



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN RE MADISON SQUARE
GARDEN ENTERTAINMENT CORP.
STOCKHOLDERS LITIGATION

CONSOLIDATED
C.A. No. 2021-0468-KSJM
**PUBLIC [REDACTED]
VERSION AS FILED ON
OCTOBER 18, 2021**

VERIFIED CONSOLIDATED DERIVATIVE COMPLAINT

Plaintiffs Hollywood Firefighters' Pension Fund, James R. Gould, Jr., City of Miramar Retirement Plan and Trust Fund for General Employees, and City of Miramar Management Retirement Plan (each a "Plaintiff" and together "Plaintiffs") submit this Verified Consolidated Derivative Complaint (the "Complaint") derivatively on behalf of Nominal Defendant Madison Square Garden Entertainment Corp. ("MSG" or the "Company") and against the defendants named herein for breaches of fiduciary duty in their capacities as directors, officers, and/or controlling stockholders of the Company (the "Action").¹

The allegations in this Complaint are made upon Plaintiffs' knowledge as to themselves and, as to all other matters, upon information and belief, including the investigation of counsel, the review of publicly available information, and the review

¹ Plaintiffs have removed from this Complaint all allegations regarding Defendants' violation of 8 *Del. C.* § 203 ("Section 203"), which the Court dismissed on August 31, 2021. Per paragraph 4 of the Stipulation and Order dismissing the Section 203 claims, Plaintiffs reserve all appellate rights.

of certain books and records produced by the Company in response to Plaintiffs' demands made under 8 *Del. C.* § 220 as to all other matters.

NATURE OF THE ACTION

1. This Action arises because James Dolan (“J. Dolan”), who along with various Dolan family members and trusts (as defined below, the “Dolans,” the “Dolan Family,” or the “Dolan Defendants”) control numerous corporations comprising the Madison Square Garden-related sports, media, and entertainment empire, merged two of those entities—MSG and MSG Networks, Inc. (“MSGN”) on terms that were grossly unfair to MSG yet uniquely beneficial to the Dolans (the “Merger”).

2. None of the Madison-Square-Garden-related entities made any pretense about who controlled them and their respective boards. In fact, at the time of the Merger, at least half of the members of the board of directors of each of MSG and MSGN were named Dolan (or are in-laws in the Dolan Family), and the few directors who were not family members had spent years in the social and business umbrella created by J. Dolan’s father, Charles F. Dolan (“C.F. Dolan”).

3. In April 2020, the company now known as Madison Square Garden Sports Corp. (“MSGS”) spun-off the recently created MSG, which houses the live-entertainment assets of the Madison Square Garden empire (the “Spin-Off”). For its

part, MSGS had previously been spun out of MSGN, which houses the Madison Square Garden cable network assets.

4. On July 9, 2021, the Dolans rearranged their puzzle pieces yet again and announced a recombination of MSGE and MSGN. The Merger was patently unfair to MSGE, and the market reacted swiftly and negatively to the announcement. MSGE was a rapidly growing business, coming off an awful stock price decline caused by COVID-19 shutdowns of facilities like Madison Square Garden. As the world came back to normal, attendance at concerts and sporting events was expected to skyrocket, pulling up MSGE's stock price along with it. On the other hand, MSGN—a television sports and entertainment programming company—thrived during the pandemic and generates significant cash flow, but it is a declining business in the long run. The Merger was perfectly timed by the Dolans to occur while MSGE's stock traded at a trough and MSGN's stock traded at a peak.

5. MSGE did not need to effectuate the Merger to fund its promising, albeit capital-intensive, expansion projects. MSGE's largest expansion project is the MSG Sphere in Las Vegas (with another following in London). That project is expensive, but the Company could raise the necessary funds through debt or equity issuances. Recognizing an opportunity to seize unique benefits for themselves (that would be unavailable through debt or equity issuances), the Dolan Family took a

different path—combining MSGE and MSGN in order to use MSGN’s cash flows to fund MSGE’s operations.

6. This decision unfairly harmed the Company while preserving (and indeed enhancing) the Dolan Family’s economic and voting stake in a combination of MSGE with MSGN. Although other sources of financing would be preferable to MSGE, the Dolans had every incentive to disregard such value-maximizing alternatives and unfairly consolidate their Madison Square Garden empire (despite having disassembled this empire just a year prior). Thus, and unsurprisingly, MSGE’s stock price plummeted on the announcement of the Merger and has continued its downward trend, a clear indication that the market believed—and continues to believe—the deal was unfair to MSGE.

7. The process by which the Merger was negotiated and approved is highly suspect. The Dolans refused to condition the transaction on a majority-of-the-minority approval, mandating entire fairness review of the Merger by the Court. Moreover, the MSGE’s special committee’s (the “MSGE Special Committee”) mandate was laser-focused on a deal with MSGN, and one of its two members is a senior advisor to one of the MSGE Special Committee’s financial advisors (whose contingent fee was tied to the consummation of the Merger). As a reward for pushing through the Merger, that same conflicted committee member was named interim Chief Executive Officer (“CEO”) of another one of the Dolans’ companies,

AMC Networks, Inc. (“AMC Networks”) and locked in a hefty payday. And, the *same* law firm advised the board of directors of both MSGE (the “MSGE Board”) and MSGN (the “MSGN Board”) in connection with the Merger.

8. At bottom, the Dolans perfectly timed the Merger and then skirted myriad stockholder-friendly procedural protections to eliminate the risk that the deal might not be approved. Their actions, along with those of the other members of the supine MSGE Board, however, carry with them attendant consequences. Accordingly, this Action seeks to hold the Defendants accountable for their misconduct for their breaches of fiduciary duty in structuring, negotiating, and approving the Merger.

PARTIES AND RELEVANT NON-PARTIES

I. Plaintiffs

9. Plaintiff Hollywood Firefighters’ Pension Fund has held shares of MSGE Class A common stock at all times relevant hereto.

10. Plaintiff James R. Gould, Jr. has held shares of MSGE Class A common stock at all times relevant hereto.

11. Plaintiff City of Miramar Retirement Plan and Trust Fund for General Employees has held shares of MSGE Class A common stock at all times relevant hereto.

12. Plaintiff City of Miramar Management Retirement Plan has held shares of MSGE Class A common stock at all times relevant hereto.

II. Defendants

13. **Nominal Defendant MSGE** is a “live experiences” company incorporated in Delaware and headquartered in New York City. The Company’s assets are comprised of event venues, entertainment content, dining and nightlife venues, and a premier music festival that, together, draw approximately 12 million guests a year. The Company owns or operates by lease Madison Square Garden, Hulu Theater at Madison Square Garden, Radio City Music Hall, Beacon Theatre, and The Chicago Theatre. In addition, the Company is building a new state-of-the-art immersive experience venue—the MSG Sphere—in Las Vegas and plans to build a second MSG Sphere in London. MSGE also owns a controlling interest in TAO Group Holdings LLC, a hospitality group with 28 entertainment, dining, and nightlife venues in New York City, Las Vegas, Los Angeles, Chicago, Singapore and Sydney, Australia.

14. **Defendant J. Dolan** has served as a Class B Director, the Executive Chairman, and CEO of MSGE since it was created in November 2019, and as a director and Executive Chairman of MSGN from 2009 until the Merger. Since 2015, J. Dolan has also served as a director and the Executive Chairman of MSGS. J. Dolan was the CEO of MSGS from November 2017 to April 2020, and the CEO and

President of Cablevision Systems Corporation (“Cablevision”) from 1995 to 2016 and 1998 to 2014, respectively.²

15. Additionally, J. Dolan was CEO of Rainbow Media Holdings, Inc. (“Rainbow Media”), a former subsidiary of Cablevision that spun-off in 2011 to become AMC Networks, from 1992 to 1995; and Vice President of Cablevision from 1987 to 1992. Since 2011 and September 2020, respectively, J. Dolan has served as a director and Non-Executive Chairman of AMC Networks, a company controlled by the Dolan Family, and he served as a director of Cablevision from 1991 until its sale in 2016.

16. J. Dolan serves as the frontman and guitarist of JD & The Straight Shot, his country blues and roots rock vanity project. Reflecting his domination over the Madison Square Garden empire, attendance by company employees is “expected and noted” when JD & The Straight Shot play in New York clubs.³

17. J. Dolan is related by family ties to numerous defendants in this Action. J. Dolan is: (i) the son of C.F. Dolan; (ii) the spouse of Kristin A. Dolan (“K. Dolan”); (iii) the father of Charles P. Dolan (“C.P. Dolan”), Quentin F. Dolan (“Q.

² The Dolans controlled Cablevision Systems Corporation until its 2016 sale to Altice.

³ S.L. Price, *Lord Jim*, SPORTS ILLUSTRATED (Feb. 12, 2007), <https://vault.si.com/vault/2007/02/12/lord-jim>.

Dolan”), and Ryan T. Dolan (“R. Dolan”); (iv) the brother of Marianne Dolan Weber (“Weber”) and Thomas C. Dolan (“T. Dolan”); (v) the brother-in-law of Brian G. Sweeney (“Sweeney”); and (vi) the cousin of Paul J. Dolan (“P. Dolan”). MSGE acknowledges that J. Dolan is not “independent” within the meaning of the rules of the New York Stock Exchange (“NYSE”) and the U.S. Securities and Exchange Commission (“SEC”).

