had experienced 01:57PM  
16 at the theaters and to prompt her to start thinking  
17 about addressing the renovation of the theaters and  
18 the condition of the theaters in her business  
19 report -- business plan that she was preparing.

20 Q. That's your sister Ellen you're talking 01:57PM  
21 about?

22 A. Yes.

23 Q. The report that you wrote, did you -- how  
24 long after you -- withdraw that.

25 Did you write it while you were in Hawaii, 01:57PM

1 statement there that says:

2 "The board stands behind and  
3 supports Jim, Jr. as CEO, however, the  
4 board expects him to work respectfully  
5 and professionally with his sisters." 02:36PM

6 It then goes on to say:

7 "The office environment and morale  
8 must return to normalcy. Independent  
9 directors are investigating Linda's  
10 claims and, if proven, the independent 02:36PM  
11 directors may require Jim, Jr. to take  
12 an anger management class."

13 Have you ever taken an anger management  
14 class?

15 A. No. 02:36PM

16 Q. Did anybody ever suggest to you you should?

17 A. Never. I mean, outside of this incident  
18 with Linda Pham, no.

19 Q. Did you ever hear that the perception at  
20 Reading by employees is that you had a volatile 02:36PM  
21 temper?

22 A. No.

23 MR. KRUM: Objection, assumes facts.

24 THE WITNESS: I heard it. I heard that.

25 But I believe that those allegations were brought by 02:37PM

1 individuals like Linda Pham and Deb Watson, who, as  
2 I described earlier, had been co-opted into this  
3 family dispute, including my sister Ellen.

4 BY MR. TAYBACK:

5 Q. By whom did you hear that there was a 02:37PM  
6 perception that you had an anger management problem?

7 A. I heard it from the directors.

8 Q. At a meeting or individually?

9 A. I can't recall. It was either -- it's  
10 probably individually or it -- maybe even in some of 02:37PM  
11 this correspondence, and a lot of it sprung from the  
12 episode with Linda Pham.

13 Q. And you said that there also was -- you had  
14 an awareness that Ms. Watson also had expressed that  
15 perception? 02:38PM

16 A. Again, I don't think there was any merit at  
17 all to the allegations that were made by Linda Pham  
18 or Deb Watson.

19 Deb Watson is a -- not even a Reading  
20 employee. She works for Ellen and Margaret on the 02:38PM  
21 trust and estate matters.

22 Linda Pham was working for Ellen and  
23 Margaret on the trust and estate matters at one time  
24 and had been going through all of the emails at  
25 Reading looking for emails from my father, from me, 02:38PM

1 at El- -- at, I believe, Ellen and Margaret's  
2 direction.

3 So as I said, the direc- -- I asked the  
4 directors, there is no basis to these claims, and  
5 you should all investigate them. 02:38PM

6 Q. When you say "these claims," what was your  
7 understanding of Ms. Pham's claim?

8 A. I don't know what her claim was. I know  
9 that she had filed a complaint with Doug McEachern  
10 saying that I had yelled at her one day. But I've 02:39PM  
11 never seen the complaint.

12 And once I heard that, I raised the issue  
13 with a number of directors, giving them a full  
14 timeline of the events, what I thought was happening  
15 between Deb Pham -- Linda Pham, my sister Ellen, and 02:39PM  
16 my sister Margaret, and that the board should  
17 investigate.

18 Q. So when you say you don't know what her  
19 claim was, you haven't seen the claim, but you have  
20 some understanding of what the claim was? 02:39PM

21 A. That I raised my voice to her at one point,  
22 but I haven't seen the claim, so I can't say.

23 Q. And where did you hear -- your  
24 understanding that you -- you're expressing here,  
25 where did you get that from? 02:40PM



1 A. No.

2 Q. Did you ever yell or raise your voice at  
3 Guy Adams?

4 A. I did.

5 Q. Describe for me -- well, was it once or 03:40PM  
6 more than once?

7 A. I only recall once.

8 Q. Describe for me the instance you recall.

9 A. It was sometime in 2014, and I said that he  
10 had just taken too long working on certain matters 03:40PM  
11 for my father and he had just let things go.

12 And I was upset with Guy. And before the  
13 conversation had concluded, I was behind my desk, I  
14 stood up, and I apologized to him for raising my  
15 voice. 03:41PM

16 That was the only occasion that I had with  
17 Guy before my termination.

18 Q. On the day that you were terminated, did  
19 Bill Ellis ask you to leave the Reading office?

20 A. He -- 03:41PM

21 MR. KRUM: When?

22 MR. TAYBACK: On the day he was  
23 terminated --

24 MR. KRUM: Well --

25 MR. TAYBACK: -- did Bill Ellis ask him to 03:41PM

1 BY MR. TAYBACK:

2 Q. And do you recall -- the meeting you recall  
3 where that happened, was that before or after you  
4 were terminated?

5 MR. KRUM: Objection, assumes facts not in 03:53PM  
6 evidence.

7 THE WITNESS: I don't recall.

8 BY MR. TAYBACK:

9 Q. Do you remember Ellen Cotter talking to you  
10 about the possibility of getting an interim CEO at 03:53PM  
11 Reading as early as February 2015, someone to  
12 replace you?

13 A. I think they brought it up as early as  
14 October 2014.

15 Q. And did you share with Mr. Storey, at 03:54PM  
16 least, your concerns about that kind of discussion  
17 from Ellen Cotter?

18 A. I may have.

19 Q. And when she brought it up, was her  
20 proposal that the company hire an interim CEO that 03:54PM  
21 was none of the Cotters?

22 A. I don't recall a specific conversation that  
23 I had with Ellen in February relating to that.

24 Q. You said you think they brought it up or  
25 she brought it up as early as October. 03:54PM





# **EXHIBIT 12**

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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

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

vs.

Case No.

MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY,  
WILLIAM GOULD, JUDY CODDING,  
MICHAEL WROTONIAK, and DOES 1  
through 100, inclusive,  
Defendants.

A-15-719860-B

and

READING INTERNATIONAL, INC.,  
a Nevada corporation,  
Nominal Defendant.

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(CAPTION CONTINUED ON NEXT PAGE.)

VIDEOTAPED DEPOSITION OF JAMES COTTER, JR.  
Los Angeles, California  
Wednesday, July 6, 2016  
Volume III

Reported by:  
JANICE SCHUTZMAN, CSR No. 9509  
Job No. 2343561  
Pages 568 - 838

1 T2 PARTNERS MANAGEMENT, LP, a  
2 Delaware limited partnership,  
3 doing business as KASE CAPITAL  
4 MANAGEMENT, et al.,  
5 Plaintiffs,  
6 vs.  
7 MARGARET COTTER, ELLEN COTTER,  
8 GUY ADAMS, EDWARD KANE, DOUGLAS  
9 McEACHERN, WILLIAM GOULD, JUDY  
10 CODDING, MICHAEL WROTNIAK, CRAIG  
11 TOMPKINS, and DOES 1 through 100,  
12 inclusive,  
13 Defendants.  
14 and  
15 READING INTERNATIONAL, INC., a  
16 Nevada corporation,  
17 Nominal Defendant.

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Videotaped Deposition of JAMES COTTER, JR.,  
Volume III, taken at 865 South Figueroa Street,  
10th Floor, Los Angeles, California, commencing  
at 9:51 a.m. and ending at 5:13 p.m., Wednesday,  
July 6, 2016, before Janice Schutzman, CSR No. 9509.

PAGES 568 - 838

1 MR. KRUM: This is 90 what?

2 THE REPORTER: 399.

3 MR. TAYBACK: 399.

4 MR. KRUM: 399.

5 MS. LINDSAY: I got it.

6 MR. TAYBACK: And the number is TS\_0000697.

7 MR. KRUM: I'm pretty sure that some  
8 version of this has been marked previously.

9 MR. TAYBACK: Maybe. I didn't think so.

10 BY MR. TAYBACK: 01:48PM

11 Q. Taking a look at that briefly, had you  
12 ever -- I realize you're not on that email, but  
13 looking at that email, which purports to describe a  
14 conversation between you and your sister Ellen, do  
15 you recall her discussing, at least in February of 01:48PM  
16 2015, the possibility of an interim CEO?

17 Do you remember having that kind of a  
18 conversation with Ellen?

19 A. I remember calling Tim and relating that  
20 Ellen had raised this possibility, and that's why I 01:48PM  
21 called him.

22 Q. All right. I'm going to show you a  
23 document that's been previously marked as Exhibit 11  
24 at Mr. Storey's deposition.

25 (Previously marked Deposition Exhibit 11

1 was identified.)

2 BY MR. TAYBACK:

3 Q. And this is an email from Mr. Gould to

4 Mr. Adams, Mr. Kane, Mr. McEachern, Mr. Storey.

5 You're, again, not on this, but it attaches a 01:49PM

6 memorandum from Mr. Gould. And I'm going to -- it's

7 dated March 6th, 2015.

8 If I could direct your attention to the

9 third page of the document, which ends in the Bates

10 stamp 249. 01:50PM

11 A. Okay.

12 Q. Mr. Gould, at the very top of that page --

13 A. The top of page 3?

14 Q. The top of the third page of the document,

15 which is page 2 of the memo. 01:50PM

16 A. Okay.

17 Q. You see that?

18 You see it?

19 A. I do.

20 Q. Okay. At the very top, there's a sentence 01:50PM

21 that starts:

22 We cannot accept a dysfunctional

23 management team under any circumstances.

24 Indeed, the company has said in its

25 public filings that the Cotters will 01:50PM

Page 697

1 work together notwithstanding the  
2 litigation and they do not believe that  
3 the litigation will affect its company's  
4 operations. But we must ask ourselves,  
5 how can we ensure the three Cotters will 01:50PM  
6 work together given the 'thermonuclear'  
7 hostility currently existing?"

8 Would you agree that as of March of 2015,  
9 Mr. Gould's characterization of the hostility  
10 between you and your siblings was properly 01:51PM  
11 characterized as thermonuclear?

12 MR. KRUM: Objection, vague.

13 THE WITNESS: No. I wouldn't characterize  
14 the relationship as thermonuclear.

15 What I would characterize it as -- Margaret 01:51PM  
16 simply refused to report to me. It wasn't just me.  
17 She really refused to be accountable to anyone. And  
18 that created an issue in the company that I believe  
19 Ellen and Margaret artificially created.

20 So when it's described as, well, there's an 01:51PM  
21 issue in the relationship amongst the Cotters, I  
22 would attribute it to Margaret absolutely refusing  
23 to report to me and her being responsible for  
24 creating this crisis that is being described.

25 BY MR. TAYBACK: 01:52PM

1 Q. Regardless of whoever's fault you believe  
2 it is that you could not get along, would you agree  
3 that the relationship between you and your sisters  
4 within the management of Reading was dysfunctional  
5 by March of 2015? 01:52PM

6 MR. KRUM: Object to the characterization  
7 of the testimony.

8 You can answer the question.

9 THE WITNESS: Again, if there's an  
10 executive or an independent contractor who 01:52PM  
11 completely refuses to report to me as CEO and has  
12 done so as early as September/October of 2014 and  
13 has literally refused to report to me, that's  
14 dysfunctional. That's dysfunctional.

15 BY MR. TAYBACK: 01:53PM

16 Q. And did you report -- when your termination  
17 was being discussed, you raised the issue of your  
18 perception that Margaret was unwilling to report to  
19 you to the board; correct?

20 MR. KRUM: Objection -- 01:53PM

21 THE WITNESS: I think my --

22 MR. KRUM: -- assumes facts.

23 THE WITNESS: -- my description might even  
24 have been more. It might have been not just that  
25 she was unwilling to report to me. She was 01:53PM

Page 699

1 unwilling to report to anyone. And she didn't want  
2 to have any accountability to anyone. So --

3 BY MR. TAYBACK:

4 Q. Go ahead. I'm sorry.

5 Is it -- and is it fair to say that you 01:53PM  
6 described to the board a situation which was there  
7 was a dysfunctional working relationship between you  
8 and your sisters and that they effectively needed to  
9 pick either you or your sisters?

10 MR. KRUM: Object to the characterization 01:53PM  
11 of the testimony --

12 THE WITNESS: I would nev- --

13 MR. KRUM: Let me interpose my objections.

14 Assumes facts not in evidence.

15 Go ahead. 01:54PM

16 THE WITNESS: I would never characterize  
17 the issue that I had, especially with Margaret and  
18 her abject refusal to report to me, as a  
19 dysfunctional relationship because that implies that  
20 two people in a relationship are both contributing 01:54PM  
21 to the dysfunctionality of their relationship.

22 BY MR. TAYBACK:

23 Q. So you're saying, in your mind at least,  
24 the word dysfunctional suggests you would be  
25 contributing to dysfunctionality, but you weren't? 01:54PM

Page 700



1 MR. KRUM: Objection, assumes facts not in  
2 evidence, including of the witness seeing  
3 Exhibit 11.

4 MR. TAYBACK: Let me -- I'll rephrase the  
5 question. 01:58PM

6 BY MR. TAYBACK:

7 Q. Isn't it correct that in March of 2015, you  
8 understood that the board would assess how the  
9 management of the company was functioning,  
10 specifically you and your sisters, to make an 01:58PM  
11 assessment about what they should do?

12 A. No.

13 At the meeting on March 13th, Bill Gould  
14 and Tim Storey communicated to me and independently  
15 to Ellen and Margaret that Tim would make a 01:58PM  
16 recommendation as newly appointed ombudsman and  
17 would report his findings and his recommendations to  
18 the independent directors of the board, not to the  
19 full board, but only to the independent directors.  
20 And the independent directors would then, based on 01:59PM  
21 his findings, possibly take actions in response to  
22 those findings and recommendations.

23 Q. And was that agreement, as you understood  
24 it, memorialized in writing somewhere?

25 MR. KRUM: Objection, foundation. 01:59PM

1 BY MR. TAYBACK:

2 Q. Yes or no?

3 A. Well, I mean, I think there may have been  
4 memos to that effect.

5 Q. Have you seen a memo that describes that 01:59PM  
6 process that you just described?

7 A. I can't recall, sitting here today,  
8 without, you know, going through the emails.

9 But yes, I mean, I -- it was clear to me,  
10 to Ellen and Margaret, certainly to Bill Gould and 01:59PM  
11 Tim Storey and the other directors, that that was  
12 the case.

13 Q. Do you agree with me that the board of a  
14 company always has the prerogative to make a  
15 decision with respect to the hiring and firing of 02:00PM  
16 its executives, the company's executives, subject to  
17 whatever contracts might exist.

18 MR. KRUM: Objection, vague and ambiguous,  
19 may call for a legal conclusion.

20 THE WITNESS: Do I agree what? 02:00PM

21 BY MR. TAYBACK:

22 Q. That the board of a company --

23 A. Right.

24 Q. -- has the power to hire and fire a CEO?

25 MR. KRUM: Same objections, incomplete 02:00PM

1 hypothetical as well.

2 THE WITNESS: Subject to agreements made,  
3 written contracts made.

4 BY MR. TAYBACK:

5 Q. Subject to the terms of a contract; 02:00PM  
6 correct?

7 A. Subject to the terms of a contract --

8 Q. Yes.

9 A. -- or possibly a resolution. Sure.

10 Q. And is there anything about what you're 02:00PM  
11 describing that you think limited the power of the  
12 board to terminate you as CEO if it believed doing  
13 so was in the best interest of the company?

14 MR. KRUM: Same objections.

15 THE WITNESS: I believe in January of 2015, 02:01PM  
16 a resolution was passed at the insistence of my  
17 sisters that they couldn't be terminated.

18 Ellen could not be terminated as an  
19 executive without the approval of the majority of  
20 the independent directors. 02:01PM

21 Margaret's contract with -- for her live  
22 theater operation could not be terminated without  
23 the majority of the independent directors.

24 And my employment as CEO could not be  
25 terminated without a majority of the independent 02:01PM

Page 706

# **EXHIBIT 13**

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DISTRICT COURT  
CLARK COUNTY, NEVADA

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

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READING INTERNATIONAL, )  
INC., a Nevada )  
corporation, )  
Nominal Defendant )

VIDEOTAPED DEPOSITION OF ELLEN COTTER  
TAKEN ON MAY 18, 2016  
VOLUME 1

REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1 conversation, about a repopulated and newly  
2 chartered executive committee of the RDI board of  
3 directors prior to the meeting of June 12, 2015?

4 MR. SEARCY: Objection. Asked and  
5 answered.

6 THE WITNESS: As I said, I don't recall  
7 specific conversations with Craig about this.

8 BY MR. KRUM:

9 Q. You don't recall speaking to him; is  
10 that right?

11 A. I don't recall speaking to him. But I  
12 speak to Craig a lot, so, very well this -- this  
13 subject would have come up.

14 Q. Did you speak to Bill Ellis prior to the  
15 meeting of June 12, 2015 with respect to a  
16 repopulated and newly chartered executive committee  
17 of the RDI board of directors?

18 A. I don't recall if I spoke to Bill.

19 Q. Did you speak to Frank Reddick prior to  
20 the meeting of June 12, 2015 about a repopulated and  
21 newly chartered executive committee of the RDI board  
22 of directors?

23 A. Frank Reddick of Akin Gump?

24 Q. Yes.

25 A. I did.

1 Q. I'm not asking you who said what.

2 When did that conversation or those  
3 conversations occur?

4 A. I don't remember.

5 Q. Was it prior to May 21, 2015?

6 A. I don't -- I don't recall.

7 Q. Do you recall that May 21, 2015 was the  
8 first supposed meeting of the RDI board of directors  
9 where the subject was the termination of Jim Cotter,  
10 Jr., as president and C.E.O.? Do you recall that  
11 date and that meeting?

12 A. I recall May 21, 2015.

13 Q. Okay. And you do not recall, with that  
14 particular meeting and date in mind, whether you had  
15 spoken with Frank Reddick about a repopulated and  
16 newly chartered RDI board of directors prior to that  
17 date May 21?

18 A. I don't remember.

19 Q. I'm not asking you what you said and  
20 what he said.

21 Who else was present for or party to  
22 that conversation or conversations?

23 A. Conversations about what?

24 Q. Okay. Directing your attention,  
25 Ms. Cotter, to your conversation or your

1 conversations with Frank Reddick of Akin Gump about  
2 a repopulated and newly chartered executive  
3 committee of the RDI board of directors, was anyone  
4 else present or privy to that conversation or those  
5 conversations?

6 A. I don't remember.

7 Q. Were they in person or by phone or both?

8 A. I don't -- I don't remember.

9 Q. Was Guy Adams either present in person  
10 or telephonically for any such conversation with  
11 Frank Reddick?

12 A. I don't recall.

13 Q. Was Craig Tompkins either present in  
14 person or telephonically during such conversation  
15 with Frank Reddick?

16 A. I don't recall.

17 Q. Who retained Akin Gump with respect to  
18 or related to the termination of Jim Cotter, Jr., as  
19 president and C.E.O. of RDI?

20 MR. SEARCY: Objection. Vague.

21 THE WITNESS: Akin Gump had been our  
22 counsel for a long time.

23 BY MR. KRUM:

24 Q. When --

25 A. So --



1 Q. Go ahead.

2 A. Yeah. So I mean they've been -- they've  
3 been with us probably for 20 years.

4 Q. Well, is -- so are you saying that they  
5 weren't -- that they were on retainer and that there  
6 was no new retainer? Is that your point?

7 A. They had been working for us for a long  
8 time. We didn't have a retainer with them.

9 Q. Okay. So, who first contacted Akin Gump  
10 with respect to or related to the termination of Jim  
11 Cotter, Jr., as president and C.E.O. of RDI?

12 MR. SEARCY: Objection. Vague.

13 THE WITNESS: Yeah. I don't -- I don't  
14 remember.

15 BY MR. KRUM:

16 Q. Well, how did you first learn or hear  
17 that Akin Gump was engaged in connection with or  
18 respect to the termination or possible termination  
19 of Jim Cotter, Jr., as president and C.E.O. of RDI?

20 MR. SEARCY: Objection. Assumes facts,  
21 lacks foundation.

22 THE WITNESS: I don't recall who reached  
23 out to Akin Gump first.

24 BY MR. KRUM:

25 Q. I'm asking about when you first learned

1 of something. Okay?

2 And so let me just ask the question --

3 A. Yeah.

4 Q. -- so we have a clear record. And you  
5 can answer it or, you know, we'll go to another  
6 question.

7 How did you first learn of Akin Gump  
8 providing services with respect to or in connection  
9 with the termination or possible termination of Jim  
10 Cotter, Jr., as president and C.E.O. of RDI?

11 MR. SEARCY: And when you answer that  
12 question, only answer it without disclosing the  
13 substance of any communications --

14 MR. KRUM: Right.

15 MR. SEARCY: -- that you may have had  
16 with Akin Gump.

17 THE WITNESS: Uh-huh. I don't -- sorry,  
18 you guys. What --

19 BY MR. KRUM:

20 Q. Do you want me to have the court  
21 reporter read it back for you?

22 A. Yeah. Sorry.

23 MR. KRUM: Please.

24 (Whereupon the question was read  
25 as follows:

1 "Question: How did you first  
2 learn of Akin Gump providing  
3 services with respect to or in  
4 connection with the termination or  
5 possible termination of Jim  
6 Cotter, Jr., as president and  
7 C.E.O. of RDI?")

8 THE WITNESS: I don't remember how I did  
9 it, how I -- if I called or if somebody else called.  
10 I don't remember when. But Larry Levien --

11 MR. SEARCY: Okay. You're starting to  
12 disclose --

13 THE WITNESS: Oh, okay. Sorry.

14 MR. SEARCY: I don't want you disclosing  
15 any -- any conversations that you had.

16 THE WITNESS: Okay.

17 BY MR. KRUM:

18 Q. Well, if you would please continue about  
19 Larry Levien, but do so heeding Mr. Searcy's  
20 admonition. Because I'm not asking you about  
21 anything that anybody said to anybody at Akin Gump  
22 or anything that anybody at Akin Gump said to  
23 anybody else.

24 A. Larry Levien had been our labor counsel.  
25 So, Larry was contacted. And I can't remember who

1 made the first contact. If it was me -- I don't  
2 remember.

3 Q. Was it Guy Adams?

4 A. I don't remember.

5 Q. Understand. When I ask a question of  
6 that nature, I'm testing and prompting your  
7 recollection.

8 A. Yeah.

9 Q. Sometimes it doesn't --

10 A. No. I appreciate that. I don't  
11 remember.

12 MR. SEARCY: Mark, when we're at a  
13 natural breaking point, let me know.

14 MR. KRUM: Sure. You want to break,  
15 right?

16 MR. SEARCY: Yeah.

17 MR. KRUM: Yeah. We'll do it in a  
18 minute -- minute or two.

19 VIDEOTAPE OPERATOR: 35 minutes left.

20 BY MR. KRUM:

21 Q. Did there come a point in time when you  
22 had -- strike that.

23 Did there come a point in time prior to  
24 May 21, 2015, when you had communications with Frank  
25 Reddick?

1 A. Prior to May 21, 2015?

2 MR. FERRARIO: On anything or some  
3 business --

4 MR. KRUM: Anything. It's a threshold  
5 foundational question.

6 THE WITNESS: I did.

7 BY MR. KRUM:

8 Q. And how many such communications were  
9 there, as best you can recall?

10 A. I don't remember.

11 Q. When was the first time you communicated  
12 with Mr. Reddick?

13 A. I don't remember.

14 Q. Was it within a month prior to May 21,  
15 2015?

16 A. I don't recall.

17 Q. Was it in or after September -- well,  
18 was it in the fall of 2014?

19 A. No. But I don't remember -- I don't  
20 remember our first communication.

21 Q. Okay. When you say "no," does that mean  
22 it was after the fall of 2014?

23 A. Yes.

24 Q. Understand I'm just asking for your best  
25 recollection of a time frame. Because I heard you

1 when you don't remember the date.

2 A. Uh-huh.

3 Q. So it was at some point in 2015, prior  
4 to May 21, 2015; is that right?

5 A. Yes.

6 Q. Was it prior to your meeting with  
7 Mr. Adams in Beverly Hills?

8 A. I don't remember.

9 Q. Was anyone else present for or party to  
10 the initial communication you had with Mr. Reddick?

11 A. I don't remember.

12 Q. Do you recall ever having -- strike  
13 that.

14 At any time prior to May 21, 2015, did  
15 you ever have any communications with Mr. Reddick to  
16 which any other person was party or privy?

17 A. Guy Adams -- yeah. I don't -- I know  
18 Guy spoke to Frank with me, but I don't remember  
19 anything else.

20 Q. Do you recall when that was, whether by  
21 time frame or point of reference to any other event?

22 A. No.

23 Q. Was that in person or by telephone?

24 A. I don't remember.

25 Q. And do you recall if for any reason

1 other than what was discussed?

2 MR. SEARCY: Objection. Vague.

3 THE WITNESS: What's your question?

4 What did I discuss at these --

5 BY MR. KRUM:

6 Q. No. No. That's not the question.

7 How is it that you -- what is it that  
8 prompts you to recall that you did have a  
9 conversation with Mr. Reddick to which Mr. Adams was  
10 party?

11 Do you remember where you were at the  
12 time? Do you remember what was discussed?

13 What enables you to remember that is  
14 what I'm asking, not what was discussed.

15 A. I remember Guy because Guy knew who  
16 Frank Reddick was. He had worked with him before.  
17 So I don't remember the specifics of the  
18 conversation.

19 Q. Okay. I'm not asking about the  
20 conversation.

21 MR. KRUM: Marshall, why don't we take a  
22 break.

23 MR. SEARCY: Thanks. Yes.

24 VIDEOTAPE OPERATOR: We are off the  
25 record.

# **EXHIBIT 14**



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DISTRICT COURT  
CLARK COUNTY, NEVADA

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

VIDEOTAPED DEPOSITION OF WILLIAM GOULD  
TAKEN ON JUNE 8, 2016  
VOLUME 1

JOB NUMBER 315485  
REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1 2015 to terminate Jim Cotter, Jr., as president and  
2 C.E.O., that Ellen and Margaret both purported to  
3 vote?

4 A. I do have that recollection.

5 Q. Was there any discussion of whether they  
6 should vote or whether they had standing to vote?

7 MR. HELPERN: Objection to form.

8 MR. SWANIS: Join.

9 THE WITNESS: I don't -- I actually  
10 don't recall that right now. I don't remember it.

11 BY MR. KRUM:

12 Q. What were your thoughts at the time as  
13 to whether they should vote or whether they should  
14 have been recused or disqualified with re- --  
15 regarding the termination of Jim Cotter, Jr.?

16 MR. SWANIS: Same objections.

17 MR. HELPERN: Join.

18 THE WITNESS: My thoughts at the time  
19 were that even without their votes, the party -- the  
20 parties moving to vote for his termination had  
21 sufficient votes to -- to accomplish what they  
22 wanted to do.

23 BY MR. KRUM:

24 Q. You mean three -- you mean three of  
25 five?

1           A.    That would have been in late April,  
2    early May 2015.

3           **Q.    What happened then?**

4           A.    There was a notice sent out to the board  
5    indicating there would be a meeting to discuss,  
6    among other things, the status of the -- something  
7    like this, the status of the C.E.O. or something  
8    like that.

9                    And I called for an independent board  
10   meeting to find out what this was all about and what  
11   the issues were.

12                   And that's when I first heard it.

13           **Q.    How did you first hear?**

14           A.    At some meeting we had -- there were  
15   several meetings, so excuse me if I'm not specific  
16   about which one on which date.

17                    But at this meeting I heard the three  
18   other directors, Tim -- not Tim Storey, but Guy,  
19   Doug and Ed Kane say they felt that -- that Jim's  
20   performance was such that he should be replaced.

21           **Q.    Was that at the first supposed board**  
22   **meeting pursuant to the -- where the agenda item was**  
23   **status of president and C.E.O.?**

24                    MR. SWANIS:  Objection to form.

25                    THE WITNESS:  No.  It was before that.

1 Does that refresh your recollection  
2 that -- that it was in March of 2015 that the five  
3 non-Cotter directors agreed to Tim Storey being a  
4 committee of one or the ombudsman to work with the  
5 Cotters?

6 A. Yes.

7 MR. SWANIS: Objection to form.

8 MR. HELPERN: Join.

9 BY MR. KRUM:

10 Q. Now, did the -- did the conference call  
11 of March 12 occur that's referenced both in the  
12 cover email Exhibit 11 and the --

13 A. Yes, it did.

14 Q. And who said what during that call  
15 regarding Tim Storey serving as a committee of one  
16 or ombudsman to work with the Cotters?

17 A. Well, I think all the directors felt  
18 that that was a reasonable approach to try. And it  
19 was felt by -- by everybody that hopefully Tim could  
20 accomplish three things. First of all, he would  
21 mediate -- help mediate the disputes among the three  
22 family members; secondly, he would monitor the  
23 progress of how Jim, Jr., was coming along and how  
24 the other siblings were doing, as well; and finally  
25 he would report back to the board as to how he

1 viewed the progress of -- of these relationships.

2 And everybody seemed to agree with that.

3 Q. When you say "everybody seemed to  
4 agree," you mean that no one said anything in words  
5 or substance that communicated -- well, strike that.

6 Why do you say everyone seemed to agree?

7 A. Well, the only issue I can remember was  
8 the fact that we were worried about Tim's time. He  
9 lived in Auckland, and he had to fly over here and  
10 spend time. And we knew it would be time consuming  
11 and expensive.

12 And he indicated he would be willing to  
13 do it.

14 Q. What did -- when you say he would help  
15 mediate the disputes among the three family members,  
16 to what are you referring?

17 A. I'm referring to the fact that on one  
18 hand Jim was saying that Ellen wasn't giving him  
19 the -- her business plan, and she -- Margaret was  
20 being -- refusing to do -- excuse me -- to provide  
21 anything.

22 And they were saying that Jim was making  
23 unreasonable demands on them and he was asking them  
24 for things that he shouldn't be asking them for.

25 So, Tim, who is a very successful and

1 foundation.

2 MR. HELPERN: Join.

3 THE WITNESS: Yes. We did not wait  
4 until the end of June.

5 BY MR. KRUM:

6 Q. Both you and Mr. Storey expressed to  
7 Messrs. Kane, Adams and McEachern that the process  
8 should be completed, correct?

9 A. Yes.

10 Q. Did any of them provide any response  
11 other than to communicate that they were unwilling  
12 to allow that to happen?

13 MR. HELPERN: Objection to form.

14 MR. SWANIS: Join.

15 THE WITNESS: They clearly made the  
16 statements that you had said, that they -- they felt  
17 that they were convinced that Jim's performance was  
18 such that it had to be cut off at an earlier point;  
19 that the time had come to make a decision, and we  
20 should not wait the extra month or so to get Tim  
21 Storey's final report.

22 Q. Did any of the -- any of Messrs. Kane,  
23 Adams or McEachern ever provide any responses to any  
24 interim reports provided by Mr. Storey?

25 MR. HELPERN: Objection. Lacks

1 A. Uh-huh.

2 Q. Do you see that item number one says  
3 "Present status"?

4 A. Right.

5 Q. To what did that refer?

6 A. Well, that was intended to refer, as I  
7 recall, to how things are going at the company at  
8 that time.

9 Q. Item two, "Tim's involvement," to what  
10 did that refer?

11 A. That -- that referred to how Tim was  
12 coming along in his capacity as what we called at  
13 that time ombudsman.

14 Q. Ombudsman being the same role as the  
15 committee of one --

16 A. The committee of one.

17 Q. Item three reads, quote,  
18 "Face-to-face meeting of  
19 independent directors in June  
20 before the shareholders meeting to  
21 assess status," close quote.

22 Do you see that?

23 A. Yes.

24 Q. To what did that refer?

25 A. That referred to what we had always

1 said, that we were going to get a report from Tim  
2 and then make a final decision on whether some or  
3 all of the Cotter family members would have to  
4 improve their performance or change their -- what  
5 they were doing.

6 Q. What does that mean when you say  
7 "improve their performance or change what they were  
8 doing?

9 A. Well, in other words, if the -- the  
10 situation could not continue the way it was  
11 indefinitely with this hostile bickering.

12 And at some point, if certain people  
13 were chronic offenders, we'd have to consider  
14 terminating them.

15 Q. As of April 2, 2015, had you had any  
16 communications with any other non-Cotter member of  
17 the RDI board of directors about the subject or  
18 possibility of terminating one or more of the  
19 Cotters?

20 A. The subject came up that we had to be  
21 prepared, if the situation did not correct itself  
22 within a reasonable period of time, to take drastic  
23 steps which might involve terminating one or more of  
24 the Cotters.

25 Q. When did that subject first arise?



1 THE WITNESS: I think it was unclear. I  
2 think nobody knew the correct answer there.

3 I mean the letter itself on its face,  
4 you know, if you had prior dealings with these  
5 people, you knew what their style was -- without  
6 more information we wouldn't have a defin- -- we  
7 couldn't have a definitive answer.

8 So I don't think anybody had a firm  
9 feeling as to what the issue was.

10 BY MR. KRUM:

11 Q. If Margaret Cotter had felt vindicated  
12 with respect to how she handled it, at the end of  
13 that meeting, do you think that she understood what  
14 people said to her?

15 MR. SWANIS: Objection. Form,  
16 foundation.

17 MR. HELPERN: Join. Calls for  
18 speculation.

19 THE WITNESS: No. I can't speculate. I  
20 don't know.

21 BY MR. KRUM:

22 Q. Well, did you say anything that you  
23 intended to communicate to her that she had been  
24 vindicated by the discussion?

25 A. I don't -- I don't remember saying

1 anything at that meeting.

2 But she certainly hadn't been vindicated  
3 at that point. But she later was vindicated when  
4 the Court ruled in Reading's favor, RDI's favor.

5 Q. When you say she was vindicated, does  
6 that mean that it was acceptable to have not  
7 previously disclosed the February 6th letter or that  
8 on the merits of the issues --

9 A. On the merits.

10 Q. -- she was correct?

11 A. On the merits she was correct.

12 Q. Did any other RDI director other than  
13 you and other than Jim Cotter, Jr., say anything  
14 during that meeting that led you to believe they  
15 understood the distinction between the subject of  
16 disclosing the February 6th letter to the C.E.O., at  
17 least, if not to the board and the subject of the  
18 merits of the dispute with the Stomp producers?

19 MR. HELPERN: Object to form, vague.

20 MR. SWANIS: Join.

21 THE WITNESS: There were general  
22 discussions among the others, saying -- you know,  
23 questioning whether there was sufficient notice in  
24 that original February 6th letter to cause Margaret  
25 to turn it over to Jim.

# **EXHIBIT 15**

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DISTRICT COURT  
CLARK COUNTY, NEVADA

JAMES J. COTTER, JR., )  
individually and )  
derivatively on behalf of )  
Reading International, )  
Inc., )  
Plaintiff, )  
vs. )  
MARGARET COTTER, et al., )  
Defendants. )  
and )  
READING INTERNATIONAL, )  
INC., a Nevada )  
corporation, )  
Nominal Defendant )

Case No. A-15-719860-B  
Coordinated with:  
Case No. P-14-082942-E

VIDEOTAPED DEPOSITION OF WILLIAM D. ELLIS  
TAKEN ON JUNE 28, 2016

REPORTED BY:  
PATRICIA L. HUBBARD, CSR #3400

1 plan was done by the board to assist Jim with his  
2 C.E.O. duties.

3 Q. What plan was that?

4 A. You know, I don't have any details from  
5 it. All I know is that apparently Tim Storey was  
6 given some kind of mandate to help out Jim.

7 Q. Okay. Do you know what the nature of  
8 that mandate was?

9 A. I never saw anything in writing. I  
10 don't really know.

11 Q. Other than what you've testified, did  
12 you have any other source of information that you  
13 characterized as questioning of Jim's performance by  
14 the board?

15 A. Just what I heard from board members.

16 Q. What did you hear, if anything, other  
17 than what you've already testified?

18 A. Just in meetings some of the stuff he  
19 did was questioned, as -- as happens at every board  
20 meeting.

21 Q. Do you recall any particular matter or  
22 item or issue or subject?

23 A. There were some concerns about Jim's  
24 behavior that the board looked at.

25 Q. Anything else?

1           A.    Not in terms of any particular decision  
2           that he made the board questioned.  It was more  
3           behavior and experience.

4           **Q.    Okay.  By "behavior," you're referring**  
5           **to what?**

6           A.    Temperament and what I think people  
7           characterized as anger issues.

8           **Q.    Well, I'm asking who said what.**

9                       **Whether you could characterize it as**  
10           **behavior or temperament or anger issues, I'm asking**  
11           **what did you -- what did you hear or learn, not what**  
12           **did you -- not how do you sum them up today.**

13           A.    I heard a couple stories about angry  
14           outbursts of Jim's that were, I believe, shared with  
15           the board; not by me, but I believe shared with the  
16           board.

17           **Q.    Angry outbursts in the presence of you**  
18           **or directed at home?**

19           A.    Incidents involving people in the  
20           office; my former assistant, Linda Pham, accountant,  
21           outside estate accountant, Debbie Watson, Ellen.

22                       Again, I didn't witness any of these.  
23           These were stories that were shared around the  
24           office.

25           **Q.    Did you ever observe an angry outburst**

1 by Jim Cotter, Jr.?

2 A. We shared a thin wall. I did hear him  
3 yelling at times. I can't pin down the subject or  
4 when. Just it's just a recollection. Our walls  
5 were very thin.

6 Q. Did you ever tell -- were you ever asked  
7 by any member of the RDI board of directors whether  
8 you witnessed any angry outbursts by Jim?

9 A. I don't recall.

10 Q. Did you ever tell them whether you had  
11 or that you had not?

12 A. I don't recall anyone asking or -- or me  
13 telling.

14 Q. And with respect to your testimony that  
15 you did hear him yelling at times, do you know  
16 whether that was when Margaret Cotter was in his  
17 office or on the other phone -- end of the line of  
18 the phone?

19 A. I don't -- I don't know that.

20 Q. Did you ever hear or learn or were you  
21 ever told that Linda Pham had developed a personal  
22 relationship with either or both Margaret and/or  
23 Ellen Cotter?

24 A. I don't understand the term "personal  
25 relationship."

# **EXHIBIT 16**



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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

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

vs. Case No.

MARGARET COTTER, ELLEN COTTER, A-15-719860-B  
GUY ADAMS, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY,  
WILLIAM GOULD, JUDY CODDING,  
MICHAEL WROTONIAK, and DOES 1  
through 100, inclusive,  
Defendants.

and

READING INTERNATIONAL, INC.,  
a Nevada corporation,  
Nominal Defendant.

---

(CAPTION CONTINUED ON NEXT PAGE.)

VIDEOTAPED DEPOSITION OF WHITNEY TILSON  
Los Angeles, California  
Wednesday, May 25, 2016  
Volume I

Reported by:  
JANICE SCHUTZMAN, CSR No. 9509  
Job No. 2312209  
Pages 1 - 216

1 T2 PARTNERS MANAGEMENT, LP, a  
2 Delaware limited partnership,  
3 doing business as KASE CAPITAL  
4 MANAGEMENT, et al.,  
5 Plaintiffs,  
6 vs.  
7 MARGARET COTTER, ELLEN COTTER,  
8 GUY ADAMS, EDWARD KANE, DOUGLAS  
9 McEACHERN, WILLIAM GOULD, JUDY  
10 CODDING, MICHAEL WROTNIAK, CRAIG  
11 TOMPKINS, and DOES 1 through 100,  
12 inclusive,  
13 Defendants.  
14 and  
15 READING INTERNATIONAL, INC., a  
16 Nevada corporation,  
17 Nominal Defendant.

---

18 Videotaped Deposition of WHITNEY TILSON,  
19 individually and as Person Most Knowledgeable for  
20 certain T2 and Tilson entities, Volume I, taken at  
21 865 South Figueroa Street, 10th Floor, Los Angeles,  
22 California, commencing at 10:12 a.m. and ending  
23 at 3:18 p.m., Wednesday, May 25, 2016, before  
24 Janice Schutzman, CSR No. 9509.  
25

1 replace the board of directors at RDI?

2 A. Certainly a majority.

3 Q. Would you seek to replace any of the  
4 executives at RDI?

5 A. That is quite likely. 01:48PM

6 Q. Would you reinstate Jim Cotter, Jr., as  
7 CEO?

8 A. Probably not.

9 Q. Okay. Why wouldn't you reinstate Jim  
10 Cotter, Jr., as CEO? 01:49PM

11 A. Because I think the well has been poisoned  
12 with the war among the siblings, and to give the  
13 company a fresh start, we'd conduct -- we'd rehire  
14 Korn Ferry and do -- and pick up the process where  
15 we left off and find the very best CEO we could for 01:49PM  
16 the company.

17 And if Ellen and Jim Cotter, Jr., wanted to  
18 be considered as part of that process, they would be  
19 welcome to throw their hats in the ring. But I  
20 think it's unlikely, both because I think we could 01:49PM  
21 find somebody better, one, and, two, because of the  
22 bad blood and the war that's gone on between the  
23 siblings, among the siblings, that it would probably  
24 be best to bring in an outsider.

25 Q. With respect to the rehiring Jim Cotter, 01:49PM

1 Jr., you said likely wouldn't do it. The reason you  
2 gave is that the well is poisoned.

3 A. Yes.

4 Q. Any other reason?

5 A. I'd want to see the other candidates that 01:50PM  
6 we can surface for this. It's not clear to me that,  
7 in the entire world, that he is the single best  
8 qualified person to run this company.

9 Q. It's your expectation there are other  
10 candidates who might be more qualified than Jim 01:50PM  
11 Cotter, Jr., to act as CEO of the company?

12 A. I think there's a reasonable likelihood.

13 Q. And why do you say that?

14 A. General long experience with nepotism,  
15 when, you know, a father appoints his son to fill 01:51PM  
16 his shoes. I can't say I've had enormous amounts of  
17 experience with this, both directly through my own  
18 investing or otherwise, but my general sense is that  
19 just because you happen to have the same genetic  
20 code of the person who founded and built the company 01:51PM  
21 doesn't make you the best qualified CEO.

22 But that's a secondary reason. The primary  
23 reason is, is the well is poisoned, and if we're  
24 going to get a clean start of this company, that we  
25 should bring in an outside CEO who doesn't -- who 01:51PM

Page 151

1 isn't -- I have to imagine the vast majority of the  
2 employees of RDI are on one sibling's side or the  
3 other. And so to have one sibling or another be the  
4 CEO means you're still going to have a divided  
5 company. That's what I mean by the well being 01:52PM  
6 poisoned.

7 Q. Have you conducted any investigation to see  
8 if anyone at the company is on one sibling's side or  
9 the other sibling's side?

10 A. No. I don't know anyone at the company. 01:52PM

11 Q. Have you conducted any investigation or  
12 looked into Jim Cotter, Jr.'s record while he was  
13 CEO at RDI?

14 A. Not extensive. He was CEO for a couple  
15 quarters, maybe two quarters when -- as a public 01:52PM  
16 company before he was forced out. The company  
17 seemed to be doing okay. I met him once for 20  
18 minutes. Seemed to be a reasonable guy. But I  
19 don't have deep knowledge or opinion about his  
20 tenure as CEO. 01:53PM

21 Q. Other than he seemed to you to be doing  
22 generally okay, do you have any knowledge about what  
23 he did or didn't accomplish as CEO?

24 A. Not really. The company seemed to be going  
25 along, running its cash cow theater operations 01:53PM

1 reasonably well and taking steps to develop the two  
2 properties in New York City, for example. There was  
3 nothing that was a real outlier, either positive or  
4 negative, in the couple quarters that he was the  
5 CEO.

01:53PM

6 I certainly didn't see anything that would  
7 give grounds for the board coup that ousted him  
8 based on any kind of failures that he had as the  
9 CEO, and I certainly believe that he was ousted due  
10 to a political family struggle and the ultimatum the  
11 sisters presented him with, that that was the  
12 motivation for his ouster and not any poor  
13 performance as CEO.

01:54PM

14 Q. Well, we'll come back to the rest of what  
15 you just said. I mean --

01:54PM

16 A. I'm sure.

17 Q. What you said was "not really," right, when  
18 it came to your assessment of Jim Cotter, Jr.'s  
19 performance as CEO?

20 A. Uh-huh.

01:54PM

21 Q. Is it correct that --

22 THE REPORTER: Was that an answer?

23 THE WITNESS: I'm sorry. I shouldn't have  
24 said "uh-huh."

25 Go ahead.

01:54PM

Page 153

1 BY MR. SEARCY:

2 Q. Is it correct that you can't identify  
3 really anything positive or negative about his  
4 tenure as you previously testified?

5 A. What I said is any -- I believe I said any 01:54PM  
6 outliers, anything he did that was shockingly  
7 positive or shockingly negative. It was sort of  
8 steady as she goes during his tenure as CEO.

9 Q. Other than "steady as she goes," can you  
10 identify anything positive? 01:55PM

11 A. Not off the top of my head.

12 Q. And in terms of steady as she goes, are you  
13 able to qualify that at all?

14 A. That the business performed in line with my  
15 expectations, in line with previous trends, which is 01:55PM  
16 the business was doing fairly well.

17 Q. And is -- the business is currently  
18 performing in line with previous trends; correct?

19 A. Yes.

20 Q. And with respect to anything negative, did 01:55PM  
21 you have any negative observations about Jim Cotter,  
22 Jr., as CEO?

23 A. No.

24 Q. You identified Korn Ferry as being the  
25 organization that you would look to to conduct a CEO 01:56PM

1 search; correct?

2 A. It was a little bit tongue in cheek, but  
3 since we've already hired and paid them a couple  
4 hundred thousand dollars, they would be the first  
5 phone call I would make if I were making the  
6 decision as to who to pick up and continue the CEO  
7 search that was aborted.

01:56PM

8 Q. Well, you would expect them to provide an  
9 unbiased search for CEO; correct?

10 A. Yes.

01:56PM

11 Q. And you wouldn't have any qualms about  
12 using them begin to search for a CEO at RDI;  
13 correct?

14 A. Not based on any information I have today  
15 to the contrary.

01:56PM

16 Q. And I've been asking you about the  
17 potential reinstatement of Jim Cotter, Jr., which  
18 you said that you would not be in favor of in  
19 connection with this motion for preliminary  
20 injunction.

01:57PM

21 A. Uh-huh.

22 Q. Let me ask you a now slightly different  
23 question.

24 If T2 were to succeed in its lawsuit --

25 A. Uh-huh.

Page 155



1 Q. -- would --

2 A. Sorry.

3 Q. -- T2 seek the reinstatement or rehiring of  
4 Jim Cotter, Jr., as CEO?

5 A. No. 01:57PM

6 Q. Those -- for the same reasons that you  
7 previously identified in connection with preliminary  
8 injunction?

9 A. Yes.

10 Q. Earlier you talked about a lawsuit -- class 01:57PM  
11 action lawsuit that you were the lead plaintiff on  
12 against a golf sportswear company?

13 A. Yes.

14 Q. You described that as a friendly lawsuit?

15 A. Yes. 01:58PM

16 Q. Do you consider the current lawsuit to be a  
17 friendly suit?

18 A. No.

19 Q. Has there ever been a situation where  
20 you've ever opposed the sale of a company? 01:58PM

21 A. No.

22 Q. How many times, as a shareholder in a  
23 company. Have you pushed for the sale of a company  
24 as best you can recall?

25 A. I'm having trouble thinking of any 01:59PM

1 not the level, certainly, that I once had.

2 Q. And though the amended complaint makes  
3 reference to reinstatement of Jim Cotter, Jr.,  
4 that's not something you'd seek; correct?

5 A. I personally, speaking only for myself, am 02:30PM  
6 not an advocate for returning him to the CEO  
7 position.

8 Q. Do you know if Mr. Glaser is?

9 A. I don't believe he is.

10 Q. Okay. Do you know if Mr. Shapiro is? 02:31PM

11 A. I don't know.

12 Q. Okay. So to your knowledge, because you  
13 and Mr. Glaser are the plaintiffs in this case, two  
14 of the plaintiffs, and seeking a remedy for  
15 yourself, you would not be seeking to have 02:31PM  
16 Mr. Cotter, Jr., reinstated; correct?

17 A. No.

18 Q. I asked you a question in a negative, and  
19 you answered in a negative. So as a result, I have  
20 to -- 02:31PM

21 A. Okay.

22 Q. -- reask it again.

23 It's correct that you and Mr. Glaser would  
24 not seek reinstatement of Jim Cotter, Jr.?

25 A. That is correct. 02:31PM

1 Q. Well, let me back up because I'm not sure  
2 that you actually answered my question. Okay?

3 A. I've been known to do that.

4 Q. And I asked you if the status quo has  
5 remained the same at RDI since October of 2014. 02:38PM

6 Do you recall that?

7 A. I do.

8 Q. And you made reference to -- you used the  
9 term "thermonuclear war"?

10 A. Again. 02:38PM

11 Q. You used that to describe the dispute  
12 between the siblings?

13 A. Yes.

14 Q. Since the termination of Jim Cotter, Jr.,  
15 at RDI, has the status quo changed at all? 02:38PM

16 A. Which status quo? Between the war among  
17 the siblings or the business operations?

18 Q. The business operations.

19 A. That -- that's remained pretty steady  
20 during the entire period. 02:38PM

21 Q. Even enduring the time that you described  
22 as the thermonuclear war; correct?

23 A. Correct.

24 Q. Okay.

25 A. Much to my surprise, the company's results 02:38PM

Page 182

1 have not been -- appear to the outside, appear to  
2 have been crippled by their war going on, which I'm,  
3 frankly, pleased by.

4 Q. So though you've used the term  
5 "thermonuclear war," the actions of the sisters 02:39PM  
6 during the thermonuclear war hasn't had any negative  
7 impact on the operations or the business of the  
8 company; correct?

9 A. It's hard for me to know what it would have  
10 been in the absence of the, I must imagine, 02:39PM  
11 significant amount of time that they've been  
12 spending at war with their brother.

13 But I will say that I'm pleased and  
14 relieved that what I thought could be a war that  
15 could spill over and really impair the operations of 02:39PM  
16 the business and become a huge distraction does not  
17 appear to have been, and I credit them for being  
18 able to do that.

19 Q. So the answer is, just to be clear, you  
20 haven't observed any negative impact; correct? 02:39PM

21 A. There are a couple things in the filing  
22 about, you know, the repayment of some of the  
23 interest payments and some of the debts, et cetera.

24 But in terms of the general operations of  
25 the business, yes, I have not observed any negative 02:40PM

# **EXHIBIT 17**

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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

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

vs.

Case No.

MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY,  
WILLIAM GOULD, JUDY CODDING,  
MICHAEL WROTONIAK, and DOES 1  
through 100, inclusive,  
Defendants.

A-15-719860-B

and

READING INTERNATIONAL, INC.,  
a Nevada corporation,  
Nominal Defendant.

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(CAPTION CONTINUED ON NEXT PAGE.)

VIDEOTAPED DEPOSITION OF JONATHAN GLASER  
Los Angeles, California  
Wednesday, June 1, 2016

Reported by:  
JANICE SCHUTZMAN, CSR No. 9509  
Job No. 2312217  
Pages 1 - 293

1 T2 PARTNERS MANAGEMENT, LP, a  
Delaware limited partnership,  
2 doing business as KASE CAPITAL  
MANAGEMENT, et al.,  
3 Plaintiffs,  
4 vs.  
5 MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE, DOUGLAS  
6 McEACHERN, WILLIAM GOULD, JUDY  
CODDING, MICHAEL WROTNIAK, CRAIG  
7 TOMPKINS, and DOES 1 through 100,  
inclusive,  
8 Defendants.  
9 and  
10 READING INTERNATIONAL, INC., a  
Nevada corporation,  
11 Nominal Defendant.

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15  
16 Videotaped Deposition of JONATHAN GLASER,  
17 individually, and as the Person Most Knowledgeable  
18 for JMG Capital Management, LLC and Pacific Capital  
19 Management, LLC, taken at 865 South Figueroa Street,  
20 10th Floor, Los Angeles, California, commencing at  
21 9:25 a.m. and ending at 5:03 p.m., Wednesday,  
22 June 1, 2016, before Janice Schutzman, CSR No. 9509.

23  
24  
25 PAGES 1 - 293

1 point, we would have looked at it carefully to  
2 figure out which -- those were potential folks. We  
3 hadn't made any decisions.

4 Q. Have you at any point actually proposed  
5 names of potential board members to anyone at 01:39PM  
6 Reading?

7 A. I don't believe so. I don't think I  
8 mentioned any names in my conversation with Andrzej.

9 Q. Have you discussed with anybody whether  
10 there would be -- whether you would like to see 01:39PM  
11 changes made in Reading's management, that is to  
12 say, a new CEO or --

13 A. No. I -- when -- well, the answer's no, I  
14 haven't discussed with anybody changes in  
15 management. 01:39PM

16 And when Ellen was named permanent CEO, did  
17 I feel like she's the very best candidate out there  
18 to run this company? No. But I actually don't  
19 really have a problem with Ellen as CEO.

20 Q. Do -- would you want to have James Cotter, 01:40PM  
21 Jr. reinstated as CEO?

22 A. I'm indifferent. I mean, we're not  
23 advocating that.

24 We want the -- we -- ultimately, we want  
25 the best person to run the company, and whether 01:40PM



1 that's Ellen, Jim, or some third party, that's to be  
2 determined. But we're not actively lobbying to put  
3 anybody in that seat.

4 Q. Okay. Do you know that, in your lawsuit,  
5 you asked that he be reinstated; correct? 01:40PM

6 A. I believe initially we did. I don't know  
7 if we are still seeking that.

8 MR. TAYBACK: This has previously been  
9 marked as 213. Did you get that, 213?

10 (Previously marked Deposition Exhibit 213  
11 was identified.)

12 BY MR. TAYBACK:

13 Q. So I'm showing you what has been marked  
14 previously as Exhibit 213. And it's the T2  
15 Plaintiffs' First Amended Complaint. So it's the 01:41PM  
16 one that's on file now.

17 And if you could go to page 37, using the  
18 page numbers in the lower center, under the section  
19 that says "Prayer for Relief."

20 A. Yeah. 01:41PM

21 Q. Under "Equitable and Injunctive Relief," B,  
22 it says:

23 "Including but not limited to, i)

24 an order reinstating James J. Cotter,

25 Jr., as the president and CEO of" 01:41PM

Page 155

1 Reading -- "of RDI."

2 Does that refresh your recollection that  
3 that's, in fact, what you're still asking for?

4 A. It is still in there.

5 Q. But is it your understanding that you're 01:42PM  
6 not actually seeking that?

7 A. That's correct.

8 Q. Was that a decision that was made by you  
9 and Mr. Tilson that that was not something you were  
10 seeking? 01:42PM

11 A. Yes.

12 Q. Describe for me how that decision was made.

13 A. I don't recall exactly. It's a body of  
14 thought that's emerged over the course of the last  
15 few months. 01:42PM

16 Q. And what was that decision based on,  
17 generally? Why did you originally think that was  
18 something you wanted but now you think that that's  
19 not something you want?

20 A. I guess I'd just say it's not a high 01:42PM  
21 priority, that I'm personally comfortable with Ellen  
22 as CEO or a third party. It's not -- it's just not  
23 a high priority to put Jim, Jr. back. And I'm not  
24 opining on whether he's a good CEO or not a good  
25 CEO. I don't know. But in the scope of what we're 01:43PM

1 after, that's not a priority.

2 Q. Is it fair to say you don't think that  
3 whether he is or is not the CEO is going to make a  
4 difference to the shareholders of Reading?

5 A. I don't -- at this point, I don't think it 01:43PM  
6 would make much difference.

7 Q. Let me -- I'm going to -- I'm going to ask  
8 you some questions generally about the complaint,  
9 the First Amended Complaint -- the original  
10 complaint and the First Amended Complaint. 01:44PM

11 Did you -- I guess before filing that  
12 complaint, did you read it?

13 A. The --

14 Q. The document itself?

15 A. I believe so, yeah. 01:44PM

16 Q. And now we'll focus on the First Amended  
17 Compliant.

18 A. The first -- okay.

19 Q. Did you read it -- did you have -- when you  
20 read it, did you have changes to it, that is to say, 01:44PM  
21 I don't think this is accurate or I don't want to  
22 say this?

23 A. I don't recall.

24 THE REPORTER: 241.

25 (Deposition Exhibit 241 was marked for 01:44PM

1           A.    I can't say for sure.  I don't think it  
2           helped.  And the general turmoil surrounding the  
3           termination and the family in-fighting I think has  
4           been, on balance, detrimental.  But I -- again, I  
5           don't know what people are doing out there.  I don't     01:47PM  
6           know what forces people to hit the sell or buy  
7           button.

8           Q.    And do you know whether or not -- well, let  
9           me back up.

10                    Is it your view, though, that if it had an     01:47PM  
11           effect on the stock price, it's not based on him  
12           per se holding that position such that a  
13           reinstatement of him would positively affect the  
14           stock price, or do you think that?

15           A.    I don't have an opinion on that.  I think     01:48PM  
16           when he was terminated, I'm guessing it came as a  
17           surprise and a negative surprise to the market.  If  
18           he were reinstated, I have no idea if the market  
19           would react positively or not.

20           Q.    Do you think it's generally true that the     01:48PM  
21           termination of a CEO adversely affects stock prices  
22           of the companies?

23           A.    It -- I can't -- who knows.  It depends on  
24           the CEO.  It depends on the company.  How they've  
25           been -- how the company's been doing.  It could be     01:48PM

1 fiduciary duty, in your view, to use -- to his -- to  
2 the company, to the shareholders, to take action  
3 against an independent contractor or employee that  
4 may not be in the best interest of the company  
5 because of a personal dispute? 03:18PM

6 A. Yeah, I understand your question better.

7 Yes.

8 Q. Have you done anything to look into whether  
9 that occurred?

10 A. No. 03:18PM

11 Q. Did you, with respect to -- give me one  
12 minute.

13 Do you have a view as to whether or not a  
14 CEO could properly be terminated for not getting  
15 along with the employees and other executives of the 03:19PM  
16 company?

17 A. Sure.

18 Q. And could -- would that be a proper basis  
19 for termination?

20 A. It would be a major factor, yeah. 03:19PM

21 Q. And if a personal dispute prevented a CEO  
22 from discharging his duties as CEO, would that be a  
23 proper basis for termination?

24 A. A personal dispute with somebody in the  
25 company or -- 03:19PM

1 retaining a banker or capital markets expert, and  
2 then a report would be made to the board.

3 Q. Since you haven't reviewed it, I assume you  
4 don't have any opinion on the company's current  
5 business plan? 03:44PM

6 A. Well, I don't recall specifically looking  
7 at that presentation. I may have because it's --  
8 I'm sure it's on the company's website.

9 And, you know, the issue for me -- I don't  
10 really have a huge problem with the way the company 03:44PM  
11 is running day to day. I do want to make sure that  
12 the New York assets are being teed up in the proper  
13 way, so to speak. I think the company is doing  
14 that. It's taken a very long period of time.

15 I have concerns about where we are on the 03:44PM  
16 real estate market and whether the company has, you  
17 know, perhaps missed an opportunity to best  
18 capitalize on those assets for this cycle. I don't  
19 really know.

20 I think -- what I'm -- I'm not necessarily 03:45PM  
21 concerned about asset by asset. I'd more like to  
22 understand what could be done, if anything, in terms  
23 of perhaps monetizing some of the foreign assets or  
24 even domestic assets. You know, just having an open  
25 mind about what can be done to enhance the price of 03:45PM

1 the stock, which I think is very depressed relative  
2 to where it should be.

3 MR. TAYBACK: Can we go off the record for  
4 a couple minutes.

5 MR. ROBERTSON: Sure.

6 MR. TAYBACK: Give me a few minutes to look  
7 through my outline.

8 THE VIDEOGRAPHER: We are off the record at  
9 3:45 p.m.

10 (Recess taken.) 03:49PM

11 THE VIDEOGRAPHER: We are on the record at  
12 3:59 p.m.

13 BY MR. TAYBACK:

14 Q. Directing your attention to what's been  
15 marked as Exhibit 232, it's the -- one set of 03:59PM  
16 interrogatory responses by you.

17 If you go to Exhibit B, which bears the  
18 Bates stamp number, you may remember, 101, it starts  
19 with -- ending in 101. And it's a fairly long  
20 document with a list of trades, I think. 03:59PM

21 I'm trying to figure out how to -- just how  
22 to read that. It says, bought, sold, bought, sold.

23 Can you tell by looking at that how many  
24 Class A shares your funds currently own?

25 A. Like from this, I couldn't tell you. All I 04:00PM

1 can tell you, it's approximately 500 and -- let's  
2 call it 550, give or take 25. I'm not -- I  
3 haven't -- I'm not sure exactly, but it's about  
4 that.

5 Q. And how many Class B shares? 04:00PM

6 A. I think it's a thousand and one.

7 Q. And has each of the -- your two funds owned  
8 some RDI shares during the entire pendency of the  
9 litigation?

10 A. Yeah. 04:00PM

11 Q. Okay.

12 A. Yeah.

13 Q. And how about you personally? Have you  
14 held Reading funds during the pendency of the  
15 litigation? 04:01PM

16 A. Yeah. I mean, the positions are largely --  
17 you know, not materially different than where they  
18 were way back when.

19 Q. How has your investment in Reading  
20 performed compared to, say, your investment in other 04:01PM  
21 stocks over the span of time?

22 A. Over which span of time?

23 Q. Over the span of time that you've been  
24 invested in Reading.

25 A. I would say okay. It hasn't been bad. 04:01PM



1 cover.

2 Q. Okay. And then, just so we're clear,  
3 looking at pages, say, 117 and 118, after each line  
4 there's a number which indicates -- I believe on  
5 these pages at least, indicates the number of 04:17PM  
6 options or shares.

7 A. Yes.

8 Q. Then there's the code name for the company,  
9 RDI.

10 A. Yeah. 04:17PM

11 Q. And what's the number --

12 A. That's prob- --

13 Q. -- and the letters that follow?

14 A. That's probably a security ID number. So  
15 that's -- that, I'm guessing, is an ID number for 04:17PM  
16 the contract, for the specific options contract.

17 Q. And does that include all the way into the  
18 letters that end --

19 A. Yeah. And then they -- where you see PCMJ  
20 or JMG or Glaser, that would be the account that it 04:17PM  
21 goes into.

22 Q. You said at one point that you would not  
23 fire Ellen Cotter. Why not?

24 A. I don't have any evidence that she's not a  
25 good CEO. I -- in fact, I told -- when the 04:18PM

1 search -- CEO search was concluded and they  
2 announced Ellen was becoming the permanent CEO, one,  
3 I was not in the least bit surprised and, two, I  
4 told Andrzej in the conversation I had with him that  
5 I was not necessarily troubled by that either. 04:18PM

6 Q. Did you say to Andrzej, the CFO, why you  
7 were not troubled by that?

8 A. I don't recall, no.

9 Q. Why weren't you troubled by that?

10 A. I recognize, one, the difficulty of finding 04:18PM  
11 anybody else, particularly with the circus going on;  
12 and, two, I think she knows the company pretty well,  
13 has been there a long time, probably learned the  
14 business from her dad.

15 So I'm not convinced that there's some 04:18PM  
16 knight in shining armor out there to come in and be,  
17 you know, a great -- you know, a much better CEO of  
18 this company. I'm okay with Ellen.

19 Q. Did you -- I believe you indicated that you  
20 spoke to someone on behalf of Pico -- 04:19PM

21 A. Yes.

22 Q. -- Pico Holdings?

23 A. Yeah.

24 Q. Do you recall -- you don't remember who the  
25 name was? 04:19PM

# **EXHIBIT 18**

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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

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

vs. ) Case No.  
A-15-719860-B

MARGARET COTTER, ELLEN COTTER, )  
GUY ADAMS, EDWARD KANE, DOUGLAS )  
MCEACHERN, TIMOTHY STOREY, WILLIAM )  
GOULD, JUDY CODDING, MICHAEL )  
WROTNIAK, and DOES 1 through 100, )  
inclusive, )  
Defendants. )

Case No.  
P-14-082942-E

and )  
READING INTERNATIONAL, INC., )  
a Nevada corporation, )  
Nominal Defendant. )

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(CAPTION CONTINUED ON NEXT PAGE.)

VIDEOTAPED DEPOSITION OF ANDREW SHAPIRO  
San Francisco, California  
Monday, June 6, 2016  
Volume I

Reported by:  
CARLA SOARES  
CSR No. 5908  
Job No. 2324228  
Pages 1 - 322

1 T2 PARTNERS MANAGEMENT, LP, a )  
Delaware limited partnership, )  
2 doing business as KASE CAPITAL )  
MANAGEMENT, et al., )  
3 )  
Plaintiff, )  
4 )  
vs. )  
5 )  
MARGARET COTTER, ELLEN COTTER, GUY )  
6 ADAMS, EDWARD KANE, DOUGLAS )  
McEACHERN, WILLIAM GOULD, JUDY )  
7 CODDING, MICHAEL WROTNIAK, CRAIG )  
THOMPkins, and DOES 1 through 100, )  
8 inclusive, )  
9 Defendants. )  
and )  
10 )  
READING INTERNATIONAL, INC., )  
11 a Nevada corporation, )  
12 Nominal Defendant. )  
\_\_\_\_\_ )

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VIDEOTAPED DEPOSITION OF ANDREW SHAPIRO,  
Volume I, taken on behalf of Defendants, at 50  
California Street, San Francisco, California,  
beginning at 9:11 a.m., and ending at 6:15 p.m., on  
Monday, June 6, 2016, before CARLA SOARES, Certified  
Shorthand Reporter No. 5908.

1                   It's -- by the way, one of the reasons I           09:46:26  
2 chose not to intervene was, I didn't want this  
3 deterioration of relationship to occur. I had hoped  
4 that we could remain -- that I would be perceived  
5 and we could remain independent of the fight between       09:46:44  
6 the siblings over the control of the assets and the  
7 control of the company.

8                   I just want what's best for the company  
9 and all its shareholders in the delivery of its  
10 business plan, which I don't have any disagreements       09:47:00  
11 with. I haven't had a disagreement with their  
12 direction for -- with Senior, with Junior, or with  
13 what Ellen has been doing.

14                  Q     And that business plan hasn't changed over  
15 the course of time?   09:47:17

16                  A     I think it's been fairly -- I think the  
17 business plan has been fairly consistent.

18                   There was a bias over Senior's earlier  
19 years of accumulating. He never met a distressed  
20 seller he didn't like. And he -- it's not that he       09:47:33  
21 didn't -- it's not that he didn't buy well. He  
22 bought well most times. But, you know, he  
23 accumulated.

24                   Near the last year or two of his life,  
25 unfortunately, the last few years, which were the       09:47:51

1 last of his life, unfortunately, he became more of a 09:47:55  
2 seller and building upon the value of the assets  
3 that had been accumulated than an accumulator.

4 He had a few forays that I think went off  
5 the rails and didn't go well that I, at annual 09:48:09  
6 meetings, would call him out on and be critical of,  
7 that this is a distraction.

8 And now with the current assets that they  
9 have, Junior was migrating the company towards  
10 building upon what the company had, and I feel Ellen 09:48:27  
11 and the new regime is similarly doing that.

12 Q So after the termination of Mr. Cotter  
13 Junior, the business plan that you've identified  
14 hasn't really changed; is that correct?

15 A Not that I can tell. 09:48:46

16 Q Had the operations of the business at RDI  
17 changed?

18 A Yes. Not so much. But in one particular  
19 area, the operating costs, the SG&A has gone through  
20 the roof. 09:49:03

21 That part is unfortunate, but there's been  
22 a substantial hiring of new parties and a --  
23 creating redundancies, as well as then the exiting  
24 of parties.

25 And so that has increased the SG&A of the 09:49:24

1 company beyond its historical norms. I'm hopeful 09:49:26  
2 that it will prove to be non-recurring and that the  
3 SG&A operating costs will go back down to their  
4 historical levels while the company still continues  
5 to grow. 09:49:40

6 Q But the company has continued to grow as  
7 between the time that Mr. Cotter Junior was  
8 terminated and then Ellen Cotter took over as CEO;  
9 is that correct?

10 A I think it's continued along its path. 09:49:51  
11 Whether it's grown or not is a function of box  
12 office success or not box office success in this  
13 short window.

14 I believe Ellen -- Junior was terminated  
15 in June, so Ellen has had it for a year. Junior has 09:50:04  
16 had it for about nine months of what is alleged in  
17 the complaint a tumultuous time period.

18 So during both periods of time, the  
19 operating performance of the company has kind of  
20 chugged along. I don't feel there's any differences 09:50:21  
21 between the operational direction. I can't tell of  
22 any difference between the operational direction  
23 that Junior was leading the company and that Ellen  
24 is leading the company.

25 So I can't tell of any operational 09:50:37



1 differences that have caused this horrible, nasty, 09:50:39  
2 childlike dispute.

3 Q You're referring to the litigation now?

4 A The sibling fight over the control of the  
5 estate. 09:50:47

6 Q All right. We were talking about  
7 Mr. Matyczynski just a minute ago.

8 I think you said that there were instances  
9 where you would reach out to Mr. Ghose, and then  
10 Mr. Matyczynski would then call you or communicate 09:50:59  
11 with you; is that right?

12 A On one or two instances I'd reach out to  
13 Dev, or I'd reach out to them both, and Matyczynski  
14 would be responsive.

15 Q Did you ask Andrzej why he was 09:51:14  
16 communicating with you instead of Mr. Ghose?

17 A I think Andrzej mentioned to me that he  
18 was designated to deal with me.

19 Q By the company?

20 A By whoever. Yes. I'm assuming by whoever 09:51:24  
21 pays his paycheck. I don't know.

22 Q Did he say that that was a function of  
23 your prior involvement in the intervention suit at  
24 all?

25 A No. 09:51:36

1 would hire. 09:59:18

2 Q After you graduated from UCLA in 1987,  
3 what was your first job after that?

4 A I worked in the leveraged finance  
5 division, the acquisition finance group, of 09:59:34  
6 Manufacturers Hanover Bank, which is now part of JP  
7 Morgan. It was a special unit that originated and  
8 structured the financing of the senior debt of all  
9 the big buyouts in the late '80s.

10 Q How long did you work at Hanover? 09:59:50

11 A Mani Hani, as we call it, I worked at Mani  
12 Hani from 1987, right before the crash, to 1989.

13 Q What was your next job?

14 A I was an officer at the investment  
15 management arm or the family office for the Belzberg 10:00:10  
16 family at First City Capital, it was called, in New  
17 York City. Manufacturers Hanover was in New York  
18 City as well.

19 Q How long did you work at First City  
20 Capital? 10:00:25

21 A I was at First City from 1989 to 1991.

22 Q What was your next job?

23 A I taught finance at the Haas School of  
24 Business as an adjunct professor.

25 And I was a consultant at the same time 10:00:49

Page 50

1 with a now defunct fund of funds that I had. They 10:00:55  
2 were a consulting client, that I would help advise  
3 them on whether the hedge funds they allocated  
4 capital to actually invested consistent with the  
5 style and strategy they told the fund of funds that 10:01:11  
6 they did.

7 So value -- they said they were a value  
8 investor. And if they had a bunch of Amazon or  
9 Netflix, although I don't think they existed then,  
10 then that would have been examples of investments 10:01:25  
11 not consistent with their style and strategy, which  
12 is something that I could certainly do.

13 And after teaching and while doing  
14 consulting, I basically migrated to found my firm,  
15 Lawndale Capital Management, in 1992, and opened up 10:01:43  
16 our funds in February of 1993. And I've been doing  
17 that ever since. We're in our 24th year.

18 Q What's the business of Lawndale?

19 A Lawndale is an investment advisor that  
20 serves as the general partner to some investment 10:02:08  
21 limited partnerships.

22 Q What do you mean by that?

23 MR. RAISSI: By what?

24 THE WITNESS: I don't understand your  
25 question. 10:02:22

1 BY MR. SEARCY: 10:02:23

2 Q What do you mean when you say it serves as  
3 a general partner to some investment limited  
4 partnerships?

5 A So Lawndale Capital Management is an 10:02:29  
6 investment advisor. It is the general partner in  
7 some partnerships. Those partnerships are  
8 investment limited partnerships. They make  
9 investments.

10 Q And are those investment limited 10:02:42  
11 partnerships, are those operated by you?

12 A The general partner, Lawndale Capital  
13 Management, which I am the founder, president and  
14 portfolio manager of.

15 Q So yes? 10:02:57

16 MR. RAISSI: No. His answer is what his  
17 answer was.

18 THE WITNESS: Exactly what my lawyer said  
19 on that. It is what my answer is.

20 So if you want to clarify the question, 10:03:06  
21 I'll be responsive.

22 BY MR. SEARCY:

23 Q Sure. Happy to work with you on this.

24 A Yeah.

25 Q In terms of the general partnership where 10:03:16

Page 52

1 Lawndale is serving as a general partnership -- 10:03:17

2 A Lawndale is not a general partnership,  
3 okay?

4 Q It's the general partner with the  
5 partnership? 10:03:23

6 A Lawndale is the general partner of a  
7 partnership which then has limited partners. And  
8 that partnership has a brokerage account and makes  
9 investments.

10 Q And would those limited partners come from 10:03:35  
11 outside of Lawndale?

12 A Yes.

13 Q But Lawndale itself as the general partner  
14 would control the partnership, correct?

15 A As general partner and with its power of 10:03:44  
16 attorneys or whatever else the legal documents were  
17 that gives it discretionary authority on what to buy  
18 and sell.

19 Q Has Lawndale been your full-time  
20 occupation since 1993? 10:04:03

21 A Um-hum.

22 Q Just for the record, that was a "yes," for  
23 the court reporter?

24 A I'm sorry. Yes.

25 Q How many employees does Lawndale have? 10:04:14

Page 53

1           A    Lawndale Capital Management, LLC, only has    10:04:20  
2   me as an employee.

3                    It has a -- Lawndale -- it has an  
4   affiliate, Lawndale Capital Management, Inc., and it  
5   has two employees, plus me.                                   10:04:45

6           Q    What are the roles of those two employees?

7           A    They assist me in the analysis of  
8   companies. They assist in the operational aspects  
9   of the business, the regulatory compliance, the  
10   day-to-day activities of the business.                       10:05:13

11          Q    Are they involved -- these two employees,  
12   are they involved in making trading decisions?

13          A    No.

14          Q    Do you make all trading decisions for the  
15   Lawndale entities?   10:05:25

16          A    I do.

17          Q    And Lawndale owns RDI stock; is that  
18   right?

19          A    Yes.

20          Q    What percentage of Lawndale's holdings are    10:05:39  
21   in RDI stock?

22          A    You know, that's kind of -- that's  
23   proprietary data. It's our largest investment. I  
24   mean, I'll give you that. But how much we allocate  
25   to each individual investment amongst investments is    10:05:56

1 proprietary to our operations and our investment 10:06:04  
2 partners.

3 Q All right. We have a protective order in  
4 place in this case. Maybe we can designate that  
5 information as confidential. 10:06:15

6 MR. RAISSI: We've not seen any protective  
7 order, so --

8 MR. SEARCY: Well, maybe we can have a  
9 discussion about that over the break.

10 MR. RAISSI: I don't see what the 10:06:25  
11 relevance is to this, either. It's proprietary  
12 information. It's trade secret.

13 MR. SEARCY: Just so I understand  
14 correctly, the position that Mr. Shapiro is taking  
15 today at this deposition is that his -- the 10:06:39  
16 percentage of RDI stock in the portfolio of Lawndale  
17 is proprietary and trade secret?

18 MR. RAISSI: That's correct, and  
19 consistent with the written objections we served to  
20 the document requests whenever that was, four or 10:07:00  
21 five months ago.

22 BY MR. SEARCY:

23 Q And RDI is your largest investment, you  
24 said?

25 A Yes. 10:07:09

1 Q What is the amount of Lawndale's 10:07:09  
2 investment in RDI?  
3 A Can you clarify that? I think you just  
4 asked that.  
5 Q Sure. How much money does Lawndale have 10:07:20  
6 invested in RDI?  
7 A I actually don't know exactly. I don't  
8 know -- I don't know offhand. It's my largest  
9 investment.  
10 Q Do you know the approximate value? 10:07:31  
11 A Over 13 million.  
12 Q What percentage of Lawndale's holdings in  
13 RDI are Class A stock?  
14 A Almost all of it.  
15 Q Does Lawndale hold any RDI Class B stock? 10:08:00  
16 A Yes.  
17 Q What amount?  
18 A A few thousand shares. Very -- very  
19 little.  
20 Q Do you know what the value of those shares 10:08:20  
21 are?  
22 A A few thousand times \$13 a share. So  
23 13 -- \$26,000, \$30,000. The bulk of our ownership  
24 interest, the vast majority of our ownership  
25 interest is in the non-voting Class A shares just 10:08:41



1 like the rest of the public. 10:08:46

2 93 percent of all the public shares --  
3 sorry -- 93 percent of all the shares of Reading are  
4 non-voting shares, and only 7 percent of all the  
5 shares of Reading are voting shares. 10:09:00

6 Q Do you have any knowledge as to whether  
7 the Class B shares are more valuable than the  
8 Class A shares?

9 A Knowledge? No. Cotter Senior has always  
10 treated and has represented throughout all these 10:09:30  
11 years that he viewed them economically identical,  
12 and he treated them in the merger and other time  
13 windows economically identical any time he had dual  
14 class.

15 My initial investment was in Craig Corp. 10:09:44  
16 preferred shares, and he treated those preferred,  
17 which were basically non-voting shares of Craig  
18 Corp, one of the predecessors -- with respect to the  
19 voting shares of Craig, he always treated those  
20 identically as well, economically identically. 10:09:59

21 Yes, they provided him voting control of  
22 the entity, but economically, on more than one  
23 occasion, he represented that he viewed them  
24 economically identical and he would treat them  
25 economically identical. And in multiple corporate 10:10:17

Page 57

1 longer than Junior, whether it's because of the 11:31:39  
2 litigation, whether it's because I'm viewed  
3 adversarial, or it's her own style, I've had less  
4 engagement with Ellen in the one-year window than I  
5 did with Junior, and my advice and counsel has not 11:31:56  
6 been sought.

7 If anything, with respect to Dev Ghose as  
8 CFO, I'm reminded by him on multiple occasions how  
9 many decades he's been a CFO of larger companies,  
10 and a "we don't need your advice" kind of message. 11:32:16

11 Ellen hasn't sent that message, but Ellen  
12 hasn't asked for counsel or advice in any way. She  
13 didn't seem to really care about my views or  
14 opinions about that. So I can't -- I can't say that  
15 I come away from a conversation with her -- which 11:32:37  
16 has been limited -- that I've come away feeling that  
17 they are going to pursue this once the litigation is  
18 over.

19 Do I feel that -- are they pursuing that  
20 now? I don't really have a bias between Junior's 11:32:57  
21 regime or Ellen's regime, if that's what you say. I  
22 think that she's been advancing the company forward,  
23 similar to what I had observed Junior doing.

24 The only distinction I have is that Junior  
25 was doing it without the cloud of litigation, and 11:33:15

1 about buying shares in the sell-off, you didn't 14:49:42  
2 alert the board that you were considering filing  
3 your own intervention suit, correct?

4 A Correct, other than that email you saw  
5 that put them on notice that we will do any and all 14:49:58  
6 actions to protect shareholder interests. But no  
7 specific, we have or will and are contemplating an  
8 intervenors' motion.

9 Q When you -- as of July 27th, 2015, you  
10 were actually working with counsel for preparation 14:50:25  
11 of an intervention suit, correct?

12 A I don't think that's correct. I was  
13 interviewing counsel at that time.

14 On the 27th, we were interviewing counsel  
15 and had not resolved on who counsel would be and 14:50:45  
16 various issues regarding the intervention. But I  
17 was still contemplating being one of the intervenors  
18 at that time.

19 Q And you didn't let the board know any of  
20 that, though, right? 14:51:03

21 A I did not let the board know -- when I  
22 emailed them that they ought to buy back shares, I  
23 did not let the board know that I was considering  
24 filing an intervenors' motion. I wouldn't want that  
25 to frankly taint their decision one way or another 14:51:15

1 on the highly accretive corporate allocation of 14:51:18  
2 buying back and retiring shares.

3 Part of the reason I didn't intervene and  
4 I was concerned about being a named intervenor was  
5 the fact that it would cloud any perception -- the 14:51:32  
6 problem with the intervenors' suit was that it, in  
7 many ways, was piling on or aligning some of the  
8 allegations and remedies with that of Junior, which  
9 I was not necessarily in pursuit of, of any and all  
10 of those remedies. 14:51:58

11 Q Which remedies of Junior were you not in  
12 pursuit of?

13 A I wasn't committed one way or the other  
14 that Junior should be reinstated.

15 Again, Junior was the devil I knew, and he 14:52:10  
16 was doing things in a manner I had no problems with.  
17 I had no idea what or how the sisters or Ellen would  
18 manage the company.

19 So it was the devil I knew versus the  
20 devil I didn't know. And it was also the fact that, 14:52:26  
21 you know, they're having this nasty, horrible,  
22 drag-out fight over the family estate.

23 Q But as of the date where you were  
24 considering filing the intervention suit, you didn't  
25 know whether you had to seek reinstatement of 14:52:38

1 A No. 16:23:55

2 Q Have you had any conversations with Mark  
3 Krum?

4 A Yes.

5 Q On how many different occasions? 16:24:02

6 A On a few occasions when I was making the  
7 decision whether or not I wanted to file an  
8 intervenors' suit or not. I don't think I've talked  
9 with him really since all of that got filed. Just  
10 then, I think. So that's on or around July, end of 16:24:19  
11 July, early August.

12 I might have talked with him once or twice  
13 subsequent, regarding status of the case, basically,  
14 of one of the other cases that's not the derivative  
15 action. But he's -- you know, I can't talk with 16:24:40  
16 Junior. I asked Krum -- I asked Krum in one or two  
17 calls what's going on in a certain suit.

18 Q What did you discuss with Mr. Krum about  
19 whether or not to file an intervenors' suit?

20 A I told him I was considering filing -- I 16:24:55  
21 was considering being an intervenor. I wanted to  
22 understand the nature of Junior's claims, why he  
23 felt these claims were derivative and not personal  
24 or direct.

25 My main issue here was that I told him 16:25:12

1 that I don't think necessarily Junior is the best 16:25:14  
2 adequate representative of mine or other shareholder  
3 interests, and I wanted shareholders, myself or  
4 shareholder representatives, to have a seat at the  
5 table. Because who best to pursue and find out 16:25:28  
6 what's been going on at this company above and  
7 beyond just the circumstances surrounding Junior's  
8 termination than independent shareholders?

9 And so that is why I was very motivated to  
10 be the intervenor, to file an intervening action, to 16:25:46  
11 create and have remedies employed here at the  
12 company that would be protective of and benefit all  
13 shareholders. And the rehiring of Cotter Junior  
14 solely as a remedy didn't seem to me to be remedy  
15 enough for all that had gone on in the last few 16:26:04  
16 years of Cotter Senior's life and in the years  
17 subsequent.

18 Q So with respect to the items that you've  
19 just described, things that have occurred in the  
20 last few years of Cotter Senior's life? 16:26:24

21 A Yes, that would be within the statute of  
22 limitations.

23 Q That was going to be my question to you,  
24 was, with respect to those issues which are now  
25 barred by the statute of limitations, why didn't you 16:26:38

# EXHIBIT 19

**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**Reading International, Inc.**

**A Nevada Corporation**

**(formerly Citadel Holding Corporation)**



AMENDED AND RESTATED  
BYLAWS  
OF  
READING INTERNATIONAL, INC.  
A Nevada Corporation

TABLE OF CONTENTS

|             | <u>PAGE</u>                                   |   |
|-------------|---|---|
| ARTICLE I   | STOCKHOLDERS                                  | 1 |
| SECTION 1   | ANNUAL MEETING                                | 1 |
| SECTION 2   | SPECIAL MEETINGS                              | 1 |
| SECTION 3   | NOTICE OF MEETINGS                            | 1 |
| SECTION 4   | PLACE OF MEETINGS                             | 2 |
| SECTION 5   | STOCKHOLDER LISTS                             | 2 |
| SECTION 6   | QUORUM; ADJOURNED MEETINGS                    | 2 |
| SECTION 7   | VOTING  | 2 |
| SECTION 8   | PROXIES                                       | 3 |
| SECTION 9   | ACTION WITHOUT MEETING                        | 3 |
| SECTION 10  | CERTAIN LIMITATIONS                           | 3 |
| ARTICLE II  | DIRECTORS                                     | 3 |
| SECTION 1   | MANAGEMENT OF CORPORATION                     | 3 |
| SECTION 2   | NUMBER, TENURE, AND QUALIFICATIONS            | 4 |
| SECTION 3   | CHAIRMAN AND VICE CHAIRMAN OF THE BOARD       | 4 |
| SECTION 4   | VACANCIES; REMOVAL                            | 4 |
| SECTION 5   | ANNUAL AND REGULAR MEETINGS                   | 4 |
| SECTION 6   | FIRST MEETING                                 | 5 |
| SECTION 7   | SPECIAL MEETINGS                              | 5 |
| SECTION 8   | BUSINESS OF MEETINGS                          | 5 |
| SECTION 9   | QUORUM; ADJOURNED MEETINGS                    | 5 |
| SECTION 10  | COMMITTEES                                    | 6 |
| SECTION 11  | ACTION WITHOUT MEETING; TELEPHONE<br>MEETINGS | 6 |
| SECTION 12  | SPECIAL COMPENSATION                          | 6 |
| ARTICLE III | NOTICES                                       | 7 |
| SECTION 1   | NOTICE OF MEETINGS                            | 7 |
| SECTION 2   | EFFECT OF IRREGULARLY CALLED MEETINGS         | 7 |
| SECTION 3   | WAIVER OF NOTICE                              | 7 |

|              |   |    |
|--------------|---|----|
| ARTICLE IV   | OFFICERS  | 8  |
| SECTION 1    | ELECTION  | 8  |
| SECTION 2    | CHAIRMAN AND VICE CHAIRMAN OF THE BOARD                         | 8  |
| SECTION 3    | PRESIDENT   | 8  |
| SECTION 4    | VICE-PRESIDENT  | 8  |
| SECTION 5    | SECRETARY   | 8  |
| SECTION 6    | ASSISTANT SECRETARIES   | 9  |
| SECTION 7    | TREASURER   | 9  |
| SECTION 8    | ASSISTANT TREASURERS  | 9  |
| SECTION 9    | COMPENSATION  | 9  |
| SECTION 10   | REMOVAL; RESIGNATION  | 9  |
| ARTICLE V    | CAPITAL STOCK   | 10 |
| SECTION 1    | CERTIFICATED AND UNCERTIFICATED SHARES OF STOCK                 | 10 |
| SECTION 2    | SURRENDERED; LOST OR DESTROYED CERTIFICATES                     | 10 |
| SECTION 3    | REGULATIONS   | 11 |
| SECTION 4    | RECORD DATE   | 11 |
| SECTION 5    | REGISTERED OWNER  | 11 |
| ARTICLE VI   | GENERAL PROVISIONS  | 11 |
| SECTION 1    | REGISTERED OFFICE   | 11 |
| SECTION 2    | CHECKS; NOTES   | 12 |
| SECTION 3    | FISCAL YEAR   | 12 |
| SECTION 4    | STOCK OF OTHER CORPORATIONS OR OTHER INTERESTS                  | 12 |
| SECTION 5    | CORPORATE SEAL  | 12 |
| SECTION 6    | ANNUAL STATEMENT  | 12 |
| SECTION 7    | DIVIDENDS   | 12 |
| SECTION 8    | CONFLICTS OF INTEREST   | 13 |
| ARTICLE VII  | INDEMNIFICATION   | 13 |
| SECTION 1    | INDEMNIFICATION OF OFFICERS AND DIRECTORS, EMPLOYEES AND AGENTS | 13 |
| SECTION 2    | INSURANCE   | 14 |
| SECTION 3    | FURTHER BYLAWS  | 14 |
| ARTICLE VIII | AMENDMENTS  | 14 |
| SECTION 1    | AMENDMENTS BY STOCKHOLDERS                                      | 14 |
| SECTION 2    | AMENDMENTS BY BOARD OF DIRECTORS                                | 14 |

AMENDED AND RESTAED  
BYLAWS<sup>1</sup>  
OF  
READING INTERNATIONAL, INC.

A Nevada Corporation

**ARTICLE I  
STOCKHOLDERS**

SECTION 1     ANNUAL MEETING

Annual meetings of the stockholders, commencing with the year 2000, shall be held each year within 150 days of the end of the fiscal year on the third Thursday in May if not a legal holiday, and if a legal holiday, then on the next secular day following at ten o'clock a.m., or such other date and time as may be set by the Board of Directors<sup>2</sup> from time to time and stated in the notice of the meeting, at which the stockholders shall elect by a plurality vote a Board of Directors and transact such other business as may properly be brought before the meeting.

SECTION 2     SPECIAL MEETINGS

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

SECTION 3     NOTICE OF MEETINGS

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

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<sup>1</sup> These Amended and Restated Bylaws are hereinafter referred to as the Bylaws.

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

#### SECTION 4 PLACE OF MEETINGS

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

#### SECTION 5 STOCKHOLDER LISTS

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

#### SECTION 6 QUORUM; ADJOURNED MEETINGS

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

#### SECTION 7 VOTING

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

## SECTION 8 PROXIES

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

## SECTION 9 ACTION WITHOUT MEETING

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

## SECTION 10 CERTAIN LIMITATIONS

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

# **ARTICLE II DIRECTORS**

## SECTION 1 MANAGEMENT OF CORPORATION

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

## SECTION 2 NUMBER, TENURE, AND QUALIFICATIONS

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

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

### SECTION 3 CHAIRMAN AND VICE CHAIRMAN OF THE BOARD

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

### SECTION 4 VACANCIES; REMOVAL

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

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

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

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

### SECTION 5 ANNUAL AND REGULAR MEETINGS

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

## SECTION 6 FIRST MEETING

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

## SECTION 7 SPECIAL MEETINGS

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

## SECTION 8 BUSINESS OF MEETINGS

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

## SECTION 9 QUORUM; ADJOURNED MEETINGS

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

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

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

## SECTION 10 COMMITTEES

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

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

## SECTION 11 ACTION WITHOUT MEETING; TELEPHONE MEETINGS

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

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

## SECTION 12 SPECIAL COMPENSATION

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



## **ARTICLE III NOTICES**

### SECTION 1 NOTICE OF MEETINGS

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

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

### SECTION 2 EFFECT OF IRREGULARLY CALLED MEETINGS

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

### SECTION 3 WAIVER OF NOTICE

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

## **ARTICLE IV OFFICERS**

### SECTION 1 ELECTION

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

### SECTION 2 CHAIRMAN AND VICE CHAIRMAN OF THE BOARD

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

### SECTION 3 PRESIDENT

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

### SECTION 4 VICE-PRESIDENT

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

### SECTION 5 SECRETARY

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

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

#### SECTION 6 ASSISTANT SECRETARIES

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

#### SECTION 7 TREASURER

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

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

#### SECTION 8 ASSISTANT TREASURERS

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

#### SECTION 9 COMPENSATION

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

#### SECTION 10 REMOVAL; RESIGNATION

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

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

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

## **ARTICLE V CAPITAL STOCK**

### **SECTION 1      CERTIFICATED AND UNCERTIFICATED SHARES OF STOCK**

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

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

### **SECTION 2      SURRENDERED; LOST OR DESTROYED CERTIFICATES**

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

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

### SECTION 3 REGULATIONS

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

### SECTION 4 RECORD DATE

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

### SECTION 5 REGISTERED OWNER

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

## **ARTICLE VI GENERAL PROVISIONS**

### SECTION 1 REGISTERED OFFICE

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

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

#### SECTION 2 CHECKS; NOTES

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

#### SECTION 3 FISCAL YEAR

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

#### SECTION 4 STOCK OF OTHER CORPORATIONS OR OTHER INTERESTS

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

#### SECTION 5 CORPORATE SEAL

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

#### SECTION 6 ANNUAL STATEMENT

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

#### SECTION 7 DIVIDENDS

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

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

#### SECTION 8      CONFLICTS OF INTEREST

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

### **ARTICLE VII INDEMNIFICATION**

#### SECTION 1      INDEMNIFICATION OF OFFICERS AND DIRECTORS, EMPLOYEES AND AGENTS

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

SECTION 2 INSURANCE

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

SECTION 3 FURTHER BYLAWS

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

**ARTICLE VIII  
AMENDMENTS**

SECTION 1 AMENDMENTS BY STOCKHOLDERS

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

SECTION 2 AMENDMENTS BY BOARD OF DIRECTORS

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



## CERTIFICATE OF SECRETARY

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

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

---

Andrzej Matyczynski, Secretary

# **EXHIBIT 20**

## EMPLOYMENT AGREEMENT

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

### 1. Term of Employment

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

### 2. Duties

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

### 3. Compensation

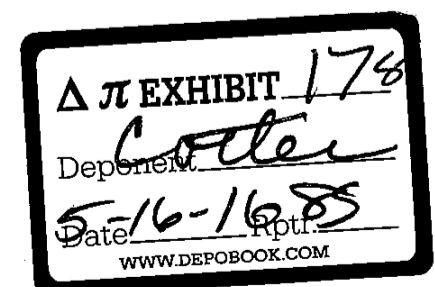
During the Term of Employment, the Company shall pay to the Executive as compensation for the performance of his duties and obligations hereunder a salary at the rate of \$335,000 per annum during each year of the term of this Agreement. Such salary shall be paid in accordance with the Company's standard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

### 4. Expenses and Other Benefits

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

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

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5. Death or Disability

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

6. Disclosure of Information; Inventions and Discoveries

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

7. Non-Competition

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

8. Non-Disclosure

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

9. Remedies

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

10. Termination

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

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

11. Resignation

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

12. Data

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

13. Arbitration

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

14. Waiver of Breach

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

15. Assignment

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

16. Notices

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

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

The Company:

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

The Executive:

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

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

#### 17. General

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

#### 18. Indemnification

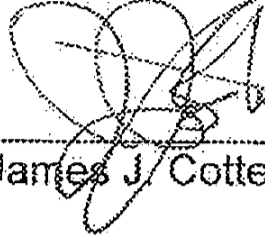
The Company shall indemnify the Executive to the fullest extent permitted by law in effect as of the date hereof, or as hereafter amended, against all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, penalties, and amounts paid in settlement)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

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

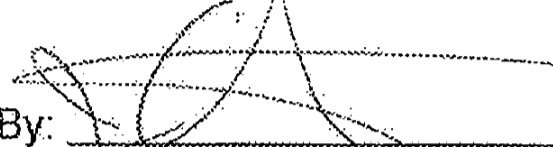


IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

READING INTERNATIONAL, INC.

By:   
James J. Cotter, Sr.

AGREED TO AND ACCEPTED:

By:   
James J. Cotter, Jr.

# **EXHIBIT 21**

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM 10-K**

**READING INTERNATIONAL INC - RDI**

**Filed: March 07, 2014 (period: December 31, 2013)**

Annual report with a comprehensive overview of the company

*The information contained herein may not be copied, adapted or distributed and is not warranted to be accurate, complete or timely. The user assumes all risks for any damages or losses arising from any use of this information, except to the extent such damages or losses cannot be limited or excluded by applicable law. Past financial performance is no guarantee of future results.*

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2013 or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-8625

**READING INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or organization)

**95-3885184**

(I.R.S. Employer Identification Number)

6100 Center Dr., Suite 900

Los Angeles, CA

90045

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including Area Code: (213) 235-2240

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

| Title of each class                                     | Name of each exchange on which registered |
|---|---|
| <b>Class A Nonvoting Common Stock, \$0.01 par value</b> | <b>NASDAQ</b>                             |
| <b>Class B Voting Common Stock, \$0.01 par value</b>    | <b>NASDAQ</b>                             |

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

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for shorter period than the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K of any amendments to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 6, 2014, there were 22,015,738 shares of class A non-voting common stock, par value \$0.01 per share and 1,495,490 shares of class B voting common stock, par value \$0.01 per share, outstanding. The aggregate market value of voting and nonvoting stock held by non-affiliates of the Registrant was \$112,400,258 as of June 30, 2013.

**READING INTERNATIONAL, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
**YEAR ENDED DECEMBER 31, 2013**  
**INDEX**

|   |            |
|---|------------|
| <b>PART I</b>   | <b>3</b>   |
| Item 1 – Our Business   | 3          |
| Item 1A – Risk Factors  | 10         |
| Item 1B - Unresolved Staff Comments   | 17         |
| Item 2 – Properties   | 18         |
| Item 3 – Legal Proceedings  | 25         |
| <b>PART II</b>  | <b>27</b>  |
| Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 27         |
| Item 6 – Selected Financial Data  | 29         |
| Item 7 – Management’s Discussions and Analysis of Financial Condition and Results of Operations                       | 31         |
| Item 7A – Quantitative and Qualitative Disclosure about Market Risk   | 53         |
| Item 8 – Financial Statements and Supplementary Data  | 54         |
| Report of Independent Registered Public Accounting Firms  | 55         |
| Consolidated Balance Sheets as of December 31, 2013 and 2012  | 56         |
| Consolidated Statements of Operations for the Three Years Ended December 31, 2013                                     | 57         |
| Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2013                    | 58         |
| Consolidated Statements of Stockholders’ Equity for the Three Years Ended December 31, 2013                           | 59         |
| Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2013                                     | 60         |
| Notes to Consolidated Financial Statements  | 61         |
| Schedule II – Valuation and Qualifying Accounts   | 102        |
| Item 9 – Change in and Disagreements with Accountants on Accounting and Financial Disclosure                          | 103        |
| Item 9A – Controls and Procedures   | 104        |
| <b>PART III</b>   | <b>106</b> |
| <b>PART IV</b>  | <b>107</b> |
| Item 15 – Exhibits, Financial Statement Schedules   | 107        |
| <b>SIGNATURES</b>   | <b>129</b> |
| <b>CERTIFICATIONS</b>   | <b>130</b> |

## **PART I**

### **Item 1 – Our Business**

#### **General Description of Our Business**

Reading International, Inc., a Nevada corporation (“RDI”), was incorporated in 1999 incident to our reincorporation in Nevada. Our class A non-voting common stock (“Class A Stock”) and class B voting common stock (“Class B Stock”) are listed for trading on the NASDAQ Capital Market (Nasdaq-CM) under the symbols RDI and RDIB, respectively. Our principal executive offices are located at 6100 Center Drive, Suite 900, Los Angeles, California 90045. Our general telephone number is (213) 235-2240 and our website is [www.readingrdi.com](http://www.readingrdi.com). It is our practice to make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with or furnished it to the Securities and Exchange Commission. In this Annual Report, we from time to time use terms such as the “Company,” “Reading” and “we,” “us,” or “our” to refer collectively to RDI and our various consolidated subsidiaries and corporate predecessors.

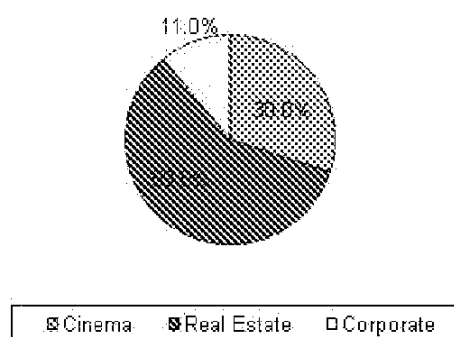
**We are an internationally diversified “hard asset” company principally focused on the development, ownership and operation of entertainment and real property assets in the United States, Australia, and New Zealand. Currently, we have two business segments:**

- 1. Cinema Exhibition, through our 56 cinemas, and**
- 2. Real Estate, including real estate development and the rental of retail, commercial and live theater assets.**

We believe that these two business segments complement one another, as the comparatively consistent cash flows generated by our cinema operations allow us to be opportunistic in acquiring and holding real estate assets, and can be used not only to grow and develop our cinema business but also to help fund the front-end cash demands of our real estate development business.

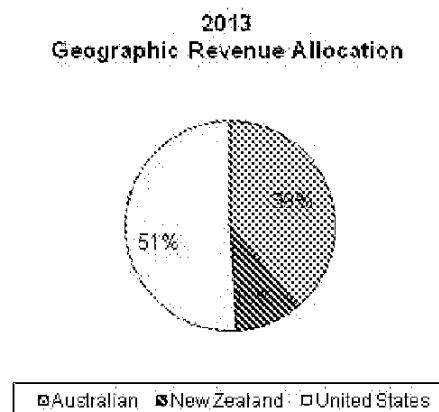
At December 31, 2013, the book value of our assets was \$386.8 million, and, as of that same date, we had a consolidated stockholders’ book equity of \$121.7 million. Calculated based on book value, \$120.7 million or 30%, of our assets relate to our cinema exhibition activities and \$226.9 million or 59%, of our assets relate to our real estate activities. At December 31, 2013, we had cash and cash equivalents of \$37.7 million, which is accounted for as a corporate asset. Our cash included \$23.0 million denominated in the U.S. dollars, \$7.5 million (AUSS\$8.4 million) in Australia dollars, and \$7.2 million (NZ\$8.7 million) in New Zealand dollars.

**2013  
Business Line Asset Allocation**



For additional segment financial information, please see Note 22 – *Business Segments and Geographic Area Information* to our 2013 Consolidated Financial Statements.

We have diversified our assets among three countries: the United States, Australia, and New Zealand. At December 31, 2013, we had approximately 29% of our assets (based on net book value) in the United States, 51% in Australia and 20% in New Zealand compared to 29%, 53%, and 18% at the end of 2012. For 2013, our gross revenue in these jurisdictions was \$131.5 million, \$100.4 million, and \$26.3 million, respectively, compared to \$121.5 million, \$108.3 million, and \$24.6 million for 2012.



For additional financial information concerning the geographic distribution of our business, please see Note 22 – *Business Segments and Geographic Area Information* to our 2013 Consolidated Financial Statements.

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environments. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home, and, that when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. As we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas.

In 2012, we essentially completed the conversion of our U.S. cinemas to digital projection, and followed that up with a conversion of our Australia and New Zealand cinemas, which was completed in 2013. In 2013, we took back a cinema in New Zealand that, at the time we acquired the property, was already leased to a competitor. We are now in the process of upgrading that cinema into a state-of-the art facility and plan to begin operations in the 3<sup>rd</sup> Quarter of 2014. We are also working to expand our Angelika Film Center circuit. In the last quarter of 2013, we and Edens, a nationally known developer, announced our plans to develop a new Angelika style cinema in the Union Market district of Washington D.C. It is currently anticipated that this Angelika will open in mid-2016. Also, we are advancing plans to convert one of our San Diego area cinemas to an upgraded Angelika format, and working on plans to upgrade the food and beverage offerings at a number of our U.S. cinemas. Finally, during 2013, we acquired equity interests in entities holding the leases to two of our Angelika Film Centers.

Given the resurgence of Manhattan commercial real estate values, we intend to redevelop our Cinemas 1, 2 & 3 property and our Union Square property. Overseas, in 2013, we entered into a lease agreement for a new grocery store anchor tenant in our Courtenay Central property in Wellington, New Zealand and are actively pursuing

the development of the next phase of that center. Additionally, we have obtained the necessary land use approvals and are working on plans to add a cinema to our Newmarket shopping center in Brisbane, Australia.

Historically, it has not been our practice to sell assets, except in connection with the repositioning of such assets to a higher and better use. However, in light of the current market conditions and our desire to free up capital and pay down debt, in 2012, we sold our 24,000 square foot office building in Indooroopilly, Australia for \$12.4 million (AUS\$12.0 million). In 2013, we entered into a purchase and sale agreement to sell our 3.3-acre properties in Moonee Ponds for AUS\$23.0 million which is scheduled to close on April 16, 2015 and is classified as land held for sale on our December 31, 2013 consolidated balance sheet. We are continuing to evaluate our options with respect to our 50.6-acre Burwood property in Australia and our 70.3-acre Manukau property in New Zealand. We may sell all or portions of these properties to provide liquidity for other projects. In evaluating whether to sell a particular property, we consider the potential upside in a particular property and costs required to achieve that upside compared to the opportunities presented by our other properties.

Typically, we have endeavored to match the currency in which we have financed our development with the jurisdiction within which these developments are located. We have followed this approach to reduce our risk to currency fluctuations. This structure has, however, somewhat limited our ability to move cash from one jurisdiction to another. During 2012, we deviated somewhat from this policy by purchasing \$8.0 million in time deposits denominated in U.S. dollars and held by an Australian bank which matured in January 2013. Additionally, at December 31, 2013, we hold \$4.5 million in Australia and \$495,000 in New Zealand denominated in U.S. dollars.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate and cinema company and intend to add to stockholder value by building the value of our portfolio of tangible real estate and entertainment-oriented assets. We endeavor to maintain a reasonable asset allocation between our U.S. and international assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate operation coupled with our international diversification of assets, our business strategy is unique among public companies. While historically we have retained our properties through development, we continue to evaluate the sale of certain assets to provide capital to develop our remaining properties.

At December 31, 2013, our principal assets included:

- interests in 55 cinemas comprising some 463 screens;
- fee interests in four live theaters (the Union Square, the Orpheum and Minetta Lane in Manhattan and the Royal George in Chicago);
- fee ownership of approximately 24.0 million square feet of developed and undeveloped real estate; and
- cash, cash equivalents, and time deposits aggregating \$37.7 million.

#### **Our Cinema Exhibition Activities**

##### **General**

We conduct our cinema operations on four basic and rather simple premises:

- first, notwithstanding the enormous advances that have been made in home entertainment technology, humans are essentially social beings, and will continue to want to go beyond the home for their entertainment, provided that they are offered clean, comfortable and convenient facilities, with state of the art technology;
- second, cinemas can be used as anchors for larger retail developments and our involvement in the cinema business can give us an advantage over other real estate developers or redevelopers who must identify and negotiate exclusively with third party anchor tenants;
- third, pure cinema operators can get themselves into financial difficulty as demands upon them to produce cinema based earnings growth tempt them into reinvesting their cash flow into increasingly marginal cinema sites. While we believe that there will continue to be attractive opportunities to acquire cinema assets and/or to develop upper end specialty type theaters (like our Angelika Film Centers) in the future, we do not feel pressure to build or acquire cinemas for the sake of adding units. We intend to focus our use



of cash flow on our real estate development and operating activities, to the extent that attractive cinema opportunities are not available to us; and

- fourth, we are always open to the idea of converting an entertainment property to another use, if there is a higher and better use for the property, or to sell individual assets, if we are presented with an attractive opportunity.

Our current cinema assets that we own and/or manage are as set forth in the following chart:

|               | Wholly Owned                            | Consolidated <sup>1</sup>             | Unconsolidated <sup>2</sup>           | Managed <sup>3</sup>                 | Totals                                  |
|---------------|---|---------------------------------------|---------------------------------------|--------------------------------------|---|
| Australia     | 18 cinemas<br>138 screens               | 2 cinemas<br>11 screens               | 1 cinema <sup>4</sup><br>16 screens   | None                                 | <b>21 cinemas</b><br><b>165 screens</b> |
| New Zealand   | 7 cinemas<br>40 screens                 | None                                  | 2 cinemas <sup>5</sup><br>13 screens  | None                                 | <b>9 cinemas</b><br><b>53 screens</b>   |
| United States | 24 cinemas<br>242 screens               | 1 cinema<br>3 screens                 | None                                  | 1 cinema<br>4 screens                | <b>26 cinemas</b><br><b>249 screens</b> |
| <b>Totals</b> | <b>49 cinemas</b><br><b>420 screens</b> | <b>3 cinemas</b><br><b>14 screens</b> | <b>3 cinemas</b><br><b>29 screens</b> | <b>1 cinemas</b><br><b>4 screens</b> | <b>56 cinemas</b><br><b>467 screens</b> |

[1] Cinemas owned and operated through consolidated, but not wholly owned subsidiaries.

[2] Cinemas owned and operated through unconsolidated subsidiaries.

[3] Cinemas in which we have no ownership interest, but which are operated by us under management agreements.

[4] 33.3% unincorporated joint venture interest.

[5] 50% unincorporated joint venture interests.

We focus on the ownership and/or operation of three categories of cinemas:

- first, modern stadium seating multiplex cinemas featuring conventional film product;
- second, specialty and art cinemas, such as our Angelika Film Centers in Manhattan, Dallas, Plano, and Fairfax, Virginia and the Rialto cinema chain in New Zealand; and
- third, in some markets, particularly small town markets that will not support the development of a modern stadium design multiplex cinema, conventional sloped floor cinemas.

We also have various premium class offerings including luxury seating, premium audio, private lounges, café and bar service, and other amenities in certain of our cinemas and are in the process of converting certain of our exiting cinemas to provide this premium offering.

Although we operate cinemas in three jurisdictions, the general nature of our operations and operating strategies does not vary materially from jurisdiction to jurisdiction. In each jurisdiction, our gross receipts are primarily from box office receipts, concession sales, and screen advertising. Our ancillary revenue is created principally from theater rentals (for example, for film festivals and special events), ancillary programming (such as concerts and sporting events), and internet advertising and ticket sales.

Our cinemas generated approximately 67% of their 2013 revenue from box office receipts. Ticket prices vary by location and we offer reduced rates for senior citizens and children.

Show times and features are placed in advertisements in local newspapers, internet sites, and on our various websites. In the United States, film distributors may also advertise certain feature films in various print, radio and television media, as well as on the internet and those costs are generally paid by distributors. In Australia and New Zealand, the exhibitor typically pays the costs of local newspaper film advertisements, while the distributors are responsible for the cost of any national advertising campaign.

Concession sales accounted for approximately 27% of our total 2013 cinema revenue. Although certain cinemas have licenses for the sale and consumption of alcoholic beverages, concession products primarily include popcorn, candy, and soda.

Screen advertising and other revenue contribute approximately 6% of our total 2013 cinema revenue. With the exception of certain rights that we have retained to sell to local advertisers, generally speaking, we are not in the screen advertising business and nationally recognized screen-advertising companies provide such advertising for us.

In New Zealand, we also own a one-third interest in Rialto Distribution. Rialto Distribution, an unincorporated joint venture, is engaged in the business of distributing art film in New Zealand and Australia. The remaining 2/3 interest is owned by the founders of the company, who have been in the art film distribution business since 1993.

#### Management of Cinemas

With the exception of our three unconsolidated cinemas, we manage all of our cinemas with executives located in Los Angeles, Manhattan, Melbourne, Australia, and Wellington, New Zealand. Approximately 2,311 individuals were employed (on a full time or part time basis) in our cinema operations in 2013. Our two New Zealand Rialto cinemas are owned by a joint venture in which Reading New Zealand is a 50% joint venture partner. While we are principally responsible for the booking of the cinemas, our joint venture partner, Greater Union, manages the day-to-day operations of these cinemas. In addition, we have a 33.3% interest in a 16-screen Brisbane cinema. Greater Union manages that cinema as well.

#### Licensing/Pricing

Film product is available from a variety of sources ranging from the major film distributors such as Columbia, Disney, Buena Vista, DreamWorks, Fox, MGM, Paramount, Warner Bros, and Universal, to a variety of smaller independent film distributors. In Australia and New Zealand, some of those major distributors distribute through local unaffiliated distributors. The major film distributors dominate the market for mainstream conventional films. Similarly, most art and specialty films come from the art and specialty divisions of these major distributors, such as Fox's Searchlight and Miramax. Generally speaking, film payment terms are based upon an agreed upon percentage of box office receipts which will vary from film to film as films are licensed in Australia, New Zealand and the United States on a film-by-film, theater by theater basis.

While in certain markets film may be allocated by the distributor among competitive cinemas, typically in the markets in which we operate, we have access to all conventional film product. In the art and specialty markets, due to the limited number of prints available, we from time to time are unable to license all of the films that we might desire to play. In summary, while in some markets we are subject to film allocation, on the whole, access to film product has not in recent periods been a major impediment to our operations.

#### Competition

In each of the United States, Australia, and New Zealand, film patrons typically select the cinema that they are going to go to first by selecting the film they want to see, and then by selecting the cinema in which they would prefer to see it. Accordingly, the principal factor in the success or failure of a particular cinema is access to popular film products. If a particular film is only offered at one cinema in a given market, then customers wishing to see that film will, of necessity, go to that cinema. If two or more cinemas in the same market offer the same film, then customers will typically take into account factors such as the relative convenience and quality of the various cinemas. In many markets, the number of digital "prints" available is less than the number of exhibitors seeking that film for that market, and distributors typically take the position that they are free to provide or not provide their films to particular exhibitors, at their complete and absolute discretion.

Competition for films can be intense, depending upon the number of cinemas in a particular market. Our ability to obtain top grossing first run feature films may be adversely impacted by our comparatively small size, and the limited number of screens we can supply to distributors. Moreover, in the United States, because of the dramatic consolidation of screens into the hands of a few very large and powerful exhibitors such as Regal and AMC, these mega exhibition companies are in a position to offer distributors access to many more screens in major markets than

we can. Accordingly, distributors may decide to give preference to these mega exhibitors when it comes to licensing top grossing films, rather than deal with independents such as ourselves. The situation is different in Australia and New Zealand where typically every major multiplex cinema has access to all of the film currently in distribution, regardless of the ownership of that multiplex cinema. However, we have suffered somewhat in these markets from competition from boutique operators, who are able to book top grossing commercial films for limited runs, thus increasing competition for customers wishing to view such top film product.

Once a patron has selected the film, the choice of cinema is typically impacted by the quality of the cinema experience offered weighed against convenience and cost. For example, most cinema patrons seem to prefer a modern stadium design multiplex, to an older sloped floor cinema, and to prefer a cinema that either offers convenient access to free parking (or public transport) over a cinema that does not. However, if the film they desire to see is only available at a limited number of locations, they will typically choose the film over the quality of the cinema and/or the convenience of the cinema. Generally speaking, our cinemas are modern multiplex cinemas with good and convenient parking. As discussed further below, the availability of 3D or digital technology and/or premium class seating can also be a factor in the preference of one cinema over another.

In recent periods, a number of cinemas have been opened or re-opened featuring expanded food and beverage service, including the sale of alcoholic beverages and food served to the seat. We have for a number of years offered alcoholic beverages in certain of our Australia and New Zealand cinemas and our Angelika cinemas in the U.S. We are currently studying a number of our existing locations as candidates for such expanded food and beverage offerings.

The film exhibition markets in the United States, Australia, and New Zealand are to a certain extent dominated by a limited number of major exhibition companies. The principal exhibitors in the United States are Regal (with 7,342 screens in 576 cinemas), AMC (with 4,950 screens in 343 cinemas), Cinemark (with 4,413 screens in 331 cinemas), and Carmike (with 2,484 screens in 246 cinemas). As of December 31, 2013, we were the 11th largest exhibitor with 1% of the box office in the United States with 249 screens in 26 cinemas.

The principal exhibitors in Australia are Greater Union, which do business under the Event name (a subsidiary of Amalgamated Holdings Limited), Hoyts Cinemas ("Hoyts"), and Village. The major exhibitors control approximately 65% of the total cinema box office: Event 30%, Hoyts 20%, and Village 14%. Event has 478 screens nationally, Hoyts 359 screens, and Village 218 screens. By comparison, our 148 screens represent approximately 6% of the total box office.

The principal exhibitors in New Zealand are Event with 93 screens nationally and Hoyts with 63 screens. Reading has 40 screens (not including partnerships). The major exhibitors in New Zealand control approximately 55% of the total box office: Event 34% and Hoyts 21%. Reading has 12% of the market (Event and Reading market share figures again do not include any partnership theaters).

Greater Union is the owner of Birch Carroll & Coyle in Australia and purchased Sky Cinemas in New Zealand during 2010. In addition, generally speaking, all new multiplex cinema projects announced by Village are being jointly developed by a joint venture comprised of Greater Union and Village. These companies have substantial capital resources. Village had a publicly reported consolidated net worth of approximately \$524.3 million (AUS\$572.1 million) at June 30, 2013. The Greater Union organization does not separately publish financial reports, but its parent, Amalgamated Holdings, had a publicly reported consolidated net worth of approximately \$824.5 million (AUS\$899.6 million) at June 30, 2013. Hoyts is privately held and does not publish financial reports. Hoyts is currently owned by Pacific Equity Partners.

In Australia, the industry is somewhat vertically integrated in that Roadshow Film Distributors, a subsidiary of Village, serves as a distributor of film in Australia and New Zealand for Warner Brothers and New Line Cinema. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow Film Distributors. Hoyts is also involved in film production and distribution.

#### Digital Exhibition

After years of uncertainty as to the future of digital exhibition and the impact of this technology on cinema exhibition, it became clear in 2012 that the industry must go digital. We have now completed the conversion of all

of our U.S., Australian, and New Zealand cinema operations to digital projection. We anticipate that the cost of this conversion, over time, will be covered in substantial part by the receipt of Virtual Print Fees paid by film distributors for the use of such digital projection equipment.

#### In-Home Competition

The “in-home” entertainment industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to entertainment programming through cable, satellite, DVD, and internet distribution channels. These alternative distribution channels are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates, and certain distributors are talking about possible simultaneous or near simultaneous releases in multiple channels of distribution. These are issues common to both our U.S. and international cinema operations.

Competitive issues are discussed in greater detail above under the caption, *Competition*, and under the caption, Item 1A - *Risk Factors*.

#### Seasonality

Major films are generally released to coincide with holidays. With the exception of Christmas and New Year's Days, this fact provides some balancing of our revenue because there is no material overlap between holidays in the United States and those in Australia and New Zealand. Distributors will delay, in certain cases, releases in Australia and New Zealand to take advantage of Australian and New Zealand holidays that are not celebrated in the United States.

#### Employees

We have 74 full time executive and administrative employees and approximately 2,311 cinema employees. Our cinema employees in Wellington, New Zealand and our projectionists in Hawaii are unionized. None of our other employees are subject to union contracts. Our one union contract with respect to our projectionists in Hawaii expired on March 31, 2012. Our union contracts with respect to our New Zealand employees have been renewed through to 2015. None of our Australian based employees is unionized. Overall, we are of the view that the existence of these contracts does not materially increase our costs of labor or our ability to compete. We believe our relations with our employees to be generally good.

#### Our Real Estate Activities

Our real estate activities have historically consisted principally of:

- the ownership of fee or long-term leasehold interests in properties used in our cinema exhibition activities or which were acquired for the development of cinemas or cinema based real estate development projects;
- the acquisition of fee interests in land for general real estate development;
- the leasing to production companies of our live theaters; and
- the redevelopment of our existing fee owned cinema or live theater sites to their highest and best use.

While we report our real estate as a separate segment, it has historically operated as an integral portion of our overall business and, again historically, has principally been in support of that business. In recent periods, however, we have acquired or developed properties which do not have any cinema or other entertainment component. As opportunities for cinema development become more limited, it is likely that our real estate activities will continue to expand beyond the development of entertainment-oriented properties.

Our real estate activities, holdings and developments are described in greater detail in Item 2 – *Properties*.

## **Item 1A – Risk Factors**

Investing in our securities involves risk. Set forth below is a summary of various risk factors that you should consider in connection with your investment in our company. This summary should be considered in the context of our overall Annual Report on Form 10K, as many of the topics addressed below are discussed in significantly greater detail in the context of specific discussions of our business plan, our operating results, and the various competitive forces that we face.

### **Business Risk Factors**

We are currently engaged principally in the cinema exhibition and real estate businesses. Since we operate in two business segments (cinema exhibition and real estate), we discuss separately below the risks we believe to be material to our involvement in each of these segments. We have discussed separately certain risks relating to the international nature of our business activities, our use of leverage, and our status as a controlled corporation. Please note, that while we report the results of our live theater operations as real estate operations – since we are principally in the business of renting space to producers rather than in licensing or producing plays ourselves – the cinema exhibition and live theater businesses share certain risk factors and are, accordingly, discussed together below.

#### **Cinema Exhibition and Live Theater Business Risk Factors**

*We operate in a highly competitive environment, with many competitors who are significantly larger and may have significantly better access to funds than do we.*

We are a comparatively small cinema operator and face competition from much larger cinema exhibitors. These larger exhibitors are able to offer distributors more screens in more markets – including markets where they may be the exclusive exhibitor – than can we. In some cases, faced with such competition, we may not be able to get access to all of the films we want, which may adversely affect our revenue and profitability.

These larger competitors may also enjoy (i) greater cash flow, which can be used to develop additional cinemas, including cinemas that may be competitive with our existing cinemas, (ii) better access to equity capital and debt, and (iii) better visibility to landlords and real estate developers, than do we.

In the case of our live theaters, we compete for shows not only with other “for profit” off-Broadway theaters, but also with not-for-profit operators and, increasingly, with Broadway theaters. We believe our live theaters are generally competitive with other off-Broadway venues. However, due to the increased cost of staging live theater productions, we are seeing an increasing tendency for plays that would historically have been staged in an off-Broadway theater, moving directly to larger Broadway venues.

*We face competition from other sources of entertainment and other entertainment delivery systems.*

Both our cinema and live theater operations face competition from developing “in-home” sources of entertainment. These include competition from DVDs, cable and satellite television, pay per view, the internet and other sources of entertainment, and video games. The quality of in-house entertainment systems has increased while the cost of such systems has decreased in recent periods, and some consumers may prefer the security of an “in-home” entertainment experience to the more public experience offered by our cinemas and live theaters. The movie distributors have been responding to these developments by, in some cases, decreasing the period of time between cinema release and the date such product is made available to “in-home” forms of distribution.

The narrowing of this so-called “window” for cinema exhibition may be problematic for the cinema exhibition industry. On the other hand, the significant quantity of films produced in recent periods has probably had more to do, at least to date, with the shortening of the time most movies play in the cinemas, than any shortening of the cinema exhibition window. In recent periods, there has been discussion about the possibility of eliminating the cinema window altogether for certain films, in favor of a simultaneous release in multiple channels of distribution, such as theaters, pay-per-view, and DVD. However, again to date, this move has been strenuously resisted by the cinema exhibition industry and we view the total elimination of the cinema exhibition window, while theoretically possible, to be unlikely.

However, there is the risk that, over time, distributors may move towards simultaneous release of motion picture product in multiple channels of distribution. This would adversely affect the competitive advantage enjoyed by cinemas over “in-home” forms of entertainment, as it may be that both the cinema market and the “in-home” market will have simultaneous access to motion picture product.

We also face competition from various other forms of “beyond-the-home” entertainment, including sporting events, concerts, restaurants, casinos, video game arcades, and nightclubs. Our cinemas also face competition from live theaters and vice versa.

Competition from less expensive “in-home” entertainment alternatives may be intensified as a result of the current economic recession.

*Our cinema operations depend upon access to film that is attractive to our patrons and our live theater operations depend upon the continued attractiveness of our theaters to producers.*

Our ability to generate revenue and profits is largely dependent on factors outside of our control, specifically, the continued ability of motion picture and live theater producers to produce films and plays that are attractive to audiences, the amount of money spent by film distributors to promote their motion pictures, and the willingness of these producers to license their films on terms that are financial viable to our cinemas and to rent our theaters for the presentation of their plays. To the extent that popular movies and plays are produced, our cinema and live theater activities are ultimately dependent upon our ability, in the face of competition from other cinema and live theater operators, to book these movies and plays into our facilities.

We rely on film distributors to supply the films shown in our theatres. In the U.S., the film distribution business is highly concentrated, with six major film distributors accounting for approximately 83.0% of U.S. box office revenues. Numerous antitrust cases and consent decrees resulting from these antitrust cases affect the distribution of films. The consent decrees bind certain major film distributors to license films to exhibitors on a theatre-by-theatre and film-by-film basis. Consequently, we cannot guarantee a supply of films by entering into long-term arrangements with major distributors. We are therefore required to negotiate licenses for each film and for each theatre. A deterioration in our relationship with any of the [six] major film distributors could adversely affect our ability to obtain commercially successful films and to negotiate favorable licensing terms for such films, both of which could adversely affect our business and operating results.

*Adverse economic conditions could materially affect our business by reducing discretionary income and by limiting or reducing sources of film and live theater funding.*

Cinema and live theater attendance is a luxury, not a necessity. Accordingly, a decline in the economy resulting in a decrease in discretionary income, or a perception of such a decline, may result in decreased discretionary spending, which could adversely affect our cinema and live theater businesses. Adverse economic conditions can also affect the supply side of our business, as reduced liquidity can adversely affect the availability of funding for movies and plays. This is particularly true in the case of Off-Broadway plays, which are often times financed by high net worth individuals or groups of such individuals and which are very risky due to the absence of any ability to recoup investment in secondary markets like DVD or cable.

*Our screen advertising revenue may decline.*

Over the past several years, cinema exhibitors have been looking increasingly to screen advertising as a way to boost income. No assurances can be given that this source of income will be continuing or that the use of such advertising will not ultimately prove to be counterproductive by giving consumers a disincentive to choose going to the movies over “in-home” entertainment alternatives.

*We face uncertainty as to the timing and direction of technological innovations in the cinema exhibition business and as to our access to those technologies.*

We have converted all of our cinema auditoriums to digital projection. However, no assurances can be given that other technological advances will not require us to make further material investments in our cinemas or face loss of business. For example, only a limited number of our cinemas are equipped with the 48 frame per second

equipment that is required to show such films as The Hobbit. Also, equipment is currently being developed for holographic or laser projection. The future of these technologies in the cinema exhibition industry is uncertain.

*We face competition from new competitors offering food and beverage as an integral part of their cinema offerings.*

A number of new entrants, such as Alamo Draft House, offering an expanded food and beverage menu (including the sale of alcoholic beverages) have emerged in recent periods. In addition, some competitors are converting existing cinemas to provide such expanded menu offerings. The existence of such cinemas may alter traditional cinema selection practices of moviegoers, as they seek out cinemas with such expanded offerings as a preferred alternative to traditional cinemas.

#### Real Estate Development and Ownership Business Risks

*We operate in a highly competitive environment, in which we must compete against companies with much greater financial and human resources than we have.*

We have limited financial and human resources, compared to our principal real estate competitors. In recent periods, we have relied heavily on outside professionals in connection with our real estate development activities. Many of our competitors have significantly greater resources than do we and may be able to achieve greater economies of scale than can we.

#### Risks Related to the Real Estate Industry Generally

*Our financial performance will be affected by risks associated with the real estate industry generally.*

Events and conditions generally applicable to developers, owners, and operators of real property will affect our performance as well. These include (i) changes in the national, regional and local economic climate, (ii) local conditions such as an oversupply of, or a reduction in demand for commercial space and/or entertainment oriented properties, (iii) reduced attractiveness of our properties to tenants, (iv) the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own, (v) competition from other properties, (vi) inability to collect rent from tenants, (vii) increased operating costs, including labor, materials, real estate taxes, insurance premiums, and utilities, (viii) costs of complying with changes in government regulations, (ix) the relative illiquidity of real estate investments, and (x) decreases in sources of both construction and long-term lending as traditional sources of such funding leave or reduce their commitments to real estate based lending. In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in declining rents or increased lease defaults.

*We may incur costs complying with the Americans with Disabilities Act and similar laws.*

Under the Americans with Disabilities Act and similar statutory regimes in Australia and New Zealand or under applicable state law, all places of public accommodation (including cinemas and theaters) are required to meet certain governmental requirements related to access and use by persons with disabilities. A determination that we are not in compliance with those governmental requirements with respect to any of our properties could result in the imposition of fines or an award of damages to private litigants. The cost of addressing these issues could be substantial.

*Illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties.*

Real estate investments are relatively illiquid and, therefore, tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. Many of our properties are either (i) "special purpose" properties that could not be readily converted to general residential, retail or office use, or (ii) undeveloped land. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment and competitive factors may prevent the pass-through of such costs to tenants.

*Real estate development involves a variety of risks.*

Real estate development includes a variety of risks, including the following:

- *The identification and acquisition of suitable development properties.* Competition for suitable development properties is intense. Our ability to identify and acquire development properties may be limited by our size and resources. Also, as we and our affiliates are considered to be “foreign owned” for purposes of certain Australian and New Zealand statutes, we have been in the past, and may in the future be, subject to regulations that are not applicable to other persons doing business in those countries.
- *The procurement of necessary land use entitlements for the project.* This process can take many years, particularly if opposed by competing interests. Competitors and community groups (sometimes funded by such competitors) may object based on various factors including, for example, impacts on density, parking, traffic, noise levels and the historic or architectural nature of the building being replaced. If they are unsuccessful at the local governmental level, they may seek recourse to the courts or other tribunals. This can delay projects and increase costs.
- *The construction of the project on time and on budget.* Construction risks include the availability and cost of finance; the availability and costs of material and labor; the costs of dealing with unknown site conditions (including addressing pollution or environmental wastes deposited upon the property by prior owners); inclement weather conditions; and the ever-present potential for labor related disruptions.
- *The leasing or sell-out of the project.* Ultimately, there are risks involved in the leasing of a rental property or the sale of a condominium or built-for-sale property. For our entertainment themed retail centers (“ETRCs”), the extent to which our cinemas can continue to serve as an anchor tenant will be influenced by the same factors as will influence generally the results of our cinema operations. Leasing or sale can be influenced by economic factors that are neither known nor knowable at the commencement of the development process and by local, national, and even international economic conditions, both real and perceived.
- *The refinancing of completed properties.* Properties are often developed using relatively short-term loans. Upon completion of the project, it may be necessary to find replacement financing for these loans. This process involves risk as to the availability of such permanent or other take-out financing, the interest rates, and the payment terms applicable to such financing, which may be adversely influenced by local, national, or international factors. To date, we have been successful in negotiating development loans with roll over or other provisions mitigating our need to refinance immediately upon completion of construction.

*The ownership of properties involves risk.*

The ownership of investment properties involves risks, such as: (i) ongoing leasing and re-leasing risks, (ii) ongoing financing and re-financing risks, (iii) market risks as to the multiples offered by buyers of investment properties, (iv) risks related to the ongoing compliance with changing governmental regulation (including, without limitation, environmental laws and requirements to remediate environmental contamination that may exist on a property (such as, by way of example, asbestos), even though not deposited on the property by us), (v) relative illiquidity compared to some other types of assets, and (vi) susceptibility of assets to uninsurable risks, such as biological, chemical or nuclear terrorism. Furthermore, as our properties are typically developed around an entertainment use, the attractiveness of these properties to tenants, sources of finance and real estate investors will be influenced by market perceptions of the benefits and detriments of such entertainment type properties.

*A number of our assets are in geologically active areas, presenting risk of earthquake and land movement.*

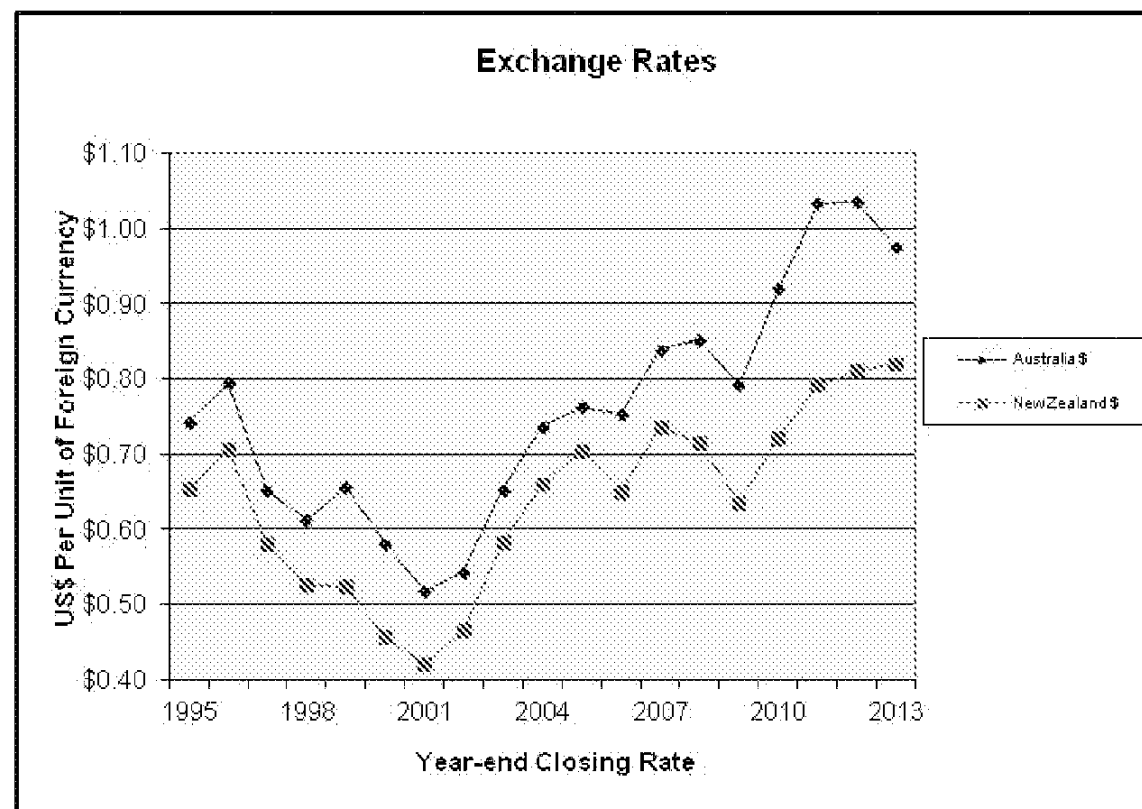
We have cinemas in California and New Zealand, areas which present a greater risk of earthquake and/or land movement than other locations. New Zealand has in recent periods had several major earthquakes damaging our facilities in Christchurch and Wellington. The ability to insure for such casualties is limited and may become more difficult and/or more expensive in future periods.

#### International Business Risks

Our international operations are subject to a variety of risks, including the following:



*Risk of currency fluctuations.* While we report our earnings and assets in US dollars, substantial portions of our revenue and of our obligations are denominated in either Australian or New Zealand dollars. The value of these currencies can vary significantly compared to the US dollar and compared to each other. We typically have not hedged against these currency fluctuations, but rather have relied upon the natural hedges that exist as a result of the fact that our film costs are typically fixed as a percentage of the box office, and our local operating costs and obligations are likewise typically denominated in local currencies. However, we do have debt at our parent company level that is serviced by our overseas cash flow and our ability to service this debt could be adversely impacted by declines in the relative value of the Australian and New Zealand dollar compared to the US dollar. \$7.5 million (AU\$8.4 million) of our Australian cash and \$7.2 million (NZ\$8.7 million) of our New Zealand cash is denominated in local currencies and subject to the risk of currency exchange rate fluctuations. Also, our use of local borrowings to mitigate the business risk of currency fluctuations has reduced our flexibility to move cash between jurisdictions. Set forth below is a chart of the exchange ratios between these three currencies over the past twenty years:



- *Risk of adverse government regulation.* At the present time, we believe that relations between the United States, Australia, and New Zealand are good. However, no assurances can be given that this relationship will continue and that Australia and New Zealand will not in the future seek to regulate more highly the business done by US companies in their countries.
- *Risk of adverse labor relations.* Our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave).

#### Risks Associated with Certain Discontinued Operations

Certain of our subsidiaries were previously in industrial businesses. As a consequence, properties that are currently owned or may have in the past been owned by these subsidiaries may prove to have environmental issues. Where we have knowledge of such environmental issues and are in a position to make an assessment as to our exposure, we have established what we believe to be appropriate reserves, but we are exposed to the risk that

currently unknown problems may be discovered. These subsidiaries are also exposed to potential claims related to exposure of former employees to coal dust, asbestos, and other materials now considered to be, or which in the future may be found to be, carcinogenic or otherwise injurious to health.

#### Operating Results, Financial Structure and Borrowing Risk

*From time to time, we may have negative working capital.*

In recent years, as we have invested our cash in new acquisitions and the development of our existing properties, we have from time to time had negative working capital. This negative working capital is typical in the cinema exhibition industry because our short-term liabilities are in part financing our long-term assets instead of long-term liabilities financing short-term assets as is the case in other industries such as manufacturing and distribution.

*We have substantial short to medium term debt.*

Generally speaking, we have historically financed our operations through relatively short-term debt. No assurances can be given that we will be able to refinance this debt, or if we can, that the terms will be reasonable. However, as a counterbalance to this debt, we have significant unencumbered real property assets, which could be sold to pay debt or encumbered to assist in the refinancing of existing debt, if necessary.

In February 2007, we issued \$50.0 million in 20-year Trust Preferred Securities ("TPS"), and utilized the net proceeds principally to retire short-term bank debt in New Zealand and Australia. The interest rate on our TPS was only fixed for five years. Additionally, we used US dollar denominated obligations to retire debt denominated in New Zealand and Australian dollars which has increased our exposure to currency risk. In the first quarter of 2009, we repurchased \$22.9 million of our TPS at a 50% discount.

At the present time, corporate borrowers both domestically and internationally are facing greater than normal constraints on liquidity. No assurances can be given that we will be able to refinance these debts as they become due.

*We have substantial lease liabilities.*

Most of our cinemas operate in leased facilities. These leases typically have cost of living or other rent adjustment features and require that we operate the properties as cinemas. A down turn in our cinema exhibition business might, depending on its severity, adversely affect the ability of our cinema operating subsidiaries to meet these rental obligations. Even if our cinema exhibition business remains relatively constant, cinema level cash flow will likely be adversely affected unless we can increase our revenue sufficiently to offset increases in our rental liabilities. Unlike property rental leases, our newly added digital equipment leases do not have cost of living or other lease adjustment features.

*Our stock is thinly traded.*

Our stock is thinly traded, with an average daily volume in 2013 of only approximately 33,000 shares. This can result in significant volatility, as demand by buyers and sellers can easily get out of balance.

#### Ownership and Management Structure, Corporate Governance, and Change of Control Risks

*The interests of our controlling stockholder may conflict with your interests.*

Mr. James J. Cotter beneficially owns 70.4% of our outstanding Class B Stock. Our Class A Stock is non-voting, while our Class B Stock represents all of the voting power of our Company. As a result, as of December 31, 2013, Mr. Cotter controlled 70.4% of the voting power of all of our outstanding common stock. For as long as Mr. Cotter continues to own shares of common stock representing more than 50% of the voting power of our common

stock, he will be able to elect all of the members of our board of directors and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Mr. Cotter will also have the power to prevent or cause a change in control, and could take other actions that might be desirable to Mr. Cotter but not to other stockholders. In addition, Mr. Cotter and his affiliates have controlling interests in companies in related and unrelated industries. In the future, we may participate in transactions with these companies (see Note 25 – *Related Parties and Transactions* to our 2013 Consolidated Financial Statements).

*Since we are a Controlled Company, our Directors have determined to take advantage of certain exemptions provide by the NASDAQ from the corporate governance rules adopted by that Exchange.*

Generally speaking, the NASDAQ requires listed companies to meet certain minimum corporate governance provisions. However, a Controlled Corporation, such as we, may elect not to be governed by certain of these provisions. Our board of directors has elected to exempt our Company from requirements that (i) at least a majority of our directors be independent, (ii) nominees to our board of directors be nominated by a committee comprised entirely of independent directors or by a majority of our Company's independent directors, and (iii) the compensation of our chief executive officer be determined or recommended to our board of directors by a compensation committee comprised entirely of independent directors or by a majority of our Company's independent directors. Notwithstanding the determination by our board of directors to opt-out of these NASDAQ requirements, a majority of our board of directors is nevertheless currently comprised of independent directors, and our compensation committee is nevertheless currently comprised entirely of independent directors.