18. **Defendant C.F. Dolan** has served as a Class B Director of MSGE since April 2020, and as a director of MSGN from 2009 until the Megrer. C.F. Dolan has served as a director and Chairman Emeritus of AMC Networks since 2011 and September 2020, respectively. C.F. Dolan served as Executive Chairman of AMC Networks from 2011 to September 2020 and Chairman of Cablevision from 1985 to 2016. C.F. Dolan was CEO of Cablevision from 1985 to 1995. C.F. Dolan founded and acted as the General Partner of Cablevision’s predecessor from 1973 to 1985 and established Manhattan Cable Television in 1961 and Home Box Office, Inc. (“HBO”) in 1971. C.F. Dolan has served as a director of MSGS since 2015, and served as a director of Cablevision from 1985 to 2016.

19. C.F. Dolan is related by family ties to numerous defendants in this Action. C.F. Dolan is: (i) the father of J. Dolan, Weber, and T. Dolan; (ii) the father-in-law of K. Dolan and Sweeney; (iii) the uncle of P. Dolan; and (iv) the grandfather

of C.P. Dolan, Q. Dolan, and R. Dolan. MSGE acknowledges that C.F. Dolan is not “independent” within the meaning of the rules of the NYSE and the SEC.

20. **Defendant C.P. Dolan** has served as a Class B Director of MSGE since April 2020. Since 2020, C.P. Dolan has been an employee of Knickerbocker Group, LLC, an entity owned by J. Dolan. C.P. Dolan has served as a director of MSGS since 2015, and served as a director of MSGN from 2010 to 2015.

21. C.P. Dolan is related by family ties to numerous defendants in this Action. C.P. Dolan is: (i) the son of J. Dolan; (ii) the stepson of K. Dolan; (iii) the brother of Q. Dolan and R. Dolan; (iv) the grandson of C.F. Dolan; (v) the nephew of Weber, T. Dolan, and Sweeney; and (vi) the cousin of P. Dolan. MSGE acknowledges that C.P. Dolan is not “independent” within the meaning of the rules of the NYSE and the SEC.

22. **Defendant K. Dolan** has served as a Class B Director of MSGE since April 2020, and as a director of MSGN from 2010 to 2015, and again from 2018 until the Merger. K. Dolan served as the Chief Operating Officer (“COO”) of Cablevision from 2014 to 2016. Prior to becoming COO, K. Dolan served in various other roles at Cablevision, including: President of Optimum Services from 2013 to 2014; Senior Executive Vice President of Product Management and Marketing from 2011 to 2013; and Senior Vice President from 2003 to 2011. K. Dolan has served

as a director of MSGS since 2015 and AMC Networks since 2011, and served as a director of Cablevision from 2010 to 2016.

23. K. Dolan is related by family ties to numerous defendants in this Action. K. Dolan is: (i) the spouse of J. Dolan; (ii) the step-mother of C.P. Dolan, Q. Dolan, and R. Dolan; (iii) the daughter-in-law of C.F. Dolan; (iv) the sister-in-law of Weber, T. Dolan, and Sweeney; and (v) the cousin by marriage of P. Dolan. MSGE acknowledges that K. Dolan is not “independent” within the meaning of the rules of the NYSE and the SEC.

24. **Defendant Weber** has served as a Class B Director of MSGE since April 2020. Weber served as Chairman of both the Dolan Family Foundation and the Dolan Children’s Foundation from 1999 to 2011, and Vice Chairman and Director of the Dolan Family Office, LLC from 1997 to 2011. Weber has served as a director of MSGS since 2016 and AMC Networks since 2011, and served as a director of Cablevision from 2005 to 2016 and MSGN from 2010 to 2014.

25. Weber is related by family ties to numerous defendants in this Action. Weber is: (i) the daughter of C.F. Dolan; (ii) the sister of J. Dolan and T. Dolan; (iii) the sister-in-law of Sweeney and K. Dolan; (iv) the cousin of P. Dolan; and (v) the

aunt of C.P. Dolan, Q. Dolan, and R. Dolan. MSGE acknowledges that Weber is not “independent” within the meaning of the rules of the NYSE and the SEC.

26. **Defendant P. Dolan** has served as a Class B director of MSGE since April 2020, and a director of MSGN from 2015 until the Merger. P. Dolan has been a director of MSGS since December 2019. P. Dolan served as a director of Cablevision from 2015 to 2016.

27. P. Dolan is related by family ties to numerous defendants in this Action. P. Dolan is: (i) the nephew of C.F. Dolan; (ii) the cousin by marriage of Sweeney and K. Dolan; and (iii) the cousin of J. Dolan, T. Dolan, Weber, C.P. Dolan, Q. Dolan, and R. Dolan. MSGE acknowledges that P. Dolan is not “independent” within the meaning of the rules of the NYSE and the SEC.

28. **Defendant Q. Dolan** has served as a Class B Director of MSGE since April 2020. Q. Dolan has held an internship position at Azoff MSG Entertainment, LLC, a joint venture established in 2013 between MSGS and Azoff Music Management. Q. Dolan served as a director of MSGN from 2015 to June 2020.

29. Q. Dolan is related by family ties to numerous defendants in this Action. Q. Dolan is: (i) the son of J. Dolan; (ii) the step-son of K. Dolan; (iii) the brother of C.P. Dolan and R. Dolan; (iv) the grandson of C.F. Dolan; (v) the nephew of Weber, T. Dolan, and Sweeney; and (vi) the cousin of P. Dolan. MSGE

acknowledges that Q. Dolan is not “independent” within the meaning of the rules of the NYSE and the SEC.

30. **Defendant R. Dolan** has served as Class B Director of MSGE since April 2020. R. Dolan has served as Vice President, Interactive Experiences of MSG Ventures, a wholly-owned subsidiary of the Company, since June 2019, and served as Director, Interactive Experiences from 2016 to June 2019. R. Dolan has served as a director of MSGS since December 2019.

31. R. Dolan is related by family ties to numerous defendants in this Action. R. Dolan is: (i) the son of J. Dolan; (ii) the stepson of K. Dolan; (iii) the brother of C.P. Dolan and Q. Dolan; (iv) the grandson of C.F. Dolan; (v) the nephew of Weber, T. Dolan, and Sweeney; and (vi) the cousin of P. Dolan. MSGE acknowledges that R. Dolan is not “independent” within the meaning of the rules of the NYSE and the SEC.

32. **Defendant T. Dolan** has served as a Class B Director of MSGE since April 2020, and as a director of MSGN since 2010. T. Dolan served as Executive Vice President — Strategy and Development, Office of the Chairman of Cablevision from 2008 to 2016. T. Dolan was CEO of Rainbow Media from 2004 to 2005 and served in various roles at Cablevision, including: Executive Vice President and Chief Information Officer (“CIO”) from 2001 until 2005, Senior Vice President and CIO from 1996 to 2001, Vice President and CIO from 1994 to 1996, General

Manager of Cablevision's East End Long Island cable system from 1991 to 1994, and System Manager of Cablevision's East End Long Island cable system from 1987 to 1991. T. Dolan has served as a director of MSGS since 2015 and AMC Networks since 2011. T. Dolan served as a director of Cablevision from 2007 to 2016.

33. T. Dolan is related by family ties to numerous defendants in this Action. T. Dolan is: (i) the son of C.F. Dolan; (ii) the brother of J. Dolan and Weber; (iii) the brother-in-law of Sweeney and K. Dolan; (iv) the cousin of P. Dolan; and (v) the uncle of C.P. Dolan, Q. Dolan, and R. Dolan. MSGE acknowledges that T. Dolan is not "independent" within the meaning of the rules of the NYSE and the SEC.

34. **Defendant Martin Bandier** ("Bandier") has served as a Class A Director of MSGE since April 2020.

35. **Defendant Matthew C. Blank** ("Blank") served as a Class A Director of MSGE from April 2020 to August 23, 2021. Blank served as a director at MSGS from December 2019 until April 2020. Blank has also served as a senior advisor to The Raine Group, LLC (the "Raine Group"), a merchant bank focused on technology, media and telecommunications, since September 2020. Blank was a member of the two-person MSGE Special Committee. On August 24, 2021, AMC

Networks, which is controlled by the Dolans, announced that Blank would serve as its interim CEO.

36. **Defendant Joseph J. Lhota** (“Lhota”) has served as a Class A Director of MSGE since April 2020, and a director of MSGN from 2016 until the Merger. Lhota was a director of MSGS from 2017 to April 2020. Lhota was Executive Vice President of MSGN from 2010 to 2011 and Executive Vice President of Cablevision from 2002 to 2010. Lhota served as a director of Cablevision from 2014 to 2016.

37. **Defendant Frederic V. Salerno** (“Salerno”) has served as a Class A Director of MSGE since April 2020. Salerno served as a director of MSGS from December 2019 until April 2020. Salerno was a member of the two-person MSGE Special Committee.

38. **Defendant Sweeney** has served as a Class B Director of MSGE since April 2020, and as a director of MSGN from 2010 until the Merger. Sweeney served as the President of Cablevision from 2014 and President and Chief Financial Officer of Cablevision from 2015 to 2016. Previously, Sweeney served in various other roles at Cablevision, including: Senior Executive Vice President, Strategy and Chief of Staff from 2013 to 2014; Senior Vice President — Strategic Software Solutions from 2012 to 2013; and Senior Vice President — eMedia from January 2000 to 2012.

Sweeney has served as a director of MSGS since 2015, AMC Networks since 2011, and served as a director of Cablevision from 2005 to 2016.