*We depend on key personnel for our current and future performance.*

Our current and future performance depends to a significant degree upon the continued contributions of our senior management team and other key personnel. The loss or unavailability to us of any member of our senior management team or a key employee could significantly harm us. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms.

**Item 1B - Unresolved Staff Comments**

None.

## **Item 2 – Properties**

### **Executive and Administrative Offices**

We lease approximately 11,700 square feet of office space in Los Angeles, California to serve as our executive headquarters. We own an 8,100 square foot office building in Melbourne, Australia, approximately 5,200 square feet of which serves as the headquarters for our Australian and New Zealand operations (the remainder being leased to an unrelated third party). We maintain our accounting personnel and certain IT and operational personnel in approximately 5,900 square foot of offices located in our Wellington Courtenay Central shopping center. We occupy approximately 3,500 square feet at our Village East leasehold property for administrative purposes. We also own a residential condominium unit in Los Angeles, used for offsite corporate meetings and residential space by our Chairman and Chief Executive Officer.

### **Entertainment Properties**

#### **Entertainment Use Leasehold Interests**

As of December 31, 2013, we lease approximately 1.8 million square feet of completed cinema space in the United States, Australia, and New Zealand as follows:

|               | <b>Aggregate Square Footage</b> | <b>Approximate Range of Remaining Lease Terms (including renewals)</b> |
|---------------|---------------------------------|--|
| United States | 942,000                         | 2014 – 2049  |
| Australia     | 724,000                         | 2017 – 2049  |
| New Zealand   | 150,000                         | 2024 – 2034  |

On December 31, 2013, we settled a management fee claim that we had with the owner of the lease interest in the Plano, Texas cinema that we had managed since 2003. As part of the settlement, we acquired that entity. Also, in September 2013, we took back a cinema at one of our fee properties in New Zealand and commenced to refurbish and upgrade that facility with the intent of operating the cinema ourselves. The cinema was already leased to a competitor at the time we acquired it in May 2007. We expect to begin operations of this cinema in the third quarter of 2014. During the first quarter 2014, we entered into a lease for a new Angelika style cinema currently being developed by Edens in the Union Market area of Washington D.C.

#### **Fee Interests**

In Australia, as of December 31, 2013, we own approximately 3.2 million square feet of land at nine locations. Most of this land is located in the greater metropolitan areas of Brisbane, Melbourne, Perth, and Sydney, including the 50.6-acre Burwood site. Of these fee interests, approximately 138,000 square feet are currently improved with cinemas. These figures include the 3.3-acre Moonee Ponds property which is under a contract of sale with completion due on April 16, 2015.

In New Zealand, as of December 31, 2013, we own approximately 3.4 million square feet of land at seven locations. This includes the Courtney Central ETRC in Wellington, the 70.3 acre Manukau site, and the fee interests underlying three cinemas in New Zealand, which properties include approximately 21,000 square feet of ancillary retail space.

In the United States, as of December 31, 2013, we own approximately 134,000 square feet of improved real estate comprised of four live theater buildings, which include approximately 58,000 square feet of leasable space, and the fee interest in our Cinemas 1, 2 & 3 in Manhattan (held through a limited liability company in which we have a 75% managing member interest).

#### **Live Theaters (“Liberty Theaters”)**

Included among our real estate holdings are four “Off Broadway” style live theaters, operated through our Liberty Theaters subsidiary. We license theater auditoriums to the producers of “Off Broadway” theatrical

productions and provide various box office and concession services. The terms of our licenses are, naturally, principally dependent upon the commercial success of our tenants. STOMP has been playing at our Orpheum Theatre in excess of 17 years. While we attempt to choose productions that we believe will be successful, we have no control over the production itself. At the current time, we have three single auditorium theaters in Manhattan:

- the Minetta Lane (399 seats);
- the Orpheum (347 seats); and
- the Union Square (499 seats).

We also own a four-auditorium theater complex, the Royal George in Chicago (main stage 452 seats, cabaret 199 seats, great room 100 seats and gallery 60 seats). Two of the properties, the Union Square and the Royal George, have ancillary retail and office space.

Liberty Theaters is primarily in the business of renting theater space. However, we may from time to time participate as an investor in a play, which can help facilitate the production of the play at one of our facilities, and do from time to time rent space on a basis that allows us to share in a production's revenue or profits. Revenue, expense, and profits are reported as a part of the real estate segment of our business.

#### Joint Venture Cinema Interests

We also hold real estate through several unincorporated joint ventures, two 75% owned subsidiaries, and one majority-owned subsidiary, as described below:

- in Australia, we own a 75% interest in a subsidiary company that leases two cinemas with eleven screens in two Australian country towns, and a 33% unincorporated joint venture interest in a 16-screen leasehold cinema in a suburb of Brisbane.
- in New Zealand, we own a 50% unincorporated joint venture interest in two cinemas with 13 screens in the New Zealand cities of Auckland and Dunedin.
- In the United States, we own a 75% managing member interest in the limited liability company that owns our Cinemas 1, 2 & 3 property and a 50% managing member interest in Shadow View Land & Farming, LLC which owns an approximately 202-acre property in Riverside County, California which, while zoned residential and approved for 816 single family lots.

**Income Operating Property**

As of December 31, 2013, we own fee interests in approximately 1.0 million square feet of income producing properties (including certain properties principally occupied by our cinemas).

| <b>Property<sup>6</sup></b>  | <b>Square Feet of Improvements (rental/entertainment)</b> | <b>Percentage Leased</b> | <b>Gross Book Value (in U.S. Dollars)</b> |
|--|---|--------------------------|---|
| Auburn<br>100 Parramatta Road<br>Auburn, NSW, Australia                    | 60000 / 57000<br>Plus a 871-space parking structure       | 100%                     | \$30,646,000                              |
| Belmont<br>Knutsford Avenue and<br>Fulham Street<br>Belmont, WA, Australia | 15000 / 45000   | 100%                     | \$13,840,000                              |
| Cinemas 1, 2 & 3 <sup>7</sup><br>1003 Third Avenue<br>Manhattan, NY, USA   | 0 / 21000   | N/A                      | \$23,837,000                              |
| Courtenay Central<br>100 Courtenay Place<br>Wellington, New Zealand        | 33000 / 76000<br>Plus a 1,086-space parking structure     | 70%                      | \$26,216,000                              |

[6] Rental square footage refers to the amount of area available to be rented to third parties and the percentage leased is the amount of such rental square footage currently leased to third parties. A number of our real estate holdings include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. The gross book value refers to the gross carrying cost of the land and buildings of the property. Book value and rental information are as of December 31, 2013.

[7] This property is owned by a limited liability company in which we hold a 75% managing interest. The remaining 25% is owned by Sutton Hill Investments, LLC, a company owned in equal parts by our Chairman and Chief Executive Officer, Mr. James J. Cotter, and a third party.

| <b>Property</b>  | <b>Square Feet of Improvements (rental/entertainment)</b> | <b>Percentage Leased</b> | <b>Gross Book Value (in U.S. Dollars)</b> |
|--|---|--------------------------|---|
| Invercargill Cinema<br>29 Dee Street<br>Invercargill, New Zealand            | 9000 / 24000  | 69%                      | \$3,231,000                               |
| Lake Taupo Motel<br>138-140 Lake Terrace Road<br>Taupo, New Zealand          | 9000 / 0  | Short-term rentals       | \$2,304,000                               |
| Maitland Cinema<br>Ken Tubman Drive<br>Maitland, NSW, Australia              | 0 / 22000   | N/A                      | \$2,124,000                               |
| Minetta Lane Theatre<br>18-22 Minetta Lane<br>Manhattan, NY, USA             | 0 / 9000  | N/A                      | \$8,679,000                               |
| Napier Cinema<br>154 Station Street<br>Napier, New Zealand                   | 12000 / 18000   | 100%                     | \$3,530,000                               |
| Newmarket<br>400 Newmarket Road<br>Newmarket, Queensland,<br>Australia       | 93000 / 0<br>Plus a 436-space<br>parking structure        | 100%                     | \$38,951,000                              |
| Orpheum Theatre<br>126 2 <sup>nd</sup> Street<br>Manhattan, NY, USA          | 1000 / 5000   | 0%                       | \$3,639,000                               |
| Royal George<br>1633 N. Halsted Street<br>Chicago, IL, USA                   | 37000 / 23000<br>Plus a 55-space<br>parking structure     | 91%                      | \$3,485,000                               |
| Rotorua Cinema<br>1281 Eruera Street<br>Rotorua, New Zealand                 | 0 / 19000   | N/A                      | \$3,030,000                               |
| Union Square Theatre<br>100 E. 17 <sup>th</sup> Street<br>Manhattan, NY, USA | 21000 / 17000   | 100%                     | \$8,923,000                               |



### **Long-Term Leasehold Operating Property**

In addition, in certain cases we have long-term leases that we view more akin to real estate investments than cinema leases. As of December 31, 2013, we had approximately 155,000 square foot of space subject to such long-term leases.

| <b>Property<sup>8</sup></b> | <b>Square Feet of Improvements (rental/entertainment)</b> | <b>Percentage Leased</b> | <b>Gross Book Value (in U.S. Dollars)</b> |
|-----------------------------|---|--------------------------|---|
| Manville                    | 0 / 53000   | N/A                      | \$2,321,000                               |
| Tower                       | 0 / 16000   | N/A                      | \$1,017,000                               |
| Village East <sup>9</sup>   | 4000 / 38000  | 100%                     | \$8,454,000                               |
| Waum Ponds                  | 6000 / 38000  | 100%                     | \$3,961,000                               |

[8] Rental square footage refers to the amount of area available to be rented to third parties, and the percentage leased is the amount of rental square footage currently leased to third parties. A number of our long-term leasehold operating property include entertainment components rented to one or more of our subsidiaries. The rental area to such subsidiaries is noted under the entertainment square footage. Book value includes the entire investment in the leased property, including any cinema fit-out. Rental and book value information is as of December 31, 2013.

[9] The lease of the Village East 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 in 2020. 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. See Note 25 - Related Parties and Transactions to our 2013 Consolidated Financial Statements.

**Investment and Development Property**

We are engaged in several investment and development projects relative to our currently undeveloped parcels of land. In addition, we anticipate that redevelopment of one or more of our existing developed properties may also occur.

| Property <sup>10</sup>                           | Acreage  | Gross Book Value<br>(in U.S. Dollars) | Status  |
|--|--|---------------------------------------|---|
| Auburn,<br>Sydney, Australia                     | 2.6 acres  | \$1,824,000                           | We are actively pursuing the development of the next phase of this property.  |
| Burwood,<br>Victoria, Australia                  | 50.6 acres   | \$46,528,000                          | We continue to evaluate our options with regards to this property.  |
| Coachella,<br>CA, USA                            | 202 acres  | \$4,047,000                           | We continue to evaluate our options with regards to this property.  |
| Courtenay Central,<br>Wellington,<br>New Zealand | 1.1 acres  | \$6,953,000                           | We are actively pursuing the development of the next phase of this property having signed a lease agreement for a Countdown (Woolworths) supermarket to be developed on this site.  |
| Lake Taupo, Taupo, New<br>Zealand                | 0.5 acre   | \$2,304,000                           | We are pursuing various options to dispose of this property.  |
| Manukau,<br>Auckland, New Zealand                | 64 acres zoned agricultural<br>and 6.4 acres zoned light<br>industrial | \$13,993,000                          | The bulk of the land is zoned for agriculture and is currently used for horticulture commercial purposes. A development plan has been filed to rezone the property for warehouse, distribution and manufacturing uses. We currently anticipate that this rezoning will be approved. In 2010, we acquired an adjacent property which is zoned industrial, but is currently unimproved. This property links our existing parcel with the existing road network. |
| Moonee Ponds, Victoria,<br>Australia             | 3.3 acres  | \$11,053,000                          | In November 2013, we entered into a definitive purchase and sale agreement to sell our properties located in Moonee Ponds, Victoria, Australia with a scheduled closing date of April 16, 2015  |

[10] A number of our real estate holdings include additional land held for development. In addition, we have acquired certain parcels for future development. The gross book value includes, as applicable, the land, building, development costs, and capitalized interest.

Some of our income operating property and our investment and development property carry various debt encumbrances based on their income streams and geographic locations. For an explanation of our debt and the associated security collateral please see Note 12 – *Notes Payable* to our 2013 Consolidated Financial Statements.

**Other Property Interests and Investments**

We own the fee interest in 11 parcels comprising 195 acres in Pennsylvania and Delaware. These acres consist primarily of vacant land. With the exception of certain properties located in Philadelphia (including the raised railroad bed leading to the old Reading Railroad Station), the properties are principally located in rural areas of Pennsylvania and Delaware. Additionally, we own a condominium in the Los Angeles, California area that is used for offsite corporate meetings and by our Chief Executive Officer when he is in town. Except for a negative pledge on the aforementioned Los Angeles condominium, these properties are unencumbered with any debt and are lien free.

### **Item 3 – Legal Proceedings**

#### **Tax Audit/Litigation**

The Internal Revenue Service (the “IRS”) has examined the tax return of Reading Entertainment Inc. (“RDGE”) for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation (“CRG”) for its tax year ended June 30, 1997. These companies are both now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes.

CRG and the IRS agreed to compromise the claims made by the IRS against CRG and the Tax Court’s order was entered on January 6, 2011. In the settlement, the IRS conceded 70% of its claimed adjustment to income. Instead of a claim for unpaid taxes of \$20.9 million plus interest, the effect of settlement on the Reading consolidated group was to require a total federal income tax obligation of \$5.4 million, reduced by a federal tax refund of \$800,000 and increased by interest of \$9.3 million, for a net federal tax liability of \$13.9 million as of January 6, 2011. On October 26, 2011, CRG reached an agreement with the IRS for an installment plan to pay off this federal tax liability, including additional interest accruals at the prescribed IRS floating rate. The agreement requires monthly payments of \$290,000 over a period of approximately five years. As of December 31, 2013 and 2012, after the payments made during 2013 and 2012, respectively, the remaining federal tax obligation was \$8.3 million and \$10.0 million, respectively, in tax and interest. Of the \$8.3 million owed under the installment agreement as of December 31, 2013, \$3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability. Of the \$10.0 million owed under the installment agreement as of December 31, 2012, \$3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability.

The impact of the settlement upon the state taxes of the Reading consolidated group, if the adjustment to income agreed with the IRS were reflected on state returns, would be an obligation of approximately \$1.4 million in tax plus interest and potential penalty. As of December 31, 2013, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed if a deficiency is asserted.

#### **Environmental and Asbestos Claims**

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2013, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$15.2 million (AU\$17.1 million) and as of that date we had already incurred a total of \$7.4 million (AU\$8.3 million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as it is anticipated that all of the work will be done in connection with the excavation and other development activity already contemplated for the property.

## PART II

### Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### (a) Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters

##### Market Information

Reading International, Inc., a Nevada corporation (“RDI” and collectively with our consolidated subsidiaries and corporate predecessors, the “Company,” “Reading” and “we,” “us,” or “our”), was incorporated in 1999. Historically, we have been listed on the AMEX and due to the 2008 purchase of the AMEX by the NYSE Alternext US; we were listed on that exchange at December 31, 2008. During July 2009, we moved our listing from NYSE Alternext to NASDAQ.

The following table sets forth the high and low closing prices of the RDI and RDIB common stock for each of the quarters in 2013 and 2012 as reported by NASDAQ:

|             |                | Class A Stock |         | Class B Stock |         |
|-------------|----------------|---------------|---------|---------------|---------|
|             |                | High          | Low     | High          | Low     |
| <b>2013</b> | Fourth Quarter | \$ 7.49       | \$ 6.15 | \$ 9.00       | \$ 6.99 |
|             | Third Quarter  | \$ 6.58       | \$ 6.15 | \$ 7.99       | \$ 6.52 |
|             | Second Quarter | \$ 6.36       | \$ 5.50 | \$ 7.40       | \$ 6.00 |
|             | First Quarter  | \$ 6.08       | \$ 5.42 | \$ 7.49       | \$ 5.65 |
| <b>2012</b> | Fourth Quarter | \$ 6.23       | \$ 5.48 | \$ 7.40       | \$ 5.64 |
|             | Third Quarter  | \$ 6.58       | \$ 4.73 | \$ 7.95       | \$ 5.00 |
|             | Second Quarter | \$ 5.88       | \$ 4.62 | \$ 6.75       | \$ 4.53 |
|             | First Quarter  | \$ 4.56       | \$ 4.12 | \$ 7.00       | \$ 4.26 |

The following table summarizes the securities authorized for issuance under our equity compensation plans:

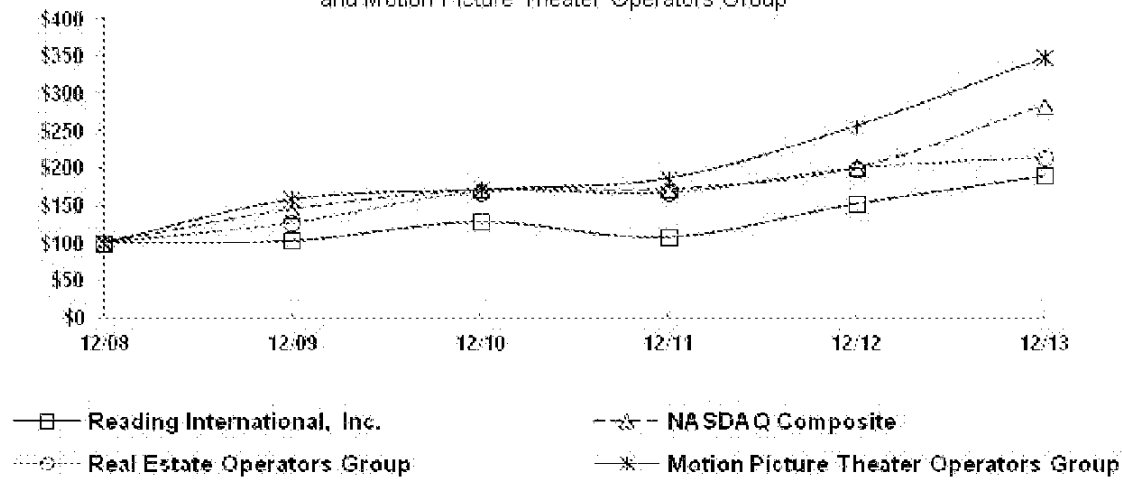
| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants, and rights | Weighted-average exercise price of outstanding options, warrants, and rights | Number of securities remaining available for future issuance under equity compensation plans |
|--|--|--|--|
| Equity compensation plans approved by security holders | 894,950  | \$ 7.33  | 1,829,436  |
| Total  | 894,950  | \$ 7.33  | 1,829,436  |

##### Performance Graph

The following line graph compares the cumulative total stockholder return on Reading International, Inc.’s common stock for the years ended December 31, 2009, 2010, 2011, 2012, and 2013 against the cumulative total return as calculated by the NASDAQ composite, the motion picture theater operator group, and the real estate operator group.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Reading International, Inc., the NASDAQ Composite Index, Real Estate Operators Group,  
and Motion Picture Theater Operators Group



\*\$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

#### Holdings of Record

The number of holders of record of our Class A Stock and Class B Stock in 2013 was approximately 3,500 and 300, respectively. On March 6, 2014, the closing price per share of our Class A Stock was \$7.54 and the closing price per share of our Class B Stock was \$10.23.

#### Dividends on Common Stock

We have never declared a cash dividend on our common stock and we have no current plans to declare a dividend; however, we review this matter on an ongoing basis.

#### (b) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

#### (c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2011, we purchased 172,300 of Class A Nonvoting shares on the open market for \$747,000. No shares were purchased during either 2013 or 2012.

## Item 6 – Selected Financial Data

The table below sets forth certain historical financial data regarding our Company. This information is derived in part from, and should be read in conjunction with our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for the year ended December 31, 2013 (the “2013 Annual Report”), and the related notes to the consolidated financial statements (dollars in thousands, except per share amounts).

|  | <u>At or for the Year Ended December 31,</u> |             |             |             |             |
|--|--|-------------|-------------|-------------|-------------|
|  | 2013   | 2012        | 2011        | 2010        | 2009        |
| Revenue  | \$ 258,221                                   | \$ 254,430  | \$ 244,979  | \$ 229,322  | \$ 216,740  |
| Operating income   | \$ 20,935                                    | \$ 19,127   | \$ 18,178   | \$ 13,069   | \$ 13,910   |
| Income (loss) from discontinued operations                                 | \$ --  | \$ (405)    | \$ 1,888    | \$ 97       | \$ 12       |
| Net income (loss)  | \$ 9,145                                     | \$ (1,406)  | \$ 10,896   | \$ (12,034) | \$ 6,482    |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ 9,041                                     | \$ (914)    | \$ 9,956    | \$ (12,650) | \$ 6,094    |
| Basic earnings (loss) per share – continuing operations                    | \$ 0.39                                      | \$ (0.02)   | \$ 0.36     | \$ (0.56)   | \$ 0.27     |
| Basic earnings (loss) per share – discontinued operations                  | \$ --  | \$ (0.02)   | \$ 0.08     | \$ --       | \$ --       |
| Basic earnings (loss) per share  | \$ 0.39                                      | \$ (0.04)   | \$ 0.44     | \$ (0.56)   | \$ 0.27     |
| Diluted earnings (loss) per share – continuing operations                  | \$ 0.38                                      | \$ (0.02)   | \$ 0.35     | \$ (0.56)   | \$ 0.27     |
| Diluted earnings (loss) per share – discontinued operations                | \$ --  | \$ (0.02)   | \$ 0.08     | \$ --       | \$ --       |
| Diluted earnings (loss) per share  | \$ 0.38                                      | \$ (0.04)   | \$ 0.43     | \$ (0.56)   | \$ 0.27     |
| <b>Other Information:</b>  |  |             |             |             |             |
| Shares outstanding   | 23,083,265                                   | 23,083,265  | 22,806,838  | 22,804,313  | 22,588,403  |
| Weighted average number of shares outstanding—basic                        | 23,348,003                                   | 23,028,596  | 22,764,666  | 22,781,392  | 22,580,942  |
| Weighted average number of shares outstanding—diluted                      | 23,520,271                                   | 23,028,596  | 22,993,135  | 22,781,392  | 22,767,735  |
| Total assets   | \$ 386,807                                   | \$ 428,588  | \$ 430,764  | \$ 430,349  | \$ 406,417  |
| Total debt   | \$ 168,460                                   | \$ 196,597  | \$ 209,614  | \$ 228,821  | \$ 226,993  |
| Working capital (deficit)  | \$ (71,794)                                  | \$ (21,415) | \$ (12,844) | \$ (57,634) | \$ (16,229) |
| Stockholders' equity   | \$ 121,747                                   | \$ 130,954  | \$ 124,987  | \$ 112,639  | \$ 110,263  |
| EBIT   | \$ 24,020                                    | \$ 20,416   | \$ 18,664   | \$ 13,900   | \$ 22,618   |
| Depreciation and amortization  | \$ 15,197                                    | \$ 16,049   | \$ 16,595   | \$ 15,563   | \$ 15,034   |
| Add: Adjustments for discontinued operations                               | \$ --  | \$ 335      | \$ 365      | \$ 351      | \$ 134      |
| EBITDA   | \$ 39,217                                    | \$ 36,800   | \$ 35,624   | \$ 29,814   | \$ 37,786   |
| Debt to EBITDA   | \$ 4.30                                      | \$ 5.34     | \$ 5.88     | \$ 7.67     | \$ 6.01     |
| Capital expenditure (including acquisitions)                               | \$ 20,082                                    | \$ 13,723   | \$ 9,376    | \$ 19,371   | \$ 5,686    |
| Number of employees at 12/31   | 2,494  | 2,412       | 2,263       | 2,109       | 2,207       |

EBIT presented above represents net income (loss) adjusted for interest expense (calculated net of interest income) and income tax expense. EBIT is presented for informational purposes to show the significance of depreciation and amortization in the calculation of EBITDA. We use EBIT in our evaluation of our operating results since we believe that it is useful as a measure of financial performance, particularly for us as a multinational company. We believe it is a useful measure of financial performance principally for the following reasons:

- since we operate in multiple tax jurisdictions, we find EBIT removes the impact of the varying tax rates and tax regimes in the jurisdictions in which we operate.
- in addition, we find EBIT useful as a financial measure that removes the impact from our effective tax rate of factors not directly related to our business operations, such as, whether we have acquired operating assets by purchasing those assets directly, or indirectly by purchasing the stock of a company that might hold such operating assets.
- the use of EBIT as a financial measure also (i) removes the impact of tax timing differences which may vary from time to time and from jurisdiction to jurisdiction, (ii) allows us to compare our performance to



that achieved by other companies, and (iii) is useful as a financial measure that removes the impact of our historically significant net loss carry-forwards.

- the elimination of net interest expense helps us to compare our operating performance to those companies that may have more or less debt than we do.

EBITDA presented above is net income (loss) adjusted for interest expense (again, calculated net of interest income), income tax expense, and in addition depreciation and amortization expense. We use EBITDA in our evaluation of our performance since we believe that EBITDA provides a useful measure of financial performance and value. We believe this principally for the following reasons:

- we believe that EBITDA is an industry comparative measure of financial performance. It is, in our experience, a measure commonly used by analysts and financial commentators who report on the cinema exhibition and real estate industries and a measure used by financial institutions in underwriting the creditworthiness of companies in these industries. Accordingly, our management monitors this calculation as a method of judging our performance against our peers and market expectations and our creditworthiness.
- also, analysts, financial commentators, and persons active in the cinema exhibition and real estate industries typically value enterprises engaged in these businesses at various multiples of EBITDA. Accordingly, we find EBITDA valuable as an indicator of the underlying value of our businesses.

We expect that investors may use EBITDA to judge our ability to generate cash, as a basis of comparison to other companies engaged in the cinema exhibition and real estate businesses and as a basis to value our company against such other companies.

Neither EBIT nor EBITDA is a measurement of financial performance under accounting principles generally accepted in the United States of America and should not be considered in isolation or construed as a substitute for net income or other operations data or cash flow data prepared in accordance with accounting principles generally accepted in the United States for purposes of analyzing our profitability. The exclusion of various components such as interest, taxes, depreciation, and amortization necessarily limit the usefulness of these measures when assessing our financial performance, as not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements to service debt, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail in this Annual Report on Form 10-K.

EBIT and EBITDA also fail to take into account the cost of interest and taxes. Interest is clearly a real cost that for us is paid periodically as accrued. Taxes may or may not be a current cash item but are nevertheless real costs that, in most situations, must eventually be paid. A company that realizes taxable earnings in high tax jurisdictions may be ultimately less valuable than a company that realizes the same amount of taxable earnings in a low tax jurisdiction. EBITDA fails to take into account the cost of depreciation and amortization and the fact that assets will eventually wear out and have to be replaced.

EBITDA, as calculated by us, may not be comparable to similarly titled measures reported by other companies. A reconciliation of net income (loss) to EBIT and EBITDA is presented below (dollars in thousands):

|  | 2013      | 2012      | 2011      | 2010        | 2009      |
|--|-----------|-----------|-----------|-------------|-----------|
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ 9,041  | \$ (914)  | \$ 9,956  | \$ (12,650) | \$ 6,094  |
| Add: Interest expense, net   | 10,037    | 16,426    | 21,038    | 12,286      | 14,572    |
| Add: Income tax (benefit) expense  | 4,942     | 4,904     | (12,330)  | 14,264      | 1,952     |
| EBIT   | \$ 24,020 | \$ 20,416 | \$ 18,664 | \$ 13,900   | \$ 22,618 |
| Add: Depreciation and amortization   | 15,197    | 16,049    | 16,595    | 15,563      | 15,034    |
| Adjustments for discontinued operations                                    | --        | 335       | 365       | 351         | 134       |
| EBITDA   | \$ 39,217 | \$ 36,800 | \$ 35,624 | \$ 29,814   | \$ 37,786 |

## **Item 7 – Management’s Discussions and Analysis of Financial Condition and Results of Operations**

The following review should be read in conjunction with the consolidated financial statements and related notes included in this 2013 Annual Report. Historical results and percentage relationships do not necessarily indicate operating results for any future periods.

### **Overview**

We are an internationally diversified company principally focused on the development, ownership, and operation of entertainment and real property assets in the United States, Australia, and New Zealand. Currently, we operate in two business segments:

- Cinema Exhibition, through our 56 multiplex theaters, and
- Real Estate, including investment, development, and the rental of retail, commercial and live theater assets.

We believe that these two business segments complement one another, as the comparatively consistent cash flows generated by our cinema operations can be used to fund new cinema business opportunities and the front-end cash demands of our real estate investment and development business.

We manage our worldwide cinema exhibition businesses under various different brands:

- in the US, under the Reading, Angelika Film Center, Consolidated Amusements, and City Cinemas brands;
- in Australia, under the Reading brand; and
- in New Zealand, under the Reading and Rialto brands.

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas. From time to time, we invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. In the current environment, we intend to focus on the development and redevelopment of our existing assets (particularly our New York assets and our Angelika Film Center chain), as well as to continue to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate company and intend to add to stockholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land and brick and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and international assets and operations, and between our cash generating cinema operations and our cash consuming real estate investment and development activities. We believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate operations, our business strategy is unique among public companies.

### **Business Climate**

#### **Cinema Exhibition - General**

After years of uncertainty as to the future of digital exhibition and the impact of this technology on cinema exhibition, it became clear in 2012 that the industry must go digital. We have now completed the conversion of all of our U.S., Australia, and New Zealand cinema operations to digital projection. Over several years, we anticipate

that the cost of this conversion will be covered in substantial part by the receipt of Virtual Print Fees paid by film distributors for the use of such digital projection equipment.

In the case of “in-home” entertainment alternatives, the industry has experienced significant leaps in recent periods in both the quality and affordability of in-home entertainment systems and in the accessibility to entertainment programming through cable, satellite, DVD, and internet distribution channels. These alternative distribution channels are putting pressure on cinema exhibitors to reduce the time period between theatrical and secondary release dates, and certain distributors are talking about possible simultaneous or near simultaneous releases in multiple channels of distribution. These issues are common to both our domestic and international cinema operations.

Certain new entrants to the cinema exhibition market, as well as certain of our historic competitors, have begun to develop new and to reposition existing cinemas that offer a broader selection of premium seating and food and beverage offerings. These include, in some cases, food service to the seat and the offering of alcoholic beverages. We have for some years offered premium seating and alcoholic beverages in certain of our overseas cinemas. We have also offered café food selections and alcoholic beverages domestically in certain of our Angelika Film Centers. Accordingly, we are experienced in and believe that we can compete effectively with this emerging competition. We are currently reviewing the potential for expanding our offerings at a variety of our domestic cinemas.

#### Cinema Exhibition – Australia / New Zealand

The film exhibition industry in Australia and New Zealand is highly concentrated in that Village, Event, and Hoyts (the “Major Exhibitors”) control approximately 65% of the cinema box office in Australia while Event and Hoyts control approximately 55% of New Zealand’s cinema box office. The industry is also vertically integrated in that one of the Major Exhibitors, Roadshow Film Distributors (part of Village), also serves as a distributor of film in Australia and New Zealand for Wamer Bros. and New Line. Films produced or distributed by the majority of the local international independent producers are also distributed by Roadshow. Typically, the Major Exhibitors own the newer multiplex and megaplex cinemas, while the independent exhibitors typically have older and smaller cinemas. In addition, the Major Exhibitors have in recent periods built a number of new multiplexes as joint venture partners or under shared facility arrangements, and have historically not engaged in head-to-head competition.

#### Cinema Exhibition – North America

In North America, distributors may find it more commercially appealing to deal with major exhibitors, rather than to deal with independents like us, which tends to compress the supply of screens in a very limited number of markets. This competitive disadvantage has increased significantly in recent periods with the development of mega circuits like Regal and AMC who are able to offer distributors access to screens on a truly nationwide basis, or, on the other hand, to deny access if their desires with respect to film supply are not satisfied.

These consolidations can adversely affect our ability to get film in certain U.S. markets where we compete against major exhibitors. With the restructuring and consolidation undertaken in the industry, and the emergence of increasingly attractive “in-home” entertainment alternatives, strategic cinema acquisitions by our U.S. operation have and can continue to be a way to combat such a competitive disadvantage.

#### Real Estate – Australia and New Zealand

Over the past few years, there has been a noted stabilization in real estate market activity resulting in some increases to commercial and retail property values in Australia and to a lesser extent in New Zealand. Both countries have relatively stable economies with varying degrees of economic growth that are mostly influenced by global trends. Also, we have noted that our Australian and New Zealand developed properties have had consistent growth in rentals and values although project commencements have slowed. Once developed, we remain confident that our Australian and New Zealand holdings will continue to provide value and cash flows to our operations.

#### Real Estate – North America

The commercial real estate market has improved somewhat over the past two years and we have noted some strong increases associated with our real estate located in large urban environments.

#### Business Segments

As indicated above, our two primary business segments are cinema exhibition and real estate. These segments are summarized as follows:

##### *Cinema Exhibition*

One of our primary businesses consists of the ownership and operation of cinemas. For a breakdown of our current cinema assets that we own and/or manage please see Item 1 – *Our Business* of this 2013 Annual Report under the subheading “Our Cinema Exhibition Activities.”

On December 31, 2013, we acquired a 5-screen cinema in the U.S. that we previously had managed since 2003. In 2012, we opened one cinema with 8 screens and closed two cinemas having a total of 8 screens. In 2011, we purchased one 17-screen cinema.

Our cinema revenue consists of admissions, concessions, and advertising. The cinema operating expense consists of the costs directly attributable to the operation of the cinemas including film rent expense, operating costs, and occupancy costs. Cinema revenue and expense fluctuate with the availability of quality first-run films and the numbers of weeks the first-run films stay in the market.

##### *Real Estate*

For fiscal 2013, our income operating property consisted of the following:

- our Belmont, Western Australia ETRC, our Auburn, New South Wales ETRC and our Wellington, New Zealand ETRC;
- our Newmarket shopping center in Newmarket, Queensland, a suburb of Brisbane;
- three single auditorium live theaters in Manhattan (Minetta Lane, Orpheum, and Union Square) and a four auditorium live theater complex in Chicago (The Royal George) and, in the case of the Union Square and the Royal George, their accompanying ancillary retail and commercial tenants;
- a New Zealand commercial property located at Lake Taupo and Australian commercial properties rented to unrelated third parties, to be held for current income and long-term appreciation; and
- the ancillary retail and commercial tenants at some of our non-ETRC cinema properties.

In addition, we had various parcels of unimproved real estate held for development in Australia and New Zealand and certain unimproved land in the United States that was used in our historic activities. We also owned an 8,100 square foot commercial building in Melbourne, which serves as our administrative headquarters for Australia and New Zealand, approximately 36% of which is leased to an unrelated third party.

#### Acquisitions

##### *Operating Assets*

On December 31, 2013, we settled a management fee claim that we had against the owner of the Plano, Texas cinema that we had managed since 2003 for a cash receipt of \$1.9 million. As part of the settlement, we acquired that entity, and through the purchase of that entity acquired the underlying cinema’s lease and the associated personal property, equipment, and trade fixtures. Because the fair value of the lease, in light of anticipated rent payments, resulted in a lease liability of \$320,000 and the acquired net assets, including cash received in connection with the settlement, were valued at \$1.7 million, we recorded a net gain on acquisition and settlement of \$1.4 million which is included as other income in our statement of operating income for the year ended December 31, 2013. We also acquired in 2013 the 50% interest we did not own in AFC LLC. In August 2011, we purchased the CalOaks Cinema, our largest multi-screened cinema to date, for \$4.2 million.

##### *Nonoperating Assets*

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202-acre property, zoned for the development of up to 816 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for \$5.5 million. The property was acquired as a long-term investment in developable land. Half of the funds used to acquire the land were provided by James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted into a 50% interest in Shadow View Land and Farming, LLC. We are the managing member of this company.

#### Disposals

##### *Moonee Ponds Properties – Held for Sale*

In 2013, we entered into a purchase and sale agreement to sell our 3.3-acre properties in Moonee Ponds for AUS\$23.0 million which is scheduled to close on April 16, 2015 and is classified as land held for sale on our December 31, 2013 consolidated balance sheet.

##### *Indooroopilly Property*

On November 20, 2012, we sold our Indooroopilly property for \$12.4 million (AUS\$12.0 million). As the book value was \$12.5 million (AUS\$12.1 million) for this property, we recorded a loss on sale as an impairment expense of \$318,000 (AUS\$306,000) for the year ended December 31, 2012 which included the cost to sell the property.

##### *Taringa Properties*

On February 21, 2012, we sold our three properties in the Taringa area of Brisbane, Australia of approximately 1.1 acres for \$1.9 million (AUS\$1.8 million). Because the net carrying amounts of these properties were greater than the total sale price, we recorded an impairment expense for these properties of \$369,000 (AUS\$365,000) for the year ended December 31, 2011.

##### *Elsternwick Cinema*

On April 14, 2011, we sold our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for \$1.9 million (AUS\$1.8 million) and recognized a gain on sale of a discontinued operation of \$1.7 million (AUS\$1.6 million).

#### Investment and Development Property

We are engaged in several real estate development projects. For a complete list of these properties with their size, status, and gross book values see Item 2 – *Properties* under the heading of “Investment and Development Property.”

#### Critical Accounting Policies

The Securities and Exchange Commission defines critical accounting policies as those that are, in management’s view, most important to the portrayal of the company’s financial condition and results of operations and the most demanding in their calls on judgment. We believe our most critical accounting policies relate to:

- impairment of long-lived assets, including goodwill and intangible assets;
- tax valuation allowance and obligations; and
- legal and environmental obligations.

##### *Impairment of long-lived assets, including goodwill and intangible assets*

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Pursuant to FASB ASC 360-35, we review internal management reports on a monthly basis as well as monitoring current and potential future competition in film markets for indications of potential impairment. We evaluate our long-lived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated, undiscounted future cash flows is less than the carrying amount of the asset, then impairment is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on an appraisal or a discounted cash flow calculation.

For certain non-income producing properties, we obtain appraisals or other evidence to evaluate whether there are impairment indicators for these assets. Based on calculations of current value from appraisals and a sales contract, we recorded impairment losses of \$1.5 million and \$369,000 relating to certain of our property and cinema locations for the years ended December 31, 2012 and 2011, respectively. No impairment losses were recorded in 2013. For a further explanation of our 2012 impairment losses see below under the heading "Coachella impairment" and see Note 7 – *Investment and Development Property* to our 2013 Consolidated Financial Statements.

Pursuant to FASB ASC 350-35, goodwill and intangible assets are evaluated annually on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. There was no impairment for the goodwill and intangible assets for the years ended December 31, 2013, 2012, and 2011, respectively.

#### *Tax valuation allowance and obligations*

We record our estimated future tax benefits and liabilities arising from the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards. We estimate the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. As of December 31, 2013, we had recorded approximately \$43.8 million of deferred tax assets related to the temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss carry-forwards and tax credit carry-forwards. These deferred tax assets were offset by a valuation allowance of \$35.0 million resulting in a net deferred tax asset of \$8.8 million. The recoverability of deferred tax assets is dependent upon our ability to generate future taxable income. There is no assurance that sufficient future taxable income will be generated to benefit from our tax loss carry-forwards and tax credit carry-forwards.

#### *Legal and environmental obligations*

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust, and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

From time to time, we are involved with claims and lawsuits arising in the ordinary course of our business that may include contractual obligations, insurance claims, tax claims, employment matters, and anti-trust issues, among other matters.

## 2012 Coachella impairment

In January 2012, we acquired in a foreclosure auction for \$5.5 million a 202-acre property located in Coachella, California zoned for the development of up to 816 single-family residential units. The only other bidder was the holder of the mortgage on the property who bid \$5.46 million for the property. At the time of the purchase, we knew, based on our due diligence that we were paying more for the property than would be supported by an appraisal done under the Uniform Standards of Professional Appraisal Practice ("USPAP"). However, the amount that we bid was the lowest price at which we were able to acquire the property from the mortgagor. In valuing the property, we took into account a variety of factors, including the fact that the property is located within the City of Coachella, the state of the land use entitlements, and the fact that the prior owner had invested considerable time and money in obtaining the entitlements from the City of Coachella. Since an independent USPAP appraisal of the property produced an appraised value as of December 2012 at \$4.0 million, we wrote down the book value of the property by \$1.5 million as of the end of our 2012 fiscal year. As noted below, this property is owned by a limited liability company which is, in turn, 50% owned by Mr. James J. Cotter who, accordingly, shares in any impairment loss to the extent of his ownership interest.

We acquired the property as a potentially long-term investment based on the expectation that ready-for-development residential real estate will recover in value. As we are not in the business of developing single family residences, it is anticipated that the property will eventually be sold to a developer of this type of property.

We hold the property in a limited liability company, which we manage. This company is owned 50/50 by ourselves and our Chairman and Chief Executive Officer, James J. Cotter. The opportunity to acquire the property was originally presented to Mr. Cotter in his individual capacity and the transaction was approved by our Conflicts Committee, comprised entirely of independent directors.

## Results of Operations

We currently have two operating segments: Cinema Exhibition and Real Estate. Our cinema exhibition segment includes the operations of our consolidated cinemas. Our real estate segment includes the operating results of our commercial real estate holdings, cinema real estate, live theater real estate, and ETRC's.

The tables below summarize the results of operations for our principal business segments for the years ended December 31, 2013, 2012, and 2011 (dollars in thousands).

| <b>Year Ended December 31, 2013</b> | <b>Cinema<br/>Exhibition</b> | <b>Real Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|-------------------------------------|------------------------------|--------------------|--------------------------------------|--------------|
| Revenue                             | \$ 239,418                   | \$ 26,456          | \$ (7,653)                           | \$ 258,221   |
| Operating expense                   | 200,859                      | 10,830             | (7,653)                              | 204,036      |
| Depreciation and amortization       | 10,741                       | 4,023              | --                                   | 14,764       |
| General and administrative expense  | 3,273                        | 644                | --                                   | 3,917        |
| Segment operating income            | \$ 24,545                    | \$ 10,959          | \$ --                                | \$ 35,504    |

| <b>Year Ended December 31, 2012</b> | <b>Cinema<br/>Exhibition</b> | <b>Real Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|-------------------------------------|------------------------------|--------------------|--------------------------------------|--------------|
| Revenue                             | \$ 234,703                   | \$ 27,256          | \$ (7,529)                           | \$ 254,430   |
| Operating expense                   | 198,040                      | 11,163             | (7,529)                              | 201,674      |
| Depreciation and amortization       | 11,154                       | 4,441              | --                                   | 15,595       |
| General and administrative expense  | 2,598                        | 718                | --                                   | 3,316        |
| Impairment expense                  | --                           | 1,463              | --                                   | 1,463        |
| Segment operating income            | \$ 22,911                    | \$ 9,471           | \$ --                                | \$ 32,382    |

| <b>Year Ended December 31, 2011</b> | <b>Cinema<br/>Exhibition</b> | <b>Real Estate</b> | <b>Intersegment<br/>Eliminations</b> | <b>Total</b> |
|-------------------------------------|------------------------------|--------------------|--------------------------------------|--------------|
| Revenue                             | \$ 225,849                   | \$ 26,562          | \$ (7,432)                           | \$ 244,979   |
| Operating expense                   | 189,647                      | 10,190             | (7,432)                              | 192,405      |
| Depreciation and amortization       | 11,842                       | 4,444              | --                                   | 16,286       |
| General and administrative expense  | 2,740                        | 646                | --                                   | 3,386        |
| Impairment expense                  | --                           | 369                | --                                   | 369          |
| Segment operating income            | \$ 21,620                    | \$ 10,913          | \$ --                                | \$ 32,533    |

**Reconciliation to net income attributable  
to Reading International, Inc. shareholders:**

|   | <b>2013</b> | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|-------------|
| Total segment operating income  | \$ 35,504   | \$ 32,382   | \$ 32,533   |
| Non-segment:  |             |             |             |
| Depreciation and amortization expense   | 433         | 454         | 309         |
| General and administrative expense  | 14,136      | 12,801      | 14,046      |
| Operating income  | 20,935      | 19,127      | 18,178      |
| Interest expense, net   | (10,037)    | (16,426)    | (21,038)    |
| Other income (loss)   | 1,876       | (563)       | 1,157       |
| Gain (loss) on sale of assets   | (56)        | 144         | (67)        |
| Income tax benefit (expense)  | (4,942)     | (4,904)     | 12,330      |
| Equity earnings (loss) of unconsolidated joint ventures and entities              | 1,369       | 1,621       | (1,552)     |
| Income (loss) from discontinued operations  | --          | (85)        | 232         |
| Gain (loss) on sale of discontinued operation                                     | --          | (320)       | 1,656       |
| Net income (loss)   | \$ 9,145    | \$ (1,406)  | \$ 10,896   |
| Net (income) loss attributable to noncontrolling interests                        | (104)       | 492         | (940)       |
| Net income (loss) attributable to Reading International, Inc. common shareholders | \$ 9,041    | \$ (914)    | \$ 9,956    |

**Cinema Exhibition Segment**

The following tables and discussion that follows detail our operating results for our 2013, 2012, and 2011 cinema exhibition segment (dollars in thousands). All percentages below are expressed as a percent of total revenue, except film rent and advertising cost which is expressed as a percentage of admissions revenue and concession cost which is expressed as a percentage of concessions revenue:

**Operating Income by Country for the  
Year Ended December 31, 2013**

|                                    | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|------------------------------------|----------------------|------------------|--------------------|--------------|
| Admissions revenue                 | \$ 84,725            | \$ 61,741        | \$ 15,039          | \$ 161,505   |
| Concessions revenue                | 35,056               | 24,025           | 5,596              | 64,677       |
| Advertising and other revenues     | 6,540                | 5,655            | 1,041              | 13,236       |
| Total revenues                     | 126,321              | 91,421           | 21,676             | 239,418      |
| Film rent and advertising cost     | 44,284               | 29,060           | 7,116              | 80,460       |
| Concession cost                    | 5,924                | 4,847            | 1,438              | 12,209       |
| Occupancy expense                  | 25,981               | 18,371           | 3,943              | 48,295       |
| Other operating expense            | 31,930               | 22,218           | 5,747              | 59,895       |
| Total operating expense            | 108,119              | 74,496           | 18,244             | 200,859      |
| Depreciation and amortization      | 6,181                | 3,603            | 957                | 10,741       |
| General and administrative expense | 2,347                | 926              | --                 | 3,273        |
| Segment operating income           | \$ 9,674             | \$ 12,396        | \$ 2,475           | \$ 24,545    |



**Operating Data as a Percentage of Revenue for Year Ended**

| <b>December 31, 2013</b>           | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|------------------------------------|----------------------|------------------|--------------------|--------------|
| Admissions revenue                 | 67.1%                | 67.5%            | 69.4%              | 67.5%        |
| Concessions revenue                | 27.8%                | 26.3%            | 25.8%              | 27.0%        |
| Advertising and other revenue      | 5.2%                 | 6.2%             | 4.8%               | 5.5%         |
| Total revenue                      | 100.0%               | 100.0%           | 100.0%             | 100.0%       |
| Film rent and advertising cost     | 52.3%                | 47.1%            | 47.3%              | 49.8%        |
| Concession cost                    | 16.9%                | 20.2%            | 25.7%              | 18.9%        |
| Occupancy expense                  | 20.6%                | 20.1%            | 18.2%              | 20.2%        |
| Other operating expense            | 25.3%                | 24.3%            | 26.5%              | 25.0%        |
| Total operating cost and expense   | 85.6%                | 81.5%            | 84.2%              | 83.9%        |
| Depreciation and amortization      | 4.9%                 | 3.9%             | 4.4%               | 4.5%         |
| General and administrative expense | 1.9%                 | 1.0%             | 0.0%               | 1.4%         |
| Segment operating income           | 7.7%                 | 13.6%            | 11.4%              | 10.3%        |

**Operating Income by Country for the Year Ended December 31, 2012**

|                                    | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|------------------------------------|----------------------|------------------|--------------------|--------------|
| Admissions revenue                 | \$ 78,745            | \$ 68,819        | \$ 13,897          | \$ 161,461   |
| Concessions revenue                | 32,219               | 24,564           | 4,266              | 61,049       |
| Advertising and other revenues     | 5,433                | 5,806            | 954                | 12,193       |
| Total revenues                     | 116,397              | 99,189           | 19,117             | 234,703      |
| Film rent and advertising cost     | 40,690               | 32,953           | 6,517              | 80,160       |
| Concession cost                    | 5,205                | 4,908            | 1,034              | 11,147       |
| Occupancy expense                  | 26,143               | 19,233           | 3,503              | 48,879       |
| Other operating expense            | 29,870               | 23,024           | 4,960              | 57,854       |
| Total operating expense            | 101,908              | 80,118           | 16,014             | 198,040      |
| Depreciation and amortization      | 6,482                | 3,589            | 1,083              | 11,154       |
| General and administrative expense | 1,937                | 661              | --                 | 2,598        |
| Segment operating income           | \$ 6,070             | \$ 14,821        | \$ 2,020           | \$ 22,911    |

**Operating Data as a Percentage of Revenue for Year Ended**

| <b>December 31, 2012</b>           | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|------------------------------------|----------------------|------------------|--------------------|--------------|
| Admissions revenue                 | 67.7%                | 69.4%            | 72.7%              | 68.8%        |
| Concessions revenue                | 27.7%                | 24.8%            | 22.3%              | 26.0%        |
| Advertising and other revenue      | 4.7%                 | 5.9%             | 5.0%               | 5.2%         |
| Total revenue                      | 100.0%               | 100.0%           | 100.0%             | 100.0%       |
| Film rent and advertising cost     | 51.7%                | 47.9%            | 46.9%              | 49.6%        |
| Concession cost                    | 16.2%                | 20.0%            | 24.2%              | 18.3%        |
| Occupancy expense                  | 22.5%                | 19.4%            | 18.3%              | 20.8%        |
| Other operating expense            | 25.7%                | 23.2%            | 25.9%              | 24.6%        |
| Total operating cost and expense   | 87.6%                | 80.8%            | 83.8%              | 84.4%        |
| Depreciation and amortization      | 5.6%                 | 3.6%             | 5.7%               | 4.8%         |
| General and administrative expense | 1.7%                 | 0.7%             | 0.0%               | 1.1%         |
| Segment operating income           | 5.2%                 | 14.9%            | 10.6%              | 9.8%         |

**Operating Income by Country for the  
Year Ended December 31, 2011**

|                                    | United States | Australia | New Zealand | Total      |
|------------------------------------|---------------|-----------|-------------|------------|
| Admissions revenue                 | \$ 73,062     | \$ 72,887 | \$ 12,622   | \$ 158,571 |
| Concessions revenue                | 28,225        | 23,306    | 3,446       | 54,977     |
| Advertising and other revenues     | 5,482         | 6,019     | 800         | 12,301     |
| Total revenues                     | 106,769       | 102,212   | 16,868      | 225,849    |
| Film rent and advertising cost     | 37,360        | 34,390    | 5,878       | 77,628     |
| Concession cost                    | 4,460         | 4,963     | 852         | 10,275     |
| Occupancy expense                  | 25,210        | 19,107    | 3,157       | 47,474     |
| Other operating expense            | 27,033        | 22,274    | 4,963       | 54,270     |
| Total operating expense            | 94,063        | 80,734    | 14,850      | 189,647    |
| Depreciation and amortization      | 6,525         | 4,218     | 1,099       | 11,842     |
| General and administrative expense | 1,973         | 691       | 76          | 2,740      |
| Segment operating income           | \$ 4,208      | \$ 16,569 | \$ 843      | \$ 21,620  |

**Operating Data as a Percentage of  
Revenue for Year Ended**

| December 31, 2011                  | United States | Australia | New Zealand | Total  |
|------------------------------------|---------------|-----------|-------------|--------|
| Admissions revenue                 | 68.4%         | 71.3%     | 74.8%       | 70.2%  |
| Concessions revenue                | 26.4%         | 22.8%     | 20.4%       | 24.3%  |
| Advertising and other revenue      | 5.1%          | 5.9%      | 4.7%        | 5.4%   |
| Total revenue                      | 100.0%        | 100.0%    | 100.0%      | 100.0% |
| Film rent and advertising cost     | 51.1%         | 47.2%     | 46.6%       | 49.0%  |
| Concession cost                    | 15.8%         | 21.3%     | 24.7%       | 18.7%  |
| Occupancy expense                  | 23.6%         | 18.7%     | 18.7%       | 21.0%  |
| Other operating expense            | 25.3%         | 21.8%     | 29.4%       | 24.0%  |
| Total operating cost and expense   | 88.1%         | 79.0%     | 88.0%       | 84.0%  |
| Depreciation and amortization      | 6.1%          | 4.1%      | 6.5%        | 5.2%   |
| General and administrative expense | 1.8%          | 0.7%      | 0.5%        | 1.2%   |
| Segment operating income           | 3.9%          | 16.2%     | 5.0%        | 9.6%   |

**Cinema Results for 2013 Compared to 2012**

- Cinema revenue increased in 2013 by \$4.7 million or 2.0% compared to 2012. The geographic activity of our revenue can be summarized as follows:
  - United States - Revenue in the United States increased by \$9.9 million or 8.5%. This increase in revenue was predominately attributable to a 440,000 person increase in box office admissions and a 2.6% increase in the average ticket price coupled with a commensurate increase in concessions revenue. Both of these increases were primarily related to the quality of film product in 2013 compared to the same period in 2012.
  - Australia - Revenue in Australia decreased by \$7.8 million or 7.8%. This decrease in revenue was primarily related to a 5.1% decrease in the average ticket price resulting from a continued and expanded competitive ticket pricing model; offset in part by, a 60,000 person increase in box office admissions. As noted below, this decrease in revenue was exacerbated by a decrease in the value of the Australian dollar compared to the U.S. dollar for the comparable periods (see below).
  - New Zealand - Revenue in New Zealand increased by \$2.6 million or 13.4%. This increase in revenue was predominately attributable to a year over year 121,000 person increase in admissions; somewhat offset by, a decrease in the average ticket price of 0.4%. The increase in New Zealand admissions was primarily as a result of increased revenues coming from our previously earthquake

- damaged New Zealand multiplex. This increase in revenue was somewhat enhanced by an increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
- Operating expense increased in 2013 by \$2.8 million or 1.4% compared to 2012. Year over year operating expense percentage decreased in relation to revenue from 84.4% to 83.9%.
    - United States - Operating expense in the United States increased by \$6.2 million or 6.1% primarily related to a \$3.6 million increase in film rent and advertising primarily associated with the aforementioned increases in revenues from admissions and a \$2.0 million increase in other operating expense including a \$778,000 increase in projection costs primarily related to our new digital equipment lease.
    - Australia - Operating expense in Australia decreased by \$5.6 million or 7.0%. This decrease was in line with the above-mentioned decrease in cinema revenue which directly affects film rental costs and exacerbated by the year over year decrease in the value of the Australian dollar compared to the U.S. dollar (see below).
    - New Zealand - Operating expense in New Zealand increased by \$2.2 million or 13.9%. This increase was in line with the above-mentioned increase in cinema revenue which directly affects film rental costs and with the above-mentioned year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
  - Depreciation expense decreased in 2013 by \$413,000 or 3.7% compared to 2012. This decrease was primarily related to several of our cinema assets reaching the end of their depreciable lives.
  - General and administrative expense increased in 2013 by \$675,000 or 26.0% compared to 2012. This increase was primarily related to an increase in labor expense from our U.S. and Australian cinema operations.
  - Australian average exchange rates decreased by 6.5% from 2012 to 2013 and the New Zealand average exchange rates increased by 1.2% from 2012 to 2013 both of which had an impact on our statements of operations.
  - As a result, cinema exhibition segment operating income increased in 2013 by \$1.6 million compared to 2012 primarily from the aforementioned increase in revenue from our U.S. and New Zealand cinema operations.

#### Cinema Results for 2012 Compared to 2011

- Cinema revenue increased in 2012 by \$8.9 million or 3.9% compared to 2011. The geographic activity of our revenue can be summarized as follows:
  - United States - Revenue in the United States increased by \$9.6 million or 9.0%. This increase in revenue was predominately attributable to a 722,000 person increase in box office admissions and a commensurate increase in admissions and concessions revenue primarily from our 2011 acquisition of the CalOaks cinema in Murrieta, California and from our newly opened AFC Mosaic cinema in the greater Washington D.C. metropolitan area; offset by, a 0.7% decrease in the average ticket price.
  - Australia - Revenue in Australia decreased by \$3.0 million or 3.0%. This decrease in revenue was primarily related to a 91,000 person decrease in box office admissions coupled with a 3.9% decrease in the average ticket price resulting from a more competitive ticket pricing model. This decrease included the temporary closure of a cinema in Australia due to renovations during the second quarter. As noted below, there was only a nominal change in the Australian dollar compared to the U.S. dollar for the comparable period (see below).
  - New Zealand - Revenue in New Zealand increased by \$2.2 million or 13.3%. This increase in revenue was predominately attributable to a year over year 236,000 person increase in admissions; offset by, a decrease in the average ticket price of 7.6% resulting from a more competitive ticket pricing model. The increase in New Zealand admissions was primarily as a result of the reopening of an earthquake damaged New Zealand multiplex in early January 2012. This increase in revenue was somewhat enhanced by an increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
- Operating expense increased in 2012 by \$8.4 million or 4.4% compared to 2011. Year over year operating expense percentage increased in relation to revenue from 84.0% to 84.4%.
  - United States - Operating expense in the United States increased by \$7.8 million or 8.3% primarily related to a \$3.3 million increase in film rent and advertising and a \$3.1 million increase in other

- operating expense both of which were primarily associated with the aforementioned newly acquired and opened cinemas.
- Australia - Operating expense in Australia decreased by \$616,000 or 0.8%. This decrease was in line with the above-mentioned decrease in cinema revenue which directly affects film rental costs and with the year over year nominal increase in the value of the Australian dollar compared to the U.S. dollar (see below).
  - New Zealand - Operating expense in New Zealand increased by \$1.2 million or 7.8%. This increase was in line with the above-mentioned increase in cinema revenue which directly affects film rental costs offset by the above-mentioned year over year increase in the value of the New Zealand dollar compared to the U.S. dollar (see below).
  - Depreciation expense decreased in 2012 by \$688,000 or 5.8% compared to 2011. This decrease was primarily related to several of our cinema assets reaching the end of their depreciable lives.
  - General and administrative expense decreased in 2012 by \$142,000 or 5.2% compared to 2011. This decrease was primarily related to preopening costs in 2011 for a newly opened Australian cinema which did not recur in 2012.
  - Australian and New Zealand monthly average exchange rates for 2012 increased by 0.3% and 2.4%, respectively, from those in 2011, which had an overall positive impact our statements of operations.
  - As a result, cinema exhibition segment operating income increased in 2012 by \$1.3 million compared to 2011 primarily from the aforementioned increase in revenue from our Australian cinema operations.

#### **Real Estate Segment**

As discussed above, our other business segment is the development and management of real estate. These holdings include our rental live theaters, certain fee owned properties used in our cinema business, and unimproved real estate held for development.

The tables and discussion that follow detail our operating results for our 2013, 2012, and 2011 real estate segment (dollars in thousands). All percentages below are expressed as a percent of total revenue except live theater cost which is expressed as a percentage of live theater rental and ancillary revenue, and property cost which is expressed as a percentage of property rental revenue:

| <b>Operating Income by Country for the<br/>Year Ended December 31, 2013</b> | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b>     |
|---|----------------------|------------------|--------------------|------------------|
| Live theater rental and ancillary income                                    | \$ 3,500             | \$ --            | \$ --              | \$ 3,500         |
| Property rental income  | 1,692                | 14,424           | 6,840              | 22,956           |
| <b>Total revenues</b>   | <b>5,192</b>         | <b>14,424</b>    | <b>6,840</b>       | <b>26,456</b>    |
| Live theater costs  | 1,574                | --               | --                 | 1,574            |
| Property rental cost  | 316                  | 2,362            | 1,684              | 4,362            |
| Occupancy expense   | 946                  | 3,139            | 809                | 4,894            |
| <b>Total operating expense</b>  | <b>2,836</b>         | <b>5,501</b>     | <b>2,493</b>       | <b>10,830</b>    |
| Depreciation and amortization   | 314                  | 2,635            | 1,074              | 4,023            |
| General and administrative expense  | 67                   | 527              | 50                 | 644              |
| <b>Segment operating income</b>   | <b>\$ 1,975</b>      | <b>\$ 5,761</b>  | <b>\$ 3,223</b>    | <b>\$ 10,959</b> |

| <b>Operating Data as a Percentage of<br/>Revenue for Year Ended<br/>December 31, 2013</b> | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b>  |
|---|----------------------|------------------|--------------------|---------------|
| Live theater rental and ancillary revenue   | 67.4%                |                  |                    | 13.2%         |
| Property rental revenue   | 32.6%                | 100.0%           | 100.0%             | 86.8%         |
| <b>Total revenue</b>  | <b>100.0%</b>        | <b>100.0%</b>    | <b>100.0%</b>      | <b>100.0%</b> |
| Live theater cost   | 45.0%                |                  |                    | 45.0%         |

|                                    |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|
| Property cost                      | 18.7% | 16.4% | 24.6% | 19.0% |
| Occupancy expense                  | 18.2% | 21.8% | 11.8% | 18.5% |
| Total operating cost and expense   | 54.6% | 38.1% | 36.4% | 40.9% |
| Depreciation and amortization      | 6.0%  | 18.3% | 15.7% | 15.2% |
| General and administrative expense | 1.3%  | 3.7%  | 0.7%  | 2.4%  |
| Impairment expense                 | 0.0%  | 0.0%  | 0.0%  | 0.0%  |
| Segment operating income           | 38.0% | 39.9% | 47.1% | 41.4% |

**Operating Income by Country for the Year Ended December 31, 2012**

|  | United States | Australia | New Zealand | Total    |
|--|---------------|-----------|-------------|----------|
| Live theater rental and ancillary income | \$ 3,416      | \$ --     | \$ --       | \$ 3,416 |
| Property rental income                   | 1,690         | 14,536    | 7,614       | 23,840   |
| Total revenues                           | 5,106         | 14,536    | 7,614       | 27,256   |
| Live theater costs                       | 1,538         | --        | --          | 1,538    |
| Property rental cost                     | 456           | 3,262     | 1,459       | 5,177    |
| Occupancy expense                        | 857           | 2,815     | 776         | 4,448    |
| Total operating expense                  | 2,851         | 6,077     | 2,235       | 11,163   |
| Depreciation and amortization            | 305           | 2,824     | 1,312       | 4,441    |
| General and administrative expense       | 100           | 535       | 83          | 718      |
| Impairment expense                       | 1,463         | --        | --          | 1,463    |
| Segment operating income                 | \$ 387        | \$ 5,100  | \$ 3,984    | \$ 9,471 |

**Operating Data as a Percentage of Revenue for Year Ended December 31, 2012**

|   | United States | Australia | New Zealand | Total  |
|---|---------------|-----------|-------------|--------|
| Live theater rental and ancillary revenue | 66.9%         |           |             | 12.5%  |
| Property rental revenue                   | 33.1%         | 100.0%    | 100.0%      | 87.5%  |
| Total revenue                             | 100.0%        | 100.0%    | 100.0%      | 100.0% |
| Live theater cost                         | 45.0%         |           |             | 45.0%  |
| Property cost                             | 27.0%         | 22.4%     | 19.2%       | 21.7%  |
| Occupancy expense                         | 16.8%         | 19.4%     | 10.2%       | 16.3%  |
| Total operating cost and expense          | 55.8%         | 41.8%     | 29.4%       | 41.0%  |
| Depreciation and amortization             | 6.0%          | 19.4%     | 17.2%       | 16.3%  |
| General and administrative expense        | 2.0%          | 3.7%      | 1.1%        | 2.6%   |
| Impairment expense                        | 28.7%         | 0.0%      | 0.0%        | 5.4%   |
| Segment operating income                  | 7.6%          | 35.1%     | 52.3%       | 34.7%  |

**Operating Income by Country for the Year Ended December 31, 2011**

|  | United States | Australia | New Zealand | Total    |
|--|---------------|-----------|-------------|----------|
| Live theater rental and ancillary income | \$ 3,507      | \$ --     | \$ --       | \$ 3,507 |
| Property rental income                   | 1,714         | 13,850    | 7,491       | 23,055   |
| Total revenues                           | 5,221         | 13,850    | 7,491       | 26,562   |
| Live theater costs                       | 1,505         | --        | --          | 1,505    |
| Property rental cost                     | 124           | 2,507     | 1,375       | 4,006    |
| Occupancy expense                        | 845           | 3,121     | 713         | 4,679    |
| Total operating expense                  | 2,474         | 5,628     | 2,088       | 10,190   |

|                                    |                 |                 |                 |                  |
|------------------------------------|-----------------|-----------------|-----------------|------------------|
| Depreciation and amortization      | 326             | 2,848           | 1,270           | 4,444            |
| General and administrative expense | 32              | 554             | 60              | 646              |
| Impairment expense                 | --              | 369             | --              | 369              |
| <b>Segment operating income</b>    | <b>\$ 2,389</b> | <b>\$ 4,451</b> | <b>\$ 4,073</b> | <b>\$ 10,913</b> |

**Operating Data as a Percentage of Revenue for Year Ended**

| <b>December 31, 2011</b>                  | <b>United States</b> | <b>Australia</b> | <b>New Zealand</b> | <b>Total</b> |
|---|----------------------|------------------|--------------------|--------------|
| Live theater rental and ancillary revenue | 67.2%                |                  |                    | 13.2%        |
| Property rental revenue                   | 32.8%                | 100.0%           | 100.0%             | 86.8%        |
| Total revenue                             | 100.0%               | 100.0%           | 100.0%             | 100.0%       |
| Live theater cost                         | 42.9%                |                  |                    | 42.9%        |
| Property cost                             | 7.2%                 | 18.1%            | 18.4%              | 17.4%        |
| Occupancy expense                         | 16.2%                | 22.5%            | 9.5%               | 17.6%        |
| Total operating cost and expense          | 47.4%                | 40.6%            | 27.9%              | 38.4%        |
| Depreciation and amortization             | 6.2%                 | 20.6%            | 17.0%              | 16.7%        |
| General and administrative expense        | 0.6%                 | 4.0%             | 0.8%               | 2.4%         |
| Impairment expense                        | 0.0%                 | 2.7%             | 0.0%               | 1.4%         |
| Segment operating income                  | 45.8%                | 32.1%            | 54.4%              | 41.1%        |

**Real Estate Results for 2013 Compared to 2012**

- Real estate revenue decreased by \$800,000 or 2.9% compared to 2012. The decrease in revenue was primarily related to the closure of our Courtenay Central parking structure in July 2013 as a result of an earthquake in Wellington, New Zealand. Revenue was also affected by the aforementioned fluctuations in currency exchange rates (see below).
- Operating expense for the real estate segment decreased by \$333,000 or 3.0% compared to 2012. This decrease resulted primarily from a decrease in professional fees from our 2012 legal work associated with protecting the property rights of our Burwood property and with our residual railroad properties and the aforementioned fluctuations in currency exchange rates (see below). These decreases were in part offset by additional costs associated with the start of development work on our Wellington, New Zealand location in 2013.
- General and administrative costs decreased by \$74,000 or 10.3% compared to 2012 primarily due to an increase in our allowance for doubtful accounts for our U.S. properties in 2012 which did not recur in 2013.
- Australian average exchange rates decreased by 6.5% from 2012 to 2013 and the New Zealand average exchange rates increased by 1.2% from 2012 to 2013 both of which had an impact on our statements of operations.
- As a result of the above, real estate segment income increased by \$1.5 million or 15.7% compared to 2012.

**Real Estate Results for 2012 Compared to 2011**

- Real estate revenue increased by \$694,000 or 2.6% compared to 2011. The increase in revenue was primarily related to an increase in rental income from our Australian and New Zealand ETRCs coupled with fluctuations in currency exchange rates (see below); offset by, a decrease in rent from our live theater venues in the U.S.
- Operating expense for the real estate segment increased by \$973,000 or 9.5% compared to 2011. This increase in expense was primarily related to higher repair, maintenance, and insurance costs for our operating properties, from legal costs incurred in 2012 associated with protecting the property rights of our Burwood property and with our residual railroad properties, and the aforementioned fluctuations in currency exchange rates (see below).
- We recorded a real estate impairment loss in 2012 of \$1.5 million related to our Coachella property (see Note 7 – Investment and Development Property to our 2012 Consolidated Financial Statements). As noted above, this property is owned by a limited liability company which is, in turn, 50% owned by Mr. James J.

Cotter who, accordingly, shares in any impairment loss to the extent of his ownership interest. In 2011, we recorded a \$369,000 impairment loss related to our Taringa real estate property. We subsequently sold the Taringa property on February 21, 2012 for \$1.9 million (AU\$1.8 million).

- General and administrative costs increased by \$72,000 or 11.1% compared to 2011 primarily due to an increase in our allowance for doubtful accounts for our U.S. properties in 2012.
- Australian and New Zealand monthly average exchange rates for 2012 increased by 0.3% and 2.4%, respectively, from those in 2011, which had an overall positive impact on our statements of operations.
- As a result of the above, real estate segment income decreased by \$1.4 million or 13.2% compared to 2011.

#### **Non-Segment Activity**

Non-segment expense/income includes expense and/or income that is not directly attributable to our two operating segments.

#### **2013 Compared to 2012**

- general and administrative expense increased by \$1.3 million primarily related to an increase in compensation expense, pension costs, and additional audit fees.
- net interest expense decreased by \$6.4 million compared to 2012. The decrease in interest expense during the 2013 resulted from an overall decrease in our worldwide debt balances and a decrease in the interest rates on our corporate loans in the U.S. and Australia. Additionally, our interest expense was lower in the 2013 due to a decrease in the fair value of our interest rate swap liabilities in 2013 compared to an increase in these liabilities during the same period in 2012 resulting in a comparative decrease in interest expense from 2012 to 2013.
- the \$1.9 million in other income during 2013 was primarily related to a \$1.4 million gain on the acquisition of a cinema and the receipt of insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand (see Note 26 – *Casualty Loss* to our 2013 Consolidated Financial Statements). The \$563,000 in other income during 2012 was primarily related to the write off of our GE Capital loan costs at the time of the refinance of our U.S. Corporate Credit Facility with Bank of America; offset by, insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand due to the February 22, 2011 earthquake.
- equity earnings from unconsolidated investments decreased by \$252,000 primarily related to decrease in income from our Mt. Gravatt investment.

#### **2012 Compared to 2011**

- general and administrative expense decreased by \$1.2 million primarily related to the one-time additional labor costs incurred during 2011, associated with the transfer of our accounting functions from the U.S. and Australia to New Zealand not being repeated in 2012, as well as some cost savings resulting from the synergies gained as a result of this move.
- net interest expense decreased by \$4.6 million compared to 2011. The decrease in interest expense during 2012 was primarily due to a smaller increase in the fair value of our interest rate swaps in 2012 than that noted for the same period in 2011 and to a decrease in interest rates specifically from our Trust Preferred Securities. Effective May 1, 2012, that interest rate changed from a fixed rate of 9.22%, which was in effect for the past five years, to a variable rate of 3 month LIBOR plus 4.00%, which will reset each quarter through the end of the loan, unless we choose to fix the rate again.
- the \$563,000 in other loss during 2012 was primarily related to the write off of our GE Capital loan costs at the time of the refinance of our U.S. Corporate Credit Facility with Bank of America; offset by, additional insurance proceeds from our business interruption claim for the temporary closure of our cinema in Christchurch, New Zealand due to the February 22, 2011 earthquake. The \$1.2 million in other income during 2011 was primarily related to insurance proceeds from a partial payment of our business interruption claim for the aforementioned temporary closure of our cinema in Christchurch, New Zealand (see Note 26 – *Casualty Loss* to our 2012 Consolidated Financial Statements).
- the net income tax expense was \$4.9 million during 2012 compared to a net income tax benefit of \$12.3 million during 2011. The year over year change in 2012 was primarily related to a reduction in deferred

tax assets in Australia, caused by the sale of certain assets, plus a reduction in loss carryforwards available to offset future Australia taxable income. For 2011, the change was primarily related to a one-time tax provision adjustment of \$14.4 million caused by a reduction in the valuation allowance related to our Australian operations (see Note 14 – *Income Tax* to our 2012 Consolidated Financial Statements).

- equity earnings from unconsolidated investments increased by \$3.2 million primarily related to a 2011 \$2.9 million impairment to our interest in Rialto Entertainment not repeated in 2012.

#### Income Taxes

We are subject to income taxation in several jurisdictions throughout the world. Our effective tax rate and income tax liabilities will be affected by a number of factors, such as:

- the amount of taxable income in particular jurisdictions;
- the tax rates in particular jurisdictions;
- tax treaties between jurisdictions;
- the extent to which income is repatriated; and
- future changes in law.

Generally, we file consolidated or combined tax returns in jurisdictions that permit or require such filings. For jurisdictions that do not permit such a filing, we may owe income, franchise, or capital taxes even though, on an overall basis, we may have incurred a net loss for the tax year.

#### Net Income Attributable to Reading International, Inc. Common Shareholders

For the years ending 2013, 2012, and 2011, our consolidated business units produced a net income of \$9.0 million (primarily driven by a decrease in our interest expense as noted above), a net loss of \$914,000, and a net income of \$10.0 million (primarily driven by a decrease in our tax provision of \$14.4 million caused by a reduction in the valuation allowance related to our Australian operations), respectively, attributable to Reading International, Inc. common shareholders. For many of the years prior to 2013, we consistently experienced net losses. However, as explained in the Cinema and Real Estate segment sections above, we have generally noted improvements in our segment operating income such that we have a positive segment operating income for each of the years of 2013, 2012, and 2011, that in years past has been negative. Although we cannot assure that this trend will continue, we are committed to the overall improvement of earnings through good fiscal management.

#### Business Plan, Liquidity, and Capital Resources of the Company

##### Business Plan

While we do not believe the cinema exhibition business to be a growth business, we do believe it to be a business that will likely continue to generate fairly consistent cash flows in the years ahead even in recessionary or inflationary environment. This is based on our belief that people will continue to spend some reasonable portion of their entertainment dollar on entertainment outside of the home and that, when compared to other forms of outside the home entertainment, movies continue to be a popular and competitively priced option. Since we believe the cinema exhibition business to be a mature business with most markets either adequately screened or over-screened, we see growth in our cinema business coming principally from the enhancement of our current cinemas, the development in select markets of specialty cinemas, and the opportunistic acquisition of already existing cinemas rather than from the development of new conventional cinemas. From time to time, we invest in the securities of other companies, where we believe the business or assets of those companies to be attractive or to offer synergies to our existing entertainment and real estate businesses. Also, in the current environment, we intend to be opportunistic in identifying and endeavoring to acquire undervalued assets, particularly assets with proven cash flow and which we believe to be resistant to current recessionary trends.

In summary, while we do have operating company attributes, we see ourselves principally as a geographically diversified real estate company and intend to add to stockholder value by building the value of our portfolio of tangible assets including both entertainment and other types of land and brick and mortar assets. We endeavor to maintain a reasonable asset allocation between our domestic and international assets and operations, and between our cash generating cinema operations and our cash consuming real estate development activities. We



believe that by blending the cash generating capabilities of a cinema operation with the investment and development opportunities of our real estate development operation, our business strategy is unique among public companies.

#### Liquidity and Capital Resources

Our ability to generate sufficient cash flows from operating activities in order to meet our obligations and commitments drives our liquidity position. This is further affected by our ability to obtain adequate, reasonable financing and/or to convert non-performing or non-strategic assets into cash.

Currently, our liquidity needs continue to arise mainly from:

- working capital requirements;
- capital expenditures; and
- debt servicing requirements.

With the changes to the worldwide credit markets, the business community is concerned that credit will be more difficult to obtain especially for potentially risky ventures like business and asset acquisitions. However, we believe that our acquisitions over the past few years coupled with our strengthening operational cash flows demonstrate our ability to improve our profitability. We believe that this business model will help us to demonstrate to lending institutions our ability not only to make strategic acquisitions but also to service the associated debt.

#### Discussion of Our Statement of Cash Flows

The following discussion compares the changes in our cash flows over the past three years.

##### *Operating Activities*

2013 Compared to 2012. Cash provided by operations was \$25.2 million in 2013 compared to \$25.5 million in the 2012. The decrease in cash provided by operations of \$313,000 was due primarily to a \$5.1 million increase in operational cash flows; offset by, a \$5.4 million decrease in cash from changes in operating assets and liabilities

2012 Compared to 2011. Cash provided by operations was \$25.5 million in 2012 compared to \$24.3 million in the 2011. The increase in cash provided by operations of \$1.2 million was due primarily to a \$4.4 million increase in operational cash flows; offset by, a \$3.2 million decrease in cash from changes in operating assets and liabilities.

##### *Investing Activities*

Cash used in investing activities was \$6.1 million in 2013, \$6.1 million in 2012, and \$3.8 million in 2011. The following summarizes our discretionary investing activities for each of the three years ending December 31, 2013:

The \$6.1 million cash used in 2013 was primarily related to:

- \$20.1 million in property enhancements to our existing properties;

offset by

- \$1.6 million in cash provided from restricted cash;
- \$1.9 million in cash received associated with a cinema acquisition;
- \$2.0 million of proceeds from a note receivable; and
- \$8.0 million of proceeds from time deposits;

The \$6.1 million cash used in 2012 was primarily related to:

- \$8.2 million in property enhancements to our existing properties;
- \$8.0 million to purchase time deposits;

- \$1.8 million to purchase a note receivable; and
- \$5.5 million for the purchase of the Coachella land acquisition;

offset by,

- \$14.1 million of proceeds from the sale of our Taringa and Indooroopilly properties;
- \$382,000 in return of investment in unconsolidated entities; and
- \$3.0 million of proceeds from the sale of marketable securities.

The \$3.8 million cash used in 2011 was primarily related to:

- \$3.9 million for the purchase of the CalOaks cinema;
- \$5.5 million in property enhancements to our existing properties;
- \$168,000 of a change in restricted cash; and
- \$2.8 million for the purchase of mortgage notes receivable;

offset by,

- \$1.9 million of net proceeds from the sale of our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia;
- \$143,000 of proceeds from the sale of marketable securities; and
- \$6.8 million of proceeds from the payoff of a long-term other receivable associated with our Malulani investment.

#### *Financing Activities*

Cash used in financing activities was \$17.8 million in 2013, \$12.7 million in 2012 and \$23.4 million in 2011. The following summarizes our financing activities for each of the three years ending December 31, 2013:

The \$17.8 million cash used in 2013 was primarily related to:

- \$28.1 million of loan repayments including a \$6.4 million payoff of our former Liberty Theaters Term Loan, a \$6.8 million payoff of our Sutton Hill Capital Note, \$5.5 million in payments on our Bank of America Revolver and Line of Credit, \$8.6 million in payments on our NAB term debt, and a \$592,000 payoff of the Nationwide Loan 1; and
- \$2.1 million in noncontrolling interests' distributions;

offset by,

- \$12.5 million of new borrowing including \$5.0 million from our Bank of America Revolver and \$7.5 million from our new loan on the Orpheum and Minetta Lane Theatres offset by \$563,000 of borrowing costs;
- \$263,000 in noncontrolling interests' contributions; and
- \$248,000 of proceeds from the exercise of employee stock options.

The \$12.7 million cash used in 2012 was primarily related to:

- \$62.6 million of loan repayments including \$15.0 million to pay off our Eurohypo Cinemas 1, 2, 3 loan, \$32.2 million to pay off our GE Capital Loan, and \$14.8 million in payments on our NAB term debt;

offset by,

- \$47.0 million of new borrowing including \$30.0 million of loan proceeds from our new Bank of America U.S. Credit Facility and \$15.0 million of loan proceeds from our new Cinemas 1, 2, 3 loan (both offset by a total of \$782,000 of capitalized borrowing cost) and \$2.0 million of borrowing from our Bank of America line of credit;

- \$3.4 million in noncontrolling interests' contributions; and
- \$308,000 of proceeds from the exercise of employee stock options.

The \$23.4 million cash used in 2011 was primarily related to:

- \$126.8 million of loan repayments including the \$105.8 million payoff of our Australian BOSI loan, \$5.3 million in loan repayment on our GE Capital Loan, \$9.7 million payoff of our NAB revolver, \$3.4 million loan repayment of our NAB term debt, and \$2.0 million pay down of our Nationwide Notes;
- \$747,000 to repurchase our Class A Nonvoting Common Stock; and
- \$654,000 in noncontrolling interests' distributions.

offset by,

- \$105.3 million of new borrowing including \$104.2 million of loan proceeds from our new NAB loan net of \$774,000 of capitalized borrowing costs and \$1.1 million of borrowing from our New Zealand credit facility; and
- \$233,000 in noncontrolling interests' contributions.

#### Future Liquidity and Capital Resources

During the past 24 months, we have put into place several measures that currently have or will have a positive effect on our overall liquidity, including:

- refinancing our Liberty Theaters loan with a \$7.5 million loan securitized by our Minetta and Orpheum theatres having a maturity date of June 1, 2018.
- replacing our GE Capital Term Loan of \$27.7 million with a new revolving line of credit from Bank of America (the "BofA Revolver") of \$30.0 million which has significantly lower principal payments than those of our former GE Capital Term Loan. On March 25, 2013, Bank of America increased the borrowing limit on our BofA Revolver from \$30.0 million to \$35.0 million.
- renewing and increasing our existing \$3.0 million line of credit with Bank of America to \$5.0 million.
- replacing our Eurohypo AG, New York Branch loan with a new \$15.0 million Sovereign Bank, N.A. term loan having a one-year term ending on June 27, 2013 one year extension option to June 27, 2014 which we exercised in June 2013.
- receiving, on February 8, 2012, an approved amendment from Westpac renewing our existing \$36.9 million (NZ\$45.0 million) New Zealand credit facility with a 3-year \$32.8 million (NZ\$40.0 million) credit facility.

We believe that we have sufficient borrowing capacity to meet our short-term working capital requirements. To meet our current and future liquidity requirements, we have the following external sources of unused liquidity:

- \$9.9 million (NZ\$12.0 million) is available on our New Zealand Corporate Credit facility;
- \$4.5 million (AUS\$5.0 million) is available on our NAB revolver facility; and
- \$5.0 million is available on our Bank of America Line of Credit.

Potential uses for funds during 2014 that would reduce our liquidity, other than those relating to working capital needs and debt service requirements include:

- payments on our legal settlement obligation for the Tax/Audit Litigation;
- the selective development of our currently held for development projects; and
- the acquisition of assets with proven cash flow that we believe to be resistant to the current recessionary trends.

We are in the process of negotiating a renewal of our Australian NAB Corporate Term Loan and Corporate Revolver and are optimistic that a renewal will be consummated by May 31, 2014, on terms that are at least equal to those that are expiring at June 30, 2014. In addition we are seeking a further 12 to 24 month extension on our US

Cinema 1, 2, 3 Term Loan which expires on June 27, 2014 and remain optimistic that this can be achieved by May 31, 2014 as well.

Our worldwide cash position at December 31, 2013 was \$37.7 million including \$16.4 million in the U.S., \$12.1 million in Australia, and \$7.7 million in New Zealand. As part of our main credit facilities in Australia, New Zealand, and the U.S., we are subject to certain debt covenants which limit the transfer or use of cash outside of the various regional subsidiaries in which the cash is held. As such, at December 31, 2013, we have approximately \$15.8 million of cash that is not restricted by loan covenants.

Based upon the current levels of the consolidated operations, further anticipated cost savings and future growth, we believe our cash flow from operations, together with both the existing and anticipated lines-of-credit and other sources of liquidity (including future potential asset sales) will be adequate to meet our anticipated requirements for principal repayments, interest payments, and short-term debt maturities plus any other debt service obligations, working capital, capital expenditures and other operating needs.

There can be no assurance, however, that the business will continue to generate cash flow at or above current levels or that estimated cost savings or growth can be achieved. Future operating performance and our ability to service or refinance existing indebtedness will be subject to future economic conditions and to financial and other factors, such as access to first-run films, many of which are beyond our control. If our cash flow from operations and/or proceeds from anticipated borrowings should prove to be insufficient to meet our funding needs, our current intention is either:

- to defer construction of projects currently slated for land presently owned by us;
- to take on joint venture partners with respect to such development projects; and/or
- to sell assets.

#### Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured debt and lease obligations at December 31, 2013 (in thousands):

|   | 2014       | 2015      | 2016      | 2017      | 2018      | Thereafter | Total      |
|---|------------|-----------|-----------|-----------|-----------|------------|------------|
| Debt  | \$ 75,538  | \$ 33,009 | \$ 3,500  | \$ 21,000 | \$ 7,500  | --         | \$ 140,547 |
| Subordinated notes (trust preferred securities) | --         | --        | --        | --        | --        | 27,913     | 27,913     |
| Tax settlement liability                        | 3,480      | 2,301     | --        | --        | --        | --         | 5,781      |
| Pension liability                               | 14         | 32        | 50        | 633       | 607       | 7,191      | 8,527      |
| Lease obligations                               | 33,676     | 31,431    | 27,777    | 25,188    | 21,427    | 58,410     | 197,909    |
| Estimated interest on debt                      | 5,640      | 3,744     | 3,010     | 1,846     | 1,238     | 9,761      | 25,239     |
| Total   | \$ 118,348 | \$ 70,517 | \$ 34,337 | \$ 48,667 | \$ 30,772 | \$ 103,275 | \$ 405,916 |

Estimated interest on long-term debt is based on the anticipated loan balances for future periods calculated against current fixed and variable interest rates.

We adopted FASB ASC 740-10-25 – *Income Taxes - Uncertain Tax Positions* on January 1, 2007. As of adoption, the total amount of gross unrecognized tax benefits for uncertain tax positions was \$12.5 million increasing to \$13.7 million, to \$14.5 million, and to \$15.3 million as of December 31, 2007, 2008, and 2009, respectively. As of December 31 2010, the gross unrecognized tax benefit increased to \$20.6 million, substantially as a result of having settled our Tax Audit/Litigation case (see Note 19 – *Commitments and Contingencies* to our 2013 Consolidated Financial Statements). As of December 31, 2011, the gross unrecognized tax benefit decreased to \$4.1 million largely because the Tax Audit/Litigation matter is no longer in the nature of an uncertain tax position governed by FASB ASC 740-10-25, but is a fixed and determinable tax liability. As of December 31, 2012 and 2013, the gross unrecognized tax benefit was \$5.3 million and \$4.0 million, respectively. We do not expect a significant tax payment related to the \$4.0 million in uncertain tax positions within the next 12 months.

#### Unconsolidated Joint Venture Debt

Total debt of unconsolidated joint ventures was \$634,000 and \$703,000 as of December 31, 2013 and December 31, 2012, respectively. Our share of unconsolidated debt, based on our ownership percentage, was \$211,000 and \$234,000 as of December 31, 2013 and December 31, 2012, respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

#### Off-Balance Sheet Arrangements

There are no off-balance sheet transactions, arrangements, or obligations (including contingent obligations) that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in the financial condition, revenue or expense, results of operations, liquidity, capital expenditures, or capital resources.

#### Financial Risk Management

Our internally developed risk management procedure, seeks to minimize the potentially negative effects of changes in foreign exchange rates and interest rates on the results of operations. Our primary exposure to fluctuations in the financial markets is currently due to changes in foreign exchange rates between U.S and Australia and New Zealand, and interest rates.

If our operational focus shifts more to Australia and New Zealand, unrealized foreign currency translation gains and losses could materially affect our financial position. Historically, we managed our currency exposure by creating natural hedges in Australia and New Zealand. This involves local country sourcing of goods and services as well as borrowing in local currencies. During 2012, we deviated somewhat from this practice by purchasing \$8.0 million in time deposits denominated in U.S. dollars and held by an Australian bank. As a consequence, at December 31, 2013, we hold \$4.5 million in Australia and \$495,000 in New Zealand denominated in U.S. dollars. Also, by paying off our New Zealand debt and paying down on our Australian debt with the proceeds of our TPS in 2007, we added an increased element of currency risk to our Company. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes and our ability in 2009 to repurchase, at a discount, some of these securities.

Our exposure to interest rate risk arises out of our long-term debt obligations. Consistent with our internally developed guidelines, we seek to reduce the negative effects of changes in interest rates by changing the character of the interest rate on our long-term debt, converting a fixed rate into a variable rate and vice versa. Our internal procedures allow us to enter into derivative contracts on certain borrowing transactions to achieve this goal. Our Australian Credit Facility provides for floating interest rates based on the Bank Bill Swap Bid Rate (BBSY bid rate), but requires that not less than 75% of the loan be swapped into fixed rate obligations but we have elected to swap 100% of the balance. Although our Bank of America Revolver does not require a fixed interest swap agreement, we entered into an approximate three-year \$31.5 million fixed interest rate swap that has a balance reduction schedule which matches the contraction amortization of the Bank of America Revolver. Effective October 28, 2013, we entered into a three-year \$27.9 million fixed interest rate swap for our Trust Preferred Securities (see Note 13 – *Derivative Instruments* to our 2013 Consolidated Financial Statements).

In accordance with FASB ASC 815-20 – *Derivatives and Hedging*, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a \$2.0 million decrease to interest expense during 2013, a \$1.1 million increase to interest expense during 2012, and a \$5.0 increase to interest expense during 2011.

#### Inflation

We continually monitor inflation and the effects of changing prices. Inflation increases the cost of goods and services used. Competitive conditions in many of our markets restrict our ability to recover fully the higher costs of acquired goods and services through price increases. We attempt to mitigate the impact of inflation by implementing continuous process improvement solutions to enhance productivity and efficiency and, as a result, lower costs and operating expenses. In our opinion, the effects of inflation have been managed appropriately and as a result, have not had a material impact on our operations and the resulting financial position or liquidity.

#### Accounting Pronouncements Adopted During 2013

Please see Note 2 – *Summary of Significant Accounting Policies* to our 2013 Consolidated Financial Statements.

#### New Accounting Pronouncements

Please see Note 2 – *Summary of Significant Accounting Policies* to our 2013 Consolidated Financial Statements.

#### Forward-Looking Statements

Our statements in this annual report contain a variety of forward-looking statements as defined by the Securities Litigation Reform Act of 1995. Forward-looking statements reflect only our expectations regarding future events and operating performance and necessarily speak only as of the date the information was prepared. No guarantees can be given that our expectation will in fact be realized, in whole or in part. You can recognize these statements by our use of words such as, by way of example, “may,” “will,” “expect,” “believe,” and “anticipate” or other similar terminology.

These forward-looking statements reflect our expectation after having considered a variety of risks and uncertainties. However, they are necessarily the product of internal discussion and do not necessarily completely reflect the views of individual members of our Board of Directors or of our management team. Individual Board members and individual members of our management team may have different view as to the risks and uncertainties involved, and may have different views as to future events or our operating performance.

Among the factors that could cause actual results to differ materially from those expressed in or underlying our forward-looking statements are the following:

- with respect to our cinema operations:
  - the number and attractiveness to movie goers of the films released in future periods;
  - the amount of money spent by film distributors to promote their motion pictures;
  - the licensing fees and terms required by film distributors from motion picture exhibitors in order to exhibit their films;
  - the comparative attractiveness of motion pictures as a source of entertainment and willingness and/or ability of consumers (i) to spend their dollars on entertainment and (ii) to spend their entertainment dollars on movies in an outside the home environment;
  - the extent to which we encounter competition from other cinema exhibitors, from other sources of outside of the home entertainment, and from inside the home entertainment options, such as “home theaters” and competitive film product distribution technology such as, by way of example, cable, satellite broadcast, DVD and VHS rentals and sales, and so called “movies on demand;” and
  - the extent to and the efficiency with which, we are able to integrate acquisitions of cinema circuits with our existing operations.
- with respect to our real estate development and operation activities:
  - the rental rates and capitalization rates applicable to the markets in which we operate and the quality of properties that we own;
  - the extent to which we can obtain on a timely basis the various land use approvals and entitlements needed to develop our properties;
  - the risks and uncertainties associated with real estate development;
  - the availability and cost of labor and materials;
  - competition for development sites and tenants;
  - environmental remediation issues;
  - the extent to which our cinemas can continue to serve as an anchor tenant who will, in turn, be influenced by the same factors as will influence generally the results of our cinema operations; and
  - certain of our activities are in geologically active areas, creating a risk of damage and/or disruption of real estate and/or cinema businesses from earthquakes.
- with respect to our operations generally as an international company involved in both the development and operation of cinemas and the development and operation of real estate; and previously engaged for many years in the railroad business in the United States:

- our ongoing access to borrowed funds and capital and the interest that must be paid on that debt and the returns that must be paid on such capital;
- the relative values of the currency used in the countries in which we operate;
- changes in government regulation, including by way of example, the costs resulting from the implementation of the requirements of Sarbanes-Oxley;
- our labor relations and costs of labor (including future government requirements with respect to pension liabilities, disability insurance and health coverage, and vacations and leave);
- our exposure from time to time to legal claims and to uninsurable risks such as those related to our historic railroad operations, including potential environmental claims and health related claims relating to alleged exposure to asbestos or other substances now or in the future recognized as being possible causes of cancer or other health related problems;
- changes in future effective tax rates and the results of currently ongoing and future potential audits by taxing authorities having jurisdiction over our various companies; and
- changes in applicable accounting policies and practices.

The above list is not necessarily exhaustive, as business is by definition unpredictable and risky, and subject to influence by numerous factors outside of our control such as changes in government regulation or policy, competition, interest rates, supply, technological innovation, changes in consumer taste and fancy, weather, and the extent to which consumers in our markets have the economic wherewithal to spend money on beyond-the-home entertainment.

Given the variety and unpredictability of the factors that will ultimately influence our businesses and our results of operation, it naturally follows that no guarantees can be given that any of our forward-looking statements will ultimately prove to be correct. Actual results will undoubtedly vary and there is no guarantee as to how our securities will perform either when considered in isolation or when compared to other securities or investment opportunities.

Finally, we undertake no obligation to update publicly or to revise any of our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law. Accordingly, you should always note the date to which our forward-looking statements speak.

Additionally, certain of the presentations included in this annual report may contain “non-GAAP financial measures.” In such case, a reconciliation of this information to our GAAP financial statements will be made available in connection with such statements.

#### **Item 7A – Quantitative and Qualitative Disclosure about Market Risk**

The Securities and Exchange Commission requires that registrants include information about potential effects of changes in currency exchange and interest rates in their Form 10-K filings. Several alternatives, all with some limitations, have been offered. The following discussion is based on a sensitivity analysis, which models the effects of fluctuations in currency exchange rates and interest rates. This analysis is constrained by several factors, including the following:

- it is based on a single point in time.
- it does not include the effects of other complex market reactions that would arise from the changes modeled.

Although the results of such an analysis may be useful as a benchmark, they should not be viewed as forecasts.

At December 31, 2013, approximately 55% and 18% of our assets (determined by the book value of such assets) were invested in assets denominated in Australian dollars (Reading Australia) and New Zealand dollars (Reading New Zealand), respectively, including approximately \$34.5 million in cash and cash equivalents. At December 31, 2012, approximately 51% and 18% of our assets were invested in assets denominated in Australian and New Zealand dollars, respectively, including approximately \$15.8 million in cash and cash equivalents.

Our policy in Australia and New Zealand is to match revenue and expenses, whenever possible, in local currencies. As a result, a majority of our expenses in Australia and New Zealand have been procured in local currencies. Due to the developing nature of our operations in Australia and New Zealand, our revenue is not yet significantly greater than our operating expense. The resulting natural operating hedge has led to a negligible foreign currency effect on our earnings. As we continue to progress our acquisition and development activities in Australia and New Zealand, we cannot assure you that the foreign currency effect on our earnings will be insignificant in the future.

Historically, our policy has been to borrow in local currencies to finance the development and construction of our entertainment complexes in Australia and New Zealand whenever possible. As a result, the borrowings in local currencies have provided somewhat of a natural hedge against the foreign currency exchange exposure. Even so, approximately 63% and 48% of our Australian and New Zealand assets (based on book value), respectively, remain subject to such exposure unless we elect to hedge our foreign currency exchange between the U.S. and Australian and New Zealand dollars. If the foreign currency rates were to fluctuate by 10% the resulting change in Australian and New Zealand assets would be \$14.9 million and \$3.7 million, respectively, and the change in annual net income would be \$23,000 and \$21,000, respectively. At the present time, we have no plan to hedge such exposure. We believe that this currency risk is mitigated by the long-term nature of the fully subordinated notes.

We record unrealized foreign currency translation gains or losses that could materially affect our financial position. We have accumulated unrealized foreign currency translation gains of approximately \$65.6 million and \$64.6 million as of December 31, 2013 and 2012, respectively.

Historically, we maintained most of our cash and cash equivalent balances in short-term money market instruments with original maturities of six months or less. Some of our money market investments may decline in value if interest rates increase. Due to the short-term nature of such investments, a change of 1% in short-term interest rates would not have a material effect on our financial condition.

The majority of our loans have fixed interest rates; however, one of our international loans has a variable interest rate and a change of approximately 1% in short-term interest rates would have resulted in approximately \$660,000 increase or decrease in our 2013 interest expense.



**Item 8 – Financial Statements and Supplementary Data**

**TABLE OF CONTENTS**

|  |    |
|--|----|
| Report of Independent Registered Public Accounting Firm  | 55 |
| Consolidated Balance Sheets as of December 31, 2013 and 2012                                       | 56 |
| Consolidated Statements of Operations for the Three Years Ended December 31, 2013                  | 57 |
| Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2013 | 58 |
| Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2013        | 59 |
| Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2013                  | 60 |
| Notes to Consolidated Financial Statements   | 61 |

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Reading International, Inc.

We have audited the accompanying consolidated balance sheets of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits of the consolidated financial statements included the financial statement schedule listed in the index appearing under Schedule II. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reading International, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2014 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP  
Los Angeles, California  
March 7, 2014

**Reading International, Inc. and Subsidiaries**  
**Consolidated Balance Sheets as of December 31, 2013 and 2012**  
**(U.S. dollars in thousands)**

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2013              | 2012              |
| <b>ASSETS</b>   |                   |                   |
| <b>Current Assets:</b>  |                   |                   |
| Cash and cash equivalents   | \$ 37,696         | \$ 38,531         |
| Time deposits   | --                | 8,000             |
| Receivables   | 9,087             | 8,514             |
| Inventory   | 941               | 918               |
| Investment in marketable securities   | 55                | 55                |
| Restricted cash   | 782               | 2,465             |
| Deferred tax asset  | 3,273             | 3,659             |
| Prepaid and other current assets  | 3,283             | 3,576             |
| <b>Total current assets</b>   | <b>55,117</b>     | <b>65,718</b>     |
| Operating property, net   | 191,660           | 202,778           |
| Land held for sale  | 11,052            | --                |
| Investment and development property, net  | 74,230            | 94,922            |
| Investment in unconsolidated joint ventures and entities  | 6,735             | 7,715             |
| Investment in Reading International Trust I   | 838               | 838               |
| Goodwill  | 22,159            | 22,898            |
| Intangible assets, net  | 13,440            | 15,661            |
| Deferred tax asset, net   | 5,566             | 8,989             |
| Other assets  | 6,010             | 9,069             |
| <b>Total assets</b>   | <b>\$ 386,807</b> | <b>\$ 428,588</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                   |
| <b>Current Liabilities:</b>   |                   |                   |
| Accounts payable and accrued liabilities  | \$ 18,608         | \$ 18,909         |
| Film rent payable   | 6,438             | 6,657             |
| Notes payable – current portion   | 75,538            | 19,714            |
| Notes payable to related party – current portion  | --                | 9,000             |
| Taxes payable   | 8,308             | 15,234            |
| Deferred current revenue  | 11,864            | 11,587            |
| Other current liabilities   | 6,155             | 6,032             |
| <b>Total current liabilities</b>  | <b>126,911</b>    | <b>87,133</b>     |
| Notes payable – long-term portion   | 65,009            | 139,970           |
| Subordinated debt   | 27,913            | 27,913            |
| Noncurrent tax liabilities  | 12,478            | 8,859             |
| Other liabilities   | 32,749            | 33,759            |
| <b>Total liabilities</b>  | <b>265,060</b>    | <b>297,634</b>    |
| <b>Commitments and contingencies (Note 19)</b>  |                   |                   |
| <b>Stockholders' equity:</b>  |                   |                   |
| Class A non-voting common stock, par value \$0.01, 100,000,000 shares authorized, 32,254,199 issued and 21,890,029 outstanding at December 31, 2013 and 31,951,945 issued and 21,587,775 outstanding at December 31, 2012 | 225               | 223               |
| Class B voting common stock, par value \$0.01, 20,000,000 shares authorized and 1,495,490 issued and outstanding at December 31, 2013 and at December 31, 2012  | 15                | 15                |
| Nonvoting preferred stock, par value \$0.01, 12,000 shares authorized and no issued or outstanding shares at December 31, 2013 and December 31, 2012  | --                | --                |
| Additional paid-in capital  | 137,849           | 136,754           |
| Accumulated deficit   | (57,952)          | (66,993)          |
| Treasury shares   | (4,512)           | (4,512)           |
| Accumulated other comprehensive income  | 41,515            | 61,369            |
| <b>Total Reading International, Inc. stockholders' equity</b>   | <b>117,140</b>    | <b>126,856</b>    |
| Noncontrolling interests  | 4,607             | 4,098             |
| <b>Total stockholders' equity</b>   | <b>121,747</b>    | <b>130,954</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 386,807</b> | <b>\$ 428,588</b> |

See accompanying notes to consolidated financial statement.

**Reading International, Inc. and Subsidiaries**  
**Consolidated Statements of Operations for the Three Years Ended December 31, 2013**  
**(U.S. dollars in thousands)**

|  | Year Ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2013                    | 2012              | 2011              |
| <b>Operating revenue</b>   |                         |                   |                   |
| Cinema   | \$ 239,418              | \$ 234,703        | \$ 225,849        |
| Real estate  | 18,803                  | 19,727            | 19,130            |
| <b>Total operating revenue</b>   | <b>258,221</b>          | <b>254,430</b>    | <b>244,979</b>    |
| <b>Operating expense</b>   |                         |                   |                   |
| Cinema   | 193,206                 | 190,511           | 182,215           |
| Real estate  | 10,830                  | 11,163            | 10,190            |
| Depreciation and amortization  | 15,197                  | 16,049            | 16,595            |
| General and administrative   | 18,053                  | 16,117            | 17,432            |
| Impairment expense   | --                      | 1,463             | 369               |
| <b>Total operating expense</b>   | <b>237,286</b>          | <b>235,303</b>    | <b>226,801</b>    |
| <b>Operating income</b>  | <b>20,935</b>           | <b>19,127</b>     | <b>18,178</b>     |
| Interest income  | 407                     | 800               | 1,482             |
| Interest expense   | (10,444)                | (17,226)          | (22,520)          |
| Net gain (loss) on sale of assets  | (56)                    | 144               | (67)              |
| Other income (expense)   | 1,876                   | (563)             | 1,157             |
| <b>Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities</b> | <b>12,718</b>           | <b>2,282</b>      | <b>(1,770)</b>    |
| Income tax benefit (expense)   | (4,942)                 | (4,904)           | 12,330            |
| <b>Income (loss) before equity earnings (loss) of unconsolidated joint ventures and entities</b>                 | <b>7,776</b>            | <b>(2,622)</b>    | <b>10,560</b>     |
| Equity earnings (loss) of unconsolidated joint ventures and entities   | 1,369                   | 1,621             | (1,552)           |
| <b>Income (loss) before discontinued operations</b>  | <b>9,145</b>            | <b>(1,001)</b>    | <b>9,008</b>      |
| Income (loss) from discontinued operations, net of tax   | --                      | (85)              | 232               |
| Gain (loss) on sale of discontinued operations   | --                      | (320)             | 1,656             |
| <b>Net income (loss)</b>   | <b>\$ 9,145</b>         | <b>\$ (1,406)</b> | <b>\$ 10,896</b>  |
| Net (income) loss attributable to noncontrolling interests   | (104)                   | 492               | (940)             |
| <b>Net income (loss) attributable to Reading International, Inc. common shareholders</b>                         | <b>\$ 9,041</b>         | <b>\$ (914)</b>   | <b>\$ 9,956</b>   |
| <b>Basic income (loss) per common share attributable to Reading International, Inc. shareholders:</b>            |                         |                   |                   |
| Earnings (loss) from continuing operations   | \$ 0.39                 | \$ (0.02)         | \$ 0.36           |
| Earnings (loss) from discontinued operations, net  | --                      | (0.02)            | 0.08              |
| <b>Basic income (loss) per share attributable to Reading International, Inc. shareholders</b>                    | <b>\$ 0.39</b>          | <b>\$ (0.04)</b>  | <b>\$ 0.44</b>    |
| <b>Diluted income (loss) per common share attributable to Reading International, Inc. shareholders:</b>          |                         |                   |                   |
| Earnings (loss) from continuing operations   | \$ 0.38                 | \$ (0.02)         | \$ 0.35           |
| Earnings (loss) from discontinued operations, net  | --                      | (0.02)            | 0.08              |
| <b>Diluted income (loss) per share attributable to Reading International, Inc. shareholders</b>                  | <b>\$ 0.38</b>          | <b>\$ (0.04)</b>  | <b>\$ 0.43</b>    |
| <b>Weighted average number of shares outstanding—basic</b>   | <b>23,348,003</b>       | <b>23,028,596</b> | <b>22,764,666</b> |
| <b>Weighted average number of shares outstanding—diluted</b>   | <b>23,520,271</b>       | <b>23,028,596</b> | <b>22,993,135</b> |

See accompanying notes to consolidated financial statements.

**Reading International, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss) for the Three Years Ended December 31, 2013**  
**(U.S. dollars in thousands)**

|   | <b>Years Ended December 31,</b> |             |             |
|---|---------------------------------|-------------|-------------|
|   | <b>2013</b>                     | <b>2012</b> | <b>2011</b> |
| Net income (loss)   | \$ 9,145                        | \$ (1,406)  | \$ 10,896   |
| Cumulative foreign currency adjustment  | (19,368)                        | 4,419       | 1,028       |
| Reclassification of realized gain on available for sale investments included in net income (loss) | --                              | (109)       | (25)        |
| Unrealized income (loss) on available for sale investments  | --                              | 107         | (7)         |
| Accrued pension service benefit (costs)   | (593)                           | (1,980)     | 832         |
| Comprehensive income (loss)   | \$ (10,816)                     | \$ 1,031    | \$ 12,724   |
| Net (income) loss attributable to noncontrolling interests  | (104)                           | 492         | (940)       |
| Comprehensive (income) loss attributable to noncontrolling interests                              | 107                             | (5)         | (11)        |
| Comprehensive income (loss) attributable to Reading International, Inc.                           | \$ (10,813)                     | \$ 1,518    | \$ 11,773   |

See accompanying notes to consolidated financial statements.

Reading International, Inc. and Subsidiaries  
Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 2013  
(In thousands)

|   | Common Stock      |                         |                   | Class B<br>Par<br>Value | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Reading<br>International<br>Inc. |                             | Total<br>Stockholders'<br>Equity |
|---|-------------------|-------------------------|-------------------|-------------------------|----------------------------------|------------------------|-------------------|--|----------------------------------|-----------------------------|----------------------------------|
|   | Class A<br>Shares | Class A<br>Par<br>Value | Class B<br>Shares |                         |                                  |                        |                   |  | Stockholders'<br>Equity          | Noncontrolling<br>Interests |                                  |
| At January 1, 2011  | 21,309            | \$ 216                  | 1,495             | \$ 15                   | \$ 134,236                       | \$ (76,035)            | \$ (3,765)        | \$ 57,120  | \$ 111,787                       | \$ 852                      | \$ 112,639                       |
| Net income  | --                | --                      | --                | --                      | --                               | 9,956                  | --                | --   | 9,956                            | 940                         | 10,896                           |
| Other comprehensive income, net of tax                              | --                | --                      | --                | --                      | --                               | --                     | --                | 1,817  | 1,817                            | 11                          | 1,828                            |
| Stock option and restricted stock compensation expense              | --                | 4                       | --                | --                      | 935                              | --                     | --                | --   | 939                              | --                          | 939                              |
| Purchase of treasury shares   | (172)             | --                      | --                | --                      | --                               | --                     | (747)             | --   | (747)                            | --                          | (747)                            |
| Class A common stock issued for stock bonuses and options exercised | 174               | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | --                          | --                               |
| Cinema sale to noncontrolling shareholder                           | --                | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | (147)                       | (147)                            |
| Contributions from noncontrolling shareholders                      | --                | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | 233                         | 233                              |
| Distributions to noncontrolling shareholders                        | --                | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | (654)                       | (654)                            |
| At December 31, 2011  | 21,311            | \$ 220                  | 1,495             | \$ 15                   | \$ 135,171                       | \$ (66,079)            | \$ (4,512)        | \$ 58,937  | \$ 123,752                       | \$ 1,235                    | \$ 124,987                       |
| Net loss  | --                | --                      | --                | --                      | --                               | (914)                  | --                | --   | (914)                            | (492)                       | (1,406)                          |
| Other comprehensive income, net of tax                              | --                | --                      | --                | --                      | --                               | --                     | --                | 2,432  | 2,432                            | 5                           | 2,437                            |
| Stock option and restricted stock compensation expense              | --                | 2                       | --                | --                      | 1,276                            | --                     | --                | --   | 1,278                            | --                          | 1,278                            |
| Class A common stock issued for stock bonuses and options exercised | 277               | 1                       | --                | --                      | 307                              | --                     | --                | --   | 308                              | --                          | 308                              |
| Contributions from noncontrolling shareholders                      | --                | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | 3,350                       | 3,350                            |
| At December 31, 2012  | 21,588            | \$ 223                  | 1,495             | \$ 15                   | \$ 136,754                       | \$ (66,993)            | \$ (4,512)        | \$ 61,369  | \$ 126,856                       | \$ 4,098                    | \$ 130,954                       |
| Net income  | --                | --                      | --                | --                      | --                               | 9,041                  | --                | --   | 9,041                            | 104                         | 9,145                            |
| Other comprehensive loss, net of tax                                | --                | --                      | --                | --                      | --                               | --                     | --                | (19,854)   | (19,854)                         | (107)                       | (19,961)                         |
| Stock option and restricted stock compensation expense              | --                | 2                       | --                | --                      | 948                              | --                     | --                | --   | 950                              | --                          | 950                              |
| In-kind exchange of stock for the exercise of options, net issued   | 22                | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | --                          | --                               |
| Class A common stock issued for stock bonuses and options exercised | 280               | --                      | --                | --                      | 248                              | --                     | --                | --   | 248                              | --                          | 248                              |
| Conversion of noncontrolling interest to equity                     | --                | --                      | --                | --                      | (101)                            | --                     | --                | --   | (101)                            | 101                         | --                               |
| Contributions from noncontrolling shareholders                      | --                | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | 2,513                       | 2,513                            |
| Distributions to noncontrolling shareholders                        | --                | --                      | --                | --                      | --                               | --                     | --                | --   | --                               | (2,102)                     | (2,102)                          |
| At December 31, 2013  | 21,890            | \$ 225                  | 1,495             | \$ 15                   | \$ 137,849                       | \$ (57,952)            | \$ (4,512)        | \$ 41,515  | \$ 117,140                       | \$ 4,607                    | \$ 121,747                       |

See accompanying notes to consolidated financial statement.

**Reading International, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2013**  
**(U.S. dollars in thousands)**

|   | Year Ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2013                    | 2012             | 2011             |
| <b>Operating Activities</b>   |                         |                  |                  |
| Net income (loss)   | \$ 9,145                | \$ (1,406)       | \$ 10,896        |
| <i>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</i> |                         |                  |                  |
| (Income) loss recognized on foreign currency transactions                                       | (415)                   | (20)             | 16               |
| Equity (earnings) loss of unconsolidated joint ventures and entities                            | (1,369)                 | (1,621)          | 1,552            |
| Distributions of earnings from unconsolidated joint ventures and entities                       | 1,095                   | 1,540            | 1,119            |
| Loss provision on impairment of asset   | --                      | 1,463            | 369              |
| (Gain) loss on sale of assets   | 56                      | 176              | (1,589)          |
| Change in valuation allowance for net deferred tax assets                                       | 2,198                   | 1,929            | (15,028)         |
| Gain on sale of marketable securities   | --                      | (109)            | (25)             |
| Gain on cinema acquisition and settlement   | (1,359)                 | --               | --               |
| Depreciation and amortization   | 15,197                  | 16,384           | 16,960           |
| Amortization of prior service costs   | 660                     | 304              | 832              |
| Amortization of above and below market leases   | 413                     | 395              | 427              |
| Amortization of deferred financing costs  | 954                     | 1,440            | 1,276            |
| Amortization of straight-line rent  | 574                     | 1,213            | 782              |
| Stock based compensation expense  | 950                     | 1,278            | 939              |
| <i>Changes in assets and liabilities:</i>   |                         |                  |                  |
| (Increase) decrease in receivables  | 281                     | (1,449)          | (1,468)          |
| (Increase) decrease in prepaid and other assets   | (16)                    | 1,907            | (7)              |
| Increase (decrease) in accounts payable and accrued expenses                                    | 556                     | 1,800            | 833              |
| Increase in film rent payable   | 133                     | 435              | 361              |
| Increase (decrease) in taxes payable  | (3,294)                 | (2,965)          | 908              |
| Increase (decrease) in deferred revenue and other liabilities                                   | (576)                   | 2,802            | 5,100            |
| <b>Net cash provided by operating activities</b>  | <b>25,183</b>           | <b>25,496</b>    | <b>24,253</b>    |
| <b>Investing Activities</b>   |                         |                  |                  |
| Cash paid for acquisitions  | --                      | (5,510)          | (3,917)          |
| Acquisition deposit paid  | --                      | --               | (200)            |
| Cash received from cinema acquisition   | 1,936                   | --               | --               |
| Purchases of and additions to operating property  | (20,082)                | (8,213)          | (5,459)          |
| Change in restricted cash   | 1,609                   | (6)              | (168)            |
| Purchase of notes receivable  | --                      | (1,800)          | (2,784)          |
| Proceeds from notes receivable  | 2,000                   | --               | --               |
| Sale of marketable securities   | --                      | 2,974            | 143              |
| Distributions of investment in unconsolidated joint ventures and entities                       | 395                     | 382              | --               |
| Proceeds from sale of property  | --                      | 14,078           | 6,750            |
| Purchase of time deposits   | --                      | (8,000)          | --               |
| Proceeds from time deposits   | 8,000                   | --               | --               |
| Cinema sale proceeds from noncontrolling shareholder  | --                      | --               | 1,867            |
| <b>Net cash used in investing activities</b>  | <b>(6,142)</b>          | <b>(6,095)</b>   | <b>(3,768)</b>   |
| <b>Financing Activities</b>   |                         |                  |                  |
| Repayment of long-term borrowings   | (28,121)                | (62,602)         | (126,780)        |
| Proceeds from borrowings  | 12,500                  | 47,007           | 105,311          |
| Capitalized borrowing costs   | (563)                   | (782)            | (774)            |
| Repurchase of Class A Nonvoting Common Stock  | --                      | --               | (747)            |
| Proceeds from the exercise of stock options   | 248                     | 308              | --               |
| Noncontrolling interest contributions   | 263                     | 3,350            | 233              |
| Noncontrolling interest distributions   | (2,102)                 | --               | (654)            |
| <b>Net cash used in financing activities</b>  | <b>(17,775)</b>         | <b>(12,719)</b>  | <b>(23,411)</b>  |
| <b>Effect of exchange rate on cash</b>  | <b>(2,101)</b>          | <b>252</b>       | <b>(45)</b>      |
| <b>Increase (decrease) in cash and cash equivalents</b>   | <b>(835)</b>            | <b>6,934</b>     | <b>(2,971)</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>                                 | <b>38,531</b>           | <b>31,597</b>    | <b>34,568</b>    |
| <b>Cash and cash equivalents at the end of the period</b>                                       | <b>\$ 37,696</b>        | <b>\$ 38,531</b> | <b>\$ 31,597</b> |
| <b>Supplemental Disclosures</b>   |                         |                  |                  |
| Cash paid during the period for:  |                         |                  |                  |
| Interest on borrowings  | \$ 6,953                | \$ 14,526        | \$ 16,957        |
| Income taxes  | 5,903                   | 5,666            | 2,688            |
| <b>Non-Cash Transactions</b>  |                         |                  |                  |
| Contribution from noncontrolling shareholder in exchange for debt reduction - related party     | \$ 2,250                | \$ --            | \$ --            |
| Conversion of noncontrolling interest to equity   | 101                     | --               | --               |
| In-kind exchange of stock for the exercise of options, net                                      | 301                     | --               | --               |
| Contribution from noncontrolling shareholder from bonus accrual                                 | --                      | 255              | --               |
| Foreclosure of a mortgage note to obtain title of the underlying property                       | --                      | --               | 1,984            |

See accompanying notes to consolidated financial statements.

**Reading International, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013**

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**Note 1 – Nature of Business**

Reading International, Inc., a Nevada corporation (“RDI” and collectively with our consolidated subsidiaries and corporate predecessors, the “Company,” “Reading” and “we,” “us,” or “our”), was incorporated in 1999, and, following the consummation of a consolidation transaction on December 31, 2001 (the “Consolidation”), is now the owner of the consolidated businesses and assets of Reading Entertainment, Inc. (“RDGE”), Craig Corporation (“CRG”), and Citadel Holding Corporation (“CDL”). Our businesses consist 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.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Consolidation**

The consolidated financial statements of RDI and its subsidiaries include the accounts of RDGE, CRG, and CDL. Also consolidated are Australia Country Cinemas Pty, Limited (“ACC”), a company in which we own a 75% interest and whose only assets are our leasehold cinemas in Townsville and Dubbo, Australia, Sutton Hill Properties, LLC, a company in which we own a 75% interest and whose only asset is the fee interest in the Cinemas 1, 2, 3, and Shadow View Land and Farming, LLC in which we own a 50% controlling membership interest and whose only asset is a 202 acre land parcel in Coachella, California.

Our investment interests are accounted for as unconsolidated joint ventures and entities, and accordingly, our unconsolidated joint ventures and entities in 20% to 50% owned companies are accounted for on the equity method. These investment interests include our

- 25% undivided interest in the unincorporated joint venture that owns 205-209 East 57th Street Associates, LLC (Place 57) a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan;
- 33.3% undivided interest in the unincorporated joint venture that owns the Mt. Gravatt cinema in a suburb of Brisbane, Australia;
- 33.3% undivided interest in Rialto Distribution, an unincorporated joint venture engaged in the business of distributing art film in New Zealand and Australia; and
- 50% undivided interest in the unincorporated joint venture that owns Rialto Cinemas.

**Refinancing Long-Term Debt**

*Australian Credit Facility*

Our Australian NAB Corporate Term Loan matures on June 30, 2014. Accordingly, the outstanding balance of this debt of \$56.7 million (AU\$63.5 million) is classified as current on our December 31, 2013 balance sheet. The Australian NAB Corporate Term Loan is secured by the majority of our theater and entertainment-themed retail center (“ETRC”) properties in Australia. While no assurances can be given that we will be successful, we are currently in the process of renewing this loan and anticipate that the refinancing will be completed at the latest by May 31, 2014.

*Cinemas 1, 2, 3 Term Loan*



Our Cinemas 1, 2, 3 Term Loan matures on June 27, 2014. Accordingly, the outstanding balance of this debt of \$15.0 million is classified as current on our December 31, 2013 balance sheet. While no assurances can be given that we will be successful, we are currently in the process of negotiating an extension of this loan.

#### *Liberty Theatre Term Loans*

On May 29, 2013, we replaced our Liberty Theater Term Loan with a loan securitized by our Orpheum and Minetta Lane theaters, thus releasing the Royal George from the securitization and leaving it unencumbered. This new loan, called the Minetta and Orpheum Theatres Loan, has a note balance of \$7.5 million. See Note 12 – *Notes Payable*.

#### *U.S. Credit Facility*

On October 31, 2012, we replaced our GE Capital Term Loan of \$27.7 million with a new credit facility from Bank of America of \$30.0 million with an interest rate of between 2.50% and 3.00% above LIBOR and an expiration date of October 31, 2017. In addition, Bank of America increased our existing \$3.0 million line of credit to \$5.0 million. On March 25, 2013, Bank of America extended the borrowing limit on our BofA Revolver from \$30.0 million to \$35.0 million. See Note 12 – *Notes Payable*.

#### *Cash Position*

Our cash position at December 31, 2013 was \$37.7 million including \$17.9 million in the U.S., \$12.1 million in Australia, and \$7.7 million in New Zealand. As part of our main credit facilities in Australia, New Zealand and the U.S., we are subject to certain debt covenants which limit the transfer or use of cash outside of the various regional subsidiaries in which the cash is held. As such, at December 31, 2013, we have approximately \$15.8 million of cash worldwide that is not restricted by loan covenants.

At December 31, 2013, we had undrawn funds of \$4.5 million (AUS\$5.0 million) available under our NAB line of credit in Australia, \$9.9 million (NZ\$12.0 million) available under our New Zealand Corporate Credit facility, and \$5.0 million available under our BofA Revolver in the U.S. Accordingly, we believe that we have sufficient borrowing capacity under our various credit facilities, together with our \$37.7 million cash balance, to meet our anticipated short-term working capital requirements.

#### Accounting Principles

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

#### Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents for which cost approximates fair value.

#### Time Deposits

Time deposits are cash depository investments in which the original maturity of the investments is greater than 90 days. During May 2012, we purchased \$8.0 million in U.S. dollar time deposits in Australia which matured on January 3, 2013 having an interest rate of 0.48%. On December 31, 2013, we had the following funds in U.S. dollars: in Australia, \$4.6 million and in New Zealand, \$495,000.

#### Receivables

Our receivables balance is composed primarily of credit card receivables, representing the purchase price of tickets, concessions, or coupon books sold at our various businesses. Sales charged on customer credit cards are collected when the credit card transactions are processed. The remaining receivables balance is primarily made up of the goods and services tax (“GST”) refund receivable from our Australian taxing authorities and the management fee receivable from the managed cinemas. We have no history of significant bad debt losses and we have established an allowance for accounts that we deem uncollectible.

#### Inventory

Inventory is composed of concession goods used in theater operations and is stated at the lower of cost (first-in, first-out method) or net realizable value.

#### Investment in Marketable Securities

We account for investments in marketable debt and equity securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320-10 - *Investments—Debt and Equity Securities* ("ASC 320-10"). Our investment in Marketable Securities includes equity instruments that are classified as available for sale and are recorded at market using the specific identification method. In accordance with ASC 320-10, available for sale securities are carried at their fair market value and any difference between cost and market value is recorded as unrealized gain or loss, net of income taxes, and is reported as accumulated other comprehensive income in the consolidated statement of stockholders' equity. Premiums and discounts of any debt instruments are recognized in interest income using the effective interest method. Realized gains and losses and declines in value expected to be other-than-temporary on available for sale securities are included in other expense. We evaluate our available for sale securities for other than temporary impairments at the end of each reporting period. These investments have a cumulative unrealized gain of \$9,000 included in other comprehensive income at December 31, 2013. For the years ended December 31, 2013, 2012, and 2011, our net unrealized losses were \$0, \$2,000, and \$32,000, respectively. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in interest income.

#### Restricted Cash

We classify restricted cash as those cash accounts for which the use of funds is restricted by contract or bank covenant. At December 31, 2013 and 2012, our restricted cash balance was \$782,000 and \$2.5 million, respectively.

#### Fair Value of Financial Instruments

The carrying amounts of our cash and cash equivalents, accounts receivable, restricted cash, and accounts payable approximate fair value due to their short-term maturities. See Note 16 – *Fair Value of Financial Instruments*.

#### Derivative Financial Instruments

In accordance with FASB ASC 815-20 – *Derivatives and Hedging* ("ASC 815-20"), we carry all derivative financial instruments on our consolidated balance sheets at fair value. Derivatives are generally executed for interest rate management purposes but are not designated as hedges in accordance with ASC 815-20. Therefore, changes in market values are recognized in current earnings.

#### Operating property

Operating property consists of land, buildings and improvements, leasehold improvements, fixtures and equipment which we use to derive operating income associated with our two business segments, cinema exhibition and real estate. Buildings and improvements, leasehold improvements, fixtures and equipment initially recorded at the lower of cost or fair market value and depreciated over the useful lives of the related assets. In accordance with US GAAP, land is not depreciated.

#### Investment and Development Property

Investment and development property consists of land, new buildings and improvements under development, and their associated capitalized interest and other development costs that we are either holding for development, currently developing, or holding for investment appreciation purposes. These properties are initially recorded at the lower of cost or fair market value. Within investment and development property are building and improvement costs directly associated with the development of potential cinemas (whether for sale or lease), the development of entertainment themed retail centers ("ETRCs"), or other improvements to real property. As incurred, we expense start-up costs (such as pre-opening cinema advertising and training expense) and other costs

not directly related to the acquisition and development of long-term assets. We cease capitalization on a development property when the property is complete and ready for its intended use, or if activities necessary to get the property ready for its intended use have been substantially curtailed. During the year-ended December 31, 2009, we decided to curtail our current development progress on certain Australian and New Zealand land development projects. As a result, these properties are considered held for development and we have not capitalized interest for these projects and will not do so, until the development work recommences.

Incident to the development of our Burwood property, in late 2006, we began various fill and earth moving operations. In late February 2007, it became apparent that our cost estimates with respect to site preparation were low, as the extent of the contaminated soil present at the site, a former brickworks site, was greater than we had originally believed. As we were not the source of this contamination, we are not currently under any legal obligation to remove this contaminated soil from the site. However, as a practical matter, we intend to address these issues in connection with our planned redevelopment of the site as a mixed-use retail, entertainment, commercial and residential complex. As of December 31, 2013, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$15.2 million (AUSS\$17.1 million) and as of that date we had incurred a total of \$7.4 million (AUSS\$8.3 million) of these costs. In accordance with FASB ASC 410-30-25 – *Environmental Obligations*, contamination clean-up costs that improve the property from its original acquisition state are capitalized as part of the property's overall development costs.

#### Accounting for the Impairment of Long Lived Assets

We review long-lived assets, including goodwill and intangibles, for impairment as part of our annual budgeting process, at the beginning of the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Pursuant to FASB ASC 360-35, we review internal management reports on a monthly basis as well as monitoring current and potential future competition in film markets for indications of potential impairment. We evaluate our long-lived assets using historical and projected data of cash flow as our primary indicator of potential impairment and we take into consideration the seasonality of our business. If the sum of the estimated, undiscounted future cash flows is less than the carrying amount of the asset, then impairment is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value based on an appraisal or a discounted cash flow calculation.

For certain non-income producing properties, we obtain appraisals or other evidence to evaluate whether there are impairment indicators for these assets. Based on calculations of current value from appraisals and a sales contract, we recorded impairment losses of \$1.5 million and \$369,000 relating to certain of our property and cinema locations for the years ended December 31, 2012 and 2011, respectively. No impairment losses were recorded in 2013. For a further explanation of our 2012 impairment losses see below under the heading "Coachella impairment" and see Note 7 – Investment and Development Property to our 2013 Consolidated Financial Statements.

Pursuant to FASB ASC 350-35, goodwill and intangible assets are evaluated annually on a reporting unit basis. The impairment evaluation is based on the present value of estimated future cash flows of the segment plus the expected terminal value. There are significant assumptions and estimates used in determining the future cash flows and terminal value. The most significant assumptions include our cost of debt and cost of equity assumptions that comprise the weighted average cost of capital for each reporting unit. Accordingly, actual results could vary materially from such estimates. There was no impairment for the goodwill and intangible assets for the years ended December 31, 2013, 2012, and 2011, respectively.

#### Variable Interest Entity

Our determination of the appropriate accounting method with respect to our investment in Reading International Trust I, which is considered a Variable Interest Entity ("VIE"), is based on FASB ASC 810-10. We account for this VIE, of which we are not the primary beneficiary, under the equity method of accounting.

We determine if an entity is a VIE under FASB ASC 810-10 based on several factors, including whether the entity's total equity investment at risk upon inception is sufficient to finance the entity's activities without additional subordinated financial support. We make judgments regarding the sufficiency of the equity at risk based

first on a qualitative analysis, then a quantitative analysis, if necessary. In a quantitative analysis, we incorporate various estimates, including estimated future cash flows, asset hold periods and discount rates, as well as estimates of the probabilities of various scenarios occurring. If the entity is a VIE, we then determine whether we consolidate the entity as the primary beneficiary. We determine whether an entity is a VIE and, if so, whether it should be consolidated by utilizing judgments and estimates that are inherently subjective. If we made different judgments or utilized different estimates in these evaluations, it could result in differing conclusions as to whether or not an entity is a VIE and whether or not to consolidate such entity. Our investments in unconsolidated entities in which we have the ability to exercise significant influence over operating and financial policies, but do not control, or entities which are variable interest entities in which we are not the primary beneficiary are accounted for under the equity method.

We carry our investment in the Reading International Trust I using the equity method of accounting because we have the ability to exercise significant influence (but not control) over operating and financial policies of the entity. We eliminate transactions with an equity method entity to the extent of our ownership in such an entity. Accordingly, our share of net income (loss) of this equity method entity is included in consolidated net income (loss). We have no implicit or explicit obligation to further fund our investment in Reading International Trust I.

#### Goodwill and Intangible Assets

We use the purchase method of accounting for all business combinations. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead, tested for impairment at least annually. Prior to conducting our goodwill impairment analysis, we assess long-lived assets for impairment in accordance with FASB ASC 360-15 - *Impairment or Disposal of Long-Lived Assets* ("ASC 360-15"). We then perform the impairment analysis at the reporting unit level (one level below the operating segment level) (see Note 10 - *Goodwill and Intangibles*) as defined by FASB ASC 350-35 - *Goodwill Subsequent Measurement* ("ASC 350-35"). This analysis requires management to make a series of critical assumptions to: (1) evaluate whether any impairment exists; and (2) measure the amount of impairment. We estimate the fair value of our reporting units as compared with their current book value. If the estimated fair value of a reporting unit is less than the book value, then impairment is deemed to have occurred. In estimating the fair value of our reporting units, we primarily use the income approach (which uses forecasted, discounted cash flows to estimate the fair value of the reporting unit).

#### Discontinued Operations and Properties Held for Sale

In accordance with ASC 360-15, the revenue, expenses and net gain on dispositions of operating properties and the revenue and expenses on properties classified as held for sale are reported in the consolidated statements of operations as discontinued operations for all periods presented through the date of the respective disposition. The net gain (loss) on disposition is included in the period the property is sold. In determining whether the income and loss and net gain on dispositions of operating properties is reported as discontinued operations, we evaluate whether we have any significant continuing involvement in the operations, leasing or management of the sold property in accordance with FASB ASC 205-20 - *Presentation of Financial Statements - Discontinued Operations* ("ASC 205-20"). If we were to determine that there was any significant continuing involvement, the income and loss and net gain on dispositions of the operating property would not be recorded in discontinued operations.

A property is classified as held for sale when certain criteria, as set forth under ASC 360-15, are met. At such time, we present the respective assets and liabilities related to the property held for sale separately on the balance sheet and cease to record depreciation and amortization expense. Properties held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell. For a description of the properties previously held for sale see Note 9 - *Transfer of Held for Sale Real Estate to Continuing Operations and Related Items*. These asset transfers from held for sale to operating resulted in a reclassification of their operating results which is reflected in our December 31, 2013, 2012, and 2011 Consolidated Statements of Operations.

#### Revenue Recognition

Revenue from cinema ticket sales and concession sales are recognized when sold. Revenue from gift certificate sales is deferred and recognized when the certificates are redeemed. Rental revenue is recognized on a straight-line basis in accordance with FASB ASC 840-20-25 - *Leases Having Both Scheduled Rent Increases and Contingent Rents* ("ASC 840-20-25").

#### Deferred Leasing/Financing Costs

Direct costs incurred in connection with obtaining tenants and/or financing are amortized over the respective term of the lease or loan on a straight-line basis. Direct costs incurred in connection with financing are amortized over the respective term of the loan utilizing the effective interest method, or straight-line method if the result is not materially different. In addition, interest on loans with increasing interest rates and scheduled principal pre-payments are also recognized on the effective interest method.

#### Advertising Expense

We expense our advertising as incurred. The amount of our advertising expense was \$3.4 million, \$3.8 million, and \$3.8 million for the years ended December 2013, 2012, and 2011, respectively.

#### Legal Settlement Income/Expense

For the years ended December 31, 2013, 2012, and 2011, we recorded gains/(losses) on the settlement of litigation of (\$285,000), (\$194,000), and \$0, respectively, included in other income (expense). Also included in other income/expense for the year ended December 31, 2013 was a \$1.4 million net gain on acquisition and settlement (see Note 8 – *Acquisitions, Disposals, and Assets Held for Sale*).

#### Depreciation and Amortization

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are generally as follows:

|                           |  |
|---------------------------|--|
| Building and improvements | 15-40 years  |
| Leasehold improvement     | Shorter of the life of the lease or useful life of the improvement |
| Theater equipment         | 7 years  |
| Furniture and fixtures    | 5 – 10 years   |

#### Translation of Non-U.S. Currency Amounts

The financial statements and transactions of our Australian and New Zealand cinema and real estate operations are reported in their functional currencies, namely Australian and New Zealand dollars, respectively, and are then translated into U.S. dollars. Assets and liabilities of these operations are denominated in their functional currencies and are then translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the reporting period. Translation adjustments are reported in “Accumulated Other Comprehensive Income,” a component of Stockholders’ Equity.

The carrying value of our Australian and New Zealand assets fluctuates due to changes in the exchange rate between the U.S. dollar and the Australian and New Zealand dollars. The exchange rates of the U.S. dollar to the Australian dollar were \$0.8929 and \$1.0393 as of December 31, 2013 and 2012, respectively. The exchange rates of the U.S. dollar to the New Zealand dollar were \$0.8229 and \$0.8267 as of December 31, 2013 and 2012, respectively.

#### Income Taxes

We account for income taxes under FASB ASC 740-10 – *Income Taxes* (“ASC 740-10”), which prescribes an asset and liability approach. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense (benefit) is the tax payable (refundable) for the period and the change during the period in deferred tax assets and liabilities.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies. We then include assumptions about the amount of projected future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we use to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss). In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

ASC 740-10 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

We recognize tax liabilities in accordance with ASC 740-10 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

#### Earnings Per Share

Basic earnings per share is calculated using the weighted average number of shares of Class A and Class B Stock outstanding during the years ended December 31, 2013, 2012, and 2011, respectively. Diluted earnings per share is calculated by dividing net earnings available to common stockholders by the weighted average common shares outstanding plus the dilutive effect of stock options and unvested restricted stock. We had issued stock options to purchase 709,850, 672,350, and 622,350 shares of Class A Common Stock at December 31, 2013, 2012, and 2011, respectively, at a weighted average exercise price of \$6.66, \$6.24, and \$5.65 per share, respectively. Stock options to purchase 185,100, 185,100, and 185,100 shares of Class B Common Stock were outstanding at the years ended December 31, 2013, 2012, and 2011, respectively, at a weighted average exercise price of \$9.90, \$9.90, and \$9.90 per share, respectively. In accordance with FASB ASC 260-10 – *Earnings Per Share* (“ASC 260-10”), for any years that we record losses from continuing operations before discontinued operations, the effect of the stock options and restricted stock are anti-dilutive and accordingly excluded from the diluted earnings per share computation (see Note 4 – *Earnings (Loss) Per Share*).

#### Real Estate Purchase Price Allocation

We allocate the purchase price to tangible assets of an acquired property (which includes land, building and tenant improvements) based on the estimated fair values of those tangible assets assuming the building was vacant. Estimates of fair value for land are based on factors such as comparisons to other properties sold in the same geographic area adjusted for unique characteristics. Estimates of fair values of buildings and tenant improvements are based on present values determined based upon the application of hypothetical leases with market rates and terms.

We record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. We amortize any capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases.

We measure the aggregate value of other intangible assets acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. Management also estimates costs to execute similar leases including leasing commissions, legal, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

The total amount of other intangible assets acquired is further allocated to in-place lease values and customer relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

We amortize the value of in-place leases to expense over the initial term of the respective leases. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event may the amortization period for intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

These assessments have a direct impact on revenue and net income. If we assign more fair value to the in-place leases versus buildings and tenant improvements, assigned costs would generally be depreciated over a shorter period, resulting in more depreciation expense and a lower net income on an annual basis. Likewise, if we estimate that more of our leases in-place at acquisition are on terms believed to be above the current market rates for similar properties, the calculated present value of the amount above market would be amortized monthly as a direct reduction to rental revenue and ultimately reduce the amount of net income.

#### Business Acquisition Valuations

The assets and liabilities of businesses acquired are recorded at their respective preliminary fair values as of the acquisition date in accordance with FASB ASC 805-10 – *Business Combinations* ("ASC 805-10"). Upon the acquisition of real properties, we allocate the purchase price of such properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above market and below market leases and the value of in-place leases, based in each case on their fair values. We use independent appraisals to assist in the determination of the fair values of the tangible assets of an acquired property (which includes land and building). We also perform valuations and physical counts of property, plant and equipment, valuations of investments and the involuntary termination of employees, as necessary. Costs in excess of the net fair values of assets and liabilities acquired are recorded as goodwill.

We record and amortize above-market and below-market operating leases assumed in the acquisition of a business in the same way as those under real estate acquisitions.

The fair values of any other intangible assets acquired are based on the expected discounted cash flows of the identified intangible assets. Finite-lived intangible assets are amortized using the straight-line method of amortization over the expected period in which those assets are expected to contribute to our future cash flows. We do not amortize indefinite lived intangibles and goodwill.

#### Fair Value of Financial Instruments

FASB ASC 820-10 – *Fair Value Measurements and Disclosures* ("ASC 820-10") defines fair value, establishes a framework for measuring fair value in GAAP and provides for expanded disclosure about fair value

measurements. ASC 820-10 applies to all other accounting pronouncements that require or permit fair value measurements.

The fair value of our financial assets and liabilities are disclosed in Note 16 – *Fair Value of Financial Instruments* to our consolidated financial statements. We generally determine or calculate the fair value of financial instruments using quoted market prices in active markets when such information is available or using appropriate present value or other valuation techniques, such as discounted cash flow analyses, incorporating available market discount rate information for similar types of instruments while estimating for non-performance and liquidity risk. These techniques are significantly affected by the assumptions used, including the discount rate, credit spreads, and estimates of future cash flow.

The financial assets and liabilities recorded at fair value in our consolidated financial statements are marketable securities and interest rate swaps/cap. The carrying amounts of our cash and cash equivalents, restricted cash and accounts payable approximate fair value due to their short-term maturities. The remaining financial assets and liabilities that are only disclosed at fair value are comprised of notes payable, TPS, and other debt instruments. We estimated the fair value of our secured mortgage notes payable, our unsecured notes payable, TPS and other debt instruments by performing discounted cash flow analyses using an appropriate market discount rate. We calculated the market discount rate by obtaining period-end treasury rates for fixed-rate debt, or LIBOR rates for variable-rate debt, for maturities that correspond to the maturities of our debt adding an appropriate credit spreads derived from information obtained from third-party financial institutions. These credit spreads take into account factors such as our credit standing, the maturity of the debt, whether the debt is secured or unsecured, and the loan-to-value ratios of the debt.

Assets and liabilities typically recorded at fair value on a non-recurring basis to which ASC 820-10 applies include:

- Non-financial assets and liabilities initially measured at fair value in an acquisition or business combination;
- Long-lived assets measured at fair value due to an impairment assessment under ASC 360-15; and
- Asset retirement obligations initially measured under FASB ASC 410-20 – *Asset Retirement Obligations* (“ASC 410-20”).

#### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

#### Accounting Pronouncements Adopted During 2013

No new pronouncements were adopted during the year ended December 31, 2013.

#### New Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (“ASU 2013-11”). ASU 2013-11 is effective for the first interim or annual period beginning on or after December 15, 2013 with early adoption permitted. ASU 2013-11 amends ASC Topic 740, *Income Taxes*, to provide guidance and reduce diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. We do not anticipate that the application of this standard will impact our company.



### **Note 3 – Stock Based Compensation and Employee Stock Option Plan**

#### **Stock Based Compensation**

As part of his compensation package, Mr. James J. Cotter, our Chairman of the Board and Chief Executive Officer, was granted \$750,000, \$950,000, and \$750,000, respectively, of restricted Class A Non-voting Common Stock (“Class A Stock”) for each of the years ended December 31, 2013, 2012, and 2011, respectively. The 2013, 2012, and 2011 stock grants of 125,209, 217,890, and 155,925 shares, respectively, were granted with stock grant prices of \$5.99, \$4.36, and \$4.81, respectively. Mr. Cotter’s stock compensation is granted fully vested with a five-year restriction on sale. As of December 31, 2013, the 2013 stock grant had not yet been issued to Mr. Cotter. During 2013, we issued to Mr. Cotter 217,890 of Class A Stock for his 2012 vested stock grants which had a stock grant price of \$4.36 and a grant date fair value of \$950,000.

During 2012, we issued 9,680 shares as a one-time stock grant of Class A Stock to our employees valued at \$44,000.

During the years ended December 31, 2013, 2012, and 2011, we recorded compensation expense of \$750,000, \$994,000, and \$750,000, respectively, for the vesting of all our restricted stock grants. The following table details the grants and vesting of restricted stock to our employees (dollars in thousands):

|                                 | <b>Non-Vested<br/>Restricted Stock</b> | <b>Weighted<br/>Average Fair<br/>Value at Grant<br/>Date</b> |
|---------------------------------|--|--|
| Outstanding – January 1, 2011   | --                                     | \$ --  |
| Granted                         | 155,925                                | 750  |
| Vested                          | (155,925)                              | (750)  |
| Outstanding – December 31, 2011 | --                                     | \$ --  |
| Granted                         | 227,570                                | 994  |
| Vested                          | (227,570)                              | (994)  |
| Outstanding – December 31, 2012 | --                                     | \$ --  |
| Granted                         | 125,209                                | 750  |
| Vested                          | (125,209)                              | (750)  |
| Outstanding – December 31, 2013 | --                                     | \$ --  |

#### **Employee Stock Option Plan**

We have a long-term incentive stock option plan that provides for the grant to eligible employees, directors, and consultants of incentive or nonstatutory options to purchase shares of our Class A Stock. Our 1999 Stock Option Plan expired in November 2009, and was replaced by our new 2010 Stock Incentive Plan, which was approved by the holders of our Class B Voting Common Stock in May 2010.

FASB ASC 718-10 – *Stock Compensation* (“ASC 718-10”) requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award. We estimate the valuation of stock based compensation using a Black-Scholes option-pricing model.

When our tax deduction from an option exercise exceeds the compensation cost resulting from the option, a tax benefit is created. ASC 718-10 requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows. For the years ended December 31, 2013, 2012, and 2011, there was no impact to the consolidated statements of cash flows because there were no recognized tax benefits during these periods.

ASC 718-10 requires companies to estimate forfeitures. Based on our historical experience, we did not estimate any forfeitures for the options granted during the years ended December 31, 2013, 2012, and 2011.

In accordance with ASC 718-10, we estimate the fair value of our options using the Black-Scholes option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, the

expected stock price volatility, and the expected life of the options. The dividend yield is excluded from the calculation, as it is our present intention to retain all earnings. We estimated the expected stock price volatility based on our historical price volatility measured using daily share prices back to the inception of the Company in its current form beginning on December 31, 2001. We estimate the expected option life based on our historical share option exercise experience during this same period. We expense the estimated grant date fair values of options issued on a straight-line basis over their vesting periods.

No options were granted during 2011. For the 175,000 and 206,000 options granted during 2013 and 2012, respectively, we estimated the fair value of these options at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

|                             | 2013      | 2012      |
|-----------------------------|-----------|-----------|
| Stock option exercise price | \$6.19    | \$5.94    |
| Risk-free interest rate     | 2.25%     | 1.71%     |
| Expected dividend yield     | --        | --        |
| Expected option life        | 5.00 yrs. | 7.20 yrs. |
| Expected volatility         | 31.80%    | 32.15%    |
| Weighted average fair value | \$1.98    | \$2.62    |

Using the above assumptions and based on our use of the modified prospective method, we recorded \$199,000, \$285,000, and \$189,000 in compensation expense for the total estimated grant date fair value of stock options that vested during the years ended December 31, 2013, 2012, and 2011, respectively. At December 31, 2013, total unrecognized estimated compensation cost related to non-vested stock options granted was \$432,000 which is expected to be recognized over a weighted average vesting period of 2.15 years.

For the stock options exercised during the years ended December 31, 2013 and 2012, we issued 62,500 and 95,000 shares of Class A Stock for cash to employees of the corporation under this stock based compensation plan with weighted average exercise prices of \$3.98 and \$4.68, respectively. No options were exercised in 2011. The total realized value of stock options exercised during the years ended December 31, 2013 and 2012 was \$133,000 and \$136,000, respectively. We recorded cash received from stock options exercised of \$248,000 and \$308,000 during the years ended December 31, 2013 and 2012, respectively. In 2013, 75,000 options were exercised having a realized value of \$124,000 for which we did not receive any cash but the employee elected to exchange 53,136 personally owned shares of the company with a market price of \$5.66 for the 75,000 shares based on an exercise price of \$4.01 for the related options. In 2012, 41,000 options were exercised having a realized value of \$103,000 for which we did not receive any cash but the employee elected to receive the net incremental number of in-the-money shares of 15,822 based on an exercise price of \$4.01 and a market price of \$6.53. At December 31, 2013, the intrinsic, unrealized value of all options outstanding, vested and expected to vest, was \$939,000 of which 68.8% were currently exercisable.

Pursuant to both our 1999 Stock Option Plan and our 2010 Stock Incentive Plan, all stock options expire within ten years of their grant date. The aggregate total number of shares of Class A Stock and Class B voting common stock authorized for issuance under our 2010 Stock Option Plan is 1,250,000. At the time that options are exercised, at the discretion of management, we will either issue treasury shares or make a new issuance of shares to the employee or board member. Dependent on the grant letter to the employee or board member, the required service period for option vesting is between zero and four years.

We had the following stock options outstanding and exercisable:

|                                 | <u>Common Stock</u> |                | <u>Weighted Average Exercise Price of Options</u> |                | <u>Common Stock</u> |                | <u>Weighted Average Price of Exercisable Options</u> |                |
|---------------------------------|---------------------|----------------|---|----------------|---------------------|----------------|--|----------------|
|                                 | <u>Options</u>      |                | <u>Price of Options</u>                           |                | <u>Exercisable</u>  |                | <u>Exercisable</u>                                   |                |
|                                 | <u>Outstanding</u>  |                | <u>Outstanding</u>                                |                | <u>Options</u>      |                | <u>Options</u>                                       |                |
|                                 | <u>Class A</u>      | <u>Class B</u> | <u>Class A</u>                                    | <u>Class B</u> | <u>Class A</u>      | <u>Class B</u> | <u>Class A</u>                                       | <u>Class B</u> |
| Outstanding-January 1, 2011     | 622,350             | 185,100        | \$ 5.65   | \$ 9.90        | 449,750             | 150,000        | \$ 6.22  | \$ 10.24       |
| No activity during the period   | --                  | --             | \$ --   | \$ --          |                     |                |  |                |
| Outstanding-December 31, 2011   | 622,350             | 185,100        | \$ 5.65   | \$ 9.90        | 544,383             | 167,550        | \$ 5.86  | \$ 10.05       |
| Granted                         | 206,000             | --             | \$ 5.94   | \$ --          |                     |                |  |                |
| Exercised                       | (136,000)           | --             | \$ 4.68   | \$ --          |                     |                |  |                |
| Expired                         | (20,000)            | --             | \$ 3.75   | \$ --          |                     |                |  |                |
| Outstanding - December 31, 2012 | 672,350             | 185,100        | \$ 6.24   | \$ 9.90        | 546,350             | 185,100        | \$ 6.26  | \$ 9.90        |
| Granted                         | 175,000             | --             | \$ 6.19   | \$ --          |                     |                |  |                |
| Exercised                       | (137,500)           | --             | \$ 4.00   | \$ --          |                     |                |  |                |
| Outstanding - December 31, 2013 | 709,850             | 185,100        | \$ 6.66   | \$ 9.90        | 490,350             | 185,100        | \$ 6.85  | \$ 9.90        |

The weighted average remaining contractual life of all options outstanding, vested and expected to vest, at December 31, 2013 and 2012 were approximately 4.70 and 5.32 years, respectively. The weighted average remaining contractual life of the exercisable options outstanding at December 31, 2013 and 2012 was approximately 3.63 and 4.28 years, respectively.

#### **Note 4 – Earnings (Loss) Per Share**

For the three years ended December 31, 2013, we calculated the following earnings (loss) per share (dollars in thousands, except per share amounts):

|   | 2013       | 2012       | 2011       |
|---|------------|------------|------------|
| Income (loss) from continuing operations  | \$ 9,041   | \$ (509)   | \$ 8,068   |
| Income (loss) from discontinued operations  | --         | (405)      | 1,888      |
| Net income (loss) attributable to Reading International, Inc. common shareholders                       | 9,041      | (914)      | 9,956      |
| <b>Basic income (loss) per common share attributable to Reading International, Inc. shareholders:</b>   |            |            |            |
| Earnings (loss) from continuing operations  | \$ 0.39    | \$ (0.02)  | \$ 0.36    |
| Earnings (loss) from discontinued operations, net   | --         | (0.02)     | 0.08       |
| Basic income (loss) per share attributable to Reading International, Inc. shareholders                  | \$ 0.39    | \$ (0.04)  | \$ 0.44    |
| <b>Diluted income (loss) per common share attributable to Reading International, Inc. shareholders:</b> |            |            |            |
| Earnings (loss) from continuing operations  | \$ 0.38    | \$ (0.02)  | \$ 0.35    |
| Earnings (loss) from discontinued operations, net   | --         | (0.02)     | 0.08       |
| Diluted income (loss) per share attributable to Reading International, Inc. shareholders                | \$ 0.38    | \$ (0.04)  | \$ 0.43    |
| Weighted average shares of common stock – basic   | 23,348,003 | 23,028,596 | 22,764,666 |
| Weighted average shares of common stock – diluted   | 23,520,271 | 23,028,596 | 22,993,135 |

For the years ended December 31, 2013 and 2011, the weighted average common stock – dilutive included 172,268 and 228,469, respectively, of incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock. For the year ended December 31, 2012, we recorded a loss from continuing operations. As such, the 284,054 of incremental shares of exercisable in-the-money stock options and unissued restricted Class A Stock were excluded from the computation of diluted loss per share because they were anti-dilutive in that period. In addition, 847,891, 791,286, and 734,906 of out-of-the-money stock options were excluded from the computation of diluted earnings (loss) per share for the years ended December 31, 2013, 2012, and 2011, respectively. The total number of in-the-money stock options, out-of-the-money stock options, and unissued restricted Class A Stock that

could potentially dilute basic earnings per share was 1,020,159, 1,075,340, and 963,375 for the years ended December 31, 2013, 2012, and 2011, respectively.

**Note 5 – Prepaid and Other Assets**

Prepaid and other assets are summarized as follows (dollars in thousands):

|  | December 31, |          |
|--|--------------|----------|
|  | 2013         | 2012     |
| <b>Prepaid and other current assets</b>            |              |          |
| Prepaid expenses                                   | \$ 1,079     | \$ 1,150 |
| Prepaid taxes                                      | 623          | 855      |
| Prepaid rent                                       | 1,210        | 1,044    |
| Deposits   | 368          | 373      |
| Other  | 3            | 154      |
| Total prepaid and other current assets             | \$ 3,283     | \$ 3,576 |
| <b>Other non-current assets</b>                    |              |          |
| Other non-cinema and non-rental real estate assets | \$ 1,134     | \$ 1,134 |
| Long-term deposits                                 | 144          | 212      |
| Deferred financing costs, net                      | 1,833        | 2,230    |
| Interest rate cap at fair value                    | 75           | --       |
| Note receivable                                    | --           | 2,000    |
| Tenant inducement asset                            | 512          | 716      |
| Straight-line rent asset                           | 2,310        | 2,775    |
| Other  | 2            | 2        |
| Total non-current assets                           | \$ 6,010     | \$ 9,069 |

**Note 6 – Operating Property**

Property associated with our operating activities is summarized as follows (dollars in thousands):

|                                | December 31, |            |
|--------------------------------|--------------|------------|
|                                | 2013         | 2012       |
| <b>Operating property</b>      |              |            |
| Land                           | \$ 65,578    | \$ 69,370  |
| Building and improvements      | 123,061      | 136,225    |
| Leasehold improvements         | 46,330       | 45,391     |
| Fixtures and equipment         | 106,099      | 108,169    |
| Total cost                     | 341,068      | 359,155    |
| Less: accumulated depreciation | (149,408)    | (156,377)  |
| Operating property, net        | \$ 191,660   | \$ 202,778 |

Depreciation expense for operating property was \$14.0 million, \$14.9 million, and \$14.9 million for the three years ended December 31, 2013, 2012, and 2011, respectively.

In 2011, we recorded impairment losses totaling \$65,000 on two of our cinema properties. We did not record an impairment charge for our operating assets during 2013 or 2012.

**Note 7 – Investment and Development Property**

Investment and development property is summarized as follows (dollars in thousands):

| <b>Investment and Development Property</b>                | <b>December 31,</b> |                  |
|---|---------------------|------------------|
|   | <b>2013</b>         | <b>2012</b>      |
| Land  | \$ 59,550           | \$ 77,020        |
| Construction-in-progress (including capitalized interest) | 14,680              | 17,902           |
| <b>Investment and development property, net</b>           | <b>\$ 74,230</b>    | <b>\$ 94,922</b> |

During the year-ended December 31, 2009, we decided to curtail our current development progress on certain Australian and New Zealand land development projects. As a result, we did not capitalize interest on these projects during 2013, 2012, and 2011 and we will not capitalize interest for these projects until development work recommences.

#### Coachella, California Land

Based on a December 2012 appraisal, the fair value of our Coachella property was \$4.0 million resulting in a \$1.5 million impairment to the carrying value of the asset. As noted below, this property is 50% owned by Mr. James J. Cotter who shares in any impairment loss to the extent of his ownership interest.

#### **Note 8 – Acquisitions, Disposals, and Assets Held for Sale**

##### 2013 Transactions

###### *Plano Cinema*

On December 31, 2013, we settled a management fee claim that we had against the owner of the Plano, Texas cinema that we had managed since 2003 for a cash receipt of \$1.9 million. As part of the settlement, we acquired that entity, and through the purchase of that entity acquired the underlying cinema's lease and the associated personal property, equipment, and trade fixtures. Because the fair value of the lease, in light of anticipated rent payments, resulted in a lease liability of \$320,000 and the acquired net assets, including cash received in connection with the settlement, were valued at \$1.7 million, we recorded a net gain on acquisition and settlement of \$1.4 million.

###### *Property Held for Sale – Moonee Ponds*

On October 15, 2013, we entered into a definitive purchase and sale agreement with Moonee Ponds Pty Ltd, an affiliate of Leighton Properties Pty Ltd, for the sale of our properties located in Moonee Ponds, Victoria, Australia. The agreement calls for a sale price of AU\$23.0 million payable in full on April 16, 2015. Leighton Properties Pty Ltd. has guaranteed the purchaser's performance. Our attorney has received from the purchaser bank guaranties and checks to the value of AU\$2.3 million representing the agreed upon 10% deposit. These amounts will be held by our attorney and released to us upon settlement on April 16, 2015. Prior to settlement, Reading retains title to the properties, is responsible for their costs (including taxes and utilities), and is entitled to receive all of their revenues (the properties are currently used as a parking lot). The properties comprise approximately 3.3 acres and are carried on our books at \$11.6 million (AU\$12.4 million) at December 31, 2013 which is classified as land held for sale on our December 31, 2013 consolidated balance sheet. The historical operations of this property were as a non-attendant parking lot which are not material and thus not separately presented as discontinued operations.

##### 2012 Transactions

###### *Indooroopilly - Sale*

On November 20, 2012, we sold our Indooroopilly property for \$12.4 million (AU\$12.0 million). As its book value at the time of sale was \$12.5 million (AU\$12.1 million), we recorded a loss on sale in the form of an impairment expense of \$318,000 (AU\$306,000) for the year ended December 31, 2012 which included the cost to sell the property. The operational results are included in income (loss) from discontinued operations on our Consolidated Statements of Operations for the years ended December 31, 2012, and 2011, respectively. The condensed statement of operations for Indooroopilly is as follows (dollars in thousands):

|   | 2012           | 2011          |
|---|----------------|---------------|
| Revenue   | \$ 793         | \$ 825        |
| Less: operating expense                                       | 560            | 593           |
| Less: impairment expense                                      | 318            | --            |
| <b>Income (loss) from discontinued operations, net of tax</b> | <b>\$ (85)</b> | <b>\$ 232</b> |

*Taringa - Sale*

On February 21, 2012, we sold our three properties of approximately 1.1 acres in the Taringa area of Brisbane, Australia for \$1.9 million (AU\$1.8 million). Because the net carrying amounts of these properties were greater than the total sale price, we recorded an impairment expense for these properties of \$369,000 (AU\$365,000) for the year ended December 31, 2011.

*Coachella, California Land - Acquisition*

On January 10, 2012, Shadow View Land and Farming, LLC, a limited liability company owned by our Company, acquired a 202-acre property, zoned for the development of up to 816 single-family residential units, located in the City of Coachella, California. The property was acquired at a foreclosure auction for \$5.5 million. The property was acquired as a long-term investment in developable land. Half of the funds used to acquire the land were provided by Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder. Upon the approval of our Conflicts Committee, these funds were converted on January 18, 2012 into a 50% interest in Shadow View Land and Farming, LLC. We are the managing member of this company. See Note 20 – *Noncontrolling Interests*.

2011 Transactions

*Cal Oaks Cinema - Acquisition*

On August 25, 2011, we purchased a 17-screen multiplex in Murrieta, California (the “CalOaks Cinema”) for \$4.2 million.

*Elsternwick Classic Cinema - Sale*

On April 14, 2011, we sold our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for \$1.9 million (AU\$1.8 million) and recognized a gain on sale of a discontinued operation of \$1.7 million (AU\$1.6 million).

**Note 9 – Transfer of Held for Sale Real Estate to Continuing Operations and Related Items**

2013 and 2012 Transactions

There were no transfers of held for sale real estate to continuing operations or related items in 2013 or 2012.

2011 Transactions

*Lake Taupo Motel*

During the fourth quarter of 2010, we listed for sale the residential units of our Lake Taupo property and the adjoining 1.0-acre parcel located in Lake Taupo, New Zealand. A portion of this property was previously

improved with a motel in which we recently renovated the property's units to be condominiums and have enhanced the property value with residential apartment entitlements for the adjoining vacant land. At December 31, 2011, we had not yet sold the property. Pursuant to ASC 360-10-45, as twelve months had passed since this announcement and we did not meet the criteria to classify this property as held for sale. As a result of the transfer of the asset from held for sale to continuing operations, we recorded a loss for 2011 of \$37,000 (NZ\$48,000) to measure the property at the lower of its carrying amount, adjusted for depreciation and amortization expense that would have been recognized had the asset been continuously classified as a continuing operational asset, or its fair value at the date of the decision not to sell. We continue to discuss with potential buyers and plan to monetize the property in time.

*Burwood Development Property*

In May 2010, we announced our intent to sell and began actively marketing our 50.6-acre Burwood development site in suburban Melbourne. At June 30, 2011, we had not yet achieved that aim. Pursuant to ASC 360-10-45, as twelve months had passed since this announcement and we did not meet the criteria to classify this property as held for sale, we reclassified the current carrying value of this property of \$53.4 million (AUS\$52.1 million) from assets held for sale to investment and development property on our December 31, 2011 consolidated balance sheet. We continue to evaluate our options concerning this property.

**Note 10 – Goodwill and Intangible Assets**

Goodwill associated with our business combinations is tested for impairment at the beginning of the fourth quarter with continued evaluation through the end of the fourth quarter of every year. The fair value estimates of each of our reporting units is based on the projected profits and cash flows of the related assets using each reporting unit's weighted average cost of capital as a discount rate. As a result of this test, whereby the Step 1 Test was passed for all reporting units, it was determined that there is no impairment to our goodwill as of December 31, 2013 or 2012.

At December 31, 2013 or 2012, our goodwill consisted of the following (dollars in thousands):

| <b>2013</b>                             | <b>Cinema</b>    | <b>Real Estate</b> | <b>Total</b>     |
|---|------------------|--------------------|------------------|
| Balance as of January 1, 2013           | \$ 17,674        | \$ 5,224           | \$ 22,898        |
| Foreign currency translation adjustment | (739)            | --                 | (739)            |
| <b>Balance at December 31, 2013</b>     | <b>\$ 16,935</b> | <b>\$ 5,224</b>    | <b>\$ 22,159</b> |

| <b>2012</b>                             | <b>Cinema</b>    | <b>Real Estate</b> | <b>Total</b>     |
|---|------------------|--------------------|------------------|
| Balance as of January 1, 2012           | \$ 17,053        | \$ 5,224           | \$ 22,277        |
| Foreign currency translation adjustment | 621              | --                 | 621              |
| <b>Balance at December 31, 2012</b>     | <b>\$ 17,674</b> | <b>\$ 5,224</b>    | <b>\$ 22,898</b> |

We have intangible assets other than goodwill that are subject to amortization which are being amortized over various periods (dollars in thousands):

| <b>As of December 31, 2013</b> | <b>Beneficial Leases</b> | <b>Trade Name</b> | <b>Other Intangible Assets</b> | <b>Total</b>     |
|--------------------------------|--------------------------|-------------------|--------------------------------|------------------|
| Gross carrying amount          | \$ 24,223                | \$ 7,254          | \$ 455                         | \$ 31,932        |
| Less: Accumulated amortization | 14,520                   | 3,517             | 455                            | 18,492           |
| <b>Total, net</b>              | <b>\$ 9,703</b>          | <b>\$ 3,737</b>   | <b>\$ --</b>                   | <b>\$ 13,440</b> |

| <b>As of December 31, 2012</b> | <b>Beneficial Leases</b> | <b>Trade Name</b> | <b>Other Intangible Assets</b> | <b>Total</b>     |
|--------------------------------|--------------------------|-------------------|--------------------------------|------------------|
| Gross carrying amount          | \$ 24,284                | \$ 7,254          | \$ 458                         | \$ 31,996        |
| Less: Accumulated amortization | 12,873                   | 3,059             | 403                            | 16,335           |
| <b>Total, net</b>              | <b>\$ 11,411</b>         | <b>\$ 4,195</b>   | <b>\$ 55</b>                   | <b>\$ 15,661</b> |

We amortize our beneficial leases over the lease period, the longest of which is approximately 30 years; our trade name using an accelerated amortization method over its estimated useful life of 45 years; and our option fee and other intangible assets over 10 years. For the years ended December 31, 2013, 2012, and 2011, our amortization expense was \$2.2 million, \$2.2 million, and \$2.4 million, respectively. The estimated amortization expense in the five succeeding years and thereafter is as follows (dollars in thousands):

| <b>Year Ending December 31,</b>          |                  |
|--|------------------|
| 2014                                     | \$ 1,994         |
| 2015                                     | 1,921            |
| 2016                                     | 1,724            |
| 2017                                     | 1,327            |
| 2018                                     | 1,211            |
| Thereafter                               | 5,263            |
| <b>Total future amortization expense</b> | <b>\$ 13,440</b> |

**Note 11 – Investments in and Advances to Unconsolidated Joint Ventures and Entities**

Investments in and advances to unconsolidated joint ventures and entities are accounted for under the equity method of accounting except for Rialto Distribution as described below. As of December 31, 2013 and 2012, these investments in and advances to unconsolidated joint ventures and entities include the following (dollars in thousands):

|  | <b>Interest</b> | <b>December 31,</b> |                 |
|--|-----------------|---------------------|-----------------|
|  |                 | <b>2013</b>         | <b>2012</b>     |
| Rialto Distribution                                  | 33.3%           | \$ --               | \$ --           |
| Rialto Cinemas                                       | 50.0%           | 1,571               | 1,561           |
| 205-209 East 57 <sup>th</sup> Street Associates, LLC | 25.0%           | --                  | 60              |
| Mt. Gravatt  | 33.3%           | 5,164               | 6,094           |
| <b>Total investments</b>                             |                 | <b>\$ 6,735</b>     | <b>\$ 7,715</b> |

For the years ended December 31, 2013, 2012, and 2011, we recorded our earnings (loss) from our unconsolidated joint ventures and entities as follows (dollars in thousands):

|  | <b>Year Ended December 31,</b> |                 |                   |
|--|--------------------------------|-----------------|-------------------|
|  | <b>2013</b>                    | <b>2012</b>     | <b>2011</b>       |
| Rialto Distribution                                  | \$ 159                         | \$ 199          | \$ 383            |
| Rialto Cinemas                                       | 221                            | 209             | (72)              |
| 205-209 East 57 <sup>th</sup> Street Associates, LLC | (1)                            | 27              | 33                |
| Mt. Gravatt  | 990                            | 1,186           | 1,038             |
| <b>Total investor share of earnings</b>              | <b>1,369</b>                   | <b>1,621</b>    | <b>1,382</b>      |
| Rialto Cinemas impairment recorded at investor level | --                             | --              | (2,934)           |
| <b>Total equity earnings</b>                         | <b>\$ 1,369</b>                | <b>\$ 1,621</b> | <b>\$ (1,552)</b> |

**Rialto Distribution**

Due to significant losses in years past, we determined that the goodwill associated with Rialto Distribution's investment in the film distribution business was fully impaired. As a result of these losses, as of January 1, 2010, we treat our interest as a cost method interest in an unconsolidated joint venture. For the years ended December 31, 2013, 2012, and 2011 we received \$159,000 (NZ\$195,000), \$199,000 (NZ\$245,000), and \$383,000 (NZ\$500,000), respectively, in distributions from our interest in Rialto Distribution which we recorded as earnings at the time of receipt.

**Rialto Cinemas**



We own an undivided 50% interest in the assets and liabilities of the Rialto Entertainment joint venture and treat our interest as an equity method interest in an unconsolidated joint venture. Subsequent to the February 22, 2011 earthquake in Christchurch, the joint venture obtained a termination agreement with the landlord associated with the Christchurch cinema lease (see Note 26 – *Casualty Loss*). As of December 31, 2013, following the closure of three cinemas with 15 screens, the joint venture owned two cinemas with 13 screens in the New Zealand cities of Auckland and Dunedin. As part of our investment impairment analysis for 2011, we determined that the value of our investment was impaired. For this reason, we recorded an impairment charge to our investment in Rialto Cinemas of \$2.9 million (NZ\$3.8 million) during December 31, 2011 and included it in our equity loss from unconsolidated joint ventures and entities for the year ended December 31, 2011.

205-209 East 57th Street Associates, LLC

We own a non-managing 25% membership interest in 205-209 East 57th Street Associates, LLC a limited liability company formed to redevelop our former cinema site at 205 East 57th Street in Manhattan.

During the fourth quarter of 2010, the last residential condominium was sold for \$900,000 from which we recorded earnings of \$64,000 and received distributions totaling \$293,000. During 2012, as a consequence of a purchaser's dispute, a condominium which was previously sold was repurchased, renovated, and resold for a small gain resulting in additional earnings to us of \$27,000. We do not anticipate any further income or expense from this investment.

Mt. Gravatt

We own an undivided 33.3% interest in Mt. Gravatt, an unincorporated joint venture that owns and operates a 16-screen multiplex cinema in Australia. The condensed balance sheets and statements of operations of Mt. Gravatt are as follows (dollars in thousands):

**Mt. Gravatt Condensed Balance Sheet Information**

|                        | December 31, |          |
|------------------------|--------------|----------|
|                        | 2013         | 2012     |
| Current assets         | \$ 887       | \$ 1,318 |
| Noncurrent assets      | 3,288        | 4,078    |
| Current liabilities    | 751          | 1,111    |
| Noncurrent liabilities | 30           | 43       |
| Members' equity        | 3,394        | 4,242    |

**Mt. Gravatt Condensed Statements of Operations Information**

|               | December 31, |           |           |
|---------------|--------------|-----------|-----------|
|               | 2013         | 2012      | 2011      |
| Total revenue | \$ 12,949    | \$ 15,236 | \$ 14,097 |
| Net income    | 2,923        | 3,513     | 3,045     |

Malulani Investments, Limited

On June 26, 2006, we acquired for \$1.8 million, an 18.4% interest in a private real estate company. On July 2, 2009, Magoon Acquisition and Development, LLC ("Magoon LLC") and we entered into a settlement agreement (the "Settlement Terms") with respect to a lawsuit against certain officers and directors of Malulani Investments, Limited ("MIL"). Under the Settlement Terms, Magoon LLC and we received \$2.5 million in cash, a \$6.8 million three-year 6.25% secured promissory note issued by The Malulani Group ("TMG"), and a ten-year "tail interest" in MIL and TMG in exchange for the transfer of all ownership interests in MIL and TMG held by both Magoon, LLC and RDI and for the release of all claims against the defendants in this matter. A gain on the transfer of our ownership interest in MIL of \$268,000 was recognized during 2009 as a result of this transaction. The tail interest allows us to participate in certain distributions made or received by MIL, TMG, and in certain cases, the shareholders of TMG. The tail interest, however, continues only for a period of ten years and we cannot assure that we will receive any distributions from this tail interest. During 2011, we received \$191,000 in interest on the

promissory note, and, on June 14, 2011, we received \$6.8 million of principal and interest owed on this note. We believe that further amounts are owed under the note and we have begun litigation to collect such amounts. Any further collections will be recognized when received.

#### Combined Condensed Financial Information

The combined condensed financial information for all of the above unconsolidated joint ventures and entities accounted for under the equity method is as follows; therefore, these financials only exclude Rialto Distribution (dollars in thousands):

#### **Condensed Balance Sheet Information**

|                        | <u>December 31,</u> |             |
|------------------------|---------------------|-------------|
|                        | <u>2013</u>         | <u>2012</u> |
| Current assets         | \$ 3,255            | \$ 3,488    |
| Noncurrent assets      | 5,934               | 6,621       |
| Current liabilities    | 2,516               | 2,197       |
| Noncurrent liabilities | 670                 | 751         |
| Members' equity        | 6,002               | 7,161       |

#### **Condensed Statements of Operations Information**

|               | <u>December 31,</u> |             |             |
|---------------|---------------------|-------------|-------------|
|               | <u>2013</u>         | <u>2012</u> | <u>2011</u> |
| Total revenue | \$ 23,070           | \$ 26,138   | \$ 28,017   |
| Net income    | 3,598               | 4,590       | 4,021       |

#### **Note 12 - Notes Payable**

Notes payable are summarized as follows (dollars in thousands):

| <u>Name of Note Payable or Security</u>     | <u>December 31,</u> | <u>December 31,</u> | <u>Maturity Date</u> | <u>December 31,</u> | <u>December 31,</u> |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|
|   | <u>2013</u>         | <u>2012</u>         |                      | <u>2013</u>         | <u>2012</u>         |
| Trust Preferred Securities                  | 4.24%               | 4.31%               | April 30, 2027       | \$ 27,914           | \$ 27,913           |
| Australian NAB Corporate Term Loan          | 5.09%               | 5.82%               | June 30, 2014        | 56,699              | 75,349              |
| Australian NAB Corporate Revolver           | 5.09%               | 5.82%               | June 30, 2014        | --                  | --                  |
| Australian Shopping Center Loans            | --                  | --                  | November 1, 2014     | 89                  | 208                 |
| New Zealand Corporate Credit Facility       | 4.80%               | 4.70%               | March 31, 2015       | 23,041              | 23,148              |
| US Bank of America Revolver                 | 2.67%               | 3.26%               | October 31, 2017     | 31,500              | 30,000              |
| US Bank of America Line of Credit           | 3.17%               | 3.21%               | October 31, 2017     | --                  | 2,007               |
| US Cinema 1, 2, 3 Term Loan                 | 5.21%               | 5.24%               | June 27, 2014        | 15,000              | 15,000              |
| US Liberty Theaters Term Loan               | --                  | 6.20%               | April 1, 2013        | --                  | 6,429               |
| US Minetta & Orpheum Theatres Loan          | 2.91%               | --                  | June 1, 2018         | 7,500               | --                  |
| US Nationwide Loan 1                        | --                  | 8.50%               | February 21, 2013    | --                  | 593                 |
| US Sutton Hill Capital Note – Related Party | --                  | 8.25%               | June 18, 2013        | --                  | 9,000               |
| US Union Square Theatre Term Loan           | 5.92%               | 5.92%               | May 1, 2015          | 6,717               | 6,950               |
| <b>Total</b>                                |                     |                     |                      | <b>\$ 168,460</b>   | <b>\$ 196,597</b>   |

#### *Trust Preferred Securities*

On February 5, 2007, we issued \$51.5 million in 20-year fully subordinated notes to a trust that we control, which in turn issued \$51.5 million in securities. Of the \$51.5 million, \$50.0 million in TPS were issued to unrelated investors in a private placement and \$1.5 million of common trust securities were issued by the trust to Reading called "Investment in Reading International Trust I" on our balance sheet. Effective May 1, 2012, the interest rate on our Trust Preferred Securities changed from a fixed rate of 9.22%, which was in effect for five years, to a

variable rate of three month LIBOR plus 4.00%, which will reset each quarter through the end of the loan unless we exercise our right to refix the rate at the current market rate at that time. Effective October 28, 2013, we entered into a fixed interest rate swap of \$27.9 million at 1.20% plus the 4.00% margin, expiring on October 31, 2017, see Note 13 – *Derivative Instruments*. There are no principal payments due until maturity in 2027 when the notes and the trust securities are scheduled to be paid in full. We may pay off the debt after the first five years at 100% of the principal amount without any penalty. The trust is essentially a pass through, and the transaction is accounted for on our books as the issuance of fully subordinated notes. The credit facility includes a number of affirmative and negative covenants designed to monitor our ability to service the debt. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level. However, on December 31, 2008, we secured a waiver of all financial covenants with respect to our TPS for a period of nine years (through December 31, 2017), in consideration of the payment of \$1.6 million, consisting of an initial payment of \$1.1 million, a payment of \$270,000 made in December 2011, and a contractual obligation to pay \$270,000 in December 2014.

During the first quarter of 2009, we took advantage of the then current market illiquidity for securities such as our TPS to repurchase \$22.9 million in face value of those securities through an exchange of \$11.5 million worth of marketable securities purchased during the period for the express purpose of executing this exchange transaction with the third party holder of these TPS. During the twelve months ended 2009, we amortized \$106,000 of discount to interest income associated with the holding of these securities prior to their extinguishment. On April 30, 2009, we extinguished \$22.9 million of these TPS, which resulted in a gain on retirement of subordinated debt (TPS) of \$10.7 million net of loss on the associated write-off of deferred loan costs of \$749,000 and a reduction in our Investment in Reading International Trust I from \$1.5 million to \$838,000.

During the years ended December 31, 2013, 2012, and 2011, we paid \$1.2 million, \$1.9 million, and \$2.5 million, respectively, in preferred dividends to the unrelated investors that are included in interest expense. At December 31, 2013 and 2012, we had preferred dividends payable of \$191,000 and \$198,000, respectively. Interest payments for this loan are required every three months.

#### Australia

##### *NAB Australian Corporate Term Loan*

On June 24, 2011, we replaced our Australian Corporate Credit Facility of \$115.8 million (AUSS\$110.0 million) with BOS International (“BOSI”) with a new credit facility from National Australia Bank (“NAB”) of \$110.5 million (AUSS\$105.0 million). NAB provided us term debt of \$94.7 million (AUSS\$90.0 million) and \$9.5 million (AUSS\$9.0 million) in line of credit which we used combined with our cash of \$1.6 million (AUSS\$1.5 million) to pay off our \$105.8 million (AUSS\$100.5 million) of outstanding BOSI debt.

The NAB three-tiered credit facility (the “NAB Credit Facility”) has a term of three years, due and payable June 30, 2014, and comprised of a term loan with a December 31, 2013 balance of \$56.7 million (AUSS\$63.5 million); a \$4.5 million (AUSS\$5.0 million) revolving facility for which we do not have a balance at December 31, 2013; and a \$8.9 million (AUSS\$10.0 million) guarantee facility. During 2013, to support a guarantee on the Australian digital projection conversion, we transferred \$4.5 million (AUSS\$5.0 million) of our revolving facility to the guarantee facility. This transfer will remain in place until we refinance the NAB Credit Facility during 2014. This loan to Reading Entertainment Australia commenced on June 24, 2011 with an interest rate of between 2.90% and 2.15% above the BBSY bid rate. This credit facility is secured by substantially all of our cinema assets in Australia and is only guaranteed by several of our wholly owned Australian subsidiaries. The NAB Credit Facility requires annual principal payments of between \$6.3 million (AUSS\$7.0 million) and \$8.0 million (AUSS\$9.0 million) which we anticipate will be paid from Reading Entertainment Australia operating cash flows. The covenants of the NAB Credit Facility include a fixed charge coverage ratio, a debt service cover ratio, an operating leverage ratio, a loan to value ratio, and other financial covenants. Additionally, the NAB Credit Facility allows us to transfer only \$3.6 million (AUSS\$4.0 million) per year outside of Australia. In December 2012, as part of the sale of our Indooroopilly property, we paid down \$6.3 million (AUSS\$6.0 million) on our NAB term loan.

In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement which swaps over 100% of our \$56.7 million (AUSS\$63.5 million) variable rate term loan (decreasing in line with scheduled principal repayments) based on BBSY, for a 5.50% fixed rate. For further information regarding our swap agreements, see Note 13 – *Derivative Instruments*.

As indicated above, this NAB Credit Facility matures on June 30, 2014. Accordingly, the outstanding balance of this debt of \$56.7 million (AUS\$63.5 million) is classified as current on our December 31, 2013 balance sheet. While no assurances can be given that we will be successful, we are currently in the process of renewing this loan and anticipate that the refinancing will be completed at the latest by May 31, 2014.

#### *Australian Shopping Center Loans*

In July 2004, as part of the acquisition of the Anderson Cinema Circuit, we assumed the three loans on the Epping, Rhodes, and West Lakes properties. The total amount assumed on the transaction date was \$1.5 million (AUS\$2.1 million) and the loans carry no interest as long as we make timely principal payments of approximately \$89,000 (AUS\$100,000) per year. Early repayment is possible without penalty. The only recourse on default of these loans is the security on the properties.

#### New Zealand

##### *New Zealand Corporate Credit Facility*

On February 8, 2012, we received an approved amendment from Westpac renewing our existing \$36.9 million (NZ\$45.0 million) New Zealand credit facility with a 3-year credit facility. The renewed facility called for a decrease in the overall facility by \$4.1 million (\$5.0 million) to \$32.8 million (NZ\$40.0 million), an increase in the facility margin of 0.55% to 2.00%, and the line of credit charge increase from 0.30% to 0.40%. The facility is secured by substantially all of our New Zealand assets, but has not been guaranteed by any entity other than several of our New Zealand subsidiaries. The facility includes various affirmative and negative financial covenants designed to protect the bank's security regarding capital expenditures and the repatriation of funds out of New Zealand. Also included in the restrictive covenants of the facility is the restriction of transferring funds from subsidiary to parent.

#### US

##### *Bank of America Revolver*

On October 31, 2012, we replaced our GE Capital Term Loan of \$27.7 million with a new credit facility from Bank of America (the "BofA Revolver") of \$30.0 million with an interest rate of between 2.50% and 3.00% above LIBOR and an expiration date of October 31, 2017. Although the new credit facility does not require a fixed interest swap agreement, we have continued to use the existing fixed interest rate swap of \$29.1 million until its term date of December 31, 2013. Effective December 31, 2013, we replaced this swap with a \$31.5 million fixed interest rate swap, see Note 13 – *Derivative Instruments*. The BofA Revolver requires borrowing limit reductions of \$3.0 million per year with a balloon payment of \$18.0 million at the expiration date. The BofA Revolver contains other customary terms and conditions, including representations and warranties, affirmative and negative covenants, events of default and indemnity provisions. The most restrictive covenant of the facility requires that we must maintain a fixed charge coverage ratio at a certain level.

On March 25, 2013, Bank of America extended the borrowing limit on our BofA Revolver from \$30.0 million to \$35.0 million and we borrowed \$5.0 million on this revolver. On April 1, 2013, we used \$2.3 million of the revolver proceeds to partially repay our US Liberty Theaters Term Loan.

As part of the negotiations of the BofA Revolver, we entered into a master operating equipment lease financing agreement with Banc of America Leasing & Capital, LLC to finance the acquisition of up to \$15.5 million in digital projection equipment for our U.S. cinema operations. See Note 17 – *Lease Agreements*.

##### *Bank of America Line of Credit*

On October 31, 2012, Bank of America renewed and increased our existing \$3.0 million line of credit to \$5.0 million. The LOC carries an interest rate equal to BBA LIBOR floating plus a 3.50% margin and an unused line fee of 0.03%. The agreement is in effect till October 31, 2017 and is potentially renewable at that date. The undrawn balance of this LOC is \$5.0 million at December 31, 2013.

#### *Cinemas 1, 2, 3 Term Loan*

On June 28, 2012, Sutton Hill Properties LLC (“SHP”), one of our consolidated subsidiaries, paid off its Eurohypo AG, New York Branch loan with a new \$15.0 million term loan (the “Sovereign Bank Loan”) from Sovereign Bank, N.A. The Sovereign Bank Loan had a one-year term ending on June 27, 2013, with a one-year extension option to June 27, 2014 subject to an extension fee equal to 1.00% of the ending principal balance and a compliance requirement with certain special covenants. We exercised this option in June 2013. As the extensions mature on June 27, 2014, we have classified the \$15.0 million as a current liability. While no assurances can be given that we will be successful, we are currently in the process of renegotiating this loan. The terms of the loan require interest only payments at LIBOR plus a 5.00% margin to be calculated and paid monthly. This loan is secured by SHP’s interest in the Cinemas 1, 2, & 3 land and building. Covenants include maintaining a loan to value ratio of at least 50% of fair market value and an 11% debt yield (with a numerator of the cash available for debt service and a denominator of the outstanding principal balance of the loan). The Sovereign Bank Loan is further secured by a guaranty provided by Reading International, Inc. and by its noncontrolling interest member, Sutton Hill Capital, LLC.

#### *Minetta and Orpheum Theatres Loan*

On May 29, 2013, we refinanced our Liberty Theaters loan with a \$7.5 million loan securitized by our Minetta and Orpheum theatres, thus releasing the Royal George from the securitization and leaving it unencumbered. This new loan has a maturity date of June 1, 2018, and an interest rate of LIBOR plus a 2.75% margin with a LIBOR rate cap of 4.00% plus the 2.75% margin. See Note 13 – *Derivative Instruments*.

#### *Nationwide Loan 1*

On February 22, 2008, our subsidiary entered into a five-year promissory note (the “Nationwide Note 1”) with Nationwide Theatres Corp of \$21.0 million associated with the acquisition of 15 motion picture theaters and theater-related assets from Pacific Theatres Exhibition Corp. The Nationwide Note 1 was subject to certain purchase price related adjustments. Through December 31, 2010, these adjustments resulted in a net reduction in principal of \$20.4 million comprised of a reduction in the amount of \$6.3 million in 2008, a further reduction of \$226,000 during the first quarter of 2009, an additional advance of \$3.0 million in 2009 (such advance was used to pay down a portion of the GE Capital Term Loan discussed above), a \$4.4 million reduction during the first quarter of 2010 in which Nationwide Theaters Corp. and Reading agreed to reduce the seller’s note, and finally a \$12.5 million reduction in September 2010.

The Nationwide Note 1 had an interest (i) as to \$4.5 million of principal at the annual rates of 7.50% for the first three years and 8.50% thereafter and (ii) as to \$13.0 million of principal at the annual rates of 6.50% through July 31, 2009 and 8.50% thereafter. Accrued interest was due and payable on February 21, 2011 and thereafter on the last day of each calendar quarter, commencing on June 30, 2011. Pursuant to the Nationwide Note 1 agreement, we paid off the \$593,000 balance of this loan on February 21, 2013.

#### *Sutton Hill Capital Note*

On June 18, 2013, we repaid the SHC Note 2 for \$9.0 million. As the debtor on this note was Sutton Hill Properties, LLC, in which we have a 75% interest, the note was, in effect, paid \$6.75 million by us and \$2.25 million by our co-investor.

#### *Union Square Theatre Term Loan*

On April 30, 2010, we refinanced the loan secured by our Union Square property with another lender. The new loan for \$7.5 million has a five-year term with a fixed interest rate of 5.92% per annum and an amortization payment schedule of 20 years with a balloon payment of approximately \$6.4 million at the end of the loan term.

#### Summary of Notes Payable

Our aggregate future principal loan payments are as follows (dollars in thousands):

| <b>Year Ending December 31,</b>             |                   |
|---|-------------------|
| 2014  | \$ 75,538         |
| 2015  | 33,009            |
| 2016  | 3,500             |
| 2017  | 21,000            |
| 2018  | 7,500             |
| Thereafter                                  | 27,913            |
| <b>Total future principal loan payments</b> | <b>\$ 168,460</b> |

Since approximately \$79.8 million of our total debt of \$168.5 million at December 31, 2013 consisted of debt denominated in Australian and New Zealand dollars, the U.S dollar amounts of these repayments will fluctuate in accordance with the relative values of these currencies.

#### **Note 13 – Derivative Instruments**

We are exposed to interest rate changes from our outstanding floating rate borrowings. We manage our fixed to floating rate debt mix to mitigate the impact of adverse changes in interest rates on earnings and cash flows and on the market value of our borrowings. From time to time, we may enter into interest rate hedging contracts, which effectively convert a portion of our variable rate debt to a fixed rate over the term of the interest rate swap.

For our Australian borrowings, we are presently required to swap no less than 75% of our drawdowns under our Australian Corporate Credit Facility into fixed interest rate obligations. In conjunction with this NAB Credit Facility, we entered into a five-year interest swap agreement, which swaps more than 100% of our variable rate term loan based on BBSY for a 5.50% fixed rate loan which steps down commensurate with the payments of the loan balance. At the time of entering into this NAB swap, our existing BOSI swap was “in-the-money” by \$160,000. In lieu of a cash payment for the in-the-money BOSI swap, we negotiated a slightly lower fixed swap rate by 0.05% for our new NAB fixed rate swap.

Although our Bank of America Revolver does not require a fixed interest swap agreement, effective December 31, 2013, we entered into an approximate three-year \$31.5 million fixed interest rate swap that has a balance reduction schedule which matches the contraction amortization of the Bank of America Revolver.

Effective October 28, 2013, we entered into a three-year \$27.9 million fixed interest rate swap for our Trust Preferred Securities.

As a result of these swap and loan agreements, we pay a total fixed interest rate of 7.90% (5.50% swap contract rate plus a 2.40% margin under the loan) for our NAB Loan, a total fixed interest rate of 3.65% (1.15% swap contract rate plus a 2.50% margin under the loan) for our BofA Loan, and a total fixed interest rate of 5.20% (1.20% swap contract rate plus a 4.00% margin under the loan) for our Trust Preferred Securities instead of the obligatorily disclosed loan rates of 5.09%, 2.67%, and 4.24%, respectively, as indicated in Note 12 – *Notes Payable*.

Finally, as part of our new US Minetta and Orpheum Theatres Loan, we entered into a five-year LIBOR rate cap of 4.00% with a loan margin of 2.75% (see Note 12 – *Notes Payable*).

The following table sets forth the terms of our interest rate swap derivative instruments at December 31, 2013:

| <b>Type of Instrument</b> | <b>Notional Amount</b> | <b>Pay Fixed Rate</b> | <b>Receive Variable Rate</b> | <b>Maturity Date</b> |
|---------------------------|------------------------|-----------------------|------------------------------|----------------------|
| Interest rate swap        | \$62,057,000           | 5.500%                | 2.690%                       | June 30, 2016        |
| Interest rate swap        | \$31,500,000           | 1.150%                | 0.169%                       | October 31, 2017     |
| Interest rate swap        | \$27,913,000           | 1.200%                | 0.236%                       | October 31, 2017     |
| Interest rate cap         | \$7,500,000            | 4.000%                | n/a                          | June 1, 2018         |

In accordance with FASB ASC 815-20 – *Derivatives and Hedging*, we marked our interest swap instruments to market on the consolidated balance sheet resulting in a \$2.0 million decrease to interest expense

during 2013, a \$1.1 million increase to interest expense during 2012, and a \$5.0 increase to interest expense during 2011. At December 31, 2013 and 2012, we recorded the fair market value of our interest rate swaps of \$3.3 million and \$5.9 million, respectively, as other long-term liabilities. In accordance with FASB ASC 815-20, we have not designated any of our current interest rate swap positions as financial reporting hedges.

**Note 14 - Income Taxes**

Income (loss) before income tax expense includes the following (dollars in thousands):

|  | Year Ended December 31, |                 |                   |
|--|-------------------------|-----------------|-------------------|
|  | 2013                    | 2012            | 2011              |
| United States  | \$ 8,745                | \$ 836          | \$ (1,391)        |
| Foreign  | 3,973                   | 1,446           | (379)             |
| <b>Income (loss) before income tax expense and equity earnings of unconsolidated joint ventures and entities</b> | <b>\$ 12,718</b>        | <b>\$ 2,282</b> | <b>\$ (1,770)</b> |
| <i>Net (income) expense attributable to noncontrolling interests:</i>  |                         |                 |                   |
| United States  | 24                      | 578             | (604)             |
| Foreign  | (128)                   | (86)            | (336)             |
| <i>Equity earnings and gain on sale of unconsolidated subsidiary:</i>  |                         |                 |                   |
| United States  | (1)                     | 27              | 33                |
| Foreign  | 1,370                   | 1,594           | (1,585)           |
| <i>Gain on sale of discontinued operation:</i>   |                         |                 |                   |
| United States  | --                      | --              | --                |
| Foreign  | --                      | (405)           | 1,888             |
| <b>Income (loss) before income tax expense</b>   | <b>\$ 13,983</b>        | <b>\$ 3,990</b> | <b>\$ (2,374)</b> |

Significant components of the provision for income taxes are as follows (dollars in thousands):

|  | Year Ended December 31, |                 |                    |
|--|-------------------------|-----------------|--------------------|
|  | 2013                    | 2012            | 2011               |
| <b>Current income tax expense</b>            |                         |                 |                    |
| Federal                                      | \$ 1,121                | \$ 964          | \$ 1,332           |
| State  | 432                     | 584             | 531                |
| Foreign                                      | 1,283                   | 1,370           | 1,067              |
| Total  | 2,836                   | 2,918           | 2,930              |
| <b>Deferred income tax expense (benefit)</b> |                         |                 |                    |
| Federal                                      | --                      | --              | --                 |
| State  | --                      | --              | --                 |
| Foreign                                      | 2,106                   | 1,986           | (15,260)           |
| Total  | 2,106                   | 1,986           | (15,260)           |
| <b>Total income tax expense (benefit)</b>    | <b>\$ 4,942</b>         | <b>\$ 4,904</b> | <b>\$ (12,330)</b> |

Deferred income taxes reflect the "temporary differences" between the financial statement carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, adjusted by the relevant tax rate. The components of the deferred tax assets and liabilities are as follows (dollars in thousands):

| Components of Deferred Tax Assets             | December 31, |           |
|---|--------------|-----------|
|   | 2013         | 2012      |
| Deferred Tax Assets:                          |              |           |
| Net operating loss carry-forwards             | \$ 21,228    | \$ 31,040 |
| Impairment reserves                           | 2,915        | 3,578     |
| Alternative minimum tax credit carry-forwards | 3,291        | 3,118     |

|   |                 |                  |
|---|-----------------|------------------|
| Compensation and employee benefits                | 3,867           | 3,242            |
| Deferred revenue and expense                      | 2,398           | 2,688            |
| Land, tangible assets, and option real properties | 5,477           | 2,882            |
| Other   | 3,685           | 4,003            |
| Total Deferred Tax Assets                         | 42,861          | 50,551           |
| Valuation allowance                               | (34,022)        | (37,903)         |
| <b>Net deferred tax asset</b>                     | <b>\$ 8,839</b> | <b>\$ 12,648</b> |

In accordance with FASB ASC 740-10 – *Income Taxes* (“ASC 740-10”), we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. ASC 740-10 presumes that a valuation allowance is required when there is substantial negative evidence about realization of deferred tax assets, such as a pattern of losses in recent years, coupled with facts that suggest such losses may continue. Because of such negative evidence available for the U.S., Puerto Rico, and New Zealand, as of December 31, 2013, we recorded a valuation allowance of \$34.0 million. After consideration of a number of factors for the Reading Australia group, including its recent history of financial income, its expected future earnings, the increase in market value of its real estate assets, and having executed a credit facility of over \$100.0 million to resolve potential liquidity issues, the Company determined as of July 1, 2011 that it was more likely than not that deferred tax assets in Reading Australia group will be realized. Accordingly, we reversed the full valuation allowance in Australia, resulting in a net deferred tax asset of \$14.4 million as of December 31, 2011, with approximately \$3.4 million classified as current and \$11.0 million as non-current.

As of December 31, 2013, we had U.S. net operating loss carry-forwards of \$15.2 million, of which \$8.7 million expire between 2025 and 2030, while \$6.5 million expire between 2030 and 2035.

In addition to the above net operating loss carry-forwards having expiration dates, we have the following carry-forwards that have no expiration date at December 31, 2013:

- approximately \$3.3 million in U.S. alternative minimum tax credit carry-forwards;
- approximately \$26.0 million in Australian ordinary and capital loss carry-forwards, including accrued but unpaid interest on loans from its US parent company; and
- approximately \$11.8 million in New Zealand loss carry-forwards.

We disposed of our Puerto Rico operations during 2005 and plan no further investment in Puerto Rico for the foreseeable future. We have approximately \$14.1 million in Puerto Rico loss carry-forwards expiring no later than 2018. No material future tax benefits from Puerto Rico loss carry-forwards can be recognized by the Company unless it re-enters the Puerto Rico market for which the Company has no current plans.

We expect no other substantial limitations on the future use of U.S. or foreign loss carry-forwards except as may occur for certain losses occurring in New Zealand related to the Landplan operations, which may only be used to offset income and gains from those particular activities, and cannot be shared with their respective consolidated group.

U.S. income taxes have not been recognized on the temporary differences between book value and tax basis of investment in foreign subsidiaries. These differences become taxable upon a sale of the subsidiary or upon distribution of assets from the subsidiary to U.S. shareholders. We expect neither of these events will occur in the foreseeable future for any of our foreign subsidiaries.

The provision for income taxes is different from amounts computed by applying U.S. statutory rates to consolidated losses before taxes. The significant reason for these differences follows (dollars in thousands):

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2013</b>                    | <b>2012</b> | <b>2011</b> |
| Expected tax provision (benefit)                          | \$ 4,894                       | \$ 1,397    | \$ (831)    |
| <i>Increase (decrease) in tax expense resulting from:</i> |                                |             |             |



|   |                 |                 |                    |
|---|-----------------|-----------------|--------------------|
| Change in valuation allowance                     | (3,882)         | (558)           | (15,260)           |
| Expired foreign loss carry-forward                | --              | --              | 1,100              |
| Foreign tax provision                             | 3,389           | 3,356           | 1,067              |
| Tax effect of foreign tax rates on current income | (294)           | (126)           | 24                 |
| State and local tax provision                     | 296             | 408             | 361                |
| Tax/Audit Litigation Settlement                   | 1,140           | 1,140           | 1,375              |
| Effect of tax rate change                         | --              | --              | --                 |
| Other items                                       | (601)           | (713)           | (166)              |
| <b>Actual tax provision (benefit)</b>             | <b>\$ 4,942</b> | <b>\$ 4,904</b> | <b>\$ (12,330)</b> |

Pursuant to ASC 740-10, a provision should be made for the tax effect of earnings of foreign subsidiaries that are not permanently invested outside the United States. Our intent is that earnings of our foreign subsidiaries are not permanently invested outside the United States. Current earnings were available for distribution in the Reading Australia consolidated group of subsidiaries as of December 31, 2013. There is no withholding tax on dividends paid by an Australian company to its 80% or more U.S. public company shareholder, thus we have not provided foreign withholding taxes for these current retained earnings. We believe the U.S. tax impact of a dividend from our Australian subsidiary, net of loss carry forward and potential foreign tax credits, would not have a material effect on the tax provision as of December 31 2013.

We have accrued \$20.8 million in income tax liabilities as of December 31, 2013, of which \$8.3 million has been classified as current taxes payable and \$12.5 million have been classified as non-current tax liabilities. As part of current taxes payable, we have accrued \$3.5 million in connection with federal and state liabilities arising from the "Tax/Audit Litigation" matter which has now been settled (see Note 19 – *Commitments and Contingencies*). As part of noncurrent tax liabilities, we have accrued an additional \$11.5 million related to the "Tax Audit/Litigation" matter. Amounts assessed by the IRS and expected to be assessed by state income tax agencies in connection with the "Tax Audit/Litigation" matter are no longer recorded under the cumulative probability approach prescribed by FASB ASC 740-10-25 but are recorded as a fixed and determinable liability. We believe the \$20.8 million in tax liabilities represents an adequate provision for our income tax exposures.

The following table is a summary of the activity related to unrecognized tax benefits, excluding interest and penalties, for the years ending December 31, 2013, December 31, 2012, and December 31, 2011 (dollars in thousands):

|   | <b>Year Ended<br/>December 31,<br/>2013</b> | <b>Year Ended<br/>December 31,<br/>2012</b> | <b>Year Ended<br/>December 31,<br/>2011</b> |
|---|---|---|---|
| Unrecognized tax benefits – gross beginning balance     | \$ 2,171                                    | \$ 1,974                                    | \$ 8,058                                    |
| Gross increases – prior period tax provisions           | (11)  | 197   | --  |
| Gross increases – current period tax positions          | --  | --  | 151   |
| Settlements   | --  | --  | (6,235)                                     |
| Statute of limitations lapse                            | --  | --  | --  |
| <b>Unrecognized tax benefits – gross ending balance</b> | <b>\$ 2,160</b>                             | <b>\$ 2,171</b>                             | <b>\$ 1,974</b>                             |

In accordance with FASB ASC 740-10-25 – *Income Taxes - Uncertain Tax Positions* ("ASC 740-10-25") we elected to record interest and penalties related to income tax matters as part of income tax expense.

We had approximately \$10.8 million and \$11.4 million of gross tax benefits as of the adoption date and December 31, 2007, respectively, plus \$1.7 million and \$2.3 million of tax interest unrecognized on the financial statements as of each date, respectively. The gross tax benefits mostly reflect operating loss carry-forwards and the IRS Tax Audit/Litigation case described below.

We recorded a reduction to our gross unrecognized tax benefits of approximately \$3.4 million and an increase to tax interest of approximately \$8.8 million during the period January 1, 2010 to December 31, 2010 and the total balance at December 31, 2010 was approximately \$20.6 million (of which approximately \$12.6 million represents IRS interest). Having settled the Tax Audit/Litigation matter described in Note 19 – *Commitments and*

*Contingencies*, we further recorded a net reduction to our gross unrecognized tax benefits of approximately \$6.1 million and a reduction to tax interest of approximately \$10.4 million during the period January 1, 2011 to December 31, 2011, resulting in a total balance at December 31, 2011 of approximately \$4.1 million, consisting of \$1.9 million tax and \$2.2 million interest. Of the \$4.1 million gross unrecognized tax benefit at December 31, 2011, approximately \$3.0 million would impact the effective tax rate if recognized. During the period January 1, 2012 to December 31, 2012 we recorded an increase of \$0.2 million to our gross unrecognized tax benefits and an increase to tax interest of approximately \$1.1 million, resulting in a total balance of \$5.3 million consisting of \$2.1 million in tax and \$3.2 million in interest. Of the \$5.3 million gross unrecognized tax benefit at December 31, 2012, approximately \$4.3 million would impact the effective rate if recognized. During the period January 1, 2013 to December 31, 2013 we recorded no material change to our gross unrecognized tax benefits and a decrease to tax interest of approximately \$1.4 million, resulting in a total balance of \$3.9 million consisting of \$2.1 million in tax and \$1.8 million in interest. Of the \$3.9 million gross unrecognized tax benefit at December 31, 2013, approximately \$2.9 million would impact the effective rate if recognized.

It is difficult to predict the timing and resolution of uncertain tax positions. Based upon the Company's assessment of many factors, including past experience and judgments about future events, it is probable that within the next 12 months the reserve for uncertain tax positions will increase within a range of \$0.5 million to \$1.5 million. The reasons for such change include but are not limited to tax positions expected to be taken during 2013, revaluation of current uncertain tax positions, and expiring statutes of limitation.

Our company and subsidiaries are subject to U.S. federal income tax, income tax in various U.S. states, and income tax in Australia, New Zealand, and Puerto Rico.

Generally, changes to our federal and most state income tax returns for the calendar year 2007 and earlier are barred by statutes of limitations. Certain U.S. subsidiaries filed federal and state tax returns for periods before these entities became consolidated with us. These subsidiaries were examined by IRS for the years 1996 to 1999 and significant tax deficiencies were assessed for those years. Those deficiencies have been settled, as discussed in "Tax Audit/Litigation," Note 19 – *Commitments and Contingencies*. Our income tax returns for Australia filed since inception in 1995 are generally open for examination. The income tax returns filed in New Zealand and Puerto Rico for calendar year 2007 and afterward remain open for examination as of December 31, 2013.

**Note 15 – Other Liabilities**

Other liabilities are summarized as follows (dollars in thousands):

|                              | December 31, |           |
|------------------------------|--------------|-----------|
|                              | 2013         | 2012      |
| <b>Current liabilities</b>   |              |           |
| Lease liability              | \$ 5,900     | \$ 5,855  |
| Security deposit payable     | 246          | 174       |
| Other                        | 9            | 3         |
| Other current liabilities    | \$ 6,155     | \$ 6,032  |
| <b>Other liabilities</b>     |              |           |
| Foreign withholding taxes    | \$ 6,748     | \$ 6,480  |
| Straight-line rent liability | 9,259        | 8,893     |
| Environmental reserve        | 1,656        | 1,656     |
| Accrued pension              | 8,527        | 6,976     |
| Interest rate swap           | 3,288        | 5,855     |
| Acquired leases              | 1,797        | 2,078     |
| Other payable                | 875          | 1,191     |
| Other                        | 599          | 630       |
| Other liabilities            | \$ 32,749    | \$ 33,759 |

**Village East Purchase Option**

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 1, 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. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, we have 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 lease liability of \$5.9 million presented under other liabilities which accreted up to the \$5.9 million liability till July 1, 2013 (see Note 25 – *Related Parties and Transactions*). As the option is able to be exercised starting on July 1, 2013, we classified the \$5.9 million lease liability as a current liability.

**Note 16 – Fair Value of Financial Instruments**

ASC 820-10 applies to existing accounting pronouncements in which fair value measurements are already required and defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements.

ASC 820-10 (see Note 2 – *Summary of Significant Accounting Policies*) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

We use appropriate valuation techniques based on the available inputs to measure the fair values of our assets and liabilities. When available, we measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

**Level 1 Fair Value Measurements** – are based on market quotes of our marketable securities.

**Level 2 Fair Value Measurements** – *Interest Rate Swaps and cap* – The fair value of interest rate swaps and cap are estimated using internal discounted cash flow calculations based upon forward interest rate curves, which are corroborated by market data, and quotes obtained from counterparties to the agreements.

**Level 3 Fair Value Measurements** – *Impaired Property* – For assets measured on a non-recurring basis, such as real estate assets that are required to be recorded at fair value as a result of an impairment, our estimates of fair value are based on management's best estimate derived from evaluating market sales data for comparable properties developed by a third party appraiser and arriving at management's estimate of fair value based on such comparable data primarily based on properties with similar characteristics. For the years ended December 31, 2012 and 2011, the fair value of our impaired properties was estimated to be \$4.1 million and \$1.9 million, respectively, which we used to record our impairment expense and was based on level 3 inputs in developing management's estimate of fair value. For the year ended December 31, 2011, the fair value of our Rialto Cinemas investment was \$1.6 million (NZ\$2.0 million) resulting in an impairment charge of \$2.9 million (NZ\$3.8 million). We did not record an impairment charge for our properties during 2013.

As of December 31, 2013, we held certain items that are required to be measured at fair value on a recurring basis. These included available for sale securities and interest rate derivative contracts. Derivative instruments are related to our economic hedge of interest rates. Our available-for-sale securities primarily consist of investments associated with the ownership of marketable securities in Australia.

The fair values of the interest rate swap and cap agreements are determined using the market standard methodology of discounting the future expected cash receipts or payments that would occur if variable interest rate fell above or below the strike rate of the interest rate swap and cap agreements. The variable interest rates used in the calculation of projected receipts or payments on the interest rate swap and cap agreements are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. To comply with the provisions of ASC 820-10, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2013, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation and determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold.

On a recurring basis, we used the above methods and assumptions on the following items to measure fair value subject to the disclosure requirements of ASC 820-10 at December 31, 2013 and 2012, respectively (dollars in thousands):

| Financial Instrument                | Level | Book Value |          | Fair Value |          |
|-------------------------------------|-------|------------|----------|------------|----------|
|                                     |       | 2013       | 2012     | 2013       | 2012     |
| Investment in marketable securities | 1     | \$ 55      | \$ 55    | \$ 55      | \$ 55    |
| Interest rate cap asset             | 2     | \$ 75      | \$ --    | \$ 75      | \$ --    |
| Interest rate swap liabilities      | 2     | \$ 3,288   | \$ 5,855 | \$ 3,288   | \$ 5,855 |

**Financial Instruments Disclosed at Fair Value**

The following table sets forth the carrying value and the fair value of our financial assets and liabilities at December 31, 2013 and 2012 (dollars in thousands):

| Financial Instrument            | Level | Book Value |            | Fair Value |            |
|---------------------------------|-------|------------|------------|------------|------------|
|                                 |       | 2013       | 2012       | 2013       | 2012       |
| Cash                            | 1     | \$ 37,696  | \$ 38,531  | \$ 37,696  | \$ 38,531  |
| Time deposits                   | 1     | \$ --      | \$ 8,000   | \$ --      | \$ 8,000   |
| Accounts receivable             | 1     | \$ 9,087   | \$ 8,514   | \$ 9,087   | \$ 8,514   |
| Other assets - notes receivable | 1     | \$ --      | \$ 2,000   | \$ --      | \$ 2,000   |
| Restricted cash                 | 1     | \$ 782     | \$ 2,465   | \$ 782     | \$ 2,465   |
| Accounts and film rent payable  | 1     | \$ 25,046  | \$ 25,566  | \$ 25,046  | \$ 25,566  |
| Notes payable                   | 3     | \$ 140,547 | \$ 159,684 | \$ 121,411 | \$ 154,795 |
| Notes payable to related party  | N/A   | \$ --      | \$ 9,000   | \$ N/A     | \$ N/A     |
| Subordinated debt               | 3     | \$ 27,913  | \$ 27,913  | \$ 11,067  | \$ 12,268  |

For purposes of this fair value disclosure, we based our fair value estimate for notes payable and subordinated debt on our internal valuation whereby we apply the discounted cash flow method to our expected cash flow payments due under our existing debt agreements based on a representative sample of our lenders' market interest rate quotes as of December 31, 2013 and 2012, respectively, for debt with similar risk characteristics and maturities.

**Note 17 – Lease Agreements**

Most of our cinemas conduct their operations in leased facilities. Sixteen of our twenty operating multiplexes in Australia, four of our seven cinemas in New Zealand, and all but one of our cinemas in the United States are in leased facilities. These cinema leases have remaining terms inclusive of options of 1 to 37 years. Certain of our cinema leases provide for contingent rentals based upon a specified percentage of theater revenue with a guaranteed minimum. Substantially all of our leases require the payment of property taxes, insurance, and other costs applicable to the property. We also lease office space and equipment under non-cancelable operating leases. All of our leases are accounted for as operating leases and accordingly, we have no leases of facilities that require capitalization.

We determine the annual base rent expense of our cinemas by amortizing total minimum lease obligations on a straight-line basis over the lease terms. Base rent expense and contingent rental expense under the operating leases totaled approximately \$32.1 million and \$1.3 million for 2013, respectively; \$32.6 million and \$1.7 million for 2012, respectively; and \$31.2 million and \$1.6 million for 2011, respectively. Future minimum lease payments by year and, in the aggregate, under non-cancelable operating leases consisted of the following at December 31, 2013 (dollars in thousands):

|                              | Minimum Ground<br>Lease Payments | Minimum Premises<br>Lease Payments | Equipment<br>Lease | Total Minimum<br>Lease Payments |
|------------------------------|----------------------------------|------------------------------------|--------------------|---------------------------------|
| 2014                         | \$ 2,592                         | \$ 28,381                          | \$ 2,703           | \$ 33,676                       |
| 2015                         | 2,591                            | 26,137                             | 2,703              | 31,431                          |
| 2016                         | 2,656                            | 22,427                             | 2,694              | 27,777                          |
| 2017                         | 2,751                            | 19,744                             | 2,693              | 25,188                          |
| 2018                         | 2,759                            | 16,054                             | 2,614              | 21,427                          |
| Thereafter                   | 8,671                            | 49,739                             | --                 | 58,410                          |
| Total minimum lease payments | \$ 22,020                        | \$ 162,482                         | \$ 13,407          | \$ 197,909                      |

Since approximately \$75.7 million of our total minimum lease payments of \$197.9 million as of December 31, 2013 consisted of lease obligations denominated in Australian and New Zealand dollars, the U.S dollar amounts of these obligations will fluctuate in accordance with the relative values of these currencies. See Note 25 – *Related Parties and Transactions* for the amount of leases associated with any related party leases.

#### Digital Projection Equipment Lease

Effective December 1, 2012, we entered into a 5-year digital projection equipment lease obligation with Banc of America Leasing & Capital, LLC enabling us to convert substantially all of our U.S. cinemas to digital projection. The equipment lease agreement requires that we make lease payments of \$218,000 per month for the next 60 months after which we can either purchase the equipment at a market price or renew the lease for an undetermined length of time. This lease qualifies as an operating lease and is recorded accordingly.

#### **Note 18 – Pension Liabilities**

##### Supplemental Executive Retirement Plan

In March 1, 2007, the Board of Directors of Reading International, Inc. (“Reading”) approved a Supplemental Executive Retirement Plan (“SERP”) pursuant to which Reading has agreed to provide James J. Cotter, its Chief Executive Officer and Chairman of the Board of Directors, supplemental retirement benefits effective March 1, 2007. Under the SERP, Mr. Cotter will receive a monthly payment of the greater of (i) 40% of the average monthly earnings over the highest consecutive 36-month period of earnings prior to Mr. Cotter’s separation from service with Reading or (ii) \$25,000 per month for the remainder of his life, with a guarantee of 180 monthly payments following his separation from service with Reading or following his death. The beneficiaries under the SERP may be designated by Mr. Cotter or by his beneficiary following his or his beneficiary’s death. The benefits under the SERP are fully vested as of March 1, 2007.

The SERP initially will be unfunded, but Reading may choose to establish one or more grantor trusts from which to pay the SERP benefits. As such, the SERP benefits are unsecured, general obligations of Reading. The SERP is administered by the Compensation Committee of the Board of Directors of Reading. In accordance with FASB ASC 715-30-05 – *Defined Benefit Pension Plans* (“ASC 715-30-05”), the initial pension benefit obligation of \$2.7 million was included in our other liabilities with a corresponding amount of unrecognized prior service cost included in accumulated other comprehensive income on March 1, 2007. The initial benefit obligation was based on a discount rate of 5.75% and a compensation increase rate of 3.5%. The \$2.7 million is being amortized as a prior service cost over the estimated service period of 10 years combined with an annual interest cost. For the years ended December 31, 2013, 2012, and 2011, we recognized \$202,000, \$149,000, and \$195,000, respectively, of interest cost and \$304,000 of amortized prior service cost per year. For the years ended December 31, 2013 and 2012, we recognized \$356,000 and \$0 of amortized net gains. The balance of the other liability for this pension plan was \$7.4 million and \$5.9 million at December 31, 2013 and 2012, respectively, and the accumulated unrecognized prior service costs included in other comprehensive income balance was \$3.8 and \$3.2 million at December 31, 2013 and 2012, respectively. The December 31, 2013 and 2012 values of the SERP are based on a discount rate of 4.25% and 3.40%, respectively, and an annual compensation growth rate of 7.50% and 3.50%, respectively.

The change in the SERP pension benefit obligation and the funded status for the year ending December 31, 2013 and 2012 are as follows (dollars in thousands):

|   | <b>For the year ending<br/>December 31, 2013</b> |         |
|---|--|---------|
| <b>Change in Benefit Obligation</b>     |  |         |
| Benefit obligation at January 1, 2013   | \$   | 5,944   |
| Interest cost                           |  | 202     |
| Actuarial gain                          |  | 1,252   |
| Benefit obligation at December 31, 2013 |  | 7,398   |
| Funded status at December 31, 2013      | \$   | (7,398) |

|   | <b>For the year ending<br/>December 31, 2012</b> |         |
|---|--|---------|
| <b>Change in Benefit Obligation</b>     |  |         |
| Benefit obligation at January 1, 2012   | \$   | 3,511   |
| Interest cost                           |  | 149     |
| Actuarial gain                          |  | 2,284   |
| Benefit obligation at December 31, 2012 |  | 5,944   |
| Funded status at December 31, 2012      | \$   | (5,944) |

Amount recognized in balance sheet consists of (dollars in thousands):

|                        | At December 31,<br>2013 | At December 31,<br>2012 |
|------------------------|-------------------------|-------------------------|
| Current liabilities    | \$ 15                   | \$ 14                   |
| Noncurrent liabilities | 7,383                   | 5,930                   |

Items not yet recognized as a component of net periodic pension cost consist of (dollars in thousands):

|                                      | At December 31,<br>2013 | At December 31,<br>2012 |
|--------------------------------------|-------------------------|-------------------------|
| Unamortized actuarial loss           | \$ 3,166                | \$ 2,269                |
| Prior service costs                  | 627                     | 931                     |
| Accumulated other comprehensive loss | 3,793                   | 3,200                   |

The components of the net periodic benefit cost and other amounts recognized in other comprehensive income are as follows (dollars in thousands):

|                                     | For the year ending<br>December 31, 2013 | For the year ending<br>December 31, 2012 |
|-------------------------------------|--|--|
| <b>Net periodic benefit cost</b>    |  |  |
| Interest cost                       | \$ 202                                   | \$ 149                                   |
| Amortization of prior service costs | 304                                      | 304                                      |
| Amortization of net gain            | 356                                      | --                                       |
| Net periodic benefit cost           | \$ 862                                   | \$ 453                                   |

**Other changes in plan assets and benefit obligations recognized in other comprehensive income**

|  |          |          |
|--|----------|----------|
| Net loss   | \$ 1,253 | \$ 2,284 |
| Amortization of prior service cost   | (304)    | (304)    |
| Amortization of net loss   | (356)    | --       |
| Total recognized in other comprehensive income                               | \$ 593   | \$ 1,980 |
| Total recognized in net periodic benefit cost and other comprehensive income | \$ 1,455 | \$ 2,433 |

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year will be \$356,000 and \$304,000, respectively.

The following weighted average assumptions were used to determine the plan benefit obligations at December 31, 2013 and 2012:

|                               | 2013  | 2012  |
|-------------------------------|-------|-------|
| Discount rate                 | 4.25% | 3.40% |
| Rate of compensation increase | 7.50% | 3.50% |

The following weighted-average assumptions were used to determine net periodic benefit cost for the year ended December 31, 2013 and 2012:

|  | 2013  | 2012  |
|--|-------|-------|
| Discount rate                            | 3.40% | 4.25% |
| Expected long-term return on plan assets | 0.00% | 0.00% |
| Rate of compensation increase            | 3.50% | 3.50% |

Other Pension Liabilities

In addition to the aforementioned SERP, we have defined contribution pension plans for selected current and former executives of our corporation resulting in a pension liability of \$1.1 million and \$1.0 million at December 31, 2013 and 2012, respectively. These pensions accrued \$95,000 and \$204,000 of pension expense for the years ended December 31, 2013 and 2012, respectively.

The benefit payments for all of our pensions, which reflect expected future service, as appropriate, are expected to be paid over the following periods (dollars in thousands):

|                        | Pension Payments |       |
|------------------------|------------------|-------|
| 2014                   | \$               | 14    |
| 2015                   |                  | 32    |
| 2016                   |                  | 50    |
| 2017                   |                  | 633   |
| 2018                   |                  | 607   |
| Thereafter             |                  | 7,191 |
| Total pension payments | \$               | 8,527 |

**Note 19 - Commitments and Contingencies**

Unconsolidated Joint Venture Loans

The following section describes any loans associated with our investments in unconsolidated joint ventures. As these investments are unconsolidated, any associated bank loans are not reflected in our Consolidated Balance Sheet at December 31, 2013. Each loan is without recourse to any assets other than our interests in the individual joint venture.

*Rialto Distribution.* We are the 33.3% co-owners of the assets of Rialto Distribution. At December 31, 2013 and 2012, Rialto Distribution had a bank line of credit of \$1.6 million (NZ\$2.0 million) and \$1.7 million (NZ\$2.0 million), respectively, and had an outstanding balance of \$634,000 (NZ \$770,000) and \$703,000 (NZ\$850,000), respectively. This loan is guaranteed by one of our subsidiaries to the extent of our ownership percentage.

Tax Audit/Litigation

The Internal Revenue Service (the "IRS") has examined the tax return of Reading Entertainment Inc. ("RDGE") for its tax years ended December 31, 1996 through December 31, 1999 and the tax return of Craig Corporation ("CRG"), a Nevada Corporation with no operating assets, for its tax year ended June 30, 1997. These



companies are both now wholly owned subsidiaries of the Company, but for the time periods under audit, were not consolidated with the Company for tax purposes.

CRG and the IRS agreed to compromise the claims made by the IRS against CRG and the Tax Court's order was entered on January 6, 2011. In the settlement, the IRS conceded 70% of its claimed adjustment to income. Instead of a claim for unpaid taxes of \$20.9 million plus interest, the effect of settlement on the Reading consolidated group was to require a total federal income tax obligation of \$5.4 million, reduced by a federal tax refund of \$800,000 and increased by interest of \$9.3 million, for a net federal tax liability of \$13.9 million as of January 6, 2011. On October 26, 2011, CRG reached an agreement with the IRS for an installment plan to pay off this federal tax liability, including additional interest accruals at the prescribed IRS floating rate. The agreement requires monthly payments of \$290,000 over a period of approximately five years. As of December 31, 2013 and 2012, after the payments made during 2013 and 2012, respectively, the remaining federal tax obligation was \$8.3 million and \$10.0 million, respectively, in tax and interest. Of the \$8.3 million owed under the installment agreement as of December 31, 2013, \$3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability. Of the \$10.0 million owed under the installment agreement as of December 31, 2012, \$3.5 million was recorded as current taxes payable, with the remaining balance being recorded as non-current tax liability.

The impact of the settlement upon the state taxes of the Reading consolidated group, if the adjustment to income agreed with the IRS were reflected on state returns, would be an obligation of approximately \$1.4 million in tax plus interest and potential penalty. As of December 31, 2013, no deficiency has been asserted by the State of California, and we have made no final decision as to the course of action to be followed when a deficiency is asserted.

#### Environmental and Asbestos Claims

Certain of our subsidiaries were historically involved in railroad operations, coal mining, and manufacturing. Also, certain of these subsidiaries appear in the chain of title of properties that may suffer from pollution. Accordingly, certain of these subsidiaries have, from time to time, been named in and may in the future be named in various actions brought under applicable environmental laws. Also, we are in the real estate development business and may encounter from time to time unanticipated environmental conditions at properties that we have acquired for development. These environmental conditions can increase the cost of such projects, and adversely affect the value and potential for profit of such projects. We do not currently believe that our exposure under applicable environmental laws is material in amount.

From time to time, we have claims brought against us relating to the exposure of former employees of our railroad operations to asbestos and coal dust. These are generally covered by an insurance settlement reached in September 1990 with our insurance carriers. However, this insurance settlement does not cover litigation by people who were not our employees and who may claim second hand exposure to asbestos, coal dust and/or other chemicals or elements now recognized as potentially causing cancer in humans. Our known exposure to these types of claims, asserted or probable of being asserted, is not material.

In connection with the development of our 50.6 acre Burwood site, it will be necessary to address certain environmental issues. That property was at one time used as a brickworks and we have discovered petroleum and asbestos at the site. During 2007, we developed a plan for the remediation of these materials, in some cases through removal and in other cases through encapsulation. As of December 31, 2013, we estimate that the total site preparation costs associated with the removal of this contaminated soil will be \$15.2 million (AUS\$17.1 million) and as of that date we had incurred a total of \$7.4 million (AUS\$8.3 million) of these costs. We do not believe that this has added materially to the overall development cost of the site, as it is anticipated that all of the work will be done in connection with the excavation and other development activity already contemplated for the property.

**Note 20 – Noncontrolling interests**

As of December 31, 2013, the noncontrolling interests in our consolidated subsidiaries are comprised of the following:

- 25% noncontrolling interest in Australian Country Cinemas by 21st Century Pty, Ltd;
- 50% noncontrolling membership interest in Shadow View Land and Farming, LLC owned by Mr. James J. Cotter, Sr.; and
- 25% noncontrolling interest in the Sutton Hill Properties, LLC owned by Sutton Hill Capital, LLC.

The components of noncontrolling interest are as follows (dollars in thousands):

|   | December 31, |          |
|---|--------------|----------|
|   | 2013         | 2012     |
| AFC LLC   | \$ --        | \$ 1,737 |
| Australian Country Cinemas                            | 532          | 601      |
| Shadow View Land and Farming, LLC                     | 1,862        | 1,912    |
| Sutton Hill Properties                                | 2,213        | (152)    |
| Noncontrolling interests in consolidated subsidiaries | \$ 4,607     | \$ 4,098 |

The components of income attributable to noncontrolling interests are as follows (dollars in thousands):

|  | Year Ended December 31, |          |        |
|--|-------------------------|----------|--------|
|  | 2013                    | 2012     | 2011   |
| AFC LLC  | \$ 173                  | \$ 612   | \$ 909 |
| Australian Country Cinemas                         | 129                     | 86       | 311    |
| Elsternwick unincorporated joint venture           | --                      | --       | 25     |
| Shadow View Land and Farming, LLC                  | (50)                    | (843)    | --     |
| Sutton Hill Properties                             | (148)                   | (347)    | (305)  |
| Net income attributable to noncontrolling interest | \$ 104                  | \$ (492) | \$ 940 |

**AFC LLC Acquisition of Noncontrolling Interest**

On June 28, 2013, we acquired the interest in AFC LLC that we did not already own in consideration of the release of certain claims we held against the owner of that interest under a guaranty agreement. The removal of the AFC LLC noncontrolling interest balance of \$101,000 was reflected as a change in our additional paid in capital pursuant to FASB ASC 810-10-45.

**Sutton Hill Properties**

On June 18, 2013, our co-investor, having a 25% interest in our Sutton Hill Properties subsidiary, contributed \$2.25 million toward the payoff of our SHC Note 2 for \$9.0 million resulting in a \$2.25 million contribution of capital to Sutton Hill Properties (See Note 12 – *Notes Payable*).

**Shadow View Land and Farming, LLC**

During the 2012, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder, contributed \$2.5 million of cash and \$255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which Mr. Cotter owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC. However, as Mr. Cotter is considered to be our controlling shareholder, pursuant to FASB ASC 810-10-05, we have consolidated Mr. Cotter's interest in the

property and its expenses with that of our interest and shown his interest as a noncontrolling interest. Note 8 – *Acquisitions, Disposals, and Assets Held for Sale.*

#### Elsternwick Sale

On April 14, 2011, we sold our 66.7% share of the 5-screen Elsternwick Classic cinema located in Melbourne, Australia to our joint venture partner for \$1.9 million (AUS\$1.8 million) and recognized a gain on sale of a discontinued operation of \$1.7 million (AUS\$1.6 million).

#### **Note 21 – Total Reading International, Inc. Stockholders' Equity**

Our common stock trades on the NASDAQ under the symbols RDI and RDIB which are our Class A (non-voting) and Class B (voting) stock, respectively. Our Class A (non-voting) has preference over our Class B (voting) shares upon liquidation. No dividends have ever been issued for either share class.

#### 2013 Common Stock Activity

During 2013, we issued 217,890 of Class A Stock to an executive employee associated with his prior years' stock grants.

62,500 options were exercised during 2013 having an intrinsic value of \$133,000 for which we received \$248,000 of cash. Additionally, 75,000 options were exercised during 2013 having an intrinsic value of \$124,000 for which we did not receive any cash but the employee elected to exchange 53,136 personally owned shares of the company at a market price of \$5.66 per share for the 75,000 shares based on an exercise price of \$4.01 for the related options.

#### 2012 Common Stock Activity

During 2012, we issued 155,925 of Class A Stock to an executive employee associated with his prior years' stock grant, and, during 2012, we issued 9,680 as a one-time stock grant of Class A Stock to our employees valued at \$44,000 which we accounted for as compensation expense.

95,000 options were exercised during 2012 having a realized value of \$136,000 for which we received \$308,000 of cash. Additionally, 41,000 options were exercised during 2012 having a realized value of \$103,000 for which we did not receive any cash but the employee elected to receive the net incremental number of in-the-money shares of 15,822 based on a \$4.01 and a market price of \$6.53.

#### 2011 Common Stock Activity

During 2011, we issued 174,825 of Class A Stock to certain executive employee associated with his prior years' stock grants.

During 2011, we purchased 172,300 of Class A Stock on the open market for \$747,000.

Accumulated Other Comprehensive Income

|   | Foreign<br>Currency<br>Items | Unrealized<br>Gain and<br>Losses on<br>Available-for-<br>Sale<br>Investments | Accrued<br>Pension<br>Service Costs | Total     |
|---|------------------------------|--|-------------------------------------|-----------|
| Beginning balance                             | \$ 64,558                    | \$ 9   | \$(3,200)                           | \$ 61,369 |
| Net current-period other comprehensive income | (19,259)                     | --   | (593)                               | (19,854)  |
| Ending balance                                | 45,299                       | 9  | (3,793)                             | 41,515    |

**Note 22 – Business Segments and Geographic Area Information**

The table below sets forth certain information concerning our cinema operations and our real estate operations (which includes information relating to both our real estate development, retail rental and live theater rental activities) for the three years ended December 31, 2013 (dollars in thousands):

| Year Ended December 31, 2013       | Cinema<br>Exhibition | Real Estate | Intersegment<br>Eliminations | Total      |
|------------------------------------|----------------------|-------------|------------------------------|------------|
| Revenue                            | \$ 239,418           | \$ 26,456   | \$(7,653)                    | \$ 258,221 |
| Operating expense                  | 200,859              | 10,830      | (7,653)                      | 204,036    |
| Depreciation and amortization      | 10,741               | 4,023       | --                           | 14,764     |
| General and administrative expense | 3,273                | 644         | --                           | 3,917      |
| Segment operating income           | \$ 24,545            | \$ 10,959   | \$ --                        | \$ 35,504  |

| Year Ended December 31, 2012       | Cinema<br>Exhibition | Real Estate | Intersegment<br>Eliminations | Total      |
|------------------------------------|----------------------|-------------|------------------------------|------------|
| Revenue                            | \$ 234,703           | \$ 27,256   | \$(7,529)                    | \$ 254,430 |
| Operating expense                  | 198,040              | 11,163      | (7,529)                      | 201,674    |
| Depreciation and amortization      | 11,154               | 4,441       | --                           | 15,595     |
| General and administrative expense | 2,598                | 718         | --                           | 3,316      |
| Impairment expense                 | --                   | 1,463       | --                           | 1,463      |
| Segment operating income           | \$ 22,911            | \$ 9,471    | \$ --                        | \$ 32,382  |

| Year Ended December 31, 2011       | Cinema<br>Exhibition | Real Estate | Intersegment<br>Eliminations | Total      |
|------------------------------------|----------------------|-------------|------------------------------|------------|
| Revenue                            | \$ 225,849           | \$ 26,562   | \$(7,432)                    | \$ 244,979 |
| Operating expense                  | 189,647              | 10,190      | (7,432)                      | 192,405    |
| Depreciation and amortization      | 11,842               | 4,444       | --                           | 16,286     |
| General and administrative expense | 2,740                | 646         | --                           | 3,386      |
| Impairment expense                 | --                   | 369         | --                           | 369        |
| Segment operating income           | \$ 21,620            | \$ 10,913   | \$ --                        | \$ 32,533  |

**Reconciliation to net income attributable to Reading International, Inc. shareholders:**

|  | 2013      | 2012      | 2011      |
|--|-----------|-----------|-----------|
| Total segment operating income                                       | \$ 35,504 | \$ 32,382 | \$ 32,533 |
| Non-segment:   |           |           |           |
| Depreciation and amortization expense                                | 433       | 454       | 309       |
| General and administrative expense                                   | 14,136    | 12,801    | 14,046    |
| Operating income   | 20,935    | 19,127    | 18,178    |
| Interest expense, net  | (10,037)  | (16,426)  | (21,038)  |
| Other income (loss)  | 1,876     | (563)     | 1,157     |
| Gain (loss) on sale of assets  | (56)      | 144       | (67)      |
| Income tax benefit (expense)   | (4,942)   | (4,904)   | 12,330    |
| Equity earnings (loss) of unconsolidated joint ventures and entities | 1,369     | 1,621     | (1,552)   |

|   |          |            |           |
|---|----------|------------|-----------|
| Income (loss) from discontinued operations  | --       | (85)       | 232       |
| Gain (loss) on sale of discontinued operation                                     | --       | (320)      | 1,656     |
| Net income (loss)   | \$ 9,145 | \$ (1,406) | \$ 10,896 |
| Net (income) loss attributable to noncontrolling interests                        | (104)    | 492        | (940)     |
| Net income (loss) attributable to Reading International, Inc. common shareholders | \$ 9,041 | \$ (914)   | \$ 9,956  |

| Summary of assets: | December 31, |            |            |
|--------------------|--------------|------------|------------|
|                    | 2013         | 2012       | 2011       |
| Segment assets     | \$ 347,637   | \$ 408,667 | \$ 414,608 |
| Corporate assets   | 39,170       | 19,921     | 16,156     |
| Total Assets       | \$ 386,807   | \$ 428,588 | \$ 430,764 |

| Summary of capital expenditures: | December 31, |           |          |
|----------------------------------|--------------|-----------|----------|
|                                  | 2013         | 2012      | 2011     |
| Segment capital expenditures     | \$ 19,910    | \$ 13,390 | \$ 8,419 |
| Corporate capital expenditures   | 172          | 333       | 957      |
| Total capital expenditures       | \$ 20,082    | \$ 13,723 | \$ 9,376 |

The cinema results shown above include revenue and operating expense directly linked to our cinema assets. The real estate results include rental income from our properties and live theater venues and operating expense directly linked to our property assets.

The following table sets forth the book value of our operating property by geographical area (dollars in thousands):

|                          | December 31, |            |
|--------------------------|--------------|------------|
|                          | 2013         | 2012       |
| Australia                | \$ 97,240    | \$ 106,020 |
| New Zealand              | 36,319       | 35,456     |
| United States            | 58,101       | 61,302     |
| Total operating property | \$ 191,660   | \$ 202,778 |

The following table sets forth our revenue by geographical area (dollars in thousands):

|               | December 31, |            |            |
|---------------|--------------|------------|------------|
|               | 2013         | 2012       | 2011       |
| Australia     | \$ 100,399   | \$ 108,320 | \$ 110,742 |
| New Zealand   | 26,310       | 24,608     | 22,247     |
| United States | 131,512      | 121,502    | 111,990    |
| Total revenue | \$ 258,221   | \$ 254,430 | \$ 244,979 |

**Note 23 – Unaudited Quarterly Financial Information (dollars in thousands, except per share amounts)**

|  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|--|------------------|-------------------|------------------|-------------------|
| <b>2013</b>  |                  |                   |                  |                   |
| Revenue  | \$ 59,567        | \$ 69,642         | \$ 65,472        | \$ 63,540         |
| Net income (loss)  | \$ (671)         | \$ 4,176          | \$ 2,431         | \$ 3,209          |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ (668)         | \$ 4,135          | \$ 2,393         | \$ 3,181          |
| Basic earnings (loss) per share  | \$ (0.03)        | \$ 0.18           | \$ 0.10          | \$ 0.14           |
| Diluted earnings (loss) per share  | \$ (0.03)        | \$ 0.18           | \$ 0.10          | \$ 0.13           |
| <b>2012</b>  |                  |                   |                  |                   |
| Revenue  | \$ 62,431        | \$ 62,948         | \$ 63,934        | \$ 65,117         |
| Net income (loss)  | \$ (109)         | \$ 224            | \$ 396           | \$ (1,917)        |
| Net income (loss) attributable to Reading International, Inc. shareholders | \$ (239)         | \$ 239            | \$ 363           | \$ (1,277)        |
| Basic earnings (loss) per share  | \$ (0.01)        | \$ 0.01           | \$ 0.02          | \$ (0.06)         |
| Diluted earnings (loss) per share  | \$ (0.01)        | \$ 0.01           | \$ 0.02          | \$ (0.06)         |

**Note 24 - Future Minimum Rental Income**

Real estate revenue amounted to \$18.8 million, \$19.7 million, and \$19.1 million, for the years ended December 31, 2013, 2012, and 2011, respectively. Future minimum rental income under all contractual operating leases is summarized as follows (dollars in thousands):

| <b>Year Ending December 31,</b>           |                  |
|---|------------------|
| 2014                                      | \$ 8,605         |
| 2015                                      | 7,934            |
| 2016                                      | 6,662            |
| 2017                                      | 5,216            |
| 2018                                      | 4,125            |
| Thereafter                                | 21,203           |
| <b>Total future minimum rental income</b> | <b>\$ 53,745</b> |

**Note 25 – Related Parties and Transactions****Sutton Hill Capital**

In 2001, we entered into a transaction with Sutton Hill Capital, LLC (“SHC”) regarding the leasing with an option to purchase of certain cinemas located in Manhattan including our Village East and Cinemas 1, 2 & 3 theaters. In connection with that transaction, we also agreed to lend certain amounts to SHC, to provide liquidity in its investment, pending our determination whether or not to exercise our option to purchase and to manage the 86th Street Cinema on a fee basis. SHC is a limited liability company owned in equal shares by James J. Cotter and a third party and of which Mr. Cotter is the managing member. The Village East is the only cinema that remains subject to this lease and during 2013, 2012, and 2011, we paid rent to SHC for this cinema in the amount of \$590,000, \$590,000, and \$590,000, respectively.

On June 29, 2010, we agreed to extend our existing lease from SHC of the Village East Cinema in New York City by 10 years, with a new termination date of June 30, 2020. The Village East lease includes a sub-lease of the ground underlying the cinema that is subject to a longer-term ground lease between SHC and an unrelated third party that expires in June 2031 (the “cinema ground lease”). The extended lease provides for a call option pursuant to which Reading may purchase the cinema ground lease for \$5.9 million at the end of the lease term. Additionally, the lease has a put option pursuant to which SHC may require 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. Because our Chairman, Chief Executive Officer, and controlling shareholder, Mr. James J. Cotter, is also the managing member of SHC, RDI and SHC are considered entities under common control. As a result, 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 Note 15 – Other Liabilities).

In 2005, we acquired from a third party the fee interest and from SHC its interest in the ground lease estate underlying and the improvements constituting the Cinemas 1, 2 & 3. In connection with that transaction, we granted to SHC an option to acquire a 25% interest in the special purpose entity formed to acquire these interests at cost. On June 28, 2007, SHC exercised this option, paying the option exercise price through the application of their \$3.0 million deposit plus the assumption of its proportionate share of SHP's liabilities giving it a 25% non-managing membership interest in SHP.

#### OBI Management Agreement

Pursuant to a Theater Management Agreement (the "Management Agreement"), our live theater operations are managed by OBI LLC ("OBI Management"), which is wholly owned by Ms. Margaret Cotter who is the daughter of James J. Cotter and a member of our Board of Directors.

The Management Agreement generally provides that we will pay OBI Management a combination of fixed and incentive fees, which historically have equated to approximately 21% of the net cash flow received by us from our live theaters in New York. Since the fixed fees are applicable only during such periods as the New York theaters are booked, OBI Management receives no compensation with respect to a theater at any time when it is not generating revenue for us. This arrangement provides an incentive to OBI Management to keep the theaters booked with the best available shows, and mitigates the negative cash flow that would result from having an empty theater. In addition, OBI Management manages our Royal George live theater complex in Chicago on a fee basis based on theater cash flow. In 2013, OBI Management earned \$401,000, which was 20.1% of net cash flows for the year. In 2012, OBI Management earned \$390,000, which was 19.7% of net cash flows for the year. In 2011, OBI Management earned \$398,000, which was 19.4% of net cash flows for the year. In each year, we reimbursed travel related expenses for OBI Management personnel with respect to travel between New York City and Chicago in connection with the management of the Royal George complex.

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

#### Live Theater Play Investment

From time to time, our officers and directors may invest in plays that lease our live theaters. The play STOMP has been playing in our Orpheum Theatre since prior to the time we acquired the theater in 2001. Messrs. James J. Cotter and Michael Forman own an approximately 5% interest in that play, an interest that they have held since prior to our acquisition of the theater.

#### Shadow View Land and Farming LLC

During 2012, Mr. James J. Cotter, our Chairman, Chief Executive Officer and controlling shareholder, contributed \$2.5 million of cash and \$255,000 of his 2011 bonus as his 50% share of the purchase price of a land parcel in Coachella, California and to cover his 50% share of certain costs associated with that acquisition. This land is held in Shadow View Land and Farming, LLC, in which Mr. Cotter owns a 50% interest. We are the managing member of Shadow View Land and Farming, LLC (see Note 20 – *Noncontrolling Interests*).

**Note 26 – Casualty Loss**

Wellington, New Zealand Parking Structure

On July 21, 2013, Wellington, New Zealand experienced a strong earthquake that damaged our parking structure adjacent to our Courtenay Central shopping center. The parking structure has been closed pending repairs to the structure. We estimate the cost to repair the structure will be approximately \$2.0 million (NZ\$2.5 million) of which our earthquake insurance will cover approximately \$1.5 million (NZ\$1.8 million) after our \$584,000 (NZ\$710,000) insurance deductible. For the year ended December 31, 2013, we recorded a casualty loss of \$49,000 (NZ\$59,000) based on the associated net book value of the property as an other income (expense) and a \$1.5 million (NZ\$1.8 million) insurance receivable in our current receivables at December 31, 2013. Our reduction in operating income will also be offset somewhat by our business interruption insurance subject to the relevant deductible.

Christchurch, New Zealand Cinemas

Our 8-screen complex in Christchurch, New Zealand, was damaged as a result of the devastating earthquake suffered by that city on February 22, 2011. We have earthquake and lost profits insurance on that facility for which we have received to date \$1.1 million (NZ\$1.3 million) which is included in our 2011 other income (expense). We are awaiting a final settlement payment on this claim for a nominally estimated amount to be received in 2014. This cinema was reopened on November 17, 2011, but, as a result of a December 23, 2011 earthquake, the cinema was again temporarily closed for approximately two weeks.

Additionally, the 3-screen complex in Christchurch, New Zealand owned by our Rialto Cinemas joint venture entity ("Rialto Cinemas"), was damaged as a result of the devastating earthquake suffered by that city on February 22, 2011, and has been closed since that date. Pursuant to the lease on the property, in May 2011, Rialto Cinemas gave notice to the landlord that Rialto Cinemas would be terminating the cinema lease. Rialto Cinemas and the landlord have terminated the lease under agreeable terms and did not result in a significant reduction to the value of our investment in the Rialto Cinemas joint venture relative to its carrying value.



**Schedule II – Valuation and Qualifying Accounts**

| Description  | Balance at<br>beginning of<br>year | Additions<br>charged to<br>costs and<br>expenses | Deductions | Balance at<br>end of year |
|--|------------------------------------|--|------------|---------------------------|
| Allowance for doubtful accounts                                |                                    |  |            |                           |
| Year-ended December 31, 2013 – Allowance for doubtful accounts | \$ 209                             | \$ 505   | \$ 339     | \$ 375                    |
| Year-ended December 31, 2012 – Allowance for doubtful accounts | \$ 53                              | \$ 367   | \$ 211     | \$ 209                    |
| Year-ended December 31, 2011 – Allowance for doubtful accounts | \$ 58                              | \$ 153   | \$ 158     | \$ 53                     |
| Tax valuation allowance  |                                    |  |            |                           |
| Year-ended December 31, 2013 – Tax valuation allowance         | \$ 37,903                          | \$ --  | \$ 2,920   | \$ 34,983                 |
| Year-ended December 31, 2012 – Tax valuation allowance         | \$ 38,461                          | \$ --  | \$ 558     | \$ 37,903                 |
| Year-ended December 31, 2011 – Tax valuation allowance         | \$ 54,513                          | \$ --  | \$ 16,052  | \$ 38,461                 |

**Item 9 – Change in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A — Controls and Procedures**

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f), including maintenance of (i) records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, and (ii) policies and procedures that provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (b) our receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors and (c) we will prevent or timely detect unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of the inherent limitations of any system of internal control. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses of judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper overriding of controls. As a result of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on our evaluation under the COSO framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2013. The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

### **Disclosure Controls and Procedures**

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A disclosure committee consisting of the principal accounting officer, general counsel, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as required by the Securities Exchange Act Rule 13a-15(e) and 15d-15(e) as of the end of the period covered by this report.

### **Changes in Internal Controls Over Financial Reporting**

No changes in internal control over financial reporting occurred during the quarter ended December 31, 2013, that have materially affected, or are likely to materially affect, our internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Reading International, Inc.

We have audited the internal control over financial reporting of Reading International, Inc. and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

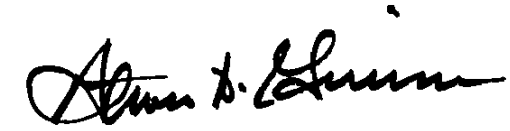
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013 and our report dated March 7, 2014 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP  
Los Angeles, California  
March 7, 2014



CLERK OF THE COURT

TRAN

DISTRICT COURT  
CLARK COUNTY, NEVADA  
\* \* \* \* \*

JAMES COTTER, JR. .

Plaintiff .

vs. .

MARGARET COTTER, et al. .

Defendants .

. . . . .

CASE NO. A-719860  
P-082942

DEPT. NO. XI

**Transcript of  
Proceedings**

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

**HEARING ON T2 PLAINTIFFS' MOTION FOR  
PRELIMINARY INJUNCTION**

THURSDAY, MAY 26, 2016

COURT RECORDER:

JILL HAWKINS  
District Court

TRANSCRIPTION BY:

FLORENCE HOYT  
Las Vegas, Nevada 89146

Proceedings recorded by audio-visual recording, transcript  
produced by transcription service.

APPEARANCES:

FOR THE PLAINTIFF:

MARK G. KRUM, ESQ.

FOR THE DEFENDANTS:

HOWARD STANLEY, JOHNSON, ESQ.

CHRISTOPHER TAYBACK, ESQ.

AARON D. SHIPLEY, ESQ.

MARSHALL SEARCY, ESQ.

FOR THE INTERVENOR:

ALEXANDER ROBERTSON, IV, ESQ.

1 LAS VEGAS, NEVADA, THURSDAY, MAY 26, 2016, 11:07 A.M.

2 (Court was called to order)

3 THE COURT: Cotter. I left you to last because I  
4 think you need more than 10 minutes given the issues that have  
5 been raised.

6 Good morning, Mr. Robertson. If everybody could  
7 please identify themselves, starting with Mr. Krum and moving  
8 across the room.

9 MR. KRUM: Good morning, Your Honor. Mark Krum for  
10 plaintiff James J. Cotter, Jr., in the derivative action.

11 MR. ROBERTSON: Good morning, Your Honor. Alex  
12 Robertson for the intervening plaintiffs.

13 MR. SHIPLEY: Aaron Shipley on behalf of James J.  
14 Cotter, Jr., in the related probate matter.

15 MR. TAYBACK: Good morning, Your Honor. Christopher  
16 Tayback on behalf of certain of director defendants.

17 MR. FERRARIO: Mark Ferrario for Reading, Your Honor.

18 MR. SEARCY: Marshall Searcy on behalf of director  
19 defendants Ed Kane, Guy Adams, Margaret Cotter, Ellen Cotter,  
20 and Doug McEachern.

21 THE COURT: And nobody's accusing you of being bad  
22 today.

23 MR. SEARCY: It's early yet, Your Honor.

24 MR. JOHNSON: Stan Johnson on behalf of the same  
25 defendants.

1           THE COURT: All right. I am going to start with  
2 the motion for permission to file exhibits in support of the  
3 motion under seal. Was there anybody who had an objection?  
4 Motion's granted.

5           Now, Mr. Robertson, it's your motion.

6           MR. ROBERTSON: Thank you, Your Honor.

7           Your Honor, the heart of our motion deals with the  
8 extent and limitation of the powers of the inspector of  
9 elections, both the 2015 election and the upcoming 2016 annual  
10 shareholder meeting which is set for next week on June 2nd.  
11 There's various numerous legal issues which are outside the  
12 purview of the inspector of elections that would have to be  
13 decided as a predicate in order to count approximately  
14 70 percent majority voting block of the RDI Class B shares.  
15 The first block is 696,000, approximately, Class B shares. We  
16 argue California law clearly governs here on the Trust. It's  
17 a California trust. The Trust itself specifically in  
18 Article 13 in bold typeface says, "California law governs."  
19 It says, "Declaration of Trust has been executed, delivered in  
20 the state of California, and the laws of the State of  
21 California shall govern its validity, interpretation,  
22 construction, and administration.

23           Under the California Probate Code if you have  
24 multiple trustees of a California trust, any action by the  
25 trustee has to be unanimous. The defendants, director



1 defendants at the 2015 annual shareholder meeting clearly took  
2 a different position, claiming that NRS 78.352 applied.  
3 Nevada law does not apply. California applies to interpret  
4 and enforce a California trust.

5           It would have been impossible for the inspector of  
6 elections at the November 2016 annual shareholder meeting to  
7 have resolved that legal issue, because the California Probate  
8 Court has not yet resolved whether there are two or three  
9 trustees who validly can vote the shares on behalf of the  
10 Living Trust, the California trust. If the California court  
11 hasn't reached that issue yet and adjudicated it, an inspector  
12 of elections certainly can't. His powers are ministerial only  
13 and cannot extend quasi judicial determinations.

14           The stock certificate on its face we put into  
15 evidence shows that the only trustee of record of those shares  
16 was Mr. Cotter, Sr., a decedent. Doesn't show any successor  
17 trustees. The corporation's books and records don't show any  
18 successor trustees. And, as we all know, the issue about  
19 trustees is hotly contested amongst the Cotter siblings  
20 themselves in multiple states in multiple lawsuits.

21           That brings us to the second block of shares of  
22 327,808 Class B shares. There's a dispute regarding the  
23 validity of a written assignment of those shares made by Mr.  
24 Cotter during his lifetime on July 20, 2014, to the Living  
25 Trust. That issue has not yet been adjudicated by the

1 California court in that probate action. A hearing is set for  
2 July of this year to resolve those issues along with the  
3 number of trustees. So, without a determination, a judicial  
4 determination of whether those shares were properly  
5 transferred to the Living Trust, they cannot be voted by  
6 anyone purporting to vote them as executors of Mr. Cotter,  
7 Sr.'s estate. They may have already been transferred to the  
8 Trust during his lifetime.

9           The issue was brought up in the opposition about if  
10 the Court grants this motion it will disturb the status quo.  
11 The director defendants disturbed the status quo last November  
12 at the 2015 annual shareholder meeting when they counted these  
13 shares 70 percent, they changed the inspector of elections  
14 they'd been using for 10 years prior to bring in a new  
15 inspector of elections, presumably who didn't know anything  
16 about these disputes, in order to count these shares. They  
17 had Tim Storey resign as a director, and then they appointed,  
18 right before, within days before the 2015 annual shareholder  
19 meeting two new directors who admittedly are family friends of  
20 Ellen and Margaret Cotter. They brought in a couple of  
21 ringers. They disturbed the status quo. All we're asking  
22 is that nobody, none of the three Cotters be allowed to vote  
23 any of these shares until the proper court adjudicates who  
24 the trustees are of the Living Trust and whether these  
25 327,808 shares were validly transferred by Mr. Cotter, Sr.,

1 during his lifetime to the Living Trust.

2 If the Court has questions, I'm happy to answer  
3 them. Otherwise, I'll reserve -

4 THE COURT: Do you think that will assist the  
5 California court in making a decision faster? You know how  
6 slow the California courts are.

7 MR. ROBERTSON: I do, Your Honor. But I checked  
8 the docket right before yesterday, and it still shows a  
9 hearing for July.

10 THE COURT: And there's a shareholder meeting in  
11 June.

12 MR. ROBERTSON: Shareholder meeting next week. And  
13 that's why we brought this motion.

14 THE COURT: I understand. But I can't make  
15 California courts go faster.

16 MR. ROBERTSON: I can't, either, Your Honor.

17 THE COURT: I had a joinder by Mr. Krum, or sort of  
18 a joinder.

19 MR. KRUM: Yes, Your Honor. It was actually a  
20 response, and it was -

21 THE COURT: I know.

22 MR. KRUM: Well, it was styled as such purposely.

23 THE COURT: It sounded a lot like a joinder when I  
24 read it.

25 MR. KRUM: Here's what happened, Your Honor. We

1 received the oppositions on Tuesday, I read them on a flight  
2 in from the East Coast yesterday. We thought there were some  
3 erroneous statements in one of them, and we simply wanted to  
4 speak to those and make the point that from the perspective of  
5 Mr. Cotter this is part of the ongoing course of self dealing  
6 and fiduciary breaches. As to this particular motion I want  
7 to preserve my ability to say that, so I filed a response. I  
8 did not file a joinder. And, unless you have questions of me,  
9 that's all I'm going to say.

10 THE COURT: I don't have any.

11 Anybody else on this side?

12 Okay. You're up.

13 MR. TAYBACK: Your Honor, on the issue with respect  
14 to which law should govern, Nevada or California, Nevada law  
15 should govern how a Nevada corporation counts its votes. But  
16 that's beside the point with respect to the issue that's - one  
17 of the issues that's being addressed by the intervenor  
18 plaintiffs. California Corporation Code, which they rely on  
19 -- or, rather, California Probate Code section which they rely  
20 upon, 15.620, says that it requires unanimous consent of the  
21 trustees. But that is overridden and I believe this issue has  
22 been previously addressed to Your Honor in other contexts in  
23 the coordinated case -

24 THE COURT: A year ago.

25 MR. TAYBACK: -- a year ago upon which Your Honor

1 ruled. But the California Corporation Code Section 704 says  
2 it only requires a majority. And there's a case in  
3 California, Edwards v. Edwards, that said that that specific  
4 statute governs.

5           What you see in this motion really in sum is a bit  
6 of a Hail Mary. It's a gambit by an interested stockholder  
7 not in pursuing the legitimate interests that a derivative  
8 suit is designed to facilitate on behalf of other  
9 stockholders, but by an interested party that's looking to  
10 gain an advantage for them, for their stake by  
11 disenfranchising 70 percent of the stockholder interests in  
12 this company.

13           If you are looking -- you really need to look no  
14 further than the admission that they make in their reply brief  
15 which was filed yesterday where they say that they bought the  
16 voting Class B shares in March just to file this preliminary  
17 injunction motion. Who buys into what they are now  
18 characterizing as irreparable harm? Well, they bought into it  
19 because they saw an opportunity, an opportunity to try to  
20 disrupt the status quo, the status quo that they know has  
21 existed and frankly is undermined by the things that they said  
22 in their complaint and as recently as yesterday in the  
23 deposition we took of Mr. Ritney Tillson [phonetic], one of  
24 the Ts in T2. In their verified complaint they talk about the  
25 allegations of wrongdoing by the company and its board being

1 compensable by monetary damages. In a verified complaint.  
2 Made no reference to the fact that, oh, by the way, we need to  
3 stop this meeting from proceeding, we need to disenfranchise  
4 the 70 percent interest of shareholders. In fact, in the  
5 deposition yesterday -- and I know you don't have that in  
6 front of you -- it became clear that what Mr. Tillson is  
7 saying is that the company has ben engaged in business as  
8 usual ever since he bought the stock, the original stock in  
9 October of 2014, that in fact it's performing exactly as he  
10 expected.

11           The status quo is the status quo, and the Cotter  
12 family has largely been in control of this company for  
13 decades. And that is the status quo. And that's the status  
14 quo into which T2 bought. They don't want to keep the status  
15 quo. They want to disenfranchise a vast majority of the stock  
16 interests, and they want to do it for their own advantage.  
17 That's not supported either by the law or by the facts or by  
18 the equities. We've given about 15 different reasons why this  
19 motion should be denied based on the standards for preliminary  
20 injunction.

21           Unless Your Honor has any questions, I'm going to  
22 yield the rest of my time to the company's counsel.

23           THE COURT:    Mr. Ferrario?

24           MR. TAYBACK:   Mr. Ferrario.

25           THE COURT:    Okay.

1 MR. FERRARIO: I thought that vacation had a  
2 positive effect on your mental attitude.

3 THE COURT: It was not a vacation.

4 MR. FERRARIO: Your Honor, this has been thoroughly  
5 briefed, and I really do have just a couple of basic points  
6 that from the company's perspective, though, are very  
7 important.

8 You know, this case is about corporate governance.  
9 And I'll remind the Court that when Mr. Robertson got in the  
10 case about a year ago one of the things that he wanted to make  
11 sure happened was that we had an annual meeting. And if you  
12 look at his original filing, you will see in the prayer for  
13 relief he was seeking that remedy. He wanted the meeting. He  
14 was advocating for the meeting. We had the meeting. He  
15 didn't try to stop the meeting then. Everybody knew what was  
16 occurring. Everything was reported. There are no new facts  
17 here. We're in the exact same position we were a year ago  
18 when Mr. Robertson -- almost a year ago got in the case on  
19 behalf of T2. It's t exact scenario. What's different is I  
20 don't think they're getting the traction from their lawsuit  
21 that they had hoped, and T2 is again, as Mr. Tayback  
22 characterized, kind of throwing up a Hail Mary pass.

23 The effect of the injunction here if it was granted  
24 would negate the company's ability to get back on track in  
25 holding its annual meeting, because we would not meet the

1 quorum required under our bylaws. That is not refuted by T2,  
2 it's not addressed by Mr. Krum.

3           And so, you know, I think the Court has to ask why  
4 do we have this change of position. And I think the only  
5 reason is they're looking for some leverage. Legally the  
6 company and the inspector of elections did everything  
7 appropriate in handling this election, both under Nevada  
8 statutes and under the bylaws of the company. And T2 uses as  
9 an excuse for filing this motion now versus not doing it, you  
10 know, eight months ago by saying they've learned new  
11 information. There really isn't any new information.  
12 Everybody knew what was happening at the last meeting. And if  
13 they thought that something was amiss at the last meeting,  
14 then they should have taken action immediately to unwind it.  
15 They didn't do that.

16           And I want to also highlight the point Mr. Tayback  
17 raised where T2 actually bought into this argument. We just  
18 learned that yesterday when Mr. Tillson being deposed said he  
19 bought a nominal amount of stock solely for the purpose of  
20 filing this motion and it will have no impact on him  
21 whatsoever.

22           We also found out yesterday in the deposition that  
23 Mr. Tillson hasn't really given a lot of thought to what would  
24 occur if the relief requested was granted by the Court in  
25 terms of who would then be the controlling stockholders, the



1 impact it would have on potential election of board members,  
2 the fact that one of the -- who would then be a controlling  
3 stockholder whose shares would triple in terms of percentage  
4 voting requirements, right, that that's a competitor of the  
5 companies and on and on and on. We found all that out  
6 yesterday.

7           So for them to say that they're trying to get an  
8 injunction to maintain the status quo is just simply  
9 untenable. The status quo right now is what happened at the  
10 last meeting. The status quo is what I got out of my  
11 involvement a year ago in the estate case when, as Your Honor  
12 sees in the transcript from one of Your Honor's immediately  
13 called telephonic hearings where I clarified from the  
14 company's perspective those shares that were in the estate  
15 here could be voted by the executors.

16           THE COURT: That's what I said then.

17           MR. FERRARIO: That is what you said then, and  
18 you've had two motions come in front of you where they've  
19 tried to change that dynamic, and both of those have been  
20 denied. So the case is about in large part corporate  
21 governance. So I find it odd that the people who are sitting  
22 over here that are griping about corporate governance are now  
23 trying to undermine corporate governance with arguments that  
24 don't fly. Mr. Tayback talked about the Edwards case, Your  
25 Honor. I have a copy of that, if you'd like it. I was

1 bringing that, as well, because in these types of conflicts  
2 corporate law take primacy over trust law on these voting  
3 issues. And with that I'll answer any questions the Court may  
4 have.

5 THE COURT: I don't have any questions for you.  
6 Mr. Robertson.

7 MR. ROBERTSON: Thank you, Your Honor.

8 Your Honor, these disputed shares are owned by a  
9 California Trust, not the corporation. Therefore, the issue  
10 -- interpretation of how many trustees, whether you need  
11 unanimous consent or not, should be interpreted under  
12 California Probate Code, not Nevada corporate law, not  
13 California corporate law. It's the issue about who owns those  
14 shares and what does the Trust instrument itself provide.

15 My clients did purchase Class B shares simply to  
16 negate any argument that they lacked standing as Class A  
17 shareholders to bring this motion. Their case, their lawsuit  
18 is all about trying to change corporate governance, because  
19 they're standing on the sidelines watching three Cotter  
20 siblings tear this company apart based upon their animosity  
21 for each other. They want -- there's no way in their minority  
22 interest of owning a thousand Class B shares that they're ever  
23 going to sway the control or vote of this company. They would  
24 like to see some grownups at the board table instead of the  
25 three Cotter siblings.

1           THE COURT:    I think we all agree that it would be  
2 nice if the three Cotter siblings could get along.  But that  
3 doesn't mean that the relief you're requesting here is the  
4 appropriate relief.

5           MR. ROBERTSON:  Well, but it also doesn't mean that  
6 the inspector of elections can go beyond the face of the stock  
7 certificates or the stock register and -

8           THE COURT:    Right.  But I made a determination in  
9 preparation for last year's meeting.  I don't know why anybody  
10 would ask me -- nobody's given me any reason to change that at  
11 this point.

12          MR. ROBERTSON:  Well --

13          THE COURT:    I know that you're still frustrated  
14 about the state of this litigation and your clients are very  
15 frustrated about it.  I had hopes that the California  
16 settlement conference would do something to move this along.  
17 But I can't make other people do their job.

18          MR. ROBERTSON:  I understand, Your Honor.  And  
19 what's new for us is the fact that just weeks before we filed  
20 this motion we got an email through discovery from the  
21 inspector of elections to RDI that explained, hey, I had three  
22 proxies from the three Cotter siblings and so two out of three  
23 wins, majority wins.  That's the new evidence.  We didn't know  
24 how the votes were going to be counted at the election.  We  
25 brought this motion five months after that election, on the

1 eve of next week's election, so that this doesn't happen  
2 again.

3 THE COURT: I understand. Anything else?

4 MR. ROBERTSON: No, Your Honor.

5 THE COURT: Anything else from anybody?

6 Mr. Krum, anything else you want to add?

7 MR. KRUM: No, Your Honor. Thank you.

8 THE COURT: Okay. So my position has not changed.  
9 So we'll proceed with the meeting just like we did last year.

10 MR. ROBERTSON: Thank you, Your Honor.

11 THE COURT: The inspector has the discretion to  
12 make a determination as to whether the shares are properly  
13 voted, but I've given my direction. And my direction has not  
14 changed.

15 MR. ROBERTSON: Thank you, Your Honor.

16 MR. FERRARIO: Your Honor, can we address another  
17 matter?

18 THE COURT: How about I address mine first.

19 MR. FERRARIO: Okay.

20 THE COURT: You've got several motions on the  
21 chambers calendar which are not typically the type of motions  
22 that I would have on the chambers calendar. They are Cotter's  
23 motion to compel plaintiff James Cotter to produce an adequate  
24 privilege log, Reading's joinder to the motion to disqualify  
25 the intervening plaintiffs, and the Cotter parties' motion to

1 disqualify the intervening plaintiffs. Usually I wouldn't put  
2 those on my chambers calendar. So what do you guys think? Do  
3 you want them on the chambers calendar, or do you want them on  
4 the oral calendar? If you don't want them on the chambers  
5 calendar, when would you like them?

6 MR. ROBERTSON: The T2 plaintiffs would object to  
7 being on chambers calendar as to the motion to disqualify.

8 THE COURT: Great. So I would typically move that  
9 to the day before, which would be June 16.

10 MR. FERRARIO: Well, now you're getting into what I  
11 wanted to talk to you about -

12 THE COURT: Sweet.

13 MR. FERRARIO: -- scheduling.

14 THE COURT: How are you today, Mr. Ferrario?

15 MR. FERRARIO: I'm fine, Your Honor. How are you?

16 THE COURT: You're at the right table for this -

17 MR. FERRARIO: We heard you were on a vacation.

18 THE COURT: No. I was on a trip.

19 MR. FERRARIO: Maybe did it start out to be a  
20 vacation but trended -

21 THE COURT: It was always going to be a trip.

22 MR. FERRARIO: Okay. All right. Well -

23 THE COURT: When you travel 36 hours to return to  
24 your home it's not a vacation.

25 MR. FERRARIO: That's not.

1           We had heard rumors that you've set the Jacobs case  
2 for trial in September.

3           THE COURT:   That's not rumor.

4           MR. FERRARIO:   That's a fact.

5           THE COURT:   Well, I don't know.  It depends what  
6 the Supreme Court does today.  Somebody filed a motion for a  
7 rehearing, and they ordered [unintelligible].  So I don't know  
8 what that means.

9           MR. FERRARIO:   All right.  Well, then, I think I  
10 can speak for all the parties, we've been working very hard -

11           THE COURT:   They have a trial scheduled for  
12 September.

13           MR. FERRARIO:   That trial is.  Ours is in November.

14           THE COURT:   Yours is scheduled for November.  They  
15 have September.

16           MR. FERRARIO:   So we can still plan on that?  
17 Because we're working -- I mean, we're flying around, we're  
18 trying to complete all depositions, everybody's been working very  
19 diligently.

20           THE COURT:   You know how the Nevada Supreme Court  
21 is.

22           MR. FERRARIO:   I do.  Okay.

23           THE COURT:   Got no idea.

24           MR. FERRARIO:   Will that -- is there a probability  
25 that'll bump us in November?  That's all I want to know.

1 THE COURT: If I'm still in that trial, you won't  
2 be able to go.

3 MR. FERRARIO: Okay.

4 THE COURT: They tell me that trial is going to  
5 last three months. I have no idea whether they're telling me  
6 the truth or not. I'm summoning 600 jurors to fill out a  
7 50-page jury questionnaire. There aren't as many parties as  
8 we had in CityCenter, so I'm hoping it doesn't take so long.

9 MR. FERRARIO: What's 600? Come on.

10 THE COURT: Yeah.

11 MR. FERRARIO: What's 600 among friends?

12 THE COURT: I know. As opposed to 6300 that you  
13 started with. So I don't have the peremptory challenge issue.  
14 It shouldn't take me seven weeks to pick a jury like it did in  
15 CityCenter, and I should be able to actually start pretty  
16 close to the second week in September, so like September 13 or  
17 so. You've met Peek and Pisanelli and Morris and Jones, and  
18 you know how they are. And -

19 MR. FERRARIO: I get it.

20 THE COURT: I've got no clue.

21 MR. FERRARIO: All right. Well, then we'll just  
22 continue on with November in the hopes that that will fly.

23 THE COURT: When is your Hard Rock case going /

24 MR. FERRARIO: Around that same stack. But that's  
25 probably -- I think Mr. Van was trying to get that bumped.

1 And, you know, it's getting whittled down. I'm hoping that  
2 the thing resolves.

3 THE COURT: And then I've got Wynn-Okada in  
4 February.

5 MR. FERRARIO: Well, that's the problem. We don't  
6 want to get double bumped.

7 THE COURT: Well, that's a problem. Because if --  
8 you know, Wynn-Okada -

9 MR. FERRARIO: No. That's going to go -

10 THE COURT: You saw the drama that occurred this  
11 morning.

12 MR. FERRARIO: That's going to go forever.

13 THE COURT: That'll go longer than Jacobs versus  
14 Sands just because.

15 MR. FERRARIO: So that gives us -- that's why I'm  
16 trying to get a feel for what -

17 THE COURT: If I were you, I would continue to get  
18 ready for your setting for November.

19 MR. FERRARIO: That's all I wanted to hear.

20 THE COURT: How long will your case take if you go?

21 MR. FERRARIO: I think two weeks. We get full  
22 trial days? Or how are you going to chop us up?

23 THE COURT: 10:00 to 5:00.

24 MR. ROBERTSON: Four days a week, or five?

25 THE COURT: Five. Well, it's usually 1:00-ish on



1 Mondays.

2 MR. ROBERTSON: Two, two and a half.

3 MR. FERRARIO: Two weeks maybe.

4 MR. KRUM: I think it would be prudent to say  
5 three.

6 THE COURT: Say three.

7 MR. FERRARIO: Three? Okay. I'll be prudent and  
8 say three.

9 MR. KRUM: Your Honor, may I backfill a little bit?  
10 What it is to which Mr. Ferrario is referring is our  
11 coordinated and extensive efforts to complete percipient  
12 witness discovery.

13 THE COURT: But you're all actually working  
14 together. I don't have one set of parties serving separate  
15 deposition notices and referring [sic] to cooperate with  
16 anybody.

17 MR. KRUM: We're doing pretty well, Your Honor.  
18 But here's where we are. Under the current schedule we  
19 presently are scheduled to conduct depositions into the second  
20 week of July.

21 MR. FERRARIO: We had to. There are a couple -

22 THE COURT: Okay. I'm not worried about that.

23 MR. FERRARIO: We're all working on it.

24 MR. KRUM: So as a practical matter we've agreed to  
25 extend again the percipient witness discovery cutoff date.

1 THE COURT: To when?

2 MR. KRUM: Well, at a minimum to -

3 MR. FERRARIO: We're kind of doing it on an as-  
4 needed basis. We're not opening it wide open. There's people  
5 that we can't complete, there's people that, you know, have  
6 scheduling issues. It's a stray dog here or there.

7 THE COURT: Okay. So let me tell you what my real  
8 issue is. My real issue is the motion practice.

9 MR. FERRARIO: I know. We haven't moved that date.

10 THE COURT: We'll move that date.

11 MR. FERRARIO: We're holding that -

12 MR. KRUM: What we need to move is -- we're holding  
13 that day. What we need to move is the percipient witness  
14 discovery and the expert disclosures.

15 THE COURT: I don't care. How's that? I don't  
16 care. If you don't move your motion date, I'm okay. You move  
17 all the other stuff, you work it out among yourselves.

18 MR. KRUM: Okay.

19 THE COURT: You move the motion date, I care. And  
20 I'll probably move it further away from the trial.

21 MR. KRUM: Well, I think as a practical matter  
22 where we all expect to be is if we think that's going to be a  
23 problem, we will know by then whether it is not a problem  
24 because of -

25 THE COURT: If it's a problem, you won't make this

1 trial date.

2 MR. KRUM: Understood. Understood. We're all  
3 hearing the goings ons, including the Jacobs-Sands case, which  
4 thankfully I don't have a piece of anymore.

5 Okay. So we'll submit a stipulation, then, with  
6 respect to the percipient witness and the expert deadlines,  
7 and we're going to continue apace to try to get everything  
8 done.

9 MR. FERRARIO: Your Honor, at the risk -

10 THE COURT: Don't move the motion date.

11 MR. FERRARIO: I always look for I told you so that  
12 I -- having been through this with you before, that's the  
13 sacred date, the motion date. But if we need to do a stip -

14 THE COURT: That's the only one I really care  
15 about.

16 MR. FERRARIO: -- we're fine. But -

17 THE COURT: I mean, I care about a lot of other  
18 dates, but that's the one that I will not move.

19 MR. FERRARIO: Okay. Well, we're going to continue  
20 to shoot for November, then. That sounds great.

21 THE COURT: So let me go back to the question that  
22 I asked you.

23 MR. FERRARIO: Okay. Now we can pick a date.

24 THE COURT: Okay. Now that we've finished that, so  
25 the motion to disqualify the intervening plaintiffs I can move

1 to June 16 if you're okay with that.

2 MR. KRUM: Your Honor, that's the date when -

3 MR. FERRARIO: I think we had -- isn't that Ellen  
4 and Margaret?

5 MR. KRUM: -- we're scheduled to be in New York for  
6 depositions.

7 THE COURT: So do you want it before or after that  
8 date?

9 MR. KRUM: Well, as a practical matter, Your Honor,  
10 we're -

11 MR. FERRARIO: No. We -- there's dates in there.  
12 Hang on for a second. You've got the biggest issue.

13 MR. KRUM: Well, I'm in deposition in Southern  
14 California the prior week, and a deposition in New York that  
15 week. I'm out of the country with my family the following  
16 week. That takes us to the week of July 4.

17 MR. FERRARIO: Can we do it - what did we have on  
18 the 9th? Did we project anybody out on the 9th?

19 MR. KRUM: Yes. We're in San Diego.

20 MR. FERRARIO: Oh. That's Ed Kane. Right.

21 THE COURT: And I want to compliment you all for  
22 working so well together on your discovery schedule.

23 MR. FERRARIO: Could we do the 13th?

24 Mark, are you flying back -

25 MR. KRUM: I'm going to be New York.

1 THE COURT: The 13th is a Monday.

2 MR. FERRARIO: I know. So you're only Tuesdays,  
3 Thursdays?

4 THE COURT: Unless you want to come at 8:00 o'clock  
5 in the morning. And most people don't like that.

6 MR. KRUM: That week is the East Coast.

7 MR. FERRARIO: What about the 7th? Does the 7th  
8 work?

9 MR. ROBERTSON: I'm out.

10 MR. FERRARIO: You're out that whole week?

11 MR. ROBERTSON: Two weeks.

12 MR. FERRARIO: I would suggest we go talk amongst  
13 ourselves and shoot some dates to you that work.

14 THE COURT: Okay. So here's your issue. I have  
15 the motion on the adequate privilege log which is on my  
16 chambers calendar tomorrow. I assume there are still issues  
17 on that, since the motion's on calendar. So I need to move  
18 that to a day with an oral calendar. It's on Friday, so I  
19 can't move it to today unless you want to tell me about it  
20 today.

21 MR. FERRARIO: That's their motion.

22 MR. KRUM: Well, Your Honor, I'm not prepared to  
23 speak today.

24 THE COURT: Okay. So I'm not moving it to today.  
25 But the motions to disqualify the intervening plaintiffs for

1 purposes of our discussion only I'm moving it to the June 16  
2 oral calendar with the understanding you're going to up with  
3 an alternative date to the June 16.

4 I am also moving the motion on privilege log to the  
5 same day.

6 MR. FERRARIO: Thank you, Your Honor.

7 THE COURT: But you can tell me what days you'd  
8 really like to have them heard and when you are available to  
9 come visit with me.

10 MR. FERRARIO: We will do that.

11 MR. ROBERTSON: It needs to be a Thursday.

12 MR. KRUM: Tuesday or Thursday.

13 THE COURT: Unless you want to come at 8:00 o'clock  
14 in the morning on a Monday or Wednesday.

15 MR. ROBERTSON: Thank you, Your Honor.

16 MR. KRUM: Thank you, Your Honor.

17 THE COURT: Anything else?

18 MR. KRUM: No.

19 THE COURT: Okay. So I'm going to ask a question,  
20 and I'm not asking it tongue in cheek. The settlement  
21 conference that you had in California, did a real settlement  
22 judge do it, or was it sort of like not?

23 MR. FERRARIO: It was done through the estate case  
24 with a private retired judge mediator in California. It was a  
25 one-day deal.

1           THE COURT:    Okay.  So I'll stay out of it.  I won't  
2 ask the next question.  'Bye.

3           MR. FERRARIO:   The next question was do you want  
4 one here and you want to refer us to -

5           THE COURT:    I was going to send you to Stew Bell.

6           MR. FERRARIO:   Might be shorter than the one in  
7 California.  I think, Judge, when we get through the fact  
8 discovery and start filing motions I think there may be time  
9 to revisit that.  I think it would be very prudent.

10          THE COURT:    Well, it would be nice to have some  
11 grownups.  So that's why I chose Stew.

12          MR. FERRARIO:   Okay.  Thank you, Your Honor.

13          THE COURT:    Grownups.

14                 THE PROCEEDINGS CONCLUDED AT 11:35 A.M.

15                         \* \* \* \* \*

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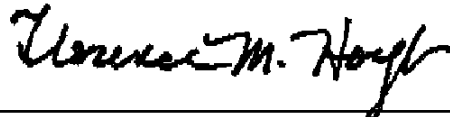
**CERTIFICATION**

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

**AFFIRMATION**

I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

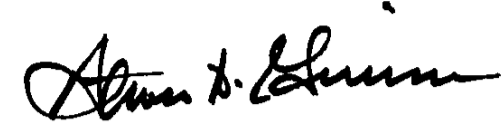
**FLORENCE HOYT**  
**Las Vegas, Nevada 89146**

  
\_\_\_\_\_  
FLORENCE M. HOYT, TRANSCRIBER

6/2/16

\_\_\_\_\_  
DATE





CLERK OF THE COURT

1 **MOT**  
2 MARK E. FERRARIO, ESQ.  
(NV Bar No. 1625)  
3 KARA B. HENDRICKS, ESQ.  
(NV Bar No. 7743)  
4 TAMI D. COWDEN, ESQ.  
(NV Bar No. 8994)  
5 GREENBERG TRAUIG, LLP  
3773 Howard Hughes Parkway  
6 Suite 400 North  
Las Vegas, Nevada 89169  
7 Telephone: (702) 792-3773  
8 Facsimile: (702) 792-9002  
9 Email: ferrariom@gtlaw.com  
hendricksk@gtlaw.com  
10 cowdent@gtlaw.com

11 *Counsel for Reading International, Inc.*

12 **DISTRICT COURT**  
13 **CLARK COUNTY, NEVADA**

14 In the Matter of the Estate of  
15 JAMES J. COTTER,  
16 Deceased.

17 JAMES J. COTTER, JR., derivatively on  
18 behalf of Reading International, Inc.,  
19 Plaintiff,

20 v.  
21 MARGARET COTTER, ELLEN COTTER,  
22 GUY ADAMS, EDWARD KANE,  
23 DOUGLAS McEACHERN, TIMOTHY  
STOREY, WILLIAM GOULD, and DOES 1  
through 100, inclusive,  
24 Defendants.

25 And  
26 READING INTERNATIONAL, INC., a  
Nevada Corporation,  
27 Nominal Defendant.  
28

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

**Coordinated with:**

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

Case No. A-16-735305-B  
Dept. XI

**JOINT MOTION FOR PRELIMINARY  
APPROVAL OF SETTLEMENT,  
NOTICE TO STOCKHOLDERS AND  
SCHEDULING OF SETTLEMENT  
HEARING ON ORDER SHORTENING  
TIME**

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


GREENBERG TRAURIG, LLP  
3771 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3373  
Facsimile: (702) 792-9002

1 Pursuant to Nevada Rule of Civil Procedure 23.1, Interveners, T2 PARTNERS  
2 MANAGEMENT, LP, T2 ACCREDITED FUND, LP, T2 QUALIFIED FUND, LP, TILSON  
3 OFFSHORE FUND, LTD., T2 PARTNERS MANAGEMENT I, LLC, T2 PARTNERS  
4 MANAGEMENT GROUP, LLC, JMG CAPITAL MANAGEMENT, LLC, PACIFIC CAPITAL  
5 MANAGEMENT, LLC, WHITNEY TILSON AND JONATHAN GLASER (collectively the  
6 "T2 Plaintiffs") and MARGARET COTTER, ELLEN COTTER, GUY ADAMS, EDWARD  
7 KANE, DOUGLAS MCEACHERN, WILLIAM GOULD, JUDY CODDING, MICHAEL  
8 WROTONIAK, CRAIG TOMPKINS ("Individual Defendants") and READING  
9 INTERNATIONAL, INC. ("Reading" or the "Company") (collectively with the Individual  
10 Defendants, the "Defendants") hereby file this joint motion for preliminary approval of  
11 settlement, notice to stockholders and scheduling of settlement hearing on order shortening time  
12 ("Motion").

13 This Motion is based on the following memorandum of points and authorities, the  
14 pleadings and papers filed in this action, the affidavit of Mark E. Ferrario, Esq., filed  
15 concurrently herewith and any oral argument of counsel made at the time of the hearing of this  
16 Motion.

17 DATED: July 12<sup>th</sup>, 2016.

18 GREENBERG TRAURIG, LLP

19  
20   
21 ~~MARK E. FERRARIO, ESQ.~~  
(NV Bar No. 1625)  
22 KARA B. HENDRICKS, ESQ.  
(NV Bar No. 7743)  
23 TAMI D. COWDEN, ESQ.  
(NV Bar No. 8994)  
*Counsel for Reading International, Inc.*

24  
25  
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1 ORDER SHORTENING TIME

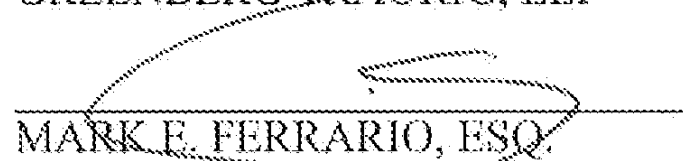
2 Good cause appearing therefore, it is hereby ordered that the time for hearing of the  
3 above-entitled **Joint Motion for Preliminary Approval of Settlement, Notice to Stockholders**  
4 **and Scheduling of Settlement Hearing** be shortened, and same will be heard on the 26<sup>th</sup> day  
5 of July, 2016 at the hour of 8:30 a.m. before Department XI.