39. Sweeney is related by family ties to numerous defendants in this Action. Sweeney is: (i) the son-in-law of C.F. Dolan; (ii) the brother-in-law of J. Dolan, Weber, T. Dolan, and K. Dolan; (iii) the cousin of P. Dolan; and (iv) the uncle of C.P. Dolan, Q. Dolan, and R. Dolan. MSGE acknowledges that Sweeney is not “independent” within the meaning of the rules of the NYSE and the SEC.

40. **Defendant John L. Sykes** (“Sykes”) has served as a Class A Director of MSGE since April 2020, and as a director of MSGN since 2015.

41. **Defendant Vincent Tese** (“Tese”) has served as a Class B Director of MSGE since April 2020. Tese has served as a director of AMC Networks since 2016 and MSGS since 2015. Tese served as a director of Cablevision from 1996 to 2016 and MSGN from 2010 to 2015. Tese’s brother is employed by MSG Entertainment Group, LLC, a subsidiary of the Company.

42. **Defendant Isiah L. Thomas III** (“Thomas”) has served as a Class B Director of MSGE since April 2020. Thomas served as the President & Alternate Governor of the New York Liberty of the Women’s National Basketball Association from 2015 to February 2019, which was owned by MSGS until it was sold to a third party. Following a successful basketball career that included winning the NBA Championship with the Detroit Pistons, Thomas became a lightning rod for

discontented fans while serving as the General Manager, President of Basketball Operation and Head Coach of the New York Knicks, which is owned by MSGS, from 2006 to 2008. MSGE acknowledges that Thomas is not “independent” within the meaning of the rules of the NYSE and the SEC.

43. Defendants J. Dolan, C.F. Dolan, C.P. Dolan, K. Dolan, Weber, P. Dolan, Q. Dolan, R. Dolan, T. Dolan, and Sweeney are collectively referred to herein as the “Dolans,” the “Dolan Family,” or the “Dolan Defendants.”

44. The defendants listed in ¶¶14-42 are collectively referred to herein as the “Director Defendants.”

45. MSGE, the Dolans, and the Director Defendants are collectively referred to herein as the “Defendants.”

III. Relevant Non-Party

46. Relevant non-party MSGN was a Delaware corporation headquartered in New York City. MSGN owned and operated two sports broadcasting networks (MSG Network and MSG+) and owned the local broadcasting rights for live games of the New York Knicks of the National Basketball Association, and the New York Rangers, New York Islanders, New Jersey Devils, and Buffalo Sabres of the National Hockey League. It provided coverage of the New York Giants and Buffalo Bills of the National Football League as well. MSGN also provided a wide array of other television sports and entertainment programming. The vast majority of

MSGN's revenue (over 90%) came from carriage fees charged to distributors (mainly cable television operators) for the right to carry MSGN's channels. The balance of MSGN's revenue came from advertising. MSGN was previously named as a defendant as a necessary party to the injunctive relief that Plaintiffs sought.⁴

47. Relevant non-party MSGS is a Delaware corporation headquartered in New York City. MSGS was incorporated on March 4, 2015 as an indirect, wholly-owned subsidiary of MSGN, to be spun off as an independent company. MSGS owns and operates a portfolio of assets featuring professional sports team such as the New York Knicks and the New York Rangers.

FACTUAL BACKGROUND

I. The Dolans Control MSGE and MSGN

48. On September 30, 2015, MSGN spun off MSGS. A few years later, MSGS decided to spin off MSGE. In 2019, MSGE was incorporated in Delaware, as a wholly owned subsidiary of MSGS. On April 17, 2020, MSGS spun off MSGE (*i.e.*, the Spin-Off).

49. Through their ownership of super-voting stock, ability to appoint directors, and service as directors and officers, the Dolans controlled both MSGE and MSGN. Both MSGE and MSGN had (and MSGE still has) two classes of

⁴ See footnote 1, *supra*.

common stock: one-vote-per-share Class A stock and ten-votes-per-share Class B stock. Holders of Class B stock were entitled to elect 75% of the directors at each company. At all relevant times, the Dolans, through a series of family trusts, controlled a super-majority of the voting power at MSGE and MSGN. Prior to the Merger, the Dolans owned 100% of MSGE's super-voting Class B stock and 4.2% of the Company's Class A stock. As a result, they controlled approximately 71% of MSGE's total voting power despite holding an approximately 21% economic interest in the Company. Similarly, the Dolans owned 100% of MSGN's super-voting Class B stock and 7.2% of MSGN's Class A stock. As a result, they controlled approximately 77% of MSGN's total voting power despite holding an approximately 29% economic interest in MSGN.

50. At the time that Plaintiffs filed their initial complaints, the MSGE Board comprised 17 directors, 12 of whom the Dolans directly elected⁵ and 10 of whom are members of the Dolan Family.⁶ Moreover, as described above, at least

⁵ J. Dolan, C.F. Dolan, C.P. Dolan, K. Dolan, Weber, P. Dolan, Q. Dolan, R. Dolan, T. Dolan, Sweeney, Tese, and Thomas.

⁶ J. Dolan, C.F. Dolan, C.P. Dolan, K. Dolan, Weber, P. Dolan, Q. Dolan, R. Dolan, T. Dolan, and Sweeney.

three of the remaining four Class A directors have deep and longstanding ties to the Dolans and/or served as dual directors inherently conflicted by the Merger:⁷

- Lhota was Executive Vice President of MSGN from 2010-2011, and he was Executive Vice President of Cablevision from 2002-2010. Lhota also served as a director of MSGN from 2016 until the Merger and served as a director of MSGS from 2017-2020.
- Sykes also served as a director of MSGN from 2015 until the Merger.
- Tese served as a director of MSGN from 2010 to 2015, and has served as a director of MSGS since 2015 and AMC Networks since 2016. Tese's brother is employed by a subsidiary of the Company.

51. The MSGN Board comprised 14 directors, ten of whom the Dolans directly elected⁸ and seven of whom were members of the Dolan Family.⁹ Moreover, at least two of the remaining four Class A directors had deep and longstanding ties to the Dolans and/or served as dual directors inherently conflicted by the Merger. In addition to Lhota, Joseph M. Cohen was President of MSGN from 1977-1985 and has served as a director of MSGS since 2020.

52. There was also a substantial overlap of directors between MSGE and MSGN, as the following eight people (six of whom are Dolans) served on both the

⁷ Blank resigned on August 23, 2021, ahead of his appointment as interim CEO of AMC Networks.

⁸ J. Dolan, Aiden J. Dolan, C.F. Dolan, K. Dolan, P. Dolan, T. Dolan, William J. Bell, Stephen C. Mills, Hank J. Ratner, and Sweeney.

⁹ J. Dolan, Aiden J. Dolan, C.F. Dolan, K. Dolan, P. Dolan, T. Dolan, and Sweeney.

MSGE Board and MSGN Board at all times relevant to the Merger: J. Dolan, C.F. Dolan, K. Dolan, P. Dolan, T. Dolan, Sweeney, Lhota, and Sykes. J. Dolan served as Executive Chairman of both MSGE and MSGN, and he also serves as CEO of MSGE.

53. Therefore, it is unsurprising that both MSGE and MSGN publicly disclosed: “*We Are Controlled by the Dolan Family.*” MSGE and MSGN both elected to be a “Controlled Company” under NYSE listing standards. Moreover, the resolutions forming the MSGE Special Committee [REDACTED]

[REDACTED],¹⁰

54. The Dolans are infamous for their disregard for proper corporate governance and for engaging in improper related-party transactions. Indeed, the stock of companies controlled by the Dolans are known to be afflicted by the so-called “Dolan Discount” because they trade at a discount to peers, reflecting the market’s concern that the Dolans will spend “cash in ways that don’t necessarily help the company” and their willingness to “punish[] investors” for not bowing to their will.¹¹

¹⁰ [REDACTED]

¹¹ Vishesh Kumar, ‘*Dolan Discount*’ Affliction, WALL ST. J. (May 2, 2008), <https://www.wsj.com/articles/SB120968814983361367>.

II. MSGE and MSGN Agree to the Merger, Destroying Value for MSGE and Benefiting Only the Dolans

A. A Conflicted Management Team Initiates Merger Discussions

55. MSGE’s joint proxy statement/prospectus filed in connection with the Merger (the “Proxy”) described the deal as being the result of “arm’s-length negotiations between the MSGE [S]pecial [C]ommittee and the MSGN [S]pecial [C]ommittee and their respective representatives and advisors[.]” Yet the Proxy and limited evidence produced to date shows it was nothing of the sort.

56. According to the Proxy, in December 2020, conflicted “members of MSG Entertainment and MSG Networks management” discussed a potential business combination transaction between the two companies “in light of the business and market environments in which the two companies were operating.”

57. The Proxy very conspicuously noted whenever conflicted management members were excluded from a conversation or meeting that the Proxy described. The fact that the Proxy never mentioned that conflicted members of management were excluded from these initial discussions is a glaring omission. It is reasonable to infer that these critical preliminary discussions, which set the stage for and kicked off the Merger process, included J. Dolan—the Chairman and CEO of MSGE and

Chairman of MSGN—and other conflicted members of MSGE management who stood on both sides of the Merger.¹²

B. The MSGE Board Forms the MSGE Special Committee, which is Hamstrung by Its Limited Mandate

58. On January 6, 2021, the MSGE Board held a meeting to discuss a potential transaction with MSGN. According to the Proxy, Sullivan & Cromwell LLP (“S&C”)—which also acted as counsel to MSGN in connection with the Merger—provided legal advice to the MSGE Board at that meeting.