6 DATED: July 12, 2016.

7   
8 \_\_\_\_\_  
9 DISTRICT COURT JUDGE

10  
11 Respectfully Submitted:

12  
13 GREENBERG TRAURIG, LLP

14   
15 \_\_\_\_\_  
16 MARK E. FERRARIO, ESQ.  
17 (NV Bar No. 1625)  
18 KARA B. HENDRICKS, ESQ.  
19 (NV Bar No. 7743)  
20 TAMI D. COWDEN, ESQ.  
21 (NV Bar No. 8994)  
22 *Counsel for Reading International, Inc.*

GREENBERG TRAURIG, LLP  
3775 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 797-4773  
Facsimile: (702) 792-0992

1                    **DECLARATION OF MARK E. FERRARIO, ESQ. IN SUPPORT OF**  
2                    **JOINT MOTION FOR PRELIMINARY APPROVAL OF SETTLEMENT, NOTICE TO**  
3                    **STOCKHOLDERS AND SCHEDULING OF SETTLEMENT HEARING**  
4                    **AND ORDER SHORTENING TIME**

I, MARK E. FERRARIO, ESQ. declare as follows:

5                    1.        That I am an attorney licensed to practice in the state of Nevada and am the  
6 attorney for the Defendant Reading International, Inc. (“Reading” or the “Company”). I have  
7 personal knowledge as to the truth of the matters asserted herein, except those which are stated  
8 upon information and belief and as to those matters I believe them to be true. I am competent to  
9 testify on these matters if called upon to do so.

10                  2.        This Declaration is made in support of the joint motion for preliminary approval  
11 of settlement, notice to stockholders and scheduling of settlement hearing on order shortening  
12 time (“Motion”).

13                  3.        On August 6, 2015, Reading received notice of a motion to intervene in the above  
14 captioned matter which included a request for the filing of a proposed derivative complaint by  
15 the T2 Plaintiffs.

16                  4.        On August 11, 2015, the Court granted the motion of the T2 Plaintiffs, allowing  
17 these plaintiffs to file their complaint (the “T2 Complaint”) which was subsequently amended on  
18 February 12, 2016.

19                  5.        In connection with the litigation, the T2 Plaintiffs conducted extensive discovery  
20 on the matters alleged in the T2 and Jim Cotter, Jr. Complaints, discovery that included  
21 depositions of Guy Adams, Margaret Cotter, Ellen Cotter, William Gould, Edward Kane,  
22 Douglas McEachern, Timothy Storey, and James Cotter, Jr. In response to discovery requests,  
23 Reading produced over 13,900 documents, and the Individual Defendants<sup>1</sup> produced over 7,900  
24 documents.

27 \_\_\_\_\_  
28 <sup>1</sup> Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, William Gould, Judy Coddling,  
Michael Wrotniak, Craig Tompkins are referred to herein as the Individual Defendants.

1           6.       On July 10<sup>th</sup>, 2016, the T2 Plaintiffs and Defendants entered into a settlement  
2 agreement ("Settlement") which, upon Court approval, will dismiss with prejudice the claims  
3 brought by the T2 Plaintiffs.

4           7.       Rule 23.1 of the Nevada Rules of Civil Procedure provides that notice of the  
5 proposed dismissal or compromise of a derivative action be provided to shareholders.  
6 Accordingly, this motion is therefore necessary and justified in order to obtain approval of the  
7 notice to be sent to Reading's stockholders and to schedule a final settlement hearing to approve  
8 the Settlement.

9           8.       There is good cause to hear this motion on shortened time due to the approaching  
10 discovery deadlines which are:

|    |                    |                                      |
|----|--------------------|--------------------------------------|
| 11 | July 29, 2016      | Percipient Witness Discovery Cut-Off |
| 12 | August 18, 2016    | Initial Expert Disclosures           |
| 13 | September 19, 2016 | Rebuttal Expert Disclosures          |
| 14 | October 14, 2016   | Expert Discovery Cut-Off.            |

15           9.       Additionally, this matter is currently set for trial on a five week stack to begin on  
16 November 14, 2016.

17           10.      If objections are received to the proposed Settlement, these approaching deadlines  
18 could impact other Reading stockholders. Thus, time is of the essence and Reading requests that  
19 this motion be scheduled on shortened time.

20           11.      This declaration is made in good faith and not for the purpose of delay.

21           12.      Pursuant to NRS 53.045, I declare under penalty of perjury under the laws of the  
22 State of Nevada that the foregoing is true and correct.

23           FURTHER YOUR AFFIANT SAYETH NAUGHT.

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MARK E. FERRARIO, ESQ.

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Defendants have reached a settlement agreement (“the Settlement”) with the T2 Plaintiffs  
4 (Defendants and T2 Plaintiffs will be referred to herein as “Settling Parties”) and now seek  
5 preliminary approval of the Settlement by the Court. Additionally, the Settling Parties are  
6 requesting the Court approve a notice to be provided to other Reading stockholders notifying  
7 them of the Settlement which will dismiss the T2 Complaint with prejudice. In conjunction with  
8 the same, the Settling Parties request the Court schedule a hearing for final approval of the  
9 Settlement, after other Reading stockholders receive notice of the proposed agreement.

10 **II. FACTUAL BACKGROUND**

11 **A. Procedural History.**

12 On June 12, 2015, Reading’s Board of Directors terminated James J. Cotter, Jr. as the  
13 President and Chief Executive Officer of Reading. That same day, Mr. Cotter, Jr. filed a lawsuit,  
14 styled as both an individual and a derivative action, titled “James J. Cotter, Jr., individually and  
15 derivatively on behalf of Reading International, Inc. vs. Margaret Cotter, et al.” against the  
16 Company, Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas  
17 McEachern, and Timothy Storey in the Eighth Judicial District Court of the State of Nevada (the  
18 “James Cotter, Jr. Action”).

19 On August 6, 2015, the Company received notice that a motion to intervene in the James  
20 Cotter, Jr. Action and a proposed derivative complaint had been filed by the T2 Plaintiffs. On  
21 August 11, 2015, the Court granted the motion of the T2 Plaintiffs, allowing these plaintiffs to  
22 file their complaint (the “T2 Complaint”).

23 On September 9, 2015, certain of the Individual Defendants filed a motion to dismiss the  
24 T2 Complaint. The Company joined that motion to dismiss on September 14, 2015. The hearing  
25 on that motion was vacated as the T2 Plaintiffs voluntarily withdrew the T2 Complaint, with the  
26 parties agreeing that the T2 Plaintiffs would have leave to amend their complaint.

27 On February 12, 2016, the T2 Plaintiffs filed an amended complaint (the “Amended T2  
28 Complaint”). The T2 Plaintiffs purported to bring a derivative action on behalf of Reading and

1 its stockholders, and alleged in their Amended T2 Complaint various violations of fiduciary  
2 duty, abuse of control, gross mismanagement and corporate waste by the defendants (the “T2  
3 Action”).

4 More specifically, the Amended T2 Complaint sought the reinstatement of James J.  
5 Cotter, Jr. as President and Chief Executive Officer and certain monetary damages, as well as  
6 equitable injunctive relief, attorney fees, and costs of the lawsuit. The defendants in the T2  
7 Action are the same as named in the James Cotter, Jr. Action as well as Director Judy Coddington,  
8 Director Michael Wrotniak, and Company legal counsel, Craig Tompkins (collectively and  
9 without differentiation, the “Individual Defendants” and each an “Individual Defendant”). The  
10 Amended T2 Complaint deleted its request for an order disbanding Reading’s Executive  
11 Committee and for an order “collapsing the Class A and B stock structure into a single class of  
12 voting stock.” The Amended T2 Complaint added a request for an order setting aside the  
13 election results from the 2015 Annual Meeting of Stockholders, based on an allegation that Ellen  
14 Cotter and Margaret Cotter were not entitled to vote the shares of Class B Common Stock held  
15 of record by the Estate of James Cotter, Sr. and the Living Trust established by James Cotter, Sr.

16 In connection with the litigation, James Cotter, Jr. and the T2 Plaintiffs conducted  
17 extensive discovery on these matters, which included depositions of Guy Adams, Margaret  
18 Cotter, Ellen Cotter, William Gould, Edward Kane, Douglas McEachern, Timothy Storey, and  
19 James Cotter, Jr. In response to discovery requests, Reading produced over 13,900 documents,  
20 and the Individual Defendants produced over 7,900 documents.

21 In connection with efforts to settle this matter, the T2 Plaintiffs and Defendants engaged  
22 in extensive discussions which have resulted in the proposed settlement and dismissal of the T2  
23 Plaintiffs claims.

#### 24 **B. Reasons for Settlement**

25 The T2 Plaintiffs believe that the extensive discovery in this case has provided substantial  
26 and immediate benefits for Reading and its current stockholders. The T2 Plaintiffs have  
27 reviewed a number of transactions and engaged in discussions with management in addition to  
28 participating in the litigation and have determined that Defendants have acted, and will continue

1 to act in good faith to use best practices with regard to board governance, protection of  
2 stockholder rights, and maximizing value for all its stockholders. In addition, the T2 Plaintiffs  
3 and their counsel have considered: (i) the attendant risks of continued litigation and the  
4 uncertainty of the outcome of the T2 Action; (ii) the probability of success on the merits; (iii) the  
5 inherent problems of proof associated with, and possible defenses to, the claims asserted in the  
6 T2 Action; (iv) the desirability of permitting the Settlement to be consummated according to its  
7 terms; (v) the expense and length of continued proceedings necessary to prosecute the T2 Action  
8 against the Defendants through trial and appeals; (vi) the T2 Plaintiffs' confidence in the  
9 Reading Board of Directors and its management after conducting extensive discovery and  
10 (vii) the conclusion of the T2 Plaintiffs and their counsel that the terms and conditions of the  
11 Settlement are fair, reasonable, and adequate, and that it is in the best interests of Reading and its  
12 current stockholders to settle the T2 Action on the terms set forth herein.

13 Based on T2 Plaintiffs' Counsel's thorough review and analysis of the relevant facts,  
14 allegations, defenses, and controlling legal principles, T2 Plaintiffs' Counsel believes that the  
15 settlement set forth in this Settlement is fair, reasonable, and adequate, and confers substantial  
16 benefits upon Reading and its current stockholders. Based upon T2 Plaintiffs' Counsel's  
17 evaluation as well as T2 Plaintiffs' own evaluation, T2 Plaintiffs have determined that the  
18 Settlement is in the best interests of Reading and its current stockholders and has agreed to settle  
19 the T2 Action upon the terms and subject to the conditions set forth in the Settlement and  
20 summarized herein.

21 The Individual Defendants have denied any and all allegations of wrongdoing, liability,  
22 violations of law or damages arising out of or related to any of the conduct, statements, acts, or  
23 omissions alleged in the T2 Action, and maintain that their conduct was at all times proper, in the  
24 best interests of Reading and its stockholders, and in compliance with applicable law. The  
25 Individual Defendants further deny any breach of fiduciary duties or aiding and abetting any  
26 breach of such a fiduciary duty and that Reading or its stockholders were harmed by any conduct  
27 of the Defendants alleged in the T2 Action or that could have been alleged therein. Each of the  
28 Individual Defendants asserts that, at all relevant times, they acted in good faith and in a manner



1 they reasonably believed to be in the best interests of Reading and all of its stockholders.

2 While desirous of express vindication, the Individual Defendants, recognize the  
3 uncertainty and the risk inherent in any litigation, and the difficulties and substantial burdens,  
4 expense, and length of time that may be necessary to defend this proceeding through the  
5 conclusion of trial, post-trial motions, and appeals. In particular, Defendants are cognizant of the  
6 burdens this litigation is imposing on Reading and its management, and the impact that  
7 continued litigation will have on Reading and its management. Defendants wish to eliminate the  
8 uncertainty, risk, burden and expense of further litigation, and to permit the operation of Reading  
9 without further distraction and diversion of its directors and executive personnel with respect to  
10 the T2 Action.

11 The Settling Parties reached the Settlement in good faith and believe it is in the best  
12 interest of Reading and its stockholders and thus seek approval of the same. The terms of the  
13 Settlement are set forth in **Exhibit A**. As consideration for the Settlement and dismissal with  
14 prejudice of the T2 Action, the T2 Plaintiffs and Defendants have mutually agreed upon the  
15 terms of a press release which is attached hereto as **Exhibit B**. Subject to Court approval, a  
16 judgment will be entered (the "Judgment"). Upon entry of the Judgment, the T2 Action will be  
17 dismissed in its entirety and with prejudice. The proposed form for the Judgment is attached  
18 hereto as **Exhibit C**.

19 **III. LEGAL ARGUMENT**

20 **A. NRCP 23.1 and Proposed Notice of Settlement.**

21 Because the T2 Action was brought as a derivative complaint, the Settling Parties request  
22 preliminary approval of the Settlement and have set forth below a mechanism to provide  
23 stockholders of Reading with notice of the Settlement pursuant to Rule 23.1 of the Nevada Rules  
24 of Civil Procedure. Rule 23.1 of the Nevada Rules of Civil Procedures provides in relevant part  
25 that "[t]he action shall not be dismissed or compromised without the approval of the court and  
26 notice of the proposed dismissal or compromise shall be given to shareholders or members in  
27 such manner as the court directs." Accordingly, attached hereto as **Exhibit D**, is a Notice that the  
28 Settling Parties propose sending to all current record and beneficial holders of shares of common

1 stock of Reading which provides notice of: i) the pendency of the T2 Action; ii) the proposed  
2 Settlement; iii) the hearing date upon which the Court is requested to approve the Settlement;  
3 and iv) current stockholders' rights with respect to the proposed Settlement.

4 To effectuate notice, the Settling Parties propose that a notice, in substantially the form as  
5 that provided in **Exhibit D**, shall be mailed by Reading at least 45 calendar days prior to the  
6 Settlement Hearing to all stockholders of Reading as listed on the stock registry, to their  
7 respective last known address. Furthermore, Reading shall use reasonable efforts to give notice  
8 to beneficial owners of Reading common stock by providing, at the expense of Reading,  
9 additional copies of the notice of pendency and settlement of the action ("Notice") to any record  
10 holder entitled to notice requesting such additional copies. The Settling Parties believe that the  
11 dissemination of the Notice as outlined above is calculated to provide the best notice to all stock  
12 holders of Reading under the circumstances.

13 **B. Releases Requested.**

14 In seeking final approval of the Settlement, the Settling Parties request dismissal of the  
15 T2 Action in its entirety and with prejudice, with releases as fully set forth in the Settlement.  
16 **Exhibit A.** Based on the facts and circumstances of this matter including but not limited to the  
17 discovery that has been conducted in this matter and the arm's length negotiations that have  
18 occurred, the Settling Parties believe the above release to be fair, reasonable and supported by  
19 legal consideration.

20 **C. Proposed Schedule.**

21 In connection with preliminary approval of the proposed Settlement, the Settling Parties  
22 request that the Court establish dates by which the Notice will be sent to Reading stockholders,  
23 the date by which stockholders may object to the Settlement, the dates by which counsel are to  
24 file papers in support of the Settlement and the date of the Settlement Hearing. The Settling  
25 Parties propose the following schedule:

|                             |  |
|-----------------------------|--|
| 26 Settlement Hearing Date: | At the convenience of the Court, but at least 55 days<br>from request to provide for notice. |
| 27 Notice Date:             | At least 45 calendar days prior to the Settlement<br>28 Hearing.                             |

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Objections: Not later than 10 business days prior to the Settlement Hearing.

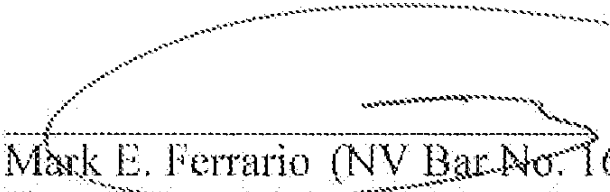
Submission of Affidavit of Service: Not later than 10 business days prior to the Settlement Hearing.

Response to any objections: At least 5 business days prior to Settlement Hearing.

**IV. CONCLUSION**

The proposed Settlement provides a substantial benefit to Reading stockholders, is supported by legal consideration, and was reached after arm's length negotiations between the Settling Parties. The Settling Parties have proposed a fair process in which to notify Reading Stockholders of the Settlement and respectfully request that a Settlement Hearing be set forth with and that the proposed notice and proposed schedule be approved to allow for final approval of the Settlement and dismissal with prejudice of the T2 Action.

DATED this 12<sup>th</sup> day of July, 2016.

|  |  |
|--|--|
| <p>ROBERTSON &amp; ASSOCIATES, LLP</p> <p><i>/s/ Alexander Robertson, IV</i><br/> <u>ALEXANDER ROBERTSON, IV (SBN 8642)</u><br/>         32121 Lindero Canyon Road, Suite 200<br/>         Westlake Village, California 91361<br/> <u>ARobertson@ARobertsonLaw.com</u></p> <p><i>Attorneys for Plaintiffs and Intervenors, T2<br/>         Partners Management, LP, et al.</i></p> | <p>GREENBERG TRAURIG, LLP</p>  <p>Mark E. Ferrario (NV Bar No. 1625)<br/>         Kara B. Hendricks (NV Bar No. 7743)<br/>         3773 Howard Hughes Parkway, Suite 400 N.<br/>         Las Vegas, Nevada 89169<br/> <u>FerrarioM@gtlaw.com</u><br/> <u>HendricksK@gtlaw.com</u></p> <p><i>Counsel for Reading International, Inc.</i></p> |
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PATTI, SGRO, LEWIS & ROGER

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ADAM C. ANDERSON  
 720 S. 7th Street, 3rd Floor  
 Las Vegas, NV 89101  
[aanderson@pslrfirm.com](mailto:aanderson@pslrfirm.com)

*Attorneys for Plaintiffs and Intervenors, T2 Partners Management, LP dba Kase Capital Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital Management, LLC; Pacific Capital Management, LLC*

QUINN EMANUEL URQUHART & SULLIVAN, LLP

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*/s/ Christopher Tayback*  
 CHRISTOPHER TAYBACK  
 (Admitted *pro hac vice*)  
 MARSHALL M. SEARCY III  
 (Admitted *pro hac vice*)  
 865 S. Figueroa Street, 10<sup>th</sup> Floor  
 Los Angeles, California, 90017  
[christayback@quinnemanuel.com](mailto:christayback@quinnemanuel.com)  
[marshallsearcy@quinnemanuel.com](mailto:marshallsearcy@quinnemanuel.com)

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

c/o

COHEN-JOHNSON, LLC

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*/s/ H. Stan Johnson*  
 H. STAN JOHNSON (SBN 265)  
 255 E. Warm Springs Road, Suite 100  
 Las Vegas, Nevada 89119  
[SJohnson@CohenJohnson.com](mailto:SJohnson@CohenJohnson.com)

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

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

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*/s/ Ekwon E. Rhow*  
 EKWAN E. RHOW (Admitted *pro hac vice*)  
 1875 Century Park East, 23rd Floor  
 Los Angeles, California 90067  
[EER@BirdMarella.com](mailto:EER@BirdMarella.com)

*Attorneys for Defendants William Gould*

MAUPIN COX & LEGOY

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DONALD A. LATTIN (NV BAR 0693)  
 4785 Caughlin Parkway  
 Reno, Nevada 89519  
[dlattin@mcirenolaw.com](mailto:dlattin@mcirenolaw.com)

*Attorneys for Defendants William Gould*

SANTORO WHITMIRE, LTD.

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*/s Nicholas J. Santoro*  
 NICHOLAS J. SANTORO (NV BAR 0532)  
 10100 Charleston Boulevard, Suite 250  
 Las Vegas, Nevada 89135  
[nsantoro@santoronevada.com](mailto:nsantoro@santoronevada.com)

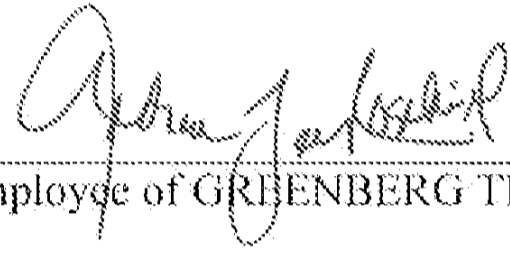
*Attorneys for Craig Tompkins*

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**CERTIFICATE OF SERVICE**

Pursuant to Nev. R. Civ. P. 5(b)(2)(D) and E.D.C.R. 8.05, I certify that on this day, I caused a true and correct copy of the forgoing **JOINT MOTION FOR PRELIMINARY APPROVAL OF SETTLEMENT, NOTICE TO STOCKHOLDERS AND SCHEDULING OF SETTLEMENT HEARING** to be filed and served via the Court's Wiznet E-Filing system on all registered and active parties. 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 12<sup>th</sup> th day of July, 2016.



\_\_\_\_\_  
An employee of GREENBERG TRAURIG, LLP

GREENBERG TRAURIG, LLP  
3777 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 784-3773  
Facsimile: (702) 784-9990

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EXHIBIT A

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SETTLEMENT AGREEMENT AND RELEASE OF CLAIMS

THIS SETTLEMENT AGREEMENT AND RELEASE OF CLAIMS ("Settlement Agreement") is made this \_\_\_\_\_ day of June 2016 (the "Execution Date") by and between T2 PARTNERS MANAGEMENT, LP, T2 ACCREDITED FUND, LP, T2 QUALIFIED FUND, LP, TILSON OFFSHORE FUND, LTD., T2 PARTNERS MANAGEMENT I, LLC, T2 PARTNERS MANAGEMENT GROUP, LLC, JMG CAPITAL MANAGEMENT, LLC, PACIFIC CAPITAL MANAGEMENT, LLC, WHITNEY TILSON AND JONATHAN GLASER ("T2 Plaintiffs") and MARGARET COTTER, ELLEN COTTER, GUY ADAMS, EDWARD KANE, DOUGLAS MCEACHERN, WILLIAM GOULD, JUDY CODDING, MICHAEL WROTNIAK, CRAIG TOMPKINS and READING INTERNATIONAL, INC. ("Reading" or the "Company") (collectively "Defendants"). T2 Plaintiffs and Defendants are collectively referred to as the "Parties" and each as a "Party."

This Settlement Agreement is subject to Court approval as set forth in the Notice of Pendency and Settlement of Action which is attached hereto as **Exhibit A**.

RECITALS

**WHEREAS**, on June 12, 2015, Reading's Board of Directors terminated James J. Cotter, Jr. as the President and Chief Executive Officer of Reading.

**WHEREAS**, 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." against the Company, Ellen Cotter, Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Timothy Storey in the Eighth Judicial District Court of the State of Nevada (the "James Cotter, Jr. Action").

**WHEREAS**, on August 6, 2015, the Company received notice that a Motion to Intervene in the James Cotter, Jr. Action and a proposed derivative complaint had been filed by the T2 Plaintiffs in the Eighth Judicial District Court. On August 11, 2015, the Court granted the motion of the T2 Plaintiffs, allowing these plaintiffs to file their complaint (the "T2 Complaint").

**WHEREAS**, on September 9, 2015, certain of the Individual Defendants filed a Motion to Dismiss the T2 Complaint. The Company joined this Motion to Dismiss on September 14, 2015. The hearing on this Motion to Dismiss was vacated as the T2 Plaintiffs voluntarily withdrew the T2 Complaint, with the parties agreeing that T2 Plaintiffs would have leave to amend the T2 Complaint.

**WHEREAS**, on February 12, 2016, the T2 Plaintiffs filed an amended complaint (the "Amended T2 Complaint"). The T2 Plaintiffs purported to bring a derivative action on behalf of Reading and its stockholders, and alleged in their Amended T2 Complaint various violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the defendants (the "T2 Action"). More specifically the Amended T2 Complaint sought the reinstatement of James J. Cotter, Jr. as President and Chief Executive Officer and certain monetary damages, as well as equitable injunctive relief, attorney fees, and costs of suit. The defendants in the T2 Action are the same as named in the James Cotter, Jr. Action as well as Director Judy Coddling,

Director Michael Wrotniak, and Company legal counsel, Craig Tompkins (collectively and without differentiation, the "Individual Defendants" and each an "Individual Defendant"). The Amended T2 Complaint deleted its request for an order disbanding Reading's Executive Committee and for an order "collapsing the Class A and B stock structure into a single class of voting stock." The Amended T2 Complaint added a request for 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 of record by the Estate of James Cotter, Sr. and the Living Trust established by James Cotter, Sr.

**WHEREAS**, in connection with the litigation, James Cotter, Jr. and the T2 Plaintiffs conducted extensive discovery on these matters, which included depositions of Guy Adams, Margaret Cotter, Ellen Cotter, William Gould, Edward Kane, Douglas McEachern, Timothy Storey, and James Cotter, Jr. In response to discovery requests, Reading produced over 13,900 documents, and the Individual Defendants produced over 7,900 documents.

**WHEREAS**, in connection with efforts to settle this matter, the Parties engaged in extensive discussions.

**WHEREAS**, the Parties wish to settle all claims relating to the subject matter of the T2 Action, whether asserted or unasserted.

**WHEREAS**, all Parties recognize the time and expense that would be incurred by further litigation and the uncertainties and risks inherent in such litigation and have concluded that the interests of the Parties, including the stockholders or Reading, would be best served by a settlement of the T2 Action on the terms reflected herein.

**NOW THEREFORE**, in consideration of the mutual releases, covenants and undertakings hereinafter set forth, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

#### TERMS

**1. Incorporation of Recitals**

The foregoing recitals are incorporated into this Settlement Agreement as if fully set forth herein.

**2. Consideration**

As consideration for the Settlement and dismissal with prejudice of the T2 Action, the Parties have mutually agreed upon the terms of a press release discussing the reasons for the Settlement and further agree, as set forth hereinbelow, not to disparage each other in connection with the T2 Action.

**3. Reasons for Settlement**

a. The T2 Plaintiffs brought derivative claims with the intention of ensuring that the interests of all Reading stockholders were being appropriately protected. In connection with the



litigation, the T2 Plaintiffs conducted extensive discovery on the matters alleged in the T2 and Jim Cotter, Jr. Complaints, discovery that included depositions of Guy Adams, Margaret Cotter, Ellen Cotter, William Gould, Edward Kane, Douglas McEachern, Timothy Storey, and James Cotter, Jr. Following their efforts on behalf of the stockholders, the T2 Plaintiffs have concluded that continuing with their derivative stockholder litigation would provide no further benefit to Reading's stockholders, including the T2 Plaintiffs.

The T2 Plaintiffs believe that the Settlement provides substantial and immediate benefits for Reading and its current stockholders. In addition to these substantial benefits, T2 Plaintiffs and their counsel have considered: (i) the attendant risks of continued litigation and the uncertainty of the outcome of the T2 Action; (ii) the probability of success on the merits; (iii) the inherent problems of proof associated with, and possible defenses to, the claims asserted in the T2 Action; (iv) the desirability of permitting the settlement to be consummated according to its terms; (v) the expense and length of continued proceedings necessary to prosecute the T2 Action against the Defendants through trial and appeals; (vi) the T2 Plaintiffs' confidence in the Reading Board of Directors and its management after conducting extensive discovery and (vii) the conclusion of the T2 Plaintiffs and their counsel that the terms and conditions of the Settlement Agreement are fair, reasonable, and adequate, and that it is in the best interests of Reading and its current stockholders to settle the T2 Action on the terms set forth herein. Based on T2 Plaintiffs' Counsel's thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, T2 Plaintiffs' Counsel believes that the settlement set forth in this Settlement Agreement is fair, reasonable, and adequate, and confers substantial benefits upon Reading and its current stockholders. Based upon T2 Plaintiffs' Counsel's evaluation as well as T2 Plaintiffs' own evaluation, T2 Plaintiffs have determined that the settlement is in the best interests of Reading and its current stockholders and has agreed to settle the T2 Action upon the terms and subject to the conditions set forth in the Settlement Agreement and summarized herein. T2 Plaintiffs believe that Defendants will continue to act in good faith to use best practices with regard to board governance, protection of stockholder rights, and maximizing value for all its stockholders, which actions shall include (i) providing to the Compensation Committee's independent compensation consultant the names of certain companies previously suggested by the T2 Plaintiffs as possible market comparables for consideration in 2017 and (ii) the Company anticipates continuing to hold regular corporate earnings conference calls and to continue to engage with investors around earnings. Further Management has informed T2 that incident to the financing of pre-development activities at the site, it anticipates refinancing the existing loan between Reading and Sutton Hill Properties, LLC.

b. The Defendants deny any and all allegations of wrongdoing, liability, violations of law or damages arising out of or related to any of the conduct, statements, acts, or omissions alleged in the T2 Action, and maintain that their conduct was at all times proper, in the best interests of Reading and its stockholders, and in compliance with applicable law. The Defendants further deny any breach of fiduciary duties or aiding and abetting any breach of such a fiduciary duty. The Defendants also deny that Reading or its stockholders were harmed by any conduct of the Defendants alleged in the T2 Action or that could have been alleged therein. Each of the Defendants asserts that, at all relevant times, they acted in good faith and in a manner they reasonably believed to be in the best interests of Reading and all of its stockholders.

c. Defendants, however, recognize the uncertainty and the risk inherent in any litigation, and the difficulties and substantial burdens, expense, and length of time that may be necessary to defend this proceeding through the conclusion of trial, post-trial motions, and appeals. In particular, Defendants are cognizant of the burdens this litigation is imposing on Reading and its management, and the impact that continued litigation will have on management's ability to continue focusing on the creation of stockholder value. Defendants wish to eliminate the uncertainty, risk, burden and expense of further litigation, and to permit the operation of Reading without further distraction and diversion of its directors and executive personnel with respect to the T2 Action. Defendants have therefore determined to settle the T2 Action on the terms and conditions set forth in the Settlement Agreement solely to put the Released Claims (as defined herein) to rest finally and forever, without in any way acknowledging any wrongdoing, fault, liability, or damages.

#### 4. Release

Subject to Court approval, a judgment will be entered (the "Judgment"). Upon entry of the Judgment, the T2 Action will be dismissed in its entirety and with prejudice and the following releases will occur:

a. Release of Claims by Reading, T2 Plaintiffs, and Other Reading Stockholders: Reading, and the T2 Plaintiffs, who have purported to bring derivative claims on behalf of Reading and all its stockholders, shall fully, finally, and forever release, settle, and discharge, and shall forever be enjoined from prosecuting, the Released T2 Plaintiffs' Claims against Defendants and any other Defendants' Releasees.

i. "Released T2 Plaintiffs' Claims" means all any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature, or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims (as defined below), whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or rule (including claims within the exclusive jurisdiction of the federal courts, such as, but not limited to, federal securities claims or other claims based upon the purchase or sale of shares), that are, have been, could have been, could now be, or in the future could, can, or might be asserted, in the T2 Action or in any other court, tribunal, or proceeding by: T2 Plaintiffs derivatively on behalf of Reading, or on their own behalf; by Reading's stockholders on behalf of Reading; or by Reading directly against any of the Individual Defendants' Releasees, which claims, now or hereafter, are based upon, arise out of, relate in any way to, or involve, directly or indirectly, any of the actions, transactions, occurrences, statements, representations, misrepresentations, omissions, allegations, facts, practices, events, claims or any other matters, things or causes whatsoever, or any series thereof, that relate in any way to, or could arise in connection with, the alleged breaches of fiduciary duty, abuse of control, mismanagement, negligence, aiding and abetting, the making or not making of required securities law disclosures, and/or corporate waste, including but not limited to those alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to the Amended T2 Complaint or the T2 Action,

except for claims relating to the enforcement of the Settlement. For the avoidance of doubt, the Released T2 Plaintiffs' Claims include all of the claims asserted in the T2 Action, but do not include claims based on conduct of Defendants' Releasees after the Effective Date. The Parties acknowledge that this Release does not serve to require dismissal of the claims raised by James Cotter Jr. in his First Amended Complaint.

ii. "Defendants' Releasees" means Reading, each of the Individual Defendants, any other current or former officer, director or employee of Reading or any of Reading's affiliates, , and their respective past, present, or future family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities, stockholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, financing sources lenders, commercial bankers, attorneys, personal or legal representatives, accountants, associates and insurers, co-insurers and reinsurers,. The Parties acknowledge that this Release does not prevent Reading or the Individual Defendants from raising any counterclaims or defenses in the James Cotter Jr. Action.

b. Release of Claims by Defendants: Reading on behalf of itself and the Individual Defendants on behalf of themselves and any other person or entity who could assert any of the Released Defendants' Claims on their behalf, in such capacity only, shall fully, finally, and forever release, settle, and discharge, and shall forever be enjoined from prosecuting, the Released Defendants' Claims against T2 Plaintiffs' Releasees.

i. "Released Defendants' Claims" means any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues, and controversies of any kind, nature, or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims, whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or rule (including claims within the exclusive jurisdiction of the federal courts), that arise out of or relate in any way to the institution, prosecution, or settlement of the claims against Defendants in the T2 Action, except for claims relating to the enforcement of the Settlement. For the avoidance of doubt, the Released Defendants' Claims do not include claims based on the conduct of the T2 Plaintiffs' Releasees after the Effective Date.

ii. "T2 Plaintiffs' Releasees" means T2 Plaintiffs and their respective current or former agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities, stockholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment

advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, financing sources, lenders, commercial bankers, attorneys, personal or legal representatives, accountants, and associates. T2 Plaintiffs' Releasees do not include, and specifically exclude James Cotter, Jr.

c. "Unknown Claims" means any Released T2 Plaintiffs' Claims that Reading or T2 Plaintiffs, does not know or suspect to exist in his, her, or its favor at the time of the release of the Defendants' Releasees, and any Released Defendants' Claims that any of the Defendants or any of the other Defendants' Releasees does not know or suspect to exist in his, her, or its favor at the time of the release of the T2 Plaintiffs' Releasees, which, if known by him, her or it, might have affected his, her, or its decision(s) with respect to the Settlement. With respect to any and all Released T2 Plaintiffs' Claims and Released Defendants' Claims, the Parties stipulate and agree that Reading, T2 Plaintiffs and each of the Individual Defendants shall expressly waive, and each of the other Defendants' Releasees shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, any and all provisions, rights, and benefits conferred by California Civil Code §1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

and any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542. Reading, T2 Plaintiffs and each of the Individual Defendants acknowledge, and each of the other Reading stockholders, excluding James Cotter, Jr., shall be deemed by operation of law to have acknowledged, that the foregoing waiver was separately bargained for and is a key element of the Settlement.

d. Nothing contained in this Settlement Agreement is intended to, or does release any claims that Defendants may have against any of their insurers or that any insurers may have against any Defendant.

##### 5. Submission of Documents to Court

As soon as practicable after this Settlement Agreement has been executed, the Parties shall apply jointly to the Court for entry of an Order substantially in the form attached hereto as Exhibit B (the "Preliminary Approval Order"): i) providing among other things, a request for preliminary approval of the Settlement as fair, reasonable, adequate and in the best interest of stockholders; ii) seeking approval of the Notice of Pendency and Settlement of Action; and iii) requesting a Settlement Hearing.

If the Court approves this Settlement, the Parties shall jointly request entry of the proposed Order and Final Judgment substantially in the form attached hereto as Exhibit C. The Order and Final Judgment shall, among other things: i) determine the requirements of the

Nevada Rules of Civil Procedure and due process have been satisfied in connection with the Notice detailed below; ii) approve the Settlement as fair, reasonable, adequate and in the best interest of stockholders; and iii) dismiss the T2 Action with prejudice on the merits as against any and all Defendants.

**6. Notice Of Pendency and Settlement of Action**

The Notice of Pendency and Settlement of Action, in substantially the form annexed hereto as **Exhibit A**, shall be mailed by Reading at least 45 calendar days prior to the Settlement Hearing to all stockholders of Reading as listed on the stock registry, to their respective last known address. Furthermore, Reading shall use reasonable efforts to give notice to beneficial owners of Reading common stock by providing, at the expense of Reading additional copies of the Notice of Pendency and Settlement of Action to any record holder requesting the Notice who are entitled to notice.

**7. Non Disparagement**

The purpose of this Agreement is to resolve the T2 Action for the benefit of the Parties and Reading stockholders. Accordingly the T2 Plaintiffs covenant and agree that they will not engage in any conduct, make or disclose any statement, either orally or in writing, that would cast any Defendant or their affiliates in a false or negative light, and agree not to aid, assist or encourage others to do so, in any fashion or forum. Similarly, Defendants covenant and agree that they will not engage in any conduct, make or disclose any statement, either orally or in writing that would cast the T2 Plaintiffs or their affiliates in a false or negative light, and agree not to aid, assist or encourage others to do so, in any fashion or forum. If any third party makes any inquiry with respect to any of the claims or causes of action alleged against any Party, then the Party to whom such inquiry is made shall only respond that such matters were resolved in a satisfactory manner pursuant to a confidential settlement agreement. Notwithstanding the above, T2 Plaintiffs acknowledge that no Defendant will have responsibility for the actions of any other Defendant or for the actions of James J. Cotter, Jr.

Notwithstanding the above, T2 Plaintiffs acknowledge that this Agreement does not prohibit the Individual Defendants from any disclosures required in their capacity as fiduciaries of Reading. Further, nothing herein shall prevent any Party from testifying truthfully in a court of law and/or complying with a court order.

**8. Joint Press Release**

The Parties to this Settlement Agreement mutually agree to issue a press release in a form satisfactory to all Parties hereto indicating that the Parties have amicably resolved their disputes to the mutual satisfaction of all Parties. The press release shall not identify any substantive terms or conditions of this Agreement and shall be in a form substantial similar to **Exhibit D**.

**9. General Provisions**

This Settlement Agreement and compliance with this Settlement Agreement shall not be construed as an admission by any Party of any liability whatsoever, or as admission by any Party

of any violation of the rights of the others, violation of any order, law, statute, duty or contract whatsoever.

The Parties hereto represent and acknowledge that in executing this Settlement Agreement they do not rely and have not relied upon any representation or statement made by any of the Parties or by any of the Parties' agents, attorneys or representatives with regard to the subject matter or effect of this Settlement Agreement or otherwise, other than those specifically stated in this written Settlement Agreement. This Settlement Agreement expresses the entire agreement of the Parties hereto with respect to the subject matter hereof. No recitals, covenants, agreements, representations, or warranties of any kind whatsoever have been made or have been relied upon by any Party hereto, except as specifically set forth in this Agreement. All prior discussions and negotiations between the Parties have been or are merged and integrated into, and are superseded by, this Agreement.

**10. Mutual Cooperation**

The Parties hereby agree to use their best efforts and good faith in carrying out all of the terms of this Settlement Agreement. Each Party hereto shall perform such further acts and execute and deliver such further documents as may be reasonably necessary or convenient to carry out the purposes of this Settlement Agreement.

**11. Interpretation of Agreement**

None of the Parties shall be deemed to be the drafter of this Settlement Agreement. In the event a court construes this Settlement Agreement, such court shall not construe this Settlement Agreement or any provision hereof against either Party as the drafter of the Settlement Agreement. The headings used in this Agreement are for reference only and shall not affect the construction of the Agreement.

**12. Choice of Law**

This Settlement Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada, without regard to conflict of law principles. The Parties agree that the Court shall have exclusive jurisdiction over any action to enforce this Settlement Agreement.

**13. Counterparts**

This Settlement Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument and fax copies shall be deemed originals.

**14. Attorneys' Fees**

Each Party shall bear its own costs and attorney fees incurred in connection with this Settlement Agreement. However, if any Party to this Settlement Agreement brings suit against the another Party, the purpose of which is to enforce, challenge, or clarify the terms of this Settlement Agreement, the prevailing party in such action shall be entitled to reimbursement for

its actual attorney fees and costs in so enforcing, challenging or clarifying this Settlement Agreement.

**15. Notice in Connect with Settlement Agreement**

All notices or demands of any kind that any Party is required to or desires to give in connection with this Settlement Agreement shall be in writing and shall be delivered by e-mail and by depositing the notice or demand in the United States mail, postage prepaid, and addressed to the Parties as follows:

T2 Plaintiffs:                   Robertson & Associates, LLP  
  c/o Alexander Robertson, IV  
  32121 Lindero Canyon Road, Suite 200  
  Westlake Village, California 91361

Reading International:       Greenberg Traurig, LLP  
  c/o Mark E. Ferrario, Esq.  
  3773 Howard Hughes Pkwy., Suite 400N  
  Las Vegas, Nevada 89169  
  Email: mferrario@gtlaw.com

Ellen Cotter, Margaret  
Cotter, Guy Adams,  
Edward Kane, Douglas  
McEachern, Judy  
Coddling and Michael  
Wrotniak:

Quinn Emanuel Urquhart & Sullivan, LLP  
c/o Marshall M. Searcy III  
865 S. Figueroa Street, 10<sup>th</sup> Floor  
Los Angeles, California, 90017

William Gould:               Bird, Marella, Boxer, Wolpert, Nessim,  
  Drooks, Lincenberg & Rhow, P.C.  
  c/o Ekwon E. Rhow  
  1875 Century Park East, 23<sup>rd</sup> Floor  
  Los Angeles, California, 90067

Craig Tompkins:             Santoro Whitmire, LTD.  
  c/o Nicholas J. Santoro  
  10100 W. Charleston Blvd. #250  
  Las Vegas, NV 89135

**16. Miscellaneous**

This Settlement Agreement shall be binding on and inure to the benefit of the Parties, their respective current or former agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies,



corporations, parents, subsidiaries, divisions, affiliates, associated entities, stockholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, and successors-in-interest. No Party shall assign this Settlement Agreement or any of its rights and obligations hereunder, to any third party. Notwithstanding the above, T2 Plaintiffs acknowledge that no Defendant will have responsibility for the actions of any other Defendant or for the actions of James J. Cotter, Jr.

All of the exhibits hereto are incorporated herein by reference as if set forth herein verbatim, and the terms of all exhibits are expressly made part of this Settlement Agreement.

[SIGNATURES ON FOLLOWING PAGE]



IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the last day set forth below.

Dated this 10<sup>th</sup> day of July, 2016.

Dated this 10<sup>th</sup> day of July, 2016.

**T2 PARTNERS MANAGEMENT, LP**

**T2 ACCREDITED FUND, LP**

*Whitney Filson*  
By: \_\_\_\_\_  
Its: Managing Partner

*Whitney Filson*  
By: \_\_\_\_\_  
Its: Managing Partner

Dated this 10<sup>th</sup> day of July, 2016.

Dated this 10<sup>th</sup> day of July, 2016.

**T2 QUALIFIED FUND, LP**

**TILSON OFFSHORE FUND, LTD.**

*Whitney Filson*  
By: \_\_\_\_\_  
Its: Managing Partner

*Whitney Filson*  
By: \_\_\_\_\_  
Its: Managing Member

Dated this 10<sup>th</sup> day of July, 2016.

Dated this 10<sup>th</sup> day of July, 2016.

**T2 PARTNERS MANAGEMENT I, LLC**

**T2 PARTNERS MANAGEMENT GROUP, LLC**

*Whitney Filson*  
By: \_\_\_\_\_  
Its: Managing Member

*Whitney Filson*  
By: \_\_\_\_\_  
Its: Managing Member

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**JMG CAPITAL MANAGEMENT, LLC**

**PACIFIC CAPITAL MANAGEMENT, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this 10<sup>th</sup> day of July, 2016.

**WHITNEY TILSON**

By: *Whitney Tilson*

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**MARGARET COTTER**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**GUY ADAMS**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**DOUGLAS MCEACHERN**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**JUDY CODDING**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**CRAIG TOMPKINS**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**JONATHAN GLASER**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**ELLEN COTTER**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**EDWARD KANE**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**WILLIAM GOULD**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**MICHAEL WROTNIAK**

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**READING INTERNATIONAL, INC**

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the last day set forth below.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 PARTNERS MANAGEMENT, LP**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 QUALIFIED FUND, LP**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 PARTNERS MANAGEMENT I, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**JMG CAPITAL MANAGEMENT, LLC**

By: Jonathan Glaser  
Its: Jonathan Glaser, Managing Member

Dated this 11 day of July, 2016.

**WHITNEY TILSON**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**MARGARET COTTER**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 ACCREDITED FUND, LP**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**TILSON OFFSHORE FUND, LTD.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 PARTNERS MANAGEMENT GROUP, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**PACIFIC CAPITAL MANAGEMENT, LLC**

By: Jonathan Glaser  
Its: Jonathan Glaser, Managing Member

Dated this 11 day of July, 2016.

**JONATHAN GLASER**

Dated this 11 day of July, 2016.

**ELLEN COTTER**

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the last day set forth below.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 PARTNERS MANAGEMENT, LP**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 QUALIFIED FUND, LP**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 PARTNERS MANAGEMENT I, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**JMG CAPITAL MANAGEMENT, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**WHITNEY TILSON**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**MARGARET COTTER**

  
\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 ACCREDITED FUND, LP**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**TILSON OFFSHORE FUND, LTD.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**T2 PARTNERS MANAGEMENT GROUP, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**PACIFIC CAPITAL MANAGEMENT, LLC**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

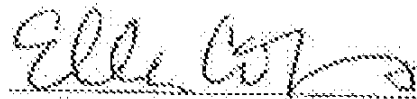
Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**JONATHAN GLASER**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**ELLEN COTTER**

  
\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

GUY ADAMS

\_\_\_\_\_

Dated this *10<sup>th</sup>* day of *July*, 2016.

EDWARD KANE

*Edward J Kane*  
\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

DOUGLAS MCEACHERN

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

WILLIAM GOULD

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

JUDY CODDING

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

MICHAEL WROTNIAK

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

CRAIG TOMPKINS

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

READING INTERNATIONAL, INC

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

GUY ADAMS

\_\_\_\_\_

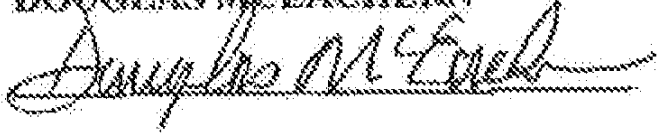
Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

EDWARD KANE

\_\_\_\_\_

Dated this 10 day of July, 2016.

DOUGLAS MCEACHERN



Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

WILLIAM GOULD

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

JUDY CODDING

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

MICHAEL WROTONIAK

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

CRAIG TOMPKINS

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

READING INTERNATIONAL, INC

\_\_\_\_\_

Dated this 10<sup>th</sup> day of July, 2016.

WHITNEY TILSON

*Whitney Tilson*

By: \_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

MARGARET COTTER

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

GUY ADAMS

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

DOUGLAS MCEACHERN

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

JUDY CODDING

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

CRAIG TOMPKINS

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

JONATHAN GLASER

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

ELLEN COTTER

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

EDWARD KANE

\_\_\_\_\_

Dated this 12<sup>th</sup> day of July, 2016.

WILLIAM GOULD

*William Gould*

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

MICHAEL WROTONIAK

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

READING INTERNATIONAL, INC

\_\_\_\_\_

Dated this 11<sup>th</sup> day of July, 2016.

**GUY ADAMS**

*Guy Adams*

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**DOUGLAS MCEACHERN**

\_\_\_\_\_

Dated this 11<sup>th</sup> day of July, 2016.

**RUDY CODDING**

*Rudy Coddling*

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**CRAIG TOMPKINS**

\_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**EDWARD KANE**

\_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**WILLIAM GOULD**

\_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**MICHAEL WROTNIAK**

\_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

**READING INTERNATIONAL, INC**

\_\_\_\_\_



Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**GUY ADAMS**

---

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**EDWARD KANE**

---

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**DOUGLAS MCEACHERN**

---

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**WILLIAM GOULD**

---

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

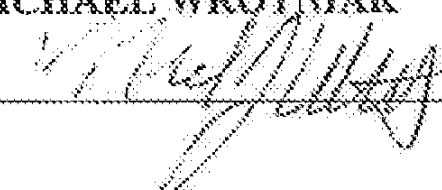
**JUDY CODDING**

---

Dated this 11 day of July, 2016.

**MICHAEL WROTONIAK**

---



Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**CRAIG TOMPKINS**

---

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**READING INTERNATIONAL, INC**

---

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**GUY ADAMS**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**EDWARD KANE**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**DOUGLAS MCEACHERN**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**WILLIAM GOULD**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**JUDY CODDING**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**MICHAEL WROTNIAK**

\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**CRAIG TOMPKINS**

*Craig Tompkins*  
\_\_\_\_\_

Dated this \_\_\_\_ day of \_\_\_\_\_, 2016.

**READING INTERNATIONAL, INC**

*[Signature]*  
\_\_\_\_\_

---

EXHIBIT A

---

EIGHTH JUDICIAL DISTRICT COURT

CLARK COUNTY, NEVADA

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

Plaintiff,

v.

MARGARET COTTER, ELLEN COTTER, GUY  
ADAMS, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY, 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,

v.

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

Defendants,

and

READING INTERNATIONAL, INC., a Nevada  
corporation;

Nominal Defendant.

Case No. A-15-719860-B  
Dept. No. XI  
Coordinated with:  
Case No. P 14-082942-E  
Dept. XI  
Case No. A-16-735305-B  
Dept. XI

BUSINESS COURT

NOTICE OF PENDENCY AND  
SETTLEMENT OF ACTION

GREENBERG TRAUBER, LLP  
3771 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3373  
Facsimile: (702) 792-9902

1 NOTICE OF PENDENCY AND SETTLEMENT OF ACTION

2 TO: ALL CURRENT RECORD AND BENEFICIAL HOLDERS OF SHARES OF  
3 COMMON STOCK OF READING INTERNATIONAL, INC. ("READING" OR THE  
4 "COMPANY").

5 BROKERAGE FIRMS, BANKS, AND OTHER PERSONS OR ENTITIES WHO  
6 HOLD SHARES OF RECORD WHO ARE NOT ALSO BENEFICIAL OWNERS ARE  
7 DIRECTED TO FORWARD THIS NOTICE PROMPTLY TO THE BENEFICIAL  
8 OWNERS OF SUCH SHARES, OR REQUEST READING TO DO SO (SEE  
9 SECTION AT THE END OF THIS NOTICE ENTITLED "NOTICE TO PERSONS OR  
10 ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS").

11 The purpose of this Notice is to inform you about: (i) the pendency of the stockholder derivative  
12 action which was brought by T2 Partners Management, LP dba Kase Capital Management; T2  
13 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase Qualified Fund; Tilson  
14 Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase Management; T2 Partners  
15 Management Group, LLC dba Kase Group; JMG Capital Management, LLC; Pacific Capital  
16 Management, LLC (the "T2 Plaintiffs") on behalf of and for the benefit of Reading (the "T2  
17 Action") in the Eighth Judicial District Court of the State of Nevada (the "Court"); (ii) a  
18 proposed settlement of the T2 Action (the "Settlement"), subject to Court approval, as provided  
19 in a **Joint Motion for Preliminary Approval of Settlement, Notice to Stockholders and**  
20 **Scheduling of Settlement Hearing on Order Shortening Time Joint Motion** (the "Joint  
21 Motion") that was filed with the Court and is publicly available for review as indicated in  
22 paragraph 28 below; (iii) the hearing that the Court will hold on \_\_\_\_\_, 2016 at \_\_\_\_;  
23 \_\_\_\_m., to determine whether to approve the Settlement; and (iv) current stockholders' rights with  
24 respect to the proposed Settlement.<sup>1</sup>

25 **PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.**

26 \_\_\_\_\_  
27 <sup>1</sup> All capitalized terms not otherwise defined in this Notice shall have the meaning provided in  
the Stipulation.

GREENBERG TRAURIG, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-9102

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**YOUR RIGHTS WILL BE AFFECTED BY THE ACTION.**

The Settlement Agreement was entered into as of July 10, 2016, between and among: T2 Plaintiffs; and individual defendants Margaret Cotter, Ellen Cotter, Douglas McEachern, Guy Adams, Edward Kane, Judy Coddington, Michael Wrotniak, William Gould, and Craig Tompkins (collectively, the "Individual Defendants"); and nominal defendant Reading (collectively with T2 Plaintiffs and Individual Defendants, the "Parties"), subject to the approval of the Court pursuant to Nevada Rule of Civil Procedure 23.1. Because the T2 Action was brought as a derivative action on behalf of and for the benefit of Reading, the benefits of the Settlement will go to Reading.

**WHAT IS THE PURPOSE OF THIS NOTICE?**

- 1. The purpose of this Notice is to explain the T2 Action, the terms of the proposed Settlement, and how the Settlement affects Reading stockholders' legal rights.
- 2. In a derivative action, one or more people and/or entities who are current stockholders of a corporation sue on behalf of and for the benefit of the corporation, seeking to enforce the corporation's legal rights.
- 3. As described more fully in paragraph 26 below, current stockholders have the right to object to the proposed Settlement. They have the right to appear and be heard at the Settlement Hearing, which will be held before The Honorable Elizabeth Gonzalez on ..... 2016 at ..... m., at the Regional Justice Center, 200 Lewis Avenue, Las Vegas, NV 89155. At the Settlement Hearing, the Court will (a) determine whether the proposed Settlement, on the terms and conditions provided for in the Settlement Agreement, is fair, reasonable, and adequate and in the best interests of Reading and its current stockholders; (b) determine whether the Court should finally approve the Joint Motion and enter the Judgment as provided in the Joint Motion, dismissing the T2 Action with prejudice and extinguishing and releasing the Released Claims; (c) hear and determine any objections to the proposed Settlement; and (d) rule on such other matters as the Court may deem appropriate.

GREENBERG TRAUBING, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-9092

1           4.       The Court has reserved the right to adjourn or continue the Settlement Hearing  
2 without further notice to you other than by announcement at the Settlement Hearing or any  
3 adjournment thereof, or notation on the docket. The Court has further reserved the right to  
4 approve the Settlement, at or after the Settlement Hearing, with such modifications as may be  
5 consented to by the Parties and without further notice of any kind.

6

7

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

8

THE FOLLOWING DESCRIPTION OF THE T2 ACTION AND THE SETTLEMENT HAS  
9 BEEN PREPARED BY COUNSEL FOR THE PARTIES. THE COURT HAS MADE NO  
10 FINDINGS WITH RESPECT TO SUCH MATTERS, AND THIS NOTICE IS NOT AN  
11 EXPRESSION OR STATEMENT BY THE COURT OF FINDINGS OF FACT.

12

5.       On June 12, 2015, Reading's Board of Directors terminated James J. Cotter, Jr. as  
13 the President and Chief Executive Officer of Reading.

14

6.       That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a  
15 derivative action, and titled "James J. Cotter, Jr., individually and derivatively on behalf of  
16 Reading International, Inc. vs. Margaret Cotter, et al." against the Company, Ellen Cotter,  
17 Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Timothy  
18 Storey in the Eighth Judicial District Court of the State of Nevada (the "James Cotter, Jr.  
19 Action").

20

7.       On October 22, 2015, Mr. Cotter, Jr., amended his complaint (the "Amended  
21 James Cotter, Jr. Complaint") to drop his individual claims. Accordingly, the Amended James  
22 Cotter, Jr. Complaint presently purports to assert only purportedly derivative claims and to seek  
23 remedies only on behalf of the Company. The lawsuit currently alleges, among other things, that  
24 Margaret Cotter, Guy Adams, William Gould, Edward Kane and Douglas McEachern breached  
25 their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief  
26 Executive Officer, continuing to make use of the Executive Committee that has been in place for  
27 more than the past ten years, making allegedly potentially misleading statements in its press

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1 releases and filings with the Securities and Exchange Commission, paying certain compensation  
2 to Ellen Cotter, and allowing the Estate of James Cotter, Sr. to make use of Class A Common  
3 Stock to pay for the exercise of certain long outstanding stock options held of record by the  
4 Estate of James Cotter, Sr. James Cotter, Jr. seeks reinstatement as President and CEO and  
5 alleges as damages fluctuations in the price of Reading's shares after the announcement of his  
6 termination as President and CEO and certain unspecified damages to Reading's reputation. Mr.  
7 Cotter, Jr. is also seeking, among other things, an order that Reading's Executive Committee be  
8 disbanded (an injunctive remedy that, if granted, would be binding on the Company).

9       8.       On August 6, 2015, the Company received notice that a Motion to Intervene in the  
10 James Cotter, Jr. Action and a proposed derivative complaint had been filed by the T2 Plaintiffs  
11 in the Eighth Judicial District Court. On August 11, 2015, the Court granted the motion of the  
12 T2 Plaintiffs, allowing these plaintiffs to file their complaint (the "T2 Complaint").

13       9.       On September 9, 2015, certain of the Individual Defendants filed a Motion to  
14 Dismiss the T2 Complaint. The Company joined this Motion to Dismiss on September 14,  
15 2015. The hearing on this Motion to Dismiss was vacated as the T2 Plaintiffs voluntarily  
16 withdrew the T2 Complaint, with the parties agreeing that T2 Plaintiffs would have leave to  
17 amend the T2 Complaint.

18       10.      On February 12, 2016, the T2 Plaintiffs filed an amended complaint (the  
19 "Amended T2 Complaint"). The T2 Plaintiffs allege in their Amended T2 Complaint various  
20 violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the  
21 defendants. More specifically the Amended T2 Complaint seeks the reinstatement of James J.  
22 Cotter, Jr. as President and Chief Executive Officer and certain monetary damages, as well as  
23 equitable injunctive relief, attorney fees, and costs of suit. The defendants in the T2 Action are  
24 the same as named in the James Cotter, Jr. Action as well as Director Judy Coddington, Director  
25 Michael Wrotniak, and Company legal counsel, Craig Tompkins. The Amended T2 Complaint  
26 deleted its request for an order disbanding Reading's Executive Committee and for an order  
27 "collapsing the Class A and B stock structure into a single class of voting stock." The Amended  
28



1 T2 Complaint added a request for an order setting aside the election results from the 2015  
2 Annual Meeting of Stockholders, based on an allegation that Ellen Cotter and Margaret Cotter  
3 were not entitled to vote the shares of Class B Common Stock held of record by the Estate of  
4 James Cotter, Sr. and the Living Trust established by James Cotter, Sr.

5 11. On February 25, 2016, the Court denied Margaret Cotter, Ellen Cotter, Guy  
6 Adams, Edward Kane, and Douglas McEachern's Motion to Dismiss the James Cotter, Jr.  
7 Amended Complaint.

8 12. In connection with the litigation, James Cotter, Jr. and the T2 Plaintiffs conducted  
9 extensive discovery on these matters, which included depositions of Guy Adams, Margaret  
10 Cotter, Ellen Cotter, William Gould, Edward Kane, Douglas McEachern, Timothy Storey, and  
11 James Cotter, Jr. In response to discovery requests, Reading produced over 13,900 documents,  
12 and the Individual Defendants produced over 7,900 documents.

13 13. In connection with efforts to settle this matter, the Parties engaged in extensive  
14 discussions.

15 14. On July 10, 2016, the Parties entered into a formal Settlement Agreement and  
16 Release of Claims ("Settlement Agreement") setting forth the terms of the Settlement.

17  
18 **WHAT ARE THE TERMS OF THE SETTLEMENT?**  
19

20 15. As consideration for the Settlement:

- 21 a. The Parties shall mutually agree upon the terms of a press release discussing  
22 the reasons for the Settlement.  
23 b. The Parties shall not to disparage each other in connection with the T2 Action.  
24

25 **WHAT ARE THE PARTIES' REASONS FOR THE SETTLEMENT?**  
26  
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1           16.     The T2 Plaintiffs brought derivative claims to ensure that the interests of all  
2 stockholders were being appropriately protected. In connection with the litigation, the T2  
3 Plaintiffs conducted extensive discovery on the matters alleged in the T2 and Jim Cotter, Jr.  
4 Complaints, discovery that included depositions of Guy Adams, Margaret Cotter, Ellen Cotter,  
5 William Gould, Edward Kane, Douglas McEachern, Timothy Storey, and James Cotter, Jr.  
6 Following their efforts on behalf of the stockholders, the T2 Plaintiffs concluded that the  
7 Reading Board of Directors has acted in the best interests of all stockholders and that continuing  
8 with their derivative stockholder litigation would provide no further benefit to Reading's  
9 stockholders, including the T2 Plaintiffs.

10           17.     The T2 Plaintiffs believe that the Settlement provides substantial and immediate  
11 benefits for Reading and its current stockholders. In addition to these substantial benefits, T2  
12 Plaintiffs and their counsel have considered: (i) the attendant risks of continued litigation and the  
13 uncertainty of the outcome of the T2 Action; (ii) the probability of success on the merits; (iii) the  
14 inherent problems of proof associated with, and possible defenses to, the claims asserted in the  
15 T2 Action; (iv) the desirability of permitting the settlement to be consummated according to its  
16 terms; (v) the expense and length of continued proceedings necessary to prosecute the T2 Action  
17 against the Defendants through trial and appeals; and (vi) the conclusion of the T2 Plaintiffs and  
18 their counsel that the terms and conditions of the Settlement Agreement are fair, reasonable, and  
19 adequate, and that it is in the best interests of Reading and its current stockholders to settle the  
20 T2 Action on the terms set forth herein.

21           18.     Based on T2 Plaintiffs' Counsel's thorough review and analysis of the relevant  
22 facts, allegations, defenses, and controlling legal principles, T2 Plaintiffs' Counsel believe that  
23 the settlement set forth in this Settlement Agreement is fair, reasonable, and adequate, and  
24 confers substantial benefits upon Reading and its current stockholders. Based upon T2  
25 Plaintiffs' Counsel's evaluation as well as T2 Plaintiffs' own evaluation, T2 Plaintiffs have  
26 determined that the settlement is in the best interests of Reading and its current stockholders and  
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1 has agreed to settle the T2 Action upon the terms and subject to the conditions set forth in the  
2 Settlement Agreement and summarized herein.

3 19. The Defendants deny any and all allegations of wrongdoing, liability, violations  
4 of law or damages arising out of or related to any of the conduct, statements, acts, or omissions  
5 alleged in the T2 Action, and maintain that their conduct was at all times proper, in the best  
6 interests of Reading and its stockholders, and in compliance with applicable law. The  
7 Defendants further deny any breach of fiduciary duties or aiding and abetting any breach of such  
8 a fiduciary duty. The Defendants also deny that Reading or its stockholders were harmed by any  
9 conduct of the Defendants alleged in the T2 Action or that could have been alleged therein. Each  
10 of the Defendants asserts that, at all relevant times, they acted in good faith and in a manner they  
11 reasonably believed to be in the best interests of Reading and all of its stockholders.

12 20. Defendants, however, recognize the uncertainty and the risk inherent in any  
13 litigation, and the difficulties and substantial burdens, expense, and length of time that may be  
14 necessary to defend this proceeding through the conclusion of trial, post-trial motions, and  
15 appeals. In particular, Defendants are cognizant of the burdens this litigation is imposing on  
16 Reading and its management, and the impact that continued litigation will have on  
17 management's ability to continue focusing on the creation of stockholder value. Defendants  
18 wish to eliminate the uncertainty, risk, burden and expense of further litigation, and to permit the  
19 operation of Reading without further distraction and diversion of its directors and executive  
20 personnel with respect to the T2 Action. Defendants have therefore determined to settle the T2  
21 Action on the terms and conditions set forth in the Settlement Agreement solely to put the  
22 Released Claims (as defined herein) to rest finally and forever, without in any way  
23 acknowledging any wrongdoing, fault, liability, or damages.  
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1 WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED?

2 WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

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4 21. If the Settlement is approved, the Court will enter a judgment (the "Judgment").  
5 Upon entry of the Judgment, the T2 Action will be dismissed in its entirety and with prejudice  
6 and the following releases will occur:

7 **Release of Claims by Reading, T2 Plaintiffs, and Other Reading Stockholders:**  
8 Reading, T2 Plaintiffs, and each and every other Reading stockholder, excluding James Cotter,  
9 Jr., on behalf of themselves and any other person or entity who could assert any of the Released  
10 T2 Plaintiffs' Claims on their behalf, in such capacity only, shall fully, finally, and forever  
11 release, settle, and discharge, and shall forever be enjoined from prosecuting, the Released T2  
12 Plaintiffs' Claims against Defendants and any other Defendants' Releasees.

13 "Released T2 Plaintiffs' Claims" means all any and all manner of claims, demands,  
14 rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties,  
15 sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements,  
16 judgments, decrees, matters, issues and controversies of any kind, nature, or description  
17 whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued,  
18 apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or  
19 unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims,  
20 whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or  
21 rule (including claims within the exclusive jurisdiction of the federal courts, such as, but not  
22 limited to, federal securities claims or other claims based upon the purchase or sale of shares),  
23 that are, have been, could have been, could now be, or in the future could, can, or might be  
24 asserted, in the T2 Action or in any other court, tribunal, or proceeding by T2 Plaintiffs or any  
25 other Reading stockholder, excluding James Cotter, Jr., derivatively on behalf of Reading, or by  
26 Reading directly against any of the Defendants' Releasees, which, now or hereafter, are based  
27 upon, arise out of, relate in any way to, or involve, directly or indirectly, any of the actions,  
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1 transactions, occurrences, statements, representations, misrepresentations, omissions, allegations,  
2 facts, practices, events, claims or any other matters, things or causes whatsoever, or any series  
3 thereof, that relate in any way to, or could arise in connection with, the alleged breaches of  
4 fiduciary duty, abuse of control, gross mismanagement, and corporate waste, including but not  
5 limited to those alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or  
6 related to the Amended T2 Complaint or the T2 Action, except for claims relating to the  
7 enforcement of the Settlement and for any claims that Defendants may have against any of their  
8 insurers, co-insurers or reinsurers that are not otherwise released pursuant to other  
9 documentation. For the avoidance of doubt, the Released T2 Plaintiffs' Claims include all of the  
10 claims asserted in the T2 Action, but do not include claims based on conduct of Defendants'  
11 Releasees after the Effective Date.

12 "Defendants' Releasees" means Reading, Defendants, and any other current or former  
13 officer, director or employee of Reading, excluding James Cotter, Jr., and their respective past,  
14 present, or future family members, spouses, heirs, trusts, trustees, executors, estates,  
15 administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners,  
16 partnerships, general or limited partners or partnerships, joint ventures, member firms, limited  
17 liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities,  
18 stockholders, principals, officers, directors, managing directors, members, managing members,  
19 managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest,  
20 assigns, financial or investment advisors, advisors, consultants, investment bankers, entities  
21 providing any fairness opinion, underwriters, brokers, dealers, financing sources lenders,  
22 commercial bankers, attorneys, personal or legal representatives, accountants, associates and  
23 insurers, co-insurers and reinsurers, except with respect to claims by any Individual Defendant or  
24 Nominal Defendant against such insurer, co-insurer, or re-insurer that have not otherwise been  
25 released pursuant to other documentation.

26 **Release of Claims by Defendants:** Defendants and the other Defendants' Releasees, on  
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1 behalf of themselves and any other person or entity who could assert any of the Released  
2 Defendants' Claims on their behalf, in such capacity only, shall fully, finally, and forever  
3 release, settle, and discharge, and shall forever be enjoined from prosecuting, the Released  
4 Defendants' Claims against T2 Plaintiffs' Releasees.

5 "Released Defendants' Claims" means any and all manner of claims, demands, rights,  
6 liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties,  
7 sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements,  
8 judgments, decrees, matters, issues, and controversies of any kind, nature, or description  
9 whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued,  
10 apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or  
11 unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims,  
12 whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or  
13 rule (including claims within the exclusive jurisdiction of the federal courts), that arise out of or  
14 relate in any way to the institution, prosecution, or settlement of the claims against Defendants in  
15 the T2 Action, except for claims relating to the enforcement of the Settlement. For the avoidance  
16 of doubt, the Released Defendants' Claims do not include claims based on the conduct of the T2  
17 Plaintiffs' Releasees after the Effective Date and do not include any claims that Defendants may  
18 have against any of their insurers, co-insurers or reinsurers that are not otherwise released  
19 pursuant to other documentation.

20 "T2 Plaintiffs' Releasees" means T2 Plaintiffs, all other Reading stockholders, excluding  
21 James Cotter, Jr., and any current or former officer or director of any Reading stockholder, and  
22 their respective past, present, or future family members, spouses, heirs, trusts, trustees, executors,  
23 estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries,  
24 partners, partnerships, general or limited partners or partnerships, joint ventures, member firms,  
25 limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated  
26 entities, stockholders, principals, officers, directors, managing directors, members, managing  
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1 members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-  
2 interest, assigns, financial or investment advisors, advisors, consultants, investment bankers,  
3 entities providing any fairness opinion, underwriters, brokers, dealers, financing sources, lenders,  
4 commercial bankers, attorneys, personal or legal representatives, accountants, and associates.

5       "Unknown Claims" means any Released T2 Plaintiffs' Claims that Reading, T2  
6 Plaintiffs, or any other Reading stockholder, excluding James Cotter, Jr., does not know or  
7 suspect to exist in his, her, or its favor at the time of the release of the Defendants' Releasees,  
8 and any Released Defendants' Claims that any of the Defendants or any of the other Defendants'  
9 Releasees does not know or suspect to exist in his, her, or its favor at the time of the release of  
10 the T2 Plaintiffs' Releasees, which, if known by him, her or it, might have affected his, her, or its  
11 decision(s) with respect to the Settlement. With respect to any and all Released T2 Plaintiffs'  
12 Claims and Released Defendants' Claims, the Parties stipulate and agree that Reading, T2  
13 Plaintiffs and each of the Defendants shall expressly waive, and each of the other Reading  
14 stockholders, excluding James Cotter, Jr., and each of the other Defendants' Releasees shall be  
15 deemed to have waived, and by operation of the Judgment shall have expressly waived, any and  
16 all provisions, rights, and benefits conferred by California Civil Code §1542, which provides:

17           A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE  
18 CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR  
19 AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR  
20 HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH  
21 THE DEBTOR.  
22

23 and any law of any state or territory of the United States, or principle of common law or foreign  
24 law, which is similar, comparable, or equivalent to California Civil Code §1542. Reading, T2  
25 Plaintiffs and each of the Defendants acknowledge, and each of the other Reading stockholders,  
26 excluding James Cotter, Jr., and each of the other Defendants' Releasees shall be deemed by  
27 operation of law to have acknowledged, that the foregoing waiver was separately bargained for  
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and is a key element of the Settlement.

22. If the Settlement is approved, since Reading will have released the Released T2 Plaintiffs' Claims described above against any of the other Defendants' Releasees, no Reading stockholder, excluding James Cotter, Jr., will be able to bring another action asserting those claims against those persons on behalf of Reading excluding any claims any Individual Defendant or Nominal Defendant has against insurers, re-insurers or co-insurers that are not released pursuant to other documentation.

23. Pending final determination by the Court of whether the Settlement should be approved, T2 Plaintiffs, all Reading stockholders, excluding James Cotter, Jr., Defendants, and Reading are enjoined from filing, commencing, or prosecuting any Released Claims against the Releasees in the T2 Action or in any other lawsuit in any jurisdiction excluding any claims any Individual Defendant or Nominal Defendant has against insurers, re-insurers or co-insurers that are not released pursuant to other documentation.

HOW WILL THE ATTORNEYS GET PAID?

24. Each of the Parties will bear his, her, or its own legal fees and expenses.

WHEN AND WHERE WILL THE SETTLEMENT HEARING BE HELD?  
DO I HAVE THE RIGHT TO APPEAR AT THE SETTLEMENT HEARING?

25. The Court will consider the Settlement and all matters related to the Settlement at the Settlement Hearing. The Settlement Hearing will be held before The Honorable Elizabeth Gonzalez on \_\_\_\_\_, 2016 at \_\_\_\_:\_\_\_\_ m., in the Regional Justice Center, 200 Lewis Avenue, Las Vegas, NV 89155 .



GREENERG TRADING, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89166  
Telephone: (702) 792-3773  
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1           26. Any Current Stockholder who objects to the Settlement, or who otherwise wishes  
2 to be heard, may appear in person or through his, her, or its attorney at the Settlement Hearing  
3 and present any evidence or argument that may be proper and relevant; provided, however, that  
4 no such person shall be heard or entitled to contest the approval of the terms and conditions of  
5 the Settlement, or, if approved, the Judgment to be entered thereon, unless, no later than ten  
6 business days before the Settlement Hearing, such person files with the Court, the following:  
7 (a) proof of current ownership of Reading stock; (b) a written and signed notice of the Objector's  
8 intention to appear, which states the name, address and telephone number of Objector and, if  
9 represented, his, her or its counsel; (c) a detailed statement of the objections to any matter before  
10 the Court; and (d) a detailed statement of all of the grounds thereon and the reasons for the  
11 Objector's desire to appear and to be heard, as well as all documents or writings which the  
12 Objector desires the Court to consider. Any such filings with the Court must also be served upon  
13 each of the following counsel (by hand, first class U.S. mail, or express service) such that they  
14 are received no later than ten calendar days prior to the Settlement Hearing:

15  
16           Alexander Robertson, IV  
17           ROBERTSON & ASSOCIATES, LLP  
18           32121 Lindero Canyon Road, Suite 200  
19           Westlake Village, California 91361

20           *Attorneys for Plaintiffs and Intervenors, T2 Partners Management, LP dba Kase Capital*  
21           *Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase*  
22           *Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase*  
23           *Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital*  
24           *Management, LLC; Pacific Capital Management, LLC*

25           Adam C. Anderson  
26           PATTI, SGRO, LEWIS & ROGER  
27           720 S. 7th Street, 3rd Floor  
28           Las Vegas, NV 89101

29           *Attorneys for Plaintiffs and Intervenors, T2 Partners Management, LP dba Kase Capital*  
30           *Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase*  
31           *Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase*  
32           *Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital*  
33           *Management, LLC; Pacific Capital Management, LLC*

GREENBERG TRAUER, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-6002

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H. Stan Johnson, Esq.  
Michael V. Hughes, Esq.  
COHEN|JOHNSON|PARKER|EDWARDS  
255 East Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119

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

Christopher Tayback, Esq.  
Marshall M. Searcy, Esq.  
QUINN EMANUEL URQUHART & SULLIVAN, LLP  
865 South Figueroa Street, 10th Floor  
Los Angeles, CA 90017

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

Donald A. Lattin  
Carolyn K. Renner  
Christopher M. Stanko  
MAUPIN, COX & LeGOY  
4785 Caughlin Parkway  
Reno, NV 89519

*Attorneys for Defendants William Gould*

Ekwan E. Rhow  
BIRD, MARELLA, BOXER, WOLPERT, NESSIM, DROOKS, LINCENBERG &  
RHOW  
1875 Century Park East, 23rd Floor  
Los Angeles, CA 90067-2561

*Attorneys for Defendants William Gould*

Mark E. Ferrario, Esq.  
Kara B. Hendricks, Esq.  
GREENBERG TRAUER, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169

*Attorneys for Nominal Defendant Reading International, Inc.*

1 Mark G. Krum  
LEWIS ROCA ROTHGERBER LLP  
2 3993 Howard Hughes Parkway, Suite 600  
Las Vegas, Nevada 89169

3 *Attorneys for Plaintiff James J. Cotter, Jr.*

4  
5 27. Unless the Court otherwise directs, any person who fails to object in the manner  
6 prescribed above shall be deemed to have waived his, her, or its right to object and shall be  
7 forever barred from raising any objection to the Settlement or any other matter related to the  
8 Settlement, in the T2 Action or in any other action or proceeding.  
9

10  
11 CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

12 28. This Notice does not purport to be a comprehensive description of the T2 Action,  
13 the allegations related thereto, the terms of the Settlement, or the Settlement Hearing. For a  
14 more detailed statement of the matters involved in the T2 Action, you may inspect the pleadings,  
15 the Joint Motion, the Orders entered by the Court, and other papers filed in the T2 Action at  
16 Regional Justice Center, 200 Lewis Avenue, Las Vegas, NV 89155, during regular business  
17 hours of each business day. You may also view a copy of the Settlement Agreement at  
18 <http://www. ....com>. If you have questions regarding the Settlement, you may write or  
19 call T2 Plaintiffs' Counsel: Alexander Robertson, IV, 32121 Lindero Canyon Road, Suite 200,  
20 Westlake Village, CA 91361, (818) 851-3850; and Adam C. Anderson, Patti, Sgro, Lewis &  
21 Roger, 720 S. 7th Street, 3rd Floor, Las Vegas, NV 89101, (702) 385-9595.

22 **DO NOT CALL OR WRITE THE COURT REGARDING THIS NOTICE.**

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25 NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF  
26 OTHERS  
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29. Brokerage firms, banks, and other persons or entities who hold shares of Reading common stock as record owners, but not as beneficial owners, are directed to either (a) promptly request from Reading sufficient copies of this Notice to forward to all such beneficial owners and after receipt of the requested copies promptly forward such Notices to all such beneficial owners; or (b) promptly provide a list of the names and addresses of all such beneficial owners to [name], Corporate Secretary, Reading, 6100 Center Drive, Suite 900, Los Angeles, CA, 90045 after which Reading will promptly send copies of the Notice to such beneficial owners. Copies of this Notice may be obtained by calling Reading's transfer agent, toll free, at [phone number].

BY ORDER OF THE COURT

Dated: \_\_\_\_\_, 2016 \_\_\_\_\_

GREENBERG TRAUBIC, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-5773  
Facsimile: (702) 792-9602

---

# EXHIBIT B

---

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

1 ORDR  
2 MARK E. FERRARIO, ESQ.  
(NV Bar No. 1625)  
3 KARA B. HENDRICKS, ESQ.  
(NV Bar No. 7743)  
4 TAMI D. COWDEN, ESQ.  
(NV Bar No. 8994)  
5 GREENBERG TRAURIG, LLP  
3773 Howard Hughes Parkway  
Suite 400 North  
6 Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
7 Facsimile: (702) 792-9002  
Email: ferrariom@gtlaw.com  
8 hendricksk@gtlaw.com  
cowdent@gtlaw.com

9 *Counsel for Reading International, Inc.*

10 **DISTRICT COURT**  
11 **CLARK COUNTY, NEVADA**

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

15 \_\_\_\_\_  
16 JAMES J. COTTER, JR., derivatively on  
behalf of Reading International, Inc.,  
17 Plaintiff,

18 v.

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

23 And

24 READING INTERNATIONAL, INC., a  
25 Nevada Corporation,  
26 Nominal Defendant.

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

Coordinated with:

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

Case No. A-16-735305-B  
Dept. XI

**ORDER GRANTING PRELIMINARY  
APPROVAL OF DERIVATIVE  
CLAIM SETTLEMENT**

27  
28

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

1 Presently pending is the Joint Motion for Preliminary Approval Of Settlement, Notice To  
2 Stockholders And Scheduling Of Settlement Hearing On Order Shortening Time ("Joint  
3 Motion"), filed by Intervenor Plaintiffs T2 Partners Management, LP, T2 Accredited Fund, LP,  
4 T2 Qualified Fund, LP, Tilson Offshore Fund, LTD., T2 Partners Management I, LLC, T2  
5 Partners Management Group, LLC, JMG Capital Management, LLC, Pacific Capital  
6 Management, LLC, and Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,  
7 Douglas Meeachern, William Gould, Judy Coddling, Michael Wrotniak, Craig Tompkins, and  
8 Nominal Defendant, Reading International, Inc. This Court, having considered the papers  
9 submitted in support of the Joint Motion, and having heard the argument of the parties,

10 HEREBY ORDERS THE FOLLOWING:

- 11 1. The Court grants preliminary approval of the settlement based upon the terms set  
12 forth in the Joint Motion. The settlement appears to be presumptively valid, subject only to any  
13 objections that may be raised at the final approval hearing and final approval by this Court.
- 14 2. A final approval hearing on the question of whether the proposed settlement  
15 should be approved as fair, reasonable and adequate is scheduled in accordance with the  
16 schedule set forth below.
- 17 3. The Court approves the form and content of the Notice of Pendency and  
18 Settlement of Action ("Notice") attached as Exhibit B to the Joint Motion.
- 19 4. The Court approves the procedure for notice to the shareholders of Reading  
20 International, Inc. set forth in the Joint Motion and Notice.
- 21 5. The Court directs the mailing of the Notice to the shareholders as set forth in the  
22 Settlement Agreement and Joint Motion.
- 23 6. The Court orders the following schedule for further proceedings:

24

|       |  |  |
|-------|--|--|
| 25 1. | Deadline for Mailing of Notice to Shareholders | Ten business days after the<br>26 date of this order |
| 27 2. | Deadline for Receipt of Objections             | Ten business days prior to<br>28 Approval Hearing    |

GREENBERG TRAURIG, LLP  
 3773 Howard Hughes Parkway, Suite 400 North  
 Las Vegas, Nevada 89169  
 Telephone: (702) 792-3773  
 Facsimile: (702) 792-0072

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| 3. | Deadline to File Final Approval Motion | Ten business days prior to Approval Hearing    |
| 4. | Final Approval Hearing                 | 60 calendar days after the date of this order. |

DATED this \_\_\_ day of \_\_\_\_\_, 2016.

DISTRICT COURT JUDGE

Submitted by

ROBERTSON & ASSOCIATES, LLP

ALEXANDER ROBERTSON, IV (SBN 8642)  
 32121 Lindero Canyon Road, Suite 200  
 Westlake Village, California 91361  
[ARobertson@ARobertsonLaw.com](mailto:ARobertson@ARobertsonLaw.com)

*Attorneys for Plaintiffs and Intervenors, T2 Partners Management, LP, et al.*

GREENBERG TRAURIG, LLP

Mark E. Ferrario (NV Bar No. 1625)  
 Kara B. Hendricks (NV Bar No. 7743)  
 3773 Howard Hughes Parkway, Suite 400 N.  
 Las Vegas, Nevada 89169  
[FerrarioM@gtlaw.com](mailto:FerrarioM@gtlaw.com)  
[HendricksK@gtlaw.com](mailto:HendricksK@gtlaw.com)

*Counsel for Reading International, Inc.*

PATTI, SGRO, LEWIS & ROGER

STEPHEN K. LEWIS (NV BAR 7064)  
 ADAM C. ANDERSON (NV BAR 13062)  
 720 S. 7th Street, 3rd Floor  
 Las Vegas, NV 89101  
[slewis@pslrfirm.com](mailto:slewis@pslrfirm.com)  
[aanderson@pslrfirm.com](mailto:aanderson@pslrfirm.com)

*Attorneys for Plaintiffs and Intervenors, T2 Partners Management, LP dba Kase Capital Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital Management, LLC; Pacific Capital Management, LLC*

QUINN EMANUEL URQUHART & SULLIVAN, LLP

CHRISTOPHER TAYBACK  
 (Admitted *pro hac vice*)  
 MARSHALL M. SEARCY III  
 (Admitted *pro hac vice*)  
 865 S. Figueroa Street, 10<sup>th</sup> Floor  
 Los Angeles, California, 90017  
[christayback@quinnemanuel.com](mailto:christayback@quinnemanuel.com)  
[marshallsearcy@quinnemanuel.com](mailto:marshallsearcy@quinnemanuel.com)

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

c/o



GREENBERG TRAUBIG, LLP  
3173 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-5773  
Facsimile: (702) 792-0900

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COHEN-JOHNSON, LLC

---

H. STAN JOHNSON (SBN 265)  
255 E. Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119  
[SJohnson@CohenJohnson.com](mailto:SJohnson@CohenJohnson.com)

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

MAUPIN COX & LEGOY

---

DONALD A. LATTIN (NV BAR 0693)  
4785 Caughlin Parkway  
Reno, Nevada 89519  
[dlattin@mclrenolaw.com](mailto:dlattin@mclrenolaw.com)

*Attorneys for Defendants William Gould*

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

---

EKWAN E. RHOW (Admitted *pro hac vice*)  
1875 Century Park East, 23rd Floor  
Los Angeles, California 90067  
[EER@BirdMarella.com](mailto:EER@BirdMarella.com)

*Attorneys for Defendants William Gould*

SANTORO WHITMIRE, LTD.

---

NICHOLAS J. SANTORO (NV BAR 0532)  
10100 Charleston Boulevard, Suite 250  
Las Vegas, Nevada 89135  
[nsantoro@santoronevada.com](mailto:nsantoro@santoronevada.com)

*Attorneys for Craig Tompkins*

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EXHIBIT C

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

1 ORDR  
2 MARK E. FERRARIO, ESQ.  
(NV Bar No. 1625)  
3 KARA B. HENDRICKS, ESQ.  
(NV Bar No. 7743)  
4 TAMI D. COWDEN, ESQ.  
(NV Bar No. 8994)  
5 GREENBERG TRAURIG, LLP  
3773 Howard Hughes Parkway  
Suite 400 North  
6 Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
7 Facsimile: (702) 792-9002  
Email: ferrario@gtlaw.com  
8 hendricksk@gtlaw.com  
cowdent@gtlaw.com  
9

10 *Counsel for Reading International, Inc.*

11 **DISTRICT COURT**  
12 **CLARK COUNTY, NEVADA**

13 In the Matter of the Estate of  
14 JAMES J. COTTER,  
15 Deceased.

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

18 Plaintiff,

19 v.

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

23 Defendants.

24 And

25 READING INTERNATIONAL, INC., a  
Nevada Corporation,

26 Nominal Defendant.  
27  
28

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

Coordinated with:

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

Case No. A-16-735305-B  
Dept. XI

**ORDER AND FINAL JUDGMENT**

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

1 Presently pending is the Joint Motion for Final Approval of Settlement and Dismissal  
2 (“Joint Motion”), filed by Intervenor Plaintiffs T2 Partners Management, LP, T2 Accredited  
3 Fund, LP, T2 Qualified Fund, LP, Tilson Offshore Fund, LTD., T2 Partners Management I,  
4 LLC, T2 Partners Management Group, LLC, JMG Capital Management, LLC, Pacific Capital  
5 Management, LLC, and Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,  
6 Douglas Mceachern, William Gould, Judy Coddling, Michael Wrotniak, Craig Tompkins, and  
7 Nominal Defendant, Reading International, Inc. The Court have reviewed the Motion and  
8 grounds therefore, having heard any objections thereto, and having heard the argument of the  
9 parties, THE COURT FINDS AS FOLLOWS:

10 1. The Court previously granted preliminary approval of the proposed settlement  
11 based upon the terms as set forth in the Joint Motion for Preliminary Approval of Settlement of  
12 Derivative Claims. At that time, the Court determined that settlement appeared presumptively  
13 valid, subject only to any objections at the final approval hearing. The notice approved and  
14 directed in that preliminary approval having gone out to shareholders of Reading international,  
15 Inc., [and no objection being raised] [ the Court having considered all objections that were  
16 raised] the Court finds the settlement fair, reasonable and adequate, and in the best interests of  
17 the shareholders and of the corporation. Based on such finding, the Court

18 HEREBY ORDERS THE FOLLOWING:

19 1. All claims contained in the First Amended Complaint filed by Intervenor  
20 Plaintiffs T2 Partners Management, LP, T2 Accredited Fund, LP, T2 Qualified Fund, LP, Tilson  
21 Offshore Fund, LTD., T2 Partners Management I, LLC, T2 Partners Management Group, LLC,  
22 JMG Capital Management, LLC, Pacific Capital Management, LLC, are dismissed in their  
23 entirety with prejudice.

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GREENBERG TRAUBIG, LLP  
3775 Howard Hughes Parkway, Suite 4000  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-0902

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COHEN-JOHNSON, LLC

H. STAN JOHNSON (SBN 265)  
255 E. Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119  
[SJohnson@CohenJohnson.com](mailto:SJohnson@CohenJohnson.com)

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

MAUPIN COX & LEGOY

DONALD A. LATTIN (NV BAR 0693)  
4785 Caughlin Parkway  
Reno, Nevada 89519  
[dlattin@mcirenelaw.com](mailto:dlattin@mcirenelaw.com)

*Attorneys for Defendants William Gould*

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

EKWAN E. RHOW (Admitted *pro hac vice*)  
1875 Century Park East, 23rd Floor  
Los Angeles, California 90067  
[EER@BirdMarella.com](mailto:EER@BirdMarella.com)

*Attorneys for Defendants William Gould*

SANTORO WHITMIRE, LTD.

NICHOLAS J. SANTORO (NV BAR 0532)  
10100 Charleston Boulevard, Suite 250  
Las Vegas, Nevada 89135  
[nsantoro@santoronevada.com](mailto:nsantoro@santoronevada.com)

*Attorneys for Craig Tompkins*

---

EXHIBIT D

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## ***Stockholders Withdraw Derivative Lawsuit Against Reading International***

Los Angeles, California, - (BUSINESS WIRE) – July 12, 2016 – Reading International, Inc. (NASDAQ: RDI) ("Reading" or the "Company") and Messrs. Whitney Tilson and Jonathan M. Glaser, acting on behalf of various funds that they manage (the "Plaintiff Stockholders"), have announced that the Plaintiff Stockholders have withdrawn all of their alleged claims (the "Derivative Claims") in the previously filed derivative lawsuit in the District Court of the State of Nevada for Clark County. Collectively, the Plaintiff Stockholders own approximately 845,000 shares, representing approximately 3.7% of the outstanding equity of our Company. Through their various funds, Mr. Glaser has been a significant stockholder of Reading since 2008, and Mr. Tilson has been a significant stockholder since October 2014.

Commenting on the withdrawal of the lawsuit, the Company stated, "We are pleased that Mr. Glaser and Mr. Tilson have agreed to dismiss their claims. We remain focused on building long term value for all stockholders."

Mr. Tilson stated that the Plaintiff Stockholders brought the Derivative Claims as a result of the allegations contained in a derivative action filed by Mr. James J. Cotter, Jr. on June 12, 2015, in the District Court of the State of Nevada for Clark County. As stockholders in the Company, Messrs. Tilson and Glaser wanted to ensure that the interests of all stockholders were being appropriately protected. In connection with the litigation, the Plaintiff Stockholders conducted extensive discovery on these matters, which included depositions of Guy Adams, Margaret Cotter, Ellen Cotter, William Gould, Edward Kane, Douglas McEachern, Tim Storey and James Cotter, Jr. Following their efforts on behalf of all stockholders, Messrs. Tilson and Glaser have concluded that the Reading Board of Directors has acted in good faith and has been and remains committed to acting in the interests of all stockholders. Continuing with their derivative litigation would provide no further benefit.

Messrs. Glaser and Tilson stated, "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."

In connection with the dismissal of the Derivative Claims, the parties have agreed to mutual general releases with each party bearing his, her or its own legal fees and expenses. Further, the parties will petition the court for approval of the settlement.

### **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
  - Reading Cinema brand (<http://www.readingcinemasus.com>);
  - Angelika Film Center brand (<http://www.angelikafilmcenter.com>);
  - Consolidated Theatres brand (<http://www.consolidatedtheatres.com>);
  - City Cinemas brand (<http://www.citycinemas.com>);
  - Beekman Theatre brand (<http://www.beekmantheatre.com>);
  - The Paris Theatre brand (<http://www.theparistheatre.com>);
  - Liberty Theatres brand (<http://libertytheatresusa.com>); and
  - Village East Cinema brand (<http://villageeastcinema.com>).
  
- in Australia, under the
  - Reading Cinema brand (<http://www.readingcinemas.com.au>);
  - Newmarket brand (<http://readingnewmarket.com.au>); and
  - Red Yard brand (<http://www.redyard.com.au>).
  
- in New Zealand, under the
  - Reading Cinema brand (<http://www.readingcinemas.co.nz>);
  - Rialto brand (<http://www.rialto.co.nz>);
  - Reading Properties brand (<http://readingproperties.co.nz>);
  - Courtenay Central brand (<http://www.readingcourtenay.co.nz>); and
  - Steer n' Beer restaurant brand (<http://steernbeer.co.nz>).

For more information from Reading International, Inc., contact:

Dev Ghose  
Executive Vice President & Chief Financial Officer  
(213) 235-2240

or

Andrzej Matyczynski  
Executive Vice President for Global Operations  
(213) 235-2240

For more information from Plaintiff Stockholders, Whitney Tilson and Jonathan Glaser, contact:

Robertson & Associates, LLC  
Alexander Robertson, IV  
(818) 851-3850

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**EXHIBIT B**

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1 ORDER  
2 MARK E. FERRARIO, ESQ.  
(NV Bar No. 1625)  
3 KARA B. HENDRICKS, ESQ.  
(NV Bar No. 7743)  
4 TAMI D. COWDEN, ESQ.  
(NV Bar No. 8994)  
5 GREENBERG TRAUERIG, LLP  
3773 Howard Hughes Parkway  
Suite 400 North  
6 Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
7 Facsimile: (702) 792-9002  
Email: ferrariom@gtlaw.com  
8 hendricksk@gtlaw.com  
cowdent@gtlaw.com

9 *Counsel for Reading International, Inc.*

10 DISTRICT COURT  
11 CLARK COUNTY, NEVADA

12 In the Matter of the Estate of  
13 JAMES J. COTTER,  
14 Deceased.  
15  
16 JAMES J. COTTER, JR., derivatively on  
behalf of Reading International, Inc.,  
17 Plaintiff,  
18  
19 v.  
20 MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE,  
21 DOUGLAS McEACHERN, TIMOTHY  
STOREY, WILLIAM GOULD, and DOES 1  
through 100, inclusive,  
22 Defendants.  
23  
24 And  
25 READING INTERNATIONAL, INC., a  
Nevada Corporation,  
26 Nominal Defendant.

Case No. A-15-719860-B  
Dept. No. XI  
  
Coordinated with:  
  
Case No. P 14-082942-E  
Dept. XI  
  
Case No. A-16-735305-B  
Dept. XI

**ORDER GRANTING PRELIMINARY  
APPROVAL OF DERIVATIVE  
CLAIM SETTLEMENT**

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

27  
28

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

1 Presently pending is the Joint Motion for Preliminary Approval Of Settlement, Notice To  
2 Stockholders And Scheduling Of Settlement Hearing On Order Shortening Time ("Joint  
3 Motion"), filed by Intervenor Plaintiffs T2 Partners Management, LP, T2 Accredited Fund, LP,  
4 T2 Qualified Fund, LP, Tilson Offshore Fund, LTD., T2 Partners Management I, LLC, T2  
5 Partners Management Group, LLC, IMG Capital Management, LLC, Pacific Capital  
6 Management, LLC, and Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,  
7 Douglas Mceachern, William Gould, Judy Coddling, Michael Wrotniak, Craig Tompkins, and  
8 Nominal Defendant, Reading International, Inc. This Court, having considered the papers  
9 submitted in support of the Joint Motion, and having heard the argument of the parties,

10 **HEREBY ORDERS THE FOLLOWING:**

11 1. The Court grants preliminary approval of the settlement based upon the terms set  
12 forth in the Joint Motion. The settlement appears to be presumptively valid, subject only to any  
13 objections that may be raised at the final approval hearing and final approval by this Court.

14 2. A final approval hearing on the question of whether the proposed settlement  
15 should be approved as fair, reasonable and adequate is scheduled in accordance with the  
16 schedule set forth below.

17 3. The Court approves the form and content of the Notice of Pendency and  
18 Settlement of Action ("Notice") attached as Exhibit B to the Joint Motion.

19 4. The Court approves the procedure for notice to the shareholders of Reading  
20 International, Inc. set forth in the Joint Motion and Notice.

21 5. The Court directs the mailing of the Notice to the shareholders as set forth in the  
22 Settlement Agreement and Joint Motion.

23 6. The Court orders the following schedule for further proceedings:

24

|       |  |  |
|-------|--|--|
| 25 1, | Deadline for Mailing of Notice to Shareholders | Ten business days after the<br>26 date of this order |
| 27 2, | Deadline for Receipt of Objections             | Ten business days prior to<br>28 Approval Hearing    |

GREENBERG TRAURIG, LLP  
 3773 Howard Hughes Parkway, Suite 400 North  
 Las Vegas, Nevada 89169  
 Telephone: (702) 792-3773  
 Facsimile: (702) 792-0902

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|----|--|--|
| 3. | Deadline to File Final Approval Motion | Ten business days prior to Approval Hearing    |
| 4. | Final Approval Hearing                 | 60 calendar days after the date of this order. |

DATED this \_\_\_\_ day of \_\_\_\_\_, 2016.

DISTRICT COURT JUDGE

Submitted by

ROBERTSON & ASSOCIATES, LLP

ALEXANDER ROBERTSON, IV (SBN 8642)  
 32121 Lindero Canyon Road, Suite 200  
 Westlake Village, California 91361  
[ARobertson@ARobertsonLaw.com](mailto:ARobertson@ARobertsonLaw.com)

*Attorneys for Plaintiffs and Intervenors, T2  
 Partners Management, LP, et al.*

GREENBERG TRAURIG, LLP

Mark E. Ferrario (NV Bar No. 1625)  
 Kara B. Hendricks (NV Bar No. 7743)  
 3773 Howard Hughes Parkway, Suite 400 N.  
 Las Vegas, Nevada 89169  
[FerrarioM@gtlaw.com](mailto:FerrarioM@gtlaw.com)  
[HendricksK@gtlaw.com](mailto:HendricksK@gtlaw.com)

*Counsel for Reading International, Inc.*

PATTI, SGRO, LEWIS & ROGER

STEPHEN K. LEWIS (NV BAR 7064)  
 ADAM C. ANDERSON (NV BAR 13062)  
 720 S. 7th Street, 3rd Floor  
 Las Vegas, NV 89101  
[slewis@pslrfirm.com](mailto:slewis@pslrfirm.com)  
[aanderson@pslrfirm.com](mailto:aanderson@pslrfirm.com)

*Attorneys for Plaintiffs and Intervenors, T2  
 Partners Management, LP dba Kase Capital  
 Management; T2 Accredited Fund, LP dba  
 Kase Fund; T2 Qualified Fund, LP dba Kase  
 Qualified Fund; Tilson Offshore Fund, LTD;  
 T2 Partners Management I, LLC dba Kase  
 Management; T2 Partners Management  
 Group, LLC dba Kase Group; JMG Capital  
 Management, LLC; Pacific Capital  
 Management, LLC*

QUINN EMANUEL URQUHART & SULLIVAN,  
 LLP

CHRISTOPHER TAYBACK  
 (Admitted *pro hac vice*)  
 MARSHALL M. SEARCY III  
 (Admitted *pro hac vice*)  
 865 S. Figueroa Street, 10<sup>th</sup> Floor  
 Los Angeles, California, 90017  
[christayback@quinnemanuel.com](mailto:christayback@quinnemanuel.com)  
[marshallsearcy@quinnemanuel.com](mailto:marshallsearcy@quinnemanuel.com)

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

c/o

GREENBERG TRAUB, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3777  
Facsimile: (702) 792-9552

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COHEN-JOHNSON, LLC

H. STAN JOHNSON (SBN 265)  
255 E. Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119  
[SJohnson@CohenJohnson.com](mailto:SJohnson@CohenJohnson.com)

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

MAUPIN COX & LEGOY

DONALD A. LATTIN (NV BAR 0693)  
4785 Caughlin Parkway  
Reno, Nevada 89519  
[dlattin@mclrenolaw.com](mailto:dlattin@mclrenolaw.com)

*Attorneys for Defendants William Gould*

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

EKWAN E. RHOW (Admitted *pro hac vice*)  
1875 Century Park East, 23rd Floor  
Los Angeles, California 90067  
[EER@BirdMarella.com](mailto:EER@BirdMarella.com)

*Attorneys for Defendants William Gould*

SANTORO WHITMIRE, LTD.

NICHOLAS J. SANTORO (NV BAR 0532)  
10100 Charleston Boulevard, Suite 250  
Las Vegas, Nevada 89135  
[nsantoro@santoronevada.com](mailto:nsantoro@santoronevada.com)

*Attorneys for Craig Tompkins*

---

EXHIBIT C

---

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

1 ORDER  
2 MARK E. FERRARIO, ESQ.  
(NV Bar No. 1625)  
3 KARA B. HENDRICKS, ESQ.  
(NV Bar No. 7743)  
4 TAMI D. COWDEN, ESQ.  
(NV Bar No. 8994)  
5 GREENBERG TRAURIG, LLP  
3773 Howard Hughes Parkway  
Suite 400 North  
6 Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
7 Facsimile: (702) 792-9002  
Email: ferrario@gtlaw.com  
8 hendricksk@gtlaw.com  
9 cowdent@gtlaw.com

10 *Counsel for Reading International, Inc.*

11 DISTRICT COURT  
12 CLARK COUNTY, NEVADA

13 In the Matter of the Estate of  
14 JAMES J. COTTER,  
15 Deceased.

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

18 Plaintiff,

19 v.

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

23 Defendants.

24 And

25 READING INTERNATIONAL, INC., a  
Nevada Corporation,

26 Nominal Defendant.  
27  
28

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

Coordinated with:

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

Case No. A-16-735305-B  
Dept. XI

**ORDER AND FINAL JUDGMENT**



GABRIEL TRAVIC, LLP  
1771 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 794-3771  
Facsimile: (702) 792-9002

1 Presently pending is the Joint Motion for Final Approval of Settlement and Dismissal  
2 (“Joint Motion”), filed by Intervenor Plaintiffs T2 Partners Management, LP, T2 Accredited  
3 Fund, LP, T2 Qualified Fund, LP, Tilson Offshore Fund, LTD., T2 Partners Management I,  
4 LLC, T2 Partners Management Group, LLC, JMG Capital Management, LLC, Pacific Capital  
5 Management, LLC, and Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,  
6 Douglas Mceachern, William Gould, Judy Coddling, Michael Wrotniak, Craig Tompkins, and  
7 Nominal Defendant, Reading International, Inc. The Court have reviewed the Motion and  
8 grounds therefore, having heard any objections thereto, and having heard the argument of the  
9 parties, THE COURT FINDS AS FOLLOWS:

10 1. The Court previously granted preliminary approval of the proposed settlement  
11 based upon the terms as set forth in the Joint Motion for Preliminary Approval of Settlement of  
12 Derivative Claims. At that time, the Court determined that settlement appeared presumptively  
13 valid, subject only to any objections at the final approval hearing. The notice approved and  
14 directed in that preliminary approval having gone out to shareholders of Reading international,  
15 Inc., [and no objection being raised] [ the Court having considered all objections that were  
16 raised] the Court finds the settlement fair, reasonable and adequate, and in the best interests of  
17 the shareholders and of the corporation. Based on such finding, the Court

18 HEREBY ORDERS THE FOLLOWING:

19 1. All claims contained in the First Amended Complaint filed by Intervenor  
20 Plaintiffs T2 Partners Management, LP, T2 Accredited Fund, LP, T2 Qualified Fund, LP, Tilson  
21 Offshore Fund, LTD., T2 Partners Management I, LLC, T2 Partners Management Group, LLC,  
22 JMG Capital Management, LLC, Pacific Capital Management, LLC, are dismissed in their  
23 entirety with prejudice.

24 ///

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

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2. The Intervenor Plaintiffs, the Defendants, and the Nominal Defendant shall each be responsible for their own attorneys' fees and costs.

DATED this \_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
District Court Judge.

Respectfully submitted by:

ROBERTSON & ASSOCIATES, LLP  
  
ALEXANDER ROBERTSON, IV (SBN 8642)  
32121 Lindero Canyon Road, Suite 200  
Westlake Village, California 91361  
[ARobertson@ARobertsonLaw.com](mailto:ARobertson@ARobertsonLaw.com)  
  
*Attorneys for Plaintiffs and Intervenors, T2  
Partners Management, LP, et al.*

GREENBERG TRAURIG, LLP  
  
Mark E. Ferrario (NV Bar No. 1625)  
Kara B. Hendricks (NV Bar No. 7743)  
3773 Howard Hughes Parkway, Suite 400 N,  
Las Vegas, Nevada 89169  
[FerrarioM@gtlaw.com](mailto:FerrarioM@gtlaw.com)  
[HendricksK@gtlaw.com](mailto:HendricksK@gtlaw.com)  
  
*Counsel for Reading International, Inc.*

PATI, SGRO, LEWIS & ROGER  
  
STEPHEN K. LEWIS (NV BAR 7064)  
ADAM C. ANDERSON (NV BAR 13062)  
720 S. 7th Street, 3rd Floor  
Las Vegas, NV 89101  
[slewis@pslrfirm.com](mailto:slewis@pslrfirm.com)  
[aanderson@pslrfirm.com](mailto:aanderson@pslrfirm.com)  
  
*Attorneys for Plaintiffs and Intervenors, T2  
Partners Management, LP dba Kase Capital  
Management; T2 Accredited Fund, LP dba  
Kase Fund; T2 Qualified Fund, LP dba Kase  
Qualified Fund; Tilson Offshore Fund, LTD;  
T2 Partners Management I, LLC dba Kase  
Management; T2 Partners Management  
Group, LLC dba Kase Group; JMG Capital  
Management, LLC; Pacific Capital  
Management, LLC*

QUINN EMANUEL URQUHART & SULLIVAN,  
LLP  
  
CHRISTOPHER TAYBACK  
(Admitted *pro hac vice*)  
MARSHALL M. SEARCY III  
(Admitted *pro hac vice*)  
865 S. Figueroa Street, 10<sup>th</sup> Floor  
Los Angeles, California, 90017  
[christayback@quinnemanuel.com](mailto:christayback@quinnemanuel.com)  
[marshallsearcy@quinnemanuel.com](mailto:marshallsearcy@quinnemanuel.com)  
  
*Attorneys for Defendants Margaret Cotter,  
Ellen Cotter, Guy Adams, Edward Kane  
Douglas McEachern, Judy Coddling and  
Michael Wrotniak*  
  
c/o

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

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COHEN-JOHNSON, LLC

H. STAN JOHNSON (SBN 265)  
255 E. Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119  
[SJohnson@CohenJohnson.com](mailto:SJohnson@CohenJohnson.com)

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

MAUPIN COX & LEGOY

DONALD A. LATTIN (NV BAR 0693)  
4785 Caughlin Parkway  
Reno, Nevada 89519  
[dlattin@mcirenelaw.com](mailto:dlattin@mcirenelaw.com)

*Attorneys for Defendants William Gould*

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

EKWAN E. RHOW (Admitted *pro hac vice*)  
1875 Century Park East, 23rd Floor  
Los Angeles, California 90067  
[EER@BirdMarella.com](mailto:EER@BirdMarella.com)

*Attorneys for Defendants William Gould*

SANTORO WHITMIRE, LTD.

NICHOLAS J. SANTORO (NV BAR 0532)  
10100 Charleston Boulevard, Suite 250  
Las Vegas, Nevada 89135  
[nsantoro@santoronevada.com](mailto:nsantoro@santoronevada.com)

*Attorneys for Craig Tompkins*

---

# EXHIBIT D

---

EIGHTH JUDICIAL DISTRICT COURT

CLARK COUNTY, NEVADA

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

Plaintiff,

v.

MARGARET COTTER, ELLEN COTTER, GUY  
ADAMS, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY, 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,

v.

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

Defendants,

and

READING INTERNATIONAL, INC., a Nevada  
corporation;

Nominal Defendant.

Case No. A-15-719860-B  
Dept. No. XI  
Coordinated with:  
Case No. P 14-082942-E  
Dept. XI  
Case No. A-16-735305-B  
Dept. XI

BUSINESS COURT

NOTICE OF PENDENCY AND  
SETTLEMENT OF ACTION

GREENBERG TRAUBING, LLP  
3770 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-0902

GREENBERG TRAUBING, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89149  
Telephone: (702) 792-3773  
Facsimile: (702) 792-4902

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NOTICE OF PENDENCY AND SETTLEMENT OF ACTION

TO: ALL CURRENT RECORD AND BENEFICIAL HOLDERS OF SHARES OF COMMON STOCK OF READING INTERNATIONAL, INC. (“READING” OR THE “COMPANY”).

BROKERAGE FIRMS, BANKS, AND OTHER PERSONS OR ENTITIES WHO HOLD SHARES OF RECORD WHO ARE NOT ALSO BENEFICIAL OWNERS ARE DIRECTED TO FORWARD THIS NOTICE PROMPTLY TO THE BENEFICIAL OWNERS OF SUCH SHARES, OR REQUEST READING TO DO SO (SEE SECTION AT THE END OF THIS NOTICE ENTITLED “NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF OTHERS”).

The purpose of this Notice is to inform you about: (i) the pendency of the stockholder derivative action which was brought by T2 Partners Management, LP dba Kase Capital Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital Management, LLC; Pacific Capital Management, LLC (the “T2 Plaintiffs”) on behalf of and for the benefit of Reading (the “T2 Action”) in the Eighth Judicial District Court of the State of Nevada (the “Court”); (ii) a proposed settlement of the T2 Action (the “Settlement”), subject to Court approval, as provided in a Joint Motion for Preliminary Approval of Settlement, Notice to Stockholders and Scheduling of Settlement Hearing on Order Shortening Time Joint Motion (the “Joint Motion”) that was filed with the Court and is publicly available for review as indicated in paragraph 28 below; (iii) the hearing that the Court will hold on \_\_\_\_\_, 2016 at \_\_\_\_\_:\_\_\_\_\_.m., to determine whether to approve the Settlement; and (iv) current stockholders’ rights with respect to the proposed Settlement.<sup>1</sup>

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.**

<sup>1</sup> All capitalized terms not otherwise defined in this Notice shall have the meaning provided in the Stipulation.

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**YOUR RIGHTS WILL BE AFFECTED BY THE ACTION.**

The Settlement Agreement was entered into as of July 10, 2016, between and among: T2 Plaintiffs; and individual defendants Margaret Cotter, Ellen Cotter, Douglas McEachern, Guy Adams, Edward Kane, Judy Coddling, Michael Wrotniak, William Gould, and Craig Tompkins (collectively, the "Individual Defendants"); and nominal defendant Reading (collectively with T2 Plaintiffs and Individual Defendants, the "Parties"), subject to the approval of the Court pursuant to Nevada Rule of Civil Procedure 23.1. Because the T2 Action was brought as a derivative action on behalf of and for the benefit of Reading, the benefits of the Settlement will go to Reading.

**WHAT IS THE PURPOSE OF THIS NOTICE?**

1. The purpose of this Notice is to explain the T2 Action, the terms of the proposed Settlement, and how the Settlement affects Reading stockholders' legal rights.
2. In a derivative action, one or more people and/or entities who are current stockholders of a corporation sue on behalf of and for the benefit of the corporation, seeking to enforce the corporation's legal rights.
3. As described more fully in paragraph 26 below, current stockholders have the right to object to the proposed Settlement. They have the right to appear and be heard at the Settlement Hearing, which will be held before The Honorable Elizabeth Gonzalez on \_\_\_\_\_, 2016 at \_\_\_\_:\_\_\_\_ m., at the Regional Justice Center, 200 Lewis Avenue, Las Vegas, NV 89155. At the Settlement Hearing, the Court will (a) determine whether the proposed Settlement, on the terms and conditions provided for in the Settlement Agreement, is fair, reasonable, and adequate and in the best interests of Reading and its current stockholders; (b) determine whether the Court should finally approve the Joint Motion and enter the Judgment as provided in the Joint Motion, dismissing the T2 Action with prejudice and extinguishing and releasing the Released Claims; (c) hear and determine any objections to the proposed Settlement; and (d) rule on such other matters as the Court may deem appropriate.

GREENBERG TRAUBER, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-0002

1           4.       The Court has reserved the right to adjourn or continue the Settlement Hearing  
2 without further notice to you other than by announcement at the Settlement Hearing or any  
3 adjournment thereof, or notation on the docket. The Court has further reserved the right to  
4 approve the Settlement, at or after the Settlement Hearing, with such modifications as may be  
5 consented to by the Parties and without further notice of any kind.

6  
7 

|  |
|--|
| WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR? |
|--|

8 THE FOLLOWING DESCRIPTION OF THE T2 ACTION AND THE SETTLEMENT HAS  
9 BEEN PREPARED BY COUNSEL FOR THE PARTIES. THE COURT HAS MADE NO  
10 FINDINGS WITH RESPECT TO SUCH MATTERS, AND THIS NOTICE IS NOT AN  
11 EXPRESSION OR STATEMENT BY THE COURT OF FINDINGS OF FACT.

12           5.       On June 12, 2015, Reading's Board of Directors terminated James J. Cotter, Jr. as  
13 the President and Chief Executive Officer of Reading.

14           6.       That same day, Mr. Cotter, Jr. filed a lawsuit, styled as both an individual and a  
15 derivative action, and titled "James J. Cotter, Jr., individually and derivatively on behalf of  
16 Reading International, Inc. vs. Margaret Cotter, et al." against the Company, Ellen Cotter,  
17 Margaret Cotter, Guy Adams, William Gould, Edward Kane, Douglas McEachern, and Timothy  
18 Storey in the Eighth Judicial District Court of the State of Nevada (the "James Cotter, Jr.  
19 Action").

20           7.       On October 22, 2015, Mr. Cotter, Jr., amended his complaint (the "Amended  
21 James Cotter, Jr. Complaint") to drop his individual claims. Accordingly, the Amended James  
22 Cotter, Jr. Complaint presently purports to assert only purportedly derivative claims and to seek  
23 remedies only on behalf of the Company. The lawsuit currently alleges, among other things, that  
24 Margaret Cotter, Guy Adams, William Gould, Edward Kane and Douglas McEachern breached  
25 their fiduciary duties to the Company by terminating Mr. Cotter, Jr. as President and Chief  
26 Executive Officer, continuing to make use of the Executive Committee that has been in place for  
27 more than the past ten years, making allegedly potentially misleading statements in its press

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



1 releases and filings with the Securities and Exchange Commission, paying certain compensation  
2 to Ellen Cotter, and allowing the Estate of James Cotter, Sr. to make use of Class A Common  
3 Stock to pay for the exercise of certain long outstanding stock options held of record by the  
4 Estate of James Cotter, Sr. James Cotter, Jr. seeks reinstatement as President and CEO and  
5 alleges as damages fluctuations in the price of Reading's shares after the announcement of his  
6 termination as President and CEO and certain unspecified damages to Reading's reputation. Mr.  
7 Cotter, Jr. is also seeking, among other things, an order that Reading's Executive Committee be  
8 disbanded (an injunctive remedy that, if granted, would be binding on the Company).

9 8. On August 6, 2015, the Company received notice that a Motion to Intervene in the  
10 James Cotter, Jr. Action and a proposed derivative complaint had been filed by the T2 Plaintiffs  
11 in the Eighth Judicial District Court. On August 11, 2015, the Court granted the motion of the  
12 T2 Plaintiffs, allowing these plaintiffs to file their complaint (the "T2 Complaint").

13 9. On September 9, 2015, certain of the Individual Defendants filed a Motion to  
14 Dismiss the T2 Complaint. The Company joined this Motion to Dismiss on September 14,  
15 2015. The hearing on this Motion to Dismiss was vacated as the T2 Plaintiffs voluntarily  
16 withdrew the T2 Complaint, with the parties agreeing that T2 Plaintiffs would have leave to  
17 amend the T2 Complaint.

18 10. On February 12, 2016, the T2 Plaintiffs filed an amended complaint (the  
19 "Amended T2 Complaint"). The T2 Plaintiffs allege in their Amended T2 Complaint various  
20 violations of fiduciary duty, abuse of control, gross mismanagement and corporate waste by the  
21 defendants. More specifically the Amended T2 Complaint seeks the reinstatement of James J.  
22 Cotter, Jr. as President and Chief Executive Officer and certain monetary damages, as well as  
23 equitable injunctive relief, attorney fees, and costs of suit. The defendants in the T2 Action are  
24 the same as named in the James Cotter, Jr. Action as well as Director Judy Coddling, Director  
25 Michael Wrotniak, and Company legal counsel, Craig Tompkins. The Amended T2 Complaint  
26 deleted its request for an order disbanding Reading's Executive Committee and for an order  
27 "collapsing the Class A and B stock structure into a single class of voting stock." The Amended  
28

1 T2 Complaint added a request for an order setting aside the election results from the 2015  
2 Annual Meeting of Stockholders, based on an allegation that Ellen Cotter and Margaret Cotter  
3 were not entitled to vote the shares of Class B Common Stock held of record by the Estate of  
4 James Cotter, Sr. and the Living Trust established by James Cotter, Sr.

5 11. On February 25, 2016, the Court denied Margaret Cotter, Ellen Cotter, Guy  
6 Adams, Edward Kane, and Douglas McEachern's Motion to Dismiss the James Cotter, Jr.  
7 Amended Complaint.

8 12. In connection with the litigation, James Cotter, Jr. and the T2 Plaintiffs conducted  
9 extensive discovery on these matters, which included depositions of Guy Adams, Margaret  
10 Cotter, Ellen Cotter, William Gould, Edward Kane, Douglas McEachern, Timothy Storey, and  
11 James Cotter, Jr. In response to discovery requests, Reading produced over 13,900 documents,  
12 and the Individual Defendants produced over 7,900 documents.

13 13. In connection with efforts to settle this matter, the Parties engaged in extensive  
14 discussions.

15 14. On July 10, 2016, the Parties entered into a formal Settlement Agreement and  
16 Release of Claims ("Settlement Agreement") setting forth the terms of the Settlement.

17  
18 **WHAT ARE THE TERMS OF THE SETTLEMENT?**  
19

20 15. As consideration for the Settlement:

- 21 a. The Parties shall mutually agree upon the terms of a press release discussing  
22 the reasons for the Settlement.  
23 b. The Parties shall not to disparage each other in connection with the T2 Action.  
24

25 **WHAT ARE THE PARTIES' REASONS FOR THE SETTLEMENT?**  
26  
27

1           16.     The T2 Plaintiffs brought derivative claims to ensure that the interests of all  
2 stockholders were being appropriately protected. In connection with the litigation, the T2  
3 Plaintiffs conducted extensive discovery on the matters alleged in the T2 and Jim Cotter, Jr.  
4 Complaints, discovery that included depositions of Guy Adams, Margaret Cotter, Ellen Cotter,  
5 William Gould, Edward Kane, Douglas McEachern, Timothy Storey, and James Cotter, Jr.  
6 Following their efforts on behalf of the stockholders, the T2 Plaintiffs concluded that the  
7 Reading Board of Directors has acted in the best interests of all stockholders and that continuing  
8 with their derivative stockholder litigation would provide no further benefit to Reading's  
9 stockholders, including the T2 Plaintiffs.

10           17.     The T2 Plaintiffs believe that the Settlement provides substantial and immediate  
11 benefits for Reading and its current stockholders. In addition to these substantial benefits, T2  
12 Plaintiffs and their counsel have considered: (i) the attendant risks of continued litigation and the  
13 uncertainty of the outcome of the T2 Action; (ii) the probability of success on the merits; (iii) the  
14 inherent problems of proof associated with, and possible defenses to, the claims asserted in the  
15 T2 Action; (iv) the desirability of permitting the settlement to be consummated according to its  
16 terms; (v) the expense and length of continued proceedings necessary to prosecute the T2 Action  
17 against the Defendants through trial and appeals; and (vi) the conclusion of the T2 Plaintiffs and  
18 their counsel that the terms and conditions of the Settlement Agreement are fair, reasonable, and  
19 adequate, and that it is in the best interests of Reading and its current stockholders to settle the  
20 T2 Action on the terms set forth herein.

21           18.     Based on T2 Plaintiffs' Counsel's thorough review and analysis of the relevant  
22 facts, allegations, defenses, and controlling legal principles, T2 Plaintiffs' Counsel believe that  
23 the settlement set forth in this Settlement Agreement is fair, reasonable, and adequate, and  
24 confers substantial benefits upon Reading and its current stockholders. Based upon T2  
25 Plaintiffs' Counsel's evaluation as well as T2 Plaintiffs' own evaluation, T2 Plaintiffs have  
26 determined that the settlement is in the best interests of Reading and its current stockholders and  
27

28

1 has agreed to settle the T2 Action upon the terms and subject to the conditions set forth in the  
2 Settlement Agreement and summarized herein.

3 19. The Defendants deny any and all allegations of wrongdoing, liability, violations  
4 of law or damages arising out of or related to any of the conduct, statements, acts, or omissions  
5 alleged in the T2 Action, and maintain that their conduct was at all times proper, in the best  
6 interests of Reading and its stockholders, and in compliance with applicable law. The  
7 Defendants further deny any breach of fiduciary duties or aiding and abetting any breach of such  
8 a fiduciary duty. The Defendants also deny that Reading or its stockholders were harmed by any  
9 conduct of the Defendants alleged in the T2 Action or that could have been alleged therein. Each  
10 of the Defendants asserts that, at all relevant times, they acted in good faith and in a manner they  
11 reasonably believed to be in the best interests of Reading and all of its stockholders.

12 20. Defendants, however, recognize the uncertainty and the risk inherent in any  
13 litigation, and the difficulties and substantial burdens, expense, and length of time that may be  
14 necessary to defend this proceeding through the conclusion of trial, post-trial motions, and  
15 appeals. In particular, Defendants are cognizant of the burdens this litigation is imposing on  
16 Reading and its management, and the impact that continued litigation will have on  
17 management's ability to continue focusing on the creation of stockholder value. Defendants  
18 wish to eliminate the uncertainty, risk, burden and expense of further litigation, and to permit the  
19 operation of Reading without further distraction and diversion of its directors and executive  
20 personnel with respect to the T2 Action. Defendants have therefore determined to settle the T2  
21 Action on the terms and conditions set forth in the Settlement Agreement solely to put the  
22 Released Claims (as defined herein) to rest finally and forever, without in any way  
23 acknowledging any wrongdoing, fault, liability, or damages.  
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1 WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED?

2 WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

3  
4 21. If the Settlement is approved, the Court will enter a judgment (the "Judgment").  
5 Upon entry of the Judgment, the T2 Action will be dismissed in its entirety and with prejudice  
6 and the following releases will occur:

7 **Release of Claims by Reading, T2 Plaintiffs, and Other Reading Stockholders:**  
8 Reading, T2 Plaintiffs, and each and every other Reading stockholder, excluding James Cotter,  
9 Jr., on behalf of themselves and any other person or entity who could assert any of the Released  
10 T2 Plaintiffs' Claims on their behalf, in such capacity only, shall fully, finally, and forever  
11 release, settle, and discharge, and shall forever be enjoined from prosecuting, the Released T2  
12 Plaintiffs' Claims against Defendants and any other Defendants' Releasees.

13 "Released T2 Plaintiffs' Claims" means all any and all manner of claims, demands,  
14 rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties,  
15 sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements,  
16 judgments, decrees, matters, issues and controversies of any kind, nature, or description  
17 whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued,  
18 apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or  
19 unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims,  
20 whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or  
21 rule (including claims within the exclusive jurisdiction of the federal courts, such as, but not  
22 limited to, federal securities claims or other claims based upon the purchase or sale of shares),  
23 that are, have been, could have been, could now be, or in the future could, can, or might be  
24 asserted, in the T2 Action or in any other court, tribunal, or proceeding by T2 Plaintiffs or any  
25 other Reading stockholder, excluding James Cotter, Jr., derivatively on behalf of Reading, or by  
26 Reading directly against any of the Defendants' Releasees, which, now or hereafter, are based  
27 upon, arise out of, relate in any way to, or involve, directly or indirectly, any of the actions,

GREENBERG TRAUBIG, LLP  
3771 Howard Hughes Parkway, Suite 400, Nevada  
Las Vegas, Nevada 89169  
Telephone: (702) 792-1773  
Facsimile: (702) 792-9902

1 transactions, occurrences, statements, representations, misrepresentations, omissions, allegations,  
2 facts, practices, events, claims or any other matters, things or causes whatsoever, or any series  
3 thereof, that relate in any way to, or could arise in connection with, the alleged breaches of  
4 fiduciary duty, abuse of control, gross mismanagement, and corporate waste, including but not  
5 limited to those alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or  
6 related to the Amended T2 Complaint or the T2 Action, except for claims relating to the  
7 enforcement of the Settlement and for any claims that Defendants may have against any of their  
8 insurers, co-insurers or reinsurers that are not otherwise released pursuant to other  
9 documentation. For the avoidance of doubt, the Released T2 Plaintiffs' Claims include all of the  
10 claims asserted in the T2 Action, but do not include claims based on conduct of Defendants'  
11 Releasees after the Effective Date.

12 "Defendants' Releasees" means Reading, Defendants, and any other current or former  
13 officer, director or employee of Reading, excluding James Cotter, Jr., and their respective past,  
14 present, or future family members, spouses, heirs, trusts, trustees, executors, estates,  
15 administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners,  
16 partnerships, general or limited partners or partnerships, joint ventures, member firms, limited  
17 liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities,  
18 stockholders, principals, officers, directors, managing directors, members, managing members,  
19 managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest,  
20 assigns, financial or investment advisors, advisors, consultants, investment bankers, entities  
21 providing any fairness opinion, underwriters, brokers, dealers, financing sources lenders,  
22 commercial bankers, attorneys, personal or legal representatives, accountants, associates and  
23 insurers, co-insurers and reinsurers, except with respect to claims by any Individual Defendant or  
24 Nominal Defendant against such insurer, co-insurer, or re-insurer that have not otherwise been  
25 released pursuant to other documentation.

26 **Release of Claims by Defendants:** Defendants and the other Defendants' Releasees, on  
27

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1 behalf of themselves and any other person or entity who could assert any of the Released  
2 Defendants' Claims on their behalf, in such capacity only, shall fully, finally, and forever  
3 release, settle, and discharge, and shall forever be enjoined from prosecuting, the Released  
4 Defendants' Claims against T2 Plaintiffs' Releasees.

5 "Released Defendants' Claims" means any and all manner of claims, demands, rights,  
6 liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties,  
7 sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements,  
8 judgments, decrees, matters, issues, and controversies of any kind, nature, or description  
9 whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued,  
10 apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or  
11 unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims,  
12 whether based on state, local, foreign, federal, statutory, regulatory, common, or other law or  
13 rule (including claims within the exclusive jurisdiction of the federal courts), that arise out of or  
14 relate in any way to the institution, prosecution, or settlement of the claims against Defendants in  
15 the T2 Action, except for claims relating to the enforcement of the Settlement. For the avoidance  
16 of doubt, the Released Defendants' Claims do not include claims based on the conduct of the T2  
17 Plaintiffs' Releasees after the Effective Date and do not include any claims that Defendants may  
18 have against any of their insurers, co-insurers or reinsurers that are not otherwise released  
19 pursuant to other documentation.

20 "T2 Plaintiffs' Releasees" means T2 Plaintiffs, all other Reading stockholders, excluding  
21 James Cotter, Jr., and any current or former officer or director of any Reading stockholder, and  
22 their respective past, present, or future family members, spouses, heirs, trusts, trustees, executors,  
23 estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries,  
24 partners, partnerships, general or limited partners or partnerships, joint ventures, member firms,  
25 limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated  
26 entities, stockholders, principals, officers, directors, managing directors, members, managing  
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1 members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-  
2 interest, assigns, financial or investment advisors, advisors, consultants, investment bankers,  
3 entities providing any fairness opinion, underwriters, brokers, dealers, financing sources, lenders,  
4 commercial bankers, attorneys, personal or legal representatives, accountants, and associates.

5       "Unknown Claims" means any Released T2 Plaintiffs' Claims that Reading, T2  
6 Plaintiffs, or any other Reading stockholder, excluding James Cotter, Jr., does not know or  
7 suspect to exist in his, her, or its favor at the time of the release of the Defendants' Releasees,  
8 and any Released Defendants' Claims that any of the Defendants or any of the other Defendants'  
9 Releasees does not know or suspect to exist in his, her, or its favor at the time of the release of  
10 the T2 Plaintiffs' Releasees, which, if known by him, her or it, might have affected his, her, or its  
11 decision(s) with respect to the Settlement. With respect to any and all Released T2 Plaintiffs'  
12 Claims and Released Defendants' Claims, the Parties stipulate and agree that Reading, T2  
13 Plaintiffs and each of the Defendants shall expressly waive, and each of the other Reading  
14 stockholders, excluding James Cotter, Jr., and each of the other Defendants' Releasees shall be  
15 deemed to have waived, and by operation of the Judgment shall have expressly waived, any and  
16 all provisions, rights, and benefits conferred by California Civil Code §1542, which provides:

17           A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE  
18 CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR  
19 AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR  
20 HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH  
21 THE DEBTOR.

22 and any law of any state or territory of the United States, or principle of common law or foreign  
23 law, which is similar, comparable, or equivalent to California Civil Code §1542. Reading, T2  
24 Plaintiffs and each of the Defendants acknowledge, and each of the other Reading stockholders,  
25 excluding James Cotter, Jr., and each of the other Defendants' Releasees shall be deemed by  
26 operation of law to have acknowledged, that the foregoing waiver was separately bargained for  
27

28



1 and is a key element of the Settlement.

2 22. If the Settlement is approved, since Reading will have released the Released T2  
3 Plaintiffs' Claims described above against any of the other Defendants' Releasees, no Reading  
4 stockholder, excluding James Cotter, Jr., will be able to bring another action asserting those  
5 claims against those persons on behalf of Reading excluding any claims any Individual  
6 Defendant or Nominal Defendant has against insurers, re-insurers or co-insurers that are not  
7 released pursuant to other documentation.

8 23. Pending final determination by the Court of whether the Settlement should be  
9 approved, T2 Plaintiffs, all Reading stockholders, excluding James Cotter, Jr., Defendants, and  
10 Reading are enjoined from filing, commencing, or prosecuting any Released Claims against the  
11 Releasees in the T2 Action or in any other lawsuit in any jurisdiction excluding any claims any  
12 Individual Defendant or Nominal Defendant has against insurers, re-insurers or co-insurers that  
13 are not released pursuant to other documentation.

14  
15  
16 HOW WILL THE ATTORNEYS GET PAID?

17 24. Each of the Parties will bear his, her, or its own legal fees and expenses.

18  
19  
20 WHEN AND WHERE WILL THE SETTLEMENT HEARING BE HELD?  
21 DO I HAVE THE RIGHT TO APPEAR AT THE SETTLEMENT HEARING?

22 25. The Court will consider the Settlement and all matters related to the Settlement at  
23 the Settlement Hearing. The Settlement Hearing will be held before The Honorable Elizabeth  
24 Gonzalez on \_\_\_\_\_, 2016 at \_\_\_:\_\_\_ a.m., in the Regional Justice Center, 200 Lewis  
25 Avenue, Las Vegas, NV 89155 .  
26

1           26.     Any Current Stockholder who objects to the Settlement, or who otherwise wishes  
2 to be heard, may appear in person or through his, her, or its attorney at the Settlement Hearing  
3 and present any evidence or argument that may be proper and relevant; provided, however, that  
4 no such person shall be heard or entitled to contest the approval of the terms and conditions of  
5 the Settlement, or, if approved, the Judgment to be entered thereon, unless, no later than ten  
6 business days before the Settlement Hearing, such person files with the Court, the following:  
7 (a) proof of current ownership of Reading stock; (b) a written and signed notice of the Objector's  
8 intention to appear, which states the name, address and telephone number of Objector and, if  
9 represented, his, her or its counsel; (c) a detailed statement of the objections to any matter before  
10 the Court; and (d) a detailed statement of all of the grounds thereon and the reasons for the  
11 Objector's desire to appear and to be heard, as well as all documents or writings which the  
12 Objector desires the Court to consider. Any such filings with the Court must also be served upon  
13 each of the following counsel (by hand, first class U.S. mail, or express service) such that they  
14 are received no later than ten calendar days prior to the Settlement Hearing:

15  
16           Alexander Robertson, IV  
17           ROBERTSON & ASSOCIATES, LLP  
18           32121 Lindero Canyon Road, Suite 200  
19           Westlake Village, California 91361

20           *Attorneys for Plaintiffs and Intervenors, T2 Partners Management, LP dba Kase Capital*  
21           *Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase*  
22           *Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase*  
23           *Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital*  
24           *Management, LLC; Pacific Capital Management, LLC*

25           Adam C. Anderson  
26           PATTI, SGRO, LEWIS & ROGER  
27           720 S. 7th Street, 3rd Floor  
28           Las Vegas, NV 89101

29           *Attorneys for Plaintiffs and Intervenors, T2 Partners Management, LP dba Kase Capital*  
30           *Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase*  
31           *Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase*  
32           *Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital*  
33           *Management, LLC; Pacific Capital Management, LLC*

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H. Stan Johnson, Esq.  
Michael V. Hughes, Esq.  
COHEN|JOHNSON|PARKER|EDWARDS  
255 East Warm Springs Road, Suite 100  
Las Vegas, Nevada 89119

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

Christopher Tayback, Esq.  
Marshall M. Searcy, Esq.  
QUINN EMANUEL URQUHART & SULLIVAN, LLP  
865 South Figueroa Street, 10th Floor  
Los Angeles, CA 90017

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

Donald A. Lattin  
Carolyn K. Renner  
Christopher M. Stanko  
MAUPIN, COX & LeGOY  
4785 Caughlin Parkway  
Reno, NV 89519

*Attorneys for Defendants William Gould*

Ekwan E. Rhow  
BIRD, MARELLA, BOXER, WOLPERT, NESSIM, DROOKS, LINCENBERG &  
RHOW  
1875 Century Park East, 23rd Floor  
Los Angeles, CA 90067-2561

*Attorneys for Defendants William Gould*

Mark E. Ferrario, Esq.  
Kara B. Hendricks, Esq.  
GREENBERG TRAURIG, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169

*Attorneys for Nominal Defendant Reading International, Inc.*

1 Mark G. Krum  
2 LEWIS ROCA ROTHGERBER LLP  
3 3993 Howard Hughes Parkway, Suite 600  
4 Las Vegas, Nevada 89169

5 *Attorneys for Plaintiff James J. Cotter, Jr.*

6 27. Unless the Court otherwise directs, any person who fails to object in the manner  
7 prescribed above shall be deemed to have waived his, her, or its right to object and shall be  
8 forever barred from raising any objection to the Settlement or any other matter related to the  
9 Settlement, in the T2 Action or in any other action or proceeding.

10  
11 CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

12 28. This Notice does not purport to be a comprehensive description of the T2 Action,  
13 the allegations related thereto, the terms of the Settlement, or the Settlement Hearing. For a  
14 more detailed statement of the matters involved in the T2 Action, you may inspect the pleadings,  
15 the Joint Motion, the Orders entered by the Court, and other papers filed in the T2 Action at  
16 Regional Justice Center, 200 Lewis Avenue, Las Vegas, NV 89155, during regular business  
17 hours of each business day. You may also view a copy of the Settlement Agreement at  
18 <http://www. ....com>. If you have questions regarding the Settlement, you may write or  
19 call T2 Plaintiffs' Counsel: Alexander Robertson, IV, 32121 Lindero Canyon Road, Suite 200,  
20 Westlake Village, CA 91361, (818) 851-3850; and Adam C. Anderson, Patti, Sgro, Lewis &  
21 Roger, 720 S. 7th Street, 3rd Floor, Las Vegas, NV 89101, (702) 385-9595.

22 **DO NOT CALL OR WRITE THE COURT REGARDING THIS NOTICE.**

23  
24  
25 NOTICE TO PERSONS OR ENTITIES HOLDING RECORD OWNERSHIP ON BEHALF OF  
26 OTHERS

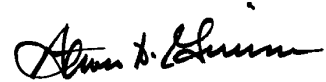
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29. Brokerage firms, banks, and other persons or entities who hold shares of Reading common stock as record owners, but not as beneficial owners, are directed to either (a) promptly request from Reading sufficient copies of this Notice to forward to all such beneficial owners and after receipt of the requested copies promptly forward such Notices to all such beneficial owners; or (b) promptly provide a list of the names and addresses of all such beneficial owners to [name], Corporate Secretary, Reading, 6100 Center Drive, Suite 900, Los Angeles, CA, 90045 after which Reading will promptly send copies of the Notice to such beneficial owners. Copies of this Notice may be obtained by calling Reading's transfer agent, toll free, at [phone number].

BY ORDER OF THE COURT

Dated: \_\_\_\_\_, 2016 \_\_\_\_\_

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



CLERK OF THE COURT

TRAN

DISTRICT COURT  
CLARK COUNTY, NEVADA  
\* \* \* \* \*

|                         |   |                      |
|-------------------------|---|----------------------|
| JAMES COTTER, JR.       | . |                      |
|                         | . | CASE NO. A-719860    |
| Plaintiff               | . | A-735305             |
|                         | . | P-082942             |
| vs.                     | . |                      |
|                         | . | DEPT. NO. XI         |
| MARGARET COTTER, et al. | . |                      |
|                         | . | <b>Transcript of</b> |
| Defendants              | . | <b>Proceedings</b>   |
| .....                   | . |                      |

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

**HEARING ON MOTION FOR PRELIMINARY APPROVAL  
OF SETTLEMENT, AND PLAINTIFF'S MOTION TO COMPEL**

THURSDAY, JULY 28, 2016

COURT RECORDER:

TRANSCRIPTION BY:

JILL HAWKINS  
District Court

FLORENCE HOYT  
Las Vegas, Nevada 89146

Proceedings recorded by audio-visual recording, transcript produced by transcription service.

APPEARANCES:

FOR THE PLAINTIFF:

MARK G. KRUM, ESQ.

FOR THE DEFENDANTS:

HAROLD STANLEY JOHNSON, ESQ.

MARSHALL M. SEARCY, ESQ.

MARK E. FERRARIO, ESQ.

CHRISTOPHER TAYBACK, ESQ.

FOR THE INTERVENOR:

ALEXANDER ROBERTSON, IV, ESQ.

ALSO PRESENT:

JAMES MURPHY, ESQ.

1 LAS VEGAS, NEVADA, THURSDAY, JULY 28, 2016, 10:23 A.M.

2 (Court was called to order)

3 THE COURT: If I could go to the Cotter case.

4 I was going to call you first, but Alex wasn't here.

5 MR. ROBERTSON: My apologies, Your Honor.

6 THE COURT: It's okay. Your friends enjoyed my  
7 criminal calendar.

8 All right. So I want to deal with the defendants'  
9 joint motion for preliminary approval first. Is there anyone  
10 here who has received any indication at least at this point  
11 that there is an objection or opposition to the motion for  
12 preliminary approval?

13 MR. FERRARIO: Other than a brief conversation I had  
14 with my neighbor this morning, no.

15 THE COURT: Mr. Krum.

16 MR. KRUM: No.

17 MR. MURPHY: Mr. Ferrario is referring to me, Your  
18 Honor. My name's James Murphy. I represent a non party.

19 THE COURT: Good morning, Mr. Murphy.

20 MR. MURPHY: 8586. And the non parties are Diamond  
21 A Partners Limited Partnership, and Diamond A Investors  
22 Limited Partnership. The clients of mine are shareholders and  
23 want to lodge an objection to the preliminary approval of the  
24 settlement that's on calendar for today before Your Honor as  
25 the grant of this release and settlement agreement precludes



1 all claims that could be brought by shareholders going on into  
2 the future and provides little to no benefit to shareholders.  
3 That's my clients' position.

4 We tried to file papers yesterday, but those were  
5 rejected seeing as how we're not a party. And understanding,  
6 of course, that there's an opportunity later on --

7 THE COURT: Well, but because you didn't pay. No  
8 they weren't rejected because you're not a party, because  
9 we'll take anybody's filings. You've just got to pay the fee.

10 MR. MURPHY: I think we did. But, be that as it  
11 may, there's a lot of difficulty associated with filing  
12 something where you're not in the case technically. So in any  
13 event, I have documents that I could hand up and also give  
14 courtesy copies to the lawyers that are here with us today if  
15 the Court is at all interested in reading a brief few pages  
16 regarding my clients' position as shareholders.

17 THE COURT: I'm interested. But are you going to  
18 enter an appearance in this case?

19 MR. MURPHY: I think I tried yesterday with a notice  
20 of appearance, which may have also been rejected, as well.

21 THE COURT: So did you submit your \$1500 with it?

22 MR. MURPHY: I don't think it was 1500. Maybe that  
23 was part of our problem.

24 THE COURT: That's how much it is. See, that's the  
25 issue. That's -- you've got to pay for your initial

1 appearance.