59. At that meeting, the MSGE Board appointed Defendants Blank and Salerno, both previously directors of MSGS, as a two-member MSGE Special Committee.

60. The MSGE Board gave the MSGE Special Committee a sharply restricted mandate. The MSGE Special Committee could block a strategic transaction with MSGN, but it was neither authorized to pursue any alternative transaction with a different counterparty nor to pursue alternative methods for financing MSGE’s capital needs. And the full MSGE Board retained full veto

¹² For instance, MSGE’s Vice Chairman, Gregg G. Seibert (“Seibert”), also served as the Vice Chairman of MSGN; and MSGE’s Executive Vice President, Corporate Development, Lawrence J. Burian, also served as Executive Vice President and General Counsel of MSGN.

authority to reject a transaction with MSGN that the MSGE Special Committee recommended.

61. That day, January 6, 2021, the MSGE Special Committee held a meeting at which it, again, received advice from conflicted legal advisors: S&C and MSGE’s General Counsel, Scott Packman (“Packman”)—an officer of MSGE whose job depended on remaining in the good graces of the Dolans. Two days later, the MSGE Special Committee retained Wachtell, Lipton, Rosen & Katz (“Wachtell”) as its legal counsel—



62. On January 7, 2021, the MSGN Board formed its own special committee (the “MSGN Special Committee”) after receiving legal advice from S&C. The MSGN Special Committee retained Davis Polk & Wardwell LLP as its legal advisor and LionTree Advisors, LLC (“LionTree”) and Morgan Stanley & Co. LLC (“Morgan Stanley”) as its financial advisors.

63. On January 18, 2021, the MSGE Special Committee hired two financial advisors: Moelis & Company (“Moelis”) and Raine Securities LLC (“Raine”), a subsidiary of the Raine Group. Notably, Blank, one of the two members of the MSGE Special Committee, is a senior advisor to Raine Group—which is a relatively obscure investment bank that is not usually hired in connection with transactions of this size. Raine was paid \$1.5 million when it signed the engagement letter. It was

paid \$2.5 million after delivering its fairness opinion, and it earned another \$3.5 million when the Merger closed. Given Raine’s relative obscurity, it is difficult to understand why it would be engaged and paid such hefty fees other than as a favor to Blank.

64.

[REDACTED]

[REDACTED]

65.

[REDACTED]

13

13

[REDACTED]

66. The parties then began the diligence process. On February 5, 2021, MSGE and MSGN executed non-disclosure agreements.

67. For the balance of February 2021, members of the two special committees and their advisors held meetings with management teams from each company. On March 2, 2021, MSGE opened up a virtual data room for the MSGN advisors. Two days later, MSGN provided a data room for MSGE's advisors.

C. Negotiations Accelerate Once News of the Merger Discussions Leaks

68. In January and February 2021, the Company's stock consistently traded in the high-\$90s to low-\$100s per share. By late February and early March, the stock price had risen even further, closing at \$117.61 per share on March 8, 2021.

69. On March 10, 2021, *Bloomberg* published a story entitled: "MSG Networks Considering Rejoining with MSG Entertainment," which reported ongoing Merger talks:

MSG Networks Inc., which owns the cable channel that airs New York Knicks basketball games, is considering a merger with Madison Square Garden Entertainment Corp., according to people familiar with the matter, potentially recombining two pieces of the Dolan family entertainment empire.

MSG Networks is working with advisers to explore a merger with the owner of the iconic Madison Square Garden arena in New York City, said the people, who asked to not be identified because the matter isn't public.

70. The market reaction was pronounced and telling. Although *Bloomberg's* story gave no hint of what the economic terms of a MSGE-MSGN merger might look like, MSGN's stock price increased by 12% in trading after the market closed, while MSGE's stock price declined by 0.6%. This likely reflected the market's expectation that, in any combination, the Dolans would favor the interests of MSGN over the interests of MSGE.

71. On March 11, 2021, MSGE's shares closed down 4.4% from the March 10, 2021 closing price of \$116 per share. And over the following ten trading days, the Company's stock price continued to fall, closing at \$93.94 on March 25, 2021—a 19% decline from March 10, 2021.

72. After *Bloomberg* published its story, both sides moved quickly to bring negotiations to a close. Although no formal offer had been made, or economic terms proposed, at the time of the *Bloomberg* story, substantive economic negotiations would be complete just two weeks later.

73. The day after the *Bloomberg* story was published, the MSGE Special Committee held a meeting and was informed by Moelis and Raine that the MSGN Special Committee was prepared to receive a proposal. The MSGE Special Committee determined to make an “at-the-market” proposal for an exchange ratio of 0.163 shares of MSGE for each share of MSGN, which was derived from the two companies' volume-weighted average prices for the 60 days prior to the *Bloomberg*

story. [REDACTED]

[REDACTED]

[REDACTED]

74. In order for MSGE to issue the requisite shares in an all-stock acquisition of MSGN, MSGE would need stockholder approval. But, the Dolans alone could carry the vote by themselves. At this meeting, [REDACTED]

[REDACTED]

[REDACTED]

14 [REDACTED]

[REDACTED]

[REDACTED] It is reasonably inferable that the MSGE Special Committee [REDACTED] in light of the market's sharply negative reaction to news of the potential transaction, which suggested a substantial risk that public investors would not approve the deal, and the risk that investors would disapprove the Merger if given the choice. The MSGE Special Committee's perfunctory consideration and rejection of this material stockholder protection is conspicuously missing from the Proxy.

75. The day after that, the two committees met and the MSGE Special Committee made its proposal verbally. The MSGE Special Committee did not

prepare minutes of this key meeting. Wachtell delivered the same proposal in writing later that day. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

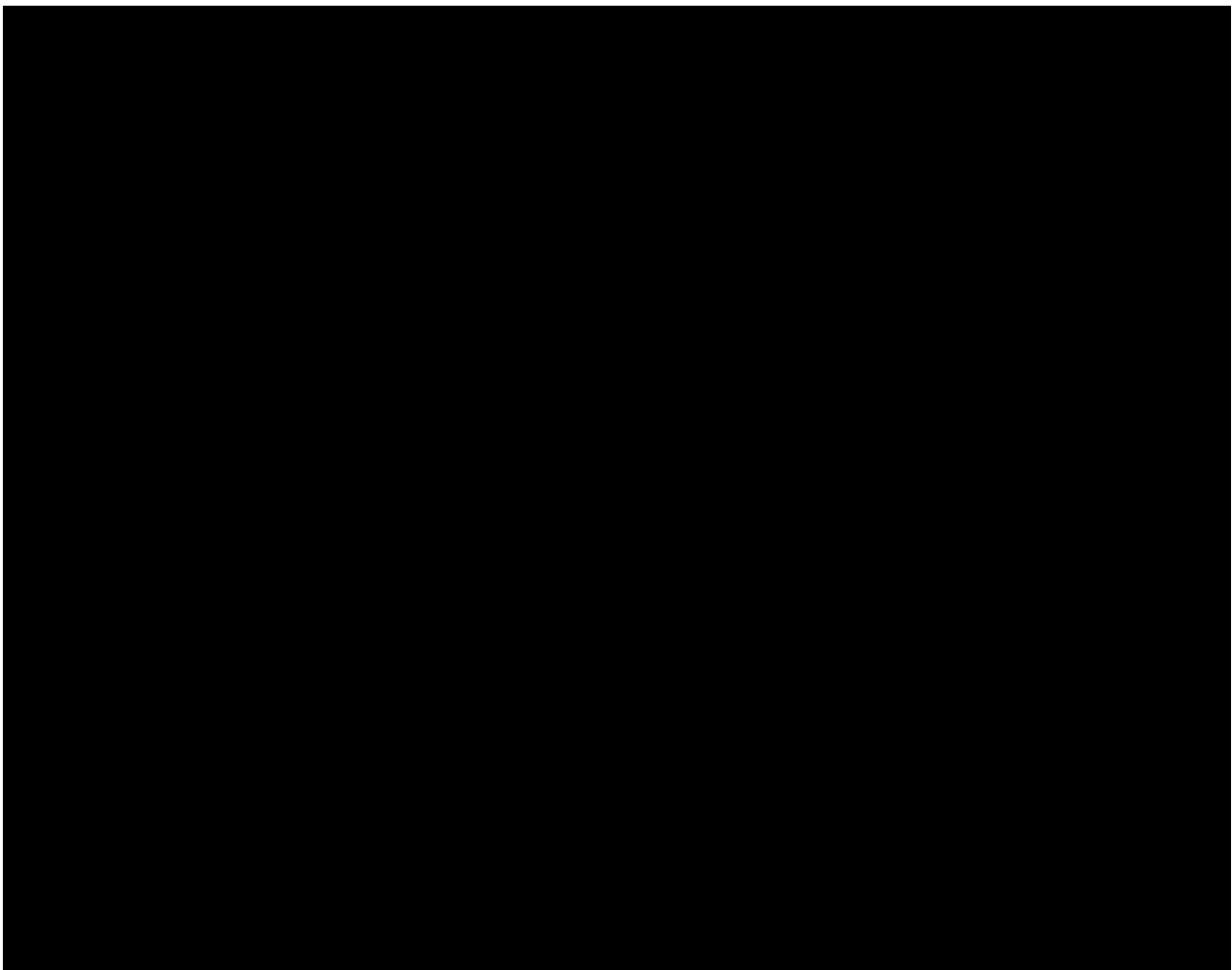
76. The following week, on March 18, 2021, the MSGN Special Committee delivered a counterproposal to MSGE. The MSGN Special Committee proposed an exchange ratio of 0.180 shares of MSGE stock for each share of MSGN stock.

77. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] 15



78. Three days after that, the two special committees met to finalize the Merger. Following various discussions, the two committees then both agreed that they could each recommend an exchange ratio of 0.172. Once again, the MSGE Special Committee failed to record minutes of its March 21, 2021 meeting with the MSGN Special Committee, despite the meeting's critical importance.

79. The agreed-upon exchange ratio of 0.172 shares of MSGE stock for each share of MSGN stock overvalued MSGN and its declining company prospects. The agreed-upon exchange ratio exceeded every measure of the many historical

exchange ratios for the two companies that the MSGE Special Committee was advised of. For example, on March 4, 2021, the MSGE Special Committee was advised [REDACTED]¹⁶ On March

11 and 19, 2021, the MSGE Special Committee was advised [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]¹⁷ The exchange ratio was, therefore, completely unjustified

[REDACTED]

[REDACTED]

80. The Proxy's description appears to confirm that the MSGE Special Committee's superficial process—*i.e.*, discussing the potential exchange ratio on only four occasions—was mere window dressing for a Merger that the Dolans forced on the Company. Per the Proxy's descriptions, the MSGE Special Committee did not discuss any transaction terms until March 11, 2021—just ten days before the Merger was effectively agreed upon.

16 [REDACTED]

17 [REDACTED]

D. Both Boards Approve the Merger; The Market Pans the Deal

81. On March 24, 2021, Raine and Moelis delivered fairness opinions (discussed in greater detail below) and the MSGE Special Committee determined to recommend that the full MSGE Board approve the Merger and the necessary share issuance by MSGE. The next day, the MSGE Board met and—after receiving legal advice from S&C—unanimously voted to approve the Merger.

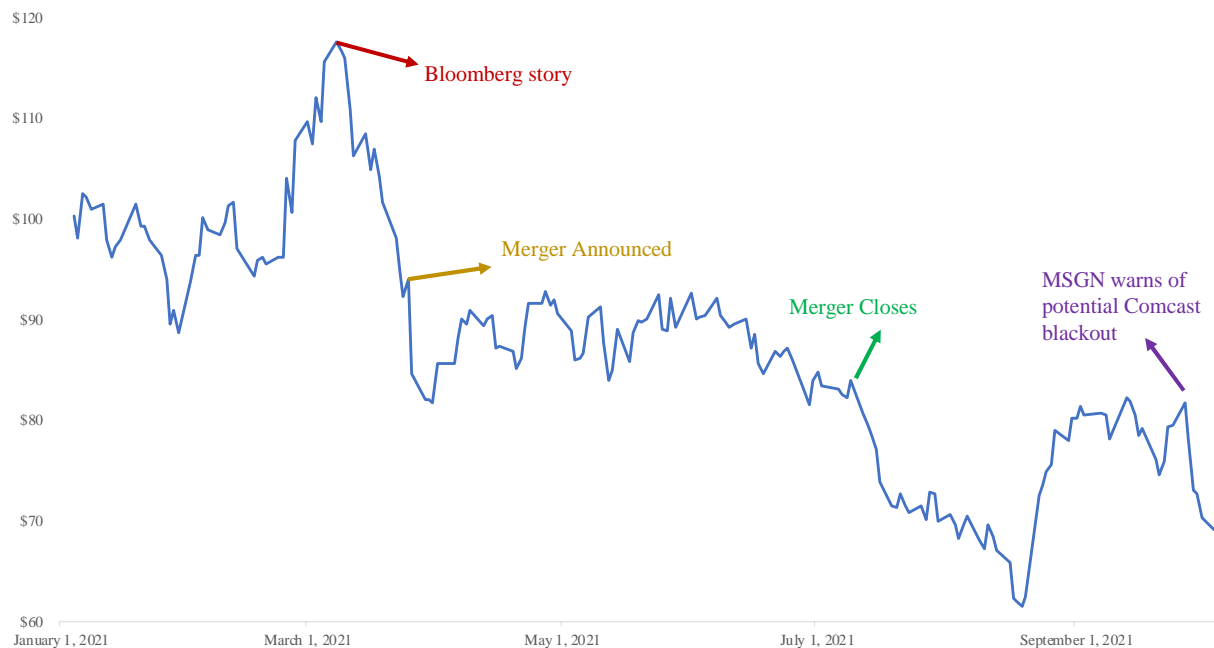
82. The full MSGN Board also met on March 25, 2021. After receiving legal advice from S&C, the MSGN Board unanimously voted to approve the Merger. That same day, the “Dolan family committee”¹⁸ approved the Dolans’ shares being voted in favor of the Merger (including the required MSGE share issuance as currency for the deal). Later that evening, after the parties finalized the transaction documents, MSGE and MSGN executed the merger agreement (the “Merger Agreement”) and the Dolans executed voting agreements. The Merger Agreement

¹⁸ As set forth in the Proxy, “the Dolan family committee . . . has authority with respect to voting matters for the Dolan family group.” The Dolan family committee consists of C.F. Dolan, J. Dolan, T. Dolan, P. Dolan, K. Dolan, Weber, and Deborah A. Dolan-Sweeney. The Dolan family committee generally acts by majority vote, except that approval of a going-private transaction must be approved by a two-thirds vote and two votes are sufficient to block approval of a change-in-control transaction. The voting members of the Dolan family committee are J. Dolan, T. Dolan, K. Dolan, Deborah A. Dolan-Sweeney, and Weber, with J. Dolan having two votes and the other members each having one.

only required approval from an ordinary majority of MSGE stockholders to issue the required shares to fund the deal.

83. The Merger was publicly announced prior to the start of trading on March 26, 2021. Once the news was revealed to the market, MSGE's stock price plummeted almost \$10 per share—from \$93.94 at closing on March 25, 2021 to \$84.67 at closing on March 26, 2021.

84. MSGE's stock price has consistently traded well below the \$115-per-share level at which it was trading before news of the Merger leaked. Most recently, as discussed below, the Company's stock price dropped sharply on news that Comcast was unlikely to renew its agreement to carry MSGN:



85. The reaction from analysts and major stockholders to the Merger was highly critical. Jefferies noted that MSGE's stock price dropped after the announcement and speculated that this reaction might "be driven by the lower multiples for MSGN and the perception of linear TV deteriorating, magnified by recent market weakness in media companies." Oppenheimer explained that the "somewhat confusing" Merger "clouds the growth attributes of MSG Entertainment" and suggested that the Merger appears more favorable to MSGN, which it described as a "declining business." Berenberg wrote that it "would like more industrial logic for the combination." And Boyar Value Group published an open letter stating that "there are no aspects of the 'synergies' created by the transaction . . . that cannot be accomplished via a contractual relationship between both entities."

86. On May 10, 2021, an analyst conducted a Q&A session with members of MSGE and MSGN management and asked a number of questions highlighting investor skepticism about the deal. Management's responses were unconvincing.

87. The first question focused on conflicts of interest: "And the first thing I wanted to ask you is what do you say to investors who are concerned that the interests of the Class B shareholders are different from those of the Class A shareholders?" Seibert, who is the Vice Chairman of both MSGE and MSGN, gave

a rambling and entirely non-responsive answer, that concluded with the demonstrably false statement that “I think everyone’s interests are aligned.”

88. The next question was: “[I]f you’re so confident in the merits of the transaction and everybody’s interests being aligned as you just said, why not just let the merger be subject to a majority of the minority vote?” Again, Seibert’s answer was unconvincing. He simply passed the buck, asserting “that was a decision that was made by the Special Committee and their advisors.”

89. Later in the interview, an analyst asked: “[I]n the past . . . you’ve done spins intercompany agreements and it seemed like the different MSG Sports, Entertainment and Networks were very tightly aligned anyway [so] why do you need to put them all together under the same roof to achieve that?” In response, Andrew Lustgarten, MSGE’s President, replied that “an intercompany agreement works to a certain extent it’s not – it definitely puts you in the right direction but there’s nothing like being under the same roof, growing together with one focus on the bottom line saying same similar goals similar objectives, incentivize together and we just think that this is a really great opportunity to really grow the business.”

90. Finally, an analyst noted that the Proxy’s optimistic projections for MSGN were “[a] little surpris[ing]” because they “showed I think revenue growth kind of continuing over the next I don’t know whether it’s four or five years and pretty steady AOI [adjusted operating income]. And as we’ve hinted at already it’s

a fairly challenged business and a lot of regards cord cutting wherever it may be.” Seibert responded by aggressively disavowing the projections: “[J]ust to refer to the numbers in the prospectus I just want to make clear that those are internal numbers that were used by the Special Committees in the negotiations and they’re not intended to be guidance for investors.”

91. The MSGE Board recognized that the transaction was unpopular with investors. In April 2021, MSGE retained PJT Partners, Goldman Sachs, and J.P. Morgan to prepare investor materials and work on stockholder engagement. On May 6, 2021, MSGN retained Guggenheim Securities for similar reasons.

92. The Merger closed on July 9, 2021.

93. Blank stepped down from MSGE’s Board on August 23, 2021. That same day, the board of directors of AMC Networks elected Blank as its interim CEO, effective September 8, 2021. In connection with his appointment as AMC Networks’ interim CEO, Blank entered into an employment agreement that guarantees him a minimum annual base salary of \$2 million and an annual target bonus opportunity equal to 200% of annual base salary. Blank was also granted a one-time special award of restricted stock units with an aggregate value of \$5 million. As noted, J. Dolan is the Chairman of AMC Networks and the Dolan Family controls approximately 80% of AMC Networks’ voting power. It is reasonably

inferable that Blank's lucrative new job was a reward for his deferential service on the MSGE Special Committee.

E. The Merger Was Unfair to Non-Dolan Stockholders of MSGE

94. The Merger is subject to entire fairness review. The Dolan Family were the controlling stockholders of both MSGE and MSGN, and thus stood on both sides of the Merger. Moreover, the Merger did not follow the *MFW* roadmap. It is undisputed that the Merger was not subject to a majority-of-the-minority voting condition.

95. The Dolan Family had a personal financial incentive to favor the interests of MSGN over those of MSGE in a combination of the two companies. The Dolan Family owned a larger percentage of the total outstanding equity at MSGN than MSGE (roughly 25% vs. 20%). In addition, while outside MSGE investors would prefer supporting MSGE's growth with a wide range of financing options—even if they would be dilutive to the Dolan Family's ultimate ownership—only the Dolan Family saw MSGN stock as a dilution-neutral (to positive) form of financing for MSGE's growth.

96. The Merger was both substantively and procedurally unfair to MSGE and its minority stockholders.

i. MSGE Overpaid for MSGN

97. *First*, the Merger failed to account for MSGE’s bright prospects. Prior to the Spin-Off, MSGE accounted for approximately 50% of MSGS’s consolidated revenues, generating \$819.9 million in revenue and \$118.3 million in adjusted operating income. Likewise, for the year ending June 30, 2018, MSGE generated \$780.7 million in revenue and \$118.4 million in adjusted operating income.

98. Market analysts reviewing the Spin-Off responded with enthusiasm, including myriad “Buy” or “Outperform” ratings and high price targets, even though the COVID-19 pandemic had all but shut down MSGE’s business. One analyst noted that “given [the] value of unique real estate assets[,] a sum-of-the-parts valuation framework which fully values The Garden and associated unused development rights using transactional comps could comfortably support a \$160/share [MSGE] valuation.” Another analyst initiated coverage with a “Buy” rating and a \$116 price target, noting that the Company was “[w]ell [p]ositioned to [w]eather COVID.” J.P. Morgan analysts initiated coverage of the Company with an “Overweight” rating and a \$100 price target, noting that the markets were severely discounting the Company’s value and undervaluing the MSG Sphere project by “ignoring management’s expectation for robust returns and past success with major projects.”

99. At the time of the Spin-Off, MSGS touted that it “would enable shareholders to more clearly evaluate each company’s assets and future prospects, while allowing each company to have a capital structure and capital allocation policy most appropriate for its business.”

100. The Spin-Off was further justified based on the idea that it “would create two distinct companies for MSG shareholders, each with a defined business focus and clear investment characteristics[,] [and MSGE] would be a leader in live entertainment that would take advantage of significant opportunities to grow rapidly within the changing entertainment landscape.” The Merger obviously turns that rationale on its head.

101. Unsurprisingly, MSGE stockholders and market analysts panned the deal. As noted above, Boyar Value Group commented that “there are no aspects of the ‘synergies’ created by the transaction . . . that cannot be accomplished via a contractual relationship between both entities.” Indeed, the MSGE Special Committee [REDACTED]

[REDACTED]¹⁹ In fact, run-rate synergies are a meager \$10 million. As also noted, one analyst explained that the “somewhat confusing” Merger “cloud[ed] the growth attributes of MSG [Entertainment].”

¹⁹ [REDACTED]

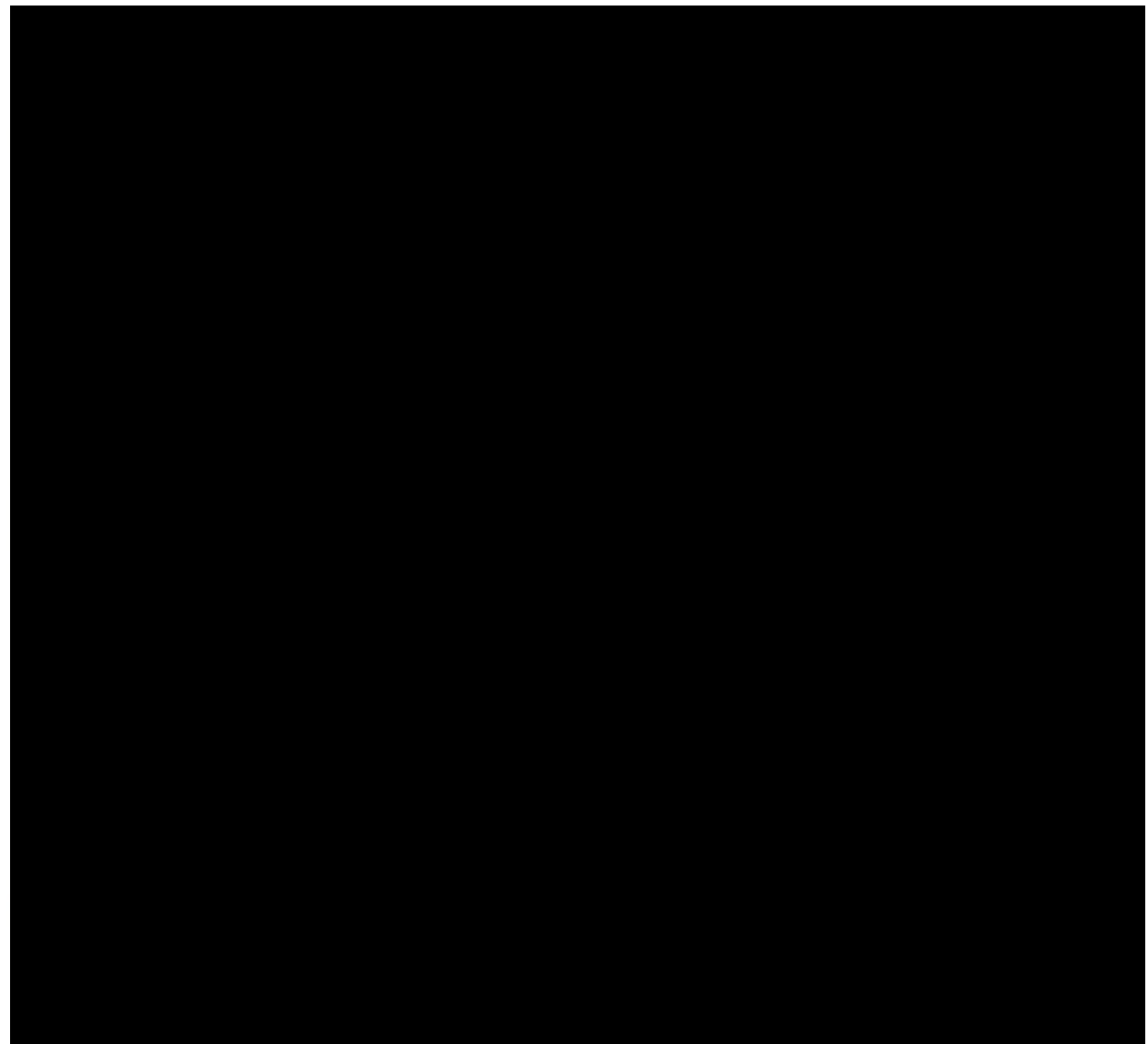
102. The Merger combined a growing company (*i.e.*, MSGE) with one that is in decline (*i.e.*, MSGN). According to Oppenheimer, MSGN’s revenues were estimated to decline ~6% in 2021 and ~2% in 2022 due to cord-cutting, which had already significantly slashed MSGN’s subscribers and TV ratings over the last two years. Oppenheimer further explained that the Merger “appears more favorable to MSGN,” which was described as a “declining business,” and MSGN’s touted gaming opportunity benefits were not easily understood. According to a February 12, 2021 Guggenheim analyst report, MSGN’s EBITDA was expected to decline by approximately **43%** from 2022 to 2025.