2 MR. MURPHY: We got -- we got a note --

3 THE COURT: But when you oppose -- not now, but when  
4 you oppose the settlement that I'll set for hearing this  
5 morning, then you don't have to pay. If you're telling me you  
6 want to pay and oppose today, then I'll have you pay your  
7 money to the Clerk's Office. If you're telling me your  
8 clients instead want to object to the settlement at the time I  
9 set the notice for objections to the settlement, then they  
10 don't have to pay their \$1500 --

11 MR. MURPHY: I'm tasked with objecting to the  
12 preliminary approval --

13 THE COURT: Okay.

14 MR. MURPHY: -- which is on for today. So what  
15 you're telling me is 1500 bucks. 1500 bucks it is.

16 THE COURT: Okay. I'm sorry. That's just the  
17 appearance for --

18 MR. MURPHY: I understand.

19 THE COURT: It's either twelve or fifteen. I don't  
20 know.

21 MR. FERRARIO: Well, Your Honor, we obviously think  
22 this is procedurally improper.

23 THE COURT: Well, that's why you have to file a  
24 motion, is because they're allowed to object even at this  
25 stage.

1 MR. FERRARIO: Well, they need to be here, though.  
2 I mean, look, if they stumbled at the Clerk's Office  
3 yesterday, I get that. But they have an opportunity to --

4 THE COURT: Kevin, can you go get his paper so I can  
5 read while Mr. Ferrario's talking.

6 MR. FERRARIO: Well, if you want to read it, I'm  
7 shutting up.

8 THE COURT: I'm going to read it. You know I'm  
9 always going to read.

10 MR. FERRARIO: Well, I know. But --

11 THE COURT: It doesn't mean I'll do anything, but  
12 I'm going to read it.

13 MR. FERRARIO: And there's some other stuff.

14 THE COURT: Keep talking, Mr. Ferrario. I'm  
15 listening.

16 MR. FERRARIO: The person that is behind the fund  
17 that Mr. Murphy represents is a man named Andy Shapiro. Mr.  
18 Shapiro has been involved in this matter since prior to the  
19 filing of the complaint by T2. We've taken his deposition.  
20 And so for him to be this late to the party to me is a little  
21 ridiculous, quite frankly. We know what he's been doing. He  
22 actually worked at one point with Mr. Robertson's clients, and  
23 at one point even I think Mr. Robertson represented him. So  
24 this is isn't somebody who's been a stranger to the  
25 proceedings and didn't know what was going on, it's somebody

1 that has had his eye trained on this matter for over a year  
2 now, almost a year and a half, I think.

3           So, you know, again, we would object to any  
4 consideration of this late filing and certainly don't want it  
5 to derail the process that we want to put in place. They're  
6 not prejudiced. As Your Honor's already noted, they can come  
7 in and argue later that the settlement shouldn't be approved.  
8 And it's all contingent upon Your Honor's approval anyhow.

9           THE COURT: Okay. So, Mr. Murphy, you need to  
10 follow up with whatever it is to file it.

11           MR. MURPHY: Indeed.

12           THE COURT: But because you're in Business Court,  
13 the fees are higher in Business Court than they are for  
14 standard cases. And that may be the issue.

15           MR. MURPHY: I think you're hitting on something  
16 that I was unaware of. Thank you very much.

17           THE COURT: Okay. But I have read your brief now,  
18 okay.

19           MR. MURPHY: I'm going to not take away from Mr.  
20 Krum's time. Thank you so much.

21           THE COURT: All right. Mr. Krum, you're up. And I  
22 am suspending the 10 minute rule.

23           MR. KRUM: Thank you, Your Honor. I intend to be  
24 brief on this. I filed an opposition. Did you receive it?

25           THE COURT: I did.

1           MR. KRUM: Okay. So I'll just sum it up. The first  
2 problem we have with the motion as brought is the relief it  
3 seeks. It doesn't seek simply scheduling a hearing, it seeks,  
4 quote, "preliminary approval of the proposed settlement based  
5 upon the terms set forth in the motion and a determination  
6 that the settlement appears presumptively valid," close quote.  
7 And then we cited a couple cases, Your Honor, for the  
8 proposition that courts do not ordinarily make preliminary  
9 determinations of that nature. The point of that --

10           THE COURT: I always make a preliminary  
11 determination to notice the settlement to the class members  
12 because it facially appears to be valid. But that doesn't  
13 mean I'm making a determination at this stage that it is valid  
14 and in the best interests of the shareholders. That's why I  
15 wait to see if there are any objections so that I can consider  
16 them.

17           MR. KRUM: Right. Well, the point is, Your Honor,  
18 the language a used I thought was objectionable, "preliminary  
19 approval of proposed settlement" is the problematic language.  
20 Because here's what's happening, just to be clear. They've  
21 issued a press release, and together with the so-called  
22 preliminary approval of a settlement and press release it's a  
23 quite transparent effort to dissuade shareholders from  
24 weighing in with respect to the settlement at the time when  
25 they would ordinarily do so. We didn't object, Your Honor, to

1 the notion of setting the hearing that you would ordinarily  
2 set.

3           The two other points we made I want to repeat, Your  
4 Honor, are that the notice doesn't provide for a deadline by  
5 which any papers, any additional papers in support of the  
6 settlement are to be submitted. And so it has deadlines for  
7 objections, but, you know, when are they going to file any  
8 additional papers. And so if I'm going to file an objection,  
9 which, of course, I will do, I'd like to know what it is to  
10 which I'm objecting when I prepare the objection. So the  
11 point is the notice or elsewhere, Your Honor, needs to order  
12 them to file any additional papers, not reply papers to the  
13 objections, any additional papers by a date certain.

14           And then the last point we made, Your Honor, is  
15 Items -- excuse me, paragraphs 26 and 27 of the notice we  
16 thought were unnecessarily onerous and intended to be  
17 prejudicial. And what we specifically mean is, and it's  
18 quoted in 4 or 5 of our opposition -- I don't know what a  
19 detailed statement of objection is and a detailed statement of  
20 grounds. Shareholders typically proceed without counsel, and  
21 I can imagine that there will be objections and argument that  
22 objectors ought not be allowed to speak because they didn't  
23 satisfy one or more of paragraph 26(a), (b), (c), and (d).  
24 And, of course, the point of paragraph 27 is to effectively  
25 have Your Honor rule that ahead of time. 27 says, "Any person

1 who fails to object in the matter prescribed in 26 shall be  
2 deemed to have waived his right to object." And that, of  
3 course, is not what is an appropriate procedure with respect  
4 to persons who are even here to weigh in on the procedure.  
5 That was it, Your Honor.

6 THE COURT: Okay. Anything else?

7 Mr. Robertson, do you want to say anything in  
8 support?

9 MR. ROBERTSON: Your Honor, I think that the motion  
10 sets forth a process that allows any objectors to be heard,  
11 and due process certainly is provided in the process proposed.  
12 We'd be happy to respond to any objections to the proposed  
13 settlement that are presented to the Court. I'm happy to  
14 address any of those questions the Court may have at this  
15 time, but we'll reserve them for the time that we've proposed  
16 in the motion.

17 THE COURT: Thank you.

18 Mr. Ferrario, anything else?

19 MR. FERRARIO: No, Your Honor. I think your  
20 questioning kind of framed the issue the way I see it. This  
21 is the process you follow, it's preliminary approval --

22 THE COURT: Same process I always follow.

23 MR. FERRARIO: Yeah.

24 THE COURT: Mr. Murphy, anything else that you'd  
25 like me to consider?

1 MR. MURPHY: No, thank you, Your Honor.

2 THE COURT: Okay.

3 MR. MURPHY: I appreciate the opportunity.

4 THE COURT: So I have some concerns with your form,  
5 though, Mr. Ferrario, because it's different than the form I  
6 usually approve.

7 MR. FERRARIO: I'm not married to any form. We need  
8 to get it through you, so --

9 THE COURT: Well, I usually set it out 60 days from  
10 the execution of the form, instead of the 55 days that's been  
11 requested. And I do not require the objectors to serve  
12 everybody in the case. I require them to serve you, and then  
13 you have to serve everybody else.

14 MR. FERRARIO: That's fine.

15 THE COURT: And the reason I do that is it's much  
16 easier for me to look at you and say, Mr. Ferrario, did you  
17 get any objections.

18 MR. FERRARIO: I've been through this process with  
19 you before in other contexts. I'm okay with it.

20 THE COURT: I certainly understand the issues raised  
21 both by Mr. Krum and Mr. Murphy, but I think the appropriate  
22 time to address the issues as to whether the settlement is in  
23 fact a fair settlement is at the time of the fairness hearing,  
24 as opposed to at the time of the preliminary approval hearing.  
25 So when do you want me to set it for? How long is it going to



1 take you to change what I've asked you to change?  
2 MR. FERRARIO: We will do it directly. Well,  
3 today's Thursday. I'm flying out tomorrow, but --  
4 THE COURT: And you also have to add some stuff.  
5 You've got an email -- a Website you've got to add for where  
6 people can view it.  
7 MR. FERRARIO: Do you want to put it on the RDI  
8 Website?  
9 MS. ELLEN COTTER: Yeah.  
10 MR. FERRARIO: Ms. Ellen Cotter is here today with  
11 me, Your Honor. So we can put it up on the RDI Website.  
12 Could we do all this in a week?  
13 MS. ELLEN COTTER: Yes.  
14 MR. FERRARIO: By next Friday?  
15 MS. ELLEN COTTER: Uh-huh.  
16 MR. FERRARIO: Okay.  
17 THE COURT: Hold on. So can I set the hearing for  
18 October 6th?  
19 MR. FERRARIO: That works for me.  
20 MR. ROBERTSON: That's fine, Your Honor.  
21 THE COURT: It's a little over 60. Not much,  
22 though.  
23 THE CLERK: October 6 at 8:30.  
24 MR. FERRARIO: Okay.  
25 THE COURT: Please don't put Dan's name in here or

1 Dan's phone number, because sometimes they call him.

2 MR. FERRARIO: He will be -- we'll just have them --

3 THE COURT: They're supposed to be bothering you.

4 MR. FERRARIO: -- bothering me.

5 THE COURT: You should also put your phone number in

6 there, Mr. Ferrario.

7 MR. FERRARIO: Oh, come on.

8 THE COURT: Yep.

9 MR. FERRARIO: Okay. That's going to be the office

10 number.

11 THE COURT: The office number, yes.

12 MR. FERRARIO: Okay.

13 THE COURT: Anything else?

14 MR. FERRARIO: And you want it 60 days from --

15 THE COURT: No. That was the day I just picked, was

16 the 60 day. It was the October --

17 MR. FERRARIO: We're good, then. So I can put --

18 I'll put October 6th in the order.

19 THE COURT: You will put the October 6th date in the

20 order. That's why we had to calculate it based on when you

21 were going to have all the work done.

22 MR. FERRARIO: I got it.

23 THE COURT: Because you've got to get me the order

24 next week so I can sign it so you can then serve it and make

25 sure that everybody has notice so that they can respond if

1 they choose to.

2 MR. FERRARIO: Will do.

3 THE COURT: Anything else?

4 MR. FERRARIO: No, thank you.

5 THE COURT: Okay. Now can I go to the motion to  
6 compel. Mr. Krum, you're up.

7 MR. KRUM: Thank you. Good morning, Your Honor.

8 THE COURT: Good morning.

9 MR. KRUM: So what we have is our motion described  
10 as an instruction not to answer a deposition based on a  
11 relevance objection.

12 THE COURT: On relevance.

13 MR. KRUM: Right. And, of course, we all know  
14 that's not proper. So --

15 THE COURT: Apparently not all of us know that.

16 MR. KRUM: What happened, by the way -- and I want  
17 to speak to the hysteria about the disclosure of this -- is  
18 that I was deposing Ellen Cotter in -- June 16 in New York  
19 City, and Mr. Ferrario and Mr. Searcy asked to speak to me,  
20 inquired if I was aware of the offer, and indicated there was  
21 some angst that I was going to disclose that by way of  
22 questioning. My response was to the effect that I understood  
23 that the matter was being handled subject to a response by the  
24 company, actions by the board, that in view of that  
25 circumstance I didn't intend to do so at that time.

1           THE COURT:  There's also a confidentiality treatment  
2 to be given to the deposition under your protective order, as  
3 well.

4           MR. KRUM:  That's exactly right.

5           THE COURT:  Okay.

6           MR. KRUM:  And that was not invoked.

7           THE COURT:  I understand.  But if it had been an  
8 issue, it could have been invoked.

9           MR. KRUM:  That's right.  I relied on that, in point  
10 of fact.  So what happened next with respect to deposition  
11 activity on the subject is that on July 6th in response to  
12 questions posed to him at his deposition plaintiff made  
13 references to the offer and to his observations about what  
14 didn't happen that should have happened with respect to the  
15 offer.  At that deposition no one, not counsel for the  
16 company, not counsel for the interested director defendants,  
17 no one raised the issue of confidentiality.  The practice in  
18 the case has been when that issue arises counsel raises it and  
19 the agreement is fine, we'll treat it as confidential and  
20 we'll revisit it if we need to.

21           So a day or two later I was conducting the  
22 deposition that resulted in the instruction not to answer  
23 based on a relevance objection.  I asked a question about the  
24 offer, about what it was the witness considered in connection  
25 with responding to the offer, and there was the instruction

1 and the objection. That was in the morning. We proceeded on.  
2 There was some colloquy about whether I needed to make a  
3 record, and we acted like adults and said, no, we don't need  
4 to take the witness's time to do that.

5           At the lunch break I conferred with counsel, Mr.  
6 Searcy, and he stood on his instruction based on a relevance  
7 objection. But to the point of your comment, Your Honor, at  
8 that objection -- excuse me, at that deposition no one invoked  
9 the confidentiality stipulation. So I now have two  
10 depositions where the matter's been raised and nobody, not  
11 counsel for the company, not counsel for the interested  
12 director defendants, no one has raised confidentiality.

13           And then the next week, on July 11th, Mr. Ferrario  
14 and I were having a conversation about something we've now  
15 discussed for probably in the range of two months, which is  
16 scheduling a deposition of Mr. Tompkins. As sort of aside,  
17 during that telephone conversation Mr. Ferrario referenced Mr.  
18 Cotter, Jr.'s testimony about the offer at the deposition and  
19 also referenced the question I'd asked. We had a discussion  
20 about confidentiality, and I made clear my view that, while  
21 the information -- while I agreed to treat it as confidential  
22 or as material nonpublic information of the company for  
23 whatever reasons had chosen not to disclose at the deposition  
24 of Ellen Cotter, that ship had sailed. I may in fact have  
25 used that colloquialism; but, if not, that was the point. And

1 I said, in my view it's not confidential now.

2           And Mr. Ferrario's declaration in paragraph 2 says  
3 what he was concerned about at the Ellen Cotter deposition,  
4 and at the end of paragraph 4 he says he told me he was going  
5 to review the transcript to decide. I think he may have  
6 thought that. I have absolutely no recollection of him saying  
7 that. And, in any event, four days later we filed the motion.  
8 So I had three occasions where if someone had simply availed  
9 themselves of the procedures under our -- whatever we call the  
10 document, the confidentiality stipulation, I would have had no  
11 choice but to respect that. They failed to do so on three  
12 occasions, and so we proceeded as if it had not been  
13 designated confidential. So that's that. It is, of course,  
14 historical information.

15           Now, back on the subject, obviously the instruction  
16 was improper, and the relevance objection, even though it  
17 cannot serve as a basis for instruction, is not well taken,  
18 either. This case, contrary to what the interested director  
19 defendants depict it as, is not simply about the termination  
20 of Mr. Cotter. In point of fact, that's simply the first of a  
21 series of ongoing activities that the pending first amended  
22 complaint characterizes as effort to seize and perpetuate  
23 themselves in control of the company to further their personal  
24 financial and other interests. Paragraph 7 of the first  
25 amended complaint goes -- it's pervasive. And the first

1 amended complaint sets out through the date of the complaint,  
2 October of last year, additional activities of the very same  
3 nature. Same nature being entrenchment. There's the  
4 executive committee, which is perfectly legal, but has been  
5 used to effectively remove then three directors from the  
6 functioning board. There was the selection of the special  
7 nominating committee in connection with the 2015 annual  
8 shareholder meeting. And what that was was a ruse for the  
9 three directors that were members of that committee, Kane,  
10 Adams, and McEachern, to act on the admitted instruction and  
11 direction from Ellen Cotter and Margaret Cotter to tell Tim  
12 Storey he was going to be terminated in effect. They  
13 pressured him to resign, and so they moved him from the board.  
14 And as is set out in our amended complaint, they've added a  
15 couple of people that have no experience in either of the  
16 business segments of the company, no experience in corporate  
17 governance of public companies, and no experience germane to  
18 the company. But they're both family friends, long-standing  
19 family friends. That doesn't disqualify them, but it raises  
20 questions about what's going on here. And, of course, we  
21 allege what's going on here. This is all about getting people  
22 to go along, not to do their job. And so we have a couple  
23 allegations in the first amended complaint about the CEO  
24 search process in connection with which Ellen Cotter, the then  
25 interim CEO, was unilaterally empowered to select the search

1 company. And the search committee consisted of Ellen Cotter,  
2 Margaret Cotter, Bill Gould, and Doug McEachern.

3 Now, what we don't have in there because it occurred  
4 after the filing of the complaint is what transpired. And  
5 what effectively transpired is as that process played, and  
6 "process" is probably not an accurate description of it, but  
7 as it played, out late in the process the chairperson of the  
8 CEO search committee, Ellen Cotter, disclosed that she was a  
9 candidate. So, of course, she resigned from the committee.  
10 So was there any discussion of whether Margaret Cotter, her  
11 sister, should stay on the committee? No. Did they seek  
12 advice of counsel, outside independent counsel? No. What did  
13 they do? They interviewed a few candidates, they interviewed  
14 Ellen Cotter, they selected Ellen Cotter. They told the  
15 search company effectively, stand down, and they specifically  
16 told the search company not to do a proprietary assessment of  
17 the final candidates, one of the very rationales that was  
18 articulated for selecting the search company. So they  
19 effectively fired the search committee.

20 And then, instead of presenting the three final  
21 candidates to the full board, which is what the board had been  
22 told was going to happen, the CEO search committee presented  
23 Ellen Cotter. And, of course, with appropriately -- not  
24 appropriately, excuse me, I'm hyperbolic. With the  
25 effectively little, if any, deliberation and information, the



1 board approved her. So we previewed that as best we could in  
2 October of 2000 [sic] when we filed the first amended  
3 complaint, because we saw that coming down the pike, as they  
4 say, another fundamental entrenchment technique.

5 Now, since then it's continued. In March of this  
6 year Margaret Cotter was made an executive of the company,  
7 senior executive, with a rich compensation package and given  
8 responsibility as the senior executive of company responsible  
9 for developing the company's valuable New York real estate  
10 assets. Now, that was an issue of contention from the moment  
11 my client became the CEO. He wanted to hire somebody  
12 qualified to do that. Margaret Cotter wanted to do that. And  
13 so what happened is my client was fired, Ellen Cotter, as  
14 interim CEO, the very first act she did was suspend the search  
15 for professionals.

16 THE COURT: Mr. Krum, can I cut to the chase.

17 MR. KRUM: Yes. Okay.

18 THE COURT: Which is the instruction was  
19 inappropriate because the issue is relevant, and even if it  
20 wasn't relevant, the issue is inappropriate to instruct the  
21 witness and do you get to finish the deposition --

22 MR. KRUM: Right.

23 THE COURT: Right?

24 MR. KRUM: So I'll just skip over that, Your Honor.

25 I --

1 MR. FERRARIO: I didn't know we were going to do  
2 closing arguments.

3 THE COURT: I know. That's why I stopped him.

4 MR. KRUM: Okay. Well, here's the --

5 THE COURT: Because I've got a closing argument to  
6 hear on another case.

7 MR. KRUM: Here's the other thing I want to be clear  
8 on, because what we have in the company's opposition is  
9 effectively an opposition to a not-yet-filed motion to amend.  
10 We'll get that on file, and they can file --

11 THE COURT: I am dealing with a simple issue. I  
12 have an inappropriate instruction to a witness not to answer a  
13 question.

14 MR. KRUM: Thank you, Your Honor.

15 THE COURT: Thank you.

16 Mr. Ferrario, you can't -- your co-counsel can't  
17 instruct a witness not to answer a question on the basis of  
18 relevance.

19 MR. FERRARIO: Your Honor, I think we have to put  
20 this in context. And, you know, perhaps -- well, no.  
21 Seriously. And Mr. Krum I think puts a spin on it. But  
22 here's what happened. We were at Ellen Cotter's deposition in  
23 New York. Mr. Tillson showed up. There was some concern  
24 amongst, you know, counsel for the company and the executives  
25 of the company that Mr. Krum may inquire into this offer. It

1 wasn't even an offer. It was an expression of interest, quite  
2 frankly. And so during one of the breaks I went up to Mark  
3 and I said, you know, there's some concern about whether you  
4 will go into this or not. And before I could even say another  
5 word he says, I get it, I know where we're at in the process,  
6 I'm not going to do that. I said, fine. There wasn't  
7 anything for me to do there. He didn't say, let's mark it  
8 confidential, let me inquire into it. None of that happened.  
9 Matter of fact, it was such a short conversation, and he said,  
10 I get it, I'm not going there, I know what's happening here.  
11 And he even acknowledged it was material nonpublic  
12 information.

13           Now let's fast forward, okay, to the deposition of  
14 his client. Mr. Tayback, who's at the table, asked Mr. Cotter  
15 a question, and in his answer he blurted out something about  
16 the consideration of the expiration of interest and kind of  
17 took us aback. Then the very next day is when McEachern is  
18 being deposed. I had to come back to Vegas. I sent Eric down  
19 there. He was covering McEachern's depo. And really quite  
20 unexpectedly Mr. Krum went into this line of questioning,  
21 okay. It was cut off. Perhaps we should have said it was  
22 unduly burdensome, perhaps we should have said it was  
23 oppressive, perhaps we should have said something else, that  
24 it was beyond the scope of the pleadings, whatever. The fact  
25 you file a derivative case doesn't mean that you can just

1 launch into anything, okay.

2           So what happened after that, I spoke to Mr. Krum, as  
3 I indicated in my affidavit, it was the 11th or 12th, and I  
4 was at that point already commencing a review of the  
5 confidentiality stipulation and talking internally about what  
6 we were going to do to keep this private, okay. I told him  
7 that on the phone call. I said, I'm looking at this, I need  
8 to see his client's transcript so that I could then figure out  
9 how I was going to designate it. That was on I think it was  
10 Monday or Tuesday of that week. He never once mentioned to me  
11 during that call -- and I couldn't have been clearer that I  
12 was looking at it to do deem it confidential. He never once  
13 during that call said, I've got a motion teed up that I'm  
14 going to file on Friday. Which I would have expected to  
15 occur.

16           So what happens? Friday comes, we get the motion.  
17 That then sets in motion a series of events. We have to file  
18 a press release and all the rest of this. And that's been  
19 briefed and you now know what's happened. And it has created  
20 quite a stir amongst the investing public.

21           And this all goes back to the core issue that we  
22 highlight in our motion, which is why you see me as company  
23 counsel standing up here. This whole situation starts with a  
24 breach by Mr. Cotter, Jr., of his duty of loyalty to the  
25 company to keep this confidential. And there is no dispute

1 the entire process was confidential, the letter that was sent  
2 was confidential, everything about it was confidential. And  
3 that's where this starts. So if Mr. Krum wanted to launch  
4 into this, he should have highlighted it, and we should have  
5 then had an opportunity to designate it as confidential.

6           So I think you have to put this in context. I'm  
7 aware of the rules and what -- how you look at objections and  
8 what have you. I get that, okay. And the record could have  
9 been better. But I think when you look at it in context you  
10 can understand why and how it happened. I also think it's  
11 prudent that you have to cut this off at some point. So are  
12 we now going to go back and redepose every witness that's  
13 testified previously because another board meeting has been  
14 held and another thing that Mr. Krum and his client want to  
15 gripe about has occurred so that the case just keeps going on  
16 and on and on and we never get to the end? That's literally  
17 what he's talking about. As this Court knows and as we  
18 highlighted in our pleading, in derivative cases there's a  
19 process you have to follow. If he thinks that consideration  
20 of the expression of interest was inappropriate, then he has  
21 an obligation to make a demand upon the board to do what he  
22 thinks should have been done. He hasn't done that. It is not  
23 entrenchment. It has nothing to do with his claims.

24           So it was appropriate to cut it off. You don't just  
25 get to keep fishing. There is some parameter to discovery.

1 And the parameters are what's in the case. He hasn't pled  
2 anything about this. He sat on his hands. He hasn't come to  
3 court with a motion to amend all these other things he was  
4 just talking about.

5           So that's what happened, Judge. And the company  
6 takes this very seriously. This has really been, you know, a  
7 trying couple of weeks. We worked over the weekend on a press  
8 release. You know, the option was to come running to Your  
9 Honor on Monday morning or trying to get something filed and  
10 trying to claw it back. We didn't think that was viable. It  
11 was really already a matter of public record. I would have at  
12 least expected counsel for a director, who knows he's dealing  
13 with confidential information, to give me a heads up this was  
14 going to happen, especially when I told him I was evaluating  
15 the situation to determine how I was going to handle it with  
16 the provisions of the confidentiality order. I had that  
17 conversation with Mr. Krum. And he says he may have forgotten  
18 it because we were talking about Mr. Tompkins's deposition. I  
19 didn't. Because, to be honest with you, I kind of got caught  
20 with my pants down, if you will, because he filed that. And I  
21 would have expected at least that courtesy.

22           So, again, it starts with this being undoubtedly a  
23 confidential process at the company. His client breaches that  
24 duty of loyalty and to hold this confidential, and now we're  
25 in here talking about whether an objection was appropriate or

1 not. I agree it could have been phrased differently.

2 THE COURT: Not an objection.

3 MR. FERRARIO: Huh?

4 THE COURT: An instruction.

5 MR. FERRARIO: An instruction. It could have been  
6 phrased a little differently, and perhaps had I been there we  
7 might have been on the phone with Your Honor. Because, as you  
8 know, I'm sometimes --

9 THE COURT: Not shy.

10 MR. FERRARIO: -- not shy about calling you. But it  
11 didn't happen.

12 So for all the reasons we said in our papers what I  
13 said here today I think that the instruction when put in  
14 proper focus was appropriate, and we need an admonishment  
15 going forward that Mr. Krum and his client will not continue  
16 to violate their duty of -- or Mr. Cotter, Jr.'s duty of  
17 loyalty to the company by disseminating what they acknowledge  
18 was material nonpublic information. It has caused problems  
19 for the company.

20 I'll be happy to answer any questions, Your Honor.

21 THE COURT: I don't have any questions. Thank you.

22 Anything else? Thank you.

23 The motion is granted. So we need to resume this  
24 deposition only and answer the questions. If it is  
25 appropriate for the answer to be designated as confidential,

1 you may do so.

2           If you want to reopen any other depositions, we're  
3 going to have to address it after this one is completed and I  
4 can analyze whether you're going on a fishing expedition.

5           MR. KRUM: One point of clarification, Your Honor.  
6 The motion before you today actually asked to reopen two  
7 depositions.

8           THE COURT: I know.

9           MR. KRUM: Okay.

10          THE COURT: I'm only reopening the one with the  
11 instruction.

12          MR. KRUM: Very good.

13          THE COURT: We're not doing a fishing -- we may not  
14 be doing fishing expeditions.

15          MR. KRUM: We're not.

16          MR. FERRARIO: Okay. So you're dealing specifically  
17 with the instruction at Mr. McEachern's deposition.

18          THE COURT: (No audible response)

19          MR. FERRARIO: Okay.

20          THE COURT: We're going to finish that deposition.  
21 If Mr. Krum then wants to reopen any other depositions, he's  
22 going to file a motion, and I'm going to decide if it's  
23 appropriate.

24          MR. FERRARIO: Well, there are other depositions that  
25 we're kind of in the mop-up stage, if you will.



1 THE COURT: You can take all those depositions you want.

2 MR. FERRARIO: No. We're almost done. We've got --

3 THE COURT: Great. I've heard that from you for how  
4 many years on how many different cases, and it's never done.

5 MR. FERRARIO: I'm always done.

6 THE COURT: Never done till I see the whites of the  
7 jury's eyes.

8 MR. FERRARIO: That's true. But we are close to  
9 being completed.

10 THE COURT: That's lovely.

11 MR. FERRARIO: We've got one or two other directors.  
12 We have Mr. Tompkins to be deposed. I can't remember what  
13 days we selected.

14 THE COURT: I need to go to a discussion of rated  
15 play now.

16 MR. FERRARIO: On what?

17 THE COURT: Rated play and exclusivity provisions in  
18 leases. Go away.

19 MR. FERRARIO: Well, is this fair game going forward  
20 on these extra -- we don't think it's properly in play in the  
21 case, to be honest with you.

22 THE COURT: It's improper to instruct a witness not  
23 to answer the question on relevance. If you have concerns  
24 about the public nature of the disclosure -- and I understand  
25 there's a disagreement between you and Mr. Krum on that issue

1 -- then the appropriate thing to do is to designate that  
2 portion of the deposition confidential.  
3 MR. FERRARIO: I understand.  
4 THE COURT: Goodbye.  
5 MR. FERRARIO: Thank you.  
6 MR. ROBERTSON: Thanks, Your Honor.  
7 THE PROCEEDINGS CONCLUDED AT 10:57 A.M.  
8 \* \* \* \* \*  
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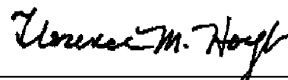
**CERTIFICATION**

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

**AFFIRMATION**

I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

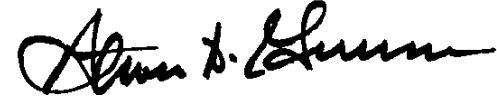
**FLORENCE HOYT**  
**Las Vegas, Nevada 89146**



\_\_\_\_\_  
FLORENCE M. HOYT, TRANSCRIBER

8/2/16

\_\_\_\_\_  
DATE



CLERK OF THE COURT

1 ORDR  
MARK E. FERRARIO, ESQ.  
2 (NV Bar No. 1625)  
KARA B. HENDRICKS, ESQ.  
3 (NV Bar No. 7743)  
TAMI D. COWDEN, ESQ.  
4 (NV Bar No. 8994)  
GREENBERG TRAUIG, LLP  
5 3773 Howard Hughes Parkway  
Suite 400 North  
6 Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
7 Facsimile: (702) 792-9002  
Email: ferrariom@gtlaw.com  
8 hendricksk@gtlaw.com  
cowdent@gtlaw.com  
9

*Counsel for Reading International, Inc.*

**DISTRICT COURT  
CLARK COUNTY, NEVADA**

12 In the Matter of the Estate of  
13 JAMES J. COTTER,  
14  
15 Deceased.

16 JAMES J. COTTER, JR., derivatively on  
behalf of Reading International, Inc.,  
17  
18 Plaintiff,

19 v.

20 MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE,  
21 DOUGLAS McEACHERN, TIMOTHY  
STOREY, WILLIAM GOULD, and DOES 1  
through 100, inclusive,  
22  
23 Defendants.

24 And

25 READING INTERNATIONAL, INC., a  
Nevada Corporation,  
26  
27 Nominal Defendant.  
28

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

**Coordinated with:**

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

Case No. A-16-735305-B  
Dept. XI

**ORDER GRANTING PRELIMINARY  
APPROVAL OF DERIVATIVE  
CLAIM SETTLEMENT**

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

1 Presently pending is the Joint Motion for Preliminary Approval Of Settlement, Notice To  
2 Stockholders And Scheduling Of Settlement Hearing On Order Shortening Time ("Joint  
3 Motion"), filed by Intervenor Plaintiffs T2 Partners Management, LP, T2 Accredited Fund, LP,  
4 T2 Qualified Fund, LP, Tilson Offshore Fund, LTD., T2 Partners Management I, LLC, T2  
5 Partners Management Group, LLC, JMG Capital Management, LLC, Pacific Capital  
6 Management, LLC, and Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,  
7 Douglas Mceachern, William Gould, Judy Coddling, Michael Wrotniak, Craig Tompkins, and  
8 Nominal Defendant, Reading International, Inc. This Court, having considered the papers  
9 submitted in support of the Joint Motion, and having heard the argument of the parties,

10 HEREBY ORDERS THE FOLLOWING:

11 1. The Court grants preliminary approval of the settlement based upon the terms set  
12 forth in the Joint Motion. The settlement appears to be presumptively valid, subject only to any  
13 objections that may be raised at the final approval hearing and final approval by this Court.

14 2. A final approval hearing on the question of whether the proposed settlement  
15 should be approved as fair, reasonable and adequate is scheduled in accordance with the  
16 schedule set forth below.

17 3. The Court approves the form and content of the Notice of Pendency and  
18 Settlement of Action ("Notice") attached as Exhibit B to the Joint Motion, with certain  
19 modifications, including a 60 day period from execution of the notice, and requiring notice of  
20 objections to be served to counsel.

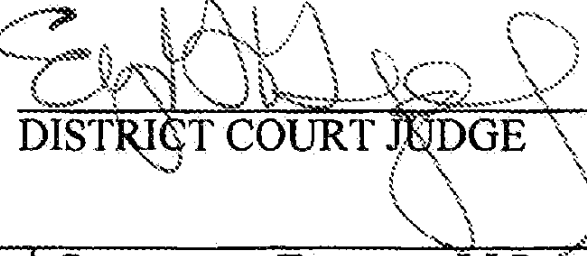
21 4. The Court approves the procedure for notice to the shareholders of Reading  
22 International, Inc. set forth in the Joint Motion and Notice, with the modification that notice must  
23 be provided on a website as well.

24 5. The Court directs the mailing of the Notice to the shareholders as set forth in the  
25 Settlement Agreement and Joint Motion.


26 6. The Court orders the following schedule for further proceedings:  
27  
28

|   |    |  |                            |
|---|----|--|----------------------------|
| 1 | 1. | Deadline for Mailing of Notice to Shareholders | August 19, 2016            |
| 2 | 2. | Deadline for Receipt of Objections             | September 22, 2016         |
| 3 | 3. | Deadline to File Final Approval Motion         | September 22, 2016         |
| 4 | 4. | Final Approval Hearing                         | October 6, 2016, 8:30 a.m. |

DATED this 4<sup>th</sup> day of August, 2016.

  
 DISTRICT COURT JUDGE

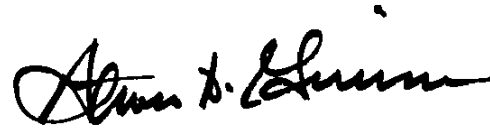
Submitted by

|    |   |   |
|----|---|---|
| 9  | ROBERTSON & ASSOCIATES, LLP   | GREENBERG TRAUIG, LLP   |
| 10 | <u>/s/ Alexander Robertson, IV</u>  |    |
| 11 | ALEXANDER ROBERTSON, IV (SBN 8642)  | MARK E. FERRARIO (NV Bar No. 1625)  |
| 12 | 32121 Lindero Canyon Road, Suite 200  | KARA B. HENDRICKS (NV Bar No. 7743)   |
| 13 | Westlake Village, California 91361  | TAMI D. COWDEN (NV Bar No. 8994)  |
| 14 | <u>ARobertson@ARobertsonLaw.com</u>   | 3773 Howard Hughes Parkway, Suite 400 N.  |
| 15 | <i>Attorneys for Plaintiffs and Intervenors, T2</i>   | Las Vegas, Nevada 89169   |
| 16 | <i>Partners Management, LP, et al.</i>  | <u>FerrarioM@gtlaw.com</u>  |
| 17 |   | <u>HendricksK@gtlaw.com</u>   |
| 18 |   | <u>CowdenT@gtlaw.com</u>  |
| 19 |   | <i>Counsel for Reading International, Inc.</i>  |
| 20 | PATTI, SGRO, LEWIS & ROGER  | QUINN EMANUEL URQUHART & SULLIVAN, LLP  |
| 21 | <u>STEPHEN K. LEWIS (NV BAR 7064)</u>   | <u>/s/ Christopher Tayback</u>  |
| 22 | ADAM C. ANDERSON (NV BAR 13062)   | CHRISTOPHER TAYBACK   |
| 23 | 720 S. 7th Street, 3rd Floor  | (Admitted <i>pro hac vice</i> )   |
| 24 | Las Vegas, NV 89101   | MARSHALL M. SEARCY III  |
| 25 | <u>slewis@pslrfirm.com</u>  | (Admitted <i>pro hac vice</i> )   |
| 26 | <u>aanderson@pslrfirm.com</u>   | 865 S. Figueroa Street, 10 <sup>th</sup> Floor  |
| 27 | <i>Attorneys for Plaintiffs and Intervenors, T2</i>   | Los Angeles, California, 90017  |
| 28 | <i>Partners Management, LP dba Kase Capital Management; T2 Accredited Fund, LP dba Kase Fund; T2 Qualified Fund, LP dba Kase Qualified Fund; Tilson Offshore Fund, LTD; T2 Partners Management I, LLC dba Kase Management; T2 Partners Management Group, LLC dba Kase Group; JMG Capital Management, LLC; Pacific Capital Management, LLC</i> | <u>christayback@quinnemanuel.com</u>  |
|    |   | <u>marshallsearcy@quinnemanuel.com</u>  |
|    |   | <i>Attorneys for Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane Douglas McEachern, Judy Coddling and Michael Wrotniak</i> |
|    |   | c/o   |

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

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|---|---|
| <p>COHEN-JOHNSON, LLC</p> <p><u>/s/ H. Stan Johnson</u><br/>         H. STAN JOHNSON (SBN 265)<br/>         255 E. Warm Springs Road, Suite 100<br/>         Las Vegas, Nevada 89119<br/> <u>SJohnson@CohenJohnson.com</u></p> <p><i>Attorneys for Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane Douglas McEachern, Judy Coddling and Michael Wrotniak</i></p> | <p>BIRD, MARELLA, BOXER, WOLPERT, NESSIM, DROOKS, LINCENBERG &amp; RHOW, P.C.</p> <p><u>/s/ Ekwan E. Rhow</u><br/>         EKWAN E. RHOW (Admitted <i>pro hac vice</i>)<br/>         1875 Century Park East, 23rd Floor<br/>         Los Angeles, California 90067<br/> <u>EER@BirdMarella.com</u></p> <p><i>Attorneys for Defendants William Gould</i></p> |
| <p>MAUPIN COX &amp; LEGOY</p> <p><u>DONALD A. LATTIN (NV BAR 0693)</u><br/>         4785 Caughlin Parkway<br/>         Reno, Nevada 89519<br/> <u>dlattin@mclrenolaw.com</u></p> <p><i>Attorneys for Defendants William Gould</i></p>   | <p>SANTORO WHITMIRE, LTD.</p> <p><u>/s/ Nicholas J. Santoro</u><br/>         NICHOLAS J. SANTORO (NV BAR 0532)<br/>         10100 Charleston Boulevard, Suite 250<br/>         Las Vegas, Nevada 89135<br/> <u>nsantoro@santoronevada.com</u></p> <p><i>Attorneys for Craig Tompkins</i></p>  |
| <p>LEWIS ROCA ROTHGERBER CHRISTIE, LLP</p> <p><u>MARK G. KRUM (NV BAR 10913)</u><br/>         3993 Howard Hughes Parkway, Suite 600<br/>         Las Vegas, Nevada 89169<br/> <u>mkrum@llrc.com</u></p> <p><i>Attorneys for Plaintiff James J. Cotter, Jr.</i></p>  |   |



CLERK OF THE COURT

1 **MOT**  
Mark G. Krum (SBN 10913)  
2 Lewis Roca Rothgerber Christie LLP  
3993 Howard Hughes Pkwy, Suite 600  
3 Las Vegas, NV 89169-5996  
Tel: 702-949-8200  
4 Fax: 702-949-8398  
E-mail: [mkrum@lrrc.com](mailto:mkrum@lrrc.com)

5  
6 *Attorneys for Plaintiff*  
*James J. Cotter, Jr.*

7 DISTRICT COURT  
8 CLARK COUNTY, NEVADA

FILE WITH  
MASTER CALENDAR

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

11 Plaintiff,

12 vs.

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

16 Defendants.

17 and

18 READING INTERNATIONAL, INC., a  
Nevada corporation,

19 Nominal Defendant.

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

22 Plaintiffs,

23 vs.

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

28 Defendants.

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

**Business Court**

**PLAINTIFF JAMES J. COTTER, JR.'S  
MOTION TO VACATE AND RESET  
PENDING DATES AND TO REOPEN  
DISCOVERY ON SHORTENED TIME  
(Third Request)**

Arg: 08/11/16

Tue: 8:30 am

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

**Lewis Roca**  
**ROTHGERBER CHRISTIE**



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and  

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READING INTERNATIONAL, INC., a  
Nevada corporation,  
  
Nominal Defendant.

Pursuant to EDCR 2.26, 2.35 and 7.30 Plaintiff James J. Cotter, Jr. (“Plaintiff”) hereby moves on shortened time for an order that (i) vacates and/or resets all pending dates and deadlines, including deadlines with respect to expert disclosures and discovery, (ii) reopens discovery, (iii) vacates the trial date and all related dates, and (iv) otherwise provides for such relief as is appropriate under the circumstances (the “Motion”).

This Motion is based upon the pleadings and papers on file, the exhibits attached hereto, the following memorandum of points and authorities, and any oral argument.

DATED this 5th day of August, 2016.

LEWIS ROCA ROTHGERBER CHRISTIE LLP

By: /s/ Mark G. Krum  
Mark G. Krum (SBN 10913)  
3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5958  
(702) 949-8200  
Attorneys for Plaintiff  
*James J. Cotter, Jr.*

3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5996  
**Lewis Roca**  
**ROTHGERBER CHRISTIE**

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**ORDER SHORTENING TIME**

It appearing to the satisfaction of the Court and good cause appearing therefor,  
IT IS HEREBY ORDERED, that the hearing on James J. Cotter, Jr.'s Motion To Vacate  
And Reset Pending Dates And To Reopen Discovery On Shortened Time shall be heard before the  
above-entitled Court in Department XI, before Judge Elizabeth Gonzalez, on the 11<sup>th</sup> day of  
August, 2016, at 8:30 (a.m./p.m.), or as soon thereafter as counsel may be heard, at  
the Regional Justice Center, 200 Lewis Avenue, Las Vegas, Nevada 89155.

DATED this 5th day of August, 2016.

  
DISTRICT COURT JUDGE

Respectfully submitted:  
LEWIS ROCA ROTHGERBER CHRISTIE LLP

/s/ Mark G. Krum  
Mark G. Krum (SBN 10913)  
3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5958  
(702) 949-8200

Attorneys for Plaintiff  
*James J. Cotter, Jr.*

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

**Lewis Roca**  
**ROTHGERBER CHRISTIE**

1                   **DECLARATION OF MARK G. KRUM IN SUPPORT OF PLAINTIFF JAMES J.**  
2                   **COTTER, JR.'S MOTION TO REOPEN DISCOVERY AND VACATE ALL PENDING**  
3                   **DATES ON ORDER SHORTENING TIME**

4                   I, Mark G. Krum, Esq., being duly sworn, deposes and says that:

5                   1.        I am a partner with the law firm of Lewis Roca Rothgerber Christie LLP, attorneys  
6 for James J. Cotter, Jr. as plaintiff in the captioned action ("Plaintiff").

7                   2.        I make this declaration based upon personal knowledge, except where stated to be  
8 upon information and belief, and as to that information, I believe it to be true. If called upon to  
9 testify as to the contents of this Declaration, I am legally competent to testify to the contents of  
10 this Declaration in a court of law.

11                   **Reason for Order Shortening Time**

12                   3.        Pursuant to EDCR 2.26, there is good cause to hear this motion on shortened time.  
13 Notwithstanding the good faith and diligent efforts of counsel to complete discovery, it is not yet  
14 complete due to extenuating circumstances, starting with a lengthy delay in document production  
15 from Defendants, and including remaining issues with respect to privilege that have yet to be  
16 resolved, multiple multi-day depositions and the complex nature of this case.

17                   4.        Discovery is not yet complete, and the parties are scrambling to finish agreed upon  
18 discovery even though the fact witness discovery deadline has just run. Presently, depositions are  
19 set for August 16, 17 and 18 in Los Angeles. Yet, even those depositions will not complete the  
20 agreed upon, outstanding depositions. Without the benefit of the fact witness discovery, the  
21 imminent expert disclosure deadlines, beginning on August 18th, are unworkable. Further  
22 complicating this timeline, summary judgment motions and motions *in limine* presently are due  
23 September 23. Finally, at least two motions regarding assertions of privilege in the discovery  
24 context will be before the Court shortly.

25                   5.        For all of these reasons, Plaintiff respectfully submits that there is good cause for  
26 this Motion to be heard on shortened time, no later than August 16, 2016.  
27  
28

1           6. Pursuant to EDCR 7.30, 2.35 and 2.34, for those same reasons and other  
2 independent reasons there is good cause for this Court to reopen percipient witness discovery,  
3 continue the trial date in this matter, and extend all applicable discovery and pre-trial deadlines.

4           7. Plaintiff should not be prejudiced because the Defendants delayed their document  
5 productions, producing approximately 20,000 pages of documents at the agreed deadline in mid-  
6 April and then approximately 15,000 pages *after* that deadline. They then delivered a  
7 supplemental privilege log approximately with approximately 4,000 entries on or about May 25,  
8 2016, right before the initial discovery cut-off. A true and correct copy of Schedule of Document  
9 Productions by the “Interested Director Defendants” and RDI is attached to the Motion as  
10 **Exhibit A**. This production schedule caused depositions to be delayed so that they could not be  
11 completed, even in the extended time made available.

12           8. In addition, I believe that the disposition of the privilege issues described above  
13 will give rise to additional disputes regarding claims of privilege and/or instructions not to  
14 answer questions at deposition. Thus, independent of the belated, voluminous nature of the  
15 supplemental privilege log produced by the Interested Director Defendants on or about May 25,  
16 2016, and independent of any additional issues they may arise with respect to Plaintiff’s privilege  
17 log, it is clear that claims of privilege, and disputes with respect thereto, will preclude the parties  
18 from completing the discovery they agreed to complete, in and after August. A true and correct  
19 copy of Schedule of Privilege Logs Produced by the “Interested Director Defendants” and RDI, is  
20 attached to the Motion as **Exhibit B**.

21           9. Separately, new information recently has come to light during the discovery  
22 process concerning the Defendants’ breach of fiduciary duties concerning an offer to buy all of  
23 the outstanding stock of RDI at a premium. These developments which occurred in the last thirty  
24 to sixty days, have raised issues which perhaps more decisively than those raised previously (i)  
25 evidence the self-dealing and entrenchment motives and conduct of Ellen Cotter and Margaret  
26  
27  
28

1 Cotter and the wholesale fiduciary breaches by each an all of the Individual Director Defendants  
2 and, independently, (ii) give rise to exactly the types of claims for breach of fiduciary duty  
3 already made against each and all of the Individual Director Defendants. Plaintiff has already  
4 petitioned the Court for permission to amend its pleading to reflect these new claims, but they  
5 represent an independently sufficient reason to grant this requested relief and extend the  
6 scheduling deadlines. Finally, so does the fact that the Court has scheduled a hearing to  
7 determine the reasonableness and fairness of the "T2 Plaintiffs'" settlement for October 6, 2016.  
8

9 10. Prior to filing this Motion, on August 4th, Plaintiff contacted Defendants' counsel  
10 in good faith concerning the nature of this motion and seeking consent to the requested relief.  
11 Defendants relayed that they oppose this motion.

12 11. This Declaration and Motion is made in good faith and not for the purpose of delay.  
13 I declare under penalty of perjury under the laws of the State of Nevada that the foregoing  
14 is true and correct.  
15

16 Executed this 5th day of August, 2016.



Mark G. Krum, Esq.

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Plaintiff James J. Cotter, Jr. (“Plaintiff”) hereby moves on shortened time for an order that  
4 (i) vacates and/or resets all pending dates and deadlines, including deadlines with respect to expert  
5 disclosures and discovery, (ii) reopens discovery, (iii) vacates the trial date and all related dates,  
6 and (iv) otherwise provides for such relief as is appropriate under the circumstances (the  
7 “Motion”). This Motion is precipitated by several, independent factors, each of which  
8 individually warrant the relief sought.

9 First, as the Court has anticipated for some time, the parties have been unable to complete  
10 discovery. Document production by defendants was back-loaded and apparently is incomplete, as  
11 described herein. Defendants’ delays in producing documents in turn delayed the scheduling of  
12 depositions. Plaintiff’s initial efforts were stymied by counsel for the Interested Director  
13 Defendants until April, when the Court was about to rule on Plaintiff’s motion to compel  
14 depositions. Notwithstanding depositions being taken in virtually every week available to all  
15 counsel since the last week of April, agreed upon depositions still have not been completed.

16 Depositions of two defendants (Coddington and Tompkins) have not been commenced. The  
17 deposition of another defendant (Adams) has not been completed. The deposition of Plaintiff, after  
18 three full days, has not been completed. And, the deposition of a nonparty Korn Ferry (the search  
19 company hired to assist with the supposed CEO search, which company effectively was  
20 terminated when EC was selected and the search process was aborted) has not yet been  
21 commenced.

22 Tompkins is an attorney who at all relevant times has been a consultant to or employee of  
23 the Company. Tompkins was named as a defendant in the amended complaint filed by the  
24 intervening plaintiffs in February 2016. Plaintiff has been requesting his deposition since mid-  
25 May. Counsel for the Company attempted to schedule Tompkins’ deposition, with no success.  
26 Plaintiff understands that Tompkins’ new counsel plans to file a motion that will ask that the  
27 Company’s assertion of privilege and instruction to Tompkins not to answer deposition questions  
28 shall not bind the Company, or Tompkins, in any case in which Tompkins is or becomes a party.

1 In other words, Tompkins and the Company will broadly assert privilege and refuse to answer at  
2 his deposition, but want to be able to retract those claims of privilege and instructions not to  
3 answer if it later suits them. Because Plaintiff already is the victim of use, by the Company and  
4 the Interested Director Defendants, of claims of privilege as both a sword and shield, Plaintiff  
5 declined to stipulate to that relief.

6 As to Adams, he invoked reliance on counsel in explaining one of the decisions he made –  
7 which decision raised in Plaintiff’s pending complaint as a fiduciary breach. Nevertheless, his  
8 counsel and counsel for the Company contend that Adams has not waived the privilege with  
9 respect to the advice on which he relied in making the challenged decision. This is simply wrong.  
10 Plaintiff is filing a motion seeking an order that a waiver has occurred, and that documents and  
11 information withheld based on privilege be produced, among other such relief.

12 Other document production and privilege related issues also remain including that (the  
13 Interested Director Defendants’ document production apparently is not complete). The  
14 approximate 4,000-entry “supplemental” privilege log produced by the Interested Director  
15 Defendants (on or about May 25, 2016) did not cure the deficiencies in their prior logs that they  
16 promised to cure. For example, entries claimed to be attorney-client communications often are  
17 neither to nor from an attorney. The volume of that log and the timing of it—belatedly produced  
18 in the midst of weeks of travel and depositions—accounts for why that issue remains outstanding.  
19 Another privilege related issue is that Plaintiff continues to work on, and is about to finish,  
20 preparing an updated log that complies with the Court’s order of approximately five weeks ago.

21 Second, recent events and developments of the last two months warrant the relief sought  
22 by this Motion. First the receipt by the Individual Director Defendants of an offer by third parties  
23 to purchase all of the outstanding stock of Reading international, Inc. (“RDI” or the “Company”)  
24 at a price approximately thirty-three per cent (33%) above the price(s) which RDI stock traded in  
25 the open market (the “Offer”), and the response(s) of the Individual Director Defendants to that  
26 offer, (i) evidence in a unique and compelling manner both the entrenchment of purported  
27 controlling shareholders Ellen Cotter (“EC”) and Margaret Cotter (“MC”) and the wholesale  
28 failure of the other Individual Director Defendants to fulfill the fiduciary duties, and (ii)

1 independently constitute actionable conduct and give rise to new claims of exactly the nature  
2 already brought by Plaintiff against the Individual Director Defendants in this case. However,  
3 given the recency of these developments, Plaintiff has not an opportunity to take discovery  
4 regarding them.

5 Third, on July 28, 2016, the Court set a motion by the Company, the individual defendants,  
6 and the so-called T2 Plaintiffs seeking Court approval of the reasonableness and fairness of a  
7 settlement struck between the T2 Plaintiffs, on one hand, and the Company and the Individual  
8 Director Defendants, on the other hand, for hearing on October 6, 2016. Although certain language  
9 in their documentation seems to suggest that any Court order approving that settlement as fair and  
10 reasonable will not affect the claims brought by Plaintiff in this case, it is virtually certain that the  
11 Individual Director Defendants will file a motion seeking dismissal of Plaintiff's case promptly  
12 following any approval by the Court of the fairness and reasonableness of this settlement. One  
13 need only look at the seemingly exhaustive scope of the release included in the documentation to  
14 see that the release appears intended to encompass and release not only the actionable conduct  
15 alleged in Plaintiff's pending First Amended Complaint (the "FAC") but also all new matters  
16 raised in Plaintiff's proposed Second Amended Complaint (the "SAC"), including acts and  
17 omissions related to the Offer.

18 Plaintiff is entitled to present his entire case, meaning all matters that evidence and give  
19 rise to same claims, and to have had an opportunity to have conducted full and fair discovery with  
20 respect to all such matters. Conversely, Plaintiff should not be prejudiced because the Defendants  
21 delayed their document productions, producing approximately 20,000 pages of documents at the  
22 agreed deadline in mid-April and then approximately 15,000 pages *after* that deadline. They then  
23 delivered a supplemental privilege log approximately with 4,000 entries on or about May 25,  
24 2016, right before the initial discovery cut-off, and caused depositions to be delayed so that they  
25 could not be completed even in the extended time made available.

26 As the Court already has seen, the Interested Director Defendants will complain that the  
27 trial date is set and should be maintained. But, the trial date has been in jeopardy for *months* due  
28



1 largely, if not entirely, to Defendants' own conduct, and is not more important than the substantive  
2 rights and considerations identified herein, which clearly warrant granting this Motion.

3 **II. PROCEDURAL AND FACTUAL BACKGROUND**

4 **A. Defendants Delay Document Production and the Production Privilege Logs**

5 On or about October 29, 2015, the Court conducted a Rule 16 conference and opened  
6 discovery (after "expedited" discovery was not completed). On or about November 6, Plaintiff  
7 propounded his Second Set of Requests for Production of Documents (*i.e.*, the "Requests") to the  
8 Interested Director Defendants as well as additional document requests to nominal defendant  
9 RDI.

10 On or about December 10, 2015, each of the Interested Director Defendants served  
11 substantially identical responses to Plaintiff's Requests. Those responses objected to, and refused  
12 to produce documents in response to, forty (40) of fifty (50) document requests. Following meet-  
13 and-confer telephone calls, counsel for the Interested Director Defendants agreed to produce  
14 documents responsive to 32 of 40 of the requests to which they previously had stood on their  
15 objections.

16 Plaintiff then filed a motion to compel the Interested Director Defendants to produce  
17 documents in response to the eight (8) particular document requests to which they had refused to  
18 produce documents. The Court on February 18, 2016 granted that motion as to seven (7) of those  
19 eight (8) requests.

20 The Court on February 18, 2016 also ordered as follows:

21 IT IS FURTHER ORDERED that a certification must be provided  
22 by Margaret Cotter, Ellen Cotter, Douglas McEachern, Guy  
23 Adams and Edward Kane stating that (a) the party has performed a  
24 diligent search for documents requested in this action and (b)  
25 describing the party's practice for retaining and/or deleting emails  
26 and other documents potentially relevant to this action (both before  
27 and after commencement of this action).

28 (March 11, 2016 Order.)

The certifications required by the Court on February 18, 2016 have not been provided.  
During a telephone call of July 12, 2016, counsel for the Interested Director Defendants asserted  
that the certifications had not been provided because the Interested Director Defendants intended

1 to produce them only after their document productions had been completed. Plaintiff therefore  
2 understands that the Interested Director Defendants have not completed their production of  
3 documents.

4 When counsel appeared before this Court on March 17, 2016, they reported an agreement  
5 that document production, including production of privilege logs (and excluding any remaining  
6 disputed items), would be finished by March 31, 2016 if possible, and no later than April 14,  
7 2016.

8 In fact, the Interested Director Defendants did not begin producing documents until  
9 approximately three months after formal discovery opened and Plaintiff's second document  
10 request was propounded, first producing 2,503 pages of documents on February 1, 2016.

11 Not until April 13, 2016—one day prior to the agreed deadline—did the Interested  
12 Director Defendants make a substantial production of documents, at which time they produced  
13 just over 20,000 pages of documents. (*Id.*) Notwithstanding the commencement of depositions at  
14 the end of April, the Interested Director Defendants produced an 3,300 additional pages of  
15 documents on May 17 and 23, 2016. Finally, they produced an approximate additional 500 pages  
16 on July 11, 2016.

17 RDI, which is controlled by the Interested Director Defendants, commenced substantial  
18 production of documents earlier than the Interested Director Defendants but, like the Interested  
19 Director Defendants, made substantial productions of documents belatedly, including in April,  
20 May and June 2016. RDI produced 6,981 pages of documents on January 13, 4,615 pages on  
21 January 27, 2,708 pages on February 26, 6,302 pages on March 31, 6,039 pages on April 8, 3,144  
22 pages on April 22, 4,385 pages on May 6, 920 pages on June 5 and 2,202 pages on June 14, 2016.  
23 (*Id.*)

24 A rough calculation of the foregoing productions shows that from mid-April through mid-  
25 July 2016, the Interested Director Defendants and RDI together produced an excess of 35,000  
26 pages of documents, approximately 15,000 pages after the agreed deadline. Plaintiff was then and  
27 now remains of the view that these productions, which could and should have commenced by  
28

1 January and been substantially complete by the end of March, were delayed for the purpose of  
2 impairing Plaintiff's ability to complete the discovery to which Plaintiff is entitled.

3 The Interested Director Defendants were equally dilatory in terms of producing privilege  
4 logs. Although they had agreed that their supplemental privilege log would be produced by March  
5 31, 2016 if possible, and failing that, no later than April 14, 2016, they did not produce that log  
6 until on or about May 25, 2016. At the time, the fact discovery cutoff date was June 10, 2016.  
7 That belatedly produced privilege log contained almost 4,000 entries. Thus, whether by design or  
8 oversight, the Interested Director Defendants effectively have precluded counsel for Plaintiff from  
9 conducting a meaningful review of their principal privilege log by producing it at a time when  
10 counsel was fully occupied attempting to take depositions in this case.

11 As for RDI, it produced an initial privilege log with 822 entries on or about January 29,  
12 2016, a supplemental privilege log with 2,258 entries on or about March 10, 2016, and another  
13 supplemental privilege log with 7,247 rows on 1,172 pages on June 3, 2016. Based on RDI's  
14 production of thousands of pages of documents since then, Plaintiff anticipates that a further  
15 supplemental privilege log may be forthcoming from RDI.

16 **B. Defendants Delay Commencement and Conduct of Depositions**

17 On March 17, 2016, the parties appeared before the Court and agreed that the Interested  
18 Director Defendants all would be produced for deposition in April and May. Nevertheless,  
19 counsel for the Interested Director Defendants then continued refusing to cooperate in scheduling  
20 those depositions. As a result, Plaintiff was required to file a motion to compel. That motion was  
21 set for hearing on April 14, 2016 and continued to April 19, 2016, to afford counsel for the parties  
22 a last opportunity to work out a deposition schedule. Faced with the prospect of the Court  
23 ordering that depositions go forward on dates and at locations they did not select or negotiate,  
24 counsel for the Interested Director Defendants for the first time began to cooperate in scheduling  
25 those depositions.

26 What followed could fairly be characterized as a deposition death march that, in many  
27 respects, had the hallmarks of expedited discovery. Depositions were taken in California the  
28 weeks of April 28, May 2, May 9, May 16, May 23 and June 6, 2016, in New York the week of

1 June 13, 2016, and in California the weeks of June 27 and July 4, 2016, with additional  
2 depositions scheduled for the weeks of July 18 and July 25, 2016, but cancelled on account of  
3 discovery disputes and scheduling conflicts. Another deposition was conducted in California the  
4 week of August 1, 2016.

5 With the exception of the depositions of the Intervening Plaintiffs and non-parties, every  
6 deposition has been at least two days in length, several have been three and the deposition of  
7 Plaintiff, which has not concluded, already has been three full days. Given the travel required to  
8 take these depositions, including travel between cities in which none of the counsel live, such as  
9 San Diego and New York (and Los Angeles, for Plaintiff's and RDI's counsel), the time required  
10 to take these depositions typically included not less than one travel day per trip per city and, in  
11 some instances, two travel days. Thus, counsel for Plaintiff has spent substantial portions of all  
12 but two or three of the last thirteen weeks taking and attending depositions and travelling to and  
13 from them (not counting one week of previously scheduled vacation).

14 Nevertheless, agreed depositions have not been completed. The deposition of Craig  
15 Tompkins, which counsel for Plaintiff has sought since mid-May, and which has been delayed in  
16 part because Tompkins apparently did not engage his own counsel until recently, has not yet been  
17 scheduled and apparently will not proceed until counsel for Tompkins brings a motion and obtains  
18 a ruling with respect to a request that claims of privilege asserted by, and instructions not to  
19 answer deposition questions made by, counsel for the Company may subsequently be withdrawn  
20 and Tompkins allowed to testify in the event he remains or becomes a defendant in this case.

21 The deposition of defendant Adams has been commenced and not concluded, and is not  
22 now rescheduled for conclusion because Adams testified at a prior session that, in making a  
23 decision Plaintiff's FAC claims constitutes a breach of fiduciary duty by Adams, Adams relied on  
24 the advice of counsel. Plaintiff claims that that testimony waives any privilege. Counsel for  
25 Adams and the Company disagree – and that matter is the subject of a separate motion that  
26 requires resolution before Adams' deposition will be scheduled and completed.

27 Next, the deposition of defendant Judy Coddling is set for August 17th and the  
28 (abbreviated) resumption of the deposition of defendant McEachern is set for August 18th. Also

1 scheduled for August 18th is the deposition of a Rule 30(b)(6) witness produced by Korn Ferry,  
2 the outside search company hired and effectively fired in connection with the CEO search that  
3 resulted in Ellen Cotter being selected as CEO. Finally, the deposition of Plaintiff, who has sat for  
4 three full days of testimony, presently is the subject of discussion to schedule a mutually  
5 convenient, additional, half day.

6 As the foregoing reflects, the depositions will not be completed until a time yet to be  
7 determined, through no fault of counsel for Plaintiff, who has proceeded more than diligently to  
8 attempt to conduct and complete depositions.

9 **C. Several Privilege Issues Remain Unresolved**

10 As observed above, the parties have several disputes with respect to matters and assertions  
11 of privilege, at least two of which will be the subject of motion practice. Others may well be too.

12 For example, Craig Tompkins, who is named as a defendant in the February 2016 amended  
13 complaint filed by the Intervening Plaintiffs, at all times relevant to this case has been a consultant  
14 to or an employee of RDI and, to the point, an attorney. On or about May 11, 2016, counsel for  
15 Plaintiff inquired of RDI if it would produce either (or both) of Bill Ellis, the Company's former  
16 general counsel, and Craig Tompkins for deposition. By May 24, 2016, counsel for RDI had  
17 responded affirmatively and indicated that Tompkins would be produced for deposition at a  
18 mutually convenient date in July.

19 Eventually, a tentative date on or about July 14, 2016, was set. However, soon thereafter,  
20 Tompkins apparently engaged counsel or had counsel engaged for him. Mr. Tompkins' counsel  
21 then sought a stipulation from Plaintiff that, if counsel for the Company asserted claims of  
22 privilege and instructed Tompkins not to answer questions at deposition, the Company and  
23 Tompkins effectively could later retract the claim of privilege in the instruction, if Tompkins  
24 remained a defendant when the case went to trial. After good faith discussions, counsel for  
25 Plaintiff and counsel for Tompkins could not agree. Counsel for Tompkins has indicated that he  
26 would file a motion seeking such relief from the Court. Thus, the deposition of Tompkins, a  
27 witness who had significant communications with many of the Interested Director Defendants  
28 about many of the issues raised in the case, has not been scheduled, much less conducted.

1 Separately, and on a related privilege issue, Adams and Kane, the two members of the RDI  
2 Board of Directors Compensation Committee who authorized the exercise by EC and MC as  
3 executors of the Estate of James J. Cotter, Sr. of a supposed option to acquire 100,000 shares of  
4 RDI Class B voting stock, testified in deposition that they did so based on the advice of counsel,  
5 including advice from Tompkins. Because that decision is one of many which serve as a basis for  
6 claims of breach of fiduciary duty against each of Adams and Kane, they have invoked the advice  
7 of counsel to defend the claim against them. Plaintiff's position is that in doing so they have  
8 waived claims of privilege. Counsel for Adams and Kane disagree, as does counsel for the  
9 Company. Plaintiff will file a motion to compel addressing those issues.

10 It is entirely possible that disposition of the privilege issues described above will give rise  
11 to additional disputes regarding claims of privilege and/or instructions not to answer questions at  
12 deposition. Thus, independent of the belated, voluminous nature of the supplemental privilege log  
13 produced by the Interested Director Defendants on or about May 25, 2016, and independent of any  
14 additional issues they may arise with respect to Plaintiff's privilege log, it is clear that claims of  
15 privilege, and disputes with respect thereto, will preclude the parties from completing the  
16 discovery they agreed to complete, in and after August.

17 Finally, yet another privilege issue is the extent to which the Defendants possess, and are  
18 using, documents as to which Plaintiff would claim attorney-client privilege, attorney work  
19 product or both, discussed below. In this case, that issue arose when counsel for the Interested  
20 Director Defendants at Plaintiff's deposition showed him a document he had prepared at the  
21 direction of counsel for use in litigation, which document had been produced by the Company.  
22 Although that particular document was clawed back pursuant to provisions of the Confidentiality  
23 Stipulation and Protective Order in place in this case, it appears that the Company has accessed  
24 documents of Plaintiff that he had accessed by his work computer. Given the substantial volume  
25 of documents produced, particularly by the Company, and the rolling manner in which they were  
26 produced, Plaintiff has been unable to assure himself that other such documents are not included  
27 in the Company's production and/or in the possession of counsel for the Interested Director  
28 Defendants.

1           **D.       The Developments of the Last Two Months**

2           Finally, as the Court knows from recent motion practice, developments in the last thirty to  
3 sixty days have raised issues which perhaps more decisively than most raised previously (i)  
4 evidence the self-dealing and entrenchment motives and conduct of EC and MC and the wholesale  
5 fiduciary breaches by each an all of the Individual Director Defendants and, independently, (ii)  
6 give rise to exactly the types of claims for breach of fiduciary duty already made against each and  
7 all of the Individual Director Defendants.

8           In a nutshell, the Individual Director Defendants received an offer from unrelated third  
9 parties to purchase all of the outstanding stock of RDI at a cash price approximately 33% above  
10 the price(s) at which RDI stock then traded in the open market. Such an offer obviously presents  
11 an opportunity of the type that the Individual Director Defendants as fiduciaries had an obligation  
12 to take seriously and respond to appropriately. As detailed in Plaintiff's proposed Second  
13 Amended Complaint (the "SAC"), each and all of them failed to do so. As alleged in the proposed  
14 SAC:

15           157.    The RDI Board of Directors did not reconvene with respect to the  
16 Offer until June 23, 2016. No business plan and no materials relating to the value  
17 of the Company were provided to Board members in advance of or at the June 23,  
18 2016 meeting. Nor were any other materials relevant to assessing the Offer  
19 provided. EC made an oral presentation concluding that RDI was worth a price  
20 dramatically in excess of the Offer price and recommended that RDI pursue its  
21 (supposed) long-term business plan. All of the Individual Director Defendants  
22 agreed that an Offer of \$17 per share was inadequate. Plaintiff abstained in view  
23 of management's failure to provide information promised to be delivered before  
24 the meeting.

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

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

          160.    Plaintiff is informed and believes and thereon alleges that each of  
the non-Cotter directors, in determining whether and, if so, how to respond to the  
Offer, made their respective decisions largely if not entirely on their

1 understanding of what they understood EC and MC (as supposedly controlling  
2 shareholders) wanted to do or not do in response to the Offer.

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

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

22 (Proposed SAC ¶¶ 157-162.)

23 Of course, Plaintiff has had no opportunity to take discovery with respect to the Offer,  
24 what RDI management did at the direction of EC in purporting to value the Company and what if  
25 anything any of the Individual Director Defendants did to place themselves in a position to make  
26 an informed, good faith decision in the best interests of the Company and all of its shareholders, as  
27 distinct from a decision intended to accede to the wishes of EC and MC, who obviously are intent  
28 on perpetuating their control of RDI indefinitely, in derogation of the interests of the Company  
and its other shareholders.

## 29 **II. ARGUMENT**

### 30 **A. Plaintiff Is Entitled to Raise and Pursue All Matters Supporting His Claim, and Complete Discovery Regarding Them.**

31 The Court may modify the pretrial schedule if it cannot be met, despite the diligence of the  
32 party seeking the extension. As explained above, Plaintiff maintained that a reasonable extension  
33 of all deadlines is equitable. Plaintiff diligently has pursued discovery, engaging in weekly



1 depositions and thousands of documents produced in the months leading up to the discovery cut  
2 off. It is fundamentally fair to reopen discovery<sup>1</sup> on critical issues that affect the outcome of this  
3 case. As the Court is well aware, this is a complex case with many moving parts, and Plaintiff  
4 deserves the opportunity to have its case heard on the merits. That requires a reasonable extension  
5 of deadlines in order to resolve pending disputes, finish outstanding discovery, and allow  
6 discovery on the newly discovered fiduciary duty claims.

7 The whole purpose of pretrial discovery is to “make trial less a game of blindman’s bluff  
8 and more a fair contest with the basic issues and facts disclosed to the fullest practicable extent.”  
9 *See United States v. Procter & Gamble Co.*, 356 U.S. 677, 682, 78 S. Ct. 983 (1958). Specifically,  
10 the parties have thousands of recently produced documents to sift through, several party  
11 depositions left to conduct and/or complete (i.e. Thompkins, Adams etc.), several privilege issues  
12 to resolve (i.e. including allegedly improper claims of privilege), and new information concerning  
13 the Offer and the Settlement. To deny this Motion for a reasonable extension would deny Plaintiff  
14 the opportunity to conduct meaningful and thorough discovery in this case prior to trial. It would  
15 be contrary to the “efficient and fair administration of justice.” *Mays v. Eighth Judicial Dist.*  
16 *Court*, 105 Nev. 60, 62, 768 P.2d 877, 878 (1989).

17 In short, pursuant to EDCR 2.35 and 7.30, Plaintiff’s Motion makes the required showing  
18 of good cause or excusable neglect.

19 ***1. There is Good Cause to Re-Open Discovery, Extend Discovery Deadlines,***  
20 ***and Continue Trial***

21 There is good cause to grant Plaintiff’s requested relief. Decisions about whether to extend  
22 discovery “must be made in an atmosphere of substantial justice.” *Hernandez v. Superior Court*, 9  
23 Cal.Rptr.3d 821, 825 (Cal. Ct. App. 2004). Courts must never favor the expeditious disposition  
24 and economically effective operation of courts above due process or fairness, which includes  
25 opportunity for adequate pretrial preparation by parties. *Id.* at 825 (issuing writ requiring an

26 <sup>1</sup> The decision to reopen discovery is within the trial court's discretion. *Southern Pacific Trans. Co. v. Fitzgerald*, 94  
27 Nev. 241, 243, 577 P.2d 1234, 1235 (1978); *Bleek v. Supervalu, Inc.*, 95 F.Supp.2d 1118, 1120 (D.Mont. 2000)  
28 (“[w]hether to reopen discovery rests in the court's sound discretion”); *Schrader v. Palos Anesthesia Associates, S.C.*,  
2002 WL 31207327, \*1 (N.D.Ill. 2002) (“court has discretion when deciding whether to re-open discovery”); *MGM  
Grand, Inc. v. Eighth Judicial Dist. Court of State In & For Cty. of Clark*, 107 Nev. 65, 70, 807 P.2d 201, 204 (1991)  
 (“there is wide discretion in the trial court to control the conduct of pretrial discovery...”)

1 extension of discovery); *see also Waters v. Island Transp. Corp.*, 552 A.2d 205, 208 (N.J. Super.  
2 Ct. App. Div. 1989). “Efficiency cannot be favored over justice.” *Estate of Meeker*, 16 Cal.Rptr.2d  
3 825, 830 (Cal. Ct. App. 1993) (reversing denial of petition for continuance). Good cause takes into  
4 account the diligence of the party seeking the extension.

5 Furthermore, a postponement of the trial setting is critical in this case. The Court may  
6 grant the continuance of trial upon a showing of good cause. *See* EDCR 7.30 (“any party may, for  
7 good cause, move the Court for an Order continuing the day set for trial of any cause.”) It is well  
8 settled that “[t]he granting of a continuance is within the sound discretion of the [trial] court.”  
9 *Dixon v. State*, 94 Nev. 662, 664, 548 P.2d 693, 694 (1978). The trial court has discretion to grant  
10 a continuance upon the showing that the application for continuance is made in good faith and not  
11 merely for delay. *Giorgetti v. Peccole*, 69 Nev. 76, 80, 241 P.2d 199, 201 (1952). Pursuant to  
12 EDCR 7.30(h), “motions or stipulations to continue a civil trial that also seek extension of  
13 discovery dates must comply with Rule 2.35.”

14 Due to the sheer number of unknown variables, i.e. outstanding depositions, privilege  
15 issues, new discovery concerning the Offer and the Settlement, good cause exists for a reasonable  
16 global deadline extension. *See Hormel v. Helvering*, 312 U.S. 552, 557 (1941) (“[o]rderly rules of  
17 procedure do not require sacrifice of the rules of fundamental justice.”) Defendants delayed  
18 document production and production of privilege logs, which in turn delayed the commencement  
19 of depositions. There are still several outstanding depositions need to be taken. Furthermore,  
20 several critical privilege issues remain unresolved. Finally, new developments concerning the  
21 Offer and the proposed Settlement call for discovery. All of these factors provide good cause for  
22 continuing trial, extending the existing discovery deadlines, and reopening percipient witness  
23 discovery.

24 Furthermore, the interests of fairness and justice weigh in favor of reopening discovery.  
25 As explained above, Plaintiff has not been dilatory in prosecuting its case. Plaintiff has  
26 participated in multiple days of deposition over a period of almost twelve weeks, all taken out-of-  
27 state, in Los Angeles, San Diego and New York. Furthermore, Plaintiff has served several sets of  
28 written discovery out to various Defendants, and responded to several more from Defendants.

1 Adhering to the current scheduling order would rob Plaintiff of critical discovery on key issues,  
2 rulings on assertions of privilege, and prevent discovery on new claims. For the reasons articulated  
3 above, there is good cause to provide a reasonable continuance of dates to facilitate critical  
4 discovery.

5 **2. *In the Alternative, If Required to Re-Open Discovery, These***  
6 ***Circumstances Meet the Definition of Excusable Neglect***

7 In the alternative, Plaintiff's request to re-open percipient witness discovery is justified by  
8 excusable neglect. *See e.g.*, EDCR 2.35. "[T]he determination [of excusable neglect] is at bottom  
9 an equitable one, taking account of all relevant circumstances surrounding the party's omission."  
10 *Pioneer Inv. Servs. Co. v. Brunswick Associates Ltd. P'ship*, 507 U.S. 380, 395, 113 S. Ct. 1489,  
11 1498, 123 L. Ed. 2d 74 (1993). Here, equity and fairness weigh in favor of reopening discovery.

12 There is no intentional effort to hinder or delay, here. This court is well aware of the long  
13 procedural history in this matter. Plaintiff acted in good faith and was not dilatory in taking  
14 discovery, but he could not control the timing of Defendants' document production or production  
15 of witnesses. Plaintiff sought documents early on, knowing that he needed those documents before  
16 he could set depositions. Yet, after months of wrangling, Defendants finally produced  
17 approximately 35,000 documents from mid-April to mid-July. This document-dump at the end of  
18 the discovery period precluded even starting depositions until too late to complete them. In fact,  
19 several party depositions remain not taken and/or not finished. Where the discovery schedule  
20 became unworkable through no fault of Plaintiff, excusable neglect justifies re-opening discovery.

21 Furthermore, the Offer and response occurred at the end of discovery. Where important  
22 new information recently came to light, Plaintiff's request to re-open discovery falls well within  
23 the ambit of "excusable neglect." Plaintiff learned about the Offer and Settlement before the close  
24 of discovery, and has had no opportunity to take discovery as to either. Discovery must be re-  
25 opened to allow Plaintiff to take discovery on these critical issues, *i.e.*, what RDI management did  
26 at the direction of EC in purporting to value the Company and what if anything any of the  
27 Individual Director Defendants did to place themselves in a position to make an informed, good  
28 faith decision in the best interests of the Company, as well as what negotiations, if any, occurred  
in connection with the settlement.

1 In short, Plaintiff's request to re-open percipient witness discovery is justified by  
2 "excusable neglect" and should be well-taken.

3 **3. Defendants Will Not Be Prejudiced by the Extension, but, Plaintiff Will**  
4 **Be Irreparably Prejudiced if No Extension is Granted**

5 There is no true prejudice to Defendants if these deadlines are moved. Here, the parties  
6 have already agreed to taking discovery after the percipient witness discovery deadline. Prejudice  
7 only exists where "actual legal rights are threatened or where monetary or other burdens appear to  
8 be extreme or unreasonable." *Alutiiq Int'l Solutions, LLC v. OIC Marianas Ins. Corp.*, 2012 WL  
9 3205862, at \*3 (D. Nev. Aug. 2, 2012). If the Court grants this Motion, Defendants will simply  
10 have additional time to prepare their case. This delay is similar to prejudice when setting aside a  
11 default judgment, where "to be prejudicial...[it] must result in a greater harm than simply delaying  
12 resolution of the case."<sup>2</sup>

13 If the Motion is not granted, however, manifest injustice will result. Plaintiff will be  
14 irreparably prejudiced because he will not be allowed to prepare or present his full case at trial.  
15 To deny Plaintiff the chance to conduct critical discovery, after Defendants delayed productions  
16 and depositions for months, and important new information comes to light, would be the gravest  
17 type of injustice. Here, there is no real prejudice to Defendants, and there would be significant  
18 prejudice to Plaintiff if the requested relief is not granted.

19 **4. EDCR 2.35 Requirements**

20 **Statement specifying the discovery completed:** As explained above, the parties have  
21 taken the depositions of Guy Adams (needs to be completed), Edward Kane, Brett Harriss, Jim  
22 Virant, Margaret Cotter, James Cotter, Jr (although additional questioning has been requested),  
23 Ellen Cotter, Whitney Tilson, Johathan Glaser, Andrew Shapiro, William Gould, William Ellis,  
24 Douglas McEachern. Furthermore, the parties have exchanged written discovery. Plaintiff has sent  
25 three sets to the "Individual Director Defendants," four sets to RDI, and two sets to Gould and  
26 Storey. Finally, the threshold issue of privilege must be sorted out.  
27

28 <sup>2</sup> *TCI Group Life Ins. Plan v. Knoebber*, 244 F.3d 691, 701 (9th Cir. 2001) overruled on other grounds by *Egelhoff v. Egelhoff ex rel. Breiner*, 532 U.S. 141, 147, 121 S.Ct. 1322, 149 L.Ed.2d 264 (2001).

1           **A specific description of the discovery that remains to be completed:** With respect to  
2 percipient witnesses, the parties still need to complete the depositions of two Defendants (Coddling  
3 and Tompkins), which have not been commenced. The deposition of two other defendants (Adams  
4 and McEachern) has not been completed. The deposition of Plaintiff, after three full days, has not  
5 been completed. And, the deposition of a nonparty Korn Ferry (the search company hired to assist  
6 with the supposed CEO search, which company effectively was terminated when EC was selected  
7 and the search process was aborted) has been noticed, but has not been commenced. Furthermore,  
8 the privilege issues discussed above must be resolved, discovery on the newly uncovered Offer, as  
9 well as the circumstances surrounding the Settlement. Expert discovery is currently scheduled for  
10 Initial Expert Disclosures to occur on August 18, 2016, Rebuttal Expert Disclosures on September  
11 19, 2016, and Expert Discovery Cut-Off on October 14, 2016. These dates should be continued  
12 and set for a date after once the percipient witness discovery is complete.

13           **The reasons why the discovery remaining was not completed within the time limits set**  
14 **by the discovery order:** As the Court is aware, this is a complex action. All of the depositions  
15 taken in this matter have been taken out-of-state, requiring a tremendous amount of travel and  
16 generating many scheduling challenges. Furthermore, Defendants delayed their document  
17 production. From mid-April through mid-July 2016, the Interested Director Defendants and RDI  
18 together produced an excess of 18,000 pages of documents, approximately 15,000 pages after the  
19 agreed deadline. Plaintiff was then and now remains of the view that these productions, which  
20 could have, and should have commenced by January and been substantially complete by the end of  
21 March, were delayed for the purpose of impairing Plaintiff's ability to complete the discovery to  
22 which Plaintiff is entitled.

23           **A proposed schedule for completing all remaining discovery:**

|   |                   |
|---|-------------------|
| 24 <i>Percipient Witness Discovery Cut Off:</i> | November 18, 2016 |
| 25 <i>Initial Expert Disclosures:</i>           | December 16, 2016 |
| 26 <i>Rebuttal Expert Disclosures:</i>          | January 17, 2017  |
| 27 <i>Expert Discovery Cut-Off:</i>             | February 13, 2017 |
| 28 <i>Dispositive Motion Cut-Off:</i>           | January 23, 2017  |



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**2. The October 6, 2016 Settlement Hearing Also Weighs Heavily in Favor of Granting the Relief Sought by This Motion**

On July 28, 2016, the Court granted a motion and scheduled an October 6, 2016 hearing on the reasonableness and fairness of the settlement struck by the Intervening Plaintiffs, on one hand, and the Company and the Individual Director Defendants, on the other hand. Certain papers submitted by those parties are drafted to imply that some or all of Plaintiff's claims will not be affected by an order of the Court granting the motion to be heard on October 6, 2016. Even so, those same parties have drafted a release in their settlement agreement in a manner that appears to be so broad, as to enable them to claim not only that all of the matters raised in Plaintiff's FAC are barred, but also that all matters that occurred prior to the day of the hearing (or at least the date of the settlement) are barred.

This was done with specific intent on the part of the Individual Director Defendants and even the Company. They seek to use release language that appears broad enough for them to argue that it also bars claims arising out of the Offer, and the actions or inactions of the Individual Director Defendants in response thereto.

In short, Plaintiff respectfully submits that it would be a waste of judicial and litigant resources, to require the parties to rush to complete expert-related activities, file motions for summary judgment and motions *in limine* and undertake trial preparation activities prior to the October 6, 2016 hearing. Obviously, should one or more of the parties wish to proceed with a motion for summary judgment, they may do so. But, to require all parties to do so and respond to such motions would be, like requiring expert discovery while fact discovery is pending, a colossal waste of resources. For that independent reason, the relief sought by the Motion is warranted.

**IV. CONCLUSION**

For the forgoing reasons, Plaintiff respectfully requests the Court enter an order that (i) vacates and/or resets all pending dates and deadlines, including deadlines with respect to expert

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///

1 disclosures and discovery, (ii) reopens discovery, (iii) vacates the trial date and all related dates,  
2 and (iv) otherwise provides for such relief as is appropriate under the circumstances.

3 DATED this 5th day of August, 2016.

4 LEWIS ROCA ROTHGERBER CHRISTIE LLP

5  
6 By: /s/ Mark G. Krum

7 Mark G. Krum (SBN 10913)  
8 3993 Howard Hughes Pkwy, Suite 600  
9 Las Vegas, NV 89169-5996  
10 Tel: 702.949.8200  
11 Fax: 702.949.8398

12 *Attorneys for Plaintiff James J. Cotter, Jr.*

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

**Lewis Roca**  
**ROTHGERBER CHRISTIE**



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**CERTIFICATE OF SERVICE**

I hereby certify that on this 8th day of August, 2016, I caused a true and correct copy of the foregoing **PLAINTIFF JAMES J. COTTER, JR.’S MOTION TO VACATE AND RESET PENDING DATES AND TO REOPEN DISCOVERY ON ORDER SHORTENING TIME** 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 8th day of August, 2016.

/s/ Jessie M. Helm  
An employee of Lewis Roca Rothgerber Christie LLP

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

**Lewis Roca**  
**ROTHGERBER CHRISTIE**

**EXHIBIT A**

**EXHIBIT A**

Schedule of Document Productions by the "Interested Director Defendants" and by RDI

October 7, 2015

RDI00000001 – RDI00000095 (26 Docs) (95 pages)

October 12, 2015

DM00000001 – DM00002783 (355 docs) (2783 pages)

EK00000001 – EK00000688 (229 Docs) (688 pages)

GA00000001 – GA00006214 (1,088 Docs) (6,214 pages)

MC00000001 – MC00000506 (183 Docs) (506 pages)

November 10, 2015

EC00000001 – EC00000278 (108 Docs) (278 pages)

December 1, 2015

RDI00002468 – 11216

December 22, 2015 (7 docs) (30 pages)

 RDI 14847

 RDI 11363

 RDI 11994

 RDI 12241-12244

 RDI 13298-13300

 RDI 13315-13331

 RDI 15404-15407

January 13, 2016

RDI00011217 – 00018198 (15,613 Docs) (6,981 pages)

January 27, 2016

RDI00018199 – 00022814 (998 Docs) (4,615 pages)

February 1, 2016

EC00000279-986 (216 Docs) (707 Pages)

DM00002784-2818 (10 Docs) (34 pages)

EK00000689-930 (85 Docs) (241 Pages)

GA00006215-7736 (499 Docs) (1,521 pages)

February 26, 2016

RDI00022824 – 00025532 (990 Docs) (2,708 pages)

March 31, 2016

RDI00029121 – 33423 (2,191 Docs) (6,302 pages)

April 8, 2016

RDI00037097 – 00043136 (926 Docs) (6,039 pages)

April 13, 2016

EC00000987 - EC00004362 (482 Docs) (3,375 pages)  
EK00000931 - EK00001788 (85 Docs) (857 Pages)  
DM00002819 - DM00005515 (1057 Docs) (2,696 pages)  
GA00007737 - GA00007859 (23 Docs) (122 Pages)  
MC00000507 - MC00013512 (2,201 Docs) (13,005 pages)

April 22, 2016

RDI00043137 – 00046281 (743 Docs) (3,144 pages)

May 6, 2016

RDI00046282 – 00050667 (965 Docs) (4,385 pages)

May 17, 2016

DM00005516 - DM00006168 (127 Docs) (652 Pages)  
EC00004363 - EC00004610 (437 Docs) (247 pages)  
EK00001789 - EK00001845 (27 Docs) (56 Pages)  
MC00013513 - MC00013935 (1,998 Docs) (422 pages)

May 23, 2016

DM00006169 - DM00007131 - - (126 docs) (962 pages)  
EC00004611 - EC00004778 - - (45 docs) (167 pages)  
EK00001846 - EK00002068 - - (42 docs) (222 pages)  
GA00007860 - GA00007944 - - (30 docs) (84 pages)  
MC00013936 - MC00014412 - - (230 docs) (476 pages)

June 5, 2016

RDI00054888 – 55808 (167 Docs) (920 pages)

June 14, 2016

RDI00055809 – 00058011 (26 Docs) (2,202 pages)

July 11, 2016

DM00007132 – 7133 - - (1 doc) (2 pages)  
GA00007945 – 8409 - - (64 docs) (464 pages)  
MC00014413 – 14436 - - (20 docs) (23 pages)

# EXHIBIT B

# EXHIBIT B

Schedule of Privilege Logs Produced by the "Interested Director Defendants" and RDI

**October 14, 2015**

Adams - 724 rows (123 pages)  
Kane - 294 rows (37 pages)  
McEachern - 93 rows (10 pages)

**January 29, 2016**

RDI - 476 rows (54 pages)  
RDI - 346 rows (13 pages) loose docs

**April 13, 2016**

T2 Plaintiffs

**March 1, 2016**

EC and MC combined 2,258 rows (636 pages)

**March 10, 2016**

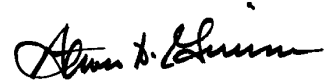
RDI - 2,258 rows (636 pages)

**May 25, 2016**

Adams - 445 rows (56 pages)  
EC - 2,077 rows (309 pages)  
MC - 1,182 rows (138 pages)  
Kane - 511 rows (75 pages)  
McEachern - 705 rows (75 pages)

**June 3, 2016**

RDI - 7,247 rows (1,172 pages)



CLERK OF THE COURT

TRAN

DISTRICT COURT  
CLARK COUNTY, NEVADA  
\* \* \* \* \*

|                         |   |                      |
|-------------------------|---|----------------------|
| JAMES COTTER, JR.       | . |                      |
|                         | . | CASE NO. A-719860    |
| Plaintiff               | . | A-735305             |
|                         | . | P-082942             |
| vs.                     | . |                      |
|                         | . | DEPT. NO. XI         |
| MARGARET COTTER, et al. | . |                      |
|                         | . | <b>Transcript of</b> |
| Defendants              | . | <b>Proceedings</b>   |
| .....                   | . |                      |

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

**HEARING ON PLAINTIFF'S MOTION TO VACATE PENDING DATES/  
REOPEN DISCOVERY**

FRIDAY, AUGUST 12, 2016

COURT RECORDER:

TRANSCRIPTION BY:

JILL HAWKINS  
District Court

FLORENCE HOYT  
Las Vegas, Nevada 89146

Proceedings recorded by audio-visual recording, transcript produced by transcription service.

APPEARANCES:

FOR THE PLAINTIFF:

MARK G. KRUM, ESQ.

FOR THE DEFENDANTS:

JAMES EDWARDS, ESQ.  
MARSHALL M. SEARCY, ESQ.  
MARK E. FERRARIO, ESQ.  
KARA B. HENDRICKS, ESQ.



1 LAS VEGAS, NEVADA, FRIDAY, AUGUST 12, 2016, 9:05 A.M.

2 (Court was called to order)

3 THE COURT: Okay. I gave Mr. Edwards to go check in  
4 in another department and return, so you have to keep Mr.  
5 Searcy straight during the --

6 MR. FERRARIO: Wouldn't let me do that a couple  
7 weeks ago, but I've got him now.

8 THE COURT: I had a special dispensation for just  
9 now to check in another department. Otherwise you're going to  
10 wait for him.

11 MR. FERRARIO: No. We're good.

12 THE COURT: Okay. So I have two things on the  
13 calendar this morning. The first one I deal with is not the  
14 one that's on calendar, it's the OST you submitted yesterday,  
15 Mr. Krum, on the motion to compel production related to the  
16 advice of counsel defense.

17 MR. KRUM: Yes, Your Honor.

18 THE COURT: Can I set that for August 30th?

19 MR. KRUM: Yes.

20 MR. FERRARIO: I haven't seen it yet.

21 MR. KRUM: This is -- Mr. Searcy have talked about  
22 this. This pertains to Adams.

23 MR. FERRARIO: Okay.

24 MR. KRUM: It also pertains to Kane, but it was the  
25 issue that resulted in us not rescheduling Adams. So that

1 just means Adams will be finished after --

2 MR. FERRARIO: I don't want to stop this. I'm in  
3 arbitration starting the 29th. It'll go for three days. But  
4 if it's with Mr. Searcy and Mr. Krum, I don't want to get in  
5 the way of that.

6 THE COURT: Okay. So, Mr. Krum, you've got that  
7 one.

8 (Pause in the proceedings)

9 THE COURT: All right. Now I'm on the motion. It's  
10 a motion to continue trial. I think I signalled to you guys  
11 when you were here on Tuesday how I felt about the motion to  
12 continue trial, but, of course, I haven't made my mind up, and  
13 I'm happy to listen.

14 MR. KRUM: Shall I proceed, Your Honor?

15 THE COURT: Yes.

16 MR. KRUM: Okay. Thanks.

17 Whether because the motion was unclear or the  
18 oppositions are an effort at obfuscation, they conflate three  
19 separate matters that are raised in the motion. One is that  
20 agreed discovery is not complete. Separate issue is that no  
21 discovery has been taken with respect to the developments over  
22 the last 60 days or so. That's the offer to acquire the  
23 stock. In fact, the only thing that happened in that respect  
24 is finally when we were in a position to ask about it, we  
25 asked Mr. McEachern, and he was instructed not to answer and

1 he's coming back. That's a separate issue from the discovery  
2 not being complete. And the third issue raised in the motion  
3 pertains to the October 6 hearing on the T2 plaintiff's  
4 settlement, as well as the September 22 objection date. And  
5 I'm going to speak to that first.

6           The company's opposition gives a paragraph or so to  
7 that issue, and the interested director defendants' opposition  
8 completely ignores it. As a practical matter, it's the most  
9 significant issue before us today. The failure of the  
10 defendants, either in opposition to our previously heard  
11 motion to amend or in opposition to this motion, to deny what  
12 we've asserted, which is that they will seek to dismiss Mr.  
13 Cotter's entire case in the event the Court on October 6th  
14 approves the T2 plaintiff's settlement demonstrates that  
15 that's exactly what they intend to do. What that means as a  
16 practical matter is that the defendants have preserved the  
17 option for themselves, they've preserved the option to insist  
18 that the trial date be vacated in the event the Court on  
19 October 6th approves the settlement. Because it's not going  
20 to be an issue of vacating the trial; they're going to file a  
21 motion on -- seeking shortened time to dismiss Mr. Cotter's  
22 case.

23           To be clear, the claims of prejudice that they  
24 assert in their opposition are belied by their failure to deny  
25 that that's what they intend to do. My point is, Your Honor,

1 they view the current trial date as an option in view of the  
2 pendency of the motion on the T2 plaintiff's settlement. I  
3 should also add that if the Court denies the motion on  
4 October 6, I predict with a high degree of confidence that  
5 what will happen is the defendants will seek a stay of the  
6 case and seek to appeal on an expedited basis the Court's  
7 denial of the motion to find the T2 settlement fair and  
8 reasonable. So, while they're pushing for the Court to retain  
9 dates that as a practical matter cannot be met, they've  
10 preserved unto themselves the option -- two options, really,  
11 to undo the whole thing.

12           So the other comment I have about that issue, Your  
13 Honor, is September 22 is the objection date. I've conferred  
14 with counsel. They disagree with our view that we are  
15 entitled to limited discovery in connection with that, so I'm  
16 going to be preparing and filing, of course on OST, a motion  
17 seeking Court order that they provide documents regarding the  
18 settlement negotiations. And there's another issue regarding  
19 the adequacy of the plaintiff. It's relatively finite stuff,  
20 but I'm going to need it for all intents and purposes by  
21 September 15th so that I have a week to put it together and  
22 put into an objection. So there are two very critical issues  
23 arising out of that motion.

24           Going back to the second issue, Your Honor, the  
25 recent developments, these are events that occurred in May and

1 June and July. And from the plaintiff's perspective we did  
2 not know until I had the communications that I had, really  
3 miscommunications I had with counsel at deposition and with  
4 Mr. Ferrario telephonically regarding the issue of the offer.  
5 You'll recall that came to a head when I filed a motion to  
6 compel Mr. McEachern to testify about that. And you'll recall  
7 that what happened in terms of me and counsel for the  
8 defendants not understanding what other on whether they  
9 thought the offer was confidential is it came up in  
10 depositions in July. And at that point my client thought the  
11 matter might still be open, because it wasn't until after  
12 that, when he received draft minutes, that he first heard that  
13 management had actually closed the loop and communicated to  
14 the offerors we're not interested. And I need discovery. I  
15 haven't had any discovery whatsoever with respect to the  
16 offer.

17           And so on the issue of reopening discovery, that's  
18 the basis, that these matters occurred too late for us to take  
19 discovery.

20           The other issues about which all of the papers spend  
21 most of their time that discovery's not complete goes only to  
22 the issues of the dates that cannot be met because discovery  
23 is not complete. And Mr. Ferrario will speak for all of us,  
24 but I should mention at the outset that for the purposes of  
25 today's motion, at least, we've mooted the issue on the expert

1 disclosures. And so -- but the point of all this other stuff  
2 that we spent a lot of time talking about is that all these  
3 dates we have we can't meet.

4 Now, we've just moved -- we agreed to move one of  
5 them. And so I'm not going to spend time talking about that,  
6 because the other reason is we've all agreed to complete it.  
7 There was no dispute that we're going to finish these  
8 depositions and so forth. It's just that we haven't got it  
9 and we therefore have dates we can't meet.

10 Now, the issue of who's responsible for that is one  
11 to which I'll speak in reply, if necessary. And so with that,  
12 unless you have questions with me, I'm going to stop.

13 THE COURT: Thank you, Mr. Krum.

14 Mr. Ferrario.

15 MR. FERRARIO: Yes, Your Honor.

16 This is kind of -- I'm going to avoid rehashing what  
17 I said the other day. This case is an incredible drain on the  
18 company, its resources, its executives, its employees. I  
19 don't have to tell the Court any more than that. You've been  
20 through this before. You know what these types of cases can  
21 do to companies, especially one like Reading, which is a --  
22 well, it's a very successful public company. You know, it's  
23 not an IBM or a Xerox, doesn't find itself in litigation all  
24 the time. Mr. Krum's correct. We just had some discussions  
25 in the hallway, and counsel have agreed to take one issue off

1 the table. It was an acute scheduling issue, and we've  
2 addressed that between ourselves. And so we don't have to  
3 talk about that here any further.

4 I want to clear something up. We thought we were  
5 clear in the T2 settlement papers that it wasn't going to  
6 affect plaintiff's claims. This idea that we're somehow  
7 sandbagging or laying in the weeds and then we're going to --  
8 if the settlement gets approved we're going to come back with  
9 a motion to dismiss, that's not going to happen, and I want to  
10 state that for the record. We thought we said that in our  
11 pleadings. I don't have them here with me, but I just spoke  
12 to Mr. Searcy and Ms. Hendricks, and my recollection is  
13 there's an express carve-out. But to the extent there's any  
14 doubt, none of that's going to happen. So I want to put that  
15 to rest.

16 In terms of the recent issue regarding the  
17 expression of interest, we really argued that, it was a week  
18 or two ago. And Mr. Krum was requesting to reopen Ms.  
19 Cotter's deposition. Your Honor denied that. You allowed a  
20 very narrow scope of discovery, and that addressed what Your  
21 Honor determined was an inappropriate instruction not to  
22 answer based on relevance. And so he has a shot to depose Mr.  
23 McEachern.

24 I do want to address the fact that, if I heard him  
25 correctly, his client didn't know what happened until he got

1 the minutes. That's absolute fallacy. His client was at the  
2 meeting when they discussed the expression of interest and the  
3 decision was made not to pursue it because the value set forth  
4 in the expression of interest didn't even come close to a  
5 rough-cut analysis of what the company was worth. And that's  
6 really at its core what happened. So to say that his client  
7 didn't know what happened, I just don't understand that.

8           So, Judge, we've worked hard to get this case ready.  
9 We can do it between now and November. I don't have to tell  
10 the Court again the type of drain that the company's facing,  
11 the drain that the directors facing. The cloud that's hanging  
12 over everybody's head needs to be removed. We need to get  
13 this case to the finish line, and we'll do whatever we can to  
14 do that. I just want to commit that to the Court.

15           And so with that we would request that his motion be  
16 denied and that we maintain the current trial date.

17           MR. SEARCY: I don't have anything to add to that,  
18 Your Honor.

19           THE COURT: Mr. Krum.

20           MR. KRUM: Thank you, Your Honor.

21           Two things. First, my comments about what they will  
22 do are based upon reading the operative legal document. The  
23 operative legal document is the settlement agreement. And the  
24 point isn't to suggest that any of the lawyers are being  
25 duplicitous. Not at all. The point is that they can say



1 something in their pleadings which I thought was equivocal at  
2 best, but that doesn't preclude their clients from taking a  
3 different position based on the operative legal document, the  
4 settlement agreement. So they could fire --

5 THE COURT: It does. It's called judicial estoppel.

6 MR. KRUM: Well --

7 THE COURT: Anything else you want to tell me?

8 MR. KRUM: Yes. The only other thing is to be clear  
9 on the offer. So perhaps -- well, first of all, there's a  
10 dispute about who said what at the board meeting to which Mr.  
11 Ferrario referred. But for the purpose of my observations it  
12 was absolutely unknown to me until after the offer came up in  
13 two separate depositions that it was something that I could  
14 pursue that was susceptible to discovery, as distinct from  
15 what it was when I had last discussed it with counsel at the  
16 deposition of Ms. Cotter in June where they asked me not to  
17 pursue it and I agreed. So the point isn't what happened and  
18 who didn't know what or so forth. The point is we've had no  
19 opportunity to take discovery about that. And we're entitled  
20 to that. It's part of the second amended complaint.

21 Now, that can be mooted, because they can say, well,  
22 we'll agree to let you take discovery and work it in with  
23 everything else. But that hasn't happened. So if the dates  
24 are going to stick, then I'm going to end up filing yet  
25 another motion to seek to take that discovery. And as was

1 observed in the interest of director defendants' opposition to  
2 the motion to amend, some of that discovery is relevant to,  
3 among other things, expert opinions. So it's not a simple,  
4 okay, you get it, you don't get, if you've got it in your  
5 complaint, you know, you're not entitled to it. We have it in  
6 the complaint, we're entitled to it, and we didn't get it  
7 because of no fault of anybody it didn't happen till too late  
8 in the process. That's it. Thank you, Your Honor.

9 THE COURT: Okay. When did you all agree to move  
10 your expert disclosure date to?

11 MS. HENDRICKS: August 25th.

12 MR. FERRARIO: 25th of August, Your Honor.

13 MR. KRUM: And to be clear, that's without prejudice  
14 to anybody's rights otherwise.

15 THE COURT: Sure. But that's just your agreement  
16 today.

17 MR. KRUM: And I appreciate that.

18 MR. FERRARIO: It is, Your Honor.

19 THE COURT: All right. At this point I am going to  
20 deny without prejudice the motion to reopen and to vacate the  
21 current trial date. I do not agree with Mr. Krum's assessment  
22 related to the potential impact of the settlement with the T2  
23 defendants based upon the representations that have been made  
24 to me both in writing and orally. That is not a realistic  
25 issue. However, I do recognize that the parties have several

1 depositions that have not been completed that are ongoing.  
2 Those will be completed as your schedules permit. Since  
3 they've already been started, they're not impacted by the  
4 discovery cutoff.

5 Anything else?

6 MR. FERRARIO: No, Your Honor. Thank you very much.  
7 Have a good trip.

8 THE COURT: All right. So I'll see you guys on the  
9 30th, except for Mr. Ferrario, who won't come.

10 Mr. Edwards, tell your wife I said hi.

11 MR. EDWARDS: I will.

12 THE COURT: Anything else?

13 MR. FERRARIO: Nope.

14 THE COURT: All right. Have a nice day, gentlemen.

15 THE PROCEEDINGS CONCLUDED AT 9:20 A.M.

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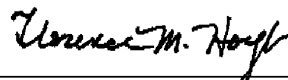
**CERTIFICATION**

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

**AFFIRMATION**

I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

**FLORENCE HOYT**  
**Las Vegas, Nevada 89146**



FLORENCE M. HOYT, TRANSCRIBER

8/16/16

DATE

*Anna D. Quinn*  
CLERK OF THE COURT

1 MOT  
2 Mark G. Krum (SBN 10913)  
3 Lewis Roca Rothgerber Christie LLP  
4 3993 Howard Hughes Pkwy, Suite 600  
5 Las Vegas, NV 89169-5996  
6 Tel: 702-949-8200  
7 Fax: 702-949-8398  
8 E-mail: mkrum@lrre.com  
9 Attorneys for Plaintiff  
10 James J. Cotter, Jr.

DISTRICT COURT  
CLARK COUNTY, NEVADA

FILE WITH  
MASTER CALENDAR

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

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

Plaintiff,

Coordinated with:

vs.

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

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

Jointly Administered

Defendants.

**JAMES J. COTTER, JR.'S MOTION TO  
PERMIT CERTAIN DISCOVERY  
CONCERNING THE RECENT "OFFER"  
ON ORDER SHORTENING TIME**

and

READING INTERNATIONAL, INC., a  
Nevada corporation,

*Hrg. 08/30/16*  
*Time: 8:30 am*

Nominal Defendant.

Pursuant to E.D.C.R. 2.26 and 2.34, Plaintiff James J. Cotter, Jr. ("Plaintiff") hereby  
moves on shortened time for an order to permit certain discovery concerning the recent offer to  
purchase ("Offer") all of the outstanding stock of Reading International, Inc. ("RDI or  
Company"), and the response to the Offer by the individual director defendants. Importantly, the  
Court has already approved Plaintiff's Second Amended Complaint ("SAC"), which includes  
allegations about the Offer and the actions (and inaction) by the individual director defendants in  
response to the Offer. Plaintiff simply seeks expedited, targeted discovery regarding these subjects  
prior to the impending trial in this matter.

3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5996  
**Lewis Roca**  
ROTHGERBER CHRISTIE

1 This Motion is based upon the pleadings and papers on file, the exhibits attached hereto,  
2 the following memorandum of points and authorities, and any oral argument.

3 DATED this 23rd day of August, 2016.

4  
5 LEWIS ROCA ROTHGERBER CHRISTIE LLP

6  
7 By: /s/ Mark G. Krum

8 Mark G. Krum (SBN 10913)  
9 3993 Howard Hughes Pkwy, Suite 600  
10 Las Vegas, NV 89169-5958  
11 Attorneys for Plaintiff  
12 *James J. Cotter, Jr.*

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


**Lewis Roca**  
ROTHGERBER CHRISTIE

1 ORDER SHORTENING TIME

2 It appearing to the satisfaction of the Court and good cause appearing therefor,

3 IT IS HEREBY ORDERED, that the hearing on "James J. Cotter, Jr.'s Motion to Permit  
4 Certain Discovery on Order Shortening Time" shall be heard before the above-entitled Court in  
5 Department XI, before Judge Elizabeth Gonzalez on the 30<sup>th</sup> day of August, 2016, at  
6 8:30 a.m./p.m., or as soon thereafter as counsel may be heard, at the Regional Justice Center,  
7 200 Lewis Avenue, Las Vegas, Nevada 89155.

8 DATED this 23<sup>rd</sup> day of August, 2016.

9  
10   
11 \_\_\_\_\_  
12 DISTRICT COURT JUDGE

12 Respectfully submitted:

13  
14 LEWIS ROCA ROTHGERBER CHRISTIE LLP

15 /s/ Mark G. Krum  
16 \_\_\_\_\_  
17 Mark G. Krum (10913)  
18 3993 Howard Hughes Pkwy, Suite 600  
19 Las Vegas, NV 89169-5958  
20 Attorneys for Plaintiff  
21 *James J. Cotter, Jr.*

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

**Lewis Roca**  
ROTHGERBER CHRISTIE

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**DECLARATION OF MARK G. KRUM IN SUPPORT OF  
ORDER SHORTENING TIME ON JAMES J. COTTER, JR.'S  
MOTION TO PERMIT CERTAIN DISCOVERY**

I, Mark G. Krum, Esq., being duly sworn, deposes and says that:

1. I am a partner with the law firm of Lewis Roca Rothgerber Christie LLP, attorneys for James J. Cotter, Jr., plaintiff in the captioned action ("Plaintiff").

2. I make this declaration based upon personal knowledge, except where stated to be upon information and belief, and as to that information, I believe it to be true. If called upon to testify as to the contents of this Declaration, I am legally competent to testify to the contents of this Declaration in a court of law.

**Reason for Order Shortening Time**

3. Pursuant to E.D.C.R. 2.26, Plaintiff respectfully submits that there is good cause for this Motion to be heard on shortened time. The Court recently permitted Plaintiff to amend its complaint to include allegations concerning, among other things, the Offer and the responses to it by RDI and the individual director defendants.

4. Accordingly, Plaintiff needs to take targeted discovery concerning those matters, including written discovery requests for all communications and documents related to the Offer and the individual director defendants' actions and/or inaction in response to the Offer, and as well as regarding the supposed "business plan" referenced in connection with the rejection of that Offer.

5. Plaintiff also respectfully requests that it be permitted to propound limited discovery on the offerors, which discovery will seek documents and information relating to their valuation of RDI in view of the claimed inadequacy of the Offer.

6. Finally, Plaintiff requests that it be permitted to depose each of the Defendants regarding the Offer and the respective responses to it, including the supposed "business plan" they purportedly decided should be pursued in rejecting the "Offer", for a short period not to exceed three hours each (except for Ellen Cotter, who alone among them presumably is in a

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**Lewis Roca  
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1 position to testify in greater detail about the supposed "business plan" and the supposed internal  
2 efforts to value the Company).

3 6. Because this discovery needs to be obtained on an expedited basis, and because the  
4 scope of the discovery is limited, meaning that the volume of responsive documents is likely to be  
5 modest and the duration of any depositions in turn will be short, this is exactly the type of  
6 discovery and can and should be obtained on an expedited basis.

7 Discovery Disputes and EDCR 2.34 Conference

8 7. With respect to E.D.C.R. 2.34, counsel for Defendants previously objected to  
9 Plaintiff's Motion for Leave to Amend because Plaintiff would seek discovery regarding the  
10 matter which is the subject of this motion, but we nevertheless inquired if they would provide such  
11 discovery. They did not respond, making this Motion necessary. Accordingly, the parties'  
12 positions on this issue are well known. I believe that the foregoing efforts, made in good faith to  
13 resolve these matters without Court intervention, satisfy the parties' obligations required by  
14 E.D.C.R. 2.34.

15 8. I make this Motion in good faith, and not for the purpose of harassment or delay.  
16 Executed this 23rd day of August, 2016.

17  
18 

19  
20 \_\_\_\_\_  
21 Mark G. Krum, Esq.

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Las Vegas, NV 89169-5996

**Lewis Roca**  
PROTHGERBER CHRISTIE

3993 Howard Hughes Pkwy, Suite 600  
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**Lewis Roca**  
**ROTHGERBER CHRISTIE**

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Approximately two months before the formal close of discovery (which continues still  
4 because it is not complete), RDI CEO Ellen Cotter received and distributed to the individual  
5 director defendants an offer to purchase all of the outstanding stock of RDI at a cash price  
6 approximately thirty-three percent (33%) above the price(s) at which RDI stock then traded in the  
7 open market (the "Offer"). Approximately a month before the close of formal discovery, the  
8 individual director defendants met and agreed that the Offer was inadequate. Unknown to  
9 Plaintiff's counsel, at some point thereafter Ellen Cotter, or someone else at or for RDI, apparently  
10 communicated with the offerors and the matter apparently concluded.

11 Plaintiff seeks an order allowing him to take targeted, expedited discovery regarding the  
12 Offer and the response(s) of the individual director defendants to it. This includes discovery  
13 regarding a supposed long-term "business plan" they purportedly determined that RDI should  
14 pursue in lieu of the Offer, as well as other information they considered (and/or failed to consider)  
15 in rejecting the Offer as inadequate. Because this information came to light so late in the  
16 discovery process, and because it forms a critical part of the SAC, it is equitable that this limited  
17 discovery be allowed.

18 The discovery sought by this Motion is critical to Plaintiff's case. By the SAC, Plaintiff  
19 alleges the Offer presents evidence of (i) the entrenchment of purported controlling shareholders  
20 Ellen Cotter ("EC") and Margaret Cotter ("MC"), and (ii) the wholesale failure of the other  
21 individual director defendants to fulfill the fiduciary duties. Given the recency of these  
22 developments, and in view of the frantic pace to finalize other discovery in this case, Plaintiff has  
23 not had an opportunity to take discovery regarding them.

24 In short, Plaintiff requests targeted discovery relevant to the Offer and the individual  
25 defendants' responses to it. Plaintiff respectfully submits that he is entitled to receive it on an  
26 expedited basis in view of the pending dates and deadlines, including the September 23, 2016  
27 deadline for the case dispositive motions.

1 **II. ARGUMENT**

2 As a threshold matter, Plaintiff by this motion is not seeking to continue deadlines or move  
3 trial. Rather, Plaintiff is simply requesting limited, expedited discovery regarding matters that  
4 occurred just as the formal discovery period came to a close. Granting this Motion will improve  
5 judicial economy by giving all parties equal access to information about the Offer before trial. *See*  
6 *Hormel v. Helvering*, 312 U.S. 552, 557 (1941) (“[o]rderly rules of procedure do not require  
7 sacrifice of the rules of fundamental justice.”)

8 To find otherwise would prejudice Plaintiff, requiring him to explore these issues for the  
9 first time during trial. *Abila v. United States*, 2013 WL 486973, at \*5 (D. Nev. Feb. 6, 2013)  
10 (court permitted limited discovery after an amended complaint, holding that “justice would not be  
11 served if only [one side was in a position to present evidence] and the [other side] was not  
12 afforded the same opportunity.”) Here, Defendants have substantially all of the relevant  
13 information concerning the Offer and the individual director defendants’ respective responses.  
14 Plaintiff has virtually none. Justice is only served if Plaintiff is provided an opportunity to  
15 discover that same information.

16 Plaintiff first raised the issue of such discovery at the July 28, 2016 hearing on Plaintiff’s  
17 Motion to Compel Mr. McEachern’s Deposition that the Court granted the motion regarding the  
18 improper instruction not to answer based on relevancy, but indicated that Plaintiff’s Counsel  
19 should bring a separate motion for the discovery Plaintiff is now seeking. *See* Minute Order of  
20 July 28, 2016 hearing, a true and correct copy attached as **Exhibit 1**. Later, at the August 12, 2016  
21 hearing on Plaintiff James J. Cotter, Jr.’s Motion to Vacate and Reset Pending Dates and to  
22 Reopen Discovery on Order Shortening Time, Counsel for Plaintiff explained that even if his  
23 Motion to Vacate the Trial Date and Reopen Discovery were denied he would need to bring a  
24 motion for limited discovery concerning the Offer and the responses of the individual director  
25 defendants to it. *See* Transcript of August 12, 2016 hearing, pp. 11-12, a true and correct copy  
26 attached as **Exhibit 2**. The Court denied the Motion to Vacate without prejudice, and did not  
27 address the issue raised herein. *See id.* Plaintiff therefore brings the instant motion.

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**A. The Recency of these Development, and Their Critical Nature to Plaintiff's Claims, Requires Discovery**

The discovery sought by this Motion is critical. The whole purpose of pretrial discovery is to “make trial less a game of blindman’s bluff and more a fair contest with the basic issues and facts disclosed to the fullest practicable extent.” *See United States v. Procter & Gamble Co.*, 356 U.S. 677, 682, 78 S. Ct. 983 (1958). Here, Plaintiff believes the documents, communications and testimony surrounding the Offer, and the individual director defendants’ respective actions (and/or inaction) in response to it, will evidence the entrenchment motives and actionable conduct of EC and MC, as well as the wholesale fiduciary breaches by each of the other individual director defendants.

In a nutshell, unrelated third parties offered to purchase all of the outstanding stock of RDI at a cash price approximately thirty-three percent (33%) above the price(s) at which RDI stock then traded in the open market. As alleged in Plaintiff’s SAC, each of the individual director defendants in acting (and failing to act) in response to the Offer breached their fiduciary duties. (*See e.g.*, Second Amended Complaint, ¶¶ 157-162, 184). Independently, they engaged in conduct of exactly the type alleged in Plaintiff’s prior First Amended Complaint.

These events occurred in the last approximate month of the formal discovery process (which remains incomplete), and there was no opportunity to take discovery on this critical issue (without being obstructed by the Defendants). “The surest path to justice is a trial upon the merits.” *Adams v. Lawson*, 84 Nev. 687, 688, 448 P.2d 695, 695 (1968). Here, a trial on the merits must include discovery on the Offer.

Indeed, the parties were working at a torrid pace during the last month of the initial discovery period. That the parties are still finalizing their initial discovery obligations evidences the incredible time constraints placed on the parties in the last month of the discovery process.

In short, due to the recency of the events and their importance to Plaintiff’s claims, equity and justice compel an order allowing limited, expedited discovery on these targeted issues.

1           **B.       The Offer is An Integral Part of the Second Amended Complaint and Is**  
2                       **Subject to the Discovery Process**

3           The Court allowed Plaintiff to amend its pleadings to include allegations concerning the  
4 Offer. “Filing an amended complaint often means that new facts and legal claims are brought that  
5 require additional discovery to fully develop.” *Spencer v. AT&T Digital Life, Inc*, 2016 WL  
6 544476, at \*2 (D. Nev. Feb. 10, 2016). As detailed in Plaintiff’s SAC, Plaintiff by this Motion is  
7 simply seeking the opportunity to conduct such limited discovery.

8           As alleged in the SAC:

9           157.    The RDI Board of Directors did not reconvene with respect to the  
10 Offer until June 23, 2016. No business plan and no materials relating to the value  
11 of the Company were provided to Board members in advance of or at the June 23,  
12 2016 meeting. Nor were any other materials relevant to assessing the Offer  
13 provided. EC made an oral presentation concluding that RDI was worth a price  
14 dramatically in excess of the Offer price and recommended that RDI pursue its  
15 (supposed) long-term business plan. All of the Individual Director Defendants  
16 agreed that an Offer of \$17 per share was inadequate. Plaintiff abstained in view  
17 of management’s failure to provide information promised to be delivered before  
18 the meeting.

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

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

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

25           161.   Plaintiff is informed and believes and thereon alleges that neither  
26 EC nor MC consulted with outside independent counsel, outside independent  
27 financial advisers such as an investment bank, or anyone else on whom directors  
28 are entitled to rely in determining in good faith whether and, if so, how, to  
respond to such an Offer. Plaintiff is further informed and believes and thereon

1 alleges that neither EC nor MC in good faith even considered accepting the Offer,  
2 pursuing discussions with the offerors or taking any other steps that would  
amount to anything other than rejection of the Offer.

3 162. None of the Individual Director Defendants made an informed,  
4 good-faith determination of what was in the best interests of RDI and its  
5 stockholders in responding to the Offer. None of the Individual Director  
6 Defendants made a good faith determination of whether, much less that, RDI with  
7 its present senior management, including EC as CEO and MC as EVP-RED-  
8 NYC, could, much less would, deliver value or achieve results that approximated,  
9 much less resulted in, RDI trading at the price or value EC told the Board of  
10 Directors on June 23, 2016 that management had ascribed to the Company.  
11 Plaintiff is informed and believes and thereon alleges that none of the Individual  
12 Director Defendants took any actions to test or to verify any of the oral  
13 presentation by EC regarding the supposed value of the Company.

14 (SAC ¶¶ 157-162.)

15 Plaintiff has had no opportunity to take discovery with respect to what RDI management  
16 did at the direction of EC in purporting to value the Company, and what any of the individual  
17 director defendants did, if anything, to place themselves in a position to make an informed, good  
18 faith decision in the “best interests” of the Company and all of its shareholders.

19 Of course, this “best interests” calculation is distinct from a decision intended to accede to  
20 the wishes of EC and MC, who are intent on perpetuating their control of RDI indefinitely, in  
21 derogation of the interests of the Company and its other shareholders. Plaintiff is entitled to  
22 discovery to determine which “best interests” the individual director defendants considered in their  
23 decision-making related to the Offer.

24 **C. Plaintiff Seeks Limited, Targeted Discovery**

25 Defendants will not be unduly burdened by Plaintiff’s discovery requests. “Any  
26 amendment [to a pleading] will require some expenditure of resources on the part of the non-  
27 moving party. ‘Inconvenience or additional cost to a defendant is not necessarily undue  
28 prejudice.’” *United States ex rel. Westrick v. Second Chance Body Armor, Inc.*, 301 F.R.D. 5, 9  
(D.D.C.2013).

Here, Plaintiff has made every effort to trim its requests in a thoughtful way, limiting it to  
only the most essential items. It consists of several requests for production targeted on documents

1 surrounding the Offer and its rejection. *Id.* Plaintiff also requests short, targeted depositions of the  
2 individual defendant directors, not to exceed three hours each.<sup>1</sup> *Id.* Finally, Plaintiff also seeks to  
3 subpoena documents and testimony from the entities who presented the purchase terms that  
4 comprised the Offer. *Id.*

5 As an example, sample document requests to RDI and the individual director defendants  
6 follow:

7 **REQUEST NO. 1:** All documents relating to the Offer, including in particular  
8 but not limited to all documents related to the presentation of the Offer, how the Individual  
9 Director Defendants analyzed the Offer, and why they ultimately rejected the Offer.

10 **REQUEST NO. 2:** All documents relating to the Offer, including in particular  
11 but not limited to all documents related to the presentation of the Offer, how RDI analyzed  
12 the Offer, and why it ultimately rejected the Offer.

13 **REQUEST NO. 3:** All communications with anyone, including third parties,  
14 relating to the Offer, including in particular but not limited to all communications related  
15 to how the Offer came about, how the Individual Director Defendants analyzed the Offer,  
16 and why they ultimately rejected the Offer.

17 **REQUEST NO. 4:** All communications with anyone, including third parties,  
18 relating to the Offer, including in particular but not limited to all communications related  
19 to how the Offer came about, how RDI analyzed the Offer, and why it ultimately rejected  
20 the Offer.

21 **REQUEST NO. 5:** All documents relating to the “business plan” referred to in the  
22 June 23rd meeting and subsequent press release.

23 **REQUEST NO. 6:** All communications relating to the “business plan” referred to  
24 in the June 23rd meeting and subsequent press release.

25 In short, Plaintiff made a conscientious effort to limit its proposed discovery to include  
26 only limited, critical items. On its face, Plaintiff’s discovery is narrowly tailored to seek  
27 information concerning the Offer, and it should be granted.

#### 28 IV. CONCLUSION

For the foregoing reasons, Plaintiff respectfully requests that the Court grant this Motion  
and allow it to conduct the expedited discovery described herein, namely obtain document

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<sup>1</sup> This is with the exception of Ellen Cotter, who presumably is in a position to testify in much greater detail about the  
supposed “business plan” and the supposed internal efforts to value the Company.

1 discovery of all communications and documents related to the Offer and the individual director  
2 defendants' actions and/or inaction in response to the Offer, and regarding the supposed "business  
3 plan" referenced in connection with the rejection of that Offer. Plaintiff also respectfully requests  
4 that it be permitted to propound limited discovery on the offerors, which discovery will seek  
5 documents and information relating to their valuation of RDI in view of the claimed inadequacy of  
6 the Offer. Finally, Plaintiff requests that it be permitted to depose each of the individual  
7 Defendants regarding the Offer and the respective responses to it, including the supposed  
8 "business plan" they purportedly decided should be pursued in rejecting the "Offer", as described  
9 herein.

10 DATED this 23rd day of August, 2016.

11 LEWIS ROCA ROTHGERBER CHRISTIE LLP

12  
13 By: /s/ Mark G. Krum  
14 Mark G. Krum (10913)  
15 3993 Howard Hughes Pkwy, Suite 600  
16 Las Vegas, NV 89169-5958  
17 Attorneys for Plaintiff  
18 *James J. Cotter, Jr.*

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

**Lewis Roca**  
**ROTHGERBER CHRISTIE**



1 CERTIFICATE OF SERVICE

2 I hereby certify that on this 24<sup>th</sup> day of August, 2016, I caused a true and correct copy of  
3 the foregoing **JAMES J. COTTER, JR.'S MOTION TO PERMIT CERTAIN DISCOVERY**  
4 **CONCERNING THE RECENT "OFFER" ON ORDER SHORTENING TIME** to be  
5 electronically served to all parties of record via this Court's electronic filing system to all parties  
6 listed on the E-Service Master List.  
7

8  
9 /s/ Judy Estrada  
10 An employee of Lewis Roca Rothgerber Christie LLP

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**ROTHGERBER CHRISTIE**

EXHIBIT 1

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[Search Refine Search Close](#)

Location : District Court Civil/Criminal [Help](#)

## REGISTER OF ACTIONS

CASE NO. A-15-719860-B

James Cotter, Jr., Plaintiff(s) vs. Margaret Cotter, Defendant(s)

§  
§  
§  
§  
§  
§

Case Type: **NRS Chapters 78-89**  
Date Filed: **06/12/2015**  
Location: **Department 11**  
Cross-Reference Case Number: **A719860**

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### RELATED CASE INFORMATION

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#### Related Cases

P-14-082942-E (Coordinated - Certain Matters)  
A-16-735305-B (Coordinated - Certain Matters)

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### PARTY INFORMATION

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|           |                    |  |
|-----------|--------------------|--|
| Defendant | Adams, Guy         | Lead Attorneys<br>Harold Stanley Johnson<br><i>Retained</i><br>702-823-3500(W) |
| Defendant | Codding, Judy      | Harold Stanley Johnson<br><i>Retained</i><br>702-823-3500(W)                   |
| Defendant | Cotter, Ellen      | Harold Stanley Johnson<br><i>Retained</i><br>702-823-3500(W)                   |
| Defendant | Cotter, Margaret   | Harold Stanley Johnson<br><i>Retained</i><br>702-823-3500(W)                   |
| Defendant | Gould, William     | Donald A. Lattin<br><i>Retained</i><br>775-827-2000(W)                         |
| Defendant | Kane, Edward       | Harold Stanley Johnson<br><i>Retained</i><br>702-823-3500(W)                   |
| Defendant | McEachern, Douglas | Harold Stanley Johnson<br><i>Retained</i><br>702-823-3500(W)                   |
| Defendant | Tompkins, Craig    | Nicholas J. Santoro<br><i>Retained</i><br>702-948-8771(W)                      |
| Defendant | Wrotniak, Michael  | Harold Stanley Johnson<br><i>Retained</i><br>702-823-3500(W)                   |

|                      |  |  |
|----------------------|--|--|
| Intervenor Plaintiff | JMG Capital Management LLC   | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Intervenor Plaintiff | Pacific Capital Management LLC   | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Intervenor Plaintiff | T2 Accredited Fund LP <i>Doing Business As</i> Kase Fund                   | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Intervenor Plaintiff | T2 Partners Management Group LLC <i>Doing Business As</i> Kase Group       | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Intervenor Plaintiff | T2 Partners Management LP <i>Doing Business As</i> Kase Capital Management | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Intervenor Plaintiff | T2 Qualified Fund LP <i>Doing Business As</i> Kase Qualified Fund          | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Intervenor Plaintiff | T2Partners Management I, LLC <i>Doing Business As</i> Kase Management      | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Intervenor Plaintiff | Tilson Offshore Fund Ltd   | Alexander Robertson IV<br><i>Retained</i><br>818-851-3850(W) |
| Other                | Diamond A Investors LP   |  |
| Other                | Diamond A Partners LP  |  |
| Other Defendant      | Reading International, Inc   | Mark E. Ferrario, ESQ<br><i>Retained</i><br>702-792-3773(W)  |
| Plaintiff            | Cotter, James J, Jr.   | Mark G. Krum<br><i>Retained</i><br>702-949-8200(W)           |

EVENTS & ORDERS OF THE COURT

07/28/2016 All Pending Motions (8:30 AM) (Judicial Officer Gonzalez, Elizabeth)

Minutes

07/28/2016 8:30 AM

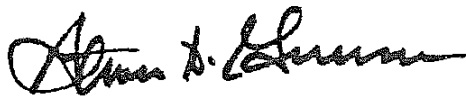
- JOINT MOTION FOR PRELIMINARY APPROVAL OF SETTLEMENT, NOTICE TO STOCKHOLDERS AND SCHEDULING OF SETTLEMENT HEARING ON ORDER SHORTENING TIME...PLAINTIFF JAMES J. COTTER, JR.'S MOTION TO COMPEL ON ORDER SHORTENING TIME Also present: Attorney James Murphy, Bar No. 8586, for non-party Diamond A Investors and Diamond A Partners. JOINT MOTION FOR PRELIMINARY APPROVAL OF SETTLEMENT, NOTICE TO STOCKHOLDERS AND SCHEDULING OF SETTLEMENT

HEARING ON ORDER SHORTENING TIME: Mr. Ferrario stated there is no objection. Mr. Murphy advised his clients wish to lodge an objection to the settlement; they tried to file papers yesterday but those were rejected; they also tried to enter an appearance by filing a notice of appearance but that was rejected as well. Colloquy regarding payment of the appropriate court fees. Mr. Murphy reiterated he was tasked to object. Mr. Ferrario argued this is procedurally improper. Copy of Mr. Murphy's brief submitted to the Court. Mr. Ferrario further argued Mr. Shapiro has been involved since prior to the filing of the Complaint by T2, his deposition has been taken, and he is late to these proceedings. Argument by Mr. Krum and statement by Mr. Robertson. Court noted its concern with Mr. Ferrario's form, i.e. the Court usually does a 60-day setting from execution of the form instead of the 55 days requested, and that it usually does not require the objectors to serve everyone on the case but requires them to serve counsel who will then serve everyone. The Court understands the issues raised by Mr. Krum and Mr. Murphy but believes it is appropriate to address the issue as to whether it is a fair settlement at the time of a fairness hearing, as opposed to a preliminary approval hearing. Court further NOTED a website must be added. COURT ORDERED, hearing SET for October 6, 2016 and directed Mr. Ferrario not to place the Judicial Executive Assistant's name or number but his own office number, as well as the date, in the order. PLAINTIFF JAMES J. COTTER, JR.'S MOTION TO COMPEL ON ORDER SHORTENING TIME: Following arguments by Mr. Krum and Mr. Ferrario, COURT ORDERED, motion to compel GRANTED; parties need to resume Mr. McEachern's deposition only and ask questions; an answer may be designated as confidential if it is appropriate to do so; if Mr. Krum wishes to re-open any other depositions it will have to be addressed after this one. Mr. Krum to file a motion. Court further noted it is improper to instruct a witness not to answer a question based on relevance; if there is a problem regarding the public nature of a disclosure then the appropriate thing to do is designate that portion of the deposition as confidential.

Parties Present

Return to Register of Actions

## EXHIBIT 2



CLERK OF THE COURT

TRAN

DISTRICT COURT  
CLARK COUNTY, NEVADA  
\* \* \* \* \*

|                         |   |                      |
|-------------------------|---|----------------------|
| JAMES COTTER, JR.       | . |                      |
|                         | . | CASE NO. A-719860    |
| Plaintiff               | . | A-735305             |
|                         | . | P-082942             |
| vs.                     | . |                      |
|                         | . | DEPT. NO. XI         |
| MARGARET COTTER, et al. | . |                      |
|                         | . | <b>Transcript of</b> |
| Defendants              | . | <b>Proceedings</b>   |
| .....                   | . |                      |

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

**HEARING ON PLAINTIFF'S MOTION TO VACATE PENDING DATES/  
REOPEN DISCOVERY**

FRIDAY, AUGUST 12, 2016

COURT RECORDER:  
  
JILL HAWKINS  
District Court

TRANSCRIPTION BY:  
  
FLORENCE HOYT  
Las Vegas, Nevada 89146

Proceedings recorded by audio-visual recording, transcript produced by transcription service.

APPEARANCES:

FOR THE PLAINTIFF:

MARK G. KRUM, ESQ.

FOR THE DEFENDANTS:

JAMES EDWARDS, ESQ.  
MARSHALL M. SEARCY, ESQ.  
MARK E. FERRARIO, ESQ.  
KARA B. HENDRICKS, ESQ.



1 something in their pleadings which I thought was equivocal at  
2 best, but that doesn't preclude their clients from taking a  
3 different position based on the operative legal document, the  
4 settlement agreement. So they could fire --

5 THE COURT: It does. It's called judicial estoppel.

6 MR. KRUM: Well --

7 THE COURT: Anything else you want to tell me?

8 MR. KRUM: Yes. The only other thing is to be clear  
9 on the offer. So perhaps -- well, first of all, there's a  
10 dispute about who said what at the board meeting to which Mr.  
11 Ferrario referred. But for the purpose of my observations it  
12 was absolutely unknown to me until after the offer came up in  
13 two separate depositions that it was something that I could  
14 pursue that was susceptible to discovery, as distinct from  
15 what it was when I had last discussed it with counsel at the  
16 deposition of Ms. Cotter in June where they asked me not to  
17 pursue it and I agreed. So the point isn't what happened and  
18 who didn't know what or so forth. The point is we've had no  
19 opportunity to take discovery about that. And we're entitled  
20 to that. It's part of the second amended complaint.

21 Now, that can be mooted, because they can say, well,  
22 we'll agree to let you take discovery and work it in with  
23 everything else. But that hasn't happened. So if the dates  
24 are going to stick, then I'm going to end up filing yet  
25 another motion to seek to take that discovery. And as was

1 observed in the interest of director defendants' opposition to  
2 the motion to amend, some of that discovery is relevant to,  
3 among other things, expert opinions. So it's not a simple,  
4 okay, you get it, you don't get, if you've got it in your  
5 complaint, you know, you're not entitled to it. We have it in  
6 the complaint, we're entitled to it, and we didn't get it  
7 because of no fault of anybody it didn't happen till too late  
8 in the process. That's it. Thank you, Your Honor.

9 THE COURT: Okay. When did you all agree to move  
10 your expert disclosure date to?

11 MS. HENDRICKS: August 25th.

12 MR. FERRARIO: 25th of August, Your Honor.

13 MR. KRUM: And to be clear, that's without prejudice  
14 to anybody's rights otherwise.

15 THE COURT: Sure. But that's just your agreement  
16 today.

17 MR. KRUM: And I appreciate that.

18 MR. FERRARIO: It is, Your Honor.

19 THE COURT: All right. At this point I am going to  
20 deny without prejudice the motion to reopen and to vacate the  
21 current trial date. I do not agree with Mr. Krum's assessment  
22 related to the potential impact of the settlement with the T2  
23 defendants based upon the representations that have been made  
24 to me both in writing and orally. That is not a realistic  
25 issue. However, I do recognize that the parties have several

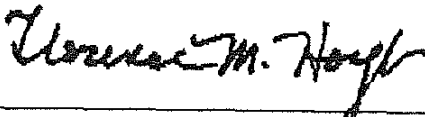
CERTIFICATION

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

AFFIRMATION

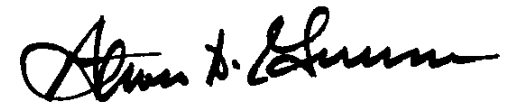
I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

FLORENCE HOYT  
Las Vegas, Nevada 89146

  
\_\_\_\_\_  
FLORENCE M. HOYT, TRANSCRIBER

8/16/16

\_\_\_\_\_  
DATE



CLERK OF THE COURT

1 **DECL**  
ALEXANDER ROBERTSON, IV (Nevada Bar No. 8642)  
2 *arobertson@arobertsonlaw.com*  
ROBERTSON & ASSOCIATES, LLP  
3 32121 Lindero Canyon Road, Suite 200  
Westlake Village, California 91361  
4 Telephone: (818) 851-3850 • Facsimile: (818) 851-3851

5 ANDREW D. SEDLOCK (Nevada Bar No. 9183)  
*asedlock@pslrfirm.com*  
6 PATTI, SGRO, LEWIS & ROGER  
720 S. 7th Street, 3rd Floor  
7 Las Vegas, NV 89101  
Telephone: (702) 385-9595 • Facsimile: (702) 386-2737

8  
Attorneys for Plaintiffs and Intervenors, T2  
9 PARTNERS MANAGEMENT, LP, a Delaware  
limited partnership, doing business as KASE  
10 CAPITAL MANAGEMENT; T2 ACCREDITED  
FUND, LP, a Delaware limited partnership, doing  
11 business as KASE FUND; T2 QUALIFIED  
FUND, LP, a Delaware limited partnership, doing  
12 business as KASE QUALIFIED FUND; TILSON  
OFFSHORE FUND, LTD, a Cayman Islands  
13 exempted company; T2 PARTNERS  
MANAGEMENT I, LLC, a Delaware limited  
14 liability company, doing business as KASE  
MANAGEMENT; T2 PARTNERS  
15 MANAGEMENT GROUP, LLC, a Delaware  
limited liability company, doing business as  
16 KASE GROUP; JMG CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
17 liability company; PACIFIC CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
18 liability company,

19 Derivatively On Behalf of Reading International, Inc.

20 DISTRICT COURT

21 CLARK COUNTY, NEVADA

22 JAMES J. COTTER, JR., individually and  
23 derivative on behalf of Reading International,  
Inc.,

24 Plaintiff,

25 v.

26 MARGARET COTTER, ELLEN COTTER,  
27 GUY ADAMS, EDWARD KANE,  
DOUGLAS McEACHERN, TIMOTHY  
28 STOREY, WILLIAM GOULD, JUDY  
CODDING, MICHAEL WROTONIAK, and

Case No. A-15-719860-B  
[Coordinated with P-14-082942-E]  
Dept. No.: XI

**BUSINESS COURT**

**DECLARATION OF WHITNEY TILSON**

1 DOES 1 through 100, inclusive,

2 Defendants,

3 and

4 READING INTERNATIONAL, INC., a  
Nevada corporation,

5  
6 Nominal Defendant.

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

8  
9 Plaintiffs,

10 vs.

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

14 Defendants,

15 And,

16 READING INTERNATIONAL, INC., a  
17 Nevada corporation,

18  
19 Nominal Defendant.

20

21

I, Whitney Tilson, being duly sworn, deposes and says that:

22 1. I am managing member and CCO of Plaintiffs, Tilson Offshore Fund, Ltd.; T2  
23 Accredited Fund, L.P., doing business as Kase Fund; and T2 Qualified Fund, L.P., doing business  
24 as Kase Qualified Fund. Each of these entities are shareholders of Reading International, Inc.  
25 ("RDI").

26 2. I make this declaration based upon personal knowledge, except where stated to be  
27 upon information and belief, and as to that information, I believe it to be true. If called upon to  
28 testify as to the contents to this declaration, I am legally competent to do so in a court of law.

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3. I understand that James Cotter, Jr. has filed a motion seeking expedited discovery concerning the negotiations of the settlement of the T2 Plaintiffs with RDI. I also understand that James Cotter, Jr. has alleged there was " a curious spike in the volume of trading in RDI common stock commencing with the date on which Plaintiff Whitney Tilson apparently initiated settlement discussions with Defendant Ellen Cotter." James Cotter, Jr. claims that this spike in trading occurred between June 16, 2016 and June 30, 2016. However, none of my funds which I manage engaged in any trading of RDI Class A stock during this two week period.

4. The fallacy of James Cotter, Jr's conspiracy theory is further exposed by the fact that the amount of stock repurchased by RDI remained unchanged between the quarter ended March 31, 2016 and the quarter ended June 30, 2016 according to RDI's public disclosures filed with the U.S. Securities and Exchange Commission.

5. Thus, the "spike" in trading was neither caused by the T2 Plaintiffs' selling their RDI common stock, or RDI repurchasing its stock.

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

Executed this 29th day of August 2016 at New York, NY

Whitney Tilson  
WHITNEY TILSON, Declarant

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**CERTIFICATE OF SERVICE**

The undersigned, an employee of Robertson & Associates, LLP, hereby certifies that on the 29<sup>th</sup> day of August, 2016, I served a true and correct copy of **DECLARATION OF WHITNEY TILSON** by electronic service by submitting the foregoing to the Court's E-filing System for Electronic Service upon the Court's Service List pursuant to EDCR 8. The copy of the document electronically served bears a notation of the date and time of service.

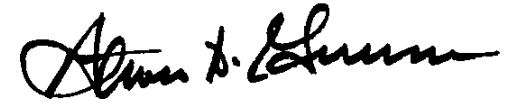
**PLEASE SEE THE E-SERVICE MASTER LIST**

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

*/ s / Ann Russo*

---

An employee of ROBERTSON & ASSOCIATES, LLP



CLERK OF THE COURT

1 **DECL**  
ALEXANDER ROBERTSON, IV (Nevada Bar No. 8642)  
2 *arobertson@arobertsonlaw.com*  
ROBERTSON & ASSOCIATES, LLP  
3 32121 Lindero Canyon Road, Suite 200  
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7 Las Vegas, NV 89101  
Telephone: (702) 388-9595 • Facsimile: (702) 386-2737

8 Attorneys for Plaintiffs and Intervenors, T2  
9 PARTNERS MANAGEMENT, LP, a Delaware  
limited partnership, doing business as KASE  
10 CAPITAL MANAGEMENT; T2 ACCREDITED  
FUND, LP, a Delaware limited partnership, doing  
11 business as KASE FUND; T2 QUALIFIED  
FUND, LP, a Delaware limited partnership, doing  
12 business as KASE QUALIFIED FUND; TILSON  
OFFSHORE FUND, LTD, a Cayman Islands  
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16 KASE GROUP; JMG CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
17 liability company; PACIFIC CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
18 liability company,

19 Derivatively On Behalf of Reading International, Inc.

20 DISTRICT COURT

21 CLARK COUNTY, NEVADA

22 JAMES J. COTTER, JR., individually and  
23 derivative on behalf of Reading International,  
Inc.,

24 Plaintiff,

25 v.

26 MARGARET COTTER, ELLEN COTTER,  
27 GUY ADAMS, EDWARD KANE,  
DOUGLAS McEACHERN, TIMOTHY  
28 STOREY, WILLIAM GOULD, JUDY

Case No. A-15-719860-B  
[Coordinated with P-14-082942-E]  
Dept. No.: XI

**BUSINESS COURT**

**DECLARATION OF JON GLASER**



1 CODDING, MICHAEL WROTNIAK, and  
DOES 1 through 100, inclusive,

2 Defendants,

3 and

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

6 Nominal Defendant.

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

9 Plaintiffs,

10 vs.

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

14 Defendants,

15 And,

16 READING INTERNATIONAL, INC., a  
17 Nevada corporation,

18 Nominal Defendant.

19

20

21 I, Jon Glaser, being duly sworn, deposes and says that:

22 1. I am managing member of JMG CAPITAL MANAGEMENT, LLC and PACIFIC  
23 CAPITAL MANAGEMENT, LLC.

24 2. I make this declaration based upon personal knowledge, except where stated to be  
25 upon information and belief, and as to that information, I believe it to be true. If called upon to  
26 testify as to the contents to this declaration, I am legally competent to do so in a court of law.

27 3. I understand that James Cotter, Jr. has filed a motion seeking expedited discovery  
28 concerning the negotiations of the settlement of the T2 Plaintiffs with RDI. I also understand that

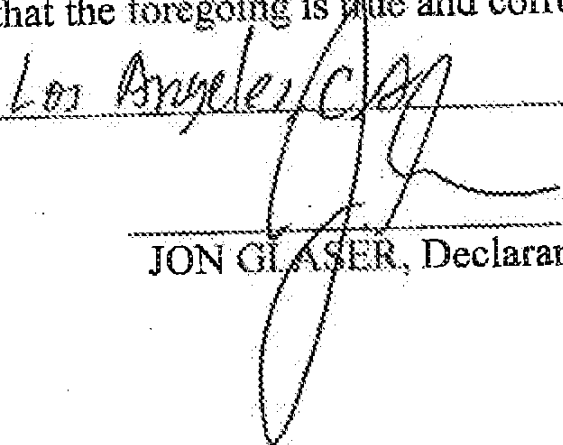
1 James Cotter, Jr. has alleged there was " a curious spike in the volume of trading in RDI common  
2 stock commencing with the date on which Plaintiff Whitney Tilson apparently initiated settlement  
3 discussions with Defendant Ellen Cotter." James Cotter, Jr. claims that this spike in trading  
4 occurred between June 16, 2016 and June 30, 2016. However, none of my funds which I manage  
5 engaged in any trading of RDI Class A stock during this two week period.

6 4. The fallacy of James Cotter, Jr's conspiracy theory is further exposed by the fact  
7 that the amount of stock repurchased by RDI remained unchanged between the quarter ended  
8 March 31, 2016 and the quarter ended June 30, 2016 according to RDI's public disclosures filed  
9 with the U.S. Securities and Exchange Commission.

10 5. Thus, the "spike" in trading was neither caused by the T2 Plaintiffs' selling their  
11 RDI common stock, or RDI repurchasing its stock.

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

13 Executed this 29th day of August 2016 at Los Angeles, CA

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JON GLASER, Declarant

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**CERTIFICATE OF SERVICE**

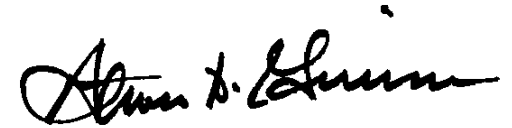
The undersigned, an employee of Robertson & Associates, LLP, hereby certifies that on the 29<sup>th</sup> day of August, 2016, I served a true and correct copy of **DECLARATION OF JON GLASER** by electronic service by submitting the foregoing to the Court's E-filing System for Electronic Service upon the Court's Service List pursuant to EDCR 8. The copy of the document electronically served bears a notation of the date and time of service.

**PLEASE SEE THE E-SERVICE MASTER LIST**

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

*/ s / Ann Russo*

-----  
An employee of ROBERTSON & ASSOCIATES, LLP



CLERK OF THE COURT

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

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

11 DISTRICT COURT  
12 CLARK COUNTY, NEVADA

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

16 Plaintiff,

17 v.

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

23 Defendants.

24 and

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

27 Nominal Defendant.

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

Plaintiffs,

vs.

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

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

Coordinated with:

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

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

*Jointly administered*

**[PROPOSED] SECOND AMENDED  
VERIFIED COMPLAINT**

**[Business Court Requested: [EDCR 1.61]**

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

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

**Lewis Roca  
ROTHGERBER CHRISTIE**

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

3 and

4 \_\_\_\_\_  
5 READING INTERNATIONAL, INC., a  
6 Nevada corporation,  
7  
8 Nominal Defendant.

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

9 **NATURE OF THE CASE**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**PARTIES**

1  
2 17. Plaintiff James J. Cotter, Jr. (JJC) is and at all times relevant hereto was a  
3 shareholder of RDI. JJC also has been a director of RDI since on or about March 21, 2002.  
4 Involved in RDI management since mid-2005, JJC was appointed Vice Chairman of the RDI  
5 board of directors in 2007 and President of RDI on or about June 1, 2013. He was appointed CEO  
6 by the RDI Board on or about August 7, 2014, immediately after JJC, Sr. resigned from that  
7 position. He is the son of the late James J. Cotter, Sr. (JJC, Sr.) and the brother of defendants MC  
8 and EC. JJC presently owns 770,186 shares of RDI Class A non-voting stock and options to  
9 acquire another 50,000 shares of RDI Class A non-voting stock, and is co-trustee and beneficiary  
10 of the James J. Cotter Living Trust, dated August 1, 2000, as amended (the "Trust"), which owns  
11 2,115,539 shares of RDI Class A (non-voting) stock and 1,123,888 shares of RDI Class B (voting)  
12 stock. The Trust became irrevocable upon the passing of JJC, Sr. on September 13, 2014.

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

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

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

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

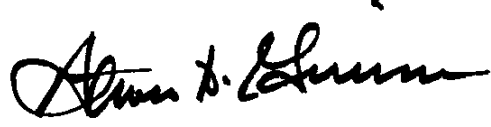
17 21. Defendant Guy Adams (Adams) is and at all times relevant hereto was an outside  
18 director of RDI. Adams became a director of RDI on or about January 14, 2014. Almost all of  
19 Adams' recurring income is paid to him by Cotter family businesses over which EC and MC  
20 exercise control. For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

1 Directors Compensation Committee.

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

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

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

  
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**ACOM**  
MARK G. KRUM (Nevada Bar No. 10913)  
MKrum@LRRLaw.com  
LEWIS ROCA ROTHGERBER LLP  
3993 Howard Hughes Parkway, Suite 600  
Las Vegas, Nevada 89169  
(702) 949-8200  
(702) 949-8398 fax  
  
Attorneys for Plaintiff  
*James J. Cotter, Jr.*

DISTRICT COURT  
CLARK COUNTY, NEVADA

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

Plaintiff,

v.

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

Defendants.

and

READING INTERNATIONAL, INC., a Nevada  
corporation;

Nominal Defendant.

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

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

*Jointly administered*

**FIRST AMENDED VERIFIED  
COMPLAINT**

**[Business Court Requested: [EDCR 1.61]**

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

3993 Howard Hughes Parkway  
Suite 600  
Las Vegas, NV 89169-5996  
**LEWIS ROCA  
ROTHGERBER**

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

3 **NATURE OF THE CASE**

4 1. This action arises from the intentional misconduct of a majority of the board of  
5 directors of Reading International, Inc. (“RDI” or the “Company”), including individuals who  
6 comprise a majority of the outside directors of RDI, which is a public company. In particular and  
7 without limitation, outside directors Edward Kane (“Kane”), Guy Adams (“Adams”) and Douglas  
8 McEachern (“McEachern”), together with director Ellen Cotter (“EC”) and “outside” director  
9 Margaret Cotter (“MC”), have acted to wrongfully seize control of RDI, to perpetuate that control  
10 and to fundamentally change and dismantle the corporate governance structures of RDI, all to  
11 protect and further their personal financial and other interests, in purposeful derogation of their  
12 fiduciary obligations as directors of RDI.

13 2. These director defendants first threatened James J. Cotter, Jr. (“JJC” or “Plaintiff”)  
14 with termination as President and Chief Executive Officer (“CEO”) of RDI in order to pressure  
15 him to resolve trust and estate litigation with EC and MC and to cede control of RDI to them.

16 3. Next, when JJC failed to succumb to those threats, these director defendants  
17 undertook a purported boardroom coup, precipitously removing JJC as President and CEO of RDI.  
18 These directors did so without undertaking any semblance of a process to warrant making any  
19 decision regarding the status of JJC (or anyone) as President and CEO, and did so in the face of  
20 express admonitions by outside directors Timothy Storey (“Storey”) and William Gould (“Gould”)  
21 that the directors had failed to undertake any process that would warrant making any decision  
22 about the status of the President and CEO of RDI, much less the decision to remove JJC as  
23 President and CEO of RDI. For example, Gould warned the others that, because they had  
24 undertaken no process to warrant even making such a decision, they all could be subject to  
25 liability. Also by way of example, Storey called the lack of process and planned coup a “kangaroo  
26 court,” and warned the outside directors that, “as directors we can’t just do what a shareholder [,  
27 meaning EC and MC,] asks.” Not only did these five director defendants precipitously terminate  
28 JJC as President and CEO of RDI without undertaking any process, they purposefully pre-empted

1 and aborted an ongoing and incomplete process that they had put in place only approximately two  
2 months earlier.

3 4. What each of Kane, Adams and McEachern did was to choose sides in family  
4 disputes between EC and MC, on one hand, and JJC, on the other hand, which disputes included  
5 certain trust and estate litigation commenced by EC and MC against JJC following the passing of  
6 their father, James J. Cotter, Sr. ("JJC, Sr."), in September 2014, as well as disputes about control  
7 of RDI and whether EC and MC would report to their "little brother," who succeeded JJC, Sr. as  
8 CEO of RDI, or to anyone, as a practical matter.

9 5. EC and MC have at all times acted purposefully to protect and further their own  
10 personal financial and other interests to the detriment of RDI and all of its shareholders other than  
11 them, including through their pervasive and persistent self-dealing and misuse of RDI resources,  
12 including as alleged herein. They regularly sought, and often received, money, benefits, titles,  
13 positions and/or promotions they would not have received but for their status as potential  
14 controlling shareholders.

15 6. Defendant Kane, who has a decade's long *quasi*-familial relationship with EC and  
16 MC, who call him "Uncle Ed," simply and admittedly picked sides in a family dispute,  
17 contemporaneously seizing the opportunity to protect and advance his own personal and financial  
18 interests, as well. Defendant McEachern did the same. Defendant Adams did so as well. Adams  
19 is financially dependent on Cotter family businesses and deals that EC and MC control.

20 7. Since wrongfully seizing control of RDI, each of EC, MC, Kane, Adams and  
21 McEachern have engaged in a systematic misuse of the corporate machinery and dismantling of  
22 the corporate governance structures of RDI. They have acted to preserve and perpetuate their  
23 control of RDI. They have acted to further their own financial and other interests, in purposeful  
24 derogation of their fiduciary duties to RDI and its shareholders.

25 8. Among other things, those five defendants have withheld and manipulated minutes  
26 of Board of Directors meetings and have withheld and manipulated board agendas and meetings.  
27 These defendants, together with defendant Gould, have created and/or approved fictional Board  
28



1 minutes. They each did so in an effort to conceal their fiduciary breaches and to attempt to avoid  
2 liability for such breaches.

3 9. EC, MC, Kane, Adams and McEachern have acted to entrench themselves, for their  
4 own financial advantage. For example, they effectively eliminated Plaintiff, Storey and Gould as  
5 functioning members of RDI's Board of Directors. Among other things, they have done so by a  
6 purported executive committee of RDI's Board of Directors. The executive committee ("EC  
7 Committee") has been populated by EC, MC, Kane and Adams. The EC Committee purportedly  
8 possesses the full authority of RDI's full Board of Directors. Gould has acquiesced to if not  
9 cooperated with, the ongoing self-dealing of these five defendants, who effectively have removed  
10 Storey as a director and have added to the Board persons expected to be loyal to EC and MC by  
11 virtue of pre-existing personal friendships.

12 10. Plaintiff is informed and believes that, on September 17, 2015, the night before  
13 counsel for EC and MC told the Court in the accompanying Nevada probate action that the estate  
14 of their deceased father (the "Estate") could not distribute stock to the Trust (defined herein), its  
15 sole beneficiary, because of liquidity and tax issues, EC and MC acted to exercise an option held  
16 by the Estate, of which they are executors, to acquire 100,000 shares of RDI class B voting stock.  
17 Plaintiff is informed and believes that EC and MC took such actions because it is their  
18 understanding that, absent the exercise of the option for the Estate to acquire 100,000 shares of  
19 RDI class B voting stock which EC and MC will purport to vote as executors of the Estate, EC  
20 and MC lacked sufficient votes to control the 2015 ASM and, in effect, unilaterally elect as RDI  
21 directors whomever they choose. Plaintiff is informed and believes that on or about September  
22 21, 2015, Kane and Adams, purporting to act as directors and as members of the Compensation  
23 Committee, authorized the request of EC and MC that the Estate be allowed to use liquid class A  
24 RDI stock to exercise the option to acquire the 100,000 shares. Kane and Adams did so in  
25 derogation of the interests of RDI, which received no benefit from receiving class A stock (rather  
26 than cash), which merely reduced the float of such stock. Plaintiff is informed and believes that  
27 Kane and Adams also did so without requiring EC and MC as executors of the Estate to produce  
28 documentation establishing the Estate's entitlement to exercise such option, which documentation

1 may not exist. The third director who was a member of the Compensation Committee, Timothy  
2 Storey, was unable to attend such supposed meeting of the Compensation Committee because it  
3 was called with too little notice.

4 11. EC on or about August 3, 2015 acted to add a person who is a close personal friend  
5 of hers to the RDI Board of Directors, claiming that he possessed real estate expertise that would  
6 add value to the Board. Prior to that date, there had been no discussion by the Board of adding  
7 another director to the Board, although EC had raised the person with the EC Committee, which  
8 rubber-stamped her suggestion. After Plaintiff disclosed that, in addition to being a close personal  
9 friend of EC, the person EC proposed to add to the RDI Board of Directors previously had done  
10 business with and caused harm to RDI, EC effectively withdrew that nomination, reporting that  
11 the candidate decided to withdraw it given pending litigation.

12 12. EC on or about October 5, 2015 proposed adding a different individual to the RDI  
13 Board of Directors, and all individual defendants other than Storey (and Plaintiff) agreed to the  
14 request of EC to do so. Although EC proposed the candidate to the Board two days before the  
15 Board meeting, directors Kane, McEachern and Adams had met the candidate weeks before. That  
16 person, Judy Coddling, is a very close and long-standing friend of the mother of the Cotters. Ms.  
17 Coddling, though apparently qualified in the field of education, has no expertise in either of RDI's  
18 principal business segments, cinema operations and real estate development, and likewise brings  
19 no corporate governance or financial expertise that would add value to the RDI Board of  
20 Directors. Plaintiff is informed and believes that Ms. Coddling was selected because she is  
21 expected to be loyal to EC and MC. It has been reported in the Los Angeles Times that Ms.  
22 Coddling's activities relating to her employer's alleged violations of the public bidding laws to  
23 secure a contract with L.A. Unified School District (LAUSD) to provide iPads to schools is  
24 currently under scrutiny in a federal criminal investigation, and another source reports that her  
25 employer would be dismissing her from such position on account of her alleged activity.

26 13. On October 5, 2015, EC and MC announced to the full RDI Board of Directors that  
27 they determined to have a so-called nominating committee comprised of Kane, Adams and  
28 McEachern propose the slate of persons to be nominees to be recommended by the Board at RDI's

1 2015 ASM, which has been set for November 10, 2015. EC and MC determined that Storey  
2 would not be nominated to stand for reelection as a director at the 2015 ASM. Plaintiff is  
3 informed and believes that this decision was made in part because Storey has insisted that the  
4 Board of Directors act to protect and further the interests of all shareholders, not just EC and MC.  
5 Plaintiff also is informed and believes that Kane, Adams and McEachern, purporting to act as the  
6 referenced nominating committee, agreed to and implemented the decision of EC and MC to not  
7 nominate Storey to stand for reelection as a director at the 2015 ASM. Plaintiff is further  
8 informed and believes that Adams and McEachern pressured Storey to “retire” because EC and  
9 MC asked them to do so. Plaintiff is informed and believes that Storey’s “resignation” was sought  
10 so that the nominating committee could propose a college friend of MC, who also is the husband  
11 of MC’s best personal friend, to fill Storey’s newly vacated Board position.

12 14. The supposed nominating committee, acting at the direction and requests of EC and  
13 MC, then selected Michael Wrotniak (“Wrotniak”) to replace Storey. Wrotniak does not have  
14 expertise in either of RDI’s business segments, cinema operations and real estate development.  
15 Nor does he possess expertise in corporate governance. Nor does he possess expertise in any other  
16 matter that would be of value to RDI as a public company. Plaintiff is informed and believes that  
17 Wrotniak was chosen because MC and EC expect him to be loyal to them.

18 15. McEachern, Adams and Kane, purporting to act as a newly formed nominating  
19 committee for the RDI Board of Directors with respect to the slate of persons to be nominated by  
20 the Company as directors for election at the 2015 ASM, effectively chose Wrotniak rather than  
21 another candidate. McEachern and Adams interviewed a candidate who has served as a chief  
22 financial officer of a multi-billion dollar public real estate services and investment company, who  
23 has experience dealing with Wall Street and who has experience in real estate development and  
24 had no ties to any of the Cotters. That candidate, who was suggested by Plaintiff, expressed  
25 interest in serving as a director of RDI.

26 16. As an integral part of their scheme to seize control of RDI and to perpetuate their  
27 control of RDI to further their personal financial and other interests, EC and MC systematically  
28 have failed to make timely and accurate disclosures and SEC filings they are required to make,

1 and systematically have made materially misleading if not inaccurate disclosures, including as  
2 alleged herein. EC and MC also have caused the Company to make materially misleading if not  
3 inaccurate disclosures, including but not limited to in the Proxy Statement issued by the Company  
4 on or about October 20, 2015 for the 2015 Annual Shareholders Meeting scheduled for November  
5 10, 2015, including as alleged herein. Plaintiff is informed and believes that one or more of the  
6 other individual defendants, other than Storey, have actively assisted in or knowingly acquiesced  
7 to this conduct.

### 8 PARTIES

9 17. Plaintiff James J. Cotter, Jr. (JJC) is and at all times relevant hereto was a  
10 shareholder of RDI. JJC also has been a director of RDI since on or about March 21, 2002.  
11 Involved in RDI management since mid-2005, JJC was appointed Vice Chairman of the RDI  
12 board of directors in 2007 and President of RDI on or about June 1, 2013. He was appointed CEO  
13 by the RDI Board on or about August 7, 2014, immediately after JJC, Sr. resigned from that  
14 position. He is the son of the late James J. Cotter, Sr. (JJC, Sr.) and the brother of defendants MC  
15 and EC. JJC at times relevant hereto has owned RDI stock, and owns 858,897 shares of RDI  
16 Class A non-voting stock (including 50,000 shares subject to stock options) and is co-trustee and  
17 beneficiary of the James J. Cotter Living Trust, dated August 1, 2000, as amended (the "Trust"),  
18 which owns 2,115,539 shares of RDI Class A (non-voting) stock and 1,023,888 shares of RDI  
19 Class B (voting) stock, as well as options to acquire 100,000 additional shares of RDI Class B  
20 (voting) stock, which options apparently have been exercised. The Trust became irrevocable upon  
21 the passing of JJC, Sr. on September 13, 2014.

22 18. Defendant Margaret Cotter (MC) is and at all times relevant hereto was an  
23 "outside" director of RDI. MC is engaged in trust and estate litigation against JJC, by which she  
24 seeks, among other things, to invalidate a trust document as part of an overall effort by MC and  
25 EC to, among other things, procure control of RDI class B stock sufficient to elect RDI's directors.  
26 MC became a director of RDI on or about September 27, 2002. MC is the owner and President of  
27 OBI, LLC, a company that provides theater management services to live theaters indirectly owned  
28 by RDI through Liberty Theatres, of which MC is President. MC also sought to oversee

1 development of real estate in New York owned directly or indirectly by RDI. She did so  
2 notwithstanding the fact that she had no experience or expertise in doing so. She did so  
3 notwithstanding the fact that she is unqualified to do so. MC opposed the hiring of a senior  
4 executive to work on the development of real estate owned by RDI. In particular, she successfully  
5 ended the Company's ongoing search for such an executive. She did so as part of an ongoing  
6 effort to secure employment with the Company.

7 19. Defendant Ellen Cotter (EC) is and at all times relevant hereto was a director of  
8 RDI. EC is engaged in trust and estate litigation against JJC, by which she seeks, among other  
9 things, to invalidate a trust document as part of an overall effort by MC and EC to, among other  
10 things, procure control of RDI class B voting stock sufficient to elect RDI's directors. She  
11 became a director of RDI on or about March 13, 2013. EC is the senior executive at RDI  
12 responsible for the day-to-day operations of its domestic cinema operations. Those cinema  
13 operations consistently have failed to match, much less exceed, the financial results of comparable  
14 and peer group cinema operations.

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

25 21. Defendant Guy Adams (Adams) is and at all times relevant hereto was an outside  
26 director of RDI. Adams became a director of RDI on or about January 14, 2014. A majority if not  
27 almost all of Adams' income is paid to him by Cotter family businesses over which EC and MC  
28 exercise control. For that reason, among others, Adams is financially dependent on EC and MC

1 and does not qualify as an independent director of RDI. For those reasons and others, including  
2 that Adams has a financial interest in assets controlled directly or indirectly by EC and/or MC,  
3 Adams was and is not a disinterested director for the purposes of any decision to terminate JJC as  
4 President and CEO of RDI or any other decision of interest to EC and/or MC. Adams sold all of  
5 the RDI options he owned on or about March 26, 2015.

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

13 23. Defendant Timothy Storey (Storey) was at all times relevant hereto up until  
14 October 11, 2015 an outside director of RDI. Storey became a director of RDI on or about  
15 December 28, 2011. He has served as the sole outside director of RDI's wholly-owned New  
16 Zealand subsidiary since 2006. Storey has served as Chairman of the Board of DNZ Property  
17 Fund Limited, a billion dollar commercial property investment fund based in New Zealand and  
18 listed on the New Zealand Stock Exchange, since 2009. Prior to the being elected Chairman of  
19 DNZ Property Fund Limited, Storey was a partner in Bell Gully (one of the largest law firms in  
20 New Zealand). Storey was appointed the representative or ombudsman of the five outside  
21 directors in or about March 2015, for the purpose of assisting JJC as CEO in dealing with his  
22 sisters, EC and MC, and for the purpose of assessing how the siblings functioned and reporting to  
23 the Board and recommending what, if anything, the Board should do regarding any of them. This  
24 occurred because, among other things, EC and MC resisted, if not refused, to interact with JJC as  
25 CEO and, as to MC, she refused altogether to have any substantive discussions with JJC with  
26 respect to the business she supervised, live theaters, and the real estate development opportunities  
27 in New York City that she sought to supervise without oversight or assistance.

28 24. Defendant William Gould (Gould) is and at all times relevant hereto was an outside

1 director of RDI. Gould was appointed a director on or about October 15, 2004. Gould is a name  
2 partner at the Los Angeles law firm of TroyGould, PC.

3 25. Nominal defendant Reading International, Inc. (RDI) is a Nevada corporation and  
4 is, according to its public filings with the United States Securities and Exchange Commission (the  
5 "SEC"), an internationally diversified company principally focused on the development,  
6 ownership and operation of entertainment and real estate assets in the United States, Australia and  
7 New Zealand. The company operates in two business segments, namely, cinema exhibition,  
8 through approximately 58 multiplex cinemas, and real estate, including real estate development  
9 and the rental of retail, commercial and live theater assets. The company manages world-wide  
10 cinemas in the United States, Australia and New Zealand. RDI has two classes of stock, Class A  
11 stock held by the investing public, which stock exercises no voting rights, and Class B stock,  
12 which is the sole voting stock with respect to the election of directors. An overwhelming majority  
13 (approximately eighty percent (80%)) of the Class A stock is legally and/or beneficially owned by  
14 shareholders unrelated to JJC, EC and MC. Approximately seventy percent (70%) of the Class B  
15 stock is subject to disputes and pending trust and estate litigation in California between EC and  
16 MC, on one hand, and JJC, on the other hand, and a probate action in Nevada. Of the class B  
17 stock, approximately forty-four percent (44%) is held in the name of the Trust. RDI is named only  
18 as a nominal defendant in this derivative action.

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

### 25 ALLEGATIONS COMMON TO ALL CLAIMS

#### 26 **General Background**

27 27. Since approximately 2000, and until he resigned as Chairman and CEO of RDI on  
28 or about August 7, 2014 due to health reasons, James J. Cotter, Sr. (JJC, Sr.) was the CEO and

1 Chairman of the Board of Directors of RDI. Additionally, JJC, Sr. through the Trust (according to  
2 RDI filings with the SEC, among other things) controlled approximately seventy percent (70%) of  
3 the Class B voting stock of RDI. As such, JJC, Sr. unilaterally selected and elected the board of  
4 directors.

5 28. For all intents and purposes, JJC, Sr., ran the Company as he saw fit, without  
6 meaningful oversight or input from the board of directors. According to Kane, JJC, Sr. “did not  
7 seek directors that could add significant value but sought out friends to fill out the ‘independent’  
8 member requirements.” Kane himself acted as if his job as a director was to protect and further  
9 the interests of his life-long friend, JJC, Sr., not to protect and further the interests of RDI and its  
10 shareholders. With the passing of JJC, Sr., Kane also acknowledged that it was “time to change  
11 this approach and appoint individuals that could offer solid advice and counsel, such as some  
12 NYC real estate people and/or NYC people with political know-how that we might need if we are  
13 to develop our valuable assets there.”

14 29. Recognizing JJC, Sr.’s control of the Company, the board asked that he provide  
15 them with a succession plan. He did so in or about December 2006, and the RDI board  
16 implemented it. The succession plan was to have JJC assume JJC, Sr.’s position when JJC, Sr.  
17 retired or passed, as the case may be.

18 30. Since 2005, JJC was involved in most RDI executive management meetings and  
19 privy to most significant internal senior management memos. JJC was appointed Vice Chairman  
20 of the RDI board in 2007. The RDI board appointed JJC President of RDI on or about June 1,  
21 2013, which responsibilities he filled without objection by the RDI board of directors.

22 31. On or about September 13, 2014, JJC, Sr. passed.

23 32. Soon thereafter, trust and estate litigation was commenced by his daughters, MC  
24 and EC, including against JJC, which litigation involved the issue of whether MC or JJC, or both,  
25 should control the RDI voting stock previously controlled by JJC, Sr., among other things.

26 33. As President and CEO of RDI, JJC alienated his sisters because he acted to protect  
27 and further the interests of RDI and all of its shareholders, repeatedly rebuffing the efforts of MC  
28 and EC to advance their own interests, as well as efforts by Kane, Adams and McEachern to



1 protect and further the interests of MC and EC, as well as their own interests, all to the detriment  
2 of the Company and its other shareholders. For example, JJC questioned and/or rejected purported  
3 expenses EC and MC sought to have RDI pay. In one instance, EC attempted to charge RDI for  
4 an expensive Thanksgiving dinner with her mother, sister and sister's children, which effort  
5 Plaintiff rejected, angering EC. In another instance, MC attempted to charge RDI for certain  
6 expenses of her father's funeral. JJC insisted that RDI employ an executive qualified to direct  
7 RDI's real estate business, which MC resisted. MC wanted to direct RDI's real estate businesses.  
8 However, she is unqualified to do so. She wanted to do so in order to be employed by RDI and to  
9 secure lucrative compensation and/or benefits she otherwise would not receive.

10 34. Frustrated by Plaintiff's apparent refusal as President and CEO to accede to their  
11 demands for titles, positions, promotions, employment contracts and money from RDI, and with  
12 MC believing she was in jeopardy of having her lucrative consulting arrangement to manage live  
13 theater operations terminated due to the Orpheum Theatre debacle described herein, MC and EC  
14 agreed to act together and acted to protect and advance their personal interests by seizing and  
15 acting to perpetuate control of RDI. To that end, MC and EC next secured the agreement of  
16 defendants Kane, Adams and McEachern to choose sides in their family dispute with JJC, and to  
17 act in derogation of their fiduciary obligations and the interests of RDI and all RDI stockholders,  
18 to threaten Plaintiff and then, when the threat failed, to stage a boardroom coup by firing Plaintiff  
19 as President and CEO of RDI and to thereafter act to perpetuate their control of RDI.

20 **EC and MC Act To Further Their Own Interests; Kane Assists**

21 35. Soon after JJC, Sr. passed, EC sought an employment agreement and a promotion  
22 from Chief Operating Officer of RDI's Domestic Cinema Operations to head of its worldwide  
23 cinema division (including Australian and New Zealand Cinema Operations). EC also sought an  
24 employment agreement. Plaintiff is informed and believes that EC did so in part because she was  
25 fearful that JJC, acting to protect and further the interests of the Company, would fire her,  
26 notwithstanding the fact that he had never expressed any intention of doing so.

27 36. Soon after JJC, Sr. passed, EC also sought a raise. The claimed impetus for the  
28 requested raise was to qualify for a loan on a Laguna Beach, California condominium. EC sought

1 it in part because EC understood that Kane would get it for her.

2 37. Kane, who has a decade's long quasi-familial relationship with each of MC and  
3 EC, who call him "Uncle Ed," acted to ensure that EC would obtain the loan she sought, described  
4 above.

5 38. To that end, Kane, purporting to act as chairman of the RDI Compensation  
6 Committee, without authority or approval from the RDI Compensation Committee, on RDI  
7 letterhead wrote EC's lender and represented that the Committee "anticipate[d] a total cash  
8 compensation increase of no less than 20%" for EC "effective no later than January 1, 2015."  
9 Despite JJC pointing out that sending such a letter to EC's bank was inappropriate, EC executed  
10 the letter on behalf of Kane.

11 39. Shortly thereafter, Kane acknowledged to RDI board members that the study that  
12 had been commissioned and expected to justify EC's pay increase, actually failed to do so.

13 40. Also, in October 2014, Kane prompted the RDI board to provide EC a "bonus" of  
14 \$50,000, on account of a supposed error by the Company in connection with the issuance of RDI  
15 stock options EC had exercised in 2013. No other similarly situated RDI executive received such  
16 a "bonus," which was tantamount to a gift or other unearned compensation given to EC from the  
17 coffers of RDI.

#### 18 **The Outside Directors Act To Further Their Own Interests**

19 41. Separately, commencing shortly after JJC, Sr.'s death on September 13, 2014,  
20 Kane began pressing Plaintiff as President and CEO to recommend to the RDI board, and thereby  
21 effectively approve, increases in directors' fees and consideration paid to Kane and other outside  
22 board members.

23 42. Kane and the other outside directors were successful in increasing their  
24 compensation. On or about November 13, 2014, the RDI board raised annual directors' fees by  
25 approximately forty-three percent (43%) and gave each nonemployee director additional  
26 compensation in the form of stock options and a one-time cash compensation.

#### 27 **MC And EC Bring Cotter Family Disputes To RDI's Boardroom**

28 43. Notwithstanding the fact that Plaintiff had been President of RDI since 2013,

1 notwithstanding the fact that JJC, Sr. and the RDI board had implemented a succession plan  
2 pursuant to which Plaintiff would succeed JJC, Sr. as CEO of RDI, and notwithstanding that JJC,  
3 Sr.'s testamentary disposition memorialized to EC and MC his intention that JJC serve as  
4 President of RDI, MC and EC resisted and sought to avoid reporting to JJC. EC and MC involved  
5 certain directors in their disputes with JJC soon after JJC became CEO of RDI.

6 44. In the fourth quarter of 2014, MC undertook to enlist Kane to undermine Plaintiff.  
7 During that time frame she confidentially requested of Kane that she be made co-CEO of RDI.

8 45. During that time frame, Plaintiff in furtherance of his responsibilities as CEO of  
9 RDI sought to engage in substantive communications with MC about the live theater business for  
10 which she was responsible. MC flatly refused to have substantive communications with Plaintiff  
11 about such matters.

12 46. Plaintiff also brought to the attention of Kane and other directors the difficulties  
13 created by MC and EC, including in particular but not limited to MC's abject refusal to  
14 communicate with Plaintiff about the businesses for which she either had or claimed she should  
15 have responsibility, meaning the live theater business, and two highly valuable real estate assets in  
16 New York City which MC was not qualified to manage or lead without expert or qualified  
17 assistance she refused to accept, including by consistently resisting hiring a qualified executive.

#### 18 **Kane Acts To Protect EC And MC**

19 47. In or about January 2015, Kane acted to protect and further the interests of EC and  
20 MC, in derogation of his fiduciary obligations.

21 48. By way of email dated January 16, 2015, Kane communicated to Plaintiff a  
22 suggestion to the effect that EC be given the title she wants, that MC be treated as a "co-equal with  
23 [a] new head of domestic real estate [and] [t]hat she and the new head will report to you and you  
24 will resolve any conflicts between them that they cannot resolve themselves [and] you will make a  
25 title for MC as a new employee of the Company . . . ."

#### 26 **MC And EC Prompt The Outside Directors To Participate In Family Disputes**

27 49. The outside board members, faced with the personal disputes MC and EC had with  
28 JJC, including the pending trust and estate litigation, took steps to protect and enhance their

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personal interests.

50. The RDI board of directors on January 15, 2015 determined to purchase a directors and officers insurance policy (which it never had before) with a limit of \$10 million. At the time, they also determined that stock option grants to individual directors made on or about November 13, 2014 would vest immediately and further determined that January 15, 2015 would be the date on which to establish the stock price for option purposes.

51. In a private session of the outside directors on January 15, 2015, they discussed and agreed upon a course of action put forth by EC and MC which initially was proposed to be the first two paragraphs quoted below, but after discussion became all three. They resolved and approved, with Plaintiff, EC and MC abstaining, as follows:

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

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

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

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

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

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

**Management Catalysts**

RDI has historically suffered from a control discount. The dual class structure created a situation where the Cotter family owned approx. 30% of outstanding shares, but 70% of class B voting stock. James Cotter Sr., the longtime CEO, made little effort to promote the company and was slow to monetize assets and unlock the value even though he did acquire assets smartly and did a good job of operating the business. Over the past two years, asset monetization has moved ahead and seems to be a sign of things to come. In early August, James Cotter, Sr., resigned from serving as the Company’s Chairman and CEO and recently passed away. Cotter’s son Jim has taken over the CEO position. We think that Jim has already

1           been a positive influence in terms of value realization during the last year.  
2           We believe that Jim was instrumental in pushing not only the sales of  
3           important Australian assets, but also the share buyback. He is also seeking  
4           other ways to increase value (e.g. considering ways to further monetize the  
5           Angelika brand). We expect the stock will move much closer to fair value  
6           once definitive announcements are made around the New York City assets  
7           and other smaller asset monetization announcements in the next 12  
8           months. The two New York assets discussed have appreciated  
9           significantly in recent years and are a part of the value here. It is also  
10          worth noting that RDI also owns other valuable, underutilized real estate  
11          (including Minetta Lane Theater, Orpheum Theater, Royal George in  
12          Chicago, etc.) that could ultimately be redeveloped and create incremental  
13          value for shareholders.

9           54.     After meeting JJC in person in October 2014, one large stockholder commented, "I  
10          came away from our meeting with a firm view that you care about shareholders and that both you  
11          and us will be nicely rewarded over time...I intend to remain a long-term partner. I am confident  
12          that if you continue to buy back stock and the investment community begins to believe that you, as  
13          a leader, will act in the best interests of shareholders, the stock price will be considerably higher."  
14          The stock price did move considerably higher.

15          55.     JJC's success in fact began as early as June 1, 2013, when he was appointed  
16          President of RDI. After JJC, Sr. was diagnosed with prostate cancer in early 2013, JJC, Sr. turned  
17          over more responsibility to JJC, as JJC, Sr. was battling prostate cancer. On June 1, 2013, the  
18          stock price was only \$6.08 per share.

19          56.     JJC's success as President and CEO of RDI continues to be recognized by the stock  
20          market. On May 31, 2015, The Street Ratings upgraded their recommendation of RDI to a "buy"  
21          or "purchase." On June 4, 2015, RDI Class A stock traded in the public marketplace as high as  
22          \$14.45 per share.

23          57.     MC and EC objected to Plaintiff's on-going, successful efforts as President and  
24          CEO of RDI which, though in the best interests of all RDI shareholders, including the public non-  
25          Cotter family shareholders, were viewed by MC and EC as not in their personal interests because,  
26          among other things, they preferred that the price at which RDI class A stock traded artificially  
27          depressed. MC and EC continued to voice objections to JJC communicating with shareholders.

28          58.     By their actions and statements, including but not limited to their demands

1 additional compensation and for employment agreements, and their complaint that Plaintiff had  
2 acted in the interests of all RDI shareholders rather than in their particular interests, MC and EC  
3 made clear that their personal interests were paramount, and that they would act to protect and  
4 further their personal interests, to the detriment of the interests of RDI and its other shareholders.

5 **JJC Complies With Board Processes, MC And EC Prompt The Termination of Such**  
6 **Processes**

7 59. By March 2015, the efforts of EC and MC to promote their own interests, in  
8 derogation of the interests of the Company, compelled the non-Cotter members of the RDI board  
9 of directors to act.

10 60. In March 2015, the non-Cotter directors appointed lead director Gould and director  
11 Storey as an independent committee, with Storey functioning as their representative or  
12 ombudsman to work with JJC as CEO, including by acting as a facilitator with EC and MC.

13 61. On behalf of the non-Cotter directors, Gould advised MC and EC and Plaintiff that  
14 the process they had put in place, involving director Storey as ombudsman, would continue  
15 through June 2015, at which time an assessment would be made of the situation, including in  
16 particular the extent to which each of the three of them had cooperated in the process and had  
17 undertaken to improve their working relationships and to sustain improved working conditions.

18 62. From that point forward, Plaintiff worked with director Storey in the manner Storey  
19 on behalf of the non-Cotter directors had requested.

20 63. However, MC and EC did not, including as otherwise averred herein. Instead, they  
21 continued to act to preserve and further their own personal and financial interests, to the detriment  
22 of RDI and its shareholders and refused to do certain things requested by Plaintiff, which Storey  
23 had agreed were in the best interests of RDI.

24 64. Thus, although MC for months had resisted even having substantive discussions  
25 with Plaintiff about the live theater business operations for which she was responsible, and  
26 although MC for months had failed and refused to produce even the most rudimentary of business  
27 plans, she nevertheless pushed to be provided an employment agreement with RDI. For example,  
28 on May 4, 2015, by which time the Orpheum theater debacle had come to light, and by which time

1 she had provided no business plan whatsoever, notwithstanding requests from Plaintiff and from  
2 director Storey that she do so, and notwithstanding that she refused to have any substantive  
3 discussions with Plaintiff about the live theater business operations, she emailed Plaintiff, stating  
4 “any idea when this employment agreement of mine that you have been working on for months  
5 will be presented?”

#### 6 **The Outside Directors Demand More Money**

7 65. In the same time frame, the non-Cotter directors were seeking additional  
8 compensation. In particular, Kane pushed Plaintiff to provide all non-Cotter directors other than  
9 director Storey an extra \$25,000 for the first six months of 2015, with the understanding “that at  
10 year-end we will be asking for an additional payment.”

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

17 67. Plaintiff advised Kane that he had some reservations about the additional  
18 compensation Kane proposed providing to the non-Cotter directors.

19 68. While Plaintiff did as director Storey requested, MC and EC pursued their own  
20 personal interests, in derogation of the interests of RDI and its shareholders. Among other things,  
21 EC had her personal lawyers copied on internal RDI correspondence and present on telephone  
22 calls with RDI outside counsel and executives, including the CFO and the General Counsel, about  
23 which Plaintiff as CEO was not notified, so as to protect and further the interests of EC and MC.

#### 24 **MC’s Orpheum Theatre Debacle Puts Her In Jeopardy**

25 69. On or about May 18, 2015, Plaintiff took MC to task, observing that she had been  
26 promising him a business plan for eight months but still had not delivered one.

27 70. RDI’s proxy statement filed with the SEC in connection with the annual meeting of  
28 RDI stockholders that occurred in 2014 described MC’s role in relevant part as “the President of

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

5 71. MC’s diligence and candor, or lack of one or both, have been called into question  
6 by her handling of the relationship with the Stomp Producers. The Stomp Producers, the tenant at  
7 the RDI owned Orpheum Theatre and the source of a majority of RDI’s live theater revenues, gave  
8 notice on April 23, 2015 of termination of the lease for cause. MC had prior notice of alleged  
9 problems of the nature upon which Stomp based its purported termination of the lease for cause.  
10 Nevertheless, MC allegedly failed to handle the business for which she was responsible, whether  
11 by addressing the alleged problems, by developing a constructive working relationship with the  
12 Stomp Producers or otherwise.

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

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

21 73. MC failed to disclose the February 6, 2015 letter or the substance of it or that the  
22 Stomp Producers told MC on April 9, 2015 that they were going to vacate the theater or even the  
23 situation with the Stomp Producers generally to Plaintiff or, Plaintiff is informed, to any outside  
24 member of the RDI board of directors. In other words, she concealed the fact that she was facing a  
25 serious business challenge, whether real or contrived by the Stomp Producers, and in doing so  
26 breached her fiduciary obligations as a director. In so acting, she also undertook to deceive  
27 Plaintiff and the non-Cotter members of RDI’s board into providing her an employment contract  
28 with respect to the very matters as to which she was then accused of being grossly negligent,  
among other things.



1           74.     Upon learning of the Stomp Producer’s notice to terminate, director Gould stated an  
2 assessment to the effect that MC’s handling of the situation (independent of the merits or lack of  
3 merits of the claims of the Stomp Producers), including not notifying anyone about the threat of  
4 the Company losing a material portion of its live theater business income, could be grounds for  
5 termination.

6                                   **Kane Acts To Protect MC**

7           75.     Concerned that MC was at risk to be terminated for cause, director (Uncle Ed) Kane  
8 took actions to protect his quasi-family, MC and EC. Together they launched the scheme to extort  
9 JJC or, failing that, to terminate him as President and CEO and seize control of RDI, enlisting the  
10 assistance and cooperation of directors Adams and McEachern, both of whom acted to preserve  
11 and further their own personal and financial interests.

12           76.     Kane’s quasi-familial relationship and visceral support of MC and EC has been  
13 evidenced by, among other things, stunning *ad hominem* invectives directed at directors Gould and  
14 Storey, as well as by rants to JJC about “The Godfather” and the Corleone family from that series  
15 of movies, even including a suggestion that termination of JJC would be analogous to the murder  
16 of someone disrespecting a Corleone family member.

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

18           77.     The efforts of MC and EC, together with their protector and benefactor, (Uncle Ed)  
19 Kane, to threaten and later depose JJC as President and CEO, provided a perfect opportunity for  
20 Adams to protect his own personal (including professional) and financial interests.

21           78.     Prior to 2007 or 2008, when (according to Adams’ own sworn testimony in a recent  
22 divorce proceeding) his business of investing monies he raised privately failed after he lost  
23 approximately seventy percent (70%) of the monies invested with him, Adams was active as a  
24 small time shareholder activist who purchased small stakes in public companies, agitated for  
25 change in the boardroom, secured a position as director, generated a quick and short term profit  
26 through the process and then promptly resigned, to search for the next public company victim.  
27 Since that time, Adams has been unsuccessful in reviving that business and, for all intents and  
28 purposes, has been unemployed.

1           79.     EC led Adams to believe that he would be appointed CEO of RDI upon termination  
2 of JJC.   Simply holding that position would be of value to Adams, including in reviving his  
3 business of investing in public companies, agitating for change in the composition of the board or  
4 otherwise at the company, cashing out and moving on.   Adams for that reason supported  
5 terminating JJC.   After JJC had been terminated, it was EC rather than Adams (who previously  
6 was identified to become CEO) who was appointed interim CEO of RDI.

7           80.     Separately, Adams is beholden to EC and MC because, among other things, he is  
8 financially dependent on monies paid to him by the Cotter family businesses EC and MC control.  
9 Based on information provided by Adams in sworn statements in a recent divorce proceeding, it  
10 appears that amounts paid to him by Cotter entities over which EC and MC exercise control or  
11 claim to exercise control amounted to over half (50%) of Adam's (claimed approximate \$90,000)  
12 income in 2013, at a minimum, and possibly amounted to over eighty percent (80%) of that  
13 income.

14           81.     Additionally, Plaintiff is informed and believes and thereon alleges that on or about  
15 May 2013, Adams entered into an agreement with JJC, Sr. whereby Adams received, among other  
16 things, a carried interest in certain real estate projects, including one by the name of Shadow View.  
17 Plaintiff is further informed and believes and thereon alleges that the value of Adams' carried  
18 interest in Shadow View, including whether it will be monetized and the extent to which it will be  
19 monetized for the benefit of Adams, is contended by MC and EC to be the responsibility of the  
20 estate of JJC, Sr., of which MC and EC presently are the executors.

21           82.     Thus, Adams' personal and financial interests are dependent on his financial  
22 benefactors, MC and EC.   Practically, Adams has little choice if any but to accommodate and  
23 advance the personal interests of MC and EC, including by helping them seize, consolidate and  
24 perpetuate their control of RDI, including as alleged herein.

25           83.     For such reasons, Adams is not independent generally, and not disinterested with  
26 respect to the disputes between MC and EC, on one hand, and JJC on the other, much less with  
27 respect to the decision to fire JJC.

28           84.     In or about March 26, 2015, Adams sold all RDI options he had, including options

1 he had been granted only a few months earlier. He has never owned any RDI shares. Today,  
2 Adams holds no RDI stock or options. Notably, he failed to disclose that he owned RDI options in  
3 his divorce proceedings.

4 85. The other non-Cotter board members know of, and previously had reason to  
5 suspect, that Adams suffers from debilitating and disqualifying personal (and professional) and  
6 financial interests, both generally and particularly regarding the vote to remove JJC as President  
7 and CEO and to replace JJC as CEO with Adams. Among other things and without limitation,  
8 when Adams joined the RDI board of directors on or about January 14, 2014, he was asked  
9 whether he would be an independent director and, more particularly, about his financial dealings  
10 with the Cotter family and Cotter family entities. Although Adams acknowledged that he had such  
11 financial relationships with the Cotter family and/or the Cotter family controlled businesses, he  
12 declined to particularize the relationships or disclose the particulars regarding the financial aspects  
13 of them, and instead claimed the monies he was being paid were “*de minimus*.”

14 **Defendants Other Than Storey And Gould Threaten Plaintiff With Termination If He Fails**  
15 **to Resolve Disputes With EC and MC on Terms Unilaterally Set By Them**

16 86. On Tuesday, May 19, 2015, EC distributed a purported agenda for an RDI board of  
17 directors meeting scheduled to commence not quite 48 hours later, at 11:15 a.m., on Thursday,  
18 May 21, 2015. The first action item on the agenda was entitled “Status of President and CEO[,]”  
19 which in fact was the agenda item to raise an issue previously never discussed by RDI’s Board of  
20 Directors, namely, termination of JJC as President and CEO of RDI.

21 87. Prior to May 19, 2015, acting in concert with MC and EC, Adams, Kane and  
22 McEachern had agreed to vote to seize control of RDI and, if necessary to do so, to terminate JJC  
23 as President and CEO of RDI.

24 88. In the face of objections by directors Gould and Storey that the non-Cotter directors  
25 had not undertaken an appropriate process to make any decision regarding whether or not to  
26 terminate the President and CEO of RDI, and a request that the outside directors meet before the  
27 scheduled May 21 meeting, Kane provided a visceral response to the effect that the outside  
28 directors did not need to meet, tacitly acknowledging the planned coup and admitting that even the

1 pretense of process would not be undertaken because “the die is cast.”

2 89. In furtherance of their self-serving scheme, EC and Adams previously had hired  
3 counsel ostensibly representing RDI, Akin Gump, and had that counsel attend the May 21 board  
4 meeting at which the first agenda item was termination of JJC as President and CEO.

5 90. Counsel for JJC appeared at the meeting and explained, among other things, that (i)  
6 the non-Cotter directors had not engaged in any process that would satisfy any measure of their  
7 fiduciary obligations to even make a decision with respect to whether to terminate JJC as President  
8 or CEO, and that (ii) Adams not only was not disinterested with respect to the decision, he was so  
9 interested that he was clearly and indisputably conflicted, that Kane too clearly was interested  
10 under Nevada law and that McEachern also appeared interested. JJC’s counsel effectively made  
11 these comments on the way out of the room, after the board had voted (by 5 to 3) to allow the  
12 lawyers hired by EC and Adams to stay, but to not allow JJC’s lawyer to attend even for agenda  
13 item one.

14 91. Adams, bristling at the prospect of others being dissuaded from terminating JJC and  
15 then selecting Adams to replace JJC as CEO, directed that the two security officers waiting outside  
16 the boardroom be called to physically remove JJC’s attorney from the premises. Of course, Adams  
17 lacked authority to do so.

18 92. For his part, Kane simply directed personal invective at JJC’s attorney, just as Kane  
19 had done previously toward directors Storey and Gould when each of them expressed views that  
20 were in the estimation of Kane contrary to the interests of MC, EC or both, as well as to Kane’s  
21 intent on rendering punitive consequences.

22 93. Faced with a clear record that the non-Cotter directors had failed to undertake any  
23 process, much less an appropriate process, to make a decision regarding whether to terminate JJC  
24 as President and CEO, Adams solicited JJC to have an impromptu discussion about his  
25 performance. Recognizing that Adams’ solicitation was nothing more than a disingenuous, after-  
26 the-fact effort to fabricate a record of process and diligence where none existed, JJC demurred. Of  
27 course, JJC also had reason to do so in view of the fact that the non-Cotter directors previously had  
28 put in place a process (described above) that was to play out through the end of June, at least,

1 which process had not been completed, meaning that the non-Cotter directors' decision to  
2 terminate JJC as President and CEO was in derogation of, and pre-empted, their own processes.

3 94. EC, MC, Kane, Adams and McEachern then determined to adjourn the May 21,  
4 2015 board meeting to May 29, 2015, to afford them an opportunity to further attempt to pressure  
5 JJC to cede control of RDI to them.

6 95. Thus, on Wednesday, May 27, 2015, Texas attorney Harry Susman, one of the  
7 lawyers representing MC and EC in the trust and estate litigation, transmitted to Adam Streisand,  
8 an attorney representing JJC in the trust and estate litigation, a document outlining terms to which  
9 JJC was required to agree to avoid the threatened termination. The proposal was communicated as  
10 effectively a "take-it or leave-it" proposal and was accompanied by a deadline of 9:00 a.m. on  
11 Friday, May 29 to accept the proposal.

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

15 97. By the foregoing actions, among others, MC and EC made clear that accepting their  
16 take-it or leave-it settlement proposal was what JJC had to do to avoid being fired as President and  
17 CEO of RDI.

18 98. Also on May 28, 2015, approximately one day after EC and MC's lawyer  
19 transmitted the "take-it or leave-it" global settlement proposal and one day before the RDI board  
20 was to reconvene to execute on their threat to terminate JJC as President and CEO of RDI, Kane  
21 told JJC to accept the take-it or leave-it offer to "end all of the litigation and ill feelings." Among  
22 other things, by email on May 28, 2015, Kane stated as follow to JJC:

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

27 99. On Friday, May 29, before the RDI board of directors meeting reconvened, EC and  
28 MC met with JJC and told him that the document that had been conveyed by attorney Susman on

1 their behalf two days earlier was a take-it or leave-it offer and that, if JJC did not accept it, the RDI  
2 board would terminate him as President and CEO. JJC attempted to discuss proposed changes  
3 with them, to which EC and MC responded that they would accept no changes. They repeated that  
4 if JJC did not accept the agreement as proposed, JJC would be terminated as President and CEO of  
5 RDI.

6 100. Director Gould shortly thereafter came to JJC's office and said that the majority of  
7 the non-Cotter board members were prepared to vote to terminate him and that the supposed board  
8 meeting was about to commence.

9 101. JJC entered the conference room where the supposed meeting was to occur. The  
10 supposed meeting was commenced and Adams made a motion to terminate JJC as President and  
11 CEO.

12 102. JJC observed that Adams was not independent or disinterested, pointing out that a  
13 substantial portion of his income came from Cotter entities, as evidenced by sworn testimony  
14 Adams had given in his divorce proceeding. JJC invited Adams to prove otherwise, to which  
15 Adams responded that he did not have to do so. Others inquired of Adams' financial relationship  
16 to Cotter entities, but Adams declined to provide substantive responses to those queries.

17 103. Director Gould opined that it was not the role of the RDI board of directors to  
18 intercede in the personal disputes between EC and MC, on the one hand, and JJC, on the other  
19 hand, nor to tip the balance of power in those disputes. He further observed that the board should  
20 attempt to maintain the status quo until the courts resolved the trust and estate litigation, and added  
21 that he thought JJC had done a good job.

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

25 105. Next, the five outside directors asked JJC to leave the conference room so that they  
26 could talk with EC and MC. Plaintiff is informed and believes that one or more of Kane, Adams  
27 and McEachern conferred with EC and MC about whether to proceed to terminate JJC as President  
28 and CEO or to continue to attempt to pressure him to resolve his disputes with EC and MC on

1 terms acceptable to them.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. On or about April 17, EC and MC exercised options to acquire 50,000 and  
35,100 shares of RDI class B shares, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24           161. On or about October 20, 2015, the Company issued its Proxy Statement for the  
25 2015 ASM scheduled for November 10, 2015. The Proxy Statement is materially misleading if not  
26 inaccurate in a number of respects, including the following:  
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- a. It states (at page 10) that, under Nevada law, EC and MC, as two of three trustees of the Trust, have the power to vote all of the RDI class B voting stock held in the name of the Trust on the books and records of the Company;
- b. It states (at page 10) that EC and MC together have the power to vote 71.9% of a class B voting stock entitled to vote for directors at the 2015 ASM;
- c. It states (at pages 10 and 11) that the Company is a controlled company under NASDAQ listing rules;
- d. It states (at page 11) that EC has been appointed as interim President and CEO and that the Board has established an Executive Search Committee comprised of EC, MC, Adams, Gould and McEachern which, it says, “will consider both internal and external candidates.” Plaintiff is informed and believes that the undisclosed plan is to make EC President and CEO after conducting a search the purpose of which is to create the misimpression of a bona fide process;
- e. It states (on page 12) that the “Special Nominating Committee and the Board accordingly considered the views of (EC and MC) with respect to the 2015 Director nominees,” when in fact the Special Nominating Committee and every member of the Board other than Plaintiff acted as each understood EC and MC desired;
- f. It states (on page 12) that Plaintiff “vot[ed] against each of the recommended nominees (including himself),” which is inaccurate;
- g. It describes (on page 15) historical business experience of defendant Adams, as if that experience is the reason he is a director and id nominated for reelection, but fails to disclose his close personal ties to the late JJC, Sr. and to EC and MC, and fails to disclose Adams’ financial dependence on companies and deals controlled by EC and MC;
- h. It describes (at page 15) professional experience of Judy Coddling in the field of education as if that were the reason she was made a director and is

- 1 nominated for reelection, but fails to disclose her personal relationship with Mary  
2 Cotter, the mother of EC and MC;
- 3 i. It describes (at pages 15-16) the role of MC with respect to the Company's  
4 live theatre operations, and says that she "heads up the re-development process  
5 with respect to these properties and our Cinemas 1, 2 & 3," but fails to disclose that  
6 MC successfully has ended the search by the Company for an experienced real  
7 estate executive to lead its real estate development efforts. Among the reasons MC  
8 has done so is to create a purported basis for seeking and securing and for which  
9 she will receive an employment agreement with the Company;
- 10 j. It describes (at page 16) certain professional experience of Kane, including  
11 experience from 1987 and 1988, but fails to disclose his historical and ongoing  
12 quasi-familial relationship with EC and MC;
- 13 k. It describes (at page 16) certain professional experience of Wrotniak, as if  
14 that were the reason he was made a director and is nominated for reelection, but  
15 fails to disclose the close personal relationship he and his wife have with MC.

#### **RDI Is Injured**

16  
17 162. When the individual defendants' complained of conduct became publicly known  
18 and disseminated, the price at which RDI stock traded dropped, resulting in monetary damages to  
19 RDI and to RDI stockholders. One or more directors or officers of RDI observed at or about the  
20 time that this had occurred. Those damages are estimated to be in excess of \$40 million. When  
21 the actions of the individual defendants (other than Storey) to stack the RDI Board became  
22 publicly known, RDI stock prices dropped again.

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

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

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

8 **Demand Is Excused**

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

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

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

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

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

### 13 **FIRST CAUSE OF ACTION**

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

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

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

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

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

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

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

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

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

### 13 SECOND CAUSE OF ACTION

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

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

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

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

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

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



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

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

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

9 **THIRD CAUSE OF ACTION**

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

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

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

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

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

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

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

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

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

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

#### 12 **Irreparable Harm**

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

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

#### 24 **PRAYER FOR RELIEF**

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

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

1 RDI;

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

4 3. For entry of an order that:

5 a. Finds that that three or more of EC, MC, Kane, Adams and/or McEachern  
6 lacked the requisite disinterestedness and/or lacked independence and/or failed to  
7 act with the requisite disinterestedness and/or independence in voting (and  
8 purporting to act as) directors of RDI to remove Plaintiff as President and CEO of  
9 RDI, finds that such action is voidable and declares such action void and legally  
10 ineffectual, such that Plaintiff is restored to the positions of President and CEO of  
11 RDI (unless and until such time as he resigns or is removed by way of proper and  
12 legally enforceable procedure);

13 b. Enjoins the individual defendants and each of them, and their agents, from  
14 any and all actions to circumvent, impair the function of or render ineffective RDI's  
15 full Board of Directors, including in particular but not limited to any and all actions  
16 to (i) delay the delivery of draft minutes of RDI Board of Directors meetings and/or  
17 cause minutes to be edited or revised to suit the litigation purposes of any or all of  
18 EC, MC, Kane, Adams and McEachern, (ii) cause the failure or untimely delivery  
19 of agendas and materials to be used at RDI Board of Directors meetings, (iii) cause  
20 minutes of RDI Board of Directors meeting to be inaccurate, misleading or  
21 incomplete, and (iv) cause the EC Committee or any other committee of the Board  
22 of Directors (other than its audit and compensation committees in the ordinary  
23 course of business) to take any actions, to make any decisions or to otherwise act or  
24 fail to act in place or in lieu of the full Board of Directors with respect to any and  
25 all decisions of the type or nature that can be made by RDI's Board of Directors  
26 (rather than by its senior executives);

27 c. Directs RDI and the individual defendants to make such corrective  
28 disclosures as are determined by the Court to be appropriate, with such disclosures

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

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

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

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

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

6. For costs of suit herein; and

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

DATED this 22nd day of October, 2015.

LEWIS ROCA ROTHGERBER LLP

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

Attorneys for Plaintiff  
*James J. Cotter, Jr.*

1 **CERTIFICATE OF SERVICE**

2 I, Annette Jaramillo, declare as follows:

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

5 On October 22, 2015, I served the attached:

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

7 on the interested parties in said action, as follows:

8 Mark E. Ferrario, Esq.  
9 Leslie S. Godfrey, Esq.  
10 Lance Coburn, Esq.  
11 GREENBERG TRAUERIG LLP  
12 [ferrariom@gtlaw.com](mailto:ferrariom@gtlaw.com)  
[godfreyl@gtlaw.com](mailto:godfreyl@gtlaw.com)  
*Attorneys for Reading International, Inc.*

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

13 Christopher Tayback, Esq.  
14 Marshall M. Searcy, Esq.  
15 QUINN EMANUEL URQUHART &  
16 SULLIVAN LLP  
[christayback@quinnemanuel.com](mailto:christayback@quinnemanuel.com)  
[marshallsearcy@quinnemanuel.com](mailto:marshallsearcy@quinnemanuel.com)  
*Attorneys for Defendants Margaret Cotter,  
Ellen Cotter, Douglas McEachern, Guy Adams  
and Edward Kane*

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

17 Ekwan E. Rohow, Esq.  
18 Bonita D. Moore, Esq.  
19 BIRD, MARELLA, BOXER, WOLFPERT,  
20 NESSIM, DROOKS, LINCENGERG &  
21 RHOW  
[eer@birdmarella.com](mailto:eer@birdmarella.com)  
[bdm@birdmarella.com](mailto:bdm@birdmarella.com)  
*Attorneys for Defendants William Gould and  
Timothy Storey*

Alexander Robertson, Esq.  
ROBERTSON & ASSOCIATES, LLP  
[arobertson@arobertsonlaw.com](mailto:arobertson@arobertsonlaw.com)  
*Derivatively on behalf of Reading  
International, Inc.*

22 Adam C. Anderson, Esq.  
23 PATTI, SCRO, LEWIS & ROGER  
24 [aanderson@pslrfirm.com](mailto:aanderson@pslrfirm.com)  
25 *Derivatively on behalf of Reading  
26 International, Inc.*  
27  
28

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

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

6 /s/ Annette Jaramillo  
7 An Employee of Lewis Roca Rothgerber LLP  
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3993 Howard Hughes Parkway  
Suite 600  
Las Vegas, NV 89169-5996  
**LEWIS ROCA  
ROTHGERBER**

LEWIS ROCA  
ROTHGERBER

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

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

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

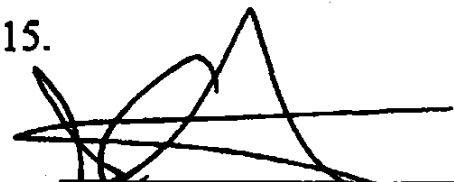
2. As a shareholder of Reading International, Inc. ("RDI"), I am plaintiff in the above-captioned action.

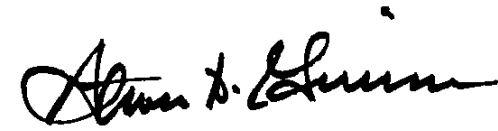
3. As stated in the First Amended Verified Complaint (the "First Amended Complaint"), I am and at all times relevant to this action have been a shareholder of nominal defendant RDI.

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

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

DATED this 22<sup>nd</sup> day of October, 2015.

  
\_\_\_\_\_  
JAMES J. COTTER, JR.



CLERK OF THE COURT

1 **SPO**  
2 MARK E. FERRARIO, ESQ.  
3 (NV Bar No. 1625)  
4 G. LANCE COBURN, ESQ.  
5 (NV Bar No. 6604)  
6 GREENBERG TRAUERIG, LLP  
7 3773 Howard Hughes Parkway  
8 Suite 400 North  
9 Las Vegas, Nevada 89169  
10 Telephone: (702) 792-3773  
11 Facsimile: (702) 792-9002  
12 ferrariom@gtlaw.com  
13 coburnl@gtlaw.com

14 *Counsel for Reading International, Inc.*

15 **DISTRICT COURT**

16 **CLARK COUNTY, NEVADA**

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

20 Plaintiff.

21 v.

22 MARGARET COTTER, ELLEN  
23 COTTER, GUY ADAMS, EDWARD  
24 KANE, DOUGLAS McEACHERN,  
25 TIMOTHY STOREY, WILLIAM  
26 GOULD, and DOES 1 through 100,  
27 inclusive.

28 Defendants.

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

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

*Jointly Administered*

**PROPOSED STIPULATED  
CONFIDENTIALITY AND  
PROTECTIVE ORDER**

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



1 READING INTERNATIONAL, INC., a  
Nevada Corporation;

2 Nominal Defendant  
3

4 The Parties jointly submit this Proposed Stipulated Confidentiality and Protective Order,  
5 as follows:

6 In order to promote the efficient and expeditious disposition of the above captioned  
7 matter, it is hereby stipulated that the following terms shall apply to the Parties' exchange of  
8 information in connection with the case:

9 1. Designation of Information.

10 a. Any Party may designate any document, object, file, photograph, video, tangible  
11 thing, interrogatory answers, answers to requests for admissions, testimony, or other material  
12 portion thereof (collectively, the "Discovery Material") as "Confidential Information" (the  
13 "Confidential Information") following a good faith determination that the information so  
14 designated is or may reveal trade secrets or matters which are confidential or proprietary under  
15 Nevada law or any other law the Court finds applicable. To designate documents, objects or  
16 tangible things, a Party shall place the legend "Confidential" on each page of the document, or  
17 securely affix the legend to the object or tangible thing. To designate written responses to  
18 interrogatories or admissions, a Party shall place the legend "Confidential" on the face of the  
19 relevant portions of the responses.

20 If any **Discovery Material** is disclosed in a form not appropriate for such placing or  
21 affixing a legend, it shall be designated in writing by the producing Party as **Confidential** at the  
22 time it is delivered to the receiving Party. The receiving Party shall treat print-outs, derivative  
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24 Page 2 of 14

25 Case No. A-15-719860-B Coordinated with: Case No. P-14-082942-E,

26 Dept. No. XI

27 PROPOSED STIPULATED CONFIDENTIALITY  
28 AND PROTECTIVE ORDER

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1 data or manipulations of such material in accordance with any designations of **Confidential** as  
2 provided for herein.

3 b. This Proposed Stipulated Confidentiality and Protective Order is entered without  
4 prejudice to the right of any person to use any Confidential Information lawfully owned by that  
5 person in any manner that he, she or it may deem appropriate, and any disclosure by such person  
6 shall not be deemed a waiver of any Party's rights or obligations under this Confidentiality  
7 Stipulation and Protective Order.

8 c. Nothing herein shall be construed to restrict any Party's use of information that is  
9 lawfully possessed or known prior to disclosure by another Party, or is public knowledge, or is  
10 independently developed or lawfully acquired outside of the production and exchange covered  
11 by this Confidentiality Stipulation and Protective Order. Nothing contained in this provision or  
12 elsewhere in this proposed Stipulated Confidentiality and Protective Order is intended to or shall  
13 alter or affect the rights or obligations of any party that exist independent of proposed Stipulated  
14 Confidentiality and Protective Order, including but not limited to any claims of confidentiality or  
15 privilege any Party may have over documents, data or information currently in the possession of  
16 any other Party.

17 2. Deposition Testimony.

18 a. A Party may designate all or any portion of a deposition, including exhibits  
19 identified therein, conducted in connection with discovery as "**Confidential**" on the record of a  
20 deposition or by sending, within fourteen (14) days after receiving a copy of the deposition  
21 transcript, a written notice to all counsel and to the witness, setting forth the page and line  
22 numbers of the portions of the transcript, as well as any exhibits thereto, to be so designated. All  
23 Parties shall label the relevant pages of all such designated transcripts in their possession with

24 Page 3 of 14

25 Case No. A-15-719860-B Coordinated with: Case No. P-14-082942-E;  
26 Dept. No. XI

27 **PROPOSED STIPULATED CONFIDENTIALITY  
28 AND PROTECTIVE ORDER**

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1 the appropriate legend. Until such fourteen (14) day time period expires, the entire volume of  
2 the transcript and all Exhibits, not previously designated with a legend, shall be treated as  
3 **Confidential**, unless otherwise specified.

4 b. The producing Party who discloses **Confidential Information** shall have the  
5 right, but is not required, to exclude from attendance at the deposition during such time as the  
6 **Confidential** is to be disclosed, any person other than the deponent and those who are set forth  
7 in this Order and who are allowed to have access to such **Confidential** by the terms of this  
8 Order. A Party does not waive any rights under this Order regarding confidentiality if it or he  
9 does not exercise its or his rights to exclude persons from attendance at any or all of the  
10 deposition.

11 3. **Disclosure of Confidential Information.**

12 **Confidential Information** shall not be disclosed to anyone other than the attorneys  
13 of record in this action, the Court and its personnel, and to the following other persons, but then  
14 only for purposes of prosecuting or defending this action and only to the extent reasonably  
15 necessary to accomplish such purposes:

16 i. those attorneys, paralegals and staff of the Parties' attorneys and of the  
17 respective law firms of the attorneys who are engaged by each Party in connection with the  
18 Lawsuit;

19 ii. court reporters, stenographers or video operators at depositions, court or  
20 arbitral proceedings at which Confidential Information is disclosed;

21 iii. clerical and data processing personnel involved in the production,  
22 reproduction, organizing, filing, coding, cataloging, converting, storing, retrieving, review, and  
23

1 translating of Confidential Information, to the extent reasonably necessary to assist the Parties or  
2 their Representatives in connection with the Lawsuit;

3 iv. in-house counsel for the Parties and those members of their staffs who are  
4 engaged in the conduct of this matter;

5 v. third party experts or independent consultants, who are retained by a Party  
6 or counsel for a Party to assist in this action, provided that each is provided with a copy of this  
7 Order and that such expert or consultant executes **Exhibit A** to this Order, agreeing to be bound  
8 by this Order;

9 vi. the Parties, and such officers, directors, and employees of the Parties as  
10 outside counsel for the Parties deem necessary to assist in connection with the Lawsuit;

11 vii. Party-affiliated persons who have been noticed for depositions or trial  
12 testimony;

13 viii. non-party persons, including former employees and individual counsel of  
14 said witness, who have been noticed or subpoenaed for depositions or subpoenaed for trial  
15 testimony;

16 ix. any person reflected as an author, addressee, or recipient of the  
17 Confidential Information being disclosed or any person to whom counsel for a Party in good  
18 faith believes likely received the Confidential Information in the ordinary course of business;

19 x. any other person designated by the Court, upon such terms as the Court  
20 may deem proper;

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1 xi. the defendants' insurers and reinsurers, as required in the ordinary course  
2 of business, provided that each is provided with a copy of this Order and the insurers and  
3 reinsurers execute **Exhibit A** to this Order, agreeing to be bound by this Order, before the  
4 Confidential Information is disclosed to it; and

5 xii. any other person as all Parties may agree to in writing.

6 b. Any person to whom Confidential Information is disclosed pursuant to subparts i.-  
7 iv. and vii.-xii. above shall be advised that the Confidential Information is being disclosed  
8 pursuant to an order of the Court, that the information may not be disclosed by such person to  
9 any person not permitted to have access to the Confidential Information pursuant to this  
10 Protective Order, and that any violation of this Protective Order may result in the imposition of  
11 such sanctions as the Court deems proper.

12  
13 4. **Signature of Order and Consent to Stipulated Confidentiality and Protective**  
14 **Order.**

15 Any individual described in paragraph 3(a)(v) and 3(b)(vi) must sign an affidavit in the  
16 form attached hereto as **Exhibit A** prior to receiving any information designated as  
17 "Confidential" by a Party other than the Party which has retained the expert or consultant.  
18 Counsel of record for the Party that has retained the expert or consultant shall maintain the  
19 original of each affidavit signed pursuant to this paragraph, and, with respect to any individual  
20 that will be testifying as an expert witness, forward a copy of the affidavit to all other counsel of  
21 record within ten (10) days after the individual is identified as a testifying expert witness. The  
22 parties agree that they will not disclose **Confidential Information** to non-party witnesses or  
23 consulting experts if the facts available present a good faith basis to believe that the non-party  
24 witness or consulting expert would not abide by this Order, or would have a material conflict, or

25 Page 6 of 14

26 Case No. A-15-719860-B Coordinated with: Case No. P-14-082942-E,

27 Dept. No. XI

28 **PROPOSED STIPULATED CONFIDENTIALITY  
AND PROTECTIVE ORDER**

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1 that the disclosure would otherwise cause irreparable injury. Any Party seeking to prevent the  
2 disclosure of **Confidential Information** to a non-party witness or consulting expert pursuant to  
3 the terms of this paragraph bears the burden of proof to demonstrate a material conflict exists,  
4 and after a meet and confer on the issue must, within six days after the meet and confer, file a  
5 motion with the Court in that regard. No **Confidential Information** shall be disclosed to the  
6 non-party witness or consulting expert until the Court resolves such a motion.

7 **5. Pleadings and Other Court Filings.**

8 The parties acknowledge that this Stipulated Protective Order does not entitle them to file  
9 **Confidential Information** under seal. Any party seeking to include **Confidential Information**  
10 in a motion or other pleading or as an exhibit or attachment to a motion or other pleading shall  
11 seek to file it under seal pursuant to Rule 3 of the Nevada Rules for Sealing and Redacting Court  
12 Records or by any other proper means. The parties agree not to oppose such motions, if the  
13 document is properly marked as **Confidential Information**. If a motion or pleading filed with  
14 the Court discloses **Confidential Information**, such designated portions shall be redacted to the  
15 extent necessary to conceal such information in any motion or pleading filed publicly with the  
16 Court, pending ruling by the Court on a motion to file it under seal. Unredacted motions or  
17 pleadings containing **Confidential Information** shall be filed under seal, if the Court agrees  
18 after proper motion. The parties agree not to oppose such motions, if the document is properly  
19 marked as **Confidential Information**. When a Party, in good faith, determines that it is  
20 necessary to bring the specific content of such **Confidential Information** to the attention of this  
21 Court in the body of a motion or other pleading, then it shall file a motion seeking to disclose the  
22 **Confidential Information** to the Court in camera or by such other means as the Court may deem

1 appropriate. Such motion may disclose the general nature, but shall not disclose the substance, of  
2 the **Confidential Information** at issue.

3 **6. Hearings.**

4 If a Party wishes to use **Confidential Information** at a hearing before this Court or at  
5 trial, it shall notify the Court and each of the other Parties to this action of that fact at the time the  
6 hearing or trial commences, if and as feasible, and this Court may then take whatever steps it  
7 may deem necessary to preserve the confidentiality of said information during the course of and  
8 after the hearing or trial.

9 **7. Disputed Designations.**

10 Any Party may object to a “**Confidential**” designation by serving a written notice of  
11 objection on all Parties and any designating third party, specifying with reasonable particularity  
12 the material to which objection to the disputed designation is made. The Party or non-party who  
13 made such designation shall have ten (10) business days from the receipt of such written notice  
14 to conduct a conference with the Party giving written notice to discuss any and all such issues  
15 raised in the written notice. Absent a consensual resolution of such issues, the Party (or non-  
16 party) making the designation shall have the obligation of filing a motion with the Court in ten  
17 (10) business days after the conference or such other time as is agreed in writing. Nothing herein  
18 shall alter or affect which Party has the burden of establishing by that motion or opposing it that  
19 the Discovery Material is or is not entitled to protection as Confidential Information. Nothing  
20 herein abrogates the Parties' obligations to meet and confer prior to bringing any motions.  
21 Nothing contained herein, including in this paragraph, is intended to bar or shall have the effect  
22 of barring a non-designating Party from seeking relief from the Court with respect to the  
23 designation of any Discovery Material as Confidential.

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8. Subsequent Designations.

Nothing in this Order shall prohibit a producing Party from designating, or otherwise waive a producing Party's right to designate, in accordance with this Order, any document, object, tangible thing, interrogatory answer, answer to requests for admissions, or deposition testimony as "Confidential" subsequent to its first disclosure or production.

9. Dissimilar Designations.

In the event that a Party inadvertently produces two or more identical copies of any Discovery Material with dissimilar designations, once such a discrepancy is discovered, all copies of the Discovery Material shall be treated in accordance with the most restrictive confidentiality designation used for such material.

10. Inadvertent Production.

Nothing in this Order shall require disclosure of any information that a Party contends is protected from disclosure by the attorney-client privilege, work-product doctrine, or any other legally recognized privilege or immunity. The inadvertent production of any Discovery Material that includes any such privileged information during discovery in this matter shall be without prejudice to any later claim that such material is privileged under the attorney-client privilege, work-product doctrine or any other legally recognized privilege or immunity, and no Party shall be held to have waived any rights by such inadvertent production. Upon written request by the producing Party, the receiving Party shall (a) return the original and all copies of such Discovery Material containing privileged information, (b) shall destroy the original and all copies of such Discovery Material if they cannot be returned; and (c) shall not use such privileged information for any purpose unless allowed by order of the Court.



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**11. Disclosure in Other Proceedings.**

If any Party is served with a subpoena or other process or discovery request, or is required to fulfill a disclosure obligation, that would require the production or disclosure, for some purpose other than this action, of any **Confidential Information** received by that Party in this action, the receiving Party shall notify the designating Party as soon as practicable of the subpoena, process or discovery request, or disclosure obligation, and if the designating Party so requests, shall take reasonable steps to permit the designating Party to oppose the subpoena, process, discovery request or disclosure obligation.

**12. Termination of Litigation.**

This action will be deemed to have terminated when all of the claims asserted by or against the Parties herein have been settled and compromised, or have been finally disposed of by judicial action, and all possible appeals have been exhausted or the time for filing any further appeals has passed. After the termination of this action, within thirty (30) days of a written request by the producing Party, each Party shall either return all **Confidential Information** to the Party that produced said information, or shall destroy same in a manner agreeable to the Party that produced said information and send a written confirmation to the Party that produced the information confirming that the required destruction has taken place.

**13. Modification of this Order.**

This Order may be modified by this Court at any time for good cause shown, or pursuant to a written Order by all persons and entities affected by the modification. The entry of this Order shall be without prejudice to the rights of any Party to apply for modification of this Order for additional or different protection where such protection is deemed necessary.

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**14. Continuing Force and Effect of this Order.**

The provisions of this Order shall remain in full force and effect, and shall be binding after the termination of this action. The Court hereby specifically retains jurisdiction to enforce this Order after this action has been terminated.

**15. Unauthorized Disclosure of Confidential Information.**

If a Party learns that, by inadvertence or otherwise, it has disclosed Confidential Information to any person or in any circumstance not authorized under this Stipulated Protective Order, the Receiving Party must immediately (a) notify in writing the Designated Party of the unauthorized disclosures; (b) use its best efforts to retrieve all unauthorized copies of the Confidential Information; (c) inform the person or persons to whom unauthorized

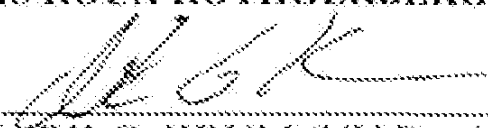
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1 disclosures were made of all the terms of this Order; and (d) request such person or persons to  
2 execute the "Order and Consent" that is attached hereto as **Exhibit A**.

3 IT IS SO STIPULATED.

4 DATED this 6th day of October, 2015.

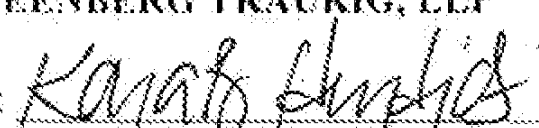
5 **LEWIS ROCA ROTHGERBERG, LLP**

6 By:   
7 **MARK G. KRUM (NV Bar 10913)**

8 *Attorneys for Plaintiff James J. Cotter, Jr.*

DATED this \_\_\_\_\_ day of October, 2015.

**GREENBERG TRAUERIG, LLP**

9 By:  #7743  
10 **MARK E. FERRARIO (NV Bar No. 1625)**  
11 **G. LANCE COBURN (NV Bar No. 6604)**

12 *Attorneys for Reading International, Inc.*

13 DATED this \_\_\_\_\_ day of October, 2015.

14 **MAUPIN COX & LeGOY**

15 By: \_\_\_\_\_  
16 **DONALD A. LATTIN (NV Bar 0693)**  
17 **CAROLYN K. RENNER NV Bar 9164)**

18 *Attorneys for William Gould and Timothy Storey*

DATED this \_\_\_\_\_ day of October, 2015.

19 **COHEN-JOHNSON, LLC**

20 By: \_\_\_\_\_  
21 **H. STAN JOHNSON (NV Bar 00265)**  
22 **MICHAEL V. JOHNSON (NV Bar 13154)**

23 *Attorneys for Ellen Marie Cotter and Ann Margaret Cotter Douglas McEachern, Guy Adams and Edward Kane*

24 DATED this \_\_\_\_\_ day of October, 2015.

25 **BIRD, MARELLA, BOXER, WOLPERT,  
26 NESSIM, DROOKS, LINCENBERG & RHOW**

27 By: \_\_\_\_\_  
28 **EKWAN E. RHOW (Pro Hac Vice)**  
**BONITA D. MOORE (Pro Hac Vice)**

*Attorney for Defendants William Gould and Timothy Storey*

DATED this \_\_\_\_\_ day of October, 2015.

29 **QUINN EMANUEL URQUHART &  
30 SULLIVAN, LLP**

31 By: \_\_\_\_\_  
32 **CHRISTOPHER TAYBACK (Pro Hac Vice)**  
**MARSHALL M. SEARCY (Pro Hac Vice)**

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

Page 11 of 13

Case No. A-13-719860-B Coordinated with Case No. P-14-082942-E,  
Dept. No. XI

**PROPOSED STIPULATED CONFIDENTIALITY  
AND PROTECTIVE ORDER**

LV 420546633v1

GREENBERG TRAUERIG, LLP  
1771 Howard Hughes Parkway, Suite 4000, North  
Las Vegas, Nevada 89102  
Telephone: (702) 791-1000  
Facsimile: (702) 792-0000

RDI-A00148

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

1 disclosures were made of all the terms of this Order; and (d) request such person or persons to  
2 execute the "Order and Consent" that is attached hereto as Exhibit A.

3 IT IS SO STIPULATED.

4 DATED this \_\_\_\_\_ day of October, 2015.

5 LEWIS ROCA ROTHGERBERG, LLP

6 By: \_\_\_\_\_  
7 MARK G. KRUM (NV Bar 10913)

8 *Attorneys for Plaintiff James J. Cotter, Jr.*

10 DATED this 9th day of October, 2015.

11 MAUPIN COX & LeGOY

12 By:   
13 DONALD A. LATTIN (NV Bar 0693)  
14 CAROLYN K. RENNER NV Bar 9164)

15 *Attorneys for William Gould and Timothy Storey*

18 DATED this \_\_\_\_\_ day of October, 2015.

19 BIRD, MARELLA, BOXER, WOLPERT,  
20 NESSIM, DROOKS, LINCENBERG & RHOW

21 By: \_\_\_\_\_  
22 EKWAN E. RHOW (Pro Hac Vice)  
23 BONITA D. MOORE (Pro Hac Vice)

24 *Attorney for Defendants William Gould and Timothy Storey*

DATED this \_\_\_\_\_ day of October, 2015.

GREENBERG TRAURIG, LLP

By: \_\_\_\_\_  
MARK E. FERRARIO (NV Bar No. 1625)  
G. LANCE COBURN (NV Bar No. 6604)

*Attorneys for Reading International, Inc.*

DATED this \_\_\_\_\_ day of October, 2015.

COHEN-JOHNSON, LLC

By: \_\_\_\_\_  
H. STAN JOHNSON (NV Bar 00265)  
MICHAEL V. JOHNSON (NV Bar 13154)

*Attorneys for Ellen Marie Cotter and Ann Margaret Cotter Douglas McEachern, Guy Adams and Edward Kane*

DATED this 7 day of October, 2015.

QUINN EMANUEL URQUIHART &  
SULLIVAN, LLP

By:   
CHRISTOPHER TAYBACK (Pro Hac Vice)  
MARSHALL M. SEARCY (Pro Hac Vice)

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

GREENBERG TRAURIG, LLP  
1773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89168  
Telephone: (702) 792-3773  
Facsimile: (702) 792-6902

1 disclosures were made of all the terms of this Order; and (d) request such person or persons to  
2 execute the "Order and Consent" that is attached hereto as **Exhibit A**.

3 IT IS SO STIPULATED.

4 DATED this \_\_\_\_\_ day of October, 2015.

5 **LEWIS ROCA ROTHGERBERG, LLP**

6 By: \_\_\_\_\_  
7 **MARK G. KRUM (NV Bar 10913)**  
8 *Attorneys for Plaintiff James J. Cotter, Jr.*

DATED this \_\_\_\_\_ day of October, 2015.

**GREENBERG TRAURIG, LLP**

By: \_\_\_\_\_  
**MARK E. FERRARIO (NV Bar No. 1625)**  
**G. LANCE COBURN (NV Bar No. 6604)**  
*Attorneys for Reading International, Inc.*

10 DATED this \_\_\_\_\_ day of October, 2015.

11 **MAUPIN COX & LeGOY**

12 By: \_\_\_\_\_  
13 **DONALD A. LATTIN (NV Bar 0693)**  
14 **CAROLYN K. RENNER NV Bar 9164)**  
15 *Attorneys for William Gould and Timothy Storey*

DATED this 13 day of October, 2015.

**COHEN-JOHNSON, LLC**

By: *Michael V. Johnson*  
13 **H. STAN JOHNSON (NV Bar 80265)**  
14 **MICHAEL V. JOHNSON (NV Bar 13154)**  
15 *Attorneys for Ellen Marie Cotter and Ann Margaret Cotter Douglas McEachern, Guy Adams and Edward Kane*

18 DATED this \_\_\_\_\_ day of October, 2015.

19 **BIRD, MARELLA, BOXER, WOLPERT,**  
20 **NESSIM, DROOKS, LINCENBERG & RHOW**

21 By: \_\_\_\_\_  
22 **EKWAN E. RHOW (Pro Hac Vice)**  
**BONITA D. MOORE (Pro Hac Vice)**

23 *Attorney for Defendants William Gould and Timothy Storey*

DATED this \_\_\_\_\_ day of October, 2015.

**QUINN EMANUEL URQUHART & SULLIVAN, LLP**

By: \_\_\_\_\_  
**CHRISTOPHER TAYBACK (Pro Hac Vice)**  
**MARSHALL M. SEARCY (Pro Hac Vice)**

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

Page 11 of 13

Case No. A-15-719860-B Coordinated with: Case No. P-14-082942-E;  
Dept. No. XI

**PROPOSED STIPULATED CONFIDENTIALITY AND PROTECTIVE ORDER**

28 LV 420546633v1

RDI-A00150

GREENBERG TRAUIG, LLP  
3770 Howard Hughes Parkway, Suite 4000, North  
Las Vegas, Nevada 89159  
Telephone: (702) 792-3773  
Facsimile: (702) 792-9992

1 disclosures were made of all the terms of this Order; and (d) request such person or persons to  
2 execute the "Order and Consent" that is attached hereto as **Exhibit A**.

3 IT IS SO STIPULATED.

4 DATED this \_\_\_\_\_ day of October, 2015.

5 **LEWIS ROCA ROTHGERBERG, LLP**

6 By: \_\_\_\_\_  
7 **MARK G. KRUM (NV Bar 10913)**  
8 *Attorneys for Plaintiff James J. Cotter, Jr.*

DATED this \_\_\_\_\_ day of October, 2015.

**GREENBERG TRAUIG, LLP**

By: \_\_\_\_\_  
**MARK E. FERRARIO (NV Bar No. 1625)**  
**G. LANCE COBURN (NV Bar No. 6604)**  
*Attorneys for Reading International, Inc.*

10 DATED this \_\_\_\_\_ day of October, 2015.

11 **MAUPIN COX & LeGOY**

12 By: \_\_\_\_\_  
13 **DONALD A. LATTIN (NV Bar 0693)**  
14 **CAROLYN K. RENNER NV Bar 9164)**  
15 *Attorneys for William Gould and Timothy*  
16 *Storey*

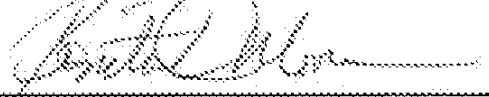
DATED this \_\_\_\_\_ day of October, 2015.

**COHEN-JOHNSON, LLC**

By: \_\_\_\_\_  
**H. STAN JOHNSON (NV Bar 00265)**  
**MICHAEL V. JOHNSON (NV Bar 13154)**  
*Attorneys for Ellen Marie Cotter and Ann*  
*Margaret Cotter Douglas McEachern, Guy*  
*Adams and Edward Kane*

18 DATED this 7 day of October, 2015.

19 **BIRD, MARELLA, BOXER, WOLPERT,**  
20 **NESSIM, DROOKS, LINCENBERG & RHOW**

21 By:   
22 **EKWAN E. RHOW (Pro Hac Vice)**  
**BONITA D. MOORE (Pro Hac Vice)**

23 *Attorney for Defendants William Gould and*  
24 *Timothy Storey*

DATED this \_\_\_\_\_ day of October, 2015.

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

By: \_\_\_\_\_  
**CHRISTOPHER TAYBACK (Pro Hac Vice)**  
**MARSHALL M. SEARCY (Pro Hac Vice)**

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

1 disclosures were made of all the terms of this Order; and (d) request such person or persons to  
2 execute the "Order and Consent" that is attached hereto as **Exhibit A**.

3 IT IS SO STIPULATED.

4 DATED this \_\_\_\_\_ day of October, 2015.

5 **LEWIS ROCA ROTHGERBERG, LLP**

6 By: \_\_\_\_\_  
7 **MARK G. KRUM (NV Bar 10913)**

8 *Attorneys for Plaintiff James J. Cotter, Jr.*

10 DATED this \_\_\_\_\_ day of October, 2015.

11 **MAUPIN COX & LeGOY**

12 By: \_\_\_\_\_  
13 **DONALD A. LATTIN (NV Bar 0693)**  
14 **CAROLYN K. RENNER NV Bar 9164)**

15 *Attorneys for William Gould and Timothy Storey*

18 DATED this \_\_\_\_\_ day of October, 2015.

19 **BIRD, MARELLA, BOXER, WOLPERT,**  
20 **NESSIM, DROOKS, LINCENBERG & RHOW**

21 By: \_\_\_\_\_  
22 **EKWAN E. RHOW (Pro Hac Vice)**  
**BONITA D. MOORE (Pro Hac Vice)**

23 *Attorney for Defendants William Gould and*  
24 *Timothy Storey*

DATED this \_\_\_\_\_ day of October, 2015.

**GREENBERG TRAURIG, LLP**

By: \_\_\_\_\_  
**MARK E. FERRARIO (NV Bar No. 1625)**  
**G. LANCE COBURN (NV Bar No. 6604)**

*Attorneys for Reading International, Inc.*

DATED this \_\_\_\_\_ day of October, 2015.

**COHEN-JOHNSON, LLC**

By: \_\_\_\_\_  
**H. STAN JOHNSON (NV Bar 00265)**  
**MICHAEL V. JOHNSON (NV Bar 13154)**

*Attorneys for Ellen Marie Cotter and Ann Margaret Cotter Douglas McEachern, Guy Adams and Edward Kane*

DATED this 7 day of October, 2015.

**QUINN EMANUEL URQUHART & SULLIVAN, LLP**

By: \_\_\_\_\_  
**CHRISTOPHER TAYBACK (Pro Hac Vice)**  
**MARSHALL M. SEARCY (Pro Hac Vice)**

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

1 DATED this 7<sup>th</sup> day of October, 2015.

2 **ROBERTSON & ASSOCIATES**

3  
4 By:   
5 ALEXANDER ROBERTSON, IV

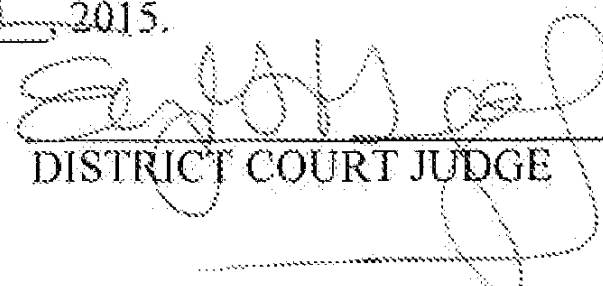
6 *Attorney for Intervenor Plaintiffs T2*  
7 PARTNERS MANAGEMENT, LP,  
8 T2 ACCREDITED FUND, LP,  
9 T2 QUALIFIED FUND, LP,  
10 TILSON OFFSHORE FUND, LTD.,  
11 T2 PARTNERS MANAGEMENT I, LLC,  
12 T2 PARTNERS MANAGEMENT GROUP,  
13 LLC, JMG CAPITAL MANAGEMENT, LLC,  
14 PACIFIC CAPITAL MANAGEMENT, LLC,  
15 Derivatively on behalf of Reading  
16 International, Inc.

17 **ORDER**

18 Upon stipulation of counsel and good cause appearing therefore,

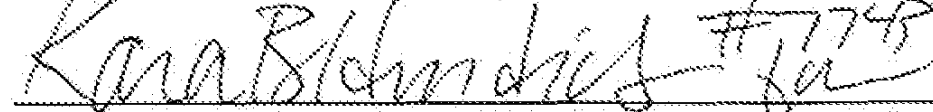
19 The above AGREEMENT AND STIPULATION IS SO ORDERED.

20 DATED this 22<sup>nd</sup> day of October, 2015.

21   
22 DISTRICT COURT JUDGE

23 Submitted by:

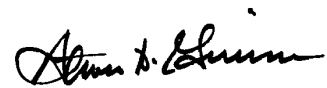
24 GREENBERG TRAUERIG, LLP

25 

26 MARK E. FERRARIO, ESQ. (NV Bar No. 1625)  
27 G. LANCE COBURN, ESQ. (NV Bar No. 6604)  
28 3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, NV 89169

GREENBERG TRAUERIG, LLP  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-9602





CLERK OF THE COURT

TRAN

DISTRICT COURT  
CLARK COUNTY, NEVADA  
\* \* \* \* \*

|                         |   |                      |
|-------------------------|---|----------------------|
| JAMES COTTER, JR.       | . |                      |
|                         | . | CASE NO. A-719860    |
| Plaintiff               | . |                      |
|                         | . | DEPT. NO. XI         |
| vs.                     | . |                      |
|                         | . |                      |
| MARGARET COTTER, et al. | . | <b>Corrected</b>     |
|                         | . | <b>Transcript of</b> |
| Defendants              | . | <b>Proceedings</b>   |
| .....                   | . |                      |

BEFORE THE HONORABLE ELIZABETH GONZALEZ, DISTRICT COURT JUDGE

**MANDATORY RULE 16 CONFERENCE AND HEARING ON MOTIONS**

THURSDAY, OCTOBER 29, 2015

APPEARANCES:

|                    |                              |
|--------------------|------------------------------|
| FOR THE PLAINTIFF: | MARK G. KRUM, ESQ.           |
|                    | ALEXANDER ROBERTSON IV, ESQ. |
|                    | AARON D. SHIPLEY, ESQ.       |

|                     |                           |
|---------------------|---------------------------|
| FOR THE DEFENDANTS: | BONITA D. MOORE, ESQ.     |
|                     | MICHAEL HUGHES, ESQ.      |
|                     | MARSHALL SEARCY, ESQ.     |
|                     | CHRISTOPHER TAYBACK, ESQ. |
|                     | MARK E. FERRARIO, ESQ.    |
|                     | ALAN D. FREER, ESQ.       |
|                     | HARRY P. SUSMAN, ESQ.     |

|                 |                         |
|-----------------|-------------------------|
| COURT RECORDER: | TRANSCRIPTION BY:       |
| JILL HAWKINS    | FLORENCE HOYT           |
| District Court  | Las Vegas, Nevada 89146 |

Proceedings recorded by audio-visual recording, transcript produced by transcription service.

1 LAS VEGAS, NEVADA, THURSDAY, OCTOBER 29, 2015, 8:52 A.M.

2 (Court was called to order)

3 THE COURT: This takes me to Cotter. I believe  
4 there's someone on the telephone on Cotter. Cotter. Is  
5 everyone here on Cotter? Half the room stands up.

6 Who's on the telephone?

7 MR. SUSMAN: Your Honor, it's Harry Susman with  
8 Susman Godfrey on behalf of the co-executors. And I have with  
9 me, if it's all right, Ellen Cotter is also on the phone.

10 THE COURT: Okay. Somehow Mr. Ferrario convinced me  
11 to schedule a Rule 16 conference on an other than Friday, I  
12 think because tomorrow is a holiday.

13 MR. FERRARIO: That's true.

14 THE COURT: So I would like to have a discussion  
15 about what we're going to do with these particular cases to  
16 get them to a resolution point. That's my main purpose today.  
17 I'm going to have everybody start identifying themselves, come  
18 across the room.

19 MR. SHIPLEY: Good morning, Your Honor. Aaron  
20 Shipley on behalf of James J. Cotter, Jr., in the related  
21 probate matter.

22 MR. ROBERTSON: Good morning, Your Honor. Alex  
23 Robertson for the intervening plaintiffs.

24 MR. KRUM: Good morning, Your Honor. Mark Krum on  
25 behalf of plaintiff James J. Cotter, Jr., in the derivative

1 case.

2 MR. FREER: Good morning, Your Honor. Alan Freer on  
3 behalf of personal representatives in the probate matter.

4 MR. FERRARIO: Mark Ferrario on behalf of Reading,  
5 Your Honor.

6 MS. MOORE: Good morning, Your Honor. Bonita Moore  
7 on behalf of Timothy Storey and William Gould.

8 MR. SEARCY: Good morning, Your Honor. Marshall  
9 Searcy here on behalf of Margaret Cotter and Ellen Cotter,  
10 Doug McEachern, Ed Kane, and Guy Adams.

11 MR. TAYBACK: 'Morning, Your Honor. Christopher  
12 Tayback also here on behalf of those same directors.

13 MR. HUGHES: And Michael Hughes on behalf of those  
14 same directors.

15 THE COURT: Okay. So you guys can sit down, except  
16 for those of you on the phone. You have to stand up for the  
17 entire time.

18 So what do we do to get a Business Court case to a  
19 decision point so the probate case and the trust case in  
20 California can move along there? I'm looking at you, Mr.  
21 Krum.

22 MR. KRUM: Thank you, Your Honor. I think that we  
23 need to proceed apace, which regrettably has been slow with  
24 the so-called expedited --

25 THE COURT: Glacial.

1           MR. KRUM: -- yes -- expedited discovery. And I'll  
2 just give you a brief report on that. Documents have been  
3 produced by defendants Kane, Adams, McEachern, Margaret  
4 Cotter, Timothy Storey, and William Gould. The production  
5 by McEachern, Kane, Adams, and Margaret Cotter is made on  
6 October 11. In the aggregate it was thousands of pages,  
7 although for Kane and Margaret Cotter it was only several  
8 hundred pages each. The production for Messrs. Storey and  
9 Gould was a week or two or three before that. It was several  
10 hundred pages each. On the 21st, 10 days after the bulk of  
11 the individual defendants, plaintiff produced. Oddly enough,  
12 the same day a motion was filed to compel plaintiff, saying  
13 plaintiff hadn't produced any documents. Plaintiff produced  
14 approximately 7,000 pages of documents.

15           Based on the discussions counsel have had it looks  
16 as though some of us, and perhaps close to all of us, have a  
17 modest amount of supplemental production to do. And I think  
18 it will be modest, such that those who've already produced,  
19 except for the company, likely are either finished now or will  
20 be finished next week.

21           As to the company, they've begun producing, they've  
22 produced a substantial magnitude of documents today. I'll let  
23 them tell you when that's going to end. But I think we've  
24 agreed that we're not going to wait for that to end to  
25 commence the depositions and the expedited phase of the case.

1           That leaves, of course, Ellen Cotter, who has not  
2 produced a single document to date. We are advised that she  
3 will be making a production next week.

4           Counsel have discussed deposition scheduling and  
5 tentatively have talked about commencing the middle of  
6 November. The scope of the depositions is going to be defined  
7 principally by the issues raised in the amended complaint,  
8 although, as we discussed yesterday, there are some moving  
9 parts, and that is, of course, the annual meeting, which is  
10 scheduled for November 10. I don't think that's going to  
11 change anything other than the fact set. The actual issues  
12 themselves have been raised in the amended complaint. And it  
13 is, simply put, Your Honor, more of the same. And the case  
14 began as a case to wrongfully seize and secure immediate  
15 control of a company with a sidebar of an effort to obtain  
16 ultimate control, what's transpired since then is more actions  
17 have been taken to secure control, including, for example,  
18 adding to the RDI board of directors two persons whose  
19 qualifications appear to be their personal relationships with  
20 Ellen Cotter, Margaret Cotter, or their mother.

21           So with all that, we've talked tentatively about a  
22 briefing schedule commencing in December.

23           THE COURT: For the record, their mother is also  
24 your client's mother; right?

25           MR. KRUM: Correct.

1 THE COURT: Okay.

2 MR. KRUM: There's a particular allegation that  
3 differentiates what that is in the complaint.

4 THE COURT: I'm just trying to make sure that I'm  
5 not dealing with two different mothers.

6 MR. KRUM: You're correct, Your Honor. That's  
7 correct.

8 THE COURT: Okay.

9 MR. KRUM: So we've talked about a briefing schedule  
10 with a target date of I think the second week of February for  
11 the preliminary injunction hearing, which makes your  
12 observation as glacial more apt than you can ever imagine.

13 THE COURT: I thought I was going to do this hearing  
14 the first week of September. And I set aside four days to do  
15 it. What happened?

16 MR. KRUM: Yeah. Well, the short answer is the  
17 documents production effectively didn't commence until  
18 October. So -- and, you know, we can only deal with where we  
19 are now. And I don't think -- as much as I'm inclined to  
20 recriminate about how we got here, that doesn't suit the  
21 Court's purposes.

22 I think what we also need to do is go ahead and  
23 commence the Rule 16 disclosure process and put that underway  
24 on an appropriate pace so that people can do what they need to  
25 do on the expedited basis. Ultimately, of course, it remains

1 to be seen how much of the overall discovery in the case will  
2 have occurred in the expedited phase. I'd be surprised, Your  
3 Honor, if the document production in the expedited is not at  
4 least a material part -- I don't know whether that's 20  
5 percent or 40 percent -- of the total production in the whole  
6 case, and perhaps it's even more. So the point is that when  
7 we finally do what we talked about doing in September or  
8 September and October, in September, October, November, and  
9 December, actually, because we won't finish the depositions  
10 till December because they want to depose, for example, the  
11 intervening plaintiffs, as well as my client, which I  
12 understand and I agreed to, then we'll be well on our way.

13           So, you know, my view is that we can go ahead and  
14 set a discovery cutoff sometime in the spring, we can set a  
15 trial date as your calendar allows thereafter, and we'll have  
16 some better visibility on this, obviously, once we finally  
17 take this expedited discovery and brief the preliminary  
18 injunction motion.

19           THE COURT: Well, but the expedited discovery in my  
20 mind your time -- you've blown your time on that. I mean,  
21 you're past a period of time for expedited discovery. While  
22 one would have hoped that you would have done that expedited  
23 discovery in a fashion -- and this isn't just you, Mr. Krum,  
24 because I know there's a lot of you involved in this  
25 particular issue. But when I granted the request for

1 expedited discovery related to the injunctive relief issues I  
2 anticipated you would actually do it. I didn't think we would  
3 be sitting here in late October being told all that had  
4 happened was the production of some documents.

5 MR. KRUM: Nor did I, Your Honor. If you recall, I  
6 had when we were last here said that I thought we could have  
7 the preliminary injunction hearing in November.

8 THE COURT: Okay. So does anybody disagree with  
9 what's happened on the expedited discovery? Anybody disagree  
10 that it's been glacial, really slow?

11 MR. FERRARIO: No, I don't think that's the case at  
12 all.

13 THE COURT: Okay.

14 MR. FERRARIO: It's just facing the reality of the  
15 task. And on behalf of the company --

16 THE COURT: You've been on much bigger tasks and  
17 done a much better job on getting things done in a timely  
18 fashion.

19 MR. FERRARIO: Well, Your Honor, I --

20 THE COURT: Don't laugh, peanut gallery.

21 MR. FERRARIO: I'm not.

22 THE COURT: No. It's the peanut gallery.

23 MR. PEEK: It's me, Mark. I'm sorry.

24 MR. FERRARIO: I thought you were gone.

25 Your Honor, I think what you're seeing is there was



1 never any need for expedited discovery in the first place.  
2 And I think where you were trending, at least I hope, is that  
3 if you look at the case now and we're here at a case  
4 management conference, there's no need for something called  
5 expedited discovery anymore. We just need to do discovery.  
6 We just need to get about prosecuting this case and defending  
7 the case. That's what needs to happen.

8           Just as a point of clarification, we just had an  
9 amended complaint filed, which contains new allegations that  
10 obviously postdate the initial motion for injunction. Mr.  
11 Robertson's client is in the process of fashioning another  
12 complaint. So the case really isn't even at issue. We're  
13 working through -- we've been working very closely with Mr.  
14 Krum. And Mr. Coburn's here, who's been handling most of the  
15 discovery.

16           THE COURT: He's usually very efficient.

17           MR. FERRARIO: I think he's been efficient here.  
18 We've worked through a predictive coding process, we've had  
19 many iterations dealing with our vendor going through these  
20 documents, we had to image computers, we had to do all the  
21 stuff that Your Honor knows we have to do.

22           THE COURT: Yeah.

23           MR. FERRARIO: Okay. And I think right now we  
24 probably have four or five attorneys on this thing, and we've  
25 had that for a long time. And so I don't want it to look like

1 we're dallying, because we're not, okay.

2           Part of the problem has been as we tried -- we had  
3 this dialogue yesterday. Who was that fellow? Noah? Noah  
4 was on the phone. Mr. Searcy couldn't attend. So we're  
5 talking about the depositions, you know, for the, quote,  
6 unquote, "expedited discovery" that's supposed to address the  
7 injunction. And there's a number of us on the phone. We ask  
8 Mr. Krum, what is it that we're now going to address in this  
9 hearing on the injunction given the fact that you filed an  
10 amended complaint, is it fixed in time to your original motion  
11 for an injunction, are you going to address different issues.  
12 I think we're entitled to know that, because, you know, we  
13 have to prep our witnesses, it might help us tailor document  
14 productions, things like that. We can't get an answer to  
15 that.

16           THE COURT: Okay. You've got --

17           MR. FERRARIO: So I think --

18           THE COURT: You've got more issues than just  
19 expedited discovery.

20           MR. FERRARIO: Exactly.

21           THE COURT: Okay.

22           MR. FERRARIO: So here's what I would like the Court  
23 to do, okay. Take stock of where we are. The reality is I  
24 think we've pretty much done a regular document search. It  
25 doesn't need to be expedited anymore. We're going to produce

1 essentially all the documents that we have that relate to  
2 these issues. We're in the process of rolling them out now,  
3 as Mr. Krum stated. The fact that he is now saying you have a  
4 hearing in February I think belies his argument that there was  
5 the need for immediate relief. I mean, that -- I don't need  
6 to say anything more.

7           So what this Court should do is set up a normal  
8 discovery schedule, put us on for trial, dispense with this  
9 request for an injunction, which I don't even know what it is,  
10 to be perfectly blunt, and neither did Noah and neither does  
11 Lance. So that's what I think Your Honor should do. I'm not  
12 being facetious here.

13           THE COURT: Okay. It's all right. We don't need to  
14 respond. It doesn't need to -- I've figured out what we're  
15 doing --

16           MR. FERRARIO: And I'm not getting into the merits,  
17 as Mr. Krum did, and maligning people. We'll do that later.

18           THE COURT: The reason people on the phone don't  
19 usually get to participate fully is sometimes I use hand  
20 signals to counsel to get them to shut up and sit down.  
21 Sometimes they don't listen.

22           Have you had a case conference pursuant to Rule  
23 16.1?

24           MR. FERRARIO: No.

25           THE COURT: Can today be your case conference?

1 MR. FERRARIO: Yes.

2 THE COURT: Is it okay with you all if I waive the  
3 requirement of filing a joint case conference report?

4 MR. FERRARIO: Yes.

5 MS. MOORE: Yes.

6 MR. KRUM: Yes, Your Honor.

7 THE COURT: All right. So when do you want to make  
8 your Rule 16.1 productions, understanding some of them from an  
9 ESI perspective may have to be on a rolling basis? When do  
10 you want to make them?

11 MR. FERRARIO: Thirty days.

12 MR. KRUM: Three weeks should be fine, Your Honor,  
13 because it's going to be a rolling basis. There's no  
14 reason --

15 MR. FERRARIO: No, that's fine. We're ahead of the  
16 curve.

17 MR. KRUM: There's no reason to --

18 MR. FERRARIO: Three weeks is fine.

19 MR. KRUM: We can be perfectly practical. When  
20 there's a problem we can deal with it like people who know how  
21 to deal with these problems. But let's get it started.

22 THE COURT: Okay.

23 MR. FERRARIO: It has started, Your Honor. So three  
24 weeks is fine.

25 THE COURT: Refresh my memory. Have we entered into

1 a stipulated protective order?

2 MR. FERRARIO: Yes. That just was executed, what,  
3 Laura, last week?

4 THE COURT: Okay. And you've got an ESI protocol,  
5 or are you just doing it and hoping it works?

6 MR. FERRARIO: Mr. Krum and Mr. Coburn have spent --  
7 actually behind Mr. Krum and behind Mr. Coburn have spent a  
8 lot of time.

9 MR. KRUM: And counsel have had several calls.

10 MR. FERRARIO: Yeah. And --

11 MR. KRUM: Not just Mr. Coburn and Mr. Krum.

12 THE COURT: No. My question isn't whether you guys  
13 have had discussion. My question is have you entered into a  
14 written ESI protocol.

15 MR. KRUM: No.

16 MR. FERRARIO: No, we haven't. We've agreed on --

17 THE COURT: Are you planning to do that?

18 MR. FERRARIO: We've in effect got that. We can  
19 reduce it to writing. We've worked up predictive coding.

20 THE COURT: It doesn't matter to me. I just want to  
21 know whether I've got to check off as a status check I've got  
22 to check on you.

23 MR. FERRARIO: With that pending we'll deal with it.  
24 The process actually has been very cooperative.

25 THE COURT: If I nag you in four weeks, will that be

1 enough?

2 MR. FERRARIO: Yes.

3 THE COURT: Understanding you're probably already  
4 significantly into that process if you're already doing the  
5 predictive coding.

6 MR. KRUM: Four weeks is fine, Your Honor.

7 THE COURT: Okay. So that'll be Status Check 1.

8 Assuming that we get most of the rest of our  
9 documents produced in the next 45 days, since you've got a  
10 rolling production schedule going, what else do you need to do  
11 before I entertain what used to be an injunctive relief  
12 request and is probably just going to be an evidentiary  
13 hearing related to those issues?

14 MR. FERRARIO: It'll be depositions, Your Honor.  
15 And that was the topic of the conversation yesterday, whether  
16 they would be limited to the issues, whatever they were, in  
17 the injunction hearing or they were going to be the full-blown  
18 deposition, your one shot.

19 THE COURT: I'm opening discovery as of today, and  
20 they can do whatever they want for however long they want  
21 until I close it.

22 MR. FERRARIO: In that case we have a number of  
23 depositions, so we'll need a fair amount of time to complete.

24 THE COURT: What is fair?

25 MR. FERRARIO: I'm going to say at least three

1 months to do the depositions, discovery given everybody's  
2 schedules and the number of people involved and the number of  
3 documents that I anticipate being produced. And before I  
4 forget --

5 THE COURT: And you're talking for the entire  
6 discovery process?

7 MR. FERRARIO: Yeah, for the entire --

8 THE COURT: Three months of depositions?

9 MR. FERRARIO: I think three months, yeah. I think  
10 it'll take at least three months.

11 THE COURT: So I'll guess 60 days from today for the  
12 finish of the document production, an additional three months  
13 after that for documents. That's five months total. Are you  
14 going to have expert designations? I'm not eliminating  
15 anything you want to do on injunctive relief yet; I'm just  
16 trying to get a time frame.

17 MR. KRUM: Well, let me add, though. Yesterday we  
18 discussed that we needed three weeks for the dozen depositions  
19 identified, the dozen percipient witness depositions, and  
20 discussed that it would be prudent to make that four weeks.  
21 Now, how that turns into three months today is --

22 THE COURT: Because he's talking about everything,  
23 not just the expedited.

24 MR. KRUM: Well, then that would be three months,  
25 not five months.

1 THE COURT: No. I did documents --  
2 MR. KRUM: Yes.  
3 THE COURT: -- depos --  
4 MR. KRUM: Yes.  
5 THE COURT: -- and then I'm going to experts next.  
6 MR. KRUM: Oh. Very good.  
7 THE COURT: And then I'm going to do a cutoff, and  
8 then I'm going to set a trial date.  
9 MR. KRUM: Okay.  
10 THE COURT: And I'm not eliminating you from seeking  
11 an evidentiary hearing on injunctive relief, but I'm doing a  
12 schedule.  
13 MR. KRUM: Understood. I understand, Your Honor.  
14 THE COURT: And when you leave here today you will  
15 have a trial date. And if you decide you want to have  
16 injunctive relief hearing and an evidentiary hearing on that,  
17 we'll pick a day, or you'll file a supplemental motion and  
18 we'll pick a day.  
19 MR. KRUM: Correct.  
20 THE COURT: But I'm getting you a schedule before  
21 you walk out of this room this morning.  
22 MS. MOORE: Your Honor, I just want to be clear that  
23 as to my clients Mr. Gould and Mr. Storey we'll be filing  
24 another motion to dismiss. So that's still in play.  
25 THE COURT: What you need to do, we'll brief it,



1 I'll listen, I'll decide.

2 MS. MOORE: Thank you.

3 MR. SEARCY: The other individual directors also  
4 intend to bring a motion to dismiss.

5 MR. FERRARIO: And you may see one from the company,  
6 as well, Your Honor.

7 THE COURT: Okay. Great.

8 MR. FERRARIO: One thing I do have to apprise the  
9 Court of is in going through the company documents we have  
10 encountered a number of privilege issues.

11 THE COURT: Really.

12 MR. FERRARIO: Yeah.

13 THE COURT: I'm really surprised by that. Do you  
14 know how to do a privilege log in Department 11?

15 MR. FERRARIO: Yes, I do, Your Honor.

16 THE COURT: That's lovely.

17 MR. FERRARIO: And I have lectured a number of  
18 people, and I don't want to be in here in five weeks and  
19 having you yell at us for doing a bad privilege log.

20 THE COURT: Good.

21 MR. FERRARIO: So we are culling documents,  
22 producing things that clearly are not privilege. But it is  
23 going to -- this may be one of the larger attorney-client  
24 privilege logs that I've been affiliated with.

25 THE COURT: Mr. Peek's.

1 MR. FERRARIO: I know Mr. Peek probably would set  
2 the record there, but -- it won't be quite that big, but we  
3 have a lot of documents where we're going to have to catalog.  
4 So I don't think -- that's why I brought Mr. Coburn up. I  
5 think we're going to need at least six weeks out to complete  
6 the privilege log or to deal with that.

7 THE COURT: Well, aren't you glad that I used two  
8 months as that for my purposes.

9 MR. FERRARIO: Yeah.

10 THE COURT: Because you told me 21 days. I knew you  
11 weren't going to really make that, because that was a rolling  
12 date, so I went to two months.

13 Anybody else want to say anything?

14 What disciplines of experts are you going to have?  
15 Financial, industry, independent director kind of people?  
16 Governance?

17 MR. KRUM: Yeah. Exactly.

18 MR. FERRARIO: Yes.

19 THE COURT: Are they dependent on each other? Are  
20 your experts' opinions dependent on each other? Do they have  
21 to be phased is what I'm asking you. Not with him, your own.

22 MR. KRUM: Yeah. The answer is probably not.

23 THE COURT: Okay.

24 MR. KRUM: Probably. In terms of the timing am I  
25 correct in understanding we're talking about a five-month

1 period starting today so that --

2 THE COURT: Not yet.

3 MR. KRUM: Okay.

4 THE COURT: It may be longer. I'm still adding.

5 MR. KRUM: I was going to weigh in that our view was  
6 that we could do what we've discussed to this point, not  
7 experts, but the percipient work, likely by the end of  
8 February, which is four months. But --

9 THE COURT: I agree with you. But, remember, as of  
10 today discovery's open.

11 MR. KRUM: Understood.

12 THE COURT: And that's for everything, including  
13 counterclaims. Because there's a counterclaim; right? Isn't  
14 there a counterclaim in this case?

15 MR. SEARCY: We expect there will be one, Your  
16 Honor.

17 THE COURT: Okay. People have said there was a  
18 counterclaim. I haven't seen it, don't know if it's going to  
19 be filed. Okay.

20 MR. SEARCY: The case is not at issue yet, Your  
21 Honor, because there hasn't been an answer.

22 THE COURT: The case is at issue, but maybe not your  
23 part.

24 MR. SEARCY: Thank you, Your Honor.

25 THE COURT: Okay. So your disciplines of experts,

1 are they going to be dependent on each other, do you think, or  
2 can you disclose your experts at the same time?

3 MR. FERRARIO: No. I would want to go -- I think --

4 THE COURT: I know you want to go after him.

5 MR. FERRARIO: That's exactly right. And, yes, we  
6 can disclose them all at the same time after Mr. Krum  
7 discloses his experts.

8 THE COURT: Okay. So, Mr. Krum, assume that  
9 sometime in about end of March, beginning of April you've got  
10 through most of the depositions, you've got most of the  
11 documents, and I've ruled on the privilege issues. Assume  
12 those things. When will you be able to disclose your experts  
13 and their reports?

14 MR. KRUM: I'd say in 45 days, Your Honor.

15 THE COURT: So that would put me near the end of  
16 May?

17 MR. KRUM: Yes.

18 THE COURT: And then, Mr. Ferrario, how long after  
19 those disclosures do you need to make your disclosures of  
20 experts?

21 MR. FERRARIO: We would request 45 days, Your Honor.

22 THE COURT: So that would be -- how about middle of  
23 July?

24 MR. FERRARIO: Perfect.

25 THE COURT: And I'm assuming the director defendants

1 are okay with the time Mr. Ferrario's given me.

2 MR. SEARCY: We are, Your Honor.

3 MS. MOORE: Yes, Your Honor.

4 THE COURT: And then I assume you're going to take  
5 each other's depositions of experts, and you may take their  
6 experts before your expert reports, you may not. So if I set  
7 a discovery cutoff for you of August 26th, do you think you're  
8 going to be done? That's a month after they disclose.

9 MR. KRUM: Yes, Your Honor.

10 MR. FERRARIO: Yes.

11 THE COURT: Do you want me to set a different  
12 discovery cutoff for percipient and experts, or is one good  
13 enough?

14 MR. FERRARIO: I'm fine with one, Your Honor.

15 MR. KRUM: I think we should advance the percipient  
16 discovery cutoff. I don't want it to seep over unnecessarily.

17 THE COURT: How about I set percipient witness  
18 cutoff at this point for April 29th, and if you feel that  
19 April 29th, 2016, is not enough time after we've gotten to  
20 that point, then I have some flexibility without impacting  
21 your trial date.

22 MR. KRUM: That works. Thank you, Your Honor.

23 THE COURT: Okay. So let's talk about a trial date.  
24 I have a trial stack that starts November 14th, 2016. How do  
25 you feel about that stack?

1 MR. KRUM: That's so far --

2 THE COURT: How long will it take to try if you have  
3 to go?

4 When is Wynn-Okada, Mr. Peek?

5 MR. PEEK: January, Your Honor, of 2017, is my  
6 recollection.

7 THE COURT: Okay.

8 MR. FERRARIO: Yeah. We're fine with that stack,  
9 Your Honor. And I think probably all in -- I mean, if nothing  
10 gets pared back, you're probably looking at two weeks of full  
11 trial days.

12 THE COURT: Full trial days for me is five and a  
13 half hours.

14 MR. FERRARIO: Bonnie thinks that that's optimistic.

15 MS. MOORE: I think that's optimistic if we have  
16 everything still in the case.

17 MR. FERRARIO: She knows I'm very optimistic.

18 THE COURT: I know how to count when Mr. Ferrario  
19 tells me.

20 MR. FERRARIO: That was really like four weeks.

21 MR. KRUM: I was going to say three weeks, but  
22 double --

23 MR. FERRARIO: I'll defer to everybody else.

24 MR. KRUM: -- I don't think two weeks is --

25 THE COURT: We're looking at three to four weeks.

1 Okay. So we'll put you on the November 14th stack. Dan will  
2 issue a trial setting order.

3           You're going to have an ESI status check in four  
4 weeks on my chambers calendar. If we haven't seen an ESI  
5 protocol from you, Laura will call and nag someone.

6           THE CLERK: December 4th. I'm sorry, that's  
7 Thanksgiving, Your Honor. Can we do five weeks?

8           THE COURT: You can do five weeks.

9           THE CLERK: December 4th in chambers.

10          THE COURT: I am going to vacate the currently  
11 scheduled motion for preliminary injunction that is on  
12 calendar.

13          Mr. Krum, when you are ready to get to the point of  
14 setting that for evidentiary hearing I need you to renote  
15 the motion and file a supplemental brief, and then we'll  
16 figure out the date. I'll give you a date when you file it,  
17 but then we'll probably have to negotiate a date.

18          MR. KRUM: Understood, Your Honor.

19          THE COURT: All right. Mr. Robertson, is there  
20 anything else from your clients' perspective?

21          MR. ROBERTSON: No, Your Honor.

22          THE COURT: All right. Mr. Susman on the phone, is  
23 there anything from your client's perspective that you need to  
24 tell me before I get this order issued, which will be issued  
25 in the Business Court case, not in the probate case.

1 MR. SUSMAN: No issues, Your Honor. Thanks.

2 THE COURT: Is anyone going to demand a jury? If  
3 you're going to demand a jury, you've got five judicial days  
4 to do so. That means by next Friday. Otherwise, Dan will set  
5 it as a non jury.

6 Okay. Anything else?

7 MR. SEARCY: Your Honor, I have -- I'm sorry to have  
8 to bring this up. I have an administrative matter.

9 THE COURT: Great.

10 MR. SEARCY: We submitted a proposed order about a  
11 week --

12 THE COURT: On what?

13 MR. SEARCY: -- on our motion to dismiss, and that  
14 had been agreed to as to the form by all the parties.

15 THE COURT: Laura says I signed it. I don't  
16 remember. I sign so many.

17 MR. KRUM: I believe it was signed.

18 MR. SEARCY: It has been signed, Your Honor, but you  
19 had interlineated some changes into the order that seemed to  
20 reverse what was actually decided at the hearing. Our motion  
21 to dismiss had been on the grounds, among other things, that  
22 there hadn't been --

23 THE COURT: Hold on a second. If I wrote something  
24 in, there was a reason. I've got to look at what I wrote to  
25 remember why. Give me a second.



1           MR. KRUM:  If I could help, Your Honor.  I think Mr.  
2 Searcy is correct.  I think what happened is the words that  
3 were in your minute order, "direct" and "derivative," were  
4 reversed as handwritten on the interlineated order.

5           THE COURT:  Okay.

6           MR. SEARCY:  Thank you, Mr. Krum.

7           THE COURT:  Apparently that's what I did.

8           MR. SEARCY:  And that's what I'm bringing up, Your  
9 Honor.

10          THE COURT:  And I meant it when I wrote it down.

11          MR. SEARCY:  Of course, Your Honor.

12          THE COURT:  That's why I initialled it.

13          Anything else?

14          MR. SEARCY:  Well, Your Honor, I believe that that's  
15 not what was reflected at the hearing between the parties.  It  
16 doesn't reflect the Judge's -- your actual order, Your Honor.

17          THE COURT:  But I'm the person who gets to decide  
18 what that is; right?

19          MR. SEARCY:  Correct, Your Honor.

20          THE COURT:  Okay.  Just checking.

21          MR. KRUM:  Well, I think we understand that the  
22 minutes were consistent with what you told us when you ruled  
23 on the motion and that we have some confusion because the  
24 interlineation has the words in a different order.  But  
25 everybody here understands that it's the --

1 THE COURT: Did you file the order?  
2 MR. HUGHES: [Inaudible] it was recently filed.  
3 MR. SEARCY: Yes, Your Honor.  
4 THE COURT: Hold on. What case did you file it in?  
5 MR. SEARCY: We filed it in the derivative suit.  
6 THE COURT: I don't have one.  
7 MR. SEARCY: Check the probate.  
8 THE COURT: I don't see it in there as a filed  
9 document. It may be in queue somewhere, but the queue is  
10 really short. But the last order that I see that was ordered  
11 that's actually been filed is an October 27th order on  
12 association of counsel. There is an October 27th filing on  
13 this confidentiality and protective order we discussed a  
14 minute ago. But I do not see another order that has recently  
15 been filed. You think they may have put it in the probate  
16 case by mistake?  
17 Oh. Wait. Here's one from October 19th. Hold on.  
18 Let me read it. Let me see I wrote that.  
19 That's what I meant. "Plaintiff must allege damages  
20 with more particularity for direct purposes, as opposed to  
21 derivative claims by the plaintiff."  
22 MR. SEARCY: At the hearing and the basis of the  
23 motion, Your Honor, it was that the complaint that had been  
24 submitted by the plaintiff hadn't actually alleged with  
25 specificity derivative damages to shareholders.

1           THE COURT: I'm aware of that. I am aware of that.  
2 What I'm trying to do is to get Mr. Krum to particularly  
3 designate his claims that relate to direct claims and those  
4 claims that relate to derivative. Remember, he thinks he's  
5 already alleged them for derivative purposes, and you  
6 disagree. What he has to do is he has to more particularly  
7 address them, because the employment termination claim that's  
8 going on in California, if that were brought in my court, that  
9 would be a direct claim. The effect on the company as a  
10 result of that termination arguably could be a derivative  
11 claims, because it would affect all of the shareholders in the  
12 corporation equally. So Mr. Krum needs to more particularly  
13 allege the claims that relate to the direct purposes and the  
14 derivative purposes. I'm not saying he can't have both. What  
15 I'm saying is he needs to more particularly allege them so  
16 that at some point in time in the near future you'll file a  
17 new motion and we get to parse things out because we'll have  
18 some evidence related to those issues. But we're not there  
19 yet.

20           MR. KRUM: Actually, Your Honor, we'll not have need  
21 to get there at any point. I had the same understanding that  
22 Mr. Searcy just articulated. And what the amended complaint  
23 does is more clearly particularize derivative injury and  
24 damages. It does not allege or claim any direct. So it is at  
25 this juncture solely derivative, and so that is now a non

1 issue.

2 THE COURT: That's fine. Because I don't care how  
3 you do it, they just have to be alleged separately.

4 MR. KRUM: Right.

5 THE COURT: And then I'm going to get a motion  
6 again.

7 Next? And I crossed out the last paragraph because  
8 I didn't say that.

9 Anything else?

10 MR. SEARCY: Nothing else from me, Your Honor.

11 THE COURT: Anything else?

12 MR. KRUM: No, Your Honor.

13 THE COURT: Dan will issue a scheduling order and  
14 trial setting order.

15 MR. FERRARIO: Thank you, Your Honor.

16 THE PROCEEDINGS CONCLUDED AT 9:22 A.M.

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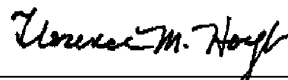
**CERTIFICATION**

I CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE AUDIO-VISUAL RECORDING OF THE PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.

**AFFIRMATION**

I AFFIRM THAT THIS TRANSCRIPT DOES NOT CONTAIN THE SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF ANY PERSON OR ENTITY.

**FLORENCE HOYT**  
**Las Vegas, Nevada 89146**



\_\_\_\_\_  
FLORENCE M. HOYT, TRANSCRIBER

11/6/15

\_\_\_\_\_  
DATE

  
CLERK OF THE COURT

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

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

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

25 **EIGHTH JUDICIAL DISTRICT COURT**  
26 **CLARK COUNTY, NEVADA**

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

Plaintiff,

v.

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

Defendants.

AND

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

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

Related and Coordinated Cases

**BUSINESS COURT**

**ANSWER TO FIRST AMENDED  
COMPLAINT**

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

**COHEN | JOHNSON | PARKER | EDWARDS**

255 E. Warm Springs Road, Suite 9

Las Vegas, Nevada 89119

(702) 823-3500 FAX: (702) 823-3400

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READING INTERNATIONAL, INC., a Nevada corporation,

Nominal Defendant.

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**DEFENDANTS' ANSWER TO PLAINTIFF'S FIRST AMENDED COMPLAINT**

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

**RESPONSE TO "NATURE OF THE CASE"**

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



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

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

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

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

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

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

21 **RESPONSE TO "PARTIES"**

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

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

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

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

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

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

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

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

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

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

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**RESPONSE TO “ALLEGATIONS COMMON TO ALL CLAIMS”**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1           82.     Defendants deny the allegations of paragraph 82 of the Complaint.
- 2           83.     Defendants deny the allegations of paragraph 83 of the Complaint.
- 3           84.     Defendants deny the allegations of paragraph 84 of the Complaint.
- 4           85.     Defendants deny the allegations of paragraph 85 of the Complaint.
- 5           86.     Defendants admit that Ellen Cotter distributed an agenda for the May 21, 2015 RDI
- 6 board meeting on or about May 19, 2015, and that the first action item on the agenda was entitled
- 7 “Status of President and CEO.” Defendants deny the remaining allegations of paragraph 86 of the
- 8 Complaint.
- 9           87.     Defendants deny the allegations of paragraph 87 of the Complaint.
- 10          88.     Defendants deny the allegations of paragraph 88 of the Complaint.
- 11          89.     Defendants deny the allegations of paragraph 89 of the Complaint.
- 12          90.     Defendants admit that James Cotter, Jr.’s counsel appeared at the May 21, 2015
- 13 board meeting and made a statement. Defendants deny the remaining allegations of paragraph 90
- 14 of the Complaint.
- 15          91.     Defendants deny the allegations of paragraph 91 of the Complaint.
- 16          92.     Defendants deny the allegations of paragraph 92 of the Complaint.
- 17          93.     Defendants deny the allegations of paragraph 93 of the Complaint.
- 18          94.     Defendants admit that the May 21, 2015 board meeting was adjourned to May 29,
- 19 2015. Defendants deny the remaining allegations of paragraph 94 of the Complaint.
- 20          95.     Defendants admit that Harry Susman transmitted a settlement offer to Adam
- 21 Streisand. Defendants deny the remaining allegations of paragraph 95 of the Complaint.
- 22          96.     Defendants admit the allegations of paragraph 96 of the Complaint.
- 23          97.     Defendants deny the allegations of paragraph 97 of the Complaint.
- 24          98.     The allegations of paragraph 98 of the Complaint are purportedly based on written
- 25 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
- 26 98 of the Complaint.
- 27          99.     Defendants deny the allegations of paragraph 99 of the Complaint.
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1           100. Defendants are without knowledge or information sufficient to form a belief as to  
2 the truth of the allegations of paragraph 100 of the Complaint, and therefore deny them.

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

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

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

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

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

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

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

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

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

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

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

20           112. The allegations of paragraph 112 of the Complaint are purportedly based on written  
21 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph  
22 112 of the Complaint.

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

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

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

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

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

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



- 1 119. Defendants deny the allegations of paragraph 119 of the Complaint.
- 2 120. Defendants deny the allegations of paragraph 120 of the Complaint.
- 3 121. Defendants deny the allegations of paragraph 121 of the Complaint.
- 4 122. Defendants deny the allegations of paragraph 122 of the Complaint.
- 5 123. Defendants admit the allegations of paragraph 123 of the Complaint.
- 6 124. Defendants admit the allegations of paragraph 124 of the Complaint.
- 7 125. The allegations of paragraph 125 of the Complaint constitute conclusions of law to
- 8 which no responsive pleading is required. To the extent a response is deemed required, the
- 9 allegations of paragraph 125 of the Complaint are denied.
- 10 126. Defendants deny the allegations of paragraph 126 of the Complaint.
- 11 127. Defendants deny the allegations of paragraph 127 of the Complaint.
- 12 128. Defendants deny the allegations of paragraph 128 of the Complaint.
- 13 129. Defendants deny the allegations of paragraph 129 of the Complaint.
- 14 130. Defendants deny the allegations of paragraph 130 of the Complaint.
- 15 131. Defendants deny the allegations of paragraph 131 of the Complaint.
- 16 132. Defendants deny the allegations of paragraph 132 of the Complaint.
- 17 133. Defendants deny the allegations of paragraph 133 of the Complaint.
- 18 134. Defendants deny the allegations of paragraph 134 of the Complaint.
- 19 135. Defendants deny the allegations of paragraph 135 of the Complaint.
- 20 136. Defendants deny the allegations of paragraph 136 of the Complaint.
- 21 137. Defendants deny the allegations of paragraph 137 of the Complaint.
- 22 138. Defendants deny the allegations of paragraph 138 of the Complaint.
- 23 139. Defendants deny the allegations of paragraph 139 of the Complaint.
- 24 140. Defendants deny the allegations of paragraph 140 of the Complaint.
- 25 141. The allegations of paragraph 141 of the Complaint are purportedly based on written
- 26 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph
- 27 141 of the Complaint.
- 28 142. Defendants deny the allegations of paragraph 142 of the Complaint.

- 1 143. Defendants deny the allegations of paragraph 143 of the Complaint.
- 2 144. Defendants deny the allegations of paragraph 144 of the Complaint.
- 3 145. Defendants deny the allegations of paragraph 145 of the Complaint.
- 4 146. Defendants deny the allegations of paragraph 146 of the Complaint.
- 5 147. Defendants deny the allegations of paragraph 147 of the Complaint.
- 6 148. Defendants admit that Ellen Cotter proposed Judy Coddling as a candidate for RDI's
- 7 Board of Directors. Defendants deny the allegations of paragraph 148 of the Complaint in all other
- 8 respects.
- 9 149. Defendants admit that Mary Cotter knows Judy Coddling. Defendants deny the
- 10 allegations of paragraph 149 of the Complaint in all other respects.
- 11 150. Defendants admit that, on October 5, 2015, Judy Coddling was made a director of
- 12 RDI. Defendants admit that, with the exception of James Cotter, Jr., RDI's directors voted to add
- 13 Ms. Coddling to RDI's Board of Directors. Defendants are without knowledge or information
- 14 sufficient to form a belief as to the truth of the allegations in paragraph 150 of the Complaint
- 15 related to one of RDI's institutional stockholders, and therefore deny them. Defendants deny the
- 16 allegations of paragraph 150 of the Complaint in all other respects.
- 17 151. Defendants deny the allegations of paragraph 151 of the Complaint.
- 18 152. Defendants deny the allegations of paragraph 152 of the Complaint.
- 19 153. Defendants deny the allegations of paragraph 153 of the Complaint.
- 20 154. Defendants deny the allegations of paragraph 154 of the Complaint.
- 21 155. Defendants admit that RDI's Board of Directors voted to elect Michael Wrotniak
- 22 to fill the vacancy on the Board of Directors. Defendants deny the allegations of paragraph 155 of
- 23 the Complaint in all other respects.
- 24 156. Defendants deny the allegations of paragraph 156 of the Complaint.
- 25 157. Defendants deny the allegations of paragraph 157 of the Complaint.
- 26 158. Defendants deny the allegations of paragraph 158 of the Complaint.
- 27 159. Defendants deny the allegations of paragraph 159 of the Complaint.
- 28 160. Defendants deny the allegations of paragraph 160 of the Complaint.

- 1 161. Defendants deny the allegations of paragraph 161 of the Complaint.  
2 162. Defendants deny the allegations of paragraph 162 of the Complaint.  
3 163. Defendants deny the allegations of paragraph 163 of the Complaint.  
4 164. Defendants deny the allegations of paragraph 164 of the Complaint.  
5 165. Defendants deny the allegations of paragraph 165 of the Complaint.  
6 166. Defendants deny the allegations of paragraph 166 of the Complaint.  
7 167. Defendants deny the allegations of paragraph 167 of the Complaint.  
8 168. Defendants deny the allegations of paragraph 168 of the Complaint.  
9 169. Defendants deny the allegations of paragraph 169 of the Complaint.

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

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

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

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

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

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

23 174. Defendants deny the allegations of paragraph 174 of the Complaint.

24 175. Defendants deny the allegations of paragraph 175 of the Complaint.

25 176. Defendants deny that Plaintiff, RDI, or its stockholders have suffered any damages  
26 by virtue of Defendants' conduct.

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**RESPONSE TO “SECOND CAUSE OF ACTION**

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

177. Defendants reassert and incorporate their responses to paragraphs 1 through 176 of the Complaint.

178. The allegations of paragraph 178 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 178 of the Complaint are denied.

179. The allegations of paragraph 179 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 179 of the Complaint are denied.

180. The allegations of paragraph 180 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 180 of the Complaint are denied.

181. Defendants deny the allegations of paragraph 181 of the Complaint.

182. Defendants deny the allegations of paragraph 182 of the Complaint.

183. Defendants deny that Plaintiff, RDI, or its stockholders have suffered any damages by virtue of Defendants’ conduct.

**RESPONSE TO “THIRD CAUSE OF ACTION**

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

184. Defendants reassert and incorporate their responses to paragraphs 1 through 183 of the Complaint.

185. Defendants deny the allegations of paragraph 185 of the Complaint.

186. Defendants deny the allegations of paragraph 186 of the Complaint.

187. Defendants deny the allegations of paragraph 187 of the Complaint.

188. Defendants deny the allegations of paragraph 188 of the Complaint.

189. The allegations of paragraph 189 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 189 of the Complaint are denied.

1 190. Defendants deny the allegations of paragraph 190 of the Complaint.

2 191. Defendants deny that Plaintiff, RDI, or its stockholders have suffered any damages  
3 by virtue of Defendants' conduct.

4 **RESPONSE TO "IRREPARABLE HARM"**

5 192. Defendants deny the allegations of paragraph 192 of the Complaint.

6 193. Defendants deny the allegations of paragraph 193 of the Complaint.

7 **RESPONSE TO "PRAYER FOR RELIEF"**

8 194. Responding to the unnumbered WHEREFORE paragraph following paragraph 193  
9 of the Complaint, Defendants admit that Plaintiff demands and prays for judgment as set forth  
10 therein, but deny that Defendants caused or contributed to Plaintiff's or RDI's alleged injuries and  
11 further deny that Defendants are liable for damages or any other relief sought in the Complaint.

12 **AFFIRMATIVE DEFENSES**

13 195. Subject to the responses above, Defendants allege and assert the following defenses  
14 in response to the allegations, undertaking the burden of proof only as to those defenses deemed  
15 affirmative defenses by law, regardless of how such defenses are denominated herein. In addition  
16 to the affirmative defenses described below, subject to their responses above, Defendants  
17 specifically reserve all rights to allege additional affirmative defenses that become known through  
18 the course of discovery.

19 **FIRST DEFENSE – FAILURE TO STATE A CAUSE OF ACTION**

20 196. The Complaint, and each purported cause of action therein, is barred, in whole or  
21 in part, for failure to state a cause of action against Defendants under any legal theory.

22 **SECOND DEFENSE – STATUTES OF LIMITATIONS AND REPOSE**

23 197. The Complaint, and each purported cause of action therein, is barred, in whole or  
24 in part, by the applicable statutes of limitations and/or statutes of repose.

25 **THIRD DEFENSE – LACHES**

26 198. The Complaint, and each purported cause of action therein, is barred, in whole or  
27 in part, by the doctrine of laches, in that Plaintiff waited an unreasonable period of time to file this  
28 action and this prejudicial delay has worked to the detriment of Defendants.

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**FOURTH DEFENSE – UNCLEAN HANDS**

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

**FIFTH DEFENSE – SPOILIATION**

200. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by Plaintiff’s spoliation of evidence and obstruction of justice.

**SIXTH DEFENSE – ILLEGAL CONDUCT AND FRAUD**

201. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by Plaintiff’s own illegal conduct and/or fraud.

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

202. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by the doctrines of waiver, estoppel, and acquiescence because Plaintiff’s acts, conduct, and/or omissions are inconsistent with his requests for relief.

**EIGHTH DEFENSE – RATIFICATION AND CONSENT**

203. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because any purportedly improper acts by Defendants, if any, were ratified by Plaintiff and his agents, and/or because Plaintiff consented to the same.

**NINTH DEFENSE – NO UNLAWFUL ACTIVITY**

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

**TENTH DEFENSE – NO RELIANCE**

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

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

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

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**TWELFTH DEFENSE – UNCERTAIN AND AMBIGUOUS**

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

**THIRTEENTH DEFENSE – PRIVILEGE AND JUSTIFICATION**

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

**FOURTEENTH DEFENSE – GOOD FAITH AND LACK OF FAULT**

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

**FIFTEENTH DEFENSE – NO ENTITLEMENT TO INJUNCTIVE RELIEF**

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

**SIXTEENTH DEFENSE – DAMAGES TOO SPECULATIVE**

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

**SEVENTEENTH DEFENSE – NO ENTITLEMENT TO PUNITIVE DAMAGES**

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

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**EIGHTEENTH DEFENSE – MITIGATION OF DAMAGES**

213. Plaintiff has failed to properly mitigate the damages, if any, he has sustained, and by virtue thereof, Plaintiff is barred, in whole or in part, from maintaining the causes of action asserted in the Complaint against Defendant.

**NINETEENTH DEFENSE – COMPARATIVE FAULT**

214. Plaintiff's recovery against Defendants is barred, in whole or in part, based on principles of comparative fault, including Plaintiff's own comparative fault.

**TWENTIETH DEFENSE – BUSINESS JUDGMENT RULE**

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

**TWENTY-FIRST DEFENSE – EQUITABLE ESTOPPEL**

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

**TWENTY-SECOND DEFENSE – ELECTION OF REMEDIES**

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

**TWENTY-THIRD DEFENSE – NEVADA REVISED STATUTE 78.138**

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

**TWENTY-FOURTH DEFENSE – FAILURE TO MAKE APPROPRIATE DEMAND**



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

3                           **TWENTY-FIFTH DEFENSE – CONFLICT OF INTEREST AND**  
4                           **UNSUITABILITY TO SERVE AS DERIVATIVE REPRESENTATIVE**

5           220. The Complaint, and each purported cause of action alleged therein, is barred, in  
6 whole or part, because Plaintiff has conflicts of interest and are unsuitable to serve as derivative  
7 representatives.

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

12                   Dated this 14th day of March, 2016.

13   **COHEN|JOHNSON|PARKER|EDWARDS**

14  
15   By Michael Hughes, Esq.  
16   H. Stan Johnson, Esq.

17   Christopher Tayback  
18   Marshall M. Searcy  
19   QUINN EMANUEL URQUHART &  
20   SULLIVAN, LLP  
21   Attorneys for Defendants  
22   Margaret Cotter, Ellen Cotter,  
23   Douglas McEachern, Guy Adams,  
24   and Edward Kane  
25  
26  
27  
28

CERTIFICATE OF SERVICE

I hereby certify that, on the 14<sup>th</sup> day of March 2016, I caused a true and correct copy of the foregoing document entitled DEFENDANTS' ANSWER TO PLAINTIFF'S FIRST AMENDED COMPLAINT to be served on all interested parties in this action via the Court's E-Filing and E-Service System.

Lewis Roca Rothgerber LLP  
Brian Blakley BBlakley@lrrlaw.com  
Mark G. Krum mkrum@lrrlaw.com  
Annette Jaramillo ajaramillo@lrrlaw.com

Quinn Emanuel Urquhart & Sullivan, LLP  
Marshall M. Searcy III  
marshallsearcy@quinnemanuel.com

Cohen-Johnson, LLC  
H. Stan Johnson, Esq.  
calendar@cohenjohnson.com  
Sarah Gondek sgondek@cohenjohnson.com  
C.J. Barnabi cj@cohenjohnson.com

Robertson & Associates, LLP  
Robert Nation, Esquire  
rnation@arobertsonlaw.com  
Alex Robertson, IV, Esquire  
arobertson@arobertsonlaw.com  
Annie Russo (Legal Assistant)  
arusso@arobertsonlaw.com  
Elisabeth Dagorrette, Paralegal  
edagorrette@arobertsonlaw.com

McDonald Carano Wilson  
Aaron D. Shipley, Esq.  
ashipley@mcwlaw.com  
Leah Jennings, Esq.  
ljennings@mcdonaldcarano.com

Chubb  
Allison Rose, Esq.  
allisonrose@chubb.com

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

Maupin, Cox & LeGoy  
Carolyn K. Renner crenner@mclrenolaw.com  
Donald A. Lattin dlattin@mclrenolaw.com  
Jennifer Salisbury  
jsalisbury@mclrenolaw.com  
Karen Bernhardt  
kbernhardt@mclrenolaw.com

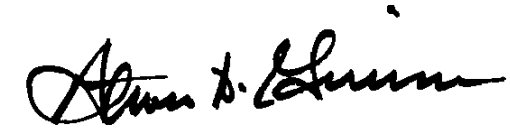
Bird, Marella, Boxer, Wolpert, Nessim,  
Drooks, Lincenberg & Rhow, P.C.  
Shemena Johnson  
snj@birdmarella.com  
Bonita D. Moore  
bdm@birdmarella.com

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

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

*Michael Hughes, Esq.*  
An employee of Cohen|Johnson|Parker|Edwards



CLERK OF THE COURT

1 ANAC  
2 MARK E. FERRARIO, ESQ.  
3 (NV Bar No. 1625)  
4 KARA B. HENDRICKS, ESQ.  
5 (NV Bar No. 7743)  
6 GREENBERG TRAUIG, LLP  
7 3773 Howard Hughes Parkway  
8 Suite 400 North  
9 Las Vegas, Nevada 89169  
10 Telephone: (702) 792-3773  
11 Facsimile: (702) 792-9002  
12 ferrariom@gtlaw.com  
13 hendricksk@gtlaw.com  
14 *Counsel for Reading International, Inc.*

9 **DISTRICT COURT**  
10 **CLARK COUNTY, NEVADA**

11 In the Matter of the Estate of

12 JAMES J. COTTER,

13 Deceased.

Case No. P 14-082942-E

Dept. XI

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

17 Plaintiff,

18 v.

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

22 Defendants.

Case No. A-15-719860-B

Dept. No. XI

*Jointly Administered*

**READING INTERNATIONAL, INC.'S  
ANSWER TO JAMES J. COTTER JR.'S  
FIRST AMENDED COMPLAINT**

23 and

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

26 Nominal Defendant.

**GREENBERG TRAUIG, LLP**  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-9002

1 **READING INTERNATIONAL, INC.’S ANSWER TO JAMES J. COTTER JR.’S**  
2 **FIRST AMENDED COMPLAINT**

3 Nominal Defendant Reading International, Inc. (“Nominal Defendant” or “RDI”) hereby  
4 sets forth the following Answer to the First Amended Verified Complaint, filed by Plaintiff on  
5 October 22, 2015 (“Complaint”). Any allegation, averment, contention or statement in the  
6 Complaint not specifically and unequivocally admitted is denied. Nominal Defendant responds  
7 to each of the paragraphs of the Complaint as follows:

8 **RESPONSE TO “NATURE OF THE CASE”**

9 1. RDI denies the allegations of paragraph 1 of the Complaint.  
10 2. RDI denies the allegations of paragraph 2 of the Complaint.  
11 3. RDI denies the allegations of paragraph 3 of the Complaint.  
12 4. RDI admits that “family disputes” between Ellen Cotter and Margaret Cotter, on  
13 the one hand, and James Cotter, Jr., on the other hand, included certain trust and estate litigation  
14 commenced by Ellen Cotter and Margaret Cotter against James Cotter, Jr. following the passing  
15 of their father, James J. Cotter, Sr. in September 2014. To the extent the allegations in this  
16 paragraph relate to the actions of individual defendants, RDI as a nominal defendant defers to the  
17 answers filed on behalf of the individual defendants. RDI denies the allegations of paragraph 4  
18 of the Complaint in all other respects.

19 5. RDI denies the allegations of paragraph 5 of the Complaint.

20 6. To the extent the allegations in this paragraph relate to the actions of individual  
21 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
22 defendants. RDI denies the allegations of paragraph 6 of the Complaint in all other respects.

23 7. RDI denies the allegations of paragraph 7 of the Complaint.

24 8. RDI denies the allegations of paragraph 8 of the Complaint.

25 9. RDI denies the allegations of paragraph 9 of the Complaint.

26 10. RDI admits that Ellen Cotter and Margaret Cotter acting in their capacities as the  
27 Co-Executors of the estate of James J. Cotter, Sr. (the “Cotter Estate”) exercised on behalf of the  
28 Cotter Estate an option held by the Cotter Estate to acquire 100,000 shares of RDI class B voting  
stock. To the extent the allegations in this paragraph relate to the actions of individual

1 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
2 defendants. RDI denies the allegations of paragraph 10 of the Complaint in all other respects.

3 11. RDI admits that Ellen Cotter reported that a candidate for the Board of Directors  
4 decided to withdraw from consideration because of pending derivative litigation. To the extent  
5 the allegations in this paragraph relate to the actions of individual defendants, RDI as a nominal  
6 defendant defers to the answers filed on behalf of the individual defendants. Defendants deny  
7 the allegations of paragraph 11 of the Complaint in all other respects.

8 12. RDI admits that, on or about October 5, 2015, Ellen Cotter proposed adding Judy  
9 Coddington to RDI's Board of Directors. RDI admits that Edward Kane, Douglas McEachern, and  
10 Guy Adams met Ms. Coddington. RDI admits that Mary Cotter knows Ms. Coddington. To the extent  
11 the allegations in this paragraph relate to the actions of individual defendants, RDI as a nominal  
12 defendant defers to the answers filed on behalf of the individual defendants. RDI denies  
13 allegations of paragraph 12 of the Complaint in all other respects.

14 13. RDI admits that Edward Kane, Guy Adams, and Douglas McEachern were  
15 members of RDI's special nominating committee. RDI admits that RDI's Annual Shareholder  
16 Meeting was scheduled for November 10, 2015. RDI admits that Margaret Cotter knows  
17 Michael Wrotniak. To the extent the allegations in this paragraph relate to the actions of  
18 individual defendants, RDI as a nominal defendant defers to the answers filed on behalf of the  
19 individual defendants. RDI denies the allegations of paragraph 13 of the Complaint in all other  
20 respects.

21 14. RDI admits that Michael Wrotniak was appointed to fill a vacancy on RDI's  
22 Board of Directors. RDI denies the allegations of paragraph 14 of the Complaint in all other  
23 respects.

24 15. RDI admits that Michael Wrotniak was nominated for membership on RDI's  
25 Board of Directors. RDI admits that McEachern and Adams spoke to another suggested  
26 candidate. To the extent the allegations in this paragraph relate to the actions of individual  
27 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
28 defendants. RDI denies the allegations of paragraph 15 of the Complaint in all other respects.

1 16. RDI denies the allegations of paragraph 16 of the Complaint.

2 **RESPONSE TO "PARTIES"**

3 17. RDI admits that, at all times relevant hereto, James Cotter, Jr. was a stockholder  
4 of RDI. RDI admits that James Cotter, Jr. has been a director of RDI. RDI admits that James  
5 Cotter, Jr. was appointed Vice Chairman of RDI's Board of Directors, then later President of  
6 RDI. RDI admits that James Cotter, Jr. was appointed CEO by RDI's Board of Directors after  
7 James Cotter, Sr. resigned from that position. RDI admits that James Cotter, Jr. is the son of the  
8 late James Cotter, Sr. and the brother of Ellen Cotter and Margaret Cotter. RDI admits that  
9 James Cotter Jr. had stock in RDI and that there is a dispute regarding stock held by the James J.  
10 Cotter Living Trust, dated August 1, 2006. RDI denies the allegations of paragraph 17 of the  
11 Complaint in all other respects.

12 18. RDI admits that Margaret Cotter is a director of RDI. RDI admits that Margaret  
13 Cotter is the owner and President of OBI, LLC, a company that, until recently, provided theater  
14 management services to live theaters indirectly owned by RDI through Liberty Theatres, LLC, of  
15 which Margaret Cotter is President. RDI admits that Margaret Cotter was involved in  
16 development of real estate in New York owned directly or indirectly by RDI. RDI denies the  
17 allegations of paragraph 18 of the Complaint in all other respects.

18 19. RDI admits that Ellen Cotter is and at all times relevant hereto was a director of  
19 RDI. RDI denies the allegations of paragraph 19 of the Complaint in all other respects.

20 20. RDI admits that Edward Kane is an outside director of RDI. RDI admits that  
21 Edward Kane has been a director of RDI since approximately October 15, 2009. RDI admits that  
22 Edward Kane was a friend of James Cotter, Sr., James Cotter, Jr., Ellen Cotter, and Margaret  
23 Cotter. RDI denies the allegations of paragraph 20 of the Complaint in all other respects.

24 21. RDI admits that Guy Adams is an outside director of RDI. RDI denies the  
25 allegations of paragraph 21 of the Complaint in all other respects.

26 22. RDI admits that Douglas McEachern is an outside director of RDI. RDI denies  
27 the allegations of paragraph 22 of the Complaint in all other respects.

28

1           23.     RDI admits that Timothy Storey was an outside director of RDI. RDI admits that,  
2 Timothy Storey served as a director of RDI’s wholly-owned New Zealand subsidiary. RDI  
3 denies the allegations of paragraph 23 of the Complaint in all other respects.

4           24.     RDI admits the allegations of paragraph 24 of the Complaint.

5           25.     Defendants admit that RDI is a Nevada corporation. Defendants admit that RDI  
6 has two classes of stock—Class A stock and Class B stock. The other allegations of paragraph  
7 25 of the Complaint are purportedly based on written documents, which speak for themselves.  
8 Defendants deny the remaining allegations of paragraph 25 of the Complaint.

9           26.     Defendants deny the allegations of paragraph 26 of the Complaint.

10                   **RESPONSE TO “ALLEGATIONS COMMON TO ALL CLAIMS”**

11           27.     RDI admits that, since approximately 2000 and until he resigned as Chairman and  
12 CEO of RDI, James J. Cotter, Sr. was the CEO and Chairman of the Board of Directors of RDI.  
13 RDI denies the allegations of paragraph 27 of the Complaint in all other respects.

14           28.     RDI denies the allegations of paragraph 28 of the Complaint.

15           29.     RDI denies the allegations of paragraph 29 of the Complaint.

16           30.     RDI admits that James Cotter, Jr. was appointed Vice Chairman of the RDI board  
17 in 2007. RDI admits that the RDI board appointed James Cotter, Jr. President of RDI on or  
18 about June 1, 2013. RDI denies the allegations of paragraph 30 of the Complaint in all other  
19 respects.

20           31.     RDI admits the allegation of paragraph 31 of the Complaint.

21           32.     RDI admits that Ellen Cotter and Margaret Cotter are in litigation with James  
22 Cotter, Jr. RDI denies the allegations of paragraph 32 of the Complaint in all other respects.

23           33.     RDI admits that, as President and CEO of RDI, James Cotter, Jr. had  
24 disagreements with his sisters regarding RDI. To the extent the allegations in this paragraph  
25 relate to the actions of individual defendants, RDI as a nominal defendant defers to the answers  
26 filed on behalf of the individual defendants. RDI denies the allegations of paragraph 33 of the  
27 Complaint in all other respects.

28



1           34.     To the extent the allegations in this paragraph relate to the actions of individual  
2 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
3 defendants. RDI denies the allegations of paragraph 34 of the Complaint in all other respects.

4           35.     RDI admits that Ellen Cotter sought an employment agreement. To the extent the  
5 allegations in this paragraph relate to the actions of individual defendants, RDI as a nominal  
6 defendant defers to the answers filed on behalf of the individual defendants. RDI denies the  
7 allegations of paragraph 35 of the Complaint in all other respects.

8           36.     To the extent the allegations in this paragraph relate to the actions of individual  
9 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
10 defendants. RDI denies the allegations of paragraph 36 of the Complaint in all other respects.

11          37.     To the extent the allegations in this paragraph relate to the actions of individual  
12 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
13 defendants. RDI denies the allegations of paragraph 37 of the Complaint in all other respects.

14          38.     To the extent the allegations in this paragraph relate to the actions of individual  
15 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
16 defendants. To the extent that the allegations of paragraph 38 of the Complaint are purportedly  
17 based on written documents, the documents speak for themselves. RDI denies the remaining  
18 allegations of paragraph 38 of the Complaint.

19          39.     To the extent the allegations in this paragraph relate to the actions of individual  
20 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
21 defendants. RDI denies the allegations of paragraph 39 of the Complaint in all other respects.

22          40.     RDI admits that, in October 2014, RDI's Board of Directors provided \$50,000 to  
23 Ellen Cotter to compensate her for her inability to realize the intended benefits of an ISO option  
24 due to an error by the Company in connection with the issuance of that option to her and that  
25 Ellen Cotter had exercised that option in 2013. RDI denies the allegations of paragraph 40 of the  
26 Complaint in all other respects.

27          41.     RDI denies the allegations of paragraph 41 of the Complaint.

28

1           42.     RDI admits that, on or about November 2014, RDI's Board of Directors approved  
2 an increase in compensation for nonemployee directors. RDI denies the allegations of paragraph  
3 42 of the Complaint in all other respects.

4           43.     RDI denies the allegations of paragraph 43 of the Complaint.

5           44.     RDI denies the allegations of paragraph 44 of the Complaint.

6           45.     RDI denies the allegations of paragraph 45 of the Complaint.

7           46.     RDI denies the allegations of paragraph 46 of the Complaint.

8           47.     RDI denies the allegations of paragraph 47 of the Complaint.

9           48.     The allegations of paragraph 48 of the Complaint are purportedly based on written  
10 documents, which speak for themselves. RDI denies the remaining allegations of paragraph 48  
11 of the Complaint.

12          49.     RDI denies the allegations of paragraph 49 of the Complaint.

13          50.     RDI admits that, on or about January 15, 2015, RDI's Board of Directors  
14 approved purchase of a directors and officers insurance policy. RDI denies the allegations of  
15 paragraph 50 of the Complaint in all other respects.

16          51.     RDI admits that the quoted resolution was approved. RDI denies the allegations  
17 of paragraph 51 of the Complaint in all other respects.

18          52.     RDI admits the price of RDI stock varied over time. RDI is without knowledge or  
19 information sufficient to form a belief as to the truth of the remaining allegations of paragraph 52  
20 of the Complaint, and therefore denies them.

21          53.     The allegations of paragraph 53 of the Complaint are purportedly based on written  
22 documents which speak for themselves. RDI is without knowledge or information sufficient to  
23 form a belief as to the truth of the allegations of paragraph 53 of the Complaint, and therefore  
24 denies them.

25          54.     RDI is without knowledge or information sufficient to form a belief as to the truth  
26 of the allegations of paragraph 54 of the Complaint, and therefore denies them.

27          55.     RDI denies the allegations of paragraph 55 of the Complaint.

28

1           56.     RDI is without knowledge or information sufficient to form a belief as to the truth  
2 of the remaining allegations of paragraph 56 of the Complaint, and therefore denies them.

3           57.     RDI denies the allegations of paragraph 57 of the Complaint.

4           58.     RDI denies the allegations of paragraph 58 of the Complaint.

5           59.     RDI denies the allegations of paragraph 59 of the Complaint.

6           60.     RDI admits that Bill Gould and Timothy Storey were assigned to try to mediate  
7 the relationship between James Cotter, Jr., on the one hand, and Ellen Cotter and Margaret  
8 Cotter, on the other. RDI denies the allegations of paragraph 60 of the Complaint in all other  
9 respects.

10          61.     To the extent the allegations in this paragraph relate to the actions of individual  
11 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
12 defendants. RDI denies the allegations of paragraph 61 of the Complaint in all other respects.

13          62.     To the extent the allegations in this paragraph relate to the actions of individual  
14 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
15 defendants. RDI denies the allegations of paragraph 62 of the Complaint in all other respects.

16          63.     RDI denies the allegations of paragraph 63 of the Complaint.

17          64.     RDI admits that MC asked for an employment agreement with RDI. To the  
18 extent the allegations in this paragraph relate to the actions of individual defendants, RDI as a  
19 nominal defendant defers to the answers filed on behalf of the individual defendants. RDI denies  
20 the allegations of paragraph 64 of the Complaint in all other respects.

21          65.     RDI admits that the non-Cotter directors sought additional compensation for time  
22 expended on RDI matters. To the extent the allegations in this paragraph relate to the actions of  
23 individual defendants, RDI as a nominal defendant defers to the answers filed on behalf of the  
24 individual defendants. RDI denies the allegations of paragraph 65 of the Complaint in all other  
25 respects.

26          66.     RDI admits that former director Storey resides in New Zealand and that Storey  
27 traveled between New Zealand and Los Angeles on RDI business. To the extent the allegations  
28 in this paragraph relate to the actions of individual defendants, RDI as a nominal defendant

1 defers to the answers filed on behalf of the individual defendants. RDI denies the allegations of  
2 paragraph 66 of the Complaint in all other respects.

3 67. RDI is without knowledge or information sufficient to form a belief as to the truth  
4 of the allegations of paragraph 67 of the Complaint, and therefore denies them.

5 68. To the extent the allegations in this paragraph relate to the actions of individual  
6 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
7 defendants. RDI denies the allegations of paragraph 68 of the Complaint in all other respects.

8 69. To the extent the allegations in this paragraph relate to the actions of individual  
9 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
10 defendants. RDI denies the allegations of paragraph 69 of the Complaint in all other respects.

11 70. The allegations of paragraph 70 of the Complaint are purportedly based on written  
12 documents, which speak for themselves. RDI denies the remaining allegations of paragraph 70  
13 of the Complaint.

14 71. RDI admits that the Stomp Producers gave a purported notice of termination of  
15 Stomp's lease at the Orpheum Theatre on or about April 23, 2015. To the extent the allegations  
16 in this paragraph relate to the actions of individual defendants, RDI as a nominal defendant  
17 defers to the answers filed on behalf of the individual defendants. RDI denies the allegations of  
18 paragraph 71 of the Complaint in all other respects.

19 72. To the extent the allegations in this paragraph relate to the actions of individual  
20 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
21 defendants. RDI denies the allegations of paragraph 72 of the Complaint in all other respects.

22 73. RDI denies the allegations of paragraph 73 of the Complaint.

23 74. To the extent the allegations in this paragraph relate to the actions of individual  
24 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
25 defendants. RDI denies the allegations of paragraph 74 of the Complaint in all other respects.

26 75. RDI denies the allegations of paragraph 75 of the Complaint.

27 76. RDI denies the allegations of paragraph 76 of the Complaint.

28 77. RDI denies the allegations of paragraph 77 of the Complaint.

1           78.     RDI denies the allegations of paragraph 78 of the Complaint.

2           79.     RDI admits that EC became interim CEO of RDI after JJC was terminated. RDI  
3 denies the allegations of paragraph 79 in all other respects.

4           80.     To the extent the allegations in this paragraph relate to the actions of individual  
5 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
6 defendants. RDI denies the allegations of paragraph 80 of the Complaint in all other respects.

7           81.     To the extent the allegations in this paragraph relate to the actions of individual  
8 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
9 defendants. RDI is denies the allegations of paragraph 81 of the Complaint in all other respects.

10          82.     To the extent the allegations in this paragraph relate to the actions of individual  
11 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
12 defendants. RDI denies the allegations of paragraph 82 of the Complaint in all other respects.

13          83.     To the extent the allegations in this paragraph relate to the actions of individual  
14 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
15 defendants. RDI denies the allegations of paragraph 83 of the Complaint in all other respects.

16          84.     To the extent the allegations in this paragraph relate to the actions of individual  
17 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
18 defendants. RDI denies the allegations of paragraph 84 of the Complaint in all other respects.

19          85.     To the extent the allegations in this paragraph relate to the actions of individual  
20 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
21 defendants. RDI denies the allegations of paragraph 85 of the Complaint in all other respects.

22          86.     RDI admits that EC distributed an agenda for the May 21, 2015 RDI board  
23 meeting on or about May 19, 2015, and that the first action item on the agenda was entitled  
24 “Status of President and CEO.” RDI denies the remaining allegations of paragraph 86 of the  
25 Complaint.

26          87.     RDI denies the allegations of paragraph 87 of the Complaint.

27          88.     RDI denies the allegations of paragraph 88 of the Complaint.

28          89.     RDI denies the allegations of paragraph 89 of the Complaint.

1           90.     RDI admits that JJC’s counsel appeared at the May 21, 2015 board meeting and  
2 made a statement. RDI denies the remaining allegations of paragraph 90 of the Complaint.

3           91.     RDI is without knowledge or information sufficient to form a belief as to the truth  
4 of the allegations of paragraph 91 of the Complaint, and therefore denies the same.

5           92.     RDI is without knowledge or information sufficient to form a belief as to the truth  
6 of the allegations of paragraph 92 of the Complaint, and therefore denies the same.

7           93.     RDI is without knowledge or information sufficient to form a belief as to the truth  
8 of the allegations of paragraph 93 of the Complaint, and therefore denies the same.

9           94.     RDI admits that the May 21, 2015 board meeting was adjourned to May 29, 2015.  
10 RDI denies the remaining allegations of paragraph 94 of the Complaint.

11          95.     RDI is without knowledge or information sufficient to form a belief as to the truth  
12 of the allegations of paragraph 95 of the Complaint, and therefore denies the same.

13          96.     RDI admits the allegations of paragraph 96 of the Complaint.

14          97.     RDI denies the allegations of paragraph 97 of the Complaint.

15          98.     The allegations of paragraph 98 of the Complaint are purportedly based on written  
16 documents, which speak for themselves. RDI denies the remaining allegations of paragraph 98  
17 of the Complaint.

18          99.     To the extent the allegations in this paragraph relate to the actions of individual  
19 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
20 defendants. RDI denies the allegations of paragraph 99 of the Complaint in all other respects.

21          100.    To the extent the allegations in this paragraph relate to the actions of individual  
22 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
23 defendants. RDI denies the allegations of paragraph 100 of the Complaint in all other respects.

24          101.    RDI denies the allegations of paragraph 101 of the Complaint.

25          102.    RDI is without knowledge or information sufficient to form a belief as to the truth  
26 of the allegations of paragraph 102 of the Complaint, and therefore denies the same.

27          103.    RDI is without knowledge or information sufficient to form a belief as to the truth  
28 of the allegations of paragraph 103 of the Complaint, and therefore denies the same.

1           104. RDI is without knowledge or information sufficient to form a belief as to the truth  
2 of the allegations of paragraph 104 of the Complaint, and therefore denies the same.

3           105. To the extent the allegations in this paragraph relate to the actions of individual  
4 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
5 defendants. RDI denies the allegations of paragraph 105 of the Complaint in all other respects.

6           106. RDI admits that James Cotter, Jr. was advised that the RDI Board meeting would  
7 be adjourned until about 6:00 p.m. that evening. RDI denies the allegations of paragraph 106 of  
8 the Complaint in all other respects.

9           107. RDI admits that the RDI Board meeting reconvened. RDI denies the allegations  
10 of paragraph 107 of the Complaint in all other respects.

11           108. RDI is without knowledge or information sufficient to form a belief as to the truth  
12 of the allegations of paragraph 108 of the Complaint, and therefore denies the same.

13           109. RDI is without knowledge or information sufficient to form a belief as to the truth  
14 of the allegations of paragraph 109 of the Complaint, and therefore denies the same.

15           110. To the extent the allegations in this paragraph relate to the actions of individual  
16 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
17 defendants. RDI denies the allegations of paragraph 110 of the Complaint in all other respects.

18           111. To the extent the allegations in this paragraph relate to the actions of individual  
19 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual  
20 defendants. RDI denies the allegations of paragraph 111 of the Complaint in all other respects.

21           112. The allegations of paragraph 112 of the Complaint are purportedly based on  
22 written documents, which speak for themselves. RDI denies the remaining allegations of  
23 paragraph 112 of the Complaint.

24           113. RDI denies the allegations of paragraph 113 of the Complaint.

25           114. RDI denies the allegations of paragraph 114 of the Complaint.

26           115. RDI denies the allegations of paragraph 115 of the Complaint.

27           116. RDI denies the allegations of paragraph 116 of the Complaint.

28           117. RDI denies the allegations of paragraph 117 of the Complaint.

- 1 118. RDI denies the allegations of paragraph 118 of the Complaint.
- 2 119. RDI denies the allegations of paragraph 119 of the Complaint.
- 3 120. RDI denies the allegations of paragraph 120 of the Complaint.
- 4 121. RDI denies the allegations of paragraph 121 of the Complaint.
- 5 122. RDI denies the allegations of paragraph 122 of the Complaint.
- 6 123. RDI admits the allegations of paragraph 123 of the Complaint.
- 7 124. RDI admits the allegations of paragraph 124 of the Complaint.
- 8 125. RDI denies the allegations of paragraph 122 of the Complaint.
- 9 126. RDI denies the allegations of paragraph 126 of the Complaint.
- 10 127. RDI denies the allegations of paragraph 127 of the Complaint.
- 11 128. RDI denies the allegations of paragraph 128 of the Complaint.
- 12 129. RDI denies the allegations of paragraph 129 of the Complaint.
- 13 130. RDI denies the allegations of paragraph 130 of the Complaint.
- 14 131. To the extent the allegations in this paragraph relate to the actions of individual
- 15 defendants, RDI as a nominal defendant defers to the answers filed on behalf of the individual
- 16 defendants. RDI denies the allegations of paragraph 131 of the Complaint in all other respects.
- 17 132. RDI denies the allegations of paragraph 132 of the Complaint.
- 18 133. RDI denies the allegations of paragraph 133 of the Complaint.
- 19 134. The allegations of paragraph 134 of the Complaint are purportedly based on
- 20 written documents, which speak for themselves. RDI denies the remaining allegations of
- 21 paragraph 134 of the Complaint.
- 22 135. RDI denies the allegations of paragraph 135 of the Complaint.
- 23 136. The allegations of paragraph 136 of the Complaint are purportedly based on
- 24 written documents, which speak for themselves. RDI denies the remaining allegations of
- 25 paragraph 136 of the Complaint.
- 26 137. RDI denies the allegations of paragraph 137 of the Complaint.
- 27 138. RDI denies the allegations of paragraph 138 of the Complaint.
- 28 139. RDI denies the allegations of paragraph 139 of the Complaint.



1           140. The allegations of paragraph 140 of the Complaint are purportedly based on  
2 written documents, which speak for themselves. RDI denies the remaining allegations of  
3 paragraph 140 of the Complaint.

4           141. The allegations of paragraph 141 of the Complaint are purportedly based on  
5 written documents, which speak for themselves. RDI denies the remaining allegations of  
6 paragraph 141 of the Complaint.

7           142. The allegations of paragraph 142 of the Complaint are purportedly based on  
8 written documents, which speak for themselves. RDI denies the remaining allegations of  
9 paragraph 142 of the Complaint.

10           143. RDI denies the allegations of paragraph 143 of the Complaint.

11           144. RDI denies the allegations of paragraph 144 of the Complaint.

12           145. RDI denies the allegations of paragraph 145 of the Complaint.

13           146. RDI denies the allegations of paragraph 146 of the Complaint.

14           147. RDI denies the allegations of paragraph 147 of the Complaint.

15           148. RDI admits that Ellen Cotter proposed Judy Coddling as a candidate for RDI's  
16 Board of Directors. RDI denies the allegations of paragraph 148 of the Complaint in all other  
17 respects.

18           149. RDI admits that Mary Cotter knows Judy Coddling. RDI denies the allegations of  
19 paragraph 149 of the Complaint in all other respects.

20           150. RDI admits that, on October 5, 2015, Judy Coddling was made a director of RDI.  
21 To the extent the allegations in this paragraph relate to the actions of individual defendants, RDI  
22 as a nominal defendant defers to the answers filed on behalf of the individual defendants. RDI  
23 denies the allegations of paragraph 150 of the Complaint in all other respects.

24           151. RDI denies the allegations of paragraph 151 of the Complaint.

25           152. RDI denies the allegations of paragraph 152 of the Complaint.

26           153. RDI denies the allegations of paragraph 153 of the Complaint.

27           154. RDI denies the allegations of paragraph 154 of the Complaint.

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1           155. RDI admits Michael Wrotniak was nominated as a director of RDI. RDI denies  
2 the allegations of paragraph 155 of the Complaint in all other respects.

3           156. RDI denies the allegations of paragraph 156 of the Complaint.

4           157. RDI denies the allegations of paragraph 157 of the Complaint.

5           158. RDI denies the allegations of paragraph 158 of the Complaint.

6           159. RDI denies the allegations of paragraph 159 of the Complaint.

7           160. RDI denies the allegations of paragraph 160 of the Complaint.

8           161. RDI admits is issued a Proxy Statement which is a written document, which  
9 speaks for itself. RDI denies the remaining allegations of paragraph 142 of the Complaint.

10           162. RDI denies the allegations of paragraph 162 of the Complaint.

11           163. RDI denies the allegations of paragraph 163 of the Complaint.

12           164. RDI denies the allegations of paragraph 164 of the Complaint.

13           165. RDI denies the allegations of paragraph 165 of the Complaint.

14           166. RDI denies the allegations of paragraph 166 of the Complaint.

15           167. RDI denies the allegations of paragraph 167 of the Complaint.

16           168. RDI denies the allegations of paragraph 168 of the Complaint.

17           169. RDI denies the allegations of paragraph 169 of the Complaint.

18                                 **RESPONSE TO “FIRST CAUSE OF ACTION**

19                                 **(For Breach of Fiduciary Duty – Against All Defendants)”**

20           170. RDI reasserts and incorporates its responses to paragraphs 1 through 169 of the  
21 Complaint.

22           171. The allegations of paragraph 171 of the Complaint constitute conclusions of law  
23 to which no responsive pleading is required. To the extent a response is deemed required, the  
24 allegations of paragraph 171 of the Complaint are denied.

25           172. The allegations of paragraph 172 of the Complaint constitute conclusions of law  
26 to which no responsive pleading is required. To the extent a response is deemed required, the  
27 allegations of paragraph 172 of the Complaint are denied.

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1 173. The allegations of paragraph 173 of the Complaint constitute conclusions of law  
2 to which no responsive pleading is required. To the extent a response is deemed required, the  
3 allegations of paragraph 173 of the Complaint are denied.

4 174. RDI denies the allegations of paragraph 174 of the Complaint.

5 175. RDI denies the allegations of paragraph 175 of the Complaint.

6 176. RDI denies that Plaintiff, RDI, or its stockholders have suffered any damages by  
7 virtue of Defendants' conduct.

8 **RESPONSE TO "SECOND CAUSE OF ACTION**

9 **(Breach of Fiduciary Duty – Against MC, EC, Adams, Kane, McEachern and**  
10 **Gould)"**

11 177. RDI reasserts and incorporates its responses to paragraphs 1 through 169 of the  
12 Complaint.

13 178. The allegations of paragraph 178 of the Complaint constitute conclusions of law  
14 to which no responsive pleading is required. To the extent a response is deemed required, the  
15 allegations of paragraph 178 of the Complaint are denied.

16 179. The allegations of paragraph 179 of the Complaint constitute conclusions of law  
17 to which no responsive pleading is required. To the extent a response is deemed required, the  
18 allegations of paragraph 179 of the Complaint are denied.

19 180. The allegations of paragraph 180 of the Complaint constitute conclusions of law  
20 to which no responsive pleading is required. To the extent a response is deemed required, the  
21 allegations of paragraph 180 of the Complaint are denied.

22 181. RDI denies the allegations of paragraph 181 of the Complaint.

23 182. RDI denies the allegations of paragraph 182 of the Complaint.

24 183. RDI denies that Plaintiff, RDI, or its stockholders have suffered any damages by  
25 virtue of Defendants' conduct.

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**RESPONSE TO “THIRD CAUSE OF ACTION**

**(Aiding and Abetting Breach of Fiduciary Duty – Against MC and EC)”**

184. RDI reasserts and incorporates its responses to paragraphs 1 through 169 of the Complaint.

185. RDI denies the allegations of paragraph 185 of the Complaint.

186. RDI denies the allegations of paragraph 186 of the Complaint.

187. RDI denies the allegations of paragraph 187 of the Complaint.

188. RDI denies the allegations of paragraph 188 of the Complaint.

189. The allegations of paragraph 189 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 189 of the Complaint are denied.

190. RDI denies the allegations of paragraph 190 of the Complaint.

191. RDI denies that Plaintiff, RDI, or its stockholders have suffered any damages by virtue of Defendants’ conduct.

**RESPONSE TO “IRREPARABLE HARM”**

192. RDI denies the allegations of paragraph 192 of the Complaint.

193. RDI denies the allegations of paragraph 193 of the Complaint.

**RESPONSE TO “PRAYER FOR RELIEF”**

194. To the extent that the allegations contained in the Prayer for Relief require a response, RDI denies the allegations therein. Further, RDI denies that Plaintiff should be reinstated as President of RDI and denies that Plaintiff is entitled to any damages or that corrective disclosures are necessary.

**AFFIRMATIVE DEFENSES**

Subject to the responses above, RDI alleges and asserts the following defenses in response to the allegations, undertaking the burden of proof only as to those defenses deemed affirmative defenses by law, regardless of how such defenses are denominated herein. In addition to the affirmative defenses described below, subject to their responses above, RDI

1 specifically reserves all rights to allege additional affirmative defenses that become known  
2 through the course of discovery.

3 **1. FAILURE TO STATE A CLAIM**

4 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
5 for failure to state a claim.

6 **2. FAILURE TO MAKE DEMAND**

7 Plaintiff has failed to make a demand prior to filing the purported derivative suit.

8 **3. CORPORATE GOVERNANCE**

9 Plaintiff's claims are barred because RDI has at all times acted, through its Board of  
10 Directors, in good faith consistent with corporate governance standards.

11 **4. IRREPAIRABLE HARM TO COMPANY**

12 Plaintiff's claims are barred because RDI would be irreparably harmed by the relief  
13 Plaintiff seeks.

14 **5. STATUTES OF LIMITATIONS AND REPOSE**

15 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
16 by the applicable statutes of limitations and/or statutes of repose.

17 **6. UNCLEAN HANDS**

18 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
19 by the doctrine of unclean hands.

20 **7. SPOILIATION**

21 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
22 by Plaintiff's spoliation of evidence and obstruction of justice.

23 **8. WAIVER, ESTOPPEL, AND ACQUIESCENCE**

24 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
25 by the doctrines of waiver, estoppel, and acquiescence because Plaintiff's acts, conduct, and/or  
26 omissions are inconsistent with his requests for relief.

27

28

1 **9. RATIFICATION AND CONSENT**

2 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
3 because any purportedly improper acts by RDI, if any, were ratified by Plaintiff and his agents,  
4 and/or because Plaintiff consented to the same.

5 **10. NO UNLAWFUL ACTIVITY**

6 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
7 because to the extent any of the activities alleged in the Complaint actually occurred, those  
8 activities were not unlawful.

9 **11. PRIVILEGE AND JUSTIFICATION**

10 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
11 because the actions complained of, if taken, were at all times reasonable, privileged, and  
12 justified.

13 **12. GOOD FAITH AND LACK OF FAULT**

14 The Complaint, and each purported cause of action therein, is barred, in whole or in part,  
15 because, at all times material to the Complaint, RDI acted in good faith and with innocent intent.

16 **13. NO ENTITLEMENT TO INJUNCTIVE RELIEF**

17 Plaintiff is not entitled to injunctive relief because, among other things, he has not  
18 suffered irreparable harm, he has an adequate remedy at law, and injunctive relief is not  
19 supported by any purported cause of action alleged in the Complaint and is not warranted by the  
20 balance of the hardships and/or any other equitable factors.

21 **14. DAMAGES TOO SPECULATIVE**

22 Plaintiff is not entitled to damages of any kind or in any sum or amount whatsoever as a  
23 result of RDI's acts or omissions alleged in the Complaint because any damages sought are  
24 speculative, uncertain and not recoverable.

25 **15. MITIGATION OF DAMAGES**

26 Plaintiff has failed to properly mitigate the damages, if any, he has sustained, and by  
27 virtue thereof, Plaintiff is barred, in whole or in part, from maintaining the causes of action  
28 asserted in the Complaint against RDI.

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**16. COMPARATIVE FAULT**

Plaintiff's recovery is barred, in whole or in part, based on principles of comparative fault, including Plaintiff's own comparative fault.

**17. BUSINESS JUDGMENT RULE**

The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the business judgment rule.

**18. EQUITABLE ESTOPPEL**

The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the doctrine of equitable estoppel.

**19. NEVADA REVISED STATUTE 78.138**

The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by Nevada Revised Statute 78.138, which provides that a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that: (a) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer; and (b) the breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

**20. CONFLICT OF INTEREST AND  
UNSUITABILITY TO SERVE AS REPRESENTATIVE**

The Complaint, and each purported cause of action alleged therein is barred, in whole or Part because Plaintiff has a conflict of interest and is unsuitable to serve as a derivative representative.

What about failure to make demand and unsuitability as a derivative representative (conflict of interest).

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**WHEREFORE**, RDI request that Plaintiff's Complaint be dismissed in its entirety with prejudice, that judgment be entered in favor of RDI, that RDI be awarded costs and, to the extent provided by law, attorney's fees, and any such other relief as the Court may deem proper.

DATED this 29<sup>th</sup> day of March, 2016.

GREENBERG TRAUIG, LLP

/s/ Kara B. Hendricks  
MARK E. FERRARIO, ESQ. (NV Bar No. 1625)  
KARA B. HENDRICKS, ESQ. (NV Bar No. 7743)  
3773 Howard Hughes Parkway  
Suite 400 North  
Las Vegas, Nevada 89169  
*Counsel for Reading International, Inc.*

**GREENBERG TRAUIG, LLP**  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-9002



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**CERTIFICATE OF SERVICE**

Pursuant to Nev. R. Civ. P. 5(b)(2)(D) and E.D.C.R. 8.05, I certify that on this day, I caused a true and correct copy of the forgoing *Reading International, Inc.’s Answer to James Cotter, Jr.’s First Amended Complaint* to be filed and served via the Court’s Wiznet E-Filing system. The date and time of the electronic proof of service is in place of the date and place of deposit in the mail.

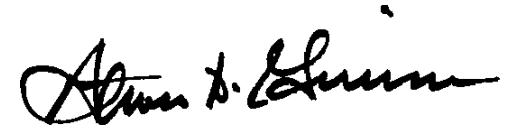
DATED this 29<sup>th</sup> day of March, 2016.

*/s/ Andrea Lee Rosehill*

---

AN EMPLOYEE OF GREENBERG TRAUIG, LLP

**GREENBERG TRAUIG, LLP**  
3773 Howard Hughes Parkway, Suite 400 North  
Las Vegas, Nevada 89169  
Telephone: (702) 792-3773  
Facsimile: (702) 792-9002



CLERK OF THE COURT

1 ANS  
2 **COHEN|JOHNSON|PARKER|EDWARDS**  
3 H. STAN JOHNSON, ESQ.  
4 Nevada Bar No. 00265  
5 sjohnson@cohenjohnson.com  
6 MICHAEL V. HUGHES, ESQ.  
7 Nevada Bar No. 13154  
8 mhughes@cohenjohnson.com  
9 255 E. Warm Springs Road, Suite 100  
10 Las Vegas, Nevada 89119  
11 Telephone: (702) 823-3500  
12 Facsimile: (702) 823-3400

13 **QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
14 CHRISTOPHER TAYBACK, ESQ.  
15 California Bar No. 145532, pro hac vice  
16 christayback@quinnemanuel.com  
17 MARSHALL M. SEARCY, ESQ.  
18 California Bar No. 169269, pro hac vice  
19 marshallsearcy@quinnemanuel.com  
20 865 S. Figueroa St., 10<sup>th</sup> Floor  
21 Los Angeles, CA 90017  
22 Telephone: (213) 443-3000

23 Attorneys for Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas  
24 McEachern, Judy Coddling, and Michael Wrotniak

25 **EIGHTH JUDICIAL DISTRICT COURT**

26 **CLARK COUNTY, NEVADA**

27 JAMES J. COTTER, JR., derivatively on behalf  
28 of Reading International, Inc.;

Plaintiff,

v.

MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE, DOUGLAS  
McEACHERN, TIMOTHY STOREY,  
WILLIAM GOULD, and DOES 1 through 100,  
inclusive;

Defendants,

and

Case No.: A-15-719860-B  
Dept. No.: XI

Case No.: P-14-082942-E  
Dept. No.: XI

Related and Coordinated Cases

**BUSINESS COURT**

**JUDY CODDING AND MICHAEL  
WROTNIAK'S ANSWER TO FIRST  
AMENDED COMPLAINT**

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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,

v.

MARGARET COTTER, ELLEN COTTER, GUY ADAMS, EDWARD KANE, DOUGLAS McEACHERN, WILLIAM GOULD, JUDY CODDING, MICHAEL WROTNIAK, CRAIG TOMPKINS and DOES 1 through 100, inclusive;

Defendants,

and

READING INTERNATIONAL, INC., a Nevada corporation,

Nominal Defendant.

1                   **DEFENDANTS’ JUDY CODDING AND MICHAEL WROTONIAK’S ANSWER TO**  
2                   **FIRST AMENDED COMPLAINT**

3                   Defendants Judy Coddington and Michael Wrotoniak hereby set forth the following Answer to  
4                   the First Amended Verified Complaint, filed by Plaintiffs on February 12, 2016 (“Complaint”).  
5                   Any allegation, averment, contention or statement in the Complaint not specifically and  
6                   unequivocally admitted is denied. Defendants respond to each of the paragraphs of the Complaint  
7                   as follows:

8   **RESPONSE TO “INTRODUCTION”**

9                   1.           Defendants admit that Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,  
10                  Douglas McEachern, William Gould, Judy Coddington, and Michael Wrotoniak are members of the  
11                  Board of Directors of Reading International, Inc. (“RDI”). Defendants are without knowledge or  
12                  information sufficient to form a belief as to the truth of the allegation that Plaintiffs are now, and  
13                  at all relevant times herein have been, stockholders of RDI, and therefore deny them. Defendants  
14                  deny the allegations of paragraph 1 of the Complaint in all other respects.

15                  2.           Defendants are without knowledge or information sufficient to form a belief as to  
16                  the truth of the allegations of paragraph 2 of the Complaint, and therefore deny them.

17                  3.           Defendants are without knowledge or information sufficient to form a belief as to  
18                  the truth of the allegations of paragraph 3 of the Complaint, and therefore deny them.

19                  4.           Defendants are without knowledge or information sufficient to form a belief as to  
20                  the truth of the allegations of paragraph 4 of the Complaint, and therefore deny them.

21                  5.           Defendants are without knowledge or information sufficient to form a belief as to  
22                  the truth of the allegations of paragraph 5 of the Complaint, and therefore deny them.

23                  6.           Defendants are without knowledge or information sufficient to form a belief as to  
24                  the truth of the allegations of paragraph 6 of the Complaint, and therefore deny them.

25                  7.           Defendants are without knowledge or information sufficient to form a belief as to  
26                  the truth of the allegations of paragraph 7 of the Complaint, and therefore deny them.

27                  8.           Defendants are without knowledge or information sufficient to form a belief as to  
28                  the truth of the allegations of paragraph 8 of the Complaint, and therefore deny them.

1           9.       Defendants are without knowledge or information sufficient to form a belief as to  
2 the truth of the allegations of paragraph 9 of the Complaint, and therefore deny them.

3           10.       Defendants admit that RDI is a Nevada corporation. The other allegations of  
4 paragraph 10 of the Complaint are purportedly based on written documents, which speak for  
5 themselves. Defendants deny the remaining allegations of paragraph 10 of the Complaint.

6           11.       Defendants admit RDI has two classes of stock—Class A stock and Class B stock.  
7 Defendants admit that Class A stock holds no voting rights. Defendants admit that Class B stock  
8 is the sole voting stock with respect to the election of directors. Defendants are without knowledge  
9 or information sufficient to form a belief as to the truth of the remaining allegations of paragraph  
10 11 of the Complaint, and therefore deny them.

11           12.       To the extent that the allegations of paragraph 12 of the Complaint are purportedly  
12 based on written documents, the documents speak for themselves. Defendants are without  
13 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
14 12 of the Complaint, and therefore deny them.

15           13.       The allegations of paragraph 13 of the Complaint are purportedly based on written  
16 documents, which speak for themselves. Defendants are without knowledge or information  
17 sufficient to form a belief as to the truth of the allegations of paragraph 13 of the Complaint, and  
18 therefore deny them.

19           14.       Defendants are without knowledge or information sufficient to form a belief as to  
20 the truth of the allegations of paragraph 14 of the Complaint, and therefore deny them.

21           15.       Defendants are without knowledge or information sufficient to form a belief as to  
22 the truth of the allegations of paragraph 15 of the Complaint, and therefore deny them.

23           16.       Defendants are without knowledge or information sufficient to form a belief as to  
24 the truth of the allegations of paragraph 16 of the Complaint, and therefore deny them.

25           17.       Defendants are without knowledge or information sufficient to form a belief as to  
26 the truth of the allegations of paragraph 17 of the Complaint, and therefore deny them.

27           18.       The allegations of paragraph 18 of the Complaint are purportedly based on written  
28 documents, which speak for themselves. Defendants are without knowledge or information

1 sufficient to form a belief as to the truth of the allegations of paragraph 18 of the Complaint, and  
2 therefore deny them.

3 19. Defendants admit that Margaret Cotter has children. Defendants admit that James  
4 Cotter, Jr. has children. Defendants admit that Ellen Cotter does not have children. To the extent  
5 that the allegations of paragraph 19 of the Complaint are purportedly based on written documents,  
6 the documents speak for themselves. Defendants are without knowledge or information sufficient  
7 to form a belief as to the truth of the remaining allegations in paragraph 19 of the Complaint related  
8 to amendments to the James Cotter, Sr. Living Trust, and therefore deny them.

9 20. To the extent that the allegations of paragraph 20 of the Complaint are purportedly  
10 based on written documents, the documents speak for themselves. Defendants are without  
11 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
12 20 of the Complaint, and therefore deny them.

13 21. Defendants are without knowledge or information sufficient to form a belief as to  
14 the truth of the allegations of paragraph 21 of the Complaint, and therefore deny them.

15 22. To the extent that the allegations of paragraph 22 of the Complaint are purportedly  
16 based on written documents, the documents speak for themselves. Defendants are without  
17 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
18 22 of the Complaint, and therefore deny them.

19 23. The allegations of paragraph 23 of the Complaint are purportedly based on written  
20 documents, which speak for themselves. Defendants are without knowledge or information  
21 sufficient to form a belief as to the truth of the allegations of paragraph 23 of the Complaint.

22 24. To the extent that the allegations of paragraph 24 of the Complaint are purportedly  
23 based on written documents, the documents speak for themselves. Defendants are without  
24 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
25 24 of the Complaint, and therefore deny them.

26 25. The allegations of paragraph 25 of the Complaint are purportedly based on written  
27 documents, which speak for themselves. Defendants are without knowledge or information  
28 sufficient to form a belief as to the truth of the allegations of paragraph 25 of the Complaint.

1           26. Defendants are without knowledge or information sufficient to form a belief as to  
2 the truth of the allegations of paragraph 26 of the Complaint, and therefore deny them.

3           a. To the extent that the allegations of paragraph 26(a) of the Complaint are  
4 purportedly based on written documents, the documents speak for themselves. Defendants are  
5 without knowledge or information sufficient to form a belief as to the truth of the allegations of  
6 paragraph 26(a) of the Complaint, and therefore deny them.

7           b. Defendants are without knowledge or information sufficient to form a belief as to  
8 the truth of the allegations of paragraph 26(b) of the Complaint, and therefore deny them.

9           c. Defendants are without knowledge or information sufficient to form a belief as to  
10 the truth of the allegations of paragraph 26(c) of the Complaint, and therefore deny them.

11          d. Defendants are without knowledge or information sufficient to form a belief as to  
12 the truth of the allegations of paragraph 26(d) of the Complaint, and therefore deny them.

13          e. Defendants are without knowledge or information sufficient to form a belief as to  
14 the truth of the allegations of paragraph 26(e) of the Complaint, and therefore deny them.

15          f. To the extent that the allegations of paragraph 26(f) of the Complaint are  
16 purportedly based on written documents, the documents speak for themselves. Defendants are  
17 without knowledge or information sufficient to form a belief as to the truth of the allegations of  
18 paragraph 26(f) of the Complaint, and therefore deny them.

19          g. Defendants are without knowledge or information sufficient to form a belief as to  
20 the truth of the allegations of paragraph 26(g) of the Complaint, and therefore deny them.

21          h. Defendants are without knowledge or information sufficient to form a belief as to  
22 the truth of the allegations of paragraph 26(h) of the Complaint, and therefore deny them.

23          27. The allegations of paragraph 27 of the Complaint are purportedly based on written  
24 documents, which speak for themselves. Defendants are without knowledge or information  
25 sufficient to form a belief as to the truth of the allegations of paragraph 27 of the Complaint, and  
26 therefore deny them.

27          28. Defendants are without knowledge or information sufficient to form a belief as to  
28 the truth of the allegations of paragraph 28 of the Complaint, and therefore deny them.

1           29. Defendants are without knowledge or information sufficient to form a belief as to  
2 the truth of the allegations of paragraph 29 of the Complaint, and therefore deny them.

3           30. The allegations of paragraph 30 of the Complaint are purportedly based on written  
4 documents, which speak for themselves. Defendants are without knowledge or information  
5 sufficient to form a belief as to the truth of the allegations of paragraph 30 of the Complaint, and  
6 therefore deny them.

7           31. The allegations of paragraph 31 of the Complaint are purportedly based on written  
8 documents, which speak for themselves. Defendants are without knowledge or information  
9 sufficient to form a belief as to the truth of the allegations of paragraph 31 of the Complaint, and  
10 therefore deny them.

11          32. Defendants are without knowledge or information sufficient to form a belief as to  
12 the truth of the allegations of paragraph 32 of the Complaint, and therefore deny them.

13          33. Defendants are without knowledge or information sufficient to form a belief as to  
14 the truth of the allegations of paragraph 33 of the Complaint, and therefore deny them.

15          34. Defendants are without knowledge or information sufficient to form a belief as to  
16 the truth of the allegations of paragraph 34 of the Complaint, and therefore deny them.

17          35. Defendants are without knowledge or information sufficient to form a belief as to  
18 the truth of the allegations of paragraph 35 of the Complaint, and therefore deny them.

19          36. Defendants are without knowledge or information sufficient to form a belief as to  
20 the truth of the allegations of paragraph 36 of the Complaint, and therefore deny them.

21          37. The allegations of paragraph 37 of the Complaint are purportedly based on written  
22 documents, which speak for themselves. Defendants are without knowledge or information  
23 sufficient to form a belief as to the truth of the allegations of paragraph 37 of the Complaint, and  
24 therefore deny them.

25          38. Defendants are without knowledge or information sufficient to form a belief as to  
26 the truth of the allegations of paragraph 38 of the Complaint, and therefore deny them.

27          39. The allegations of paragraph 39 of the Complaint are purportedly based on written  
28 documents, which speak for themselves. Defendants are without knowledge or information



1 sufficient to form a belief as to the truth of the allegations of paragraph 39 of the Complaint, and  
2 therefore deny them.

3 40. The allegations of paragraph 40 of the Complaint are purportedly based on written  
4 documents, which speak for themselves. Defendants are without knowledge or information  
5 sufficient to form a belief as to the truth of the allegations of paragraph 40 of the Complaint, and  
6 therefore deny them.

7 41. The allegations of paragraph 41 of the Complaint are purportedly based on written  
8 documents, which speak for themselves. Defendants are without knowledge or information  
9 sufficient to form a belief as to the truth of the allegations of paragraph 41 of the Complaint, and  
10 therefore deny them.

11 42. The allegations of paragraph 42 of the Complaint are purportedly based on written  
12 documents, which speak for themselves. Defendants are without knowledge or information  
13 sufficient to form a belief as to the truth of the allegations of paragraph 42 of the Complaint, and  
14 therefore deny them.

15 43. The allegations of paragraph 43 of the Complaint are purportedly based on written  
16 documents, which speak for themselves. Defendants are without knowledge or information  
17 sufficient to form a belief as to the truth of the allegations of paragraph 43 of the Complaint, and  
18 therefore deny them.

19 44. The allegations of paragraph 44 of the Complaint are purportedly based on written  
20 documents, which speak for themselves. Defendants are without knowledge or information  
21 sufficient to form a belief as to the truth of the allegations of paragraph 44 of the Complaint, and  
22 therefore deny them.

23 45. To the extent that the allegations of paragraph 45 of the Complaint are purportedly  
24 based on written documents, the documents speak for themselves. To the extent that the  
25 allegations of paragraph 45 of the Complaint constitute conclusions of law, no responsive pleading  
26 is required. Defendants are without knowledge or information sufficient to form a belief as to the  
27 truth of the allegations of paragraph 45 of the Complaint, and therefore deny them.  
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1           46.     To the extent that the allegations of paragraph 46 of the Complaint are purportedly  
2 based on written documents, the documents speak for themselves. To the extent that the  
3 allegations of paragraph 46 of the Complaint constitute conclusions of law, no responsive pleading  
4 is required. Defendants are without knowledge or information sufficient to form a belief as to the  
5 truth of the allegations of paragraph 46 of the Complaint, and therefore deny them.

6           47.     To the extent that the allegations of paragraph 47 of the Complaint constitute  
7 conclusions of law, no responsive pleading is required. Defendants are without knowledge or  
8 information sufficient to form a belief as to the truth of the allegations of paragraph 47 of the  
9 Complaint, and therefore deny them.

10          48.     To the extent that the allegations of paragraph 48 of the Complaint are purportedly  
11 based on written documents, the documents speak for themselves. Defendants are without  
12 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
13 48 of the Complaint, and therefore deny them.

14          49.     Defendants are without knowledge or information sufficient to form a belief as to  
15 the truth of the allegations of paragraph 49 of the Complaint, and therefore deny them.

16          50.     Defendants are without knowledge or information sufficient to form a belief as to  
17 the truth of the allegations of paragraph 50 of the Complaint, and therefore deny them.

18          51.     Defendants are without knowledge or information sufficient to form a belief as to  
19 the truth of the allegations of paragraph 51 of the Complaint, and therefore deny them.

20          52.     Defendants are without knowledge or information sufficient to form a belief as to  
21 the truth of the allegations of paragraph 52 of the Complaint, and therefore deny them.

22          53.     Defendants admit that the California Lawsuit has not yet been finally adjudicated.  
23 To the extent that the allegations of paragraph 53 of the Complaint are purportedly based on written  
24 documents, the documents speak for themselves. Defendants deny the remaining allegations of  
25 paragraph 53 of the Complaint.

26          54.     The allegations of paragraph 54 of the Complaint are purportedly based on written  
27 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph  
28 54 of the Complaint.

1           55. Defendants are without knowledge or information sufficient to form a belief as to  
2 the truth of the allegations of paragraph 55 of the Complaint, and therefore deny them.

3           56. Defendants deny any allegations of any purported fraud. To the extent that the  
4 allegations of paragraph 56 of the Complaint are purportedly based on written documents, the  
5 documents speak for themselves. To the extent that the allegations of paragraph 56 of the  
6 Complaint constitute conclusions of law, no responsive pleading is required. Defendants are  
7 without knowledge or information sufficient to form a belief as to the truth of the allegations of  
8 paragraph 56 of the Complaint, and therefore deny them.

9           57. Defendants deny the allegations of paragraph 57 of the Complaint.

10          58. Defendants are without knowledge or information sufficient to form a belief as to  
11 the truth of the allegations of paragraph 58 of the Complaint, and therefore deny them.

12          59. The allegations of paragraph 59 of the Complaint are purportedly based on written  
13 documents, which speak for themselves. Defendants are without knowledge or information  
14 sufficient to form a belief as to the truth of the allegations of paragraph 59 of the Complaint, and  
15 therefore deny them.

16          60. Defendants are without knowledge or information sufficient to form a belief as to  
17 the truth of the allegations of paragraph 60 of the Complaint, and therefore deny them.

18          61. To the extent that the allegations of paragraph 61 of the Complaint are purportedly  
19 based on written documents, the documents speak for themselves. Defendants are without  
20 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
21 61 of the Complaint, and therefore deny them.

22          62. To the extent that the allegations of paragraph 62 of the Complaint are purportedly  
23 based on written documents, the documents speak for themselves. Defendants are without  
24 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
25 62 of the Complaint, and therefore deny them.

26          63. For the period preceding when Defendants joined RDI's Board of Directors,  
27 Defendants are without knowledge or information sufficient to form a belief as to the truth of the  
28 allegation of paragraph 63 of the Complaint that there were no updates provided to the Board by

1 Ellen Cotter about the progress of the CEO search process, and therefore deny it. To the extent  
2 that the allegations of paragraph 63 of the Complaint are purportedly based on written documents,  
3 the documents speak for themselves. Defendants deny the remaining allegations of paragraph 63  
4 of the Complaint.

5 64. The allegations of paragraph 64 of the Complaint are purportedly based on written  
6 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph  
7 64 of the Complaint.

8 65. Defendants admit that the Search Committee interviewed numerous CEO  
9 candidates and that members of the committee had extensive experience with Ellen Cotter.  
10 Defendants are without knowledge or information sufficient to form a belief as to the truth of the  
11 remaining allegations of paragraph 65 of the Complaint, and therefore deny them.

12 66. Defendants are without knowledge or information sufficient to form a belief as to  
13 the truth of the allegations of paragraph 66 of the Complaint, and therefore deny them.

14 67. Defendants are without knowledge or information sufficient to form a belief as to  
15 the truth of the allegations of paragraph 67 of the Complaint, and therefore deny them.

16 68. Defendants admit the allegation of paragraph 68 of the Complaint.

17 69. Defendants admit that, in January 2016, the Board of Directors appointed Ellen  
18 Cotter as the permanent CEO and President of RDI.

19 70. Defendants deny the allegations of paragraph 70 of the Complaint.

20 71. Defendants are without knowledge or information sufficient to form a belief as to  
21 the truth of the allegations of paragraph 71 of the Complaint, and therefore deny them. To the  
22 extent that the allegations of paragraph 71 of the Complaint constitute conclusions of law, no  
23 responsive pleading is required. To the extent a response is deemed required, such allegations of  
24 paragraph 71 of the Complaint are denied.

25 72. Defendants are without knowledge or information sufficient to form a belief as to  
26 the truth of the allegations of paragraph 72 of the Complaint, and therefore deny them. To the  
27 extent that the allegations of paragraph 72 of the Complaint constitute conclusions of law, no  
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1 responsive pleading is required. To the extent a response is deemed required, such allegations of  
2 paragraph 72 of the Complaint are denied.

3 73. Defendants are without knowledge or information sufficient to form a belief as to  
4 the truth of the allegations of paragraph 73 of the Complaint, and therefore deny them. To the  
5 extent that the allegations of paragraph 73 of the Complaint constitute conclusions of law, no  
6 responsive pleading is required. To the extent a response is deemed required, such allegations of  
7 paragraph 73 of the Complaint are denied.

8 74. Defendants are without knowledge or information sufficient to form a belief as to  
9 the truth of the allegations of paragraph 74 of the Complaint, and therefore deny them. To the  
10 extent that the allegations of paragraph 74 of the Complaint constitute conclusions of law, no  
11 responsive pleading is required. To the extent a response is deemed required, such allegations of  
12 paragraph 74 of the Complaint are denied.

13 75. Defendants are without knowledge or information sufficient to form a belief as to  
14 the truth of the allegations of paragraph 75 of the Complaint, and therefore deny them.

15 76. Defendants are without knowledge or information sufficient to form a belief as to  
16 the truth of the allegations of paragraph 76 of the Complaint, and therefore deny them.

17 77. Defendants are without knowledge or information sufficient to form a belief as to  
18 the truth of the allegations of paragraph 77 of the Complaint, and therefore deny them.

19 78. Defendants are without knowledge or information sufficient to form a belief as to  
20 the truth of the allegations of paragraph 78 of the Complaint, and therefore deny them.

21 79. Defendants are without knowledge or information sufficient to form a belief as to  
22 the truth of the allegations of paragraph 79 of the Complaint, and therefore deny them.

23 80. Defendants are without knowledge or information sufficient to form a belief as to  
24 the truth of the allegations of paragraph 80 of the Complaint, and therefore deny them.

25 81. The allegations of paragraph 81 of the Complaint are purportedly based on written  
26 documents, which speak for themselves. Defendants are without knowledge or information  
27 sufficient to form a belief as to the truth of the allegations of paragraph 81 of the Complaint, and  
28 therefore deny them.

1           82.     The allegations of paragraph 82 of the Complaint are purportedly based on written  
2 documents, which speak for themselves. Defendants are without knowledge or information  
3 sufficient to form a belief as to the truth of the allegations of paragraph 82 of the Complaint, and  
4 therefore deny them.

5           83.     Defendants are without knowledge or information sufficient to form a belief as to  
6 the truth of the allegations of paragraph 83 of the Complaint, and therefore deny them.

7           84.     The allegations of paragraph 84 of the Complaint are purportedly based on written  
8 documents, which speak for themselves. Defendant Judy Coddling denies the remaining  
9 allegations of paragraph 84 of the Complaint. Defendant Michael Wrotniak is without knowledge  
10 or information sufficient to form a belief as to the truth of the allegations of paragraph 84 of the  
11 Complaint, and therefore denies them.

12          85.     Defendants are without knowledge or information sufficient to form a belief as to  
13 the truth of the allegations of paragraph 85 of the Complaint, and therefore deny them.

14          86.     Defendant Judy Coddling admits that Timothy Storey resigned as a director of RDI.  
15 Defendant Judy Coddling denies the allegations of paragraph 86 of the Complaint in all other  
16 respects. Defendant Michael Wrotniak is without knowledge or information sufficient to form a  
17 belief as to the truth of the allegations of paragraph 86 of the Complaint, and therefore denies them.

18          87.     Defendants deny the allegations of paragraph 87 of the Complaint.

19          88.     Defendants are without knowledge or information sufficient to form a belief as to  
20 the truth of the allegations of paragraph 88 of the Complaint, and therefore deny them.

21          89.     The allegations of paragraph 89 of the Complaint are purportedly based on written  
22 documents, which speak for themselves. Defendants are without knowledge or information  
23 sufficient to form a belief as to the truth of the allegations of paragraph 89 of the Complaint, and  
24 therefore deny them.

25          90.     Defendants are without knowledge or information sufficient to form a belief as to  
26 the truth of the allegations of paragraph 90 of the Complaint, and therefore deny them.

27          91.     Defendants are without knowledge or information sufficient to form a belief as to  
28 the truth of the allegations of paragraph 91 of the Complaint, and therefore deny them.

1           92.     The allegations of paragraph 92 of the Complaint are purportedly based on written  
2 documents, which speak for themselves. Defendants are without knowledge or information  
3 sufficient to form a belief as to the truth of the allegations of paragraph 92 of the Complaint, and  
4 therefore deny them.

5                           **RESPONSE TO “DEMAND IS EXCUSED”**

6           93.     To the extent that the allegations of paragraph 93 of the Complaint constitute  
7 conclusions of law, no responsive pleading is required. To the extent a response is deemed  
8 required, such allegations of paragraph 93 of the Complaint are denied. Defendants deny the  
9 remaining allegations of paragraph 93 of the Complaint.

10          94.     Defendants are without knowledge or information sufficient to form a belief as to  
11 the truth of the allegations of paragraph 94 of the Complaint, and therefore deny them.

12          95.     The allegations of paragraph 95 of the Complaint are purportedly based on written  
13 documents, which speak for themselves. Defendants are without knowledge or information  
14 sufficient to form a belief as to the truth of the allegations of paragraph 95 of the Complaint, and  
15 therefore deny them.

16          96.     Defendants are without knowledge or information sufficient to form a belief as to  
17 the truth of the allegations of paragraph 96 of the Complaint, and therefore deny them.

18          97.     Defendants are without knowledge or information sufficient to form a belief as to  
19 the truth of the allegations of paragraph 97 of the Complaint, and therefore deny them.

20          98.     Defendants are without knowledge or information sufficient to form a belief as to  
21 the truth of the allegations of paragraph 98 of the Complaint, and therefore deny them.

22          99.     To the extent that the allegations of paragraph 99 of the Complaint are purportedly  
23 based on written documents, the documents speak for themselves. Defendants are without  
24 knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph  
25 99 of the Complaint, and therefore deny them.

26          100.    Defendants are without knowledge or information sufficient to form a belief as to  
27 the truth of the allegations of paragraph 100 of the Complaint, and therefore deny them.

1           101. Defendants are without knowledge or information sufficient to form a belief as to  
2 the truth of the allegations of paragraph 101 of the Complaint, and therefore deny them.

3           102. The allegations of paragraph 102 of the Complaint constitute conclusions of law to  
4 which no responsive pleading is required. To the extent a response is deemed required, the  
5 allegations of paragraph 102 of the Complaint are denied.

6           103. Defendants are without knowledge or information sufficient to form a belief as to  
7 the truth of the allegations of paragraph 103 of the Complaint, and therefore deny them.

8           104. The allegations of paragraph 104 of the Complaint constitute conclusions of law to  
9 which no responsive pleading is required. To the extent a response is deemed required, the  
10 allegations of paragraph 104 of the Complaint are denied.

11           105. The allegations of paragraph 105 of the Complaint are purportedly based on written  
12 documents, which speak for themselves. Defendants deny the remaining allegations of paragraph  
13 105 of the Complaint.

14           106. Defendants admit that Mary Cotter knows Judy Coddling. To the extent that the  
15 allegations of paragraph 106 of the Complaint constitute conclusions of law, no responsive  
16 pleading is required. To the extent a response is deemed required, such allegations of paragraph  
17 106 of the Complaint are denied. Defendants deny the allegations of paragraph 106 of the  
18 Complaint in all other respects.

19           107. Defendants admit that Margaret Cotter knows Michael Wrotniak. To the extent  
20 that the allegations of paragraph 107 of the Complaint are purportedly based on written documents,  
21 the documents speak for themselves. To the extent that the allegations of paragraph 107 of the  
22 Complaint constitute conclusions of law, no responsive pleading is required. To the extent a  
23 response is deemed required, such allegations of paragraph 107 of the Complaint are denied.  
24 Defendants deny the allegations of paragraph 107 of the Complaint in all other respects.

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**RESPONSE TO “FIRST CAUSE OF ACTION**

**(Breach of Fiduciary Duty - Against Defendants Ellen Cotter, Margaret Cotter, Ed Kane, Guy Adams, Bill Gould, Doug McEachern, Judy Coddling and Michael Wrotniak)”**

108. Defendants reassert and incorporate their responses to paragraphs 1 through 107 of the Complaint.

109. Defendants admit that Ellen Cotter, Margaret Cotter, Edward Kane, Guy Adams, William Gould, Douglas McEachern, Judy Coddling, and Michael Wrotniak are directors of RDI. To the extent that the allegations of paragraph 109 of the Complaint constitute conclusions of law, no responsive pleading is required. To the extent a response is deemed required, such allegations of paragraph 109 of the Complaint are denied.

110. The allegations of paragraph 110 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 110 of the Complaint are denied.

111. The allegations of paragraph 111 of the Complaint constitute conclusions of law to which no responsive pleading is required. To the extent a response is deemed required, the allegations of paragraph 111 of the Complaint are denied.

112. Defendants deny the allegations of paragraph 112 of the Complaint.

113. Defendants deny the allegations of paragraph 113 of the Complaint.

114. Defendants deny the allegations of paragraph 114 of the Complaint.

115. Defendants deny that Plaintiffs, RDI, or its stockholders have suffered any damages by virtue of Defendants’ conduct.

**RESPONSE TO “SECOND CAUSE OF ACTION**

**(Aiding and Abetting Breach of Fiduciary Duty - Against Defendants Craig Tompkins, Ed Kane, Guy Adams, Doug McEachern, Judy Coddling and Mark Wrotniak)”**

116. Defendants reassert and incorporate their responses to paragraphs 1 through 115 of the Complaint.

117. Defendants deny the allegations of paragraph 117 of the Complaint.

118. Defendants deny the allegations of paragraph 118 of the Complaint.

1 119. Defendants deny the allegations of paragraph 119 of the Complaint.

2 120. Defendants deny the allegations of paragraph 120 of the Complaint.

3 121. Defendants deny that Plaintiffs, RDI, or its stockholders have suffered any damages  
4 by virtue of Defendants' conduct.

5 **RESPONSE TO "PRAYER FOR RELIEF"**

6 122. Responding to the unnumbered PRAYER FOR RELIEF, Defendants admit that  
7 Plaintiffs demand and pray for judgment as set forth therein, but deny that Defendants caused or  
8 contributed to Plaintiffs' or RDI's alleged injuries and further deny that Defendants are liable for  
9 damages or any other relief sought in the Complaint.

10 **AFFIRMATIVE DEFENSES**

11 123. Subject to the responses above, Defendants allege and assert the following defenses  
12 in response to the allegations, undertaking the burden of proof only as to those defenses deemed  
13 affirmative defenses by law, regardless of how such defenses are denominated herein. In addition  
14 to the affirmative defenses described below, subject to their responses above, Defendants  
15 specifically reserve all rights to allege additional affirmative defenses that become known through  
16 the course of discovery.

17 **FIRST DEFENSE – FAILURE TO STATE A CAUSE OF ACTION**

18 124. The Complaint, and each purported cause of action therein, is barred, in whole or  
19 in part, for failure to state a cause of action against Defendants under any legal theory.

20 **SECOND DEFENSE – STATUTES OF LIMITATIONS AND REPOSE**

21 125. The Complaint, and each purported cause of action therein, is barred, in whole or  
22 in part, by the applicable statutes of limitations and/or statutes of repose.

23 **THIRD DEFENSE – LACHES**

24 126. The Complaint, and each purported cause of action therein, is barred, in whole or  
25 in part, by the doctrine of laches, in that Plaintiffs waited an unreasonable period of time to file  
26 this action and this prejudicial delay has worked to the detriment of Defendants.

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**FOURTH DEFENSE – UNCLEAN HANDS**

127. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by the doctrine of unclean hands.

**FIFTH DEFENSE – SPOILIATION**

128. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by Plaintiffs’ spoliation of evidence and obstruction of justice.

**SIXTH DEFENSE – ILLEGAL CONDUCT AND FRAUD**

129. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by Plaintiffs’ own illegal conduct and/or fraud.

**SEVENTH DEFENSE – WAIVER, ESTOPPEL, AND ACQUIESCENCE**

130. The Complaint, and each purported cause of action therein, is barred, in whole or in part, by the doctrines of waiver, estoppel, and acquiescence because Plaintiffs’ acts, conduct, and/or omissions are inconsistent with their requests for relief.

**EIGHTH DEFENSE – RATIFICATION AND CONSENT**

131. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because any purportedly improper acts by Defendants, if any, were ratified by Plaintiffs and their agents, and/or because Plaintiffs consented to the same.

**NINTH DEFENSE – NO UNLAWFUL ACTIVITY**

132. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because, to the extent any of the activities alleged in the Complaint actually occurred, those activities were not unlawful.

**TENTH DEFENSE – NO RELIANCE**

133. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because Plaintiffs did not justifiably rely on any alleged misrepresentation of Defendants.

**ELEVENTH DEFENSE – FAILURE TO PLEAD FRAUD WITH PARTICULARITY**

134. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because Plaintiffs failed to plead the alleged fraud with particularity, including but not limited to identification of the alleged misrepresentations.

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**TWELFTH DEFENSE – UNCERTAIN AND AMBIGUOUS**

135. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because it is uncertain and ambiguous as it relates to Defendants.

**THIRTEENTH DEFENSE – PRIVILEGE AND JUSTIFICATION**

136. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because the actions complained of, if taken, were at all times reasonable, privileged, and justified.

**FOURTEENTH DEFENSE – GOOD FAITH AND LACK OF FAULT**

137. The Complaint, and each purported cause of action therein, is barred, in whole or in part, because, at all times material to the Complaint, Defendants acted in good faith and with innocent intent.

**FIFTEENTH DEFENSE – NO ENTITLEMENT TO INJUNCTIVE RELIEF**

138. Plaintiffs are not entitled to injunctive relief because, among other things, Plaintiffs have not suffered irreparable harm, Plaintiffs have an adequate remedy at law, and injunctive relief is not supported by any purported cause of action alleged in the Complaint and is not warranted by the balance of the hardships and/or any other equitable factors.

**SIXTEENTH DEFENSE – DAMAGES TOO SPECULATIVE**

139. Plaintiffs are not entitled to damages of any kind or in any sum or amount whatsoever as a result of Defendants’ acts or omissions alleged in the Complaint because any damages sought are speculative, uncertain, and not recoverable.

**SEVENTEENTH DEFENSE – NO ENTITLEMENT TO PUNITIVE DAMAGES**

140. The Complaint, and each purported cause of action alleged therein, fails to support the recovery of punitive, exemplary, or enhanced damages from Defendants, including because such damages are not recoverable under applicable Nevada statutory and common law requirements and are barred by the constitutional limitations, including the Due Process Clause of the Fourteenth Amendment and the Eighth Amendment to the United States Constitution.

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**EIGHTEENTH DEFENSE – MITIGATION OF DAMAGES**

141. Plaintiffs have failed to properly mitigate the damages, if any, they have sustained, and by virtue thereof, Plaintiffs are barred, in whole or in part, from maintaining the causes of action asserted in the Complaint against Defendants.

**NINETEENTH DEFENSE – COMPARATIVE FAULT**

142. Plaintiffs’ recovery against Defendants is barred, in whole or in part, based on principles of comparative fault, including Plaintiffs’ own comparative fault.

**TWENTIETH DEFENSE – BUSINESS JUDGMENT RULE**

143. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the business judgment rule.

**TWENTY-FIRST DEFENSE – EQUITABLE ESTOPPEL**

144. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by the doctrine of equitable estoppel.

**TWENTY-SECOND DEFENSE – ELECTION OF REMEDIES**

145. Plaintiffs are barred, in whole or in part, from obtaining relief under the Complaint, or any of the causes of action or claims therein, that are based on inconsistent positions and/or remedies, including but not limited to inconsistent and duplicative claims for equitable and legal relief.

**TWENTY-THIRD DEFENSE – NEVADA REVISED STATUTE 78.138**

146. The Complaint, and each purported cause of action alleged therein, is barred, in whole or part, by Nevada Revised Statute 78.138, which provides that a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that: (a) the director’s or officer’s act or failure to act constituted a breach of his or her fiduciary duties as a director or officer; and (b) the breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

**TWENTY-FOURTH DEFENSE – LACK OF STANDING**

1           147. The Complaint, and each purported cause of action alleged therein, is barred, in  
2 whole or part, because Plaintiffs have failed to allege any direct ownership during relevant time  
3 periods of RDI stock and therefore lack standing.

4                           **TWENTY-FIFTH DEFENSE – CONFLICTS OF INTEREST AND**  
5                           **UNSUITABILITY TO SERVE AS DERIVATIVE REPRESENTATIVES**

6           148. The Complaint, and each purported cause of action alleged therein, is barred, in  
7 whole or part, because Plaintiffs have conflicts of interest and are unsuitable to serve as derivative  
8 representatives.

9                           **TWENTY-SIXTH DEFENSE – FAILURE TO MAKE APPROPRIATE DEMAND**

10          149. The Complaint, and each purported cause of action alleged therein, is barred, in  
11 whole or part, for failure to make a demand on RDI’s Board of Directors.

12           **WHEREFORE**, Defendants request that Plaintiffs’ Complaint be dismissed in its entirety  
13 with prejudice, that judgment be entered in favor of Defendants, that Defendants be awarded costs  
14 and, to the extent provided by law, attorney’s fees, and any such other relief as the Court may  
15 deem proper.

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Dated this 5th day of April, 2016.

**COHEN|JOHNSON|PARKER|EDWARDS**

By         /s/ H. Stan Johnson          
H. STAN JOHNSON, ESQ.  
Nevada Bar No. 00265  
sjohnson@cohenjohnson.com  
MICHAEL V. HUGHES, ESQ.  
Nevada Bar No. 13154  
mhughes@cohenjohnson.com  
255 E. Warm Springs Road, Suite 100  
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 S. Figueroa St., 10<sup>th</sup> Floor  
Los Angeles, CA 90017  
Telephone: (213) 443-3000

Attorneys for Defendants Margaret Cotter, Ellen  
Cotter, Guy Adams, Edward Kane, Douglas  
McEachern, Judy Coddington, and Michael  
Wrotniak

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that, on the 5<sup>th</sup> day of April, 2016, I served a copy of the foregoing **JUDY**  
3 **CODDING AND MICHAEL WROTNIAK'S ANSWER TO FIRST AMENDED**  
4 **COMPLAINT** to be served on all parties in this action via the Court's E-Filing and E-Service  
5 System.

6 Lewis Roca Rothgerber LLP  
7 Brian Blakley BBlakley@lrrlaw.com  
8 Mark G. Krum mkrum@lrrlaw.com  
9 Annette Jaramillo ajaramillo@lrrlaw.com

10 Quinn Emanuel Urquhart & Sullivan, LLP  
11 Marshall M. Searcy III  
12 marshallsearcy@quinnemanuel.com

13 Cohen-Johnson, LLC  
14 H. Stan Johnson, Esq.  
15 calendar@cohenjohnson.com  
16 Sarah Gondek sgondek@cohenjohnson.com  
17 C.J. Barnabi cj@cohenjohnson.com

18 Robertson & Associates, LLP  
19 Robert Nation, Esquire  
20 rnation@arobertsonlaw.com  
21 Alex Robertson, IV, Esquire  
22 arobertson@arobertsonlaw.com  
23 Annie Russo (Legal Assistant)  
24 arusso@arobertsonlaw.com  
25 Elisabeth Dagorrette, Paralegal  
26 edagorrette@arobertsonlaw.com

27 McDonald Carano Wilson  
28 Aaron D. Shipley, Esq.  
ashipley@mcwlaw.com  
Leah Jennings, Esq.  
ljennings@mcdonaldcarano.com

Greenberg Traurig, LLP  
6085 Joyce Heilich heilichj@gtlaw.com  
7132 Andrea Rosehill rosehilla@gtlaw.com  
IOM Mark Ferrario lvlitdock@gtlaw.com  
KBD Kara Hendricks hendricksk@gtlaw.com  
LAI Leslie Godfrey godfreyl@gtlaw.com  
LCU Lance Coburn coburnl@gtlaw.com  
LVGTDocketing lvlitdock@gtlaw.com  
MNQ Megan Sheffield  
sheffieldm@gtlaw.com  
ZCE Lee Hutcherson hutcherson@gtlaw.com

Maupin, Cox & LeGoy  
Carolyn K. Renner crenner@mclrenolaw.com  
Donald A. Lattin dlattin@mclrenolaw.com  
Jennifer Salisbury  
jsalisbury@mclrenolaw.com  
Karen Bernhardt  
kbernhardt@mclrenolaw.com

Bird, Marella, Boxer, Wolpert, Nessim,  
Drooks, Lincenberg & Rhow, P.C.  
Shemena Johnson  
snj@birdmarella.com  
Bonita D. Moore  
bdm@birdmarella.com



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Chubb  
Allison Rose, Esq.  
allisonrose@chubb.com

Patti, Sgro, Lewis & Roger  
Adam C. Anderson, Esq.  
aanderson@pslrfirm.com  
Karen Cormier, Esq.  
Kcormier@pslrfirm.com  
Stephen Lewis, Esq.  
slewis@pattisgroleis.com

Solomon Dwiggin & Freer, Ltd.  
Alan D. Freer, Esq.  
afreer@sdfnvlaw.com

/s/ C.J. Barnabi  
An employee of Cohen|Johnson|Parker|Edwards

**IN THE SUPREME COURT OF THE STATE OF NEVADA**

JAMES J. COTTER, JR.,  
DERIVATIVELY ON BEHALF OF  
READING INTERNATIONAL, INC.,

Appellant,

v.

EDWARD KANE, DOUGLAS  
McEACHERN, WILLIAM GOULD,  
JUDY CODDING, AND MICHAEL  
WROTONIAK, READING  
INTERNATIONAL, INC., A NEVADA  
CORPORATION,

Respondents

Electronically Filed  
May 31 2019 05:20 p.m.  
Elizabeth A. Brown  
Clerk of Supreme Court

Supreme Court Case No.: 75053

Dist. Court Case No.: A-15-719860-B

Related to Cases: 72261, 72356,  
74759, 76981, 77648, 77333

VOLUME I

**APPELLANT READING INTERNATIONAL, INC.'S  
APPENDIX VOLUME I of VIII FOR CASE 77733  
(PAGES RDI-A00001 to RDI-A0987)**

Tami D. Cowden, Esq.

Nevada Bar No. 8994

Mark E. Ferrario, Esq.

Nevada bar No. 1625

Kara B. Hendricks, Esq.

Nevada Bar No. 7743

**GREENBERG TRAUIG, LLP**

10845 Griffith Peaks Dr. Suite 600

Las Vegas, Nevada 89135

Telephone No. (702) 792-3773

E-mail: [cowdent@gtlaw.com](mailto:cowdent@gtlaw.com)

[ferrariom@gtlaw.com](mailto:ferrariom@gtlaw.com)

[hendricksk@gtlaw.com](mailto:hendricksk@gtlaw.com)

*Attorneys for Appellants*

| <b>VOL.</b> | <b>PAGES</b>    | <b>DATE</b> | <b>DOCUMENT</b>  | <b>FILED UNDER SEAL</b> |
|-------------|-----------------|-------------|--|-------------------------|
| I           | RDI-A00001-32   | 6/12/2015   | Complaint (Business Court)   |                         |
| I           | RDI-A00033-64   | 8/3/2015    | Plaintiff's Motion to Expedite Discovery and Set a Hearing on Motion for Preliminary Injunction on Order Shortening Time                               |                         |
| I           | RDI-A00065-68   | 8/20/2015   | Order Granting Plaintiffs-In-Intervention Motion to Intervene  |                         |
| I           | RDI-A00069-86   | 8/28/2015   | Verified Shareholder Derivative Complaint  |                         |
| I           | RDI-A00087-136  | 10/22/2015  | Plaintiff James J. Cotter, Jr.'s First Amended Verified Complaint  |                         |
| I           | RDI-A00137-153  | 10/23/2015  | Stipulated Confidentiality and Protective Order  |                         |
| I           | RDI-A00154-182  | 11/6/2015   | Transcript of Proceedings: Mandatory Rule 16 Conference and Hearing on Motions October 29, 2015  |                         |
| I           | RDI-A00183-204  | 3/14/2016   | Cotter Defendants answer to JJC First Amended Complaint  |                         |
| I           | RDI-A00205-226  | 3/29/2016   | Reading International, Inc.'s Answer to James Cotter, Jr.'s First Amended Complaint  |                         |
| I           | RDI-A00227-250  | 4/5/2016    | Judy Codding and Michael Wrotniak's Answer to First Amended Complaint  |                         |
| I           | RDI-A00251-278  | 6/3/2016    | Transcript of Hearing on May 26, 2016 re T2's Motion for Preliminary Injunction  |                         |
| I           | RDI-A00279-371  | 7/12/2016   | Joint Motion for Preliminary Approval of Settlement, Notice to Stockholders and Scheduling of Settlement Hearing on Order Shortening Time              |                         |
| I           | RDI-A00372-401  | 8/3/2016    | Transcript of Proceedings: Hearing on July 28, 2016 re Motion for Preliminary Approval of Settlement and Plaintiff's Motion to Compel (filed 8/3/2016) |                         |
| I           | RDI-A00402-405  | 8/4/2016    | Order Granting Preliminary Approval of Derivative Claim Settlement   |                         |
| I           | RDI-A00406-436  | 8/8/2016    | James J. Cotter, Jr.'s Motion to Vacate and Reset Pending Dates and to Reopen Discovery on Order Shortening Time                                       |                         |
| I           | RDI-A00437-450  | 8/17/2016   | Transcript of Proceedings: Hearing on Plaintiff's Motion to Vacate Pending Dates/Reopen Discovery August 12, 2016                                      |                         |
| I           | RDI-A00451-473  | 8/24/2016   | James J. Cotter, Jr.'s Motion to Permit Certain Discovery Concerning the Recent "Offer" on Order Shortening Time                                       |                         |
| I           | RDI-A00474-477  | 8/29/2016   | Declaration of Whitney Tilson  |                         |
| I           | RDI-A00478-481  | 8/29/2016   | Declaration of Jon Glaser  |                         |
| I           | RDI-A00482-538  | 9/2/2016    | Second Amended Complaint   |                         |
| I & II      | RDI-A00539-1211 | 9/23/2016   | Individual Defendants' Motion for Summary Judgment (No. 1) Re: Plaintiff's Termination and Reinstatement Claims  |                         |
| II          | RDI-A01212-2024 | 9/23/2016   | Individual Defendants' Motion for Summary Judgment (No. 1) Re: Plaintiff's Termination and Reinstatement Claims (Non- Public)                          | Filed Under Seal        |
| II          | RDI-A02025-2297 | 9/23/2016   | Individual Defendants' Motion for Partial Summary Judgment (No. 2) Re: The Issue of Director Independence  |                         |
| II          | RDI-A02298-2707 | 9/23/2016   | Individual Defendants' Motion for Partial Summary Judgment (No. 2) Re: The Issue of Director Independence (Non-Public)                                 | Filed Under Seal        |
| II          | RDI-A02708-2801 | 9/23/2016   | Individual Defendants' Motion for Partial Summary Judgment (No. 3) on Plaintiff's Claims Related to the Purported Unsolicited Offer                    |                         |

|          |                 |           |  |                  |
|----------|-----------------|-----------|--|------------------|
| II       | RDI-A02802-3039 | 9/23/2016 | Individual Defendants' Motion for Partial Summary Judgment (No. 3) on Plaintiff's Claims Related to the Purported Unsolicited Offer (Non-Public)   | Filed Under Seal |
| II       | RDI-A03040-3070 | 9/23/2016 | Declaration of Ellen Cotter in Support of the Individual Defendants' Motion for Partial Summary Judgment (No. 3) on Plaintiff's Claims Related to the Purported Unsolicited Offer  |                  |
| II       | RDI-A3071-3134  | 9/23/2016 | Declaration of Ellen Cotter in Support of the Individual Defendants' Motion for Partial Summary Judgment (No. 3) on Plaintiff's Claims Related to the Purported Unsolicited Offer (Non-Public)   | Filed Under Seal |
| II       | RDI-A03135-3240 | 9/23/2016 | Individual Defendants' Motion for Partial Summary Judgment (No. 4) on Plaintiff's Claims Related to the Executive Committee  |                  |
| II       | RDI-A03241-3351 | 9/23/2016 | Individual Defendants' Motion for Partial Summary Judgment (No. 4) on Plaintiff's Claims Related to the Executive Committee (Non-Public)   | Filed Under Seal |
| II       | RDI-A03352-3522 | 9/23/2016 | Individual Defendants Motion For Partial Summary Judgment (No. 5) On Plaintiffs Claims Related To The Appointment Of Ellen Cotter As CEO   |                  |
| II       | RDI-A03523-3785 | 9/23/2016 | Individual Defendants Motion For Partial Summary Judgment (No. 5) On Plaintiffs Claims Related To The Appointment Of Ellen Cotter As CEO (Non-Public)  | Filed Under Seal |
| II       | RDI-A03786-4261 | 9/23/2016 | Individual Defendants' Motion for Partial Summary Judgment (No. 6) Re Plaintiff's Claims Related to the Estate's Option Exercise. the Appointment of Margaret Cotter, the Compensation Packages of Ellen Cotter and Margaret Cotter, and the Additional Compensation to Margaret Cotter and Guy Adams              |                  |
| II       | RDI-A04262-4792 | 9/23/2016 | Individual Defendants' Motion for Partial Summary Judgment (No. 6) Re Plaintiff's Claims Related to the Estate's Option Exercise. the Appointment of Margaret Cotter, the Compensation Packages of Ellen Cotter and Margaret Cotter, and the Additional Compensation to Margaret Cotter and Guy Adams (Non-Public) | Filed Under Seal |
| II & III | RDI-A04793-5617 | 9/23/2016 | Defendant William Gould's Motion for Summary Judgment  |                  |
| III      | RDI-A05618-5978 | 9/23/2016 | Plaintiff James Cotter, Jr.'s Motion for Partial Summary Judgment  |                  |
| IV       | RDI-A05979-6036 | 9/27/2016 | Sealed Exhibits 15, 17, 18, 21, 22, 23, 24, 25, 26, 29, 30 to Plaintiff James Cotter, Jr.'s Motion for Partial Summary Judgment  | Filed Under Seal |
| IV       | RDI-A06037-6047 | 10/3/2016 | Reading International, Inc.'s Joinder to the Individual Defendants' Motion for Summary Judgment No. 1 Re Plaintiff's Termination and Reinstatement Claims  |                  |
| IV       | RDI-A06048-6069 | 10/3/2016 | Reading International, Inc.'s Joinder to the Individual Defendants' Motion for Summary Judgment No. 2 on the Issue of Director Independence  |                  |
| IV       | RDI-A06070-6076 | 10/3/2016 | Reading International, Inc.'s Joinder to the Individual Defendants' Motion for Partial Summary Judgment No. 3 Re the Purported Unsolicited Offer   |                  |
| IV       | RDI-A06077-6129 | 10/3/2016 | Reading International, Inc.'s Joinder to the Individual Defendants' Motion for Summary Judgment No. 4 Re Plaintiff's Claims Related to The Executive Committee   |                  |
| IV       | RDI-A06130-6135 | 10/3/2016 | Reading International, Inc.'s Joinder to the Individual Defendants' Motion for Summary Judgment No. 5 Re Plaintiff's Claims Related to the Appointment of Ellen Cotter as CEO  |                  |

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|--------|-----------------|------------|---|------------------|
| IV     | RDI-A06136-6144 | 10/3/2016  | Reading International, Inc.'s Joinder to the Individual Defendants' Motion for Partial Summary Judgment No. 6, Re Plaintiff's Claims Related to the Estate's Option Exercise, the Appointment of Margaret Cotter, the Compensation Packages of Ellen Cotter and Margaret Cotter, and the Additional Compensation to Margaret Cotter and Guy Adams |                  |
| IV     | RDI-A06145-6165 | 10/10/2016 | Cotter, Jr.'s Motion to Vacate and Reset Pending Dates and to Reopen Discovery on Shortened Time (Fourth Request)   |                  |
| IV     | RDI-A06166-6197 | 10/13/2016 | Cotter, Jr.'s Opposition to Individual Defendants' Motion for Partial Summary Judgment (No. 1) Re Plaintiff's Termination and Reinstatement Claims  |                  |
| IV     | RDI-A06197-6366 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 1)  |                  |
| IV     | RDI-A06367-6554 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 1) Re: Plaintiff's Termination and Reinstatement Claims (Exs. 3, 5, 6, 9, 19, 24, 25 and 29 Filed Under Seal)   | Filed Under Seal |
| IV     | RDI-A06555-6582 | 10/13/2016 | Cotter, Jr.'s Opposition to Individual Defendants' Motion for Partial Summary Judgment (No. 2) Re: The Issue of Director Independence   |                  |
| IV     | RDI-A06583-6728 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 2)  |                  |
| IV     | RDI-A06729-6907 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 2) Re: The Issue Of Director Independence (Exhibits 4 And 19 Filed Under Seal)  | Filed Under Seal |
| IV     | RDI-A06908-6939 | 10/13/2016 | Cotter, Jr.'s Opposition to Individual Defendants' Motion for Partial Summary Judgment (No. 3) on Plaintiff's Claims Related to the Purported Unsolicited Offer (and Gould Joinder)   |                  |
| IV     | RDI-A06940-6988 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 3)  |                  |
| IV     | RDI-A06989-7236 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 3) On Plaintiff's Claims Related To The Purported Unsolicited Off (And Gould Joinder) (Exhibits 3, 4, 5, 8, 10, 12, 13, and 14 filed under seal)  | Filed Under Seal |
| IV     | RDI-A07237-7270 | 10/13/2016 | Cotter, Jr.'s Opposition to Individual Defendants' Motion for Partial Summary Judgment (No. 4) on Plaintiff's Claims Related to the Executive Committee   |                  |
| IV & V | RDI-A07271-7502 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 4)  |                  |
| V      | RDI-A07503-7761 | 10/13/2016 | Appendix Of Exhibits In Support Of Plaintiff James J. Cotter, Jr.'S Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 4) On Plaintiff's Claims Related To The Executive Committee (Exhibits 7, 17 and 18 filed under seal)  | Filed Under Seal |

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|----|-----------------|------------|--|------------------|
| V  | RDI-A07762-7798 | 10/13/2016 | Cotter, Jr.'s Opposition to Individual Defendants' Motion for Partial Summary Judgment (No. 5) on Plaintiff's Claims Related to the Appointment of Ellen Cotter as CEO   |                  |
| V  | RDI-A07799-7928 | 10/13/2016 | Appendix of Exhibits In Support of Plaintiff James J. Cotter, Jr.'s Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 5)   |                  |
| V  | RDI-A07929-8126 | 10/13/2016 | Appendix of Exhibits In Support of Plaintiff James J. Cotter, Jr.'s Opposition To Individual Defendants' Motion For Partial Summary Judgment (No. 5) On Plaintiff's Claims Related To The Appointment Of Ellen Cotter As CEO (Exhibits 3, 4, 7, 8, 10, 12, 13, 14, 16 and 19 filed under seal) | Filed Under Seal |
| V  | RDI-A08127-8163 | 10/13/2016 | Cotter, Jr.'s Opposition to William Gould's Motion for Partial Summary Judgment  |                  |
| V  | RDI-A08164-8223 | 10/13/2016 | Appendix of Exhibits In Support of Cotter, Jr.'s Opposition To Defendant Gould's Motion For Summary Judgment   |                  |
| V  | RDI-A08224-8308 | 10/13/2016 | Appendix of Exhibits In Support of Cotter, Jr.'s Opposition To Defendant Gould's Motion For Summary Judgment (Exhibits 2, 7, 9 and 12 filed under seal)  | Filed Under Seal |
| V  | RDI-A08309-8323 | 10/21/2016 | Order Granting Settlement with T2 Plaintiffs and Final Judgment with Exhibit 1 attached  |                  |
| V  | RDI-A08324-8332 | 10/24/2016 | Transcript of Proceedings: Pretrial and Scheduling conference October 21, 2016 (filed 10/24/2016)  |                  |
| V  | RDI-A08333-8378 | 10/25/2016 | Cotter, Jr.'s Reply in Support of Motion for Partial Summary Judgment  |                  |
| V  | RDI-A08379-8390 | 10/26/2016 | Individual Defendant's Objections to the declaration of James J. Cotter, Jr. Submitted in Opposition to all individual defendant's motions for partial summary judgment  |                  |
| V  | RDI-A08391-8545 | 11/1/2016  | Transcript of Proceedings: Hearing on Motions October 27, 2016   |                  |
| V  | RDI-A08546-8557 | 11/4/2016  | Plaintiff James J. Cotter, Jr.'s Motion to Reconsider the Court's Order Approving the Settlement and Dismissal of the T2 Complaint   |                  |
| V  | RDI-A08558-8562 | 11/23/2016 | Reading International, Inc.'s Status Report Re: Discovery  |                  |
| V  | RDI-A08563-8592 | 11/23/2016 | Cotter RDI November 2016 Status Report   |                  |
| VI | RDI-A08593-8603 | 12/7/2016  | Transcript of Proceedings: Status Check Re Resetting of Trial Date December 1, 2016  |                  |
| VI | RDI-A08604-8629 | 12/20/2016 | Reading International, Inc.'s Answer to Second Amended Complaint   |                  |
| VI | RDI-A08630-8633 | 12/21/2016 | Order Regarding Defendants' Motions for Partial Summary Judgment Nos. 1-6 and Motion in Limine to Exclude Expert Testimony   |                  |
| VI | RDI-A08634-8652 | 1/6/2017   | Transcript of Proceedings - Status Check on 12.22.16   |                  |
| VI | RDI-A08653-8663 | 6/14/2017  | Transcript of Proceedings: Status Check June 5 2017  |                  |
| VI | RDI-A08664-8667 | 10/4/2017  | First Amended Order Setting Civil Jury Trial, Pre-Trial Conference And Calendar Call   |                  |
| VI | RDI-A08668-8729 | 10/27/2017 | Opposition of Plaintiff James J. Cotter, Jr. to Motion for Evidentiary Hearing Regarding James Cotter, Jr.'s Adequacy as Derivative Plaintiff  |                  |

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|----|-----------------|------------|--|------------------|
| VI | RDI-A08730-8773 | 11/9/2017  | Defendants Margaret Cotter Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, William Gould, Judy Coddling, Michael Wrotniak's Supplement to Motions for Partial Summary Judgment Nos. 1, 2, 3, 5 and 6                |                  |
| VI | RDI-A08774-8796 | 11/9/2017  | Cotter, Jr.'s Motion in Limine No. 2 Regarding the Submission of Merits-Related Evidence by Nominal Defendant Reading International, Inc.  |                  |
| VI | RDI-A08797-8799 | 11/21/2017 | Reading International, Inc.'s Joinder to Margaret Cotter, Ellen Cotter, Douglas McEachern, Guy Adams, Edward Kane, Judy Coddings & Michael Wrotniak's Supplement to Motions for Partial Summary Judgment Nos. 1, 2, 3, 5 & 6 |                  |
| VI | RDI-A08800-8829 | 11/28/2017 | Defendants Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane, Douglas McEachern, William Gould, Judy Coddling, Michael Wrotniak's Answer to Plaintiffs Second Amended Complaint  |                  |
| VI | RDI-A08830-8843 | 12/1/2017  | Supplemental Opposition to Motion for Summary Judgment Nos. 1 and 2 and Gould Motion for Summary Judgment  |                  |
| VI | RDI-A08844-8854 | 12/1/2017  | Declaration of Akke Levin in Support of Supplemental Opposition to Motions for Summary Judgment Nos. 1 and 2 and Gould Summary Judgment Motion   |                  |
| VI | RDI-A08855-8875 | 12/1/2017  | Plaintiff James J. Cotter Jr.'s Supplemental Opposition to So Called Summary Judgment Motion Nos. 2 & 3 and Gould Summary Judgment Motion  |                  |
| VI | RDI-A08876-8897 | 12//17     | Plaintiff James J. Cotter Jr.'s Supplemental Opposition to So Called Summary Judgment Motion Nos. 2 & 3 and Gould Summary Judgment Motion (Non-Public  | Filed Under Seal |
| VI | RDI-A08898-9086 | 12/1/2017  | Declaration of Akke Levin In Support of Plaintiff James J. Cotter Jr.'s Supplemental Opposition to So-Called Summary Judgment Motion Nos. 2 & 3 and Gould Summary Judgment Motion  |                  |
| VI | RDI-A09087-9221 | 12/1/2017  | Exhibits 3 through 6, 8, 9, 11 and 12 to Plaintiff James J. Cotter Jr.'s Supplemental Opposition to So-Called Summary Judgment Motion Nos. 2 & 3 and Gould Summary Judgment Motion   | Filed Under Seal |
| VI | RDI-A09222-9237 | 12/1/2017  | Plaintiff James J. Cotter Jr.'s Supplemental Opposition to Summary Judgment Motion Nos. 2 and 5 and Gould Summary Judgement Motion   |                  |
| VI | RDI-A09238-9356 | 12/1/2017  | Declaration of Akke Levin In Support of Plaintiff James J. Cotter Jr.'s Supplemental Opposition to Summary Judgment Motion Nos. 2 and 5 and Gould Summary Judgement Motion   |                  |
| VI | RDI-A09356-9421 | 12/1/2017  | Exhibits 7-11, 15-17 to Appendix to Plaitniff's Supplemental Opposition to Summary Judgment Nos. 2 and 5 and Gould Summary Judgment Motion   | Filed Under Seal |
| VI | RDI-A09422-9433 | 12/1/2017  | Plaintiff James J. Cotter Jr.'s Supplemental Opposition to Summary Judgment Motion Nos. 2 and 6 and Gould Summary Judgment Motion  |                  |
| VI | RDI-A09433-9468 | 12/1/2017  | Declaration of Akke Levin in Support of Plaintiff James J. Cotter Jr.'s Supplemental Opposition to Summary Judgment Motion Nos. 2 and 6 and Gould Summary Judgment Motion  |                  |
| VI | RDI-A09469-9500 | 12/1/2017  | Exhibits 4-11 to Appendix to Plaintiff James J. Cotter Jr.'s Supplemental Opposition to Summary Judgment Motion Nos. 2 and 6 and Gould Summary Judgment Motion   | Filed Under Seal |

|     |                                      |            |  |                  |
|-----|--------------------------------------|------------|--|------------------|
| VI  | RDI-A09501-9528                      | 12/4/2017  | Reply in Support of the Individual Defendants' Renewed Motions for Partial Summary Judgment Nos. 1 and 2 - Public  |                  |
| VII | RDI-A09529-9537                      | 12/4/2017  | Reply in Support of Supplemental Motions for Summary Judgment Nos. 2 and 3   |                  |
| VII | RDI-A09538-9546                      | 12/4/2017  | Reply in Support of the Individual Defendants Renewed Motions for Partial Summary Judgment Nos. 2 and 5  |                  |
| VII | RDI-A09545-9554                      | 12/4/2017  | Reply in Support of Supplemental Motions for Summary Judgment Nos. 2 and 6   |                  |
| VII | RDI-A09555-9562                      | 12/4/2017  | Reply in Support of the Individual Defendants' Motion in Limine to Exclude Evidence that is more prejudicial than probative  |                  |
| VII | RDI-A09563-9594                      | 12/8/2017  | Joint Pretrial Memorandum  |                  |
| VII | RDI-A09595-9601                      | 12/28/2017 | Order Regarding Defendants' Motions for Partial Summary Judgment and Plaintiff's and Defendants' Motions in Limine   |                  |
| VII | RDI-A09602-9609                      | 1/2/2018   | The Individual Defendants' Opposition to Plaintiff's Motion for Rule 54(b) Certification and Stay  |                  |
| VII | RDI-A09610-9612                      | 1/4/2018   | Order Denying Plaintiff's Motion to Stay and Motion for Reconsideration  |                  |
| VII | RDI-A09611-9615                      | 1/4/2018   | Order Granting Plaintiffs Motion for Rule 54(b) Certification and Stay   |                  |
| VII | RDI-A09616-9632;<br>RDI-A0932A-9632K | 1/10/2018  | Sealed Transcript of Proceedings: Jury Trial Day One - 1.8.18  | Filed Under Seal |
| VII | RDI-A09633-9773                      | 5/15/2018  | Defendant's Motion to Compel Plaintiff to Produce Communications Relating to Expert Fee Payments   |                  |
| VII | RDI-A09774-9795                      | 5/18/2018  | Plaintiff's Pre-Trial Memorandum   |                  |
| VII | RDI-A09796-9843                      | 5/18/2018  | Defendant's Pre-Trial Memorandum   |                  |
| VII | RDI-A09844-9858                      | 5/24/2018  | Transcript of Proceedings: Hearing on Defendants' Motion to Compel May 21, 2018  |                  |
| VII | RDI-A09859-9907                      | 6/1/2018   | Ellen Cotter, Margaret Cotter, and Guy Adams Motion For Summary Judgment   |                  |
| VII | RDI-A9908-9968                       | 6/1/2018   | Sealed Exhibits to Ellen Cotter, Margaret Cotter, and Guy Adams Motion For Summary Judgment (Exhibits B, C, D, E, H, I)  | Filed Under Seal |
| VII | RDI-A09969-10158                     | 6/13/2018  | Plaintiff's Opposition to Ellen Cotter, Margaret Cotter, and Guy Adams' Motion for Summary Judgment on Ratification  |                  |
| VII | RDI-A10159-10365                     | 6/13/2018  | Plaintiff's Opposition to Ellen Cotter, Margaret Cotter, and Guy Adams' Motion for Summary Judgment on Ratification (Non-Public)   | Filed Under Seal |
| VII | RDI-A10366-10408                     | 6/13/2018  | Plaintiff's Opposition to Ellen Cotter, Margaret Cotter, and Guy Adams' Motion for Summary Judgment on Demand Futility   |                  |
| VII | RDI-A10409-10464                     | 6/13/2018  | Plaintiff's Opposition to Ellen Cotter, Margaret Cotter, and Guy Adams' Motion for Summary Judgment on Demand Futility (Non-Public)  | Filed Under Seal |
| VII | RDI-A10465-10507                     | 6/13/2018  | Sealed Exhibits 1 & 3 to Plaintiff's Opposition to Motion to Dismiss and Exhibits 15, 17-19 and 21 to Defendant's Motion for Summary Judgment (Demand Futility & Ratification Oppositions) | Filed Under Seal |
| VII | RDI-A10508-10541                     | 6/15/2018  | Ellen Cotter, Margaret Cotter, and Guy Adams' Reply in Support of Motion for Summary Judgment  |                  |
| VII | RDI-A10542-10552                     | 8/14/2018  | Findings of Fact and Conclusions of Law  |                  |
| VII | RDI-A10552A-10552N                   | 8/16/2018  | NOE Findings of Fact and Conclusions of Law  |                  |



|      |                    |            |  |  |
|------|--------------------|------------|--|--|
| VIII | RDI-A10553-10558   | 9/4/2018   | Stipulation and Order Relating to Process for Filing Motion for Attorneys' Fees                              |  |
| VIII | RDI-A10559-10641   | 9/7/2018   | Reading International, Inc.'s Motion for Attorneys' Fees   |  |
| VIII | RDI-A10642-10647   | 9/12/2018  | Reading s International, Inc.'s Motion for Judgment in its Favor   |  |
| VIII | RDI-A10647A-10647C | 9/17/2018  | Defendants' Joinder to Reading International, Inc.'s Motion for Attorneys Fees                               |  |
| VIII | RDI-A10648-10707   | 9/27/2018  | Plaintiff's Opposition to Motion for Attorneys Fees  |  |
| VIII | RDI-A10708-10720   | 10/1/2018  | Cotter Jr.'s Opposition to Reading International, Inc's Motion for Judgment in Its Favor                     |  |
| VIII | RDI-A10721-10751   | 10/16/2018 | Reading International, Inc.'s Reply in Support of Motion for Attorneys' Fees                                 |  |
| VIII | RDI-A10752-10757   | 10/15/2018 | Reading International, Inc.'s Reply in Support of Motion for Judgment in Its Favor                           |  |
| VIII | RDI-A10758-10774   | 10/24/2018 | Transcript of Proceedings: Hearing on Motions for Attorneys' Fees  |  |
| VIII | RDI-A10774A-10774E | 11/6/2018  | Order Granting in Part and Denying in Part Motion to Retax and Settle Costs, and Entering Judgment for Costs |  |
| VIII | RDI-A10775-10778   | 11/16/2018 | Order Denying Reading International, Inc.'s Motion for Attorneys' Fees                                       |  |
| VIII | RDI-A10779-10782   | 11/16/2018 | Order Denying Reading International, Inc.'s Motion for Judgment in its Favor                                 |  |
| VIII | RDI-A10783-10790   | 11/20/2018 | Notice of Entry of Order Denying Reading International, Inc.'s Motion for Attorneys' Fees                    |  |
| VIII | RDI-A10791-10798   | 11/20/2018 | Notice of entry of Order Denying Reading International, Inc.'s Motion for Judgment in its Favor              |  |
| VIII | RDI-A10799-10801   | 12/14/2018 | Notice of Appeal   |  |

**CERTIFICATE OF SERVICE**

This is to certify that on May 31, 2019, a true and correct copy of the foregoing document, **APPELLANT READING INTERNATIONAL, INC.’S APPENDIX VOLUME I of VIII FOR CASE 77733**, was served by via this Court’s e-filing system, on counsel of record for all parties to the action below in this matter, as follows:

*/s/ Andrea Lee Rosehill*  
\_\_\_\_\_

An employee of Greenberg Traurig, LLP

### BUSINESS COURT CIVIL COVER SHEET

Clark

County, Nevada

Case No. A-15-719860-B Dept XXVII

(Assigned by Clerk's Office)

#### I. Party Information (provide both home and mailing addresses if different)

|  |   |
|--|---|
| Plaintiff(s) (name/address/phone):<br>James J. Cotter, Jr.   | Defendant(s) (name/address/phone):<br>Margaret Cotter, Ellen Cotter, Guy Adams, Edward Kane,<br>Douglas McEachern, Timothy Storey, William Gould and<br>nominal defendant Reading International, Inc. |
| Attorney (name/address/phone):<br>Mark G. Krum, Lewis Roca Rothgerber LLP, 3993 Howard Hughes<br>Parkway, Suite 600, Las Vegas, Nevada 89169, (702) 949-8200 | Attorney (name/address/phone):  |


#### II. Nature of Controversy (Please check the applicable boxes for both the civil case type and business court case type)

Arbitration Requested

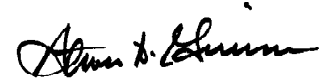
| Civil Case Filing Types   |  | Business Court Filing Types  |
|---|--|--|
| <b>Real Property</b><br><b>Landlord/Tenant</b><br><input type="checkbox"/> Unlawful Detainer<br><input type="checkbox"/> Other Landlord/Tenant<br><b>Title to Property</b><br><input type="checkbox"/> Judicial Foreclosure<br><input type="checkbox"/> Other Title to Property<br><b>Other Real Property</b><br><input type="checkbox"/> Condemnation/Eminent Domain<br><input type="checkbox"/> Other Real Property<br><b>Construction Defect &amp; Contract</b><br><b>Construction Defect</b><br><input type="checkbox"/> Chapter 40<br><input type="checkbox"/> Other Construction Defect<br><b>Contract Case</b><br><input type="checkbox"/> Uniform Commercial Code<br><input type="checkbox"/> Building and Construction<br><input type="checkbox"/> Insurance Carrier<br><input type="checkbox"/> Commercial Instrument<br><input type="checkbox"/> Collection of Accounts<br><input type="checkbox"/> Employment Contract<br><input type="checkbox"/> Other Contract | <b>Torts</b><br><b>Negligence</b><br><input type="checkbox"/> Auto<br><input type="checkbox"/> Premises Liability<br><input type="checkbox"/> Other Negligence<br><b>Malpractice</b><br><input type="checkbox"/> Medical/Dental<br><input type="checkbox"/> Legal<br><input type="checkbox"/> Accounting<br><input type="checkbox"/> Other Malpractice<br><b>Other Torts</b><br><input type="checkbox"/> Product Liability<br><input checked="" type="checkbox"/> Intentional Misconduct<br><input type="checkbox"/> Employment Tort<br><input type="checkbox"/> Insurance Tort<br><input type="checkbox"/> Other Tort<br><b>Civil Writs</b><br><input type="checkbox"/> Writ of Habeas Corpus<br><input type="checkbox"/> Writ of Mandamus<br><input type="checkbox"/> Writ of Quo Warrant<br><input type="checkbox"/> Writ of Prohibition<br><input type="checkbox"/> Other Civil Writ | <b>CLARK COUNTY BUSINESS COURT</b><br><input checked="" type="checkbox"/> NRS Chapters 78-89<br><input type="checkbox"/> Commodities (NRS 91)<br><input type="checkbox"/> Securities (NRS 90)<br><input type="checkbox"/> Mergers (NRS 92A)<br><input type="checkbox"/> Uniform Commercial Code (NRS 104)<br><input type="checkbox"/> Purchase/Sale of Stock, Assets, or Real Estate<br><input type="checkbox"/> Trademark or Trade Name (NRS 600)<br><input type="checkbox"/> Enhanced Case Management<br><input type="checkbox"/> Other Business Court Matters |
| <b>Judicial Review/Appeal/Other Civil Filing</b><br><b>Judicial Review</b><br><input type="checkbox"/> Foreclosure Mediation Case<br><b>Appeal Other</b><br><input type="checkbox"/> Appeal from Lower Court  |  | <b>WASHOE COUNTY BUSINESS COURT</b><br><input type="checkbox"/> NRS Chapters 78-88<br><input type="checkbox"/> Commodities (NRS 91)<br><input type="checkbox"/> Securities (NRS 90)<br><input type="checkbox"/> Investments (NRS 104 Art.8)<br><input type="checkbox"/> Deceptive Trade Practices (NRS 598)<br><input type="checkbox"/> Trademark/Trade Name (NRS 600)<br><input type="checkbox"/> Trade Secrets (NRS 600A)<br><input type="checkbox"/> Enhanced Case Management<br><input type="checkbox"/> Other Business Court Matters                        |
| <b>Other Civil Filing</b><br><input type="checkbox"/> Foreign Judgment<br><input type="checkbox"/> Other Civil Matters  |  |  |

June 12, 2015

Date

  
Signature of initiating party or representative

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CLERK OF THE COURT

1 **COMPB**  
2 MARK G. KRUM (Nevada Bar No. 10913)  
3 [MKrum@LRRLaw.com](mailto:MKrum@LRRLaw.com)  
4 LEWIS ROCA ROTHGERBER LLP  
5 3993 Howard Hughes Parkway, Suite 600  
6 Las Vegas, Nevada 89169  
7 (702) 949-8200  
8 (702) 949-8398 fax

9 Attorneys for Plaintiff  
10 *James J. Cotter, Jr.*

11 DISTRICT COURT  
12 CLARK COUNTY, NEVADA

13 JAMES J. COTTER, JR., individually and  
14 derivatively on behalf of Reading International,  
15 Inc.,

16 Plaintiff,

17 v.

18 MARGARET COTTER, ELLEN COTTER,  
19 GUY ADAMS, EDWARD KANE, DOUGLAS  
20 McEACHERN, TIMOTHY STOREY,  
21 WILLIAM GOULD, and DOES 1 through 100,  
22 inclusive,

23 Defendants.

24 and

25 READING INTERNATIONAL, INC., a Nevada  
26 corporation;

27 Nominal Defendant.

CASE NO. A-15-719860-B  
DEPT. NO. XXVII

**COMPLAINT**

**[Business Court Requested: [EDCR 1.61]**

**[Exempt From Arbitration: declaratory  
relief requested; action in equity]**

28 For his complaint, plaintiff James J. Cotter, Jr., by and through his counsel, Mark G. Krum  
of Lewis Roca Rothgerber LLP, hereby alleges the following:

**NATURE OF THE CASE**

1. This action arises from the intentional misconduct of a majority of the board of  
directors of Reading International, Inc. (“RDI” or the “Company”), including individuals who

3993 Howard Hughes Parkway  
Suite 600  
Las Vegas, NV 89169-5996  
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Suite 600  
Las Vegas, NV 89169-5996  
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1 comprise a majority of the outside directors of RDI, which is a public company. In particular and  
2 without limitation, outside directors Edward Kane (“Kane”), Guy Adams (“Adams”) and Douglas  
3 McEachern (“McEachern”), together with director Ellen Cotter (“EC”) and (“outside”) director  
4 Margaret Cotter (“MC”), have acted in a manner that was and is in derogation of their fiduciary  
5 obligations as directors of RDI, first to threaten James J. Cotter, Jr. (“JJC” or “Plaintiff”) with  
6 termination as President and Chief Executive Officer (“CEO”) of RDI in order to pressure him to  
7 settle certain trust and estate litigation with EC and MC and then, when JJC failed to succumb to  
8 that threat and pressure, to conduct a (legally ineffectual) boardroom coup, precipitously removing  
9 JJC as President and CEO of RDI.

10 2. These directors did so without undertaking any semblance of a process to warrant  
11 making any decision regarding the status of JJC (or anyone) as President and CEO, and did so in  
12 the face of express acknowledgements by outside directors Timothy Storey (“Storey”) and  
13 William Gould (“Gould”) that the directors had failed to undertake any process that would warrant  
14 making any decision about the status of the President and CEO of RDI, much less the decision to  
15 remove JJC as President and CEO of RDI. In particular, Gould warned the others that, because  
16 they had undertaken no process to warrant even making such a decision, they all could be subject  
17 to liability. Storey called the lack of process and planned coup a “kangaroo court,” and warned  
18 the outside directors that, “as directors we can’t just do what a shareholder [, meaning EC and  
19 MC,] asks.”

20 3. One reason defendants engaged in no process whatsoever before deciding to  
21 terminate JJC as President and CEO of RDI is because the decision to do so in reality was not a  
22 business decision by directors about the status of the President and CEO of RDI. Instead, the  
23 decision was made to choose sides in family disputes between EC and MC, on one hand, and JJC,  
24 on the other hand, which disputes include certain trust and estate litigation commenced by EC and  
25 MC against JJC following the passing of their father, James J. Cotter, Sr. (“JJC, Sr.”), in  
26 September 2014, as well as unbecoming disputes of a more personal nature, including the refusal  
27 of EC and MC to report to their “little brother,” who succeeded JJC, Sr. as CEO of RDI.  
28



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1 or about August 7, 2014, immediately after JJC, Sr. resigned from that position. He is the son of  
2 the late James J. Cotter, Sr. (JJC, Sr.) and the brother of defendants MC and EC. JJC at all times  
3 relevant hereto has owned RDI stock, and owns 718,232 shares of RDI Class A non-voting stock  
4 (including 47,500 shares subject to stock options) and is co-trustee and beneficiary of the James J.  
5 Cotter Living Trust, dated August 1, 2000, as amended (the "Trust"), which owns 2,115,539  
6 shares of RDI Class A (non-voting) stock and 1,023,888 shares of RDI Class B (voting) stock, and  
7 options to acquire 100,000 additional shares of RDI Class B (voting) stock, which Trust became  
8 irrevocable upon the passing of JJC, Sr. on September 13, 2014.

9 8. Defendant Margaret Cotter (MC) is and at all times relevant hereto was an outside  
10 director of RDI. MC is engaged in trust and estate litigation against JJC, by which she seeks,  
11 among other things, to invalidate a trust document as part of an overall effort by MC and EC to,  
12 among other things, procure voting control of RDI stock sufficient to elect RDI's directors. MC  
13 became a director of RDI on or about September 27, 2002. MC is the owner and President of  
14 OBI, LLC, a company that provides theater management services to live theaters indirectly  
15 owned by RDI through Liberty Theatres, of which MC is President. MC also sought to  
16 oversee development of real property in New York owned directly or indirectly by RDI,  
17 notwithstanding the fact that she had no experience or expertise in doing so and  
18 notwithstanding the fact that she refused to work with, and actively opposes the hiring of,  
19 any senior executive engaged or proposed to be engaged to assist her.

20 9. Defendant Ellen Cotter (EC) is and at all times relevant hereto was a director of  
21 RDI. EC is engaged in trust and estate litigation against JJC, by which she seeks, among other  
22 things, to invalidate a trust document as part of an overall effort by MC and EC to, among other  
23 things, procure voting control of RDI stock by Margaret sufficient to elect RDI's directors. She  
24 became a director of RDI on or about March 13, 2013. EC is the senior executive at RDI  
25 responsible for the day-to-day operations of its domestic cinema operations. Those cinema  
26 operations consistently have failed to match, much less exceed, the financial results of comparable  
27 and peer group cinema operations.

28 10. Defendant Edward Kane (Kane) is and at all times relevant hereto was an outside

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1 director of RDI. Kane has been a director of RDI since approximately October 15, 2009. By  
2 Kane's own admission, he was made a director of RDI because he was a friend of JJC, Sr., the  
3 now deceased father of JJC, EC and MC, and in spite of the fact that Kane neither had nor has  
4 skills or expertise to add value as a director of RDI. Kane has sided with EC and MC in their  
5 family disputes with Plaintiff, launching vicious *ad hominem* attacks against those such as Gould  
6 who have expressed unfavorable opinions about either or both MC and EC, and lecturing JJC  
7 about how he (Kane) is implementing Corleone ("Godfather") style family justice in dealing with  
8 JJC, whom Kane acknowledges is the person most qualified to be CEO of RDI. Kane sold all of  
9 the RDI options he then owned on or about May 27, 2014.

10 11. Defendant Guy Adams (Adams) is and at all times relevant hereto was an outside  
11 director of RDI. Adams became a director of RDI on or about January 14, 2014. A majority if not  
12 almost all of Adams' income is paid to him by Cotter family businesses over which EC and MC  
13 exercise control or claim to exercise control. For that reason, among others, Adams is financially  
14 dependent on EC and MC and does not qualify as an independent director of RDI. For those  
15 reasons and others, Adams was and is not a disinterested director for the purposes of any decision  
16 to terminate JJC as President and CEO of RDI. Adams sold all of the RDI options he owned on or  
17 about March 26, 2015.

18 12. Defendant Douglas McEachern (McEachern) is and at all times relevant hereto was  
19 an outside director of RDI. McEachern became a director of RDI on or about May 17, 2012.  
20 McEachern acted to protect and preserve his personal interests, and chose the side of EC and MC  
21 in their family disputes with JJC, when he voted as an RDI director to terminate JJC as President  
22 and CEO of RDI, including for the reasons described hereinafter.

23 13. Defendant Timothy Storey (Storey) is and at all times relevant hereto was an  
24 outside director of RDI. Storey became a director of RDI on or about December 28, 2011. He has  
25 served as the sole outside director of RDI's wholly-owned New Zealand subsidiary since 2006.  
26 Storey has served as Chairman of the Board of DNZ Property Fund Limited, a billion dollar  
27 commercial property investment fund based in New Zealand and listed on the New Zealand Stock  
28 Exchange, since 2009. Prior to the being elected Chairman of DNZ Property Fund Limited,



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1 Storey was a partner in Bell Gully (one of the largest law firms in New Zealand). Storey was  
2 appointed the representative or ombudsman of the five outside directors in or about March 2015,  
3 for the purpose of assisting JJC as CEO in dealing with his sisters, EC and MC, who refused to  
4 interact with him in that capacity and, as to MC, refused altogether to have any substantive  
5 discussions with JJC with respect to the business she supervised, live theaters, and the real estate  
6 development opportunities in New York City that she sought to supervise without oversight or  
7 assistance.

8 14. Defendant William Gould (Gould) is and at all times relevant hereto was an outside  
9 director of RDI. Gould was appointed a director on or about October 15, 2004. Gould is a name  
10 partner at the Los Angeles law firm of TroyGould, PC and is an author and lecturer on the subjects  
11 of corporate governance and mergers and acquisitions.

12 15. Nominal defendant Reading International, Inc. (RDI) is a Nevada corporation and  
13 is, according to its public filings with the United States Securities and Exchange Commission (the  
14 "SEC"), an internationally diversified company principally focused on the development,  
15 ownership and operation of entertainment and real estate assets in the United States, Australia and  
16 New Zealand. The company operates in two business segments, namely, cinema exhibition,  
17 through approximately 58 multiplex cinemas, and real estate, including real estate development  
18 and the rental of retail, commercial and live theater assets. The company manages world-wide  
19 cinemas in the United States, Australia and New Zealand. RDI has two classes of stock, Class A  
20 stock held by the investing public, which stock exercises no voting rights, and Class B stock,  
21 which is the sole voting stock with respect to the election of directors. An overwhelming majority  
22 (approximately eighty percent (80%)) of the Class A stock is legally and/or beneficially owned by  
23 shareholders unrelated to JJC, EC and MC. Approximately seventy percent (70%) of the Class B  
24 stock is subject to disputes and pending trust and estate litigation between EC and MC, on one  
25 hand, and JJC, on the other hand. RDI is named as a nominal defendant in recognition of the fact  
26 that it may be contended that one or more claim made by this complaint is derivative in nature.

27 16. The true names and capacities, whether individual, corporate, associate or  
28 otherwise, of Defendants named and identified herein as Does 1 through 100, inclusive, are

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1 currently unknown to Plaintiff. Plaintiff, therefore, sues said Defendants by such fictitious names  
2 and will amend his Complaint to show their true names and capacities upon ascertaining the same.  
3 Upon information and belief, each of the Defendants sued herein as Doe has some responsibility  
4 for the damages arising as a result of the matters herein alleged.

5 **ALLEGATIONS COMMON TO ALL CLAIMS**

6 **General Background**

7 17. Since approximately 2000, and until he resigned as Chairman and CEO of RDI on  
8 or about August 7, 2014 due to health reasons, James J. Cotter, Sr. (JJC, Sr.) was the CEO and  
9 Chairman of the Board of Directors of RDI. Additionally, JJC, Sr. through the Trust (according to  
10 RDI filings with the SEC, among other things) controlled approximately seventy percent (70%) of  
11 the Class B voting stock of RDI. As such, JJC, Sr. unilaterally selected and elected the board of  
12 directors.

13 18. As acknowledged by defendant Kane, JJC, Sr. for all intents and purposes ran the  
14 Company as he saw fit, without meaningful oversight or input from the board of directors.  
15 According to Kane, JJC, Sr. “did not seek directors that could add significant value but sought out  
16 friends to fill out the ‘independent’ member requirements.” Kane also acknowledged that, with  
17 the passing of JJC, Sr., it was “time to change this approach and appoint individuals that could  
18 offer solid advice and counsel, such as some NYC real estate people and/or NYC people with  
19 political know-how that we might need if we are to develop our valuable assets there.”

20 19. Recognizing JJC, Sr.’s control of the Company, the board asked that he provide  
21 them with a succession plan. He did so in or about December 2006, and the RDI board agreed to  
22 it. The succession plan was to have JJC assume JJC, Sr.’s position when JJC, Sr. retired or  
23 passed, as the case may be.

24 20. Since 2005, JJC was involved in most RDI executive management meetings and  
25 privy to most significant internal senior management memos. JJC was appointed Vice Chairman  
26 of the RDI board in 2007. The RDI board appointed JJC President of RDI on or about June 1,  
27 2013, which responsibilities he filled without objection by the RDI board of directors.

28 21. On or about September 13, 2014, JJC, Sr. passed.

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Las Vegas, NV 89169-5996  
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1           22.     Soon thereafter, trust and estate litigation was commenced by his daughters, MC  
2 and EC, including against JJC, which litigation involved the issue of whether MC or JJC, or both,  
3 should control the RDI voting stock previously controlled by JJC, Sr., among other things.

4           23.     Apparently recognizing that their machinations to use the uncertainty attendant to  
5 the pending trust and estate litigation to secure control of the RDI voting stock previously  
6 controlled by JJC, Sr. were destined to ultimately fail, and with MC in perceived jeopardy of being  
7 terminated from managing the live theater operations due to the Orpheum Theatre debacle  
8 described herein, MC and EC launched a plan to attempt to preempt the ultimate disposition of  
9 that trust and estate litigation, as well as MC's possible termination. MC and EC secured the  
10 agreement of defendants Kane, Adams and McEachern to pick sides in their family dispute with  
11 JJC, and to act in derogation of their fiduciary obligations and the interests of RDI and all RDI  
12 stockholders, to threaten and then, when the threat failed, to stage a boardroom coup by firing  
13 Plaintiff as President and CEO of RDI.

14           24.     JJC alienated his sisters and Adams, Kane and McEachern because, as President  
15 and CEO of RDI, he acted to protect and further the interests of RDI and all of its shareholders,  
16 repeatedly rebuffing the efforts of MC and EC to advance their own interests, as well as efforts by  
17 Kane, Adams and McEachern to protect and further the interests of MC and EC, as well as their  
18 own interests, all to the detriment of the Company and its other shareholders. For example, EC  
19 attempted to charge RDI for dinners she had with her mother and sister (including an expensive  
20 Thanksgiving dinner with her mother, sister and sister's children), a simple and egregious practice  
21 of self-dealing that Plaintiff rejected, angering EC.

22           25.     Ultimately, JJC was fired as President and CEO of RDI because JJC refused to  
23 acquiesce to ultimatums from EC, MC, Kane, Adams and McEachern that he enter into a  
24 settlement proposal (including of trust and estate issues) satisfactory to EC and MC.

25                   **EC and MC Act To Further Their Own Interests; Kane Assists**

26           26.     Soon after JJC, Sr. passed, EC sought an employment agreement and a promotion  
27 from Chief Operating Officer of RDI's Domestic Cinema Operations to head of its worldwide  
28 cinema division (including Australian and New Zealand Cinema Operations). EC also sought an

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1 employment agreement. Plaintiff is informed and believes that EC did so in part because she was  
2 fearful that JJC, acting to protect and further the interests of the Company, would demote or fire  
3 her.

4 27. Soon after JJC, Sr. passed, EC also sought a raise. The claimed impetus for the  
5 requested raise was to qualify for a loan on a Laguna Beach, California condominium. EC sought  
6 it in part because EC understood that Kane would get it for her.

7 28. Kane, who has a decade's long quasi-familial relationship with each of MC and  
8 EC, who call him "Uncle Ed," acted to ensure that EC would obtain the loan she sought, described  
9 above.

10 29. To that end, Kane, purporting to act as chairman of the RDI Compensation  
11 Committee, without authority or approval from the RDI Compensation Committee, on RDI  
12 letterhead wrote EC's lender and represented that the Committee "anticipate[d] a total cash  
13 compensation increase of no less than 20%" for EC "effective no later than January 1, 2015."  
14 Despite JJC pointing out that sending such a letter to EC's bank was inappropriate, EC executed  
15 the letter on behalf of Kane.

16 30. Shortly thereafter, Kane acknowledged to RDI board members that the study that  
17 had been commissioned and expected to justify EC's pay increase, actually failed to do so.

18 31. Also, in October 2014, Kane prompted the RDI board to provide EC a "bonus" of  
19 \$50,000, on account of a supposed error by the Company in connection with the issuance of RDI  
20 stock options EC had exercised in 2013.

21 **The Outside Directors Act To Further Their Own Interests**

22 32. Separately, commencing shortly after JJC, Sr.'s death on September 13, 2014,  
23 Kane began pressing Plaintiff as President and CEO to recommend to the RDI board, and thereby  
24 effectively approve, increases in directors' fees and consideration paid to Kane and other outside  
25 board members.

26 33. Kane and the other outside directors were successful in increasing their  
27 compensation. On or about November 13, 2014, the RDI board raised annual directors' fees by  
28 approximately forty-three percent (43%) and gave each nonemployee director additional

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1 compensation in the form of stock options and a one-time cash compensation.

2 **MC And EC Bring Cotter Family Disputes To RDI’s Boardroom**

3 34. In an effort to accommodate MC and EC, who refused to report to JJC as CEO,  
4 outside board members initiated a “discussion forum,” whereby each of JJC, MC and EC would  
5 meet with two non-Cotter directors, Storey and McEachern. One meeting occurred on or about  
6 November 12, 2014 and one occurred on or about December 16, 2014. These meetings did not  
7 assuage MC and EC.

8 35. Notwithstanding the fact that Plaintiff had been President of RDI since 2013,  
9 notwithstanding the fact that JJC, Sr. and the RDI board had agreed upon a succession plan  
10 pursuant to which Plaintiff would succeed JJC, Sr. as CEO of RDI, and notwithstanding that JJC,  
11 Sr.’s testamentary disposition memorialized to EC and MC his intention that JJC serve as  
12 President of RDI, MC and EC resisted and sought to avoid reporting to JJC.

13 36. Commencing in the fourth quarter of 2014, MC undertook to enlist Kane to  
14 undermine Plaintiff. During that time frame she confidentially requested of Kane that she be made  
15 co-CEO of RDI.

16 37. During that time frame, Plaintiff in furtherance of his responsibilities as CEO of  
17 RDI sought to engage in substantive communications with MC about the live theater business for  
18 which she was responsible. MC flatly refused to have substantive communications with Plaintiff  
19 about such matters.

20 38. Plaintiff also brought to the attention of Kane the difficulties created by MC and  
21 EC, including in particular but not limited to MC’s abject refusal to communicate with Plaintiff  
22 about the businesses for which she either had or claimed she should have responsibility, meaning  
23 the live theater business, and two highly valuable real estate assets in New York City which MC  
24 was not qualified to manage or lead without expert or qualified assistance she refused to accept,  
25 including by consistently resisting hiring a qualified executive.

26 **Kane Acts To Protect EC And MC**

27 39. In or about January 2015, Kane acted to protect and further the interests of EC and  
28 MC, in derogation of his fiduciary obligations.

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1           40. By way of email dated January 16, 2015, Kane communicated to Plaintiff a  
2 suggestion to the effect that EC be given the title she wants, that MC be treated as a “co-equal with  
3 [a] new head of domestic real estate [and] [t]hat she and the new head will report to you and you  
4 will resolve any conflicts between them that they cannot resolve themselves [and] you will make a  
5 title for MC as a new employee of the Company . . . .”

6                   **MC And EC Prompt The Outside Directors To Participate In Family Disputes**

7           41. The outside board members, faced with the personal disputes MC and EC had with  
8 JJC, including the pending trust and estate litigation, took steps to protect and enhance their  
9 personal interests.

10           42. The RDI board of directors on January 15, 2015 determined to purchase a directors  
11 and officers insurance policy (which it never had before) with a limit of \$10 million. At the time,  
12 they also determined that stock option grants to individual directors made on or about November  
13 13, 2014 would vest immediately and further determined that January 15, 2015 would be the date  
14 on which to establish the stock price for option purposes.

15           43. In a private session of the outside directors on January 15, 2015, they discussed and  
16 agreed upon a course of action which initially was proposed to be the first two paragraphs quoted  
17 below, but after discussion became all three. They resolved and approved, with Plaintiff, EC and  
18 MC abstaining, as follows:

19                   “The CEO [,JJC,] cannot terminate the employment of Ellen Cotter unless  
20 a majority of the independent directors concur with the CEO’s recommendation to  
21 terminate Ellen Cotter;

22                   The CEO [,JJC,] cannot terminate the existing Theater Management  
23 Agreement of Ms. Margaret Cotter unless a majority of the independent directors  
24 concurs with the CEO’s recommendations to terminate such Theater Management  
25 Agreement; and

26                   The CEO [,JJC,] cannot be terminated without the approval of the  
27 majority of the independent directors.”

28                   **JJC Succeeds As President And CEO; MC And EC Continue To Object**

29           44. Plaintiff’s work as CEO was recognized as successful by the stock market. RDI  
30 stock was trading at \$8.17 per share when Plaintiff became CEO but, by approximately the end of

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1 2014, had traded as high as \$13.26 per share and, in the Spring of 2015, traded at over \$14.45 per  
2 share.

3 45. One analyst described the successes of JJC as President and CEO as follows:

4 Management Catalysts  
5 RDI has historically suffered from a control discount. The dual class  
6 structure created a situation where the Cotter family owned approx. 30%  
7 of outstanding shares, but 70% of class B voting stock. James Cotter Sr.,  
8 the longtime CEO, made little effort to promote the company and was  
9 slow to monetize assets and unlock the value even though he did acquire  
10 assets smartly and did a good job of operating the business. Over the past  
11 two years, asset monetization has moved ahead and seems to be a sign of  
12 things to come. In early August, James Cotter, Sr., resigned from serving  
13 as the Company's Chairman and CEO and recently passed away. Cotter's  
14 son Jim has taken over the CEO position. We think that Jim has already  
15 been a positive influence in terms of value realization during the last year.  
16 We believe that Jim was instrumental in pushing not only the sales of  
17 important Australian assets, but also the share buyback. He is also seeking  
18 other ways to increase value (e.g. considering ways to further monetize the  
19 Angelika brand). We expect the stock will move much closer to fair value  
20 once definitive announcements are made around the New York City assets  
21 and other smaller asset monetization announcements in the next 12  
22 months. The two New York assets discussed have appreciated  
23 significantly in recent years and are a part of the value here. It is also  
24 worth noting that RDI also owns other valuable, underutilized real estate  
25 (including Minetta Lane Theater, Orpheum Theater, Royal George in  
26 Chicago, etc.) that could ultimately be redeveloped and create incremental  
27 value for shareholders.

17 46. After meeting JJC in person in October 2014, one large stockholder commented, "I  
18 came away from our meeting with a firm view that you care about shareholders and that both you  
19 and us will be nicely rewarded over time...I intend to remain a long-term partner. I am confident  
20 that if you continue to buy back stock and the investment community begins to believe that you, as  
21 a leader, will act in the best interests of shareholders, the stock price will be considerably higher."  
22 The stock price did move considerably higher.

23 47. JJC's success in fact began as early as June 1, 2013, when he was appointed  
24 President of RDI. After JJC, Sr. was diagnosed with prostate cancer in early 2013, JJC, Sr. turned  
25 over more responsibility to JJC, as JJC, Sr. was battling prostate cancer. On June 1, 2013, the  
26 stock price was only \$6.08 per share.

27 48. JJC's success as President and CEO of RDI continues to be recognized by the stock  
28 market. On May 31, 2015, The Street Ratings upgraded their recommendation of RDI to a "buy"

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1 or “purchase.” On June 4, 2015, RDI Class A stock traded in the public marketplace as high as  
2 \$14.45 per share.

3 49. MC and EC objected to Plaintiff’s on-going, successful efforts as President and  
4 CEO of RDI which, though in the best interests of all RDI shareholders, including the public non-  
5 Cotter family shareholders, were viewed by MC and EC as not in their personal interests. MC and  
6 EC continued to voice objections to JJC communicating with shareholders.

7 50. By their actions and statements, including but not limited to their demands for  
8 additional compensation and for employment agreements, and their complaint that Plaintiff had  
9 acted in the interests of all RDI shareholders rather than in their particular interests, MC and EC  
10 made clear that their personal interests were paramount, in derogation of the interests of RDI and  
11 its other shareholders, notwithstanding that both were RDI directors.

12 **JJC Complies With Board Requests, MC And EC Do Not**

13 51. By March 2015, the efforts of EC and MC to promote their own interests, in  
14 derogation of the interests of the Company, compelled the non-Cotter members of the RDI board  
15 of directors to intervene.

16 52. In March 2015, the non-Cotter directors appointed lead director Gould and director  
17 Storey as an independent committee, with Storey functioning as their representative or  
18 ombudsman to work with JJC as CEO, including by acting as a facilitator with EC and MC.

19 53. On behalf of the non-Cotter directors, Gould advised MC and EC and Plaintiff that  
20 the process they had put in place, involving director Storey as described herein, would continue  
21 through the end of June 2015, at which time an assessment would be made of the situation,  
22 including in particular the extent to which each of the three of them had cooperated in the process  
23 and had undertaken to improve their working relationships and to sustain improved working  
24 conditions.

25 54. From that point forward, Plaintiff has worked with director Storey in the manner  
26 Storey on behalf of the non-Cotter directors had requested.

27 55. However, MC and EC did not, including as otherwise averred herein. Instead, they  
28 continued to act to preserve and further their own personal and financial interests, to the detriment



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1 of RDI and its shareholders.

2 56. Thus, although MC for months had resisted even having substantive discussions  
3 with Plaintiff about the live theater business operations for which she was responsible, and  
4 although MC for months had failed and refused to produce even the most rudimentary of business  
5 plans, she nevertheless pushed to be provided an employment agreement with RDI. For example,  
6 on May 4, 2015, by which time she had provided no business plan whatsoever, notwithstanding  
7 requests from Plaintiff and from director Storey that she do so, she emailed Plaintiff, stating “any  
8 idea when this employment agreement of mine that you have been working on for months will be  
9 presented?”

10 **The Outside Directors Demand More Money**

11 57. In the same time frame, the non-Cotter directors were seeking additional  
12 compensation. In particular, Kane pushed Plaintiff to provide all non-Cotter directors other than  
13 director Storey an extra \$25,000 for the first six months of 2015, with the understanding “that at  
14 year-end we will be asking for an additional payment.”

15 58. With respect to director Storey, who resides in New Zealand and had taken no  
16 fewer than a half dozen trips to Los Angeles in furtherance of his role as the representative or  
17 ombudsman of the non-Cotter directors in interfacing with Plaintiff, on the one hand, and MC and  
18 EC, respectively, on the other hand, Kane’s proposal was that Storey receive an additional \$75,000  
19 for the first six months of 2015, in recognition of the time and effort Storey was expending as the  
20 representative or ombudsman for the non-Cotter directors.

21 59. Plaintiff advised Kane that he had some reservations about the additional  
22 compensation Kane proposed providing to the non-Cotter directors.

23 60. While Plaintiff did as director Storey requested, MC and EC pursued their own  
24 personal interests, in derogation of the interests of RDI and its shareholders. Among other things,  
25 EC had her personal lawyers copied on internal RDI correspondence and present on telephone  
26 calls with RDI outside counsel and executives, including the CFO and the General Counsel, so as  
27 to protect and further the interests of EC and MC.

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**MC’s Orpheum Theatre Debacle Puts Her Employment In Jeopardy**

61. On or about May 18, 2015, Plaintiff took MC to task, observing that she had been promising him a business plan for eight months but still had not delivered one.

62. RDI’s proxy statement filed with the SEC in connection with the annual meeting of RDI stockholders that occurred in 2014 described MC’s role in relevant part as “the President of Liberty Theatres, the subsidiary through which we own our live theaters. [MC] manages the real estate which houses each of four live theaters [including the one which is the principle source of revenue, the Orpheum Theatre,] [and as such] secures leases, manages tenancies, oversees maintenance and regulatory compliance on the properties. . . .”

63. MC’s diligence and candor, or lack of one or both, have been called into question by her handling of the relationship with the Stomp Producers. The Stomp Producers, the tenant at the RDI owned Orpheum Theatre and the source of a majority of RDI’s live theater revenues, gave notice on April 23, 2015 of termination of the lease for cause. MC had prior notice of alleged problems of the nature upon which Stomp based its purported termination of the lease for cause. Nevertheless, MC allegedly failed to handle the business for which she was responsible, whether by addressing the alleged problems, by developing a constructive working relationship with the Stomp Producers or otherwise.

64. MC had been aware of the alleged issues raised by the Stomp Producers for months. In particular, by email and correspondence dated February 6, 2015, the Stomp producers wrote to MC and complained “about the maintenance and upkeep of the Orpheum Theatre.” They further stated in their February 6, 2015 letter to MC as follows:

“Nothing in this letter is new to you as we and our employees have been in almost constant contact about recurring problems at the theater, but there is now an urgent need to attend to this matter on an immediate and comprehensive, rather than piecemeal, bases . . . .”

65. MC failed to disclose the February 6, 2015 letter, that the Stomp Producers told MC on April 9, 2015 that they were going to vacate the theater or even the situation with the Stomp Producers generally to Plaintiff or, Plaintiff is informed, to any outside member of the RDI board of directors. In other words, she concealed the fact that she was facing a serious business

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1 challenge, whether real or contrived by the Stomp Producers, and in doing so breached her  
2 fiduciary obligations as a director. In so acting, she also undertook to deceive Plaintiff and the  
3 non-Cotter members of RDI’s board into providing her an employment contract with respect to the  
4 very matters as to which she was then accused of being grossly negligent, among other things.

5 66. Upon learning of the Stomp Producer’s notice to terminate, director Gould stated an  
6 assessment to the effect that MC’s handling of the situation (independent of the merits or lack of  
7 merits of the claims of the Stomp Producers), including not notifying anyone about the threat of  
8 the Company losing a material portion of its live theater business income, could be grounds for  
9 termination.

10 **Kane Acts To Protect MC**

11 67. Concerned that MC was about to be terminated for cause, director (Uncle Ed) Kane  
12 took actions to protect his quasi-family, MC and EC. Together they launched the scheme to extort  
13 JJC or, failing that, terminate him as President and CEO of RDI, enlisting the assistance and  
14 cooperation of directors Adams and McEachern, both of whom acted to preserve and further their  
15 own personal and financial interests, including in voting to terminate JJC as President and CEO  
16 and replace him as CEO with Adams.

17 68. Kane’s quasi-familial relationship and visceral support of MC and EC has been  
18 evidenced by, among other things, stunning *ad hominem* invectives directed at directors Gould and  
19 Storey, as well as by rants to JJC about “The Godfather” and the Corleone family from that series  
20 of movies, even including a suggestion that termination of JJC would be analogous to the murder  
21 of someone disrespecting a Corleone family member.

22 **Adams Is Beholden To MC And EC**

23 69. The efforts of MC and EC, together with their protector and benefactor, (Uncle Ed)  
24 Kane, to threaten and later depose JJC as President and CEO, provided a perfect opportunity for  
25 Adams to protect his own personal (including professional) and financial interests.

26 70. Prior to 2007 or 2008, when (according to Adams’ own sworn testimony in a recent  
27 divorce proceeding) his business of investing monies he raised privately failed after he lost  
28 approximately seventy percent (70%) of the monies invested with him, Adams was active as a

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1 small time shareholder activist who purchased small stakes in public companies, agitated for  
2 change in the boardroom, secured a position as director, generated a quick and short term profit  
3 through the process and then promptly resigned, to search for the next public company victim.  
4 Since that time, Adams has been unsuccessful in reviving that business and, for all intents and  
5 purposes, has been unemployed.

6 71. EC led Adams to believe that he would be appointed CEO of RDI upon termination  
7 of JJC. Simply holding that position would be of value to Adams, including in reviving his  
8 business of investing in public companies, agitating for change in the composition of the board or  
9 otherwise at the company, cashing out and moving on. Adams for that reason supported  
10 terminating JJC. After JJC had been terminated, it was EC rather than Adams (who previously  
11 was identified to become CEO) who was appointed interim CEO of RDI.

12 72. Separately, Adams is beholden to EC and MC because, among other things, he is  
13 financially dependent on monies paid to him by the Cotter family businesses EC and MC control  
14 or claim to control. Based on information provided by Adams in sworn statements in a recent  
15 divorce proceeding, it appears that amounts paid to him by Cotter entities over which EC and MC  
16 exercise control or claim to exercise control amounted to over half (50%) of Adam's (claimed  
17 approximate \$90,000) income in 2013, at a minimum, and possibly amounted to over eighty  
18 percent (80%) of that income.

19 73. Additionally, Plaintiff is informed and believes and thereon alleges that on or  
20 about May 2013, Adams entered into an agreement with JJC, Sr. whereby Adams received, among  
21 other things, a carried interest in certain real estate projects, including one by the name of Shadow  
22 View. Plaintiff is further informed and believes and thereon alleges that the value of Adams'  
23 carried interest in Shadow View, including whether it will be monetized and the extent to which it  
24 will be monetized for the benefit of Adams, is contended by MC and EC to be the responsibility of  
25 the estate of JJC, Sr., of which MC and EC presently are the administrators.

26 74. Thus, Adams' personal and financial interests are dependent on his financial  
27 benefactors, MC and EC. Practically, Adams has little choice if any but to accommodate and  
28 advance the personal interests of MC and EC.



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1 terminate the President and CEO of RDI, and a request that the outside directors meet before the  
2 scheduled May 19 meeting, Kane provided a visceral response to the effect that the outside  
3 directors did not need to meet, tacitly admitting that even the pretense of process would not be  
4 undertaken as “the die is cast”.

5 81. In furtherance of their self-serving scheme, EC and Adams previously had hired  
6 counsel to attend a May 21, 2015 board meeting at which the first agenda item was termination of  
7 JJC as President and CEO. Clearly, the purpose for which Adams and EC engaged counsel,  
8 ostensibly representing RDI, to attend that board meeting, was to issue to JJC an ultimatum that he  
9 immediately without counsel negotiate a termination agreement with those lawyers, failing which  
10 he would be fired.

11 82. Counsel for JJC appeared at the meeting and explained, among other things, that (i)  
12 the non-Cotter directors had not engaged in any process that would satisfy any measure of their  
13 fiduciary obligations to even make a decision with respect to whether to terminate JJC as President  
14 or CEO, and that (ii) Adams not only was not disinterested with respect to the decision, he was so  
15 interested that he was clearly and indisputably conflicted, that Kane too clearly was interested  
16 under Nevada law and that McEachern also appeared interested. JJC’s counsel effectively made  
17 these comments on the way out of the room, after the board had voted (by 5 to 3) to allow the  
18 lawyers hired by EC to stay, but to not allow JJC’s personal lawyer to attend even for agenda item  
19 one, which was relevant to JJC individually, not just as an officer of RDI.

20 83. Adams, bristling at the prospect of others being dissuaded from terminating JJC and  
21 then selecting Adams to replace JJC as CEO, directed that the two security officers waiting outside  
22 the boardroom be called to physically remove JJC’s attorney from the premises. Of course, Adams  
23 lacked authority to do so.

24 84. For his part, Kane simply directed personal invective at JJC’s attorney, just as Kane  
25 had done previously toward directors Storey and Gould when each of them expressed views that  
26 were in the estimation of Kane contrary to the interests of MC, EC or both, as well as to Kane’s  
27 intent on rendering punitive consequences.

28 85. Faced with a clear record that the non-Cotter directors had failed to undertake any

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1 process, much less an appropriate process, to make a decision regarding whether to terminate JJC  
2 as President and CEO, Adams solicited JJC to have an impromptu discussion about his  
3 performance. Recognizing that Adams' solicitation was nothing more than a disingenuous, after-  
4 the-fact effort to fabricate a record of process and diligence where none existed, JJC demurred. Of  
5 course, JJC also had reason to do so in view of the fact that the non-Cotter directors previously had  
6 put in place a process (described above) that was to play out through the end of June, at least,  
7 which process had not been completed, meaning that the non-Cotter directors' decision to  
8 terminate JJC as President and CEO was in derogation of, and pre-empted, their own processes.

9 86. The choreographers then determined to adjourn the May 21, 2015 board meeting to  
10 May 28, 2015, to afford them an opportunity to further attempt to pressure JJC to resign or  
11 otherwise obviate the need for them to execute their threat to terminate him as President and CEO.

12 87. Thus, on Wednesday, May 27, 2015, Texas attorney Harry Susman, one of the  
13 lawyers representing MC and EC in the trust and estate litigation, transmitted to Adam Streisand,  
14 an attorney representing JJC in the trust and estate litigation, a global settlement proposal,  
15 including all trust and estate matters. The proposal was communicated as effectively a "take-it or  
16 leave-it" proposal and was accompanied by a deadline of 9:00 a.m. on Friday, May 29 to accept  
17 the proposal.

18 88. Also on May 27, 2015, EC emailed RDI directors a "reminder" "that the board  
19 meeting held last Thursday was adjourned, to reconvene this Friday, May 29, 2015. The board  
20 meeting will begin at **11:00 a.m. at our Los Angeles office.**"

21 89. By the foregoing actions, among others, MC and EC made clear that accepting their  
22 take-it or leave-it settlement proposal was what JJC had to do to avoid being fired as President and  
23 CEO of RDI.

24 90. Also on May 28, 2015, approximately one day after EC's lawyer transmitted the  
25 "take-it or leave-it" global settlement proposal and one day before the RDI board was to reconvene  
26 to execute on their threat to terminate JJC as President and CEO of RDI, Kane told JJC to accept  
27 the take-it or leave-it offer to "end all of the litigation and ill feelings." Among other things, by  
28 email on May 28, 2015, Kane stated as follow to JJC:

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1                    “I have not seen the [take it or leave it settlement] proposal. I understand  
2                    that it would leave you with your title, which is very important to you and  
3                    which you told me was essential to any settlement . . . if it is take-it or  
4                    leave-it, then I STRONGLY ADVISE YOU TO TAKE IT, . . . if we can  
                    end all of the litigation and ill feelings, -- and their offer to keep you as  
                    CEO as a major concession -- . . .”

5                    91.        On Friday, May 29, before the RDI board of directors meeting reconvened, EC and  
6                    MC met with JJC and told him that the settlement proposal that had been conveyed by attorney  
7                    Susman on their behalf two days earlier was a take-it or leave-it offer and that, if JJC did not  
8                    accept it, the RDI board would terminate him as President and CEO. JJC attempted to discuss  
9                    proposed changes with them, to which EC and MC responded that they would accept no changes.  
10                   They repeated that if JJC did not accept the agreement as proposed, JJC would be terminated as  
11                   President and CEO of RDI.

12                   92.        Director Gould shortly thereafter came to JJC’s office and said that the majority of  
13                   the non-Cotter board members had determined to terminate him and that the supposed board  
14                   meeting was about to commence.

15                   93.        JJC entered the conference room where the supposed meeting was to occur. The  
16                   supposed meeting was commenced and Adams made a motion to terminate JJC as President and  
17                   CEO.

18                   94.        JJC observed that Adams was not independent or disinterested, pointing out that a  
19                   substantial portion of his income came from Cotter entities, as evidenced by sworn testimony  
20                   Adams had given in his divorce proceeding. JJC invited Adams to prove otherwise, to which  
21                   Adams responded that he did not have to do so. Others inquired of Adams’ financial relationship  
22                   to Cotter entities, but Adams declined to provide substantive responses to those queries.

23                   95.        Director Gould opined that it was not the role of the RDI board of directors to  
24                   intercede in the personal disputes between EC and MC, on the one hand, and JJC, on the other  
25                   hand, nor to tip the balance of power in those disputes. He further observed that the board should  
26                   attempt to maintain the status quo until the courts resolved the trust and estate litigation, and added  
27                   that he thought JJC had done a good job.

28                   96.        Kane offered more personal invective directed to JJC, including comments to the



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1 effect that he thought that JJC had “\*\*\*\*ed Margaret over with the changes . . . made to the estate”  
2 and that JJC “does not have people skills especially with his two sisters . . .”

3 97. Next, the five outside directors asked JJC to leave the conference room so that they  
4 could talk with EC and MC. Plaintiff is informed and believes that one or more of Kane, Adams  
5 and McEachern conferred with EC and MC about whether to proceed to terminate JJC as President  
6 and CEO or to continue to attempt to pressure him to accept EC’s and MC’s take-it or leave-it  
7 settlement proposal.

8 98. Next, at or about 2:30 p.m., JJC was advised that the supposed RDI board meeting  
9 would be adjourned until at or about 6:00 p.m. that evening and that JJC had until then to strike a  
10 global settlement with EC and MC, failing which he would be terminated as President and CEO of  
11 RDI when the supposed meeting reconvened at or about 6:00 p.m. on Friday, May 29, 2015.

12 99. The supposed meeting reconvened at or about 6:00 p.m. on Friday, May 29, 2015,  
13 at which point EC reported that (a virtually extorted) JJC had agreed in principal to substantial  
14 terms demanded by EC and MC and that, while no definitive agreement had been reached, EC and  
15 MC would have one of their lawyers provide documentation to counsel for JJC. As a result, the  
16 threatened termination remained threatened.

17 100. On Wednesday, June 3, 2015, attorney Susman on behalf of EC and MC  
18 transmitted an proposed global settlement document to one of JJC’s trust and estate attorneys,  
19 attorney Streisand. The document contained new terms previously not discussed, much less  
20 agreed, by the parties.

21 101. On Friday, June 5, 2015, attorney Susman left a message for attorney Streisand, the  
22 sum and substance of which was that he (Susman) was awaiting word that JJC had accepted the  
23 global settlement document. By that message, attorney Susman implied that the document was,  
24 like a prior document he had transmitted, a “take-it or leave-it” proposal.

25 102. On June 8, 2015, JJC advised EC and MC that he could not accept their take-it or  
26 leave-it global settlement proposal. MC responded that she would advise the RDI board of  
27 directors, referencing the on-going, explicit threat to have JJC terminated as President and CEO of  
28 RDI if he failed to agree to a global settlement (including of all trust and estate litigation matters)

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1 satisfactory to EC and MC.

2 103. On June 9, 2015, in furtherance of important ongoing RDI business, JJC asked for a  
3 response from MC with respect to a senior executive candidate to oversee RDI’s United States real  
4 estate, which candidate had been endorsed by senior executives at RDI. MC consistently has  
5 resisted employing such a person, apparently fearing that someone qualified might undermine her  
6 efforts to manage RDI’s valuable U.S. real estate holdings. In response to JJC’s email, she called  
7 him and said, among other things, “you were supposed to be terminated but for a global settlement  
8 . . . bye . . . bye.”

9 104. On Wednesday afternoon, June 10, 2015, EC transmitted an email to all RDI board  
10 members (and RDI’s general counsel) stating, among other things, that “we would like to  
11 reconvene the Meeting that was adjourned on Friday, May 29<sup>th</sup>, at approximately 6:15 p.m. (Los  
12 Angeles time.) We would like to reconvene this Meeting telephonically *Friday, June 12 at 11:00*  
13 *a.m. (Los Angeles time)* . . .” The email purported to further “confirm [] our meeting of the Board  
14 of Directors on Thursday, June 18<sup>th</sup> . . . We will be distributing Agenda and Board package for this  
15 Meeting at the end of this week . . .”

16 105. On Friday, June 12, 2015, the supposed RDI board of directors meeting of May 29,  
17 2015 supposedly was reconvened. The sole agenda item carried over from May 21, 2015 was the  
18 termination of JJC as President and CEO of RDI. All other agenda items were deferred until the  
19 next regularly scheduled board meeting six days later, on June 18, 2015. Following through on  
20 their prior threat to terminate JJC if he did not reach a global settlement (including all trust and  
21 estate litigation issues) satisfactory to EC and MC, EC, MC, Adams, Kane and McEachern each  
22 voted to terminate JJC. McEachern made on last effort to pressure JJC, inviting him to resign  
23 rather than be terminated. Storey and Gould voted against terminating JJC as President and CEO.  
24 EC was elected interim CEO. Based on that action, which Plaintiff maintains was legally  
25 ineffectual because each of EC, MC, Adams, Kane and McEachern were interested and therefore  
26 should not have had their votes counted, Adams, Kane, McEachern, EC and MC have taken the  
27 position that JJC has been terminated as President and CEO of RDI.

28 106. Thus, MC and EC, together with Adams, Kane and McEachern, have misused their

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1 positions as directors of RDI to further the personal interests of MC and EC, including in the trust  
2 and estate litigation.

3 **Demand Is Excused**

4 107. Insofar as any or all of the claims made herein are derivative in nature, demand  
5 upon the RDI board is excused because, among other things, each of the individuals named as  
6 defendants herein comprising seven of eight board members (and, counting Plaintiff, eight of  
7 eight) and comprising five of five outside directors, are unable to exercise independent and  
8 disinterested business judgment in responding to a demand, and because the actions giving rise to  
9 this action, namely, the threat to terminate JJC and the subsequent actions to do so when he refused  
10 to be pressured into settling trust and estate litigation with EC and MC on terms satisfactory to  
11 them, were not *bona fide* business decisions undertaken honestly and in good faith in the best  
12 interests of RDI, much less the product of a valid exercise of business judgment.

13 108. In that respect, all of the RDI board members named as defendants herein would be  
14 materially affected, either to their benefit or detriment, by a decision of the RDI board with respect  
15 to any demand, and would be so affected in a manner not shared by the Company or its  
16 stockholders, including for the reasons alleged herein.

17 109. Additionally, each of the five outside directors is and would be unable to exercise  
18 independent and disinterested business judgment responding to a demand because, among other  
19 things, doing so would entail assessing their own liability, including possibly to the Company.  
20 The same is true particularly with respect to a majority of the outside directors, meaning Adams,  
21 Kane and McEachern, each of whom lack independence generally and, more particularly with  
22 respect to the decision to pick sides in a family dispute and terminate Plaintiff as President and  
23 CEO of RDI, lack disinterestedness, including for the reasons alleged herein, including but not  
24 limited to Adams' financial dependence on companies controlled or claimed to be controlled by  
25 EC and MC, Kane's quasi-familial relationship with EC and MC and McEachern's decision to  
26 protect and pursue his own personal and financial interest which, Plaintiff is informed and  
27 believes, is based upon McEachern's erroneous expectation that EC and MC ultimately will  
28 prevail and control seventy percent (70%) of the voting stock of the Company, thereby controlling

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1 McEachern’s fate as a director.

2 110. Additionally, notwithstanding the foregoing allegations, each of Adams, Kane and  
3 McEachern lack disinterestedness and independence because each has affirmatively chosen,  
4 without any obligation to do so and in derogation of their fiduciary obligations as directors of RDI,  
5 to pick sides in a family dispute involving trust and estate litigation between Plaintiff, on one hand,  
6 and EC and MC, on the other hand, and to misuse their positions as directors in doing so. Like  
7 MC and EC, in so acting, they did not act honestly and in good faith in the best interests of RDI.

8 **FIRST CAUSE OF ACTION**

9 **(For Breach of Fiduciary Duty – Against All Defendants)**

10 111. Plaintiff repeats and realleges paragraphs 1 through 113, inclusive, of this complaint  
11 and incorporates them herein by this reference as though set forth in full.

12 112. Each of defendants Kane, Adams, McEachern, Storey and Gould at all times  
13 relevant hereto were directors of RDI. As such, each owed fiduciary duties, including fiduciary  
14 duties of care, candor, good faith and loyalty, to the Company, to Plaintiff and to other RDI  
15 shareholders.

16 113. The duty of care owed by each of these defendants entails, among other things, an  
17 obligation to exercise the requisite degree of care in the process of decision making as a director  
18 and to act on an informed basis.

19 114. The duty of care further requires, among other things, that these directors do not act  
20 with undue haste, a lack of board preparation or a failure of deliberation with respect to the merits  
21 of any and every supposed business decision.

22 115. By the conduct described herein, including in particular but not limited to the  
23 failure to engage in any process to assess the skills and performance of Plaintiff as President or as  
24 CEO in connection with the decision to threaten to terminate and to terminate him, and including  
25 but not limited to the conduct herein that amounted to pre-empting any process of doing so and  
26 preventing any *bona fide* deliberations with respect to such decision, each of defendants Kane,  
27 Adams, McEachern, Storey and Gould have breach their fiduciary obligations, including in  
28 particular their fiduciary duty of care.

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1 116. As a direct and proximate result of the acts and omissions of said defendants as  
2 described herein, Plaintiff and the Company and its other shareholders have suffered injury and  
3 continue to suffer injury as alleged herein.

4 117. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,  
5 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.  
6 Plaintiff will amend this complaint and set forth said damages when they are ascertained,  
7 according to proof at trial.

8 **SECOND CAUSE OF ACTION**

9 **(Breach of Fiduciary Duty – Against MC, EC, Adams, Kane and McEachern)**

10 118. Plaintiff repeats and realleges paragraphs 1 through 113, inclusive, of this complaint  
11 and incorporates them herein by this reference as though set forth in full.

12 119. Each of defendants Kane, Adams, McEachern, Storey and Gould at all times  
13 relevant hereto were directors of RDI. As such, each owed fiduciary duties, including fiduciary  
14 duties of care, candor and loyalty, to the Company, to Plaintiff and to other RDI shareholders.

15 120. The duty of loyalty includes the obligation to not use their positions of control of  
16 the Company, including in particular as directors, to further their own personal or financial  
17 interests or the personal or financial interests of another of them to the detriment of the interests of  
18 the Company and its shareholders.

19 121. By the conduct described herein, each of these defendants have undertaken to  
20 further their own interests or the interests of another of them, to the direct, immediate and ongoing  
21 detriment of the Company, Plaintiff and each of its other shareholders.

22 122. By reason of the foregoing, each of MC, EC, Adams, Kane and McEachern have  
23 breached their fiduciary obligations, and in particular their fiduciary duties of good faith, loyalty  
24 and candor, to the Company and to Plaintiff and all other shareholders of the Company.

25 123. As a direct and proximate result of the acts and omissions of said defendants as  
26 described herein, Plaintiff and the Company and its other shareholders have suffered injury and  
27 continue to suffer injury as alleged herein.

28 124. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,

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1 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.  
2 Plaintiff will amend this complaint and set forth said damages when they are ascertained,  
3 according to proof at trial.

4 **THIRD CAUSE OF ACTION**

5 **(Aiding and Abetting Breach of Fiduciary Duty – Against MC and EC)**

6 125. Plaintiff repeats and realleges paragraphs 1 through 113, inclusive, of this  
7 complaint and incorporates them herein by this reference as though set forth in full.

8 126. Insofar as any or all of Defendants contend that the decision to terminate Plaintiff  
9 as CEO and President was made based upon a vote of the non-Cotter directors, and independent of  
10 the fact that such vote was legally ineffectual, the fiduciary breaches alleged above were solicited  
11 and aided and abetted by MC and EC.

12 127. As alleged more fully herein, EC and MC had solicited and assisted the actionable  
13 conduct of defendants Kane, Adams and McEachern, including in particular but not limited to the  
14 threat by the three of them to terminate JJC as President and CEO of RDI if, in the few hours  
15 between the adjournment of the supposed RDI board meeting on Friday, May 29, 2015 the  
16 presumption of that supposed meeting at or about 6:00 p.m. that evening, JJC did not reach a  
17 global settlement agreement with EC and MC, meaning agree to their take-it or leave-it agreement  
18 or any other such agreement they would demand he accept.

19 128. EC and MC further solicited and aided and abetted the decisions and actions of  
20 defendants Adams, Kane and McEachern to terminate JJC as President and CEO of RDI.

21 129. EC and MC further prompted and aided and abetted the fiduciary breaches of  
22 Storey and Gould.

23 130. Each of EC and MC have acted with knowledge of the fiduciary obligations of the  
24 five outside directors. Each of EC and MC have acted with knowledge of the manner in which  
25 those fiduciary obligations were breached, and aided and abetted and continue to aide and abed  
26 said breaches. Accordingly, each of EC and MC are liable for aiding and abetting those fiduciary  
27 breaches.

28 131. As a direct and proximate result of the acts and omissions of said defendants as

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1 described herein, Plaintiff and the Company and its other shareholders have suffered injury and  
2 continue to suffer injury as alleged herein.

3 132. Plaintiff cannot ascertain at this time the full nature, extent or amount of damages,  
4 which are in excess of \$50,000, suffered by virtue of the complaint of conduct of said defendants.  
5 Plaintiff will amend this complaint and set forth said damages when they are ascertained,  
6 according to proof at trial.

7 **Irreparable Harm**

8 133. As a result of the ongoing acts of Defendants, the Company, Plaintiff and other  
9 shareholders have suffered and will continue to suffer immediate and ongoing irreparable injury  
10 for which no adequate remedy at law exists. Accordingly, Plaintiff is entitled to temporary,  
11 preliminary and permanent injunctive relief restraining Defendants, and each of them, from  
12 continuing their course of conduct and undertaking further actions in derogation of their fiduciary  
13 obligations, and to an order and judgment finding that the actions undertaken to date to threaten  
14 JJC with termination and thereafter terminate JJC as President and CEO of RDI, as well as such  
15 further actions that may be undertaken in furtherance of the scheme alleged herein, are legally  
16 ineffectual and of no force and effect.

17 134. In particular, unless such injunctive relief is granted, Plaintiff, the Company and  
18 other shareholders will suffer irreparable harm for which no adequate remedy at law exists.

19 **PRAYER FOR RELIEF**

20 **WHEREFORE**, Plaintiff prays for judgment against Defendants and each of them, jointly  
21 and severely, as follows:

- 22 1. For relief restraining and enjoining Defendants from taking further action to
- 23 effectuate or implement the (legally ineffectual) termination of Plaintiff as President and CEO of
- 24 RDI;
- 25 2. For a determination that the purported termination of Plaintiff as President and
- 26 CEO of RDI was legally ineffectual and is of no force and effect;
- 27 3. For judgment against each of the Defendants for breach of their respective fiduciary
- 28 obligations;

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4. For actual and compensatory damages against Defendants in an amount according to proof at trial;

5. For costs of suit herein; and

6. For such other and further relief as the Court may deem just and proper.

DATED this 12th day of June, 2015.

LEWIS ROCA ROTHGERBER LLP

/s/ Mark G. Krum  
Mark G. Krum (Nevada Bar No. 10913)  
3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5958

Attorneys for Plaintiff  
*James J. Cotter, Jr.*



3993 Howard Hughes Parkway  
Suite 600  
Las Vegas, Nevada 89169  
**LEWIS ROCA  
ROTHGERBER**

1 **IAFD**  
2 MARK G. KRUM (Nevada Bar No. 10913)  
3 MKrum@LRRLaw.com  
4 LEWIS ROCA ROTHGERBER LLP  
5 3993 Howard Hughes Parkway, Suite 600  
6 Las Vegas, Nevada 89169  
7 (702) 949-8200  
8 (702) 949-8398 fax  
9  
10 Attorneys for Plaintiff  
11 *James J. Cotter, Jr.*

8 DISTRICT COURT  
9 CLARK COUNTY, NEVADA

11 JAMES J. COTTER, JR., individually and  
12 derivatively on behalf of Reading International,  
13 Inc.,

13 Plaintiff,

14 v.

15 MARGARET COTTER, ELLEN COTTER,  
16 GUY ADAMS, EDWARD KANE, DOUGLAS  
17 McEACHERN, TIMOTHY STOREY,  
18 WILLIAM GOULD, and DOES 1 through 100,  
19 inclusive,

19 Defendants.

20 and

21 READING INTERNATIONAL, INC., a Nevada  
22 corporation;

23 Nominal Defendant.

CASE NO.  
DEPT. NO.

**INITIAL APPEARANCE  
FEE DISCLOSURE**

24 Pursuant to NRS Chapter 19, as amended by Senate Bill 106, filing fees are  
25 submitted for parties appearing in the above-entitled action as indicated below:

26 JAMES J. COTTER, JR. \$1,530.00

27 ///

28 ///

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Suite 600  
Las Vegas, Nevada 89169  
**LEWIS ROCA  
ROTHGERBER**

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Total

\$1,530.00

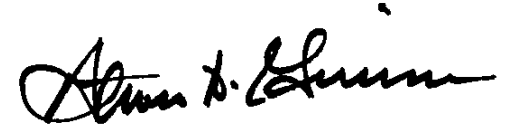
DATED this 12th day of June, 2015.

LEWIS ROCA ROTHGERBER LLP

/s/ Mark G. Krum

Mark G. Krum (Nevada Bar No. 10913)  
3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5958

Attorneys for Plaintiff  
*James J. Cotter, Jr.*



CLERK OF THE COURT

1 **MOT**  
2 MARK G. KRUM (Nevada Bar No. 10913)  
3 MKrum@LRRLaw.com  
4 LEWIS ROCA ROTHGERBER LLP  
5 3993 Howard Hughes Parkway, Suite 600  
6 Las Vegas, Nevada 89169  
7 (702) 949-8200  
8 (702) 949-8398 fax  
9  
10 Attorneys for Plaintiff  
11 *James J. Cotter, Jr.*

8 DISTRICT COURT  
9 CLARK COUNTY, NEVADA

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Suite 600  
Las Vegas, Nevada 89169  
**LEWIS ROCA  
ROTHGERBER**

11 JAMES J. COTTER, JR., individually and  
12 derivatively on behalf of Reading International,  
13 Inc.,

13 Plaintiff,

14 v.

15 MARGARET COTTER; ELLEN COTTER;  
16 GUY ADAMS, EDWARD KANE, DOUGLAS  
17 McEACHERN, TIMOTHY STOREY,  
18 WILLIAM GOULD, and DOES 1 through 100,  
19 inclusive,

19 Defendants.

20 and

21 READING INTERNATIONAL, INC., a Nevada  
22 corporation;

23 Nominal Defendant.

CASE NO. A-15-719860-B  
DEPT. NO. XI

**PLAINTIFF'S MOTION TO EXPEDITE  
DISCOVERY AND SET A HEARING ON  
MOTION FOR PRELIMINARY  
INJUNCTION ON ORDER  
SHORTENING TIME**

25 Plaintiff James J. Cotter, Jr. ("Plaintiff") respectfully submits this Motion to Expedite  
26 Discovery and Set a Hearing on Motion for Preliminary Injunction on Order Shortening Time (the  
27 "Motion"). Plaintiff respectfully requests that this Court set discovery deadlines in an expedited  
28 fashion (as detailed below) and a hearing on a Motion for Preliminary Injunction the week of

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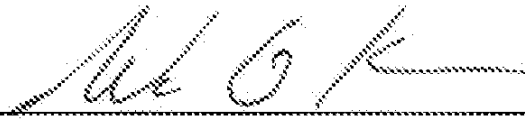
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November 9, 2015 or as soon thereafter as the Court's calendar allows. Plaintiff further respectfully requests that any discovery dispute be resolved by this business court and that this matter be heard on shortened time pursuant to EDCR 2.26.

This Motion is made and based upon the papers and pleadings on file, the accompanying memorandum of points and authorities, the declarations of James J. Cotter, Jr. and Mark G. Krum filed in support of the Motion and incorporated by reference, the exhibits attached thereto and such other evidence and argument as may be presented and considered by this Court.

DATED this 7<sup>th</sup> day of July, 2015.

LEWIS ROCA ROTHGERBER LLP



Mark G. Krum (Nevada Bar No. 10913)  
3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5958  
Attorneys for Plaintiff  
*James J. Cotter, Jr.*


1 ORDER SHORTENING TIME

2 It appearing to the satisfaction of the Court and good cause appearing therefor,

3 IT IS HEREBY ORDERED, that the hearing on Motion to Expedite Discovery and Set a  
4 Hearing on Motion for Preliminary Injunction shall be heard before the above-entitled Court in  
5 Department XI, before Judge Elizabeth Gonzalez on the 11<sup>th</sup> day of Aug, 2015, at  
6 9:30 a.m./p.m., or as soon thereafter as counsel may be heard.

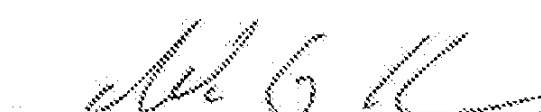
7 IT IS FURTHER ORDERED that Defendants shall file any opposition brief by \_\_\_\_\_,  
8 2015. Plaintiff shall file any reply by \_\_\_\_\_, 2015.

9  
10 DATED this 3 day of ~~July~~ August, 2015.

11   
12 \_\_\_\_\_  
13 DISTRICT COURT JUDGE

14 Respectfully submitted:

15 LEWIS ROCA ROTHGERBER LLP

16   
17 \_\_\_\_\_  
18 Mark G. Krum (Nevada Bar No. 10913)  
19 3993 Howard Hughes Pkwy, Suite 600  
20 Las Vegas, NV 89169-5958  
21 Attorneys for Plaintiff  
22 James J. Cotter, Jr.

3993 Howard Hughes Parkway  
Suite 600  
Las Vegas, Nevada 89169

LEWIS ROCA  
ROTHGERBER

1 DECLARATION OF MARK G. KRUM IN SUPPORT OF ORDER SHORTENING TIME  
2 ON MOTION TO EXPEDITE DISCOVERY AND TO SET A HEARING ON MOTION  
3 FOR PRELIMINARY INJUNCTION

4 Mark G. Krum, Esq., being duly sworn, deposes and says that:

5 1. I am a partner with the law firm of Lewis Roca Rothgerber LLP, attorneys for  
6 James J. Cotter, Jr. as plaintiff in the captioned action ("Plaintiff").

7 2. I make this declaration based upon personal knowledge, except where stated to be  
8 upon information and belief, and as to that information, I believe it to be true. If called upon to  
9 testify as to the contents of this Declaration, I am legally competent to testify to the contents of  
10 this Declaration in a court of law.

11 3. There exists good cause to hear the instant Motion on shortened time.

12 4. As averred in the Motion, the verified complaint herein and the accompanying  
13 Declaration of James J. Cotter, Jr. (the "JJC Dec."), the corporate machinery of Reading  
14 International, Inc. ("RDI" or the "Company") has been misused and continues to be misused and  
15 dismantled by defendants Ellen Cotter ("EC") and Margaret Cotter ("MC"), with the active  
16 assistance and/or knowing cooperation of defendants Ed Kane ("Kane"), Guy Adams ("Adams")  
17 and Doug McEachern ("McEachern"), each of whom (like EC and MC) is a member of RDI's  
18 eight member Board of Directors. Among other things and without limitation, after purporting to  
19 terminate Plaintiff as President and Chief Executive Officer ("CEO") of RDI after he resisted  
20 these defendants' efforts to pressure him to settle certain trust and estate litigation with EC and  
21 MC and to effectively give control of RDI to EC and MC, these defendants have continued to  
22 misuse their positions as fiduciaries of RDI to further and protect the personal interests of EC and  
23 MC, in derogation of the interests of RDI and its shareholders other than EC and MC.

24 5. As averred in the JJC Dec., those five defendants have taken actions which  
25 effectively have precluded each of Plaintiff and defendants and RDI directors Timothy Storey  
26 ("Storey") and William Gould ("Gould") from participating as RDI directors. One means by  
27 which those defendants have done so is a so-called executive committee of RDI's Board of  
28 Directors which they populated with EC, MC, Kane and Adams as its sole members and to which

1 they claim to have given the full authority of RDI's Board of Directors. By such actions, those  
2 defendants effectively have reduced the size of RDI's Board of Directors to those four persons.  
3 Also by way of example, EC, with the active assistance and/or knowing approval of some or all of  
4 MC, Kane, Adams and McEachern, has caused the Company to issue misleading press releases  
5 and SEC filings regarding the termination of Plaintiff as President and CEO and, more tellingly,  
6 has caused the Company to fail to fulfill its disclosure obligations with respect to fundamental  
7 changes in the corporate governance structures of the Company which they have caused and  
8 continue to cause, including in particular the executive committee described above. In short, as  
9 described in the accompanying declaration of James J. Cotter, Jr., EC and MC, together with Kane  
10 and Adams and possibly McEachern, have taken actions and continue to take actions the apparent  
11 purpose and clear effect of which is to dismantle customary corporate governance mechanisms  
12 generally and, in particular, to dismantle the historical corporate governance structures and  
13 controls at RDI.

14 6. As soon as possible in view of the ongoing intentional misconduct described in the  
15 Complaint and the Cotter Dec., Plaintiff needs to conduct discovery on an expedited basis to be in  
16 a position to provide this Court with a fulsome evidentiary record showing such actionable  
17 conduct warranting injunctive relief.

18 7. Such self-dealing, if unrestrained, will result in some or all of those persons  
19 furthering their personal interests to the detriment of RDI and its other shareholders, including in  
20 ways (including as described herein) that will cause irreparable harm.

21 8. For the foregoing reasons and other such reasons, Plaintiff therefore requests an  
22 expedited discovery schedule, with document production to be completed on or before three weeks  
23 following granting of the Motion, depositions (specified in the accompanying memorandum) to be  
24 commenced ten calendar days after the completion of document production and concluded in not  
25 less than three full weeks, a briefing schedule with further briefing by Plaintiff, followed by any  
26 opposition and reply, commencing 10 business days after depositions are complete and concluding  
27 the later of three weeks thereafter or September 30, 2015. and with the Court setting further  
28 briefing (Plaintiffs' supplemental brief, on or before October 16, 2015, any opposition two weeks

1 later and any reply one week thereafter) and a preliminary injunction hearing the week of  
2 November 9, 2015 or as soon thereafter as suits the Court's calendar.

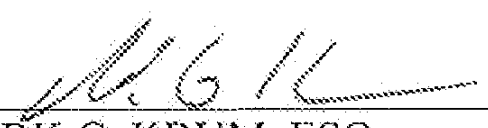
3 9. This request for an order shortening time is made in good faith and without dilatory  
4 motive.

5 10. As such, Plaintiff believes that an order shortening time for hearing on this Motion  
6 is warranted. There is not adequate time for the Motion to be heard in the ordinary course, and  
7 that therefore it is necessary for the Court to shorten the time for said hearing accordingly.

8 11. Plaintiff respectfully requests that this Court set a hearing date for the Motion for a  
9 date during the week of August 10, 2015 or as soon thereafter as suits the Court's calendar.

10 I declare under penalty of perjury that the foregoing is true and correct.

11  
12 DATED this 27<sup>th</sup> day of July, 2015.

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16 MARK G. KRUM, ESQ.

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 As detailed in Plaintiff's verified Complaint (the "Complaint"), this action arises from the  
4 intentional misconduct of a majority of the board of directors of Reading International, Inc.  
5 ("RDI" or the "Company"), which is a public company. In particular and without limitation,  
6 outside directors Edward Kane ("Kane"), Guy Adams ("Adams") and Douglas McEachern  
7 ("McEachern"), at the request of and with director Ellen Cotter ("EC") and ("outside") director  
8 Margaret Cotter ("MC"), have acted and continue to act in a manner that was and is in derogation  
9 of their fiduciary obligations as directors of RDI, as well as to the detriment of RDI and its  
10 shareholders. If unrestrained, they will continue to effectuate changes and perpetrate violations of  
11 law that result in irreparable harm to RDI and its other shareholders.

12 As described in the verified complaint herein, these defendants first threatened James J.  
13 Cotter, Jr. ("JJC" or "Plaintiff") with termination as President and Chief Executive Officer  
14 ("CEO") of RDI and used that threat to pressure him to settle certain trust and estate litigation with  
15 EC and MC and effectively cede ultimate control of RDI to EC and MC. When JJC failed to  
16 succumb to that threat and pressure, they next conducted a (legally ineffectual) boardroom coup,  
17 precipitously purporting to terminate JJC as President and CEO of RDI.

18 Thereafter, these defendants have continued to misuse their positions as fiduciaries of RDI  
19 to further and protect the personal interests of EC and MC, in derogation of the interests of RDI  
20 and its shareholders other than EC and MC.

21 Among other things, those defendants have taken actions which effectively have precluded  
22 each of Plaintiff and defendants and RDI directors Timothy Storey ("Storey") and William Gould  
23 ("Gould") from participating as RDI directors. One means by which those defendants have done  
24 so is a so-called executive committee of RDI's Board of Directors, which they populated with EC,  
25 MC, Kane and Adams as its sole members, and to which they claim to have given the full  
26 authority of RDI's Board of Directors. By such actions, those defendants effectively have reduced  
27 the size of RDI's Board of Directors to those four persons. Also by way of example, EC, with the  
28 active assistance and/or knowing approval of some or all of MC, Kane, Adams and McEachern,

1 has caused the Company to issue misleading press releases and SEC filings regarding the  
2 termination of Plaintiff as President and CEO and, even more tellingly, has caused the Company  
3 to fail to fulfill its disclosure obligations with respect to fundamental changes in the corporate  
4 governance structures of the Company which they have caused and continue to cause. In short,  
5 EC and MC, together with Kane and Adams and McEachern, have taken actions and continue to  
6 take actions the apparent purpose and clear effect of which is to dismantle customary corporate  
7 governance mechanisms generally and, in particular, to dismantle the historical corporate  
8 governance structures and controls at RDI, including as described in the accompanying declaration  
9 of James J. Cotter, Jr. (the "Cotter Dec.").

10 For these reasons and other such reasons, Plaintiff seeks the scheduling of an injunction  
11 hearing during the week of November 9, 2015 or as soon thereafter as suits the Court's calendar.  
12 At that time, Plaintiff will ask this Court to protect RDI and its other shareholders by, among other  
13 things, finding that the conduct precipitating this action (meaning the vote to terminate JJC as  
14 President and CEO of RDI) was legally ineffectual, meaning void or voidable, and enjoining EC,  
15 MC, Kane, Adams, McEachern and anyone acting at their behest or at their direction from  
16 undertaking actions to misuse, undermine and/or dismantle the corporate governance processes  
17 and machinery at RDI, including by circumventing or effectively dismantling RDI's Board of  
18 Directors by executive committee or otherwise, and from issuing and failing to correct materially  
19 misleading filings public disclosures.

20 In order to present the court with a fulsome evidentiary record of the conduct described  
21 herein and supporting the anticipated requests for relief, Plaintiff also seeks an order providing for  
22 expedited discovery. Nevada Rules of Civil Procedure 16.1(f) and 26 authorize expedited  
23 discovery where "good cause" exists. NRCP 16.1(f) also authorizes the waiver of mandatory  
24 pretrial discovery requirements where a case involves "complex issues," "difficult legal  
25 questions," or "unusual proof problems."

26 In this case, expedited discovery is appropriate because of the blatant fiduciary breaches of  
27 EC, MC, Kane, Adams and McEachern, over the contemporaneous objections of Gould and  
28 Storey and Plaintiff, and because of those defendants ongoing self-dealing with respect to the

1 corporate governance, management, shareholder suffrage and overall fate of RDI. Plaintiff's  
2 claims raise certain complex issues and, although the self-dealing of EC and MC is apparent, the  
3 case raises important legal questions concerning the obligations of corporate fiduciaries under  
4 Nevada law, including obligations to (i) refrain from using their positions as corporate fiduciaries  
5 to further their own interests or the interests of those to whom they are beholden, whether by  
6 familial or quasi-familial relationship, financially or otherwise, (ii) act in a manner that is in the  
7 best interests of RDI and all of its shareholders, (iii) employ and not misuse, much less dismantle,  
8 fundamental corporate governance mechanisms such as a board of directors, and (iv) not misuse  
9 other corporation mechanisms, such as press releases and filings with the United States Securities  
10 and Exchange Commission ("SEC"), to further their personal interests rather than satisfy their  
11 obligations to RDI shareholders.

12 Without the requested orders permitting expedited discovery and setting a prompt hearing  
13 date with respect to Plaintiff's motion requesting injunctive relief, RDI and its shareholders will be  
14 irreparably harmed, because EC and MC, with the active assistance and/or knowing acquiescence  
15 of Kane, Adams and McEachern, will continue to misuse and dismantle the corporate governance  
16 machinery of RDI, and will continue to manipulate RDI's public disclosures, including SEC  
17 filings, in violation of applicable laws, all to further the personal interests of EC and MC, and all  
18 in derogation of the interests of RDI and its other shareholders other than EC and MC. Plaintiff  
19 therefore requests that the Court grant Plaintiff expedited discovery and set an injunction hearing  
20 the week of November 9, 2015 or as promptly thereafter as the Court's calendar permits.

21 **II. FACTUAL AND PROCEDURAL HISTORY**

22 **A. Background: The Disputes Between EC And MC, On One Hand, And JJC,**  
23 **On The Other Hand.**

24 The complained of actions of EC and MC and others, including in particular Kane and  
25 Adams, that give rise to this action, as well as the ongoing actions that occurred after the filing of  
26 the Complaint commencing this action, to misuse the corporate machinery and dismantle the  
27 corporate governance structures of RDI, did not occur in a vacuum. On the contrary, this ongoing  
28 series of blatant fiduciary breaches was undertaken first to attempt to extort a settlement of trust

1 and estate litigation between Plaintiff, on one hand, and EC and MC, on the other hand, and  
2 thereafter to effect changes at RDI to further and protect the interests of EC and MC such that.  
3 even if and when they ultimately lose the California Trust Litigation (defined below), they  
4 nonetheless would have accomplished fundamental structural changes at RDI to suit their  
5 purposes. Accordingly, set out below is a brief summary of the pending trust and estate litigation.

6 **1. The Trust And Estate Litigation Pending In California.**

7 On or about February 5, 2015, MC and EC filed a "Petition for Order Determining Validity  
8 of Trust Amendment . . ." (the "California Petition") in an action entitled "In Re James J. Cotter  
9 Living Trust dated August 1, 2000" (the "California Trust Action") in Los Angeles County  
10 Superior Court. By that Petition, MC and EC challenge the validity of a 2014 Amendment to the  
11 James J. Cotter Living Trust dated August 1, 2000, as amended (the "Trust"), which Trust also was  
12 the subject of amendments prior to 2014, including an Amendment in 2013. According to the  
13 California Petition, there were three principal differences between the 2013 Amendment and the  
14 2014 Amendment, one of which pertained to who controlled the so-called "RDI Voting Trust."  
15 Their California Petition alleged in relevant part as follows:

16 "5. James Sr. was the former Chief Executive Officer, Chairman of the  
17 Board and the controlling shareholder of Reading International, Inc.  
18 ("RDI") . . . RDI is a publicly-traded company with two classes of stock;  
19 James Sr. controlled over 70% of the voting shares and also owned a  
20 significant amount of non-voting stock.

21 \* \* \*

22 8. On June 5, 2013, James Sr. executed the 2013 Amendment to the  
23 Complete Restatement of Declaration of Trust (the "2013 Trust") . . . The  
24 2013 Trust provided for the following distributions of James Sr.'s primary  
25 assets upon his death. First, the voting stock of RDI would be distributed  
26 to a separate trust (the "RDI Voting Trust") for the benefit of James Sr.'s  
27 grandchildren. [MC] and [JJC] have children; [EC] does not. The sole  
28 trustee of the RDI Voting Trust would be [MC]. Because James Sr.'s  
voting stock controlled RDI, [MC] as Trustee of the RDI Voting Trust  
would have effective control over RDI under the terms of the 2013 Trust.  
The 2013 Trust also expressed James Sr.'s wish that [MC] would become  
the "chairperson" of RDI and that she would support [JJC] as President  
of RDI.

\* \* \*

24. The 2014 . . . Amendment made significant changes to the 2013  
Trust. . . First, the 2014 . . . Amendment made [JJC] and [MC] co-  
trustees of the RDI Voting Trust instead of [MC] being the sole trustee.

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The 2014 . . . Amendment also provided that if [JJC] and [MC] could not agree in their capacities as co-trustees of the RDI Voting Trust, voting control would alternate every year . . . [JJC] went from having zero voting power over RDI in the 2013 Trust to having an effective veto right over any decisions relating to RDI in the 2014 . . . Amendment.”

(See California Petition, ¶¶ 5, 8 and 24.)

Thus, by the California Petition, MC and EC made clear that a principal subject of dispute with JJC was whether MC alone pursuant to the 2013 Amendment, or MC and JJC together pursuant to the 2014 Amendment, are trustees of the RDI Voting Trust. Of course, that determines who holds the power to vote a majority of the RDI Class B voting stock.

**2. The Nevada Probate Action.**

In the Matter of the Estate of *James J. Cotter*, Case No. P-14-082942-E (the “Nevada Probate Action”), a principal issue in dispute between EC and MC, purporting to act as executors, on one hand, and JJC, on the other hand, concerns whether 327,808 shares of RDI Class B voting stock (the “Disputed Shares”) and 100,000 shares of RDI Class B voting stock subject to options (the “Disputed Option”) presently are properly under the control of MC and EC as executors, or are property of the Trust, such that they ultimately would be under the control of the co-trustees of the RDI Voting Trust, JJC and MC.

The point of the dispute about the Disputed Shares is that EC and MC seek to vote them at the 2015 RDI Annual Shareholder Meeting (“ASM”). If those shares remain the property of the estate, and if EC and MC remain executors of the estate, they will be in a position to do so. If those shares are transferred to the Trust and then to the Voting Trust, it will be the person(s) authorized to direct the Voting Trust who will vote those shares at the 2015 ASM. Plaintiff and MC presently are co-trustees of the Voting Trust.

Ultimately, the Disputed Shares are simply a part of a larger dispute regarding control of approximately seventy percent (70%) of the Class B voting stock of RDI, a public company, which dispute is expected to be resolved in the California Trust Action.<sup>1</sup>

<sup>1</sup> According to RDI’s 2014 Proxy Statement, approximately seventy-five percent (75%) of the Class A non-voting stock of RDI is held by persons and entities, including institutional investors, who and which are neither members of

1           **B.       The Blatant Fiduciary Breaches That Precipitated This Action.**

2           On Tuesday, May 19, 2015, EC distributed a purported agenda for an RDI board of  
3 directors meeting scheduled to commence not quite 48 hours later, at 11:15 a.m., on Thursday,  
4 May 21, 2015. The first item on the agenda was entitled “Status of President and CEO[,]” which it  
5 turned out was an agenda item to raise a subject previously never discussed, namely, termination  
6 of JJC as President and CEO of RDI. (Complaint ¶ 78.)

7           Prior to May 19, 2015, Adams, Kane and McEachern had agreed with MC and EC to vote  
8 to terminate JJC as President and CEO of RDI, which they threatened to do unless he acquiesced  
9 to demands from EC and MC to settle the California Trust Action and the Nevada Probate Action  
10 on terms acceptable to them (which, among other things, would effectively give them control of  
11 RDI). (Complaint ¶ 79.)

12           Faced with a clear record that the non-Cotter directors had failed to undertake any process,  
13 much less an appropriate process, to make a decision regarding whether to terminate JJC as  
14 President and CEO, which both defendant directors Storey and Gould contemporaneously  
15 observed, Adams solicited JJC to have an impromptu discussion about his performance.  
16 Recognizing that Adams’ solicitation was nothing more than a disingenuous, after-the-fact effort to  
17 fabricate a record of process and deliberation where none had occurred, JJC demurred.

18           The choreographers then determined to adjourn the May 21, 2015 board meeting to May  
19 28, 2015, to afford them an opportunity to further attempt to pressure JJC to acquiesce to a  
20 settlement of trust and estate litigation with EC and MC to avoid termination as President and  
21 CEO. (Complaint ¶ 86.)

22           Pursuant to that choreography, on Wednesday, May 27, 2015, attorney Harry Susman, a  
23 lawyer representing MC and EC in the trust and estate litigation, transmitted to Adam Streisand, an  
24 attorney representing JJC in the trust and estate litigation, a proposal to resolve all trust and estate  
25 matters and certain critical RDI governance matters. The proposal was communicated as a “take-it  
26 or leave-it” proposal and was accompanied, not coincidentally, by a deadline of 9:00 a.m. on  
27 Friday, May 29 to accept the proposal. (Complaint ¶ 87.)

28           the Cotter family nor members of the RDI board of directors, and approximately twenty percent (20%) of the RDI  
Class B voting stock is held by persons and entities unrelated to the Cotter family or to any RDI board member.

1 Also on May 27, 2015, EC emailed RDI directors a “reminder” “that the board meeting  
2 held last Thursday was adjourned, to reconvene this Friday, May 29, 2015. The board meeting  
3 will begin at **11:00 a.m. at our Los Angeles office.**” (Complaint ¶ 88.) (Emphasis in original.)

4 By such actions, MC and EC made clear that accepting their take-it or leave-it proposal  
5 was what JJC had to do to avoid being fired as President and CEO of RDI. (Complaint ¶ 89.)

6 Also on May 28, 2015, approximately one day after EC’s lawyer transmitted the “take-it or  
7 leave-it” proposal and one day before the RDI board was to reconvene to execute on their threat to  
8 terminate JJC as President and CEO of RDI, Kane told JJC to accept the take-it or leave-it  
9 proposal to “end all of the litigation and ill feelings.” Among other things, by email on May 28,  
10 2015, Kane stated as follow to JJC:

11 “I have not seen the [take it or leave it] proposal. I understand that it  
12 would leave you with your title, which is very important to you and which  
13 you told me was essential to any settlement . . . if it is take-it or leave-it,  
14 then I STRONGLY ADVISE YOU TO TAKE IT. . . . if we can end all of  
the litigation and ill feelings, -- and their offer to keep you as CEO as a  
major concession -- . . .”

15 (Complaint ¶ 90.)

16 On Friday, May 29, before the RDI board of directors meeting reconvened, EC and MC  
17 met with JJC and told him that the proposal that had been conveyed by attorney Susman on their  
18 behalf two days earlier was a take-it or leave-it offer and that, if JJC did not accept it, the RDI  
19 board would terminate him as President and CEO. JJC sought to discuss changes to the proposal  
20 with them, to which EC and MC responded that they would accept no changes. (Complaint ¶ 91.)

21 Director Gould shortly thereafter came to JJC’s office and said that a majority of the non-  
22 Cotter board members had determined to terminate JJC and that the supposed board meeting was  
23 about to commence. (Complaint ¶ 92.)

24 JJC entered the conference room where the supposed meeting was to occur. The supposed  
25 meeting was commenced and Adams made a motion to terminate JJC as President and CEO.  
26 (Complaint ¶ 93.) JJC observed that Adams was not independent or disinterested, pointing out  
27 that a substantial portion of his income came from Cotter entities (that EC and MC control or claim  
28 to control), as evidenced by sworn testimony Adams had given in his divorce proceeding. JJC

1 invited Adams to prove otherwise, to which Adams responded that he did not have to do so.  
2 Others inquired of Adams' financial relationship to Cotter entities, but Adams declined to provide  
3 substantive responses to those queries. (Complaint ¶ 94.)

4 Director Gould said that it was not the role of the RDI Board of Directors to intercede in  
5 the personal disputes between EC and MC, on the one hand, and JJC, on the other hand, nor to tip  
6 the balance of power in those disputes. He further observed that the board should attempt to  
7 maintain the status quo until the courts resolved the trust and estate litigation, and added that he  
8 thought JJC had done a good job. (Complaint ¶ 95.)

9 Kane offered more personal invective directed to JJC, including comments to the effect that  
10 he thought that JJC had "\*\*\*\*ed Margaret over with the changes . . . made to the estate" and that  
11 JJC "does not have people skills especially with his two sisters . . ." (Complaint ¶ 96.)

12 The five non-Cotter directors asked JJC to leave the conference room so that they could  
13 talk with EC and MC. Plaintiff is informed and believes that one or more of Kane, Adams and  
14 McEachern conferred with EC and MC about whether to terminate JJC or to continue to attempt to  
15 pressure him to accept EC's and MC's take-it or leave-it proposal. (Complaint ¶ 97.)

16 Next, at or about 2:30 p.m., JJC was advised that the supposed RDI board meeting would  
17 be adjourned until at or about 6:00 p.m. that evening and that JJC had until then to strike a global  
18 resolution with EC and MC, failing which he would be terminated as President and CEO of RDI  
19 when the supposed meeting reconvened. (Complaint ¶ 98.)

20 The supposed meeting reconvened at or about 6:00 p.m. on Friday, May 29, 2015, at which  
21 time EC reported that she and MC had reached an agreement in principal with JJC. EC read to the  
22 RDI Board or Directors portions of the document attorney Susman had transmitted to attorney  
23 Streisand on May 27, 2015. In particular and without limitation, she read portions of the  
24 agreement concerning RDI, including one that provided for an executive committee of the Board  
25 of Directors which, she indicated, would be comprised of EC, MC, Guy Adams and JJC. EC  
26 concluded that, while no definitive agreement had been reached, EC and MC would have one of  
27 their lawyers provide documentation to counsel for JJC. (Complaint ¶ 99.)  
28



1 On Wednesday, June 3, 2015, attorney Susman transmitted the promised document to  
2 attorney Streisand. The document contained new terms previously not discussed, much less  
3 agreed, by the parties. (Complaint ¶ 100.) On Friday, June 5, 2015, attorney Susman left a  
4 message for attorney Streisand, the sum and substance of which was that he (Susman) was  
5 awaiting word that JJC had accepted the document. By that message, attorney Susman implied  
6 that the document was, like the prior document he had transmitted, a “take-it or leave-it” proposal.  
7 (Complaint ¶ 101.)

8 On June 8, 2015, JJC advised EC and MC that he could not accept their take-it or leave-it  
9 proposal. MC responded that she would advise the RDI board of directors, referencing the on-  
10 going, explicit threat to terminate JJC as President and CEO of RDI if he failed to agree to a global  
11 resolution satisfactory to EC and MC. (Complaint ¶ 102.)

12 On June 9, 2015, addressing important RDI business, JJC asked for a response from MC  
13 about a senior executive candidate to oversee RDI’s United States real estate, which candidate had  
14 been endorsed by senior executives at RDI. MC previously had consistently resisted employing  
15 such a person, apparently fearing that someone qualified might undermine her efforts to manage  
16 RDI’s valuable U.S. real estate holdings. On June 9, she responded by calling JJC and saying,  
17 among other things, “you were supposed to be terminated but for a global settlement . . . bye . . .  
18 bye.” (Complaint ¶ 103.)

19 On June 10, 2015, EC emailed all RDI Board members stating, in part, that “we would like  
20 to reconvene the Meeting that was adjourned on Friday, May 29<sup>th</sup>, at approximately 6:15 p.m. (Los  
21 Angeles time.) We would like to reconvene this Meeting telephonically *Friday, June 12 at 11:00*  
22 *a.m. (Los Angeles time) . . .*” The email purported to further “confirm [] our meeting of the Board  
23 of Directors on Thursday, June 18<sup>th</sup> . . . We will be distributing Agenda and Board package for this  
24 Meeting at the end of this week . . .” (Complaint ¶ 104.)

25 On Friday, June 12, 2015, the RDI Board of Directors meeting of May 29, 2015 supposedly  
26 was reconvened. The sole agenda item carried over was the termination of JJC as President and  
27 CEO of RDI. Following through on their prior threat to terminate JJC if he did not reach a global  
28 resolution satisfactory to EC and MC, each of EC, MC, Adams, Kane and McEachern voted to

1 terminate JJC. McEachern made one last effort to pressure JJC, inviting him to resign rather than  
2 be terminated. Storey and Gould voted against terminating JJC as President and CEO. EC was  
3 selected to be interim CEO, following discussion of Adams assuming that role. Based on that  
4 action, which Plaintiff maintains was legally ineffectual because each of EC, MC, Adams, Kane  
5 and McEachern were interested, Adams, Kane, McEachern, EC and MC have taken the position  
6 (and caused RDI to take the position) that JJC was terminated as President and CEO of RDI.  
7 (Complaint ¶ 105.)

8 **C. The Ongoing Fiduciary Breaches, Including Misuse of RDI's Corporate**  
9 **Machinery and Dismantling of RDI's Corporate Governance Structures.**

10 Following the events described above, EC, with the active assistance and/or knowing  
11 cooperation of MC, Kane and Adams and possibly McEachern, has continued to misuse and  
12 undertaken to dismantle the corporate machinery and governance structures at and of RDI,  
13 including by misusing its investor relations and SEC filing processes, all in derogation of the  
14 interests of RDI and its shareholders other than EC and MC, including as follows:

15 As part of an overall scheme to eliminate participation in the RDI Board of Directors of  
16 any person not acting to further and protect the personal interests of EC and MC without regard to  
17 the interests of RDI and its other shareholders, EC (with the active assistance or knowing approval  
18 of MC, Kane, Adams and McEachern) has taken actions to pressure Plaintiff to resign from his  
19 position as a director of RDI (which he has held since March 21, 2002). EC did so, Plaintiff is  
20 informed and believes, without previously informing, much less seeking the approval of, directors  
21 Storey and Gould. The actions taken to pressure Plaintiff include immediately terminating his  
22 access to his RDI email account and to RDI's offices and concocting new *ad hoc* "policies"  
23 designed to bring financial pressure to bear on Plaintiff (such as "insider trading" "policies"  
24 designed to impair Plaintiff's ability to sell RDI stock in a manner consistent with RDI's practices  
25 and policies), as well as shameless, heavy-handed actions such as terminating the health and  
26 medical benefits the Company provides to him, his wife and his three children (Cotter Dec., ¶ 3);

27 Separately, EC has been empowered to select the search firm to conduct a search for a  
28 supposed new CEO. With such unfettered power, she will select a firm and direct it to present

1 candidates who she can be assured will possess unwavering fealty to EC and MC, without regard  
2 to the interests of RDI and its other shareholders (*Id.* ¶ 4);

3         Additionally, and notwithstanding the fact that both directors and senior executive officers  
4 at RDI have agreed that the Company needs to hire an executive with the requisite real estate  
5 experience to advise the Company with respect to its material real estate holdings in New York,  
6 and notwithstanding the fact that a candidate acceptable to all but MC (and thereafter EC and the  
7 directors beholden to them) had been identified, that person was not offered a position and, as a  
8 practical matter, the search for such a person to fill such a position has been terminated, all to  
9 ensure that MC retains control of those activities, which she is unqualified to direct without the  
10 advice and assistance of an executive with the requisite real estate experience (*Id.* ¶ 5);

11         Perhaps most fundamentally, EC, MC, Kane and Adams also have acted to eliminate the  
12 participation in the RDI Board of Directors of not only JJC, but also directors Storey and Gould,  
13 on a going-forward basis. EC has done so by means of an executive committee of the RDI Board  
14 of Directors (the “EC Committee”), which now is comprised of EC, MC and their two most  
15 beholden and loyal RDI board members, Kane and Adams, and to which the authority of the RDI  
16 Board of Directors purportedly has been appropriated. By this EC Committee scheme, EC and  
17 MC are eliminating the ability of any and all of JJC, Storey and Gould to participate as members  
18 of RDI’s Board of Directors (*Id.* ¶ 6);

19         Other fundamental corporate governance practices and protections at RDI have been  
20 altered or circumscribed. EC, with the active assistance and/or knowing cooperation of MC, Kane  
21 and Adams, has cut off the flow of information to JJC, Gould and Storey as RDI directors,  
22 including by failing to timely distribute drafts of prior RDI board of directors meeting minutes, by  
23 failing to provide board packages sufficiently in advance of board meetings such that board  
24 matters were, to the knowledge of JJC, Storey and Gould, impromptu actions (which obviously  
25 had been preordained by EC, MC, Kane and Adams), and failing to deliver reports requested by  
26 director Storey and promised by EC, namely, a report regarding an executive search firm to search  
27 for a new CEO and a report regarding the legality and advisability of forming and empowering a  
28 committee such as the EC Committee (*Id.* ¶ 7);

1 Not coincidentally, EC, with the active assistance and/or knowing cooperation of MC,  
2 Kane, Adams and possibly McEachern, has caused RDI to disseminate materially misleading if  
3 not inaccurate information to its public shareholders. She has done so in an effort to avoid  
4 discovery of the self-dealing of EC, MC, Kane, Adams and possibly McEachern, and to avoid  
5 being held accountable for their systematic course of self-dealing and fiduciary breaches, whether  
6 by way of another derivative action or otherwise. Among other things, these defendants caused  
7 RDI to disseminate the following press release(s) and SEC filings, each of which was misleading  
8 if not inaccurate by omission, commission or both:

- 9 • RDI on June 15, 2015 issued a press release stating that its board of directors “has  
10 appointed [EC] as interim President and [CEO], succeeding [JJC] . . . .” This press  
11 release was misleading because, among other things, it failed to address the  
12 circumstances of the purported termination of JJC as President and CEO, much less  
13 disclose that he purportedly had been terminated, much less that the purported  
14 termination was without cause, or even that JJC had filed this action;
- 15 • On or about June 18, 2015, RDI filed with the SEC a Form 8-K which was  
16 materially misleading if not inaccurate in several respects, including that it stated  
17 that JJC was “required to tender his resignation as a director of [RDI] immediately  
18 upon termination of his employment [, that he had not done so and that RDI]  
19 considers such refusal as a material breach of [the] employment agreement [] and  
20 has given [JJC] thirty (30) days in which to resign . . . .” The employment  
21 agreement in question, which is an exhibit to the Form 10-Q for period ending June  
22 30, 2013 filed by RDI with the SEC, on its face not only does not require JJC to  
23 resign as a director in the event that he is terminated as an executive officer, but on  
24 its face contemplates that he may continue to serve as a director, which position he  
25 in fact held for many years prior to becoming an officer and entering into the  
26 subject employment agreement. Separately, the employment agreement contains a  
27 thirty (30) day cure provision with respect to breaches of the agreement which may  
28 constitute a basis for termination of JJC for cause, which defendants do not claim

1 occurred here. Therefore, the characterization in the Form 8-K of what the  
2 Company has done for thirty (30) days is misleading both as to what the  
3 employment agreement provides and what the Company has done, which in fact is  
4 to assert that JJC is breach of an agreement which the Company purports to have  
5 terminated previously. Additionally, the Form 8-K is materially misleading in  
6 describing this action;

- 7 • RDI has failed to file a Form 8-K with respect to the EC Committee, which is a  
8 development that materially deviates from the prior practices of RDI and RDI's  
9 SEC disclosures with respect to those practices. (*Id.* ¶ 8.)

10 The foregoing intentional misconduct is but a part of an ongoing scheme that will continue  
11 by means of the 2015 RDI Annual Shareholders Meeting ("ASM").<sup>2</sup> In that regard, Plaintiff  
12 anticipates that, in furtherance of their ongoing efforts to effectuate changes at RDI to render  
13 judgments in this action and/or the California Trust Action ineffectual, even if they eventually lose  
14 either or both, EC and MC intend to use the EC Committee to cause the nomination to elect at the  
15 presently not scheduled ASM a new slate of directors that includes none of Plaintiff, Storey or  
16 Gould, but instead is comprised solely of sycophants prepared to ignore their fiduciary obligations  
17 to RDI and its other shareholders and to instead further and protect the interests of EC and MC.

18 Thus, at all times relevant hereto, EC and MC, together with Kane, Adams and  
19 McEachern, have acted and continue to act, to protect and further their own personal and financial  
20 interests to the detriment of RDI and all of its shareholders, including through their pervasive and  
21 ongoing misuse and dismantling of RDI's corporate governance machinery and structures and  
22 their systematic dissemination to RDI shareholders of materially misleading if not inaccurate  
23 information, by both commission and omission.

24 ///

25 ///

26 <sup>2</sup> As if to illustrate the remarkable impunity with which they act, EC and MC also have caused internal counsel at RDI  
27 and counsel of record for RDI in this proceeding to take actions in this proceeding and in the *Matter of the Estate of*  
28 *James J. Cotter*, Case No. P-14-082942-E (the "Nevada Probate Action") designed to delay if not prevent a resolution  
of the merits of the claims brought in this action. For example, they have advised the Court that they intend to file a  
(specious) motion to stay predicated on their contrived contractual dispute with Plaintiff. That undoubtedly is at the  
ultimate behest of EC and MC.

1 **III. THE EXPEDITED DISCOVERY PLAINTIFF SEEKS**

2 In view of the foregoing and for the reasons outlined herein, Plaintiff seeks expedited  
3 document discovery and depositions, so as to be in a position to present a fulsome evidentiary  
4 record to the Court in connection with a preliminary injunction hearing. In view of the likely  
5 volume of responsive documents, the number of depositions and the complex issues raised,  
6 Plaintiff anticipates that this discovery will require not less than seven (7) weeks to complete,  
7 provided document production is completed in approximately three (3) weeks at the outset of the  
8 process. With that by way of explanation, Plaintiff proposes as follows:

9 With respect to document production, Plaintiff presently is of the view that documents in  
10 the categories set out in **Exhibit A** hereto will comprise most of the documents needed to conduct  
11 the discovery that needs to be taken. Plaintiff respectfully requests that the Court order each of  
12 defendants, including nominal defendant RDI, to provide documents responsive to those  
13 categories on a rolling basis, to be completed and accompanied by logs of the documents withheld  
14 on the basis of privilege no later than three (3) weeks from the date of the entry of the order on this  
15 Motion.<sup>3</sup>

16 With respect to depositions, Plaintiff respectfully requests that each of the individual  
17 defendants be ordered to appear in Nevada (or other agreed locations) on dates convenient to those  
18 defendants and to counsel for the parties, commencing ten calendar days after the date on which  
19 document production is completed and defendants have provided logs of documents withheld  
20 based on claims of privilege or attorney work product. Subject to any subsequent agreement of  
21 counsel, and subject to customary considerations such as conflicting medical appointments,  
22 counsel for Plaintiff respectfully requests that defendants Kane and Gould (with either one first) be  
23 ordered to be produced for the first two depositions, in recognition of their respective age and  
24

25 <sup>3</sup> Plaintiff respectfully requests that, insofar as any of defendants assert claims of privilege with respect to any  
26 documents responsive to the requests to which they are ordered to produce documents, for each document or  
27 communication, the party withholding the document shall be required to specifically identify (1) the author (and their  
28 capacity) of the document; (2) the date on which the document was created; (3) a brief summary of the subject matter  
of the document; (4) if the document is a communication, the identity of the recipient, the sender and all others (and  
their respective capacities) provided with the document or a copy thereof; (5) other persons if any who had or were in  
a position to have access to the document (and their respective capacities); (6) the type of document; (7) the purpose  
for which the document was created; and (8) a detailed, specific explanation as to why the document is privileged or  
otherwise claimed to be immune from discovery.

1 health. Plaintiff further requests that the Court order, in the event Plaintiff also is to be deposed.  
2 that each of the individual defendants be required to appear for and complete their depositions  
3 prior to the deposition of Plaintiff. Plaintiff respectfully requests that not less than three full  
4 weeks be allotted to commencing and completing the depositions of the individual defendants.

5 In view of the substantial evidence that is anticipated to be developed pursuant to the  
6 expedited discovery plan described above, and in view of the necessarily preliminary and  
7 incomplete nature of any preliminary injunction papers filed prior to the completion of such  
8 discovery, Plaintiff respectfully submits that the Court order supplemental briefing on its Motion  
9 for Preliminary Injunction. Plaintiff respectfully proposes the following additional briefing:  
10 Plaintiff's supplemental briefing in support of its Motion For Preliminary Injunction will be served  
11 and filed on or before October 16. all oppositions will be served and filed two weeks thereafter:  
12 and Plaintiff's reply, if any, will be served and filed one week following the oppositions.  
13 Assuming the schedule can be effectuated as outlined above, the hearing will proceed the week of  
14 November 9, 2015 or as soon thereafter as suits the Court's calendar.<sup>4</sup>

15 **IV. ARGUMENT**

16 Expedited discovery is authorized by Nevada Rules of Civil Procedure 16.1(f) and 26 if  
17 "good cause" is shown. Specifically, Rule 16.1(f) states: "[i]n a potentially difficult or protracted  
18 action that may involve complex issues, multiple parties, difficult legal questions, or unusual proof  
19 problems, the court may, upon good cause shown, waive any or all of the requirements of [the  
20 mandatory pre-trial discovery requirements of Rule 16.1]." Nev. R. Civ. P. 16.1(f); *see also Mays*  
21 *v. Eighth Judicial Dist. Ct.*, 105 Nev. 60, 62, 768 P.2d 877, 878 (1989) Rule 26(a) provides that  
22 "upon order by the court or discovery commissioner, any party who has complied with Rule  
23 16.1(a)(1) may obtain discovery by one or more of the following additional methods: depositions  
24 upon oral examination or written questions, written interrogatories, production of documents or  
25 things or permission to enter upon land or other property . . ."

26 <sup>4</sup> Plaintiff is aware of observations previously expressed to the effect that on or after November 16, 2015, an RDI  
27 shareholder could seek and possibly obtain relief from the Court directing that the 2015 RDI ASM occur. However,  
28 as a practical matter, in view of the misleading if not inaccurate public disclosures and SEC filings referenced herein,  
the greater likelihood is that a plaintiff seeks an order enjoining and delaying the 2015 RDI ASM. On the other hand,  
Plaintiff recognizes that other considerations, such as SEC and/or listing guidelines or requirements, may well weigh  
heavily in favor of the 2015 RDI ASM occurring on or before December 31, 2015.

1           Given the shameless self-dealing in which EC and MC have engaged with the active  
2 assistance of Kane, Adams and McEachern, and particularly in view of the ongoing misuse of all  
3 aspects of RDI's corporate machinery and the dismantling of its most fundamental governance  
4 structures, all as more fully described in Plaintiff's accompanying Motion for Preliminary  
5 Injunction, Plaintiff respectfully submits that the Court should permit expedited discovery and  
6 preliminary injunction proceedings, as good cause is manifest.

7           Courts routinely permit expedited discovery in situations of this type involving corporate  
8 control. *See, e.g., Am. Stores Co. v. Lucky Stores, Inc.*, No. CIV. A. 9766, 1988 WL 909330, at \*2  
9 (Del. Ch. Apr. 13, 1988) ("granting of [expedited discovery] is quite conventional in litigation of  
10 this type");<sup>5</sup> *see also Mesa Petroleum Co. v. Aztec Oil & Gas Co.*, 406 F. Supp. 910, 917 (N.D.  
11 Tex. 1976) (in a case concerning a corporate acquisition offer, the court ordered that an expedited  
12 discovery program be adopted); *see also City P'ship Co. v. Acquisition Ltd. P'ship*, 100 F. 3d  
13 1041, 1043 (1<sup>st</sup> Cir. 1996) (allowing expedited discovery based on the limited duration of the  
14 tender offer); *see also Moravek v. FNB Bancorp, Inc.*, No. 86 C 4571, 1986 WL 7958, at \*4 (N.D.  
15 Ill. July 9, 1986) (determining that plaintiff must be allowed discovery prior to their preliminary  
16 injunction hearing and, given the short period of time during which the current tender offer will be  
17 open, such discovery needs to be expedited).

18           Without expedited discovery and a preliminary injunction hearing, RDI, Plaintiff and  
19 RDI's shareholders other than EC and MC will be placed at risk due to EC and MC's misuse and  
20 dismantling of RDI's corporate machinery and structure, as well as misleading if not inaccurate  
21 public disclosures and SEC filings (including the failure to remedy those already disseminated),  
22 resulting in irreparable harm to RDI and its shareholders other than EC and MC, including as  
23 described herein.

24 ///  
25 ///  
26 ///

27 \_\_\_\_\_  
28 <sup>5</sup> Due to the development of Delaware case law with respect to issues of corporate law, Nevada courts find Delaware case law persuasive authority. *See Cohen v. Mirage Resorts, Inc.*, 119 Nev. 1, 26, 62 P.3d 720, 737 (2003) (noting that "the case law . . . [of] Delaware is persuasive authority" when interpreting Nevada's corporate law).




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**V. CONCLUSION**

For all the foregoing reasons, Plaintiff respectfully requests that the Court grant this Motion and enter an order thereon, and award such other relief as the Court sees fit.

DATED this 3<sup>rd</sup> day of July, 2015.

LEWIS ROCA ROTHGERBER LLP

  
\_\_\_\_\_  
Mark G. Krum (Nevada Bar No. 10913)  
3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5958  
Attorneys for Plaintiff  
*James J. Cotter, Jr.*

**EXHIBIT A**

**EXHIBIT A**

## Exhibit A

Unless otherwise indicated, each request calls for any and all documents created or dated on or after January 1, 2014, including all communications by, between, among, to or from any or all of EC, MC, Kane, Adams, McEachern and/or RDI (all as defined in the Motion in connection with this document is submitted) or any agent for any or all of them, concerning or relating to any or all of the following subjects:

1. Documents sufficient to show the total income of each of Adams and Kane for calendar year 2013 to date, including documents sufficient to show the total income received by each during that time frame from RDI, James J. Cotter (the "Decedent") and from any company or entity which any of the Decedent, Ellen Cotter ("EC") or Margaret Cotter ("MC") controlled or claimed to control, either directly or indirectly;
2. All information provided to RDI by or for each of Guy Adams and Ed Kane regarding or relating to their personal finances, their actual or claimed financial independence from RDI, the Decedent and/or any company or entity which the Decedent, EC or MC controlled or claimed to control, including but not limited to each and every director and officer questionnaire provided to RDI by or for each of Guy Adams and Ed Kane;
3. The process or lack of process leading to any decision regarding the status of JJC as the President and CEO of RDI, including any decision to terminate JJC as President and CEO of RDI, including communications regarding the process or lack of process;
4. The retention or termination of JJC as RDI's President and Chief Executive Officer, either or both including any proposed, sought, requested or other possible resignation by JJC as President and/or CEO of RDI;
5. Any Board of Directors committee, whether formalized or not, comprised of directors Tim Storey and William Gould, and the function and responsibilities of it, including with respect to working with JJC, EC and/or MC, and the term of it;
6. Any assessments, evaluations or reviews in or since June 2013 of JJC as President and/or CEO of RDI;
7. Any limitations, whether actual, proposed or contemplated, on the authority of JJC as President and/or CEO of RDI, including any methods or procedures to effectuate any such limitations, including any actual proposed and/or contemplated committees of RDI's Board of Directors;
8. Documents sufficient to show when Akin Gump was hired (ostensibly) by RDI, and the identity of the person who determined and/or acted to hire Akin Gump.
9. Any person considered or discussed as a possible CEO or interim CEO of RDI, including but not limited to Guy Adams;
10. The search for a new CEO of RDI;

11. The California Trust Action (defined in the Motion in connection with this document is submitted), excluding any pleadings therein;
12. The Nevada Probate Action (defined in the Motion in connection with this document is submitted), excluding any pleadings therein;
13. Any consensual resolution or settlement between JJC, on one hand, and either or both EC and MC, on the other hand, of any or all issues raised by or in connection with either or both the California Trust Action and a Nevada Probate Action (both as defined in the Motion) and/or any issues regarding governance of RDI and handling of RDI's investor relations or other communications with RDI shareholders;
14. Any settlement proposal or proposed settlement agreement between JJC, on one hand, and either or both EC and MC, on the other hand;
15. MC's handling of the Orpheum Theatre lease relationship and situation (described in the Complaint), including but not limited to communications with the RDI Board of Directors or any members thereof and/or the President and CEO of RDI, and including regarding any consequences to RDI and/or impact on MC's employment status, prospects, contract or compensation;
16. MC's ability, suitability and/or qualifications to manage, oversee and/or supervise RDI's real estate interests, including but not limited to real estate owned by RDI in New York;
17. Any search by or for RDI for an executive with experience of expertise in real estate, including but not limited to a director of real estate;
18. The employment, compensation and performance of each of EC and MC, whether by RDI or any entity which is affiliated or does business with RDI, including any and all employment agreements, whether executed, proposed or contemplated, any and all raises and bonuses or other benefits and any and all promotions, demotions and/or terminations, whether actual, proposed or contemplated, and any and all other compensation or benefits (including the payment of director fees and provision of health insurance to MC), whether in the form of cash or otherwise;
19. Taking RDI private and anything related thereto, including the price at which RDI class A non-voting stock trades or has traded;
20. Formation, reformation, use and composition of any committee or executive committee of the RDI Board of Directors, including any committee formed, revived or otherwise made, or changed or implemented in or after June 2015;
21. Any RDI Board of Directors Minutes, whether draft, unapproved, approved by the Board of Directors, for any meeting in 2015;
22. The 2015 RDI Annual Shareholders Meeting, including but not limited to selection of Board of Director nominees and the identity of any person planned or considered as a possible nominee, the date of the meeting and the counting of the votes of the Disputed Shares;

23. RDI's public disclosures and SEC filings regarding the termination of JJC as President and CEO of RDI, the sought after resignation of JJC as a director of RDI, and any Board of Directors committee formed, revived, implemented or discussed in or after September 2014, including but not limited to the EC Committee (defined in the Motion);

24. The purchase or sale of RDI stock, whether by JJC and/or by any of the individual defendants, including the exercise or possible exercise of any options to purchase RDI stock, and including the purchase or repurchase by RDI of any shares or options RDI (including the date(s) and price(s) at which those securities were repurchased) whether pursuant to formal stock buyback program or not, and any RDI practices or policies (whether implemented or proposed) with respect to thereto;

25. Any communications by EC, MC or Adams with any investor or potential investor of RDI;

26. The position(s) taken by RDI, including by a June 15, 2015 letter from EC to Plaintiff and in RDI's Form 8-K filed with the United States Securities and Exchange Commission on or about June 18, 2015, that Plaintiff is obligated to resign as a director of RDI;

1 **DECL**  
2 MARK G. KRUM (Nevada Bar No. 10913)  
3 MKrum@LRRLaw.com  
4 LEWIS ROCA ROTHGERBER LLP  
5 3993 Howard Hughes Parkway, Suite 600  
6 Las Vegas, Nevada 89169  
7 (702) 949-8200  
8 (702) 949-8398 fax  
9  
10 Attorneys for Plaintiff  
11 *James J. Cotter, Jr.*

8 DISTRICT COURT  
9 CLARK COUNTY, NEVADA

11 JAMES J. COTTER, JR., individually and  
12 derivatively on behalf of Reading International,  
13 Inc.,

13 Plaintiff,

14 v.

15 MARGARET COTTER, ELLEN COTTER,  
16 GUY ADAMS, EDWARD KANE, DOUGLAS  
17 McEACHERN, TIMOTHY STOREY,  
18 WILLIAM GOULD, and DOES 1 through 100,  
19 inclusive,

19 Defendants.

20 and

22 \_\_\_\_\_  
23 READING INTERNATIONAL, INC., a Nevada  
24 corporation;

24 Nominal Defendant.

CASE NO. A-15-719860-B  
DEPT. NO. XI

**DECLARATION OF JAMES J.  
COTTER, JR., IN SUPPORT OF  
MOTION TO EXPEDITE DISCOVERY  
AND SET A HEARING ON MOTION  
FOR PRELIMINARY INJUNCTION ON  
ORDER SHORTENING TIME; AND  
MOTION FOR PRELIMINARY  
INJUNCTION**

DECLARATION OF JAMES J. COTTER, JR.

I, JAMES J. COTTER, JR., declare as follows:

1. I am over the age of 18 years and a resident of California. I make this declaration based upon personal knowledge, except where stated to be upon information and belief, and as to that information, I believe it to be true. If called upon to testify as to the contents of this Declaration, I am legally competent to testify to the contents of this Declaration in a court of law.

2. I am the Plaintiff in the above-entitled matter. I have read and assisted in the preparation of the Motion To Expedite Discovery And Set A Hearing On Motion For Preliminary Injunction On Order Shortening Time, as well as the Motion for Preliminary Injunction.

3. Ellen Cotter ("EC"), acting ostensibly as interim Chief Executive Officer ("CEO") of Reading International, Inc. ("RDI" or the "Company"), with the active assistance or knowing approval of Margaret Cotter ("MC"), Edward Kane ("Kane"), Guy Adams ("Adams") and possibly Doug McEachern ("McEachern") I am informed and believe, has acted to pressure me to resign from my position as a director of RDI, which I have held since on or about March 21, 2002. EC has done so, I am informed and believe, without informing, much less seeking the approval of, directors Tim Storey ("Storey") and William Gould ("Gould"). The actions taken to pressure me include immediately terminating my access to my RDI email account and to RDI's offices and concocting new *ad hoc* "policies" designed to bring financial pressure to bear on me (such as "insider trading" "policies" designed to impair my ability to sell RDI stock in a manner consistent with RDI practices and policies), as well as actions such as terminating the health and medical benefits the Company provides to me, my wife and my three children;

4. Additionally, EC has been empowered to select a search firm to conduct a search for a supposed new CEO. With such unfettered power, and in view of her conduct to date, I reasonably expect that she will select a firm and direct it to present candidates who she can vet to assure that they possess unwavering fealty to her and to MC;

5. Additionally, and notwithstanding the fact that both directors and senior executive officers at RDI have agreed that RDI needs to hire an executive with the requisite real estate experience to advise the Company with respect to its material real estate holdings in New York,

1 and notwithstanding the fact that a candidate acceptable to all but MC (and thereafter EC and the  
2 directors beholden to them) has been identified, that person was not offered a position and, as a  
3 practical matter, the search for such a person to fill such a position has been terminated. This  
4 happened because MC insisted on retaining sole control of those activities, which she is  
5 unqualified to direct without the advice and assistance of an executive with the requisite real estate  
6 experience;

7 6. EC, MC, Kane and Adams also have taken actions to eliminate the participation not  
8 only of me as a director, but also of directors Storey and Gould, on a going-forward basis. They  
9 have done so by way of an executive committee of the RDI Board of Directors (the "EC  
10 Committee"), which now is comprised of EC, MC and their two most beholden and loyal RDI  
11 board members, Kane and Adams. As I understand it, they claim to have appropriated to the EC  
12 Committee the authority of the RDI Board of Directors. By such conduct, EC is eliminating the  
13 ability of any and all of me, Storey and Gould to participate in board level decision-making at  
14 RDI;

15 7. EC, with the active assistance and/or knowing cooperation of MC, Kane and  
16 Adams I am informed and believe, has cut off the flow of information to me and Messrs. Gould  
17 and Storey as RDI directors, including by failing to distribute and withholding drafts of minutes of  
18 prior RDI Board of Directors meetings, by failing to provide board material prior to board  
19 meetings, such that all actions were, to the knowledge of JJC, Storey and Gould, impromptu  
20 action, which apparently had been preordained by EC, MC, Kane and Adams, and failing to  
21 deliver reports requested by director Storey and promised by EC, namely, a report regarding an  
22 executive search firm to search for a new CEO and a report regarding the legality and advisability  
23 of forming and empowering a committee such as the EC Committee;

24 8. Additionally, EC, with the active assistance and/or knowing cooperation of MC,  
25 Kane, Adams and possibly McEachern I am informed and believe, has caused RDI to disseminate  
26 what may well be materially misleading if not inaccurate information to its public shareholders. I  
27 believe that they have done so in an effort to avoid scrutiny and, ultimately, avoid being held  
28 accountable for their conduct described in the complaint in this action and in this declaration.



1 Among other things, EC caused RDI to disseminate the following press release and SEC filings,  
2 each of which I believe may well have been misleading if not inaccurate, whether by omission,  
3 commission, or both:

4 i. RDI on June 15, 2015 issued a press release stating that its board of  
5 directors “has appointed [EC] as interim President and [CEO], succeeding [JJC] . . .  
6 .” This press release notably failed to address the circumstances of the purported  
7 termination of me as President and CEO, much less disclose that I purportedly had  
8 been terminated, much less that the purported termination was without cause or that  
9 I had filed this action;

10 ii. On or about June 18, 2015, RDI filed with the United States  
11 Securities and Exchange Commission (the “SEC”) a Form 8-K which was  
12 materially misleading if not inaccurate in several respects, including that it stated  
13 that JJC was “required to tender his resignation as a director of [RDI] immediately  
14 upon termination of his employment [, that he had not done so and that RDI]  
15 considers such refusal as a material breach of [the] employment agreement [] and  
16 has given [JJC] thirty (30) days in which to resign . . .” The employment  
17 agreement in question, which was an exhibit to the Form 10-Q for period ending  
18 June 30, 2013 filed by RDI with the SEC and is attached hereto as Ex. \_\_, on its  
19 face not only does not require me to resign as a director in the event that I am  
20 terminated as an executive officer, but on its face contemplates that I may continue  
21 to serve as a director, which position I held for over a decade prior to becoming an  
22 executive officer and entering into the subject employment agreement. Separately,  
23 that employment agreement contains a thirty (30) day cure provision with respect  
24 to breaches of the agreement which may constitute a basis for termination for  
25 cause, which defendants do not claim occurred here. Therefore, the characterization  
26 in the Form 8-K of what RDI has done for thirty (30) days is misleading both as to  
27 what the employment agreement provides and as to what RDI has done, which is to  
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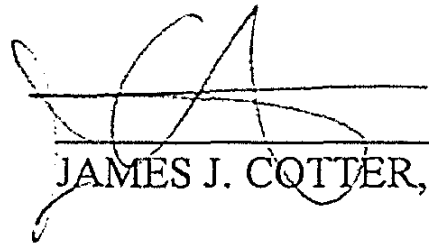
assert that I breached the same agreement which defendants assert RDI terminated previously;

iii. RDI has failed to file a Form 8-K with respect to the formation and empowerment of the EC Committee, which is a development that materially deviates from the prior practices of RDI and RDI's SEC disclosures with respect to those practices.

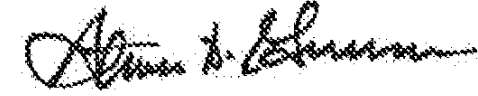
9. I am informed and believe that, in furtherance of their ongoing efforts to effectuate irreversible changes at RDI to entrench their wrongful control and insure that RDI operates for their benefit, even if they eventually lose control of it, EC and MC intend to nominate and attempt to elect at the 2015 RDI Annual Shareholders Meeting a new slate of directors that includes none of me, Storey or Gould, but instead is comprised solely of persons prepared to do the bidding and protect the interests of EC and MC.

I declare under penalty of perjury that the foregoing is true and correct.

DATED this 30<sup>th</sup> day of July, 2015.

  
\_\_\_\_\_  
JAMES J. COTTER, JR.

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1 **OGM**  
ALEXANDER ROBERTSON, IV (Nevada Bar No. 8642)  
2 *arobertson@arobertsonlaw.com*  
ROBERTSON & ASSOCIATES, LLP  
3 32121 Lindero Canyon Road, Suite 200  
Westlake Village, California 91361  
4 Telephone: (818) 851-3850 • Facsimile: (818) 851-3851

5 ADAM C. ANDERSON (Nevada Bar No. 13062)  
*aanderson@psbfirm.com*  
6 PATTI, SGRO, LEWIS & ROGER  
720 S. 7th Street, 3rd Floor  
7 Las Vegas, NV 89101  
Telephone: (702) 385-9595 • Facsimile: (702) 386-2737

8  
9 Attorneys for Attorneys for Plaintiffs and  
Intervenors, T2 PARTNERS MANAGEMENT,  
LP, a Delaware limited partnership, doing  
10 business as KASE CAPITAL MANAGEMENT;  
T2 ACCREDITED FUND, LP, a Delaware  
11 limited partnership, doing business as KASE  
FUND; T2 QUALIFIED FUND, LP, a Delaware  
12 limited partnership, doing business as KASE  
QUALIFIED FUND; TILSON OFFSHORE  
13 FUND, LTD, a Cayman Islands exempted  
company; T2 PARTNERS MANAGEMENT L,  
14 LLC, a Delaware limited liability company, doing  
business as KASE MANAGEMENT; T2  
15 PARTNERS MANAGEMENT GROUP, LLC, a  
Delaware limited liability company, doing  
16 business as KASE GROUP; JMG CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
17 liability company; PACIFIC CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
18 liability company,

19 Derivatively On Behalf of Reading International,  
Inc.  
20

21 DISTRICT COURT

22 CLARK COUNTY, NEVADA

23 T2 PARTNERS MANAGEMENT, LP, a  
Delaware limited partnership, doing business  
24 as KASE CAPITAL MANAGEMENT; T2  
ACCREDITED FUND, LP, a Delaware  
25 limited partnership, doing business as KASE  
FUND; T2 QUALIFIED FUND, LP, a  
26 Delaware limited partnership, doing business  
as KASE QUALIFIED FUND; TILSON  
27 OFFSHORE FUND, LTD, a Cayman Islands  
exempted company; T2 PARTNERS  
28 MANAGEMENT L.L.C. a Delaware limited

Case No. A-15-719860-B  
Dept. No.: XI

**ORDER GRANTING PLAINTIFFS-IN-  
INTERVENTION MOTION TO  
INTERVENE**

Judge: Hon. Elizabeth Gonzalez  
Date of Hearing: August 11, 2015  
Time of Hearing: 8:30 .am.

1 liability company, doing business as KASE  
MANAGEMENT; T2 PARTNERS  
2 MANAGEMENT GROUP, LLC, a Delaware  
limited liability company, doing business as  
3 KASE GROUP; JMG CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
4 liability company; PACIFIC CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
5 liability company; Derivatively On Behalf of  
Reading International, Inc.,

6  
7 Plaintiffs,

8 vs.

9 MARGARET COTTER, ELLEN COTTER,  
GUY ADAMS, EDWARD KANE,  
10 DOUGLAS McEACHERN, TIMOTHY  
STOREY, WILLIAM GOULD, AND DOES 1  
THROUGH 100, inclusive,

11 Defendants,

12 And,

13  
14 READING INTERNATIONAL, INC., a  
Nevada corporation,

15 Nominal Defendant.  
16

17 Plaintiffs-in-Intervention's Motion to Intervene came before the Court on August 11, 2015.

18 The Court having read and considered the motion, and all other papers and pleadings on file  
19 herein, and being fully informed, finds as follows:

20 IT IS HEREBY ORDERED that said Motion to Intervene hereby GRANTED, and to  
21 allow Plaintiffs-In-Intervention to intervene in this action, and file the proposed Verified  
22 Shareholder Derivative Complaint and Demand for Jury Trial.

23 DATED this 11<sup>th</sup> day of AUGUST, 2015.

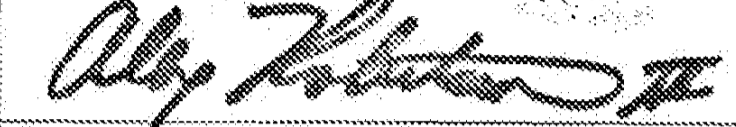
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25 By: 

26 HONORABLE ELIZABETH GONZALEZ  
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Respectfully Submitted:

ROBERTSON & ASSOCIATES, LLP



Alexander Robertson, IV (Nevada Bar No. 8642)  
*arobertson@arobertsonlaw.com*  
32121 Lindero Canyon Road, Suite 200  
Westlake Village, CA 91361  
Telephone (818) 851-3850

Attorneys for Plaintiffs-In-Intervention,  
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; Derivatively On Behalf of  
Reading International, Inc.

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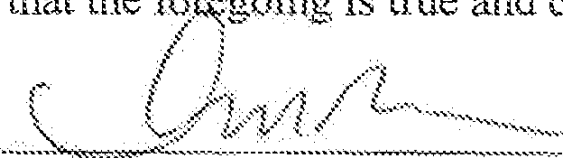
**CERTIFICATE OF SERVICE**

The undersigned, an employee of Robertson & Associates, LLP, hereby certifies that on the 28<sup>th</sup> day of August, 2015, I served a true and correct copy of **ORDER GRANTING PLAINTIFFS-IN-INTERVENTION MOTION TO INTERVENE** by electronic service by submitting the foregoing to the Court's E-filing System for Electronic Service upon the Court's Service List pursuant to EDCR 8. The copy of the document electronically served bears a notation of the date and time of service.

**PLEASE SEE THE E-SERVICE MASTER LIST**

I declare under penalty of perjury that the foregoing is true and correct.

Dated:



\_\_\_\_\_  
An employee of ROBERTSON & ASSOCIATES, LLP

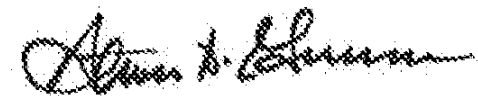
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1 **COMP**  
2 ALEXANDER ROBERTSON, IV (Nevada Bar No. 8642)  
3 *arobertson@arobertsonlaw.com*  
4 ROBERTSON & ASSOCIATES, LLP  
32121 Lindero Canyon Road, Suite 200  
Westlake Village, California 91361  
Telephone: (818) 851-3850 • Facsimile: (818) 851-3851

5 ADAM C. ANDERSON (Nevada Bar No. 13062)  
6 *aanderson@pslrfirm.com*  
7 PATTI, SGRO, LEWIS & ROGER  
720 S. 7th Street, 3rd Floor  
Las Vegas, NV 89101  
Telephone: (702) 385-9595 • Facsimile: (702) 386-2737

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CLERK OF THE COURT

8 Attorneys for Plaintiffs and Intervenors, T2  
9 PARTNERS MANAGEMENT, LP, a Delaware  
limited partnership, doing business as KASE  
10 CAPITAL MANAGEMENT; T2 ACCREDITED  
FUND, LP, a Delaware limited partnership, doing  
11 business as KASE FUND; T2 QUALIFIED  
FUND, LP, a Delaware limited partnership, doing  
12 business as KASE QUALIFIED FUND; TILSON  
OFFSHORE FUND, LTD, a Cayman Islands  
13 exempted company; T2 PARTNERS  
MANAGEMENT I, LLC, a Delaware limited  
14 liability company, doing business as KASE  
MANAGEMENT; T2 PARTNERS  
15 MANAGEMENT GROUP, LLC, a Delaware  
limited liability company, doing business as  
16 KASE GROUP; JMG CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
17 liability company; PACIFIC CAPITAL  
MANAGEMENT, LLC, a Delaware limited  
18 liability company,

19 Derivatively On Behalf of Reading International,  
20 Inc.

21 DISTRICT COURT

22 CLARK COUNTY, NEVADA

23 T2 PARTNERS MANAGEMENT, LP, a  
Delaware limited partnership, doing business  
24 as KASE CAPITAL MANAGEMENT; T2  
ACCREDITED FUND, LP, a Delaware  
25 limited partnership, doing business as KASE  
FUND; T2 QUALIFIED FUND, LP, a  
26 Delaware limited partnership, doing business  
as KASE QUALIFIED FUND; TILSON  
27 OFFSHORE FUND, LTD, a Cayman Islands  
exempted company; T2 PARTNERS  
28 MANAGEMENT I, LLC, a Delaware limited

Case No. A-15-719860  
Dept. No. XI

**VERIFIED SHAREHOLDER  
DERIVATIVE COMPLAINT**  
**DEMAND FOR JURY TRIAL**

1 liability company, doing business as KASE  
2 MANAGEMENT; T2 PARTNERS  
3 MANAGEMENT GROUP, LLC, a Delaware  
4 limited liability company, doing business as  
5 KASE GROUP; JMG CAPITAL  
6 MANAGEMENT, LLC, a Delaware limited  
7 liability company; PACIFIC CAPITAL  
8 MANAGEMENT, LLC, a Delaware limited  
9 liability company; Derivatively On Behalf of  
10 Reading International, Inc.

11 Plaintiffs,

12 vs.

13 MARGARET COTTER, ELLEN COTTER,  
14 GUY ADAMS, EDWARD KANE,  
15 DOUGLAS McEACHERN, TIMOTHY  
16 STOREY, WILLIAM GOULD, AND DOES 1  
17 THROUGH 100, inclusive,

18 Defendants,

19 And,

20 READING INTERNATIONAL, INC., a  
21 Nevada corporation,

22 Nominal Defendant.

23 Plaintiffs, T2 PARTNERS MANAGEMENT, LP, a Delaware limited partnership, doing  
24 business as KASE CAPITAL MANAGEMENT; T2 ACCREDITED FUND, LP, a Delaware  
25 limited partnership, doing business as KASE FUND; T2 QUALIFIED FUND, LP, a Delaware  
26 limited partnership, doing business as KASE QUALIFIED FUND; TILSON OFFSHORE FUND,  
27 LTD, a Cayman Islands exempted company; T2 PARTNERS MANAGEMENT I, LLC, a  
28 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, derivatively  
On Behalf of Reading International, Inc. (hereinafter "Plaintiffs"), by and through their attorneys,  
individually and derivatively on behalf of Reading International, Inc. ("RDI" or the "Company")  
submit this shareholder derivative complaint (the "complaint") against the defendants named



1 herein based upon their personal knowledge as to those allegations concerning themselves and  
2 based upon information and belief as to all other allegations, based upon, among other things, the  
3 investigation made by their attorneys, the pleadings filed in this action, a review of the United  
4 States Securities and Exchange Commission ("SEC") filings, press releases, and other public  
5 records.

## 6 INTRODUCTION

7 1. This is a shareholder derivative action brought on behalf of Nominal Defendant  
8 RDI against members of its Board of Directors, which include MARGARET COTTER, ELLEN  
9 COTTER, GUY ADAMS, EDWARD KANE, DOUGLAS McEACHERN, TIMOTHY STOREY  
10 and WILLIAM GOULD (hereinafter collectively referred to as the "Director Defendants"), by  
11 Plaintiffs, who are now, and at all relevant times herein have been shareholders of RDI.

12 2. Plaintiff T2 ACCREDITED FUND, L.P., is a Delaware limited partnership doing  
13 business as KASE CAPITAL, which owns 174,019 shares of Class A non-voting stock of RDI,  
14 with an estimated market value as of August 5, 2015 of \$2,110,850. Plaintiff T2 PARTNERS  
15 MANAGEMENT I, LLC., is Delaware limited liability company and general partner of Plaintiff,  
16 T2 ACCREDITED FUND, L.P.

17 3. Plaintiff T2 QUALIFIED FUND, L.P., is a Delaware limited partnership doing  
18 business as KASE QUALIFIED FUND, which owns 53,817 shares of Class A non-voting stock of  
19 RDI, with an estimated market value as of August 5, 2015 of \$652,800.21. Plaintiff T2  
20 PARTNERS MANAGEMENT I, LLC., is Delaware limited liability company and general partner  
21 of Plaintiff, T2 QUALIFIED FUND, L.P.

22 4. Plaintiff TILSON OFFSHORE FUND, Ltd., is an exempted company organized in  
23 the Cayman Islands and owns 291,406 shares of Class A non-voting stock of RDI, with an  
24 estimated market value as of August 5, 2015 of \$771,104.10.

25 5. Plaintiff T2 PARTNERS MANAGEMENT, L.P., is a Delaware limited partnership  
26 doing business as KASE CAPITAL MANAGEMENT, and is the investment manager of  
27 Plaintiffs, TILSON OFFSHORE FUND, Ltd., T2 ACCREDITED FUND, L.P., and T2

28

1 QUALIFIED FUND, L.P. Whitney Tilson, a nationally known hedge fund manager, is a resident  
2 of the State of New York and is the managing member and CCO of all three of these Plaintiffs.

3 6. Plaintiff T2 PARTNERS MANAGEMENT GROUP, LLC., is a Delaware limited  
4 liability company and general partner of T2 PARTNERS MANAGEMENT, L.P.

5 7. Plaintiff JMG CAPITAL MANAGEMENT, LLC., is a limited liability company  
6 organized in the State of Delaware, which owns 10,000 shares of Class A non-voting stock of  
7 RDI, with an estimated market value as of August 5, 2015 of \$121,300.

8 8. Plaintiff PACIFIC CAPITAL MANAGEMENT, LLC., is a Delaware limited  
9 liability company, which owns 515,934 shares of Class A non-voting stock of RDI, with an  
10 estimated market value as of August 5, 2015 of \$6,258,279.40.

11 9. JONATHAN M. GLASER is the managing member of both JMG CAPITAL  
12 MANAGEMENT, LLC., and PACIFIC CAPITAL MANAGEMENT, LLC.

13 10. Nominal Defendant RDI is a Nevada corporation and, according to its public filings  
14 with the SEC, is an internationally diversified company principally focused on the development,  
15 ownership and operation of entertainment and real estate assets in the United States, Australia and  
16 New Zealand. RDI reportedly employs approximately 2,300 people and operates in two business  
17 segments, namely, cinema exhibition, through approximately 58 multiplex cinemas, and real  
18 estate, including real estate development and the rental of retail, commercial and live theatre  
19 assets. The company manages world-wide cinemas in the United States, Australia and New  
20 Zealand. For the fiscal year ending March 31, 2015, RDI reported total operating revenue of  
21 \$60,585,000.

22 11. RDI has two classes of stock. Class A stock is held by the investing public, which  
23 holds no voting rights. As of May 6, 2015, there were 21,745,484 shares of Class A non-voting  
24 common stock (NASDAQ: RDI). The RDI non-voting shares of Class A stock represent 93% of  
25 the economics of the Company. Class B stock is the sole voting stock with respect to the election  
26 of directors. As of May 6, 2015, there were 1,580,590 shares of Class B voting common stock  
27 (NASDAQ: RDIB). Approximately 80% of the Class A stock is legally or beneficially owned by  
28 shareholders unrelated to Cotter family members. Approximately 70% of the Class B stock is

1 subject to disputes between Defendants Margaret Cotter and Ellen Cotter, on the one hand, and  
2 their brother James J. Cotter, Jr., on the other hand. These disputes involve trust and probate  
3 litigation, entitled, *In Re James J. Cotter, Living Trust, dated August 1, 2000*, Los Angeles  
4 Superior Court Case No. BP159755 and *In the Matter of the Estate of James J. Cotter, Sr.*, Clark  
5 County District Court Case No. P-14-082942-E (hereinafter referred to collectively as the "Trust  
6 and Estate Litigation").

7         12. Plaintiffs bring this derivative action to police the behavior of RDI's board of  
8 directors, who have breached their fiduciary duties of due care and loyalty to the shareholders by  
9 allowing (1) family disputes between directors Margaret and Ellen Cotter, on the one hand, and  
10 their brother, James J. Cotter, Jr., on the other hand, to spill over into the boardroom, infecting the  
11 corporate governance of this publicly-traded company, imperiling the immediate and long term  
12 prospects of the Company; (2) resulted in self-dealing by Cotter family members; and (3)  
13 corporate waste through excessive compensation for the directors and the payment of personal  
14 expenses of Cotter family members from the Company's treasury.

15         13. From between 2000 up until he resigned on or about August 7, 2014, James J.  
16 Cotter, Sr. was the CEO and Chairman of the Board of RDI. Based upon filings with the SEC,  
17 James J. Cotter, Sr. controlled approximately 70% of the Class B voting stock of RDI.  
18 Accordingly, James J. Cotter, Sr. unilaterally selected and elected the board of directors. Based  
19 upon the allegations contained in the complaint filed in this action by James J. Cotter, Jr. (JJC's  
20 Complaint), his father ran the company as he saw fit, "without meaningful oversight or input from  
21 the board of directors." JJC's Complaint further alleges that his father "did not seek directors that  
22 could add significant value but sought out friends to fill out the 'independent' member  
23 requirements." JJC's Complaint also alleges that in December of 2006, his father submitted a  
24 succession plan to the board, which entailed James Cotter, Jr. assuming his father's position as  
25 CEO and Chairman upon his father's retirement or death. According to JJC's Complaint, the board  
26 approved of his father's succession plan in December of 2006.

27         14. James J. Cotter, Jr. was appointed Vice-Chairman of the board in 2007. The RDI  
28 board appointed him president of RDI on or about June 1, 2013.

1           15.     On or about September 13, 2014, James J. Cotter, Sr. passed.

2           16.     According to JJC's Complaint, shortly after the passing of their father, James J.  
3 Cotter, Jr.'s sisters, Defendants Margaret and Ellen Cotter, initiated the Trust and Estate Litigation  
4 over who should control the RDI voting stock previously controlled by their father.

5           17.     JJC alleges that his sisters, Margaret and Ellen Cotter, conspired with directors  
6 Kane, Adams and McEachern to terminate him as the president and CEO of RDI, because he  
7 refused to acquiesce to threats to settle the Trust and Estate Litigation on terms demanded by his  
8 sisters. James J. Cotter, Jr. also alleges that on June 12, 2015, Defendants Ellen Cotter, Margaret  
9 Cotter, Adams, Kane and McEachern each voted to terminate him as President and CEO of RDI  
10 because he refused to accept his sisters' "take-it-or-leave-it" settlement offer made in the Trust and  
11 Estate Litigation.

12           18.     JJC's Complaint further alleges that outside directors, Margaret Cotter, Kane,  
13 Adams and McEachern, and inside director Ellen Cotter, breached their fiduciary duties owed to  
14 RDI and its shareholders by threatening, and later terminating him as the President and CEO of  
15 RDI, because he refused to accept his sisters' "take-it-or-leave-it" settlement offer in the Trust and  
16 Estate litigation.

17           19.     On or about August 3, 2015, James J. Cotter, Jr. filed a motion to expedite  
18 discovery and a motion for preliminary injunction in this action ("JJC's Motion"). JJC's Motion  
19 alleges that subsequent to the filing of his complaint on June 12, 2015, Defendants, Ellen Cotter,  
20 Margaret Cotter, Kane and Adams formed an "executive committee" of the board, and have frozen  
21 out the remaining three directors from all participation and communication with the board of  
22 directors of RDI. JJC's Motion claims that Defendants Ellen and Margaret Cotter, together with  
23 Kane and Adams, have effectively reduced the size of the board from eight members to four  
24 members, in violation of the Company's Bylaws.

25           20.     Although the Company would normally hold its annual meeting in May of 2015,  
26 the family disputes alleged herein and/or the current parties controlling the Company have  
27 prevented the Company from preparing and filing a proxy statement with the SEC and holding its  
28 annual meeting. The Company's last annual meeting was held nearly 15 months ago on May 15,

1 2014. The failure to hold its annual meeting in the near future jeopardizes the Company's  
2 continued listing on NASDAQ pursuant to NASDAQ's Continued Listing rule 5620(a), and  
3 therefore greatly imperils the Company's market valuation and its cost of capital.

4 21. Further, the failure to have truly independent directors puts at risk the Company's  
5 continued listing on NASDAQ pursuant to NASDAQ Continued Listing Rule 5605(b) similarly  
6 threatening the Company's market valuation and its cost of capital.

7 **DEMAND IS EXCUSED**

8 22. Demand upon the board of directors required by NRCP 23.1 is excused under  
9 *Shoen v. SAC Holding Corporation*, 137 P. 3d 1171, because the protection normally afforded  
10 directors under the business judgment rule is inapplicable to protect the Director Defendants  
11 herein. Specifically, a majority of the Director Defendants have put their own personal financial  
12 interests ahead of the public shareholders' interests in making the decision to fire James J. Cotter,  
13 Jr. as CEO and President of RDI, and/or were controlled and unduly influenced by directors  
14 Margaret and Ellen Cotter, who have a pecuniary interest in the outcome of the Trust and Estate  
15 litigation. The Trust and Estate Litigation is not the business of RDI, or its board of directors, and  
16 the decision on June 12, 2015 to fire James J. Cotter, Jr., because he refused to accept a settlement  
17 offer his sisters made to him in the unrelated Trust and Estate Litigation was not based upon James  
18 J. Cotter, Jr.'s performance as President and CEO of RDI. Since he became President and CEO,  
19 RDI's stock price had risen from \$8.17 per share to \$13.88 per share on the day he was fired. Since  
20 he was fired, RDI's stock price has dropped significantly to 11.78 per share as of July 31, 2015.

21 23. Further, as alleged more fully below, on or about November 13, 2014, two months  
22 after the passing of James J. Cotter, Sr., the Director Defendants voted to raise their annual  
23 directors' fees by 43% and gave each non-employee director additional compensation in the form  
24 of stock options and one-time cash compensation. Additionally, in or about March of 2015, the  
25 Directors Defendants approved payment to Defendants Kane, Adams, McEachern and Gould of an  
26 extra \$25,000 for the first six months of 2015. The Director Defendants also approved the  
27 payment of \$75,000 to Defendant Storey for the first six months of 2015. The Director  
28 Defendants promoted their own personal interests over the interests of the Company and its

1 shareholders by approving the above-described excessive compensation to themselves at a time  
2 when the Company's stock price had dramatically fallen and the corporate governance of the  
3 Company was out of control. These acts of wasting the corporate assets to promote their own  
4 personal financial interests further makes these Defendants "interested directors".

5 Edward Kane is an "Interested" Director:

6 24. As alleged in JJC's Complaint, Defendant Edward Kane was a life-long friend of  
7 James J. Cotter, Sr., and Defendants Margaret and Ellen Cotter refer to him as "Uncle Ed." James  
8 Cotter, Jr. alleges that based upon this quasi-familial intimate relationship, Defendant Kane sought  
9 a raise for Ellen Cotter shortly after her father passed, in order for Ellen Cotter to qualify for a loan  
10 to purchase a condominium in Laguna Beach, California. Cotter, Jr. alleges that Kane wrote a  
11 letter to Ellen Cotter's lender in order to help her qualify for her loan, claiming that he was the  
12 Chairman of the RDI Compensation Committee, which "anticipate[d] a total cash compensation  
13 increase of no less than 20%" for Ellen Cotter, when in fact he had no authority to do so and the  
14 study that had been commissioned to justify Ellen Cotters' pay increase failed to justify the  
15 increase. Further, James Cotter, Jr. alleges that on January 16, 2015, Kane sent him an email  
16 suggesting that Ellen Cotter be given the title she wanted and that Margaret Cotter be treated as a  
17 "co-equal with [a] new head of domestic real estate [and] [t]hat she and the new head will report to  
18 you and you will resolve any conflicts between them that they cannot resolve themselves [and]  
19 you will make a title for Margaret Cotter as a new employee of the Company...."

20 25. James Cotter, Jr. further alleges that Defendant Kane has made "rants to JJC about  
21 'The Godfather' and the Corleone family from that series of movies, even including a suggestion  
22 that termination of JJC would be analogous to the murder of someone disrespecting a Corleone  
23 family member."

24 26. Defendant Kane was clearly controlled and unduly influenced by Defendants Ellen  
25 Cotter and Margaret Cotter when he voted to terminate James J. Cotter, Jr. as President and CEO  
26 of RDI.

27 27. Further, Defendant Kane is alleged to have committed corporate waste by voting  
28 for and receiving excessive compensation.



1           Guys Adams is an "Interested" Director:

2           28.     James Cotter, Jr. further alleges that Adams' sworn testimony in his divorce  
3 proceedings indicated he lost approximately 70% of his investments in 2007-2008 and that he  
4 derives approximately 70% - 80% of his income from entities which Ellen and Margaret Cotter  
5 exercise control. Further, James Cotter, Jr. alleges that Ellen Cotter promised Adams he would be  
6 appointed CEO of RDI upon James J. Cotter's termination, which promise was made prior to  
7 Adams voting to fire Cotter, Jr.

8           29.     James Cotter, Jr. also alleges that on or about May 2013, Adams entered into an  
9 agreement with James Cotter, Sr., whereby Adams received a carried interest in certain real estate  
10 projects and alleges that the decision on whether Adams' interests will be monetized and the extent  
11 to which they will be monetized rests with Ellen Cotter and Margaret Cotter, the administrators of  
12 the estate of James Cotter, Sr. Defendant Adams was clearly controlled and unduly influenced by  
13 Defendants Ellen Cotter and Margaret Cotter when he voted to terminate James J. Cotter, Jr. as  
14 President and CEO of RDI.

15           30.     Further, Defendant Adams is alleged to have committed corporate waste by voting  
16 for and receiving excessive compensation.

17           Margaret Cotter is an "Interested" Director:

18           31.     As alleged in JJC's Complaint, Margaret Cotter is an outside director of RDI and is  
19 currently engaged in the Trust and Estate Litigation, whereby it is alleged she and her sister, Ellen,  
20 seek to invalidate James Cotter, Sr.'s trust document in order to obtain voting control of RDI's  
21 Class B stock sufficient to elect RDI's directors. James Cotter, Jr. alleges that Margaret Cotter,  
22 together with her sister, threatened to and then later did have him fired as President and CEO of  
23 RDI because he refused to accept a "take-it-or-leave-it" settlement offer made by Margaret and  
24 Ellen Cotter in the Trust and Estate Litigation. Margaret Cotter was clearly "interested" in the  
25 decision to fire her brother, James J. Cotter, Jr. as President and CEO of RDI.

26           Ellen Cotter is an "Interested" Director:

27           32.     As alleged in JJC's Complaint, Ellen Cotter is an inside director of RDI and is  
28 currently engaged in the Trust and Estate Litigation whereby it is alleged she and her sister,

1 Margaret, seek to invalidate James Cotter, Sr.'s trust document in order to obtain voting control of  
2 RDI's Class B stock sufficient to elect RDI's directors. James Cotter, Jr. alleges that Ellen Cotter,  
3 together with her sister, threatened to and then later did have him fired as President and CEO of  
4 RDI because he refused to accept a "take-it-or-leave-it" settlement offer made by Margaret and  
5 Ellen Cotter in the Trust and Estate Litigation. Ellen Cotter was clearly "interested" in the  
6 decision to fire her brother, James J. Cotter, Jr. as President and CEO of RDI.

7 Ellen Cotter, Margaret Cotter, Edward Kane and Guy Adams Are Interested  
8 Directors Because They Have Illegally Reduced the Number of Directors from Eight  
9 to Four:

10 33. As alleged in JJC's Motion, Defendants Ellen and Margaret Cotter, together with  
11 Kane and Adams have formed an "Executive Committee" of the board, the practical effect of  
12 which has been to freeze out directors James J. Cotter, Jr., William Gould and Timothy Storey (the  
13 same directors who voted not to terminate James J. Cotter, Jr. as President and CEO of RDI), from  
14 any participation on the board of directors of the Company. Plaintiffs are informed and believe,  
15 and thereon allege that the Bylaws of the Company require eight directors. Further, NASDAQ's  
16 Continuing Listing Rule 5605(b) requires the Company's board of directors to have a majority of  
17 independent directors. By effectively reducing the number of directors from eight to four on an *ad*  
18 *hoc* basis, these Director Defendants have violated NASDAQ's Rule 5605(b) and jeopardized the  
19 Company's continued listing on that exchange. Further, these Defendants are clearly "interested  
20 directors" and any demand upon them to restore James J. Cotter, Jr. as the President and CEO of  
21 the Company, disgorge their excessive compensation, cease other manners of self-dealing and  
22 follow proper corporate governance practices would be futile.

23 **FIRST CAUSE OF ACTION**

24 **(Breach of Fiduciary Duty – Against Director Defendants)**

25 34. Plaintiffs repeat and re-allege paragraphs 1 through 33, inclusive, of the complaint  
26 and incorporate them herein by this reference.

27 ///

28 ///



1           35. Each of the Director Defendants were directors of RDI at all relevant times alleged  
2 herein. As such, each owed fiduciary duties, including duties of due care and loyalty, to the  
3 Company and to Plaintiffs and other RDI shareholders.

4           36. The duty of due care owed by each Director Defendant required the directors to  
5 exercise that care that a reasonably prudent person in a similar position would use under similar  
6 circumstances. This duty of due care required the Director Defendants to not act with undue  
7 haste, a lack of board preparation or a failure of deliberation with respect to the merits of every  
8 business decision and to not take sides in a family dispute between directors.

9           37. The duty of loyalty owed by each Director Defendant requires directors to act in  
10 good faith and in the best interest of the Company and the shareholders and to refrain from acts  
11 which advance their own personal or financial interests over the interest of the Company and its  
12 shareholders.

13           38. By taking sides in a family dispute between Ellen and Margaret Cotter, on the one  
14 hand, against James J. Cotter, Jr., on the other hand, because James J. Cotter, Jr. refused to accept  
15 a "take-it-or-leave-it" settlement offer made by his sisters in the Trust and Estate Litigation, the  
16 Directors Defendants breached their duties of due care and loyalty owed to the Company,  
17 Plaintiffs and other RDI shareholders.

18           39. On or about June 12, 2015, the Director Defendants caused to be filed with the SEC  
19 a Form 8-K, which disclosed to the market that the Director Defendants had terminated the  
20 employment of James J. Cotter, Jr. as President and CEO of the Company, and that the Directors  
21 Defendants had appointed Ellen Cotter as Chairperson and CEO. That 8-K also disclosed to the  
22 market that on June 12, 2015 James J. Cotter, Jr. filed a lawsuit against the Director Defendants  
23 alleging that they had breached their fiduciary duties in terminating him. On June 12, 2015 RDI's  
24 Class A stock price was \$13.88 per share. Since the Form 8-K was filed, RDI's stock price has  
25 dropped dramatically to \$11.78 as of July 31, 2015.

26           40. Further, on or about November 13, 2014, two months after the passing of James J.  
27 Cotter, Sr., the Director Defendants voted to raise their annual directors' fees by 43% and gave  
28 each non-employee director additional compensation in the form of stock options and one-time

1 cash compensation. Additionally, in or about March of 2015, the Directors Defendants approved  
2 payment to Defendants Kane, Adams, McEachern and Gould of an extra \$25,000 for the first six  
3 months of 2015. The Director Defendants also approved the payment of \$75,000 to Defendant  
4 Storey for the first six months of 2015. The Director Defendants promoted their own personal  
5 interests over the interests of the Company and its shareholders by approving the above-described  
6 excessive compensation to themselves at a time when the Company's stock price had dramatically  
7 fallen and the corporate governance of the Company was out of control. Accordingly, the Director  
8 Defendants further breached their duties of due care and loyalty owed to the Company and its  
9 shareholders.

10 41. Further, Plaintiffs are informed and believe, and thereon allege that some time  
11 subsequent to the filing of JJC's Complaint, Defendants, Ellen Cotter, Margaret Cotter, Kane and  
12 Adams formed an ad hoc "Executive Committee", and have frozen out directors James J. Cotter,  
13 Jr., William Gould and Timothy Storey from any participation on the board of directors, thereby  
14 effectively reducing the number of directors from eight to four.

15 42. As a direct and proximate result of the breaches of fiduciary duties alleged herein,  
16 Company and its shareholders have suffered and continue to suffer damages.

17 43. Plaintiffs cannot ascertain at this time the full nature, extent or amount of damages  
18 suffered by the Plaintiffs and the Company, which are in excess of \$50,000. Plaintiffs will amend  
19 this complaint when the amount of damages is ascertained according to proof at the time of trial.

20 **SECOND CAUSE OF ACTION**

21 **(Aiding and Abetting Breach of Fiduciary Duty --**

22 **Against Defendants Margaret Cotter and Ellen Cotter)**

23 44. Plaintiffs repeat and re-allege paragraphs 1 through 43, inclusive, of this complaint  
24 and incorporate them herein by this reference as though fully set forth herein.

25 45. As more fully alleged in JJC's Complaint, Defendants Margaret and Ellen Cotter  
26 solicited Defendants Kane, Adams and McEachern to threaten to fire James J. Cotter, Jr. as  
27 President and CEO of RDI during the few hours between the adjournment of the RDI board  
28 meeting on Friday, May 29, 2015 and the resumption of that board meeting at 6:00 p.m. that same

1 day if James J. Cotter, Jr, did not accept a "take-it-or-leave-it" settlement offer made by Ellen and  
2 Margaret Cotter in the Trust and Estate Litigation. Defendants Ellen and Margaret Cotter aided  
3 and abetted the Director Defendants to breach their fiduciary duties owed to the Company,  
4 Plaintiffs and the other RDI shareholders by firing James J. Cotter, Jr. as President and CEO of  
5 RDI on June 12, 2015 because he refused to accept a "take-it-or-leave-it" settlement offer made by  
6 Ellen and Margaret Cotter in the Trust and Estate Litigation.

7 46. Defendants Ellen and Margaret Cotter acted with knowledge of the fiduciary duties  
8 of the other Director Defendants. Ellen and Margaret Cotter acted with knowledge of the manner  
9 in which those fiduciary duties were breached, and aided and abetted and continue to aid and abet  
10 said breaches. Accordingly, Ellen and Margaret Cotter are liable for aiding and abetting those  
11 fiduciary breaches.

12 47. Further, Defendants Kane, Adams, and McEachern also aided and abetted the  
13 breach of fiduciary duties of each other by approving and ratifying the waste of corporate assets in  
14 the form of excessive compensation for themselves as alleged herein.

15 48. As a direct and proximate result of the acts and omissions of said defendants as  
16 described herein, the Company and its shareholders have suffered damages in excess of \$50,000.

17 49. Plaintiffs cannot ascertain at this time the full nature, extent or amount of damages  
18 suffered by virtue of the acts alleged herein. Plaintiffs will amend this complaint to set forth such  
19 damages when they are ascertained according to proof at the time of trial.

### 20 **THIRD CAUSE OF ACTION**

#### 21 **(Abuse of Control by Director Defendants)**

22 50. Plaintiffs repeat and re-allege paragraphs 1 through 43, inclusive, of this complaint  
23 and incorporate them herein by this reference as though fully set for in full.

24 51. Director Defendants' misconduct alleged herein constituted an abuse of their  
25 ability to control and influence RDI, for which they are legally responsible.

26 52. As a direct and proximate result of the Director Defendants' abuse of control, RDI  
27 has suffered and continues to suffer substantial monetary damages, including damage to RDI's  
28

1 reputation and good will. Director Defendants are liable to the Company as a result of the  
2 misconduct alleged herein.

3 53. Plaintiffs have no adequate remedy at law.

4 **FOURTH CAUSE OF ACTION**

5 **(Gross Mismanagement by Director Defendants)**

6 54. Plaintiffs repeat and re-allege paragraphs 1 through 43, inclusive, of this complaint  
7 and incorporate them herein by this reference as though fully set for in full.

8 55. By their actions alleged herein, Director Defendant, either directly or through  
9 aiding and abetting, abandoned and abdicated their responsibilities and fiduciary duties with  
10 regard to prudently managing the assets and business of RDI in a manner consistent with the  
11 operations of a publicly traded corporation.

12 56. As a direct and proximate result of Director Defendants' gross mismanagement and  
13 breaches of their fiduciary duties alleged herein, RDI has suffered substantial monetary damages,  
14 as well as damage to RDI's reputation and good will. Director Defendants are liable to the  
15 Company as a result of the misconduct alleged herein.

16 57. Plaintiffs have no adequate remedy at law.

17 **FIFTH CAUSE OF ACTION**

18 **(Corporate Waste by Director Defendants)**

19 58. Plaintiffs repeat and re-allege paragraphs 1 through 43, inclusive, of this complaint  
20 and incorporate them herein by this reference as though fully set for in full.

21 59. Plaintiffs are informed and believe, and thereon allege that the Director Defendants  
22 caused to be filed with the SEC an amended 10-K filing on or about March 31, 2015, which  
23 disclosed that decedent James J. Cotter, Sr.'s Supplemental Retirement Plan ("SERP" aka "Golden  
24 Coffin") would reward his service for the previous 25 years (including predecessor companies and  
25 service for which he presumably had already been compensated), based upon a formula that would  
26 effectively continue his salary for 180 months (15 years!) after his death. Plaintiffs are informed  
27 and believe that under the terms of the revised SERP, the Company is obligated to pay to the  
28 estate of James J. Cotter, Sr. a monthly payment of \$56,944, which commenced October 1, 2014

1 for a period of 180 months, or the total sum of approximately \$10,249,920. Plaintiffs allege that  
2 this term of the SERP is excessive, unwarranted and constitutes corporate waste.

3 60. Further, on or about November 13, 2014, two months after the passing of James J.  
4 Cotter, Sr., the Director Defendants voted to raise their annual directors' fees by 43% and gave  
5 each non-employee director additional compensation in the form of stock options and one-time  
6 cash compensation. Additionally, on or about March of 2015, the Directors Defendants approved  
7 payment to Defendants Kane, Adams, McEachern and Gould of an extra \$25,000 for the first six  
8 months of 2015. The Director Defendants also approved the payment of \$75,000 to Defendant  
9 Storey for the first six months of 2015.

10 61. Plaintiffs are informed and believe and thereon allege that in 2014, the Director  
11 Defendants approved the reimbursement of Defendant Ellen Cotter the sum of \$50,000 for income  
12 taxes she incurred as a result of exercising stock options that were deemed to be non-qualified  
13 stock options for income tax purposes.

14 62. Plaintiffs are further informed and believe, and thereon allege that the Director  
15 Defendants approved payment of the expenses associated with the memorial of James J. Cotter,  
16 Sr., and the reception at the Bel Air Hotel in Los Angeles, California, which included payment of  
17 out-of-town guests dining and lodging at the Bel Air Hotel, payment of chartered bus  
18 transportation, etc. Such expenses were clearly of a personal nature to the Cotter family and were  
19 not a legitimate Company expense.

20 63. Plaintiffs are informed and believe, and thereon allege that the Director Defendants  
21 approved the shifting or elimination of performance thresholds to justify payment of bonuses to  
22 James J. Cotter, Sr., when the original performance thresholds were not achieved.

23 64. As a result of the improper conduct alleged herein, and by failing to properly  
24 consider the interests of the Company and its public shareholders, the Director Defendants have  
25 committed waste of corporate assets to the damage of the Company and its shareholders.

26 65. Plaintiffs have no adequate remedy at law.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiff, on his own behalf, and derivatively on behalf of RDI, prays for judgment as follows:

A. An award of monetary damages to Plaintiff, on behalf of RDI, against all Director Defendants and in favor of the Company for the amount of damages sustained by RDI as a result of the Director Defendants' breaches of fiduciary duties, abuse of control, gross mismanagement, and corporate waste, together with prejudgment interest thereon, in an amount to be proven at trial;

- B. Equitable and injunctive relief, including but not limited to:
- i) an order disbanding the "Executive Committee" and enjoining any action by any director to "freeze out" or otherwise restrict the participation of all eight directors in corporate decisions;
  - ii) an order reinstating James J. Cotter, Jr. as the President and CEO of RDI;
  - iii) an order appointing a temporary receiver to cause (a) a proxy statement be prepared and filed with the SEC; (b) to schedule and hold an annual shareholders' meeting; and (c) such further relief as the Court may deem necessary for the ongoing management and control of the Company;
  - iv) an order collapsing the Class A and B stock structure into a single class of voting stock such that the Cotter family can no longer abuse public shareholders by running RDI as a personal fiefdom and to prevent the Cotter family disputes between the Cotter-family Class B shareholders or the inequitable Cotter family control of the Company as a whole from further damaging the Company and the public shareholders;

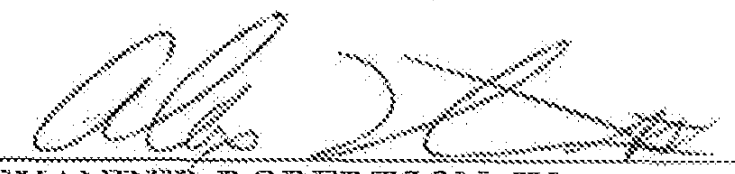
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- C. For attorney's fees and costs of suit herein; and
- D. For such other and further relief as the Court may deem just and proper.

DATED this 12<sup>th</sup> day of August, 2015.

ROBERTSON & ASSOCIATES, LLP

By: 

ALEXANDER ROBERTSON, IV  
 Alexander Robertson, IV (Nevada Bar No. 8642)  
*arobertson@arobertsonlaw.com*  
 32121 Lindero Canyon Road, Suite 200  
 Westlake Village, CA 91361  
 Telephone (818) 851-3850

Attorneys for Plaintiffs and Intervenors, 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;

Derivatively On Behalf of Reading International, Inc.



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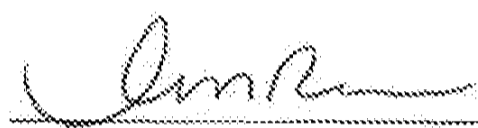
**CERTIFICATE OF SERVICE**

The undersigned, an employee of Robertson & Associates, LLP, hereby certifies that on the 28<sup>th</sup> day of August, 2015, I served a true and correct copy of Plaintiffs-In-Intervention's **VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT; DEMAND FOR JURY TRIAL** by electronic service by submitting the foregoing to the Court's E-filing System for Electronic Service upon the Court's Service List pursuant to EDCR 8. The copy of the document electronically served bears a notation of the date and time of service.

**PLEASE SEE THE E-SERVICE MASTER LIST**

I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 28, 2015



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An employee of ROBERTSON & ASSOCIATES, LLP