103. The MSGE Special Committee was aware of the opposite trajectories of the two companies. As set out in Moelis’s fairness opinion presentation, [REDACTED]

[REDACTED]

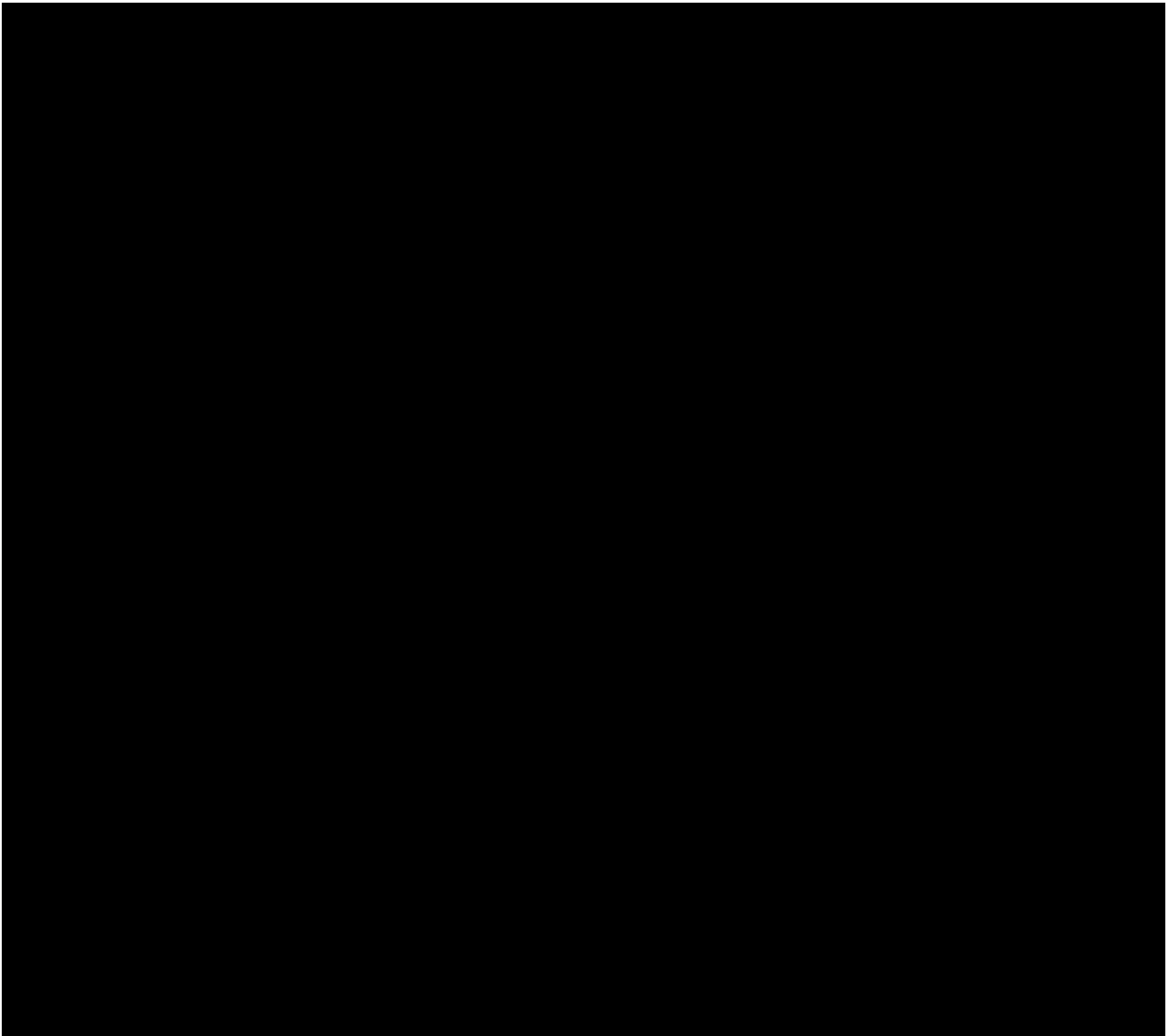
[REDACTED]

[REDACTED]



104. On the other hand, each of MSGE management, the market, and MSGN's management





105. Neither the Merger’s press release nor the analyst conference call hosted by the Company adequately explained how tying MSGE’s assets to a business reliant on decaying cable TV carriage fees would benefit the Company. This is especially true as the “cord-cutting” trend continues to substantially erode cable TV subscriptions, which are decreasing by millions of subscribers each year. As Oppenheimer noted in an August 23, 2021 report—after the Merger had closed—“the company continues to benefit from the recovery of live events. However, we

continue to question the rationale for the acquisition of MSGN as the business continues to lose subscribers— e.g., a ~7% decline during the quarter.” An August 24, 2021 Guggenheim report similarly noted that “we remain skeptical about the long-term strategic benefits of a recombination and continue to view the long-term outlook for the RSN business as sub-optimal (no clear DTC strategy, path back to growth).”

106. MSGN’s decline continues. On October 1, 2021, MSGN issued a press release disclosing that, on September 30, 2021, Comcast Xfinity had chosen to allow its agreement to carry MSGN to expire. In a public statement, Comcast stated “[w]e don’t believe that our customers should have to pay the millions of dollars in fees that MSG is demanding for some of the most expensive sports content in the country with extremely low viewership in our markets . . . According to our data, customer viewership of the MSG networks is virtually non-existent.” MSGE shares dropped almost 3% on this news.

107. And it is reasonably inferable that the Dolans knew this bad news was coming. Public reporting suggests that discussions between the two parties had been ongoing for quite some time. According to a report by Sportico, “Comcast and MSG were not in active discussions when the deadline passed” but MSGN stated that Comcast had rejected multiple proposals. Yet there is no evidence that anyone ever told MSGE’s Special Committee of this risk.

108. *Second*, the Merger was opportunistically timed to exploit discrepancies in the relative trading prices of MSGE's and MSGN's stock caused by the COVID-19 pandemic. Since MSGE owns and operates various social venues, the COVID-19 pandemic completely shut down much of its operations and severely depressed its business and stock price. By contrast, MSGN, which owned and operated television networks, was far less impacted by—and in fact *benefited* from—the pandemic.²⁰ Indeed, between November 2020 and March 10, 2021, the date when news of a potential merger leaked, MSGN's stock price increased by 117%. MSGE was expected to rebound as the pandemic ended while MSGN was expected to steadily decline. Indeed, as explained in a March 10, 2021 J.P. Morgan analyst report, MSGE was still trading at around a 40% discount to its fair value, largely because MSGE was in the midst of a massive expansion effort, including with respect to the Sphere project in Las Vegas.

109. *Third*, the Merger did not fairly compensate MSGE for the significant tax benefits flowing to MSGN. Indeed, when the MSGE Board first discussed a potential transaction on January 6, 2021, the MSGE Board [REDACTED]

[REDACTED]

²⁰ MSGE's revenue and operating income fell last quarter by a staggering 94% and 150% (*i.e.*, to a net operating loss), respectively, compared to the prior year's performance. The corresponding decreases at MSGN were only 22% and 4%.

[REDACTED]

[REDACTED]

[REDACTED] 21

110. The Merger's press release explains:

As of December 31, 2020, MSG Entertainment had a federal net operating loss (NOL) of approximately \$250 million, primarily due to the temporary shutdown of its venues as a result of COVID-19. Furthermore, MSG Entertainment expects to accelerate the depreciation of significant components of the capital investment for MSG Sphere in Las Vegas in calendar 2023, which is when the venue is expected to open. As a result of this transaction, the combined company would be able to more efficiently utilize MSG Entertainment's existing NOL, as well as future bonus depreciation related to MSG Sphere in Las Vegas, to offset the taxable income of all of its businesses, including MSG Networks, which today is a full state and federal income tax cash payer.

111. Put simply, MSGN (and the Dolan Family) were effectively able to significantly reduce their tax liability by exploiting MSGE's substantial NOLs and accelerated and bonus depreciation, but failed to adequately compensate MSGE and its minority stockholders for these valuable benefits.

112. In addition, the Merger does not properly account for the amount of the NOLs. As of March 31, 2021, MSGE carried an estimated NOL carryforward of approximately ***\$350 million*** that can be used to offset future taxable income. Despite this, the MSGE Board approved the Merger on March 25, 2021

[REDACTED]

[REDACTED]

[REDACTED]²³

113. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]²⁴

114. *Fourth*, the negative market reaction to the Merger clearly indicates that public stockholders did not believe the Merger was a good or fair deal for MSGE or its Class A stockholders. When the Merger was announced on March 26, 2021, MSGE’s stock price plummeted even further to \$84.67. The closing stock price as of the trading day prior to the filing of this Complaint was below \$70 per share, a decline of approximately 40% from its pre-announcement price of \$116 per share.

²² [REDACTED]

²³ [REDACTED]

²⁴ [REDACTED]

ii. The Merger Was Negotiated Through An Unfair Process

115. The process that led to the Merger was flawed and unfair.

116. *First*, particularly in light of the conflicted nature of the Merger, it is inexplicable that the Dolans chose not to give the Company's Class A stockholders any say on the conflicted transaction. The only stockholder approval required was that of a majority of the Company's voting power, which J. Dolan and his family controlled. The Dolans, by themselves, were able to approve the requisite issuance of MSGE stock in order to overpay for MSGN.

117. *Second*, the MSGE Board provided the MSGE Special Committee with an unduly constrained mandate. The MSGE Special Committee could block a strategic transaction with MSGN, but it was not authorized to pursue any alternative transaction with a different counterparty. Crucially, the MSGE Special Committee was not empowered to consider strategic alternatives, such as alternative financing transactions to fund MSGE's continued growth.

118. *Third*, Blank, one of the two members of the MSGE Special Committee, was (and is) a senior advisor to the Raine Group, the parent company of the MSGE Special Committee's financial advisor, Raine. Raine received \$7.5 million in fees for its work on the Merger (\$1.5 million payable on the date of the engagement letter, plus \$2.5 million that became payable upon the delivery of the fairness opinion to the MSGE Special Committee, plus \$3.5 million when the

Merger was consummated). It is clearly inferable that Blank may have obtained some personal benefit for steering this work to Raine. Indeed, Blank received the lucrative role as interim CEO at AMC Networks as a reward for pushing through the Merger.

119. *Fourth*, S&C advised both sides of the Merger at various intervals. Indeed, the Proxy identifies S&C as each of MSGE's and MSGN's "regular counsel." S&C attended and rendered legal advice at or in connection with the kick-off meetings for the MSGE and MSGN boards with respect to the Merger. S&C communicated with the Dolan Family's counsel; attended the MSGN Special Committee's "organizational meeting"; participated in a mid-negotiation call with special committee counsel, at which time it was told that "there would continue to be no discussion with the Dolan family group or [its counsel] concerning the details of the transaction" until there was an agreement on an exchange ratio; and attended the MSGE and MSGN Board meetings approving the Merger.

120. *Fifth*, the exchange ratio appears to provide a mechanism for the Dolan Family to increase its ownership and voting power in MSGE through the Merger. Yet, the fairness opinions of Moelis and Raine did not address the voting rights of Class A or Class B common stock and, at the direction of or with the consent of the MSGE Special Committee, did not place any financial value on such voting rights.

121. *Sixth*, as noted above, the Proxy and merger announcement statements misrepresented the value of MSGE's NOL carryforward, [REDACTED]

122. *Seventh*, the fairness opinions offered by MSGE's financial advisors, in particular with regard to their discounted cash flow ("DCF") analyses of both MSGE and MSGN, included numerous errors and irregularities. Among other things:

- a. In calculating the discount rate, Moelis and Raine both looked to the capital structure of selected comparable companies instead of MSGE and MSGN's actual or target capital structures. This is a common error that Delaware courts have routinely rejected.
- b. Notably, Moelis's and Raine's DCF analyses calculated substantially lower values for MSGE (\$66 to \$120 per share and \$68 to \$101 per share, respectively) than the DCF analysis of MSGE performed by MSGN's advisors at LionTree and Morgan Stanley (\$121 to \$146 per share) because Moelis and Raine inexplicably used much higher discount rates than did LionTree and Morgan Stanley.
- c. For its DCF analysis of MSGE, Moelis used cash flow projections from January 1, 2021 through June 30, 2025. But for its DCF analysis of MSGN, Moelis used cash flow projections from July 1, 2021 through December 31, 2025. In other words, Moelis used 4.5 years for both companies (instead of the standard five). This artificially reduces MSGE's value by giving it less credit for a post-COVID recovery. Similarly, the 4.5 years of projections for MSGE include an additional six-months of COVID-impacted projections (January 1, 2021 through June 30, 2025) that the 4.5 years of cash flow projections for MSGN did not. Notably, in 2025 (as the discrete period ends), MSGE's projections show MSGE's free cash flow growing at 218% and MSGN free cash flow decreasing by 14%. The decision to reduce the discrete period from 5 years to 4.5 and to forego a three-stage model for MSGE

resulted in an artificially low valuation and helps explain why 178% of Moelis' implied DCF net value for MSGE comes from the terminal period.

123. The Proxy states that Moelis and Raine were instructed to use “adjusted” projections for MSGN that had been “modified and revised by MSGE management.” The Proxy disclosed both the original and adjusted projections but does not explain why adjustments were needed, given that the management of both companies substantially overlaps.

F. The Merger Provides Unique, Non-Ratable Benefits to the Dolans

124. The Merger benefited the Dolan Family by allowing them to increase their holdings in MSGE through an exchange ratio that was based on MSGE's COVID-19-depressed stock price just before the impending rebound of live events. As evidenced by MSGE's past performance, there should have been little doubt that once COVID-19-related restrictions on live entertainment events eased, the Company's revenues would substantially increase, and the stock price would rise. Instead, the Merger allowed the Dolan Family to acquire 3 million shares of Company stock at bargain prices and unfairly diluted the Company's Class A stockholders.

125. Moreover, the structure of the Merger allowed the Dolan Family to steer capital to the Company but also avoid the dilution to *themselves* that would

result from a cheaper form of third-party financing preferable to MSGE's public stockholders.

126. In addition, the Dolan Family used the Merger to shift valuable tax assets that rightfully belonged to the Company to offset taxable income generated by MSGN. This was an immense benefit to the Dolan Family and the other MSGN stockholders to the detriment of MSGE and its stockholders. The NOLs and depreciation for MSG Sphere are tremendously valuable to MSGE, which was forced to sustain high losses during the pandemic but is poised to begin generating taxable income once the pandemic subsides. Splitting the value of this tax asset with MSGN, for no reason other than for the benefit of the Dolans, was patently unfair to MSGE.

DERIVATIVE AND DEMAND-FUTILITY ALLEGATIONS

127. Plaintiffs bring this Action derivatively in the right and for the benefit of the Company to redress breaches of fiduciary duty by the Defendants. Plaintiffs are stockholders of MSGE, were stockholders of the Company at the time of the wrongdoing alleged herein, and have been stockholders of the Company continuously since that time. Plaintiffs will adequately and fairly represent the interests of the Company and its stockholders in enforcing and prosecuting its rights.

128. Plaintiffs did not make a demand on the MSGE Board to institute this Action because pre-suit demand is excused. The facts alleged in the preceding

paragraphs raise a reasonable doubt that, at a minimum, a majority of the demand Board would be disinterested and independent when considering a demand regarding breaches of fiduciary duty by the Director Defendants and the Dolan Defendants.

129. At the time that Plaintiffs filed their initial complaints, the MSGE Board consisted of 17 directors, all of whom were named as Director Defendants in this Action. Because the initial complaints would have survived a motion to dismiss, that Board is the relevant demand board. The same is true even if the Court considers the current Board to be the relevant demand Board because the only relevant changes are Blank's resignation and his replacement by Joel Litvin, one of the two members of the MSGN Special Committee who had served as a MSGN director since 2015. Either way, a majority of the demand Board faces a substantial likelihood of liability for breach of fiduciary duty in connection with the negotiation and approval of the Merger, which was unfair to MSGE and its public holders of Class A stock.

130. Likewise, a majority of the demand Board would not be disinterested and independent when considering a demand regarding breaches of fiduciary duty by MSGE's controller, the Dolans. A majority of the demand Board consisted of Dolans themselves, and a number of additional directors on the MSGE Board have deep and long-standing ties to the Dolans. And Litvin could not independently consider a demand challenging a transaction that benefited MSGN stockholders, which he voted for as an MSGN director. As such, a majority of the MSGE Board

would not be disinterested and impartial when considering a demand to institute litigation to hold the Dolan Defendants accountable for negotiating and approving the unfair Merger, which also provides the Dolans with unique and non-ratable benefits.

CLAIMS FOR RELIEF

COUNT I

(Derivative Claim Against the Director Defendants for Breach of Fiduciary Duty)

131. Plaintiffs repeat and reallege each and every allegation set forth herein.

132. The Director Defendants, as MSGE directors, owed MSGE the utmost fiduciary duties of care and loyalty. By virtue of their positions as directors and/or officers of MSGE, and of their exercise of control over the business affairs of the Company, the Director Defendants had the power to control and influence and did control and influence or cause the Company to engage in the practice complained of herein.

133. The Director Defendants' fiduciary duties required them to place the interests of the Company above their own interests and/or the interests of the controlling stockholders.

134. As described above, the Director Defendants breached their fiduciary duties by causing the Company to enter into the Merger Agreement. The Merger is unfair to MSGE, and provides unique, non-ratable benefits to the Dolans.

135. As a result of the foregoing, MSGE has been harmed and has no adequate remedy at law.

COUNT II

(Derivative Claim Against the Dolan Defendants in Their Capacity as Controlling Stockholders for Breach of Fiduciary Duty)

136. Plaintiffs repeat and reallege each and every allegation set forth herein.

137. The Dolan Defendants were (and are) MSGE's controlling stockholders. As controlling stockholders, the Dolan Defendants owed MSGE fiduciary duties.

138. The Dolan Defendants violated their fiduciary duty of loyalty by putting their own interests ahead of the interests of MSGE and approving the Merger. The Dolan Defendants forced through the Merger so they could increase their holdings of MSGE through the unfair exchange ratio at a time when MSGE's stock price was depressed by the effects of the COVID-19 pandemic and so they could offset the taxable income of their other investment in MSGN through the use of MSGE's NOLs and other tax advantages.

139. As a result of these breaches of fiduciary duty, MSGE was forced to overpay for MSGN's declining business that is reliant on decaying cable-TV carriage fees. MSGE was fundamentally transformed into a different and weaker business and forced to share with MSGN valuable tax assets that rightfully belonged

to MSGE.

140. The Merger is unfair to MSGE, and provides unique, non-ratable benefits to the Dolans.

141. As a direct and proximate result of the foregoing breaches of fiduciary duty, MSGE was harmed and has no adequate remedy at law.

PRAYER FOR RELIEF

142. WHEREFORE, Plaintiffs respectfully request that the Court enters judgment as follows:

- A. Declaring that demand on the MSGE Board is excused as futile;
- B. Declaring that the Director Defendants breached their fiduciary duties of loyalty and care to the Company;
- C. Declaring that the Dolan Defendants breached their fiduciary duties of loyalty and care to the Company as controlling stockholders;
- D. Granting equitable relief to remedy the Director Defendants' and Dolan Defendants' breaches of fiduciary duty to the Company that the Court deems appropriate;
- E. Awarding MSGE damages as a result of the Director Defendants' and Dolan Defendants' breaches of fiduciary duty;
- F. Awarding pre- and post- judgment interest on any monetary award;

G. Awarding Plaintiffs their reasonable attorneys' fees, expenses, and costs; and

H. Granting such other and further relief as the Court deems just and equitable.

Dated: October 11, 2021

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CERTIFICATE OF SERVICE

I, Gregory V. Varallo, hereby certify that, on October 18, 2021, the foregoing
Public [redacted] version of Plaintiffs' Verified Consolidated Derivative Complaint
was filed and served via File & ServeXpress upon the following counsel of record:

